

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN, OR INTO, THE UNITED STATES EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS (“QIBs”), AS DEFINED IN, AND IN COMPLIANCE WITH, RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED.

IMPORTANT: You must read the following disclaimer before continuing. The following applies to the offering circular (“**Offering Circular**”) following this page, whether received by e-mail, accessed from an internet page or received as a result of electronic transmission, and you are therefore required to read this carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer and the Joint Bookrunners (each as defined below) as a result of such access.

The attached Offering Circular has been prepared solely in connection with the proposed offering to certain institutional and professional investors of the securities described herein, which are exempt from registration under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). Nothing in this electronic transmission constitutes an offer of securities for sale in the United States.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION WHERE THE OFFER, SALE OR SOLICITATION IS NOT PERMITTED. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

Confirmation of Your Representation: In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, you must be either: (i) outside of the United States; or (ii) a QIB within the meaning of Rule 144A under the Securities Act. The attached Offering Circular is being sent at your request, and by accessing the attached Offering Circular you have confirmed to Citigroup Global Markets Limited and The Standard Bank of South Africa Limited as joint bookrunners (the “**Joint Bookrunners**”) and the Republic of Kenya, acting through the National Treasury and Economic Planning (the “**Issuer**”) that: (i) you understand and agree to the terms set out herein; (ii) in respect of securities being offered in an offshore transaction pursuant to Regulations S under the Securities Act, you are outside the United States, its territories and possessions, and to the extent the attached Offering Circular is delivered via e-mail, the e-mail address to which, pursuant to your request, the attached Offering Circular has been delivered by electronic transmission is not located in the United States, its territories and possessions for the purposes of Regulation S under the Securities Act; (iii) in respect of securities offered and sold in reliance on Rule 144A, you are a QIB within the meaning of Rule 144A under the Securities Act; (iv) you consent to delivery by electronic transmission; (v) you will not transmit the attached Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Joint Bookrunners and the Issuer (each as defined in the attached Offering Circular); and (vi) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

Restrictions: THE FOLLOWING ELECTRONIC TRANSMISSION MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS DOCUMENT MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT AND WITHIN THE UNITED STATES TO QIBS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS DOCUMENT CONTRARY TO ANY OF

THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY NOTES DESCRIBED THEREIN.

You are reminded that the attached Offering Circular has been delivered to you on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Offering Circular, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

UK MiFIR product governance / Professional investors and ECPs only target market: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The attached Offering Circular is being distributed only to and directed only at (i) persons who are outside the United Kingdom, or (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), or (iii) high net worth entities and other persons falling within Article 49(2)(a) to (d) of the Order, or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") in connection with the issue or sale of any securities of the Issuer may otherwise lawfully be communicated or caused to be communicated (all such persons in (i)-(iv) collectively being referred to as "**relevant persons**"). The attached Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the attached Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons. No other person should rely on it.

The attached Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Joint Bookrunners or the Issuer that would, or is intended to, permit a public offering of the securities, or possession or distribution of the attached Offering Circular or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering of securities described in the attached Offering Circular be made by a licenced broker or dealer and a Joint Bookrunner or any affiliate (as defined under Rule 501(b) of Regulation D of the Securities Act) of the applicable Joint Bookrunner is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Issuer or holders of the applicable securities in such jurisdiction.

The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Joint Bookrunners, any person who controls any of the Issuer, the Joint Bookrunners, any director, officer, employee or agent of any of them, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Offering Circular distributed to you in electronic format and the hard copy version available to you on request from any of the Joint Bookrunners. Please ensure that your copy is complete. You are responsible for protecting against viruses and other destructive items. Your use of this document is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



THE REPUBLIC OF KENYA
US\$1,500,000,000 9.750% Amortising Notes due 2031
Issue Price: 97.270%

The US\$1,500,000,000 9.750% Amortising Notes due 2031 (the “**Notes**”) to be issued by the Republic of Kenya, acting through the National Treasury and Economic Planning (the “**Issuer**” or “**Kenya**”) are direct, unconditional and unsecured obligations of the Issuer.

The Notes shall be finally redeemed at their final Amortisation Amount payable on 16 February 2031 (the “**Maturity Date**”). The Notes will bear interest on their outstanding principal amount from time to time (as determined in accordance with “*Terms and Conditions of the Notes—Redemption and Purchase*”). The Notes will bear interest from (and including) 16 February 2024 at the rate of 9.750% per annum, payable semi-annually in arrear on 16 February and 16 August of each year, commencing on 16 August 2024. Unless previously redeemed or purchased and cancelled, the Notes will be redeemed in three equal instalments of US\$500,000,000, on each of 16 February 2029, 16 February 2030 and 16 February 2031 as described under “*Terms and Conditions of the Notes—Redemption and Purchase*” (such amounts in respect of the Notes, each an “**Amortisation Amount**”). Payments on the Notes will be made in US dollars without deduction for or on account of taxes imposed or levied by Kenya to the extent described under “*Terms and Conditions of the Notes—Taxation*”.

Application has been made to the United Kingdom Financial Conduct Authority (the “**FCA**”) for the Notes to be admitted to the official list of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Notes to be admitted to trading on the London Stock Exchange’s main market. For the purposes of such application, the Issuer is an exempt issuer pursuant to Article 1(2) of Regulation (EU) 2017/1129 as it forms part of United Kingdom (“**UK**”) domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (as amended, the “**UK Prospectus Regulation**”). Accordingly, this offering circular (“**Offering Circular**”) has not been reviewed or approved by the FCA and has not been approved as a prospectus by any other competent authority under the UK Prospectus Regulation. The Notes will not be subject to the prospectus requirements of the UK Prospectus Regulation but will be listed in accordance with the listing rules of the London Stock Exchange.

References in this Offering Circular to the Notes being “**listed**” (and all related references) shall mean that the Notes have been admitted to trading on the London Stock Exchange’s main market and have been admitted to the Official List. The London Stock Exchange’s main market is a UK regulated market for the purposes of Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of UK domestic law by virtue of the EUWA.

An investment in the Notes involves a high degree of risk. Prospective investors should have regard to the factors described under the heading “*Risk Factors*”.

The Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any State or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a summary of certain restrictions on resale, see “*Transfer Restrictions*” and “*Plan of Distribution*”. The Notes will be offered and sold outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”) and within the United States to qualified institutional buyers (“**QIBs**”) within the meaning of Rule 144A under the Securities Act (“**Rule 144A**”). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Notes are expected to be rated B by Fitch (Hong Kong) Limited (“**Fitch**”) and as B by S&P Global Ratings UK Limited (“**S&P**”). The ratings issued by Fitch have been endorsed by Fitch Ratings Ltd. (“**Fitch UK**”), in accordance with Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA

(the “**UK CRA Regulation**”) and have not been withdrawn. Each of S&P and Fitch UK have been registered under the UK CRA Regulation and appear on the list of registered credit rating agencies on the website of the Financial Conduct Authority. S&P and Fitch UK are established in the UK and registered in accordance with the UK CRA Regulation. As such, the ratings issued by S&P and Fitch may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation. Any change in the rating of the Notes may adversely affect the price that a purchaser may be willing to pay for the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes will be offered and sold in registered form in denominations of US\$200,000 or any amount in excess thereof which is an integral multiple of US\$1,000. The Notes that are offered and sold in reliance on Regulation S (the “**Unrestricted Notes**”) will be represented by beneficial interests in one or more global notes (the “**Unrestricted Global Notes**”) in registered form without interest coupons attached, which will be registered in the name of Citivic Nominees Limited, as nominee for, and will be deposited on or about 16 February 2024 (the “**Closing Date**”) with, Citibank Europe plc, as common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). The Notes that are offered and sold in reliance on Rule 144A (the “**Restricted Notes**”) will be represented by beneficial interests in one or more global notes (the “**Restricted Global Notes**”) in each case in registered form without interest coupons attached, which will be deposited on or about the Closing Date with Citibank, N.A., London Branch, as custodian (the “**Custodian**”) for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company (“**DTC**”). Interests in the Restricted Global Notes will be subject to certain restrictions on transfer. Beneficial interests in the Unrestricted Global Notes and Restricted Global Notes (together, the “**Global Notes**”) will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear, Clearstream, Luxembourg and their respective participants. Except in the limited circumstances as described herein, certificates will not be issued in exchange for beneficial interests in the Global Notes.

Joint Bookrunners

Citigroup

Standard Bank

This Offering Circular is dated 14 February 2024

RESPONSIBILITY STATEMENT

Kenya accepts responsibility for the information contained in this Offering Circular and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

To the best of the knowledge and belief of Kenya, the information contained in this Offering Circular is true and accurate in every material respect and is not misleading in any material respect, and this Offering Circular does not omit to state any material fact necessary to make such information not misleading. The opinions, assumptions, intentions, projections and forecasts expressed in this Offering Circular with regard to Kenya are honestly held by Kenya, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

IMPORTANT NOTICE

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by Kenya or the Joint Bookrunners. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Kenya since the date hereof. This Offering Circular may only be used for the purpose for which it has been published.

None of the Joint Bookrunners nor any of their respective affiliates have authorised the whole or any part of this Offering Circular, and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular. None of the Joint Bookrunners or any of their directors, affiliates, advisers and agents has made any independent verification of the information contained in this Offering Circular in connection with the issue or offering of the Notes, and no representation or warranty, express or implied, is made by any of the Joint Bookrunners or their directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. Nothing contained in this Offering Circular is, is to be construed as, or shall be relied upon as, a representation or warranty, whether to the past or the future, by any of the Joint Bookrunners or their respective directors, affiliates, advisers or agents in any respect.

This Offering Circular does not constitute an offer of, or an invitation by, or on behalf of, Kenya or the Joint Bookrunners to subscribe for, or purchase, any of the Notes in any jurisdiction in which such offer or invitation is unlawful. This Offering Circular does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful. The distribution of this Offering Circular and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by Kenya and the Joint Bookrunners to inform themselves about and to observe any such restrictions.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes and the admission of the Notes to the Official List and to trading on the London Stock Exchange's main market. The Issuer and the Joint Bookrunners reserve the right to reject any offer to purchase Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States other than any QIB to whom an offer has been made directly by one of the Joint Bookrunners or its respective U.S. broker-dealer affiliate. Distribution of this Offering Circular to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB with respect thereto, is unauthorised, and any disclosure without the prior written consent of the Issuer of any of its contents to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB, is prohibited.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by Kenya or the Joint Bookrunners that any recipient of this Offering Circular should purchase any of the Notes. Each prospective investor contemplating purchasing Notes should make its own independent investigation of the financial Condition and affairs, and its own appraisal of the creditworthiness, of Kenya. Prospective investors should also consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Kenya of

acquiring, holding and disposing of the Notes and receiving payments of principal, interest and/or other amounts under the Notes.

Notwithstanding anything herein to the contrary, from the commencement of discussions with respect to the transaction contemplated by this Offering Circular, all persons may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction described herein and all materials of any kind (including opinions and other tax analyses) that are provided to such persons relating to such tax treatment and tax structure, except to the extent that any such disclosure could reasonably be expected to cause this transaction not to be in compliance with securities laws. For the purposes of this paragraph, the tax treatment of this transaction is the purported or claimed US federal income tax treatment of this transaction and the tax structure of this transaction is any fact that may be relevant to understanding the purported or claimed US federal income tax treatment of this transaction.

This Offering Circular may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Each purchaser or holder of interests in the Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain representations and agreements as set out in *“Transfer Restrictions”*.

For a description of certain restrictions on offers, sales and deliveries of the Notes, see *“Plan of Distribution”*.

The Republic of Kenya is a sovereign state. Consequently, it may be difficult for investors to obtain or enforce judgments or arbitral awards. See *“Risk Factors—Risks Relating to the Notes—Kenya is a sovereign state and, accordingly, it may be difficult to obtain or enforce judgments or arbitral awards against it”*.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**“COBS”**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA (**“UK MiFIR”**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **“distributor”**) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **“UK MiFIR Product Governance Rules”**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**“EEA”**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **“MiFID II”**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **“Insurance Distribution Directive”**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **“PRIIPs Regulation”**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

STABILISATION

In connection with the issue of the Notes, Citigroup Global Markets Limited (the **“Stabilisation Manager”**) (or any person acting on behalf of the Stabilisation Manager) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a higher level than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE NOTES OR APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 (2020 Revised Edition) OF SINGAPORE

Product Classification pursuant to Section 309B of the Securities and Futures Act 2001 – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore as modified or amended from time to time (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the “MAS”) Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAAN16: Notice on Recommendations on Investment Products).

SUITABILITY OF INVESTMENT

An investment in the Notes may not be suitable for all investors. Generally, investment in emerging markets such as Kenya is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Prospective investors are urged to consult their own legal, tax and financial advisers before making an investment. Such risks include, but are not limited to, higher volatility and more limited liquidity in respect of the Notes, a fragile export base, budget deficits, lack of adequate infrastructure necessary to accelerate economic growth and changes in the political and economic environment. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets, which could affect the ability of governments to meet their obligations under issued securities.

Investors should also note that emerging markets such as Kenya are subject to rapid change and that the information set out in this Offering Circular may become outdated relatively quickly.

Each prospective investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency;
- understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent the Notes are legal investments for it, the Notes can be used as collateral for various types of borrowing and other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

PRESENTATION OF ECONOMIC AND OTHER INFORMATION

Annual information presented in this Offering Circular is based upon a fiscal year commencing on 1 July in one year and ending on 30 June in the subsequent year, unless otherwise indicated. While the fiscal year ends on 30 June of each year, certain information in this Offering Circular provided by the Kenya National Bureau of Statistics, including GDP and GDP sector information, are provided as of 31 December of each year. Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be the sum of the figures which precede them. Statistical information reported herein has been derived from official publications of, and information supplied by, a number of agencies and ministries of Kenya, including the National Treasury, the Central Bank of Kenya (the “**CBK**”) and the Kenya National Bureau of Statistics. Some statistical information has also been derived from information publicly made available by third parties such as the International Monetary Fund (the “**IMF**”) and the World Bank (the “**World Bank**”). Where such third-party information has been so sourced, the source is stated where it appears in this Offering Circular. Kenya confirms that it has accurately reproduced such information and that, so far as it is aware and is able to ascertain from information published by third parties, it has omitted no facts which would render the reproduced information inaccurate or misleading. As used in this Offering Circular, references to the “Government” are to the government of Kenya, and the term “Central Government” is interchangeable with, and means the same as, “National Government”.

Similar statistics may be obtainable from other sources, but the date of publication, underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. In addition, statistics and data published by one ministry or agency may differ from similar statistics and data produced by other agencies or ministries due to differing underlying assumptions, methodology or timing of when such data is reproduced. Certain historical statistical information contained herein is provisional or otherwise based on estimates that Kenya and/or its agencies believe to be based on reasonable assumptions. Kenya’s official financial and economic statistics are subject to internal review as part of a regular confirmation process. Accordingly, the financial and economic information set out in this Offering Circular may be subsequently adjusted or revised and may differ from previously published financial and economic information. In addition, Kenya’s budget figures as presented in the Offering Circular may be subject to subsequent revision. While Kenya does not expect such revisions to be material, no assurance can be given that material changes will not be made.

References to any individual period, such as 2022/23, are references to a fiscal year commencing on 1 July in one year and ending on 30 June in the subsequent year. References to any individual calendar year, such as 2022, are references to a calendar year commencing on 1 January and ending on 31 December in the same year. All references in this document to “**Kenyan shilling**”, “**shilling**” and “**KES**” are to the currency of the Republic of Kenya; to “**US dollars**”, “**US\$**” and “**\$**” are to the currency of the United States of America; and to “**euro**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended. For ease of information, certain financial information relating to the Republic of Kenya included herein is presented as translated into US dollars at the US dollar/KES rates of exchange deemed appropriate by Kenya. Unless otherwise specified, such rates were applicable as of the end of such specified period(s). Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted into US dollars at that or any other rate. References to “**SDR**” are to the Special Drawing Right, a unit of account having the meaning ascribed to it from time to time by the Rules and Regulations of the IMF. References in this document to “billions” are to thousands of millions.

The Kenya National Bureau of Statistics releases an economic survey covering socio-economic information for Kenya on an annual basis. This economic survey is generally released in May every year.

Information contained herein that is identified as being derived from a publication of the Republic of Kenya or one of its agencies or instrumentalities is included herein on the authority of such publication as an official public document of the Republic of Kenya. All other information contained herein with respect to the Republic of Kenya is included as an official public statement made on the authority of the Minister of Finance of the Republic of Kenya.

Rebasing of National Accounts

In September 2021, Kenya National Bureau of Statistics rebased its national accounts, changing the base year from 2009 to 2016, and revised the annual and quarterly national accounts statistics for the period 2009 to 2016. Kenya National Bureau of Statistics applied the System of National Accounts 2008 and the International Standard Industrial Classification revision 4 system (“**ISIC**”) to compile the rebased GDP estimates. The System of National Accounts is the internationally agreed standard set of recommendations on how to compile measures of economic activity, and ISIC is the international standard for the classification of productive economic activities. This revision is the seventh time that Kenya has revised the national account statistics. The first revision was carried out in 1957 and subsequent revisions were carried out in 1957, 1967, 1976, 1985, 2005, 2014 and 2021. The UN Statistical Commission recommends that countries rebase every five years.

Rebasing enables economic estimates to better understand the current structure of the economy and sectoral growth drivers, and to better reflect the performance of the most important parts of the economy. For example, the rebasing in 2021 allowed the Government to account for changes in production structure, relative product prices and products. These measures have led to changes in the size of GDP, growth rates, contributions by sector and related indicators that use GDP.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements, which involve risks and uncertainties. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Circular and include statements regarding the Government’s intentions, beliefs or current expectations concerning, amongst other things, the general political and economic conditions in Kenya. All forward-looking statements are based upon information available to Kenya on the date of this Offering Circular, and Kenya undertakes no obligation to update any of these in light of new information or future events. Kenya derives many of its forward-looking statements from its budgets and forecasts, which are based upon many detailed assumptions. While Kenya believes that its assumptions are reasonable, it cautions that it is difficult to predict the impact of known factors, and it is impossible to anticipate all factors that could affect Kenya’s actual results. These factors include, but are not limited to:

external factors, such as:

- the impact of changes in international oil prices;
- the impact of changes in other international commodity prices, including tea, coffee and horticultural products;
- interest rates in financial markets outside Kenya;
- the impact of changes in the credit rating of Kenya;
- economic conditions in Kenya’s major export markets;
- the impact of possible future regional instability;
- changes in global inflation rates;
- changes in the amount of remittances from non-residents;
- the decisions of international financial institutions, multilateral development banks and creditor countries regarding the amount and terms of their financial assistance to Kenya;
- the impact of global geopolitical conflicts; and
- the impact of climate change on international conditions,

as well as internal factors, such as:

- general economic, political and business conditions in Kenya;
- the impact of possible future social and political unrest;
- present and future exchange rates of the Kenyan currency;
- the level of foreign currency reserves;
- the impact of natural disasters, health epidemics and droughts and other agricultural blights;
- the level of domestic and external public debt;
- domestic inflation;
- the ability of Kenya to implement important economic reforms;
- the ability of Kenya to upgrade its infrastructure;
- the levels of foreign direct and portfolio investment; and

- the levels of domestic interest rates in Kenya.

ENFORCEMENT OF CIVIL LIABILITIES

Kenya is a sovereign state, and substantially all of the assets of Kenya are located in Kenya. Consequently, it may be difficult for investors to obtain or enforce judgments of courts and/or arbitral tribunals in England, the United States or anywhere else against Kenya. Kenya has not submitted to the jurisdiction of any courts in respect of the Notes, but instead has agreed to resolve disputes by arbitration in accordance with rules and procedures of the London Court of International Arbitration (“**LCIA**”). Kenya has waived certain immunities for the purpose of arbitration of disputes arising out of or in connection with the Notes. Kenya has not, however, waived immunity from execution or attachment in respect of certain of its assets. See “*Terms and Conditions of the Notes—Governing Law, Arbitration and Enforcement Consent to Enforcement and Waiver of Immunity*”. Kenya is a party to the United Nations (New York) Convention on Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”).

Kenya’s waiver of immunity is, however, limited. Such a waiver constitutes only a limited and specific waiver for the purposes of the Notes, and under no circumstances shall it be interpreted as a general waiver by Kenya or a waiver with respect to proceedings unrelated to the Notes.

Arbitral awards obtained outside Kenya may be enforced in Kenya, in accordance with the New York Convention and under the Arbitration Act 1995. Leave to enforce the award as a decree of the High Court must be obtained. Such leave may be refused where the recognition or enforcement of such award is contrary to public policy in Kenya or falls under section 37 of the Arbitration Act, 1995. Where an order is made against the Government for the payment of money or costs, a further application must follow for a certificate of order against the Government and must be served on the Attorney General. The amount can then be paid out of appropriations provided in the national budget. Aside from this procedure, no execution, attachment or process may be issued by any Kenyan court for enforcing payment by the Government of any money or costs, and no person shall be individually liable under any order for payment by the Government, any Government department or any officer of the Government in relation to such money or costs. Injunctive relief and orders for specific performance may not be made by Kenyan courts against the Government.

CONTENTS

	Page
OVERVIEW	1
RISK FACTORS	10
USE OF PROCEEDS	34
REPUBLIC OF KENYA	35
THE ECONOMY	59
BALANCE OF PAYMENTS AND FOREIGN TRADE	93
MONETARY AND FINANCIAL SYSTEM	109
PUBLIC FINANCE	121
PUBLIC DEBT	150
TERMS AND CONDITIONS OF THE NOTES	161
THE GLOBAL NOTES	181
CLEARING AND SETTLEMENT ARRANGEMENTS	183
TRANSFER RESTRICTIONS	187
TAXATION	191
PLAN OF DISTRIBUTION	195
GENERAL INFORMATION	200

OVERVIEW

You should read this overview as an introduction to this Offering Circular. Any decision to invest in the Notes should be based on a consideration of this Offering Circular as a whole. This overview does not purport to be complete and is qualified in its entirety by the more detailed information elsewhere in the Offering Circular. Prospective investors should also carefully consider the information set forth in the “Risk Factors” below prior to making any investment decision. Capitalised terms not otherwise defined in this overview have the same meaning as elsewhere in this Offering Circular. See “Republic of Kenya” and “The Economy”, amongst other sections, for a more detailed description of the Issuer. References in this overview to a “Condition”: are to the corresponding numbered condition thereto set out in the “Terms and Conditions of the Notes”.

Republic of Kenya

General

Kenya occupies a land area of 580,876.3 square kilometres on the equator and is bordered by the Indian Ocean to the south east, Tanzania to the south, Uganda to the west, South Sudan to the north west, Ethiopia to the north and Somalia to the north east. Kenya had an estimated population of 54 million in 2022. The Republic of Kenya is divided into 47 semi-autonomous counties that are headed by governors and County Assemblies. Nairobi is the largest city and the capital of the country. In August 2010, Kenya adopted a new constitution following a national referendum (the “**Constitution**”). The Constitution introduced a bill of rights for Kenyan citizens, and significant devolution of power and resources to the 47 newly created counties. On 9 August 2022, general elections were held in Kenya and William Samoei Ruto was sworn in as President of Kenya on 13 September 2022. Kenya’s next general elections are scheduled to take place on August 2027.

The Economy

Kenya has experienced continued growth in GDP over the last few years. Real GDP grew 5.6% in 2018, 5.1% in 2019, contracted by 0.3% in 2020, grew by 7.6% in 2021 and 4.8% in 2022. The Government attributes the recent decline to reduced growth in several sectors of the economy and the peak in 2021 to the significantly high growths that signified recovery from the economic downturn caused by the Covid-19 Pandemic in 2020. Kenya’s economy is expected to remain resilient, supported by a robust performance in the services sector and expected recovery in agriculture. Leading indicators in the first quarter of 2023 point to strong activities in wholesale and retail trade, accommodation and food services, education, and information and communication.

In 2020, the Kenyan economy was adversely affected by the outbreak of the Covid-19 Pandemic and the swift containment measures, which disrupted economic activity. As a result, real GDP contracted by 5.5% in the second quarter of 2020/21, compared to a growth of 5.2% in the first quarter in 2020/21. Nonetheless, the economy recovered with real GDP contracting by only 1.1% in the third quarter of 2020/21 following the reopening of the economy. Economic growth therefore slowed down to around 0.6% in 2020 from the earlier projection of 2.6% in the 2020 Budget Review and Outlook Paper.

Selected Economic Information

	Year ended 31 December				
	2018	2019	2020	2021	2022
Domestic economy					
Nominal GDP (KES millions)	9,340,307	10,237,727	10,715,070	12,027,662	13,368,340
Real GDP (KES millions).....	8,330,891	8,756,946	8,733,060	9,395,942	9,851,329
Real GDP (growth rate)(%).....	5.6	5.1	(0.3)	7.6	4.8

Source: Kenya National Bureau of Statistics, Economic Survey 2023

	Year ended 31 December				
	2018	2019	2020	2021	2022
Average annual inflation rate (%).....	4.7	5.2	5.4	6.1	7.7

	Year ended 31 December				
	2018	2019	2020	2021	2022
Balance of payments					
Exports of goods, f.o.b. (US\$ millions).....	6,087	5,871	6,051	6,788	7,419
Imports of goods, f.o.b. (US\$ millions).....	16,288	16,668	15,123	19,325	22,252
Balance on goods and services (US\$ millions).....	(8,604)	(8,999)	(8,416)	(10,854)	(12,273)
Current account balance (US\$ millions)....	(4,990)	(5,295)	(5,036)	(6,217)	(6,709)
Capital account (US\$ millions).....	263	209	138	212	163
Financial account (US\$ millions).....	(6,538)	(4,857)	(2,828)	(6,359)	(4,886)
Public finance					
National Government revenues (KES millions).....	1,724,064	1,756,802	1,834,870	2,230,839	2,383,593
National Government expenditures (KES millions).....	2,433,707	2,565,444	2,769,254	3,027,836	3,221,001
Deficit including grants (cash basis) (KES millions).....	(709,642)	(796,841)	(929,286)	(785,129)	(800,377)
Fiscal deficit (as % of GDP ⁽¹⁾).....	7.3	7.0	8.2	6.2	5.6
Public debt^{(2) (3)}					
National Government external debt (US\$ millions).....	25,417	29,552	33,005	37,084	36,502
National Government internal debt (US\$ millions).....	24,531	27,229	29,830	34,280	36,404
Total National Government debt (US\$ millions).....	49,948	56,781	62,835	71,364	72,906
Total Government debt to GDP (%) ⁽⁴⁾	59	62	66	68	67
Interest payments to GDP (%) ⁽⁵⁾	5.0	6.3	5.1	6.7	6.9

(1) Figures calculated at 30 June are calculated with the nominal GDP as at 30 June of the year provided.

(2) National Government debt excludes certain publicly guaranteed debt such as debt of state-owned enterprises and debt of local Government.

(3) Conversion from Kenyan shilling to US dollar made using the applicable end of period mean exchange rate as released by the Central Bank of Kenya.

(4) Calculated as total National Government debt as a percentage of nominal GDP.

(5) Calculated as net servicing charges as a percentage of nominal GDP.

Source: National Treasury; Central Bank of Kenya.

The closure of businesses and the restrictions on travel resulting from the Covid-19 Pandemic adversely impacted the Kenyan economy, with the country GDP growth shrinking to 1.1% in 2020, compared to an average GDP growth of 5.7% between 2015 and 2019. In 2021, the country experienced a sharp rise in GDP growth of 7.6%, and thereafter growth slowed to 4.8% in 2022 and 5.2% in 2023. The lockdowns also exerted significant pressure on prices, with the annual inflation rate reaching a 10-month high in March 2020, mainly driven by a food inflation rate of 10.6%.

Overall inflation remained well anchored within the Government's medium-term target range in 2018 through to May 2022, reflecting stable food prices, lower fuel and electricity prices. Kenya's overall inflation rose to a peak of 9.6% in October 2022 from 6.5% in October 2021, which has subsequently decreased to 6.6% as a result of monetary policy tightening by the Central Bank of Kenya, easing global supply chain bottlenecks, declining international food prices, and improved weather conditions.

The resulting fiscal deficit inclusive of grants of KES 886.6 billion (5.5% of GDP) for 2023/2024 will be financed by a net external financing of KES 412.1 billion (2.6% of GDP) and a net domestic financing of KES 474.8 billion (2.9% of GDP). Developments in expenditure rationalisation and the revenue recovery have resulted in projections to total revenues for the FY 2023/24 at KES 3,047.6 billion (18.9% GDP) and total expenditures are projected at KES 3,981.5 billion (24.7% of GDP). In 2022/23, the fiscal deficit (including grants, on a cash basis), amounted to KES 800.4 billion (5.6% of GDP) against a target of KES 846.2 billion (5.8% of GDP). The fiscal deficit was financed through net external financing amounting to KES 310.8 billion (2.1% of GDP) and net domestic financing of KES 459.5 billion (3.2% of GDP).

In 2023, the current account deficit improved to US\$4.3 billion (3.9% of projected GDP in 2023). The narrowing of the current account deficit reflected lower imports of energy and all goods with the exception of food, attributed to relatively lower international oil prices and completion of major infrastructure projects, respectively, despite the reduction in exports of goods and services. The value of imports decreased by 10.9% from US\$19 billion in 2022 to US\$17 billion in 2023. The value of exports decreased by 2.2% from US\$7.4 billion to US\$7.3 billion in the same period attributed to reduced earnings from raw materials, miscellaneous

manufactured articles and re-exports. Total receipts from services were lower in 2023 compared to 2022, primarily due to a decline in receipts from transport and other services (telecommunications and government services). The current account deficit is expected to remain stable at 4.0% in 2024 supported by improved receipts from exports of goods particularly tea and horticulture and a recovery in services particularly those related to transportation.

Vision 2030

In 2007, the Government announced “Vision 2030” as its long-term plan for attaining middle-income status as a nation by 2030. In line with Vision 2030, the Government prepares successive medium-term plans (“MTPs”) that outline the policies, programmes and projects that the Government intends to implement over a five-year period. The first MTP covered the period from 2008 to 2012, with the second MTP covering the 2013 to 2017 period. The third MTP, covered the 2018 to 2022 period. The fourth MTP is intended to cover the 2023 to 2027 period.

In the initial year of the first MTP, a number of projects were implemented which were aimed at national healing and reconciliation following the post-election violence. Repair of damaged infrastructure, assistance to affected small-scale businesses and resettlement of internally displaced persons were all undertaken in order to raise GDP growth (which fell to 1.5% in 2008) and to promote national reconciliation.

The Government announced the second MTP of Vision 2030 in October 2013. The second MTP gave priority to devolution as specified in the Constitution and to more rapid socio-economic development with equity as a tool for building national unity. The second MTP also aimed to build on the successes of the first MTP, particularly in increasing the scale and pace of economic transformation through infrastructure development, and places strategic emphasis on priority sectors under the economic and social pillars of Vision 2030. Under the second MTP, transformation of the economy was focused on rapid economic growth, a stable macro-economic environment, modernisation of infrastructure, diversification and commercialisation of agriculture, food security, a higher contribution of manufacturing to GDP, wider access to African and global markets, wider access for Kenyans to better quality education and health care, job creation targeting unemployed youth, provision of better housing and provision of improved water sources and sanitation to Kenyan households.

The Government announced the third MTP of Vision 2030 in March 2017. The third MTP aimed to carry forward and complete the programmes and projects initiated during the second MTP. It also aimed to achieve high inclusive and broad-based economic growth. A key objective of the third MTP was to include policies, programmes and projects aimed at meeting the Sustainable Development Goals, which replaced the Millennium Development Goals from January 2016.

The Bottom-Up Economic Transformation Agenda (“BETA”) has been designed to address the current challenges facing the economy, stimulate economic recovery and bolster resilience. The Fourth MTP is intended to implement the BETA. The Fourth MTP seeks to strengthen economic resilience and drive inclusive, broad-based, and sustainable economic growth during the 2023 to 2027 period. See “—*The Bottom-up Economic Transformation Agenda and the Fourth MTP*” below.

The 2023/2024 Budget

The Kenyan government has proposed various economic and tax reforms for the fiscal year 2023/2024 as outlined in the 2023 Budget Policy Statement. These reforms include the development of the National Tax Policy and the Medium-Term Revenue Strategy for the period FY 2023/24-2026/27. The focus of these reforms is to reduce tax gaps, enhance revenue per unit, and increase tax compliance rates. The reforms are crucial for financing the government’s economic plan, which focuses on agriculture, MSME economy, housing and settlement, healthcare, digital superhighway and creative economy, and environment and climate change.

Budget implementation during the first half of FY 2023/24 progressed well despite emerging challenges. Expenditure pressures arising from FY 2022/23 carry overs amounted to KES 77.5 billion, elevated domestic interest rates and a weaker exchange rate pushed estimated interest payments to about KES 918.9 billion from KES 775.1 billion approved in June 2023. This was an upward adjustment of KES 143.8 billion or 0.9% of GDP and the Government received requests amounting to over KES 300.0 billion to cover for salaries,

operations and maintenance, Government funded development projects and development partners funded projects.

To finance these additional expenditures and to align the budget to the revised revenue forecast, budget rationalization was undertaken in the context of Supplementary Budget 1 taking into consideration the need to maintain the primary balance consistent with the fiscal consolidation path by accommodating additional requests within the approved budget ceilings and absorption rates of the FY 2023/24 budget. The Government also considered ring-fencing of BETA priorities, social spending and projects targeted for completion in the FY 2023/24.

Given these developments, total revenues for the FY 2023/24 are projected at KES 3,047.6 billion (18.9% GDP) with ordinary revenues projected at KES 2,576.7 billion (16.0% of GDP). Total expenditures are projected at KES 3,981.5 billion (24.7% of GDP) with recurrent expenditures projected at KES 2,793.8 billion (17.3% of GDP), development expenditures are projected at KES 762.6 billion (4.7% of GDP) and an allocation of KES 1.2 billion to Contingency Fund. Transfer to County Governments is projected at KES 423.9 billion (2.6% of GDP) with equitable share amounting to KES 385.4 billion (2.4% of GDP). The resulting fiscal deficit inclusive of grants of KES 886.6 billion (5.5% of GDP) will be financed by a net external financing of KES 412.1 billion (2.6% of GDP) and a net domestic financing of KES 474.8 billion (2.9% of GDP).

The FY 2023/24 budget targeted a fiscal deficit of KES 718.9 billion (estimated to be 4.4% of GDP). During the implementation process, movement in interest rates and exchange rate coupled with constraints in resource mobilization have impacted on fiscal space. As such, the fiscal deficit was revised in supplementary 1 to amount to KES 886.6 billion (estimated at 5.5% of GDP). In order to maintain the primary balance consistent with the fiscal consolidation path, expenditures have been maintained at the levels approved in printed estimates.

Recent Developments

The Bottom-up Economic Transformation Agenda

BETA is still in its early stages of implementation. Under the Agricultural Transformation pillar, the government has established a fertilizer subsidies program, progressively reduced the cost of fertilizer and implemented an e-voucher system through which farmers received their fertilizer consignments for planting and top-dressing of maize, tea, coffee, rice, potatoes, cotton and edible oil crops. Additionally, the Government has made adequate arrangements, including investment in necessary infrastructure, to facilitate post-harvest management and prevent losses. For MSMEs, the Government established the Financial Inclusion Fund (commonly referred to as the “Hustlers Fund”) in November 2022 which has disbursed KES 44.7 billion as of 14 January 2024. Viewed as a core pillar in BETA, for housing reform, the Government has established the Affordable Housing Programme across the country with a total of 746,795 housing units in the pipeline, undergoing various stages of design. To deliver Universal Health Coverage and strengthen the legal basis for health financing and service provision, four new health laws have been enacted and the Government has reformed the National Health Insurance Fund. In order to entrench the digital economy, the Government is currently rolling out the last mile 100,000 km of fibre optic infrastructure throughout the country and concurrently setting up 25,000 WiFi hotspots.

Restructuring of Kenya Power and Lighting Company

The COVID-19 Pandemic caused both supply and demand shocks across the sector and has put existing energy systems under pressure. Electricity consumption declined by about 15.4% in the first three months of the pandemic and the sector revenue shortfall continued as a result of lower sales into the first half of FY 2020/21. Kenya Power has also struggled with less-than-expected demand as a result of the slow shift to electricity usage in rural regions and a reduction in tariff by 15% which eroded gains that the business had met in terms of ensuring financial turnaround. Kenya Power also has large foreign exchange exposure with 65% of PPP projects denominated in foreign currency and 90% of its loan book denominated in foreign currency, The National Treasury chaired a Kenya Power Financial Stability Task Force to review the financial status of the Energy Sector, with particular focus on Kenya Power. The task force recommended a government granted moratorium for payment of principal & interest on on-lent loans which was approved for two years for KETRACO and one year for Kenya Power and KenGen. Kenya Power also requested for the extension of the moratorium for another one year which was approved and extended to June 2024. To manage foreign exchange exposure, Kenya Power has also sought approvals for refinancing of foreign debt into KES. A key project initiated by the Government

was a proposed transfer of Kenya Power transmission assets to KETRACO to strengthen its balance sheet. This was aimed to harness efficiencies with KETRACO already having a large proportion of transmission length and address foreign exchange challenges, annual debt service and improving the working capital of the business. Currently, identification of assets for transfer is on-going for the valuation process and Kenya Power expects completion by December 2024.

See “*The Economy—Role of the State in the Economy; Privatisation—Recent Developments in relation to Certain State-Owned Enterprises*” for further recent developments on Kenya Airways and Kenya Railways.

Sixth Review of the IMF Programme and First Review of the Resilient Sustainability Facility

An IMF mission team undertook the sixth review of Kenya’s program under the Extended Fund Facility/Extended Credit Facility as well as the first review under the Resilient Sustainability Facility. This mission, conducted from 30 October to 15 November 2023 concluded successfully. The mission and the Government reached an agreement with the IMF on economic policies and reforms to conclude the sixth review of Kenya’s program under the EFF/ECF as well as the first review of the RSF. In addition, an agreement was also reached on augmentation of access under the EFF/ECF of SDR 707.3 million (about US\$ 941.2 million). The executive board approved the augmentation, the total IMF commitment under these arrangements over the duration of the program would be SDR3.34 billion (about US\$4.43 billion). Through the anchoring of policies to support economic growth and ensure debt sustainability, the program has helped mitigate the negative impact of global shocks associated with drought, inflation, unpredictable international commodity prices, and tighter external financing conditions.

Financing from Trade and Development Bank

In January 2024, the Trade and Development Bank disbursed a loan to Kenya (the “**TDB Facility**”) in an aggregate principal amount of US\$ 385 million.

THE OFFERING

The following is an overview of the terms of (and other matters relating to) the Notes and, where applicable, the Notes.

Issuer	The Republic of Kenya, acting through the National Treasury and Economic Planning.
Legal Entity Identifier (LEI) ...	549300VVURQQYU45PR87
Notes Being Issued	US\$1,500,000,000 9.750% Amortising Notes due 2031.
Issue Price of Notes	97.270%
Issue Date	16 February 2024
Redemption	Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes in three equal instalments of US\$500,000,000 on 16 February 2029, 16 February 2030 and 16 February 2031.
Interest Rate and Interest Payment Dates	The Notes bear interest from and including 16 February 2024 at the rate of 9.750% per annum to but excluding 16 February 2031 payable semi-annually in arrear on the outstanding principal amount from time to time of the Notes (as determined in accordance with Condition 7 (<i>Redemption and Purchase</i>)) on 16 February and 16 August in each year commencing on 16 August 2024.
Status	The Notes constitute direct, unconditional, unsubordinated and (subject to a negative pledge, described below) unsecured obligations of the Issuer and rank pari passu without any preference amongst themselves and at least pari passu with all other present and future unsubordinated and (subject as provided in the negative pledge described below) unsecured obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law, provided, further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a Condition of paying sums due on the Notes and vice versa. The Notes are backed by the full faith and credit of the Issuer.
Negative Pledge	<p>So long as any Note remains outstanding, the Issuer has undertaken that it will not (save for the specific exceptions provided in the Conditions) create, incur, assume or permit to subsist any Security (as defined in the Conditions) upon the whole or any part of its present or future assets or revenues to secure:</p> <ul style="list-style-type: none">(a) any of its Public External Indebtedness;(b) any guarantees in respect of Public External Indebtedness; or(c) Public External Indebtedness of any other person, without, at the same time or prior thereto, securing the Notes equally and rateably therewith or providing such other arrangement as shall be approved by relevant Noteholders.
Events of Default	Condition 10 (<i>Events of Default</i>) provides that holders of the Notes who hold at least 25% in aggregate principal amount of the relevant Notes then outstanding may declare such Notes to be immediately due and payable at their principal amount together with accrued interest if, inter alia:

- (a) the Issuer fails to pay principal or interest on such Notes when due and continues to do so for 15 business days or 30 days, respectively;
- (b) the Issuer does not comply with one or more of the terms of such Notes, the applicable Agency Agreement or the applicable Deed of Covenant and (if capable of remedy) such default continues for 45 days following service of notice by any relevant Noteholder requiring such breach be remedied;
- (c) the Issuer is in default or there is an acceleration in maturity in relation to any External Indebtedness or default in any guarantee thereof in excess of US\$25,000,000;
- (d) the Issuer declares a moratorium in respect of its External Indebtedness;
- (e) the Issuer ceases to be a member of the IMF or ceases to be eligible to use the general resources of the IMF;
- (f) the Issuer denies the validity of the Notes or any of its obligations under such Notes, or it shall become unlawful for the Issuer to perform or comply with all or any of its obligations set out in such Notes as a result of any change in law or regulation in Kenya or final and unappealable ruling of a court in Kenya; or such obligations cease to be in full force and effect; or
- (g) if any authorisation, consent of, or filing or registration with any governmental authority necessary for the payment of such Notes when due ceases to be in effect; all as more particularly described in Condition 10 (*Events of Default*).

A declaration of acceleration may be rescinded in certain circumstances by the resolution in writing of the holders of at least 50% in aggregate principal amount of the outstanding Notes (as the case may be) in accordance with the procedures in Condition 10 (*Events of Default*).

Noteholder Meetings The Conditions contain provisions for calling meetings of Noteholders and, in certain circumstances, holders of other debt securities of the Issuer, to consider matters affecting their interests generally. These provisions permit defined majorities (which may, in certain circumstances, be formed of holders of debt securities of the Issuer other than the Notes) to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. See Condition 13 (*Meetings of Noteholders; Written Resolutions*) and “*Risk Factors— The terms of the Notes may be modified, waived or substituted without the consent of all the holders of the Notes.*”

Modification and Amendment. In addition to any modifications made by way of Noteholder Meetings under Condition 13 (*Meetings of Noteholders; Written Resolutions*), the Conditions also contain provisions permitting the Notes, the Conditions or the Agency Agreement to be amended without the consent of the Noteholders either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is, in the sole opinion of the Issuer, not materially prejudicial to the interests of the Noteholders. See Condition 13.8 (*Manifest error, etc.*).

Taxation and Additional Amounts	All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“ Taxes ”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, subject to certain exceptions described in Condition 8 (<i>Taxation</i>).
“Original Issue Discount”	The Notes will be issued with original issue discount (“ OID ”) for US federal income tax purposes because the stated principal amount of the Notes will exceed their “issue price” by an amount equal to or more than a statutorily defined <i>de minimis</i> amount. Accordingly, US Holders (as defined in “ <i>Taxation—United States Federal Income Taxation</i> ”) will be required to include any amounts representing OID in gross income (as ordinary income) on a constant yield to maturity basis for US federal income tax purposes in advance of the receipt of cash payments to which such income is attributable regardless of their regular method of accounting for US federal income tax purposes. For further discussion, see “ <i>Taxation—United States Federal Income Taxation</i> .”
Listing and Admission to Trading	Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange’s main market.
Denomination	The Notes will be in registered form and will be offered and sold in a minimum denomination of US\$200,000 and integral multiples of US\$1,000 thereof.
Form of the Notes	The Notes will be in registered form, without interest coupons attached. The Notes will initially be represented by Global Notes. One or more Restricted Global Notes will be issued in respect of Notes offered and sold in reliance on Rule 144A. The Unrestricted Global Notes will be issued in respect of the Notes offered and sold in reliance on Regulation S. Except in limited circumstances, certificates for the Notes in definitive form will not be issued to investors in exchange for beneficial interests in the Global Notes. See “ <i>The Global Notes</i> ”.
Transfer Restrictions	The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Consequently, the Notes may not be offered, sold or resold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. See “ <i>Transfer Restrictions</i> ”.
Use of Proceeds	The net proceeds of the issue of the Notes are intended to be utilised to repay outstanding debt of the Issuer, including to purchase its 2024 Notes which have been accepted for purchase by the Issuer in the Tender Offer announced on 7 February 2024. In addition, if the principal amount of the Notes exceeds the aggregate amount of 2024 Notes tendered in the Tender Offer, the Issuer intends to utilise the balance for general budgetary expenditures.

Ratings	The Notes are expected to be assigned a rating of B by S&P and B by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating organisation.
Further Issues	The Issuer may from time to time, without notice to or the consent of the registered holders of the Notes, issue additional securities that will form a single series with such Notes, subject to certain conditions set out in Condition 15 (<i>Further Issues</i>).
Governing Law	The Agency Agreement, the Deed of Covenant and the Notes (including any non-contractual obligations arising from or in connection with any of them) are governed by, and will be construed in accordance with, English law.
Arbitration	Any dispute arising out of or in connection with the Notes shall be resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration, as more particularly described in Condition 16 (<i>Governing Law, Arbitration and Enforcement</i>). The parties have expressly excluded the jurisdiction of the courts.
Risk Factors	Any one or more of the risk factors below could affect Kenya's economy, its ability to fulfil its obligations under the Notes and your investment in the Notes.
Fiscal Agent, Paying Agent and Transfer Agent	Citibank, N.A, London Branch.
Registrar	Citibank Europe plc, Germany Branch
Security Codes for the Unrestricted Notes	ISIN: XS2764839945 Common Code: 276483994 CFI: DBFTPR FISN: KENYA, REPUBLIC/11EUR NT 99981231
Security Codes for the Restricted Notes	ISIN: US491798AM68 CUSIP: 491798 AM6 Common Code: 276675869 CFI: DBXUBR FISN: KENYA REP/11 NT 2031 UNSEC 144A

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully consider the risks described below as well as the other information contained in this Offering Circular before buying any of the Notes. Any of the following risks could materially adversely affect Kenya's economy and your investment in the Notes. The risks described below are not the only risks Kenya faces. Additional risks and uncertainties not currently known to Kenya or that Kenya currently deems to be immaterial may also materially affect Kenya's economy and its ability to fulfil its obligations under the Notes. In any such case, you may lose all or part of your investment in the Notes.

Risks Relating to the Republic of Kenya

Investing in securities in emerging markets such as Kenya generally poses a greater degree of risk than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments.

Investing in securities in emerging markets such as Kenya generally poses a greater degree of risk than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments. These risks include, but are not limited to, higher volatility and more limited liquidity in respect of the Notes, greater political risk, a fragile export base, budget and current account deficits, lack of adequate infrastructure necessary to accelerate economic growth and changes in the social, political, legal and economic environment. Although significant progress has been made in reforming Kenya's economy and its political and judicial systems, Kenya is still in the process of developing the necessary infrastructure and regulatory and judicial framework that is essential to support market institutions and broad-based social and economic reforms. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than more mature markets, which could affect the ability of governments to meet their obligations under issued securities.

Kenya has faced recent political instability resulting from the 2022 General Election, where President William Ruto won 50.5% of the votes and was subsequently elected as Kenya's fifth President. In August 2022, the opposition party filed an unsuccessful Supreme Court challenge to the 2022 General Election result and subsequently the opposition has urged its supporters to protest against measures introduced by the current Government, with certain protests having escalated to and resulted in violence and civilian casualties. There can be no assurance that opposition to Government policy and possible protests will not continue, which may in turn affect market perceptions of Kenya and general socioeconomic stability. In particular, election-related instability may arise in conjunction with the 2027 elections.

Further, because international investors' reactions to events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors, Kenya could be adversely affected by negative economic or financial developments in other emerging market countries. For example, according to the International Monetary Fund (2023 Regional Economic Outlook: Sub-Saharan Africa), over half of the region's low-income countries are at a high risk of debt distress or are already in distress. As of the date of this Offering Circular, both Zambia and Ghana are facing a sovereign debt crisis and undergoing extensive sovereign debt restructuring. Any possible defaults or forced restructuring in other African nations could affect the market's perception of Kenya and also have consequential and adverse effects on Kenya's economy. See "*—High levels of indebtedness could have a material adverse effect on Kenya's economy, its sovereign credit ratings and its ability to service its debt, including the Notes*" for further information.

In addition, Kenya's economy and macroeconomic goals are susceptible to adverse external shocks, including potential global economic and/or health crises, a global economic slowdown, the ongoing instability in the international financial markets, geopolitical events, new or ongoing global conflicts (see "*—Impact of the Global Conflicts*" below), exchange rate depreciation, turmoil in the European banking system and the sovereign debt market of certain members of the European Monetary System, tightening of US monetary policy and consequent increase in US interest rates, persistent geopolitical uncertainty in the international oil and commodities markets and fluctuations in remittances as a consequence of various factors including economic and financial changes in developed markets, and immigration policy changes in countries with a significant diaspora presence such as the United Kingdom, the U.S. and Tanzania. In particular, the Covid-19 Pandemic has particularly affected developing economies, where the ability to address the financial, economic and health

consequences tends to be less comprehensive than the measures observed in more developed countries, which has further compounded the fiscal challenges that Kenya was facing before the emergence of the Covid-19 Pandemic. See “—*The economic effects of the outbreak of the Covid-19 pandemic have had and could continue to have an adverse effect on Kenya’s economy*” for further information on the impact of the Covid-19 Pandemic. These and similar developments could result in fewer exports by Kenya, which relies largely on its export markets, and/or adversely affect economic or market conditions and contribute to instability in global financial and foreign exchange markets, which could have a material adverse impact on Kenya’s economy.

Africa is the largest market for Kenya’s exports, accounting for 35.3% in 2018, 37.6% in 2019, 38.3 % in 2020, 41.6 % in 2021, 40.9% in 2022, 43.1% in the first quarter of 2023 and 44.0% in the third quarter of 2023. (Source: CBK July-September 23 Quarterly Economic Review) The Common Market for Eastern and Southern Africa (“COMESA”) remained the dominant destination of exports, accounting for approximately 73.4% of the total exports to Africa and 30% of total exports globally in 2022, compared to 75.4% and 31.3% respectively in 2021, 76.8% and 31.7% respectively in 2020, 73.2% and 27.5% respectively in 2019 and 74.1% and 26.1% respectively in 2018 (Source: Kenya National Bureau of Statistics, Economic Survey 2023).

The European Union and the United Kingdom together continue to represent Kenya’s second largest export market, accounting for 21.4% in 2018, 22.3% in 2019, 23.2% in 2020, 22.2% in 2021, 20.4% in 2022 and 24.0% in 2023. Exports to the European Union and the United Kingdom together increased by 4.4% in 2018, 1.6% in 2019, 2.5% in 2020, 2.2% in 2021, 1.4% in 2022 and 3.6% in 2023 (Source: CBK July-September 23 Quarterly Economic Review). A decline in amount of exports to Kenya’s major trading partners, such as the COMESA countries or the European Union, whether as a result of a deterioration in economic conditions in these countries or otherwise, prolong *drought in Kenya affecting agricultural produce* or a decline in tourism receipts, could have a material adverse impact on Kenya’s balance of payments and economy (Source: Kenya National Bureau of Statistics, Economic Survey 2023).

High levels of indebtedness could have a material adverse effect on Kenya’s economy, its sovereign credit ratings and its ability to service its debt, including the Notes.

As at 30 June 2023, Kenya’s total outstanding external debt was KES 5,446,561, equivalent to US\$ 38,760.04 million, amounting to 70.8% of nominal GDP, with domestic indebtedness amounting to KES 4,832,113 million (US\$ 34,387.37 million as of 30 June 2023), or 33.3% of nominal GDP (Source: Annual Public Debt Management Report, 2023). In addition, the National Government guaranteed approximately KES 170.229 million (US\$ 1,211.42 million as of 30 June 2023) of the indebtedness of the non-financial public sector, principally state-owned enterprises, and these enterprises also continue to have substantial reliance on direct Government financing. For the year ended 30 June 2023, the ratio of interest payments to revenue was 33.8%, and it is projected to be 39.2% for the year ended 30 June 2024. Additionally, the Government expects to finance the funding gap for the fiscal deficit for the 2023/2024 from additional borrowings that will be a mix of concessional and non-concessional sources (including borrowings from development partners as well as accessing the international and domestic capital and loan markets), but which are expected to increase the overall debt stock.

The high levels of public indebtedness of Kenya represents a constraint for the management of public finances. The joint IMF-World Bank Debt Sustainability Analysis (“DSA”) qualifies Kenya’s debt distress risk as high and the debt carrying capacity of Kenya was classified as medium by the IMF in July 2023, reflecting the impact of the Covid-19 Pandemic, exchange rate fluctuations, prolonged drought, locust invasion and declines in exports and economic growth as well as fiscal measures taken in response, including increased expenditures and tax relief.

As at the date of this Offering Circular, Kenya has either met in a timely manner all payment obligations to all of its external creditors or agreed the terms for debt suspension under the DSSI (as defined below), including with respect to its outstanding international bonds. Nevertheless, the Covid-19 Pandemic and the various containment and mitigation measures deployed by the Government adversely impacted the economy and placed significant pressure on Kenya’s balance of payments and budgetary needs. This pressure has been exacerbated by increasing debt servicing costs which have increased from 59.5% of total state revenue in 2021/2022 to 63.5% in 2023/2024, principally as a result of a depreciating currency and elevated interest rate environment due to recent global economic shocks (Source: National Treasury medium term debt management strategy). The Central Bank of Kenya has also provided domestic banks with additional liquidity support and support for loan restructurings (with restructured loans amounting to 55% of total loans by the end of February 2021), and

a number of tax reliefs that were in effect from April 2020 until 1 January 2021. See “*Public Finance – Taxation Policy*”. Within the context of high debt servicing costs and particularly external debt servicing costs, the Government has revised its plans to incur further debt from commercial regional banks in order to reduce the interest cost.

Additionally, under amendments to The Public Finance Management Act 2012 (“**PFMA**”) adopted on November 1, 2023, Kenya’s debt ceiling has been changed from a debt ceiling of KES 10 trillion to a debt threshold of $\pm 55\%$ of the GDP in present value terms and provides that such threshold may be exceeded by not more than 5% in exceptional circumstances. As of the date of this Offering Circular the Government’s debt exceeds the debt ceiling. As at December 31, 2023, Kenya’s debt was 68.2% in present value terms. However, the PFMA also provides that the Cabinet Secretary of the Ministry of Finance has five years from the date of adoptions of the amendments (1 November 2028) to take measures to ensure that borrowing complies with the threshold. Failure to come within the threshold within the grace period may result in Kenya’s debt being deemed unsustainable.

To support the poorest countries in their Covid-19 containment measures and support their respective economies, the G20 member states and Paris Club creditors offered temporarily suspension of debt service payments for all eligible countries that made such a request through a programme called the Debt Service Suspension Initiative (the “**DSSI**”). The Government took steps to join the DSSI in order to provide additional liquidity for Covid-19 relief programmes. The Government finalised the deferral agreements for debt service payments individually with the G20 member states. The first phase of entering into the deferral agreements was completed by 30 June 2021, after which Government sought suspension of debt service payments between July and December 2021. The first phase was expected to defer approximately KES 38.3 billion (US\$ 358 million) relating to debt service payments between January and June 2021, while the second phase was expected to defer approximately KES 41.1 billion (US\$ 384 million) for debt service payments between July and December 2021. The deferred payments are required to be repaid over five years, following a one-year grace period. For more information see “*Public Debt—Debt Management*”. The first phase of the DSSI freed up approximately KES 46.2 billion, while the second phase deferred approximately KES 9.5 billion of debt service payments between July and December 2021.

In addition, on 2 April 2021, the Executive Board of the IMF approved 38-month arrangements under the ECF and the EFF for Kenya in an amount equivalent to SDR 1.655 billion (305% of quota or about US\$2.34 billion) to support the next phase of the Covid-19 response, address the urgent need to reduce debt vulnerabilities and for safeguarding resources to protect vulnerable groups. Further, on 10 June 2021, the World Bank approved a US\$750 million in development policy financing to support reforms in sectors significantly impacted by the Covid-19 Pandemic, such as healthcare, education and energy, as well as to generally support the Government’s Post-Covid-19 Economic Recovery Strategy. The arrangements under the ECF and EFF for Kenya were extended by 10 months on 17 July 2023 during the period of the fourth and fifth review. Additionally on the 17 July 2023, the IMF Board approved a 20-month arrangement under the Resilience and Sustainability Facility in an amount of US\$551.4 million. On 19 July 2023, the Government and the IMF concluded the fifth review of the IMF Programme and agreed that Kenya was to receive access to approximately US\$ 110.3 million in IMF financing. The IMF Programme aimed to reduce Kenya’s fiscal deficit by broadening the existing tax base, strengthening revenue administration and cutting non-priority expenditures without compromising allocations to the social and growth enhancing development programs. In light of ongoing balance of payment pressures, in the context of the sixth review of the IMF Programme, the IMF approved a disbursement of about US\$ 941.2 million on 17 January 2024. The IMF Programme advanced the broader reform and governance agenda, including by addressing weaknesses in some SOEs and strengthening transparency and accountability through the anti-money laundering and anti-corruption framework. The Government also undertook other measures to advance fiscal consolidation, and to improve management of the debt burden.

While the DSA contemplates that Kenya will continue to be able to access international capital markets, such as through the issue of the Notes, a significant increase in the level of debt-to-GDP or worsening of the fiscal situation in Kenya may result in Kenya’s debt becoming unsustainable. A particular goal of the Government has been to obtain sufficient financing to repay the US\$ 2 billion Eurobonds due in June 2024 (the “**2024 Bonds**”). The net proceeds raised from the offer of Notes will be used to repay, in part, the 2024 Bonds. The Government intends to repay the remainder of the 2024 Bonds through a combination of its own existing funds and financing from Kenya’s development partners. However, payment through existing dollar reserves if used, could exacerbate exchange rate depreciation due to fewer reserves remaining to cover imports. Any failure to

continue to meet the conditions of the economic and sectorial programs agreed with the IMF and the World Bank may adversely affect Kenya's ability to make further drawings under the various facilities offered by these institutions and ultimately affect the Government's ability to service the Notes. Kenya is also expected to continue to rely on external financing, including international debt issuances and concessional borrowings from multilateral financial institutions, in order to meet its fiscal requirements, which may increase its overall debt obligations. The high levels of indebtedness of state-owned enterprises, and the Government guarantees given in respect of these enterprises, may further increase the Government's financing requirements. This is particularly highlighted in light of Public Sector assets comprising about two thirds of GDP despite a small contribution to the budget. Of particular note are state owned enterprises Kenya Power and Lighting and Kenya Airways, both of which have required extraordinary budgetary support. Additionally, any government borrowing in the domestic debt markets to repay the 2024 Bonds if required, may also impact dollar liquidity. If the Government fails to successfully implement its debt strategy or is unable to access sufficient financing, it may be unable to refinance its debt when due or debt levels could rise to an unsustainable level, which may negatively impact Kenya's ability to make timely payments of interest and/or principal on the Notes. Failure to achieve budgetary targets and/or to limit Kenya's fiscal deficit may adversely affect Kenya's economic growth.

Failure to achieve budgetary targets and/or to limit Kenya's fiscal deficit may adversely affect Kenya's economic growth.

The fiscal deficit increased to 4.9% of GDP in the FY 2023/24 in September 2023, as compared to the 4.4% forecasted in the original 2023/24 budget submitted to Parliament in June 2023. The Government expects to finance the funding gap resulting from the 2023/2024 fiscal deficit largely from borrowings including funding from development partners (such as the IMF, World bank and African Development Bank), from commercial sources (including commercial lending, such as the TDB Facility and the Notes being offered hereby), from project financing and from domestic borrowings. As of 31 January 2024, the Government has raised approximately US\$3 billion of this required financing.

The fiscal deficit for 2022/23 was estimated at 5.3% of GDP as compared to 5.9% in 2021/22, 8.5% in 2020/21, 7.8% in 2019/20 and 7.7% in 2018/19 (See *Annual Public Debt Management Report*). Government revenues in particular fell short of budget targets, reaching 16.7% of GDP (including grants) in 2022/23 (*Source: Budget Review and Outlook Paper, 2023*). Nominal debt amounted to 65.8%, 68.1%, 67.7% and 70.8% of GDP as at 30 June 2019/20, 2020/21, 2021/22 and 2022/23, respectively.

The Government is taking active measures to reduce expenditures and increase revenues in order to reduce its fiscal deficit, with the downward trend in Kenya's tax-to-GDP ratio being noted by the IMF as a key issue. In particular, it plans to enhance domestic revenue mobilisation and reduce recurrent spending in favour of capital investment to promote sustainable and inclusive growth. Revenue enhancement measures include extensive revisions to the current Income Tax Act in order to strengthen tax administration and expand the tax base and initiatives to address transit diversion and inefficiency in the clearing of imports. See "*Public Finance—Taxation Policy*" and "*Public Finance—Revenues and Expenditures*". On 26 June 2023, the President signed the Finance Act 2023 into law, introducing widespread reforms to the Kenyan tax regime. The reforms introduced by the Finance Act 2023 include changes to income tax, introduction of taxation of repatriated income for non-residents, changes to turnover tax (including an increase on the TOT rate to 3%), additional requirements for withholding tax, introduction of new Pay-As-You-Earn tax bands and a new housing levy. Although the reforms are designed to generate additional budget revenue, there can be no assurance that the reforms under the Finance Act 2023 will be implemented. For example, in November 2023, the Kenyan High Court struck out several clauses regarding the housing levy that were deemed unconstitutional. There is also a risk that negative public perception of increased taxes may serve as a barrier to implementing new tax measures. As public participation is a requirement for the Parliamentary approval of new legislation, there is a risk that general negative sentiment that taxes are too high may feed into decision-making. In addition, measures implemented by the Finance Bill may reduce the purchasing power of Kenyan households and businesses, constraining private consumption and investment.

Further, if the Government is not able to realise additional revenues or raise sufficient debt to address the deficit, it may be forced to cut expenditures. As of the date of this Offering Circular, higher interest rates and a strong U.S. dollar has made other financing options available to the Government more expensive and contributed to increased fiscal uncertainty which may also serve to discourage foreign investment in Kenya. Failure to reduce the fiscal deficit may result in an increase in Kenya's debt levels and a subsequent increase in debt servicing

costs or interest payments, which risks eroding additional revenue performance. Kenya intends to reduce the fiscal deficit from a projected 5.3% of GDP in 2022/23 to 3.6% of GDP by 2024/25 through its fiscal consolidation plan, which includes measures such as revenue enhancement initiatives, expenditure rationalisation, and the prioritisation of expenditure on development in the budget over the medium term. See “*Public Debt—Medium Term Debt Strategy*”. There is, however, no assurance that the Government will be able to implement policies to achieve its budgetary targets and failure to limit Kenya’s fiscal deficit could negatively impact Kenya’s sovereign credit rating and may result in a material adverse impact on the Kenyan economy.

For the year ended 30 June 2023, interest payments-to-revenue were 33.8% and are projected to increase to 39.2% during the year ended 30 June 2024. A failure to improve revenues or reduce expenditures as contemplated by the Government will place further strain on Kenya’s debt sustainability and could in turn have a material adverse effect on the Kenyan economy and its ability to service its debts.

The economic effects of the outbreak of the Covid-19 Pandemic or any future global pandemics have had and could have an adverse effect on Kenya’s economy.

The Covid-19 Pandemic, first declared in March 2020, spread throughout the world, including in Kenya, between 2020 and 2022. There can be no assurance that the actual number of Covid-19 cases were accurately reported, in particular the mortality data was reported only after confirmation of a positive Covid-19 polymerase chain reaction test, and changes in community mortality due to Covid-19 may have been missed. The Covid-19 Pandemic had an adverse impact on the global economy and in Kenya; the extent of the severity and duration of which is difficult to predict.

The closure of businesses and the restrictions on travel adversely impacted the Kenyan economy, with the country GDP growth shrinking to 1.1% in 2020, compared to an average GDP growth of 5.7% between 2015 and 2019. In 2021, the country experienced a sharp rise in GDP growth of 7.6%, and thereafter growth slowed to 4.8% in 2022 and 5.2% in 2023 (*Source: Annual Debt Management Report 2023*). The lockdowns also exerted significant pressure on prices, with the annual inflation rate reaching a 10-month high in March 2020, mainly driven by a food inflation rate of 10.6%. Layoffs resulting from business closures, the loss of income and worsened economic prospects had also reduced household consumption and business investment. The impact of COVID-19 on the Kenyan banking sector was also adverse and wide-ranging. Key impacts on the sector included a decline in asset quality due to inability of distressed borrowers to continue servicing their loan facilities, workforce reduction from job losses and dislocations arising from the shift to remote working arrangements, and increased use of digital service channels in place of in-person engagements.

The impact of the Covid-19 Pandemic had placed further strain on Kenya’s finances, through both increased expenditure requirements arising from, amongst other things, the implementation of the Post Covid-19 Economic Stimulus Package, and suppressed budgetary revenues due to, for example, the various tax reliefs on corporate and personal income tax, VAT, and turnover tax (See “*Public Finance—The 2020/2021 Budget and Public Finance — Taxation Policy*”). The Central Bank of Kenya had also introduced a series of emergency measures to support the financial sector. During the Pandemic the fiscal deficit rose to 7.8% in 2019/20 and 8.5% in 2020/21 from 7.6% in 2018/19 (*Source: Annual Public Debt Management Report, 2023*).

The impact of any future strains of Covid-19 or other pandemics remains unknown and could have a material adverse impact on the global economy which could, in turn, adversely affect Kenya’s fiscal and economic stability, which could further impact its ability to meet its obligations under any outstanding indebtedness, including the Notes.

High inflation could have a material adverse effect on Kenya’s economy

Historically, inflation in Kenya has fluctuated from year to year, which is largely driven by price and inflationary trends across the globe arising from supply related factors. This includes elevated international oil and food prices in 2021-2022 arising from global supply chain constraints triggered by (among other things) various factors such as the lingering effects of the Covid-19 Pandemic, the war in Ukraine, and severe drought conditions exerted upward pressures on domestic prices. Additionally, following the rapid monetary policy tightening in advanced economies, particularly the U.S., domestic currencies in emerging and frontier economies including Kenya, depreciated against the U.S. dollar, exerting upward pressure on prices of imported goods. (See “—*The impact of climate change has negatively affected Kenya in the past and may negatively affect it in the future*” and “—*Any significant depreciation of the Kenyan shilling against the US dollar or other*”).

major currencies might have a negative effect on Kenya's ability to repay its debt denominated in currencies other than the Kenyan shilling, including the amounts due under the Notes" below). Russia's invasion of Ukraine has already had, and likely will continue to have, a material impact on global economic and market conditions, including increasing inflation (particularly for food, energy, and shipping costs) (see "—Impact of the Global Conflicts"). In August 2023, to curb the rising price of petrol, kerosene and diesel, Kenya's energy regulator reintroduced fuel subsidies which aimed to maintain the price of petrol, diesel and kerosene until September 2023.

Kenya's overall inflation rose to a peak of 9.6% in October 2023 from 6.5% in October 2021, which has subsequently decreased to 6.6% as a result of monetary policy tightening by the Central Bank of Kenya, easing global supply chain bottlenecks, declining international food prices, and improved weather conditions. Although tighter monetary policies have historically helped to curb inflation, the impact on inflation of heightened geopolitical tensions and conflicts (especially in the Middle East and Africa) and higher fuel and other import prices is beyond the Government's control. There can be no assurance that the inflation rate will not rise in the future. Further, the economic policies are subject to further change and revision at any time and there can be no assurance that these measures will not result in further volatility. Significant inflation could have a material adverse effect on Kenya's economy and the ability to service the Notes, including compelling the Central Bank of Kenya to increase or maintain high interest rates.. See "*Monetary and Financial System Structure and Development of the Kenyan Banking Sector Inflation and interest rates*".

Kenya may be unable to meet its economic growth and reform objectives and policies which may adversely affect the performance of the Kenyan economy.

The Government has announced its intention to pursue a series of economic and fiscal reform initiatives, including those set forth in Vision 2030 and the second, third and fourth MTP. However, there can be no assurance that such initiatives will be adequately funded, will achieve or maintain the necessary long-term political support, will be fully implemented or prove successful in achieving their objectives. There can also be no assurance that the targets envisioned by the Government's economic and fiscal reform initiatives will be achieved, including the target of 10% GDP growth in Vision 2030. Continued pursuit of long-term objectives such as those set forth in Vision 2030 and the fourth MTP will depend on a number of factors, including continued political support at many levels of Kenyan society, adequate funding, effective transition to devolved government, improved security, power sector reform, availability of human capital and significant coordination. The fourth MTP focuses on implementing the Bottom-Up Economic Transformation Agenda ("**BETA**") plan for economic turn-around and inclusive growth through a value chain approach focused on four pillars: bringing down the cost of living, eradicating hunger, creating jobs, expanding the tax revenue base, improving foreign exchange balances, and inclusive growth. The significant funding requirements for these plans may prove difficult or impossible to meet. Kenya may be unable to complete planned flagship projects or may experience difficulties implementing reforms. The Government was not able to achieve its medium-term objective under the third MTP of 7% real GDP growth in 2022. See third Medium Term Plan 2018 – 2022 and the Third National Reporting Indicator Handbook, 2018-2022. If the Government is not able to fund or implement the medium-term objectives contained in the Fourth MTP, or if there is a delay in such funding or implementation, then the Government may not be able to meet the long-term strategic objectives set forth in Vision 2030, which could result in a material adverse effect on the economy.

Despite recording annual real GDP growth rates of 5.6%, 5.41%, 0.3%, 7.6% and 4.8% in 2018, 2019, 2020, 2021 and 2022, respectively, poverty remains elevated in Kenya. In 2022, the annual unemployment rate for Kenya was 5.5%. Unemployment decreased from 5.30% in the third quarter of 2022 to 4.90% in the fourth quarter of 2022. The country's Vision 2030 acknowledges that there are also large disparities in incomes and access to education, healthcare and land, as well as to basic needs, including clean water, adequate housing and sanitation. High and persistent levels of poverty and unemployment and increasing inequality may individually or in the aggregate have negative effects on the Kenyan economy in addition to increasing the risk of social instability and higher violent crime. If reforms do not adequately address the high levels of poverty, unemployment and inequality, or if Kenya is unable to meet its reform objectives in such areas, such continued conditions may materially adversely affect Kenya's economic growth.

Impact of the Global Conflicts could have an adverse effect on the Kenyan economy and political stability

Geopolitical events or developments greatly affect the macroeconomic and political environment and can be major sources of uncertainty and concern. In February 2022, Russian forces invaded Ukraine, and Russia

recognised the independence of the so-called “Donetsk People’s Republic” and the “Luhansk People’s Republic”, two separatist regions within Ukraine, and a military conflict has since commenced between Russia and Ukraine and is continuing as of the date of this Offering Circular. These actions led the United States, the European Union and the United Kingdom, among others, to impose economic sanctions against Russia, Russian government officials and Russian corporates and financial institutions. The ongoing conflict has had a significant impact on international capital markets, investor sentiment and commodity prices (including oil and gas, which has led to rising fuel prices, and arable crops, which has led to rising food prices and consequently increased inflationary pressures). The sanctions announced to date include restrictions on selling or importing goods, services or technology in or from affected regions, travel bans and asset freezes impacting connected individuals and political, military, business and financial organisations in Russia. Such sanctions have direct and indirect effects on Kenya, as is the case with other participants in the global economy, which could become more significant if the Kenya does not comply or is not seen to adequately comply with the sanctions. There remains a risk of further escalation and a resulting further impact on geopolitical conditions. Western and allied governments could impose wider sanctions and take other actions should the conflict further escalate. In particular, increased prices and supply shortages of products, such as wheat and energy, could further contribute to inflationary pressure. While the full extent of the impact of the conflict remains to be seen, the effects of the conflict could affect the Kenya economy.

Kenya shares a border with Ethiopia and South Sudan, who in turn share a border with Sudan. On 15 April 2023, the Sudanese ‘Rapid Support Forces’ attacked various bases belonging to the Sudanese Armed Forces across Sudan. The conflict between the paramilitary group and the Sudanese Armed Forces continues to be concentrated around the capital city of Khartoum and the Darfur region, resulting in significant civilian casualties and displacements. Despite repeated negotiation attempts, and the introduction of sanctions by the United States, the European Union and the United Kingdom in response to the violence across Sudan, the conflict remains ongoing as of the date of this Offering Circular. Any escalation of the current conflict in Sudan or any impact on its neighbouring countries could be detrimental to wider geopolitical stability in East Africa, which may in turn have a material adverse effect on the Kenyan economy.

Lastly, on 7 October 2023, Hamas launched an attack on a number of cities in Israel from the Gaza Strip, killing a significant number of members of the Israeli Defence Forces and civilians. In response, the government of Israel formally declared war and mobilised Israel Defence Forces to begin a large-scale counter-offensive military operation against Hamas. There have been limited skirmishes around the Lebanon-Israel border, and increased escalations of military activities in the wider region, by, among others, the Republic of Iran, the United States, the United Kingdom and the Houthis in Yemen. In particular, there has been increased attacks by the Yemeni Houthis of international shipping cargoes traversing the Red Sea and the Gulf of Aden, which has impacted globally shipping routes and supply chains. As of the date of this Offering Circular, the aforementioned hostilities are ongoing. The scale, duration and impact of this conflict in the region and any global effects are currently unclear and cannot be predicted with any certainty. A wider regional conflict or any escalation of the current conflict could have effects on wider geopolitical stability and the global macroeconomic framework, which may in turn have a material adverse effect on the Kenyan economy.

Kenya continues to be challenged by internal security issues as well as unfavourable media coverage, which has had and may continue to have a negative impact on the economy, including the tourism industry.

Kenya has from time-to-time experienced internal security concerns. The Al-Shabaab group, an extremist militant group, has claimed responsibility for multiple attacks in recent years and continues to threaten further attacks, not only against Kenya but also against Western countries for their intervention in Somalia. For example, on 18 May 2021, a suspected improvised explosive device detonated in Baure, Lamu County ostensibly targeted members of the Kenyan Defence Forces (“KDF”). This incident killed eight KDF soldiers and injured several others. On 7 January 2020, Al-Shabaab opened fire in a primary school in North-eastern Kenya, resulting in the death of three teachers and four children who sought refuge in a police post in Saretho village near Garissa county. Shortly before, on 5 January 2020, Al-Shabaab conducted an attack on the Manda Bay Airfield, which killed three United States military personnel and left several others wounded. Al-Shabaab attacks remain a key challenge to internal security with a 66% increase in the number of politically-motivated violent attacks involving the group in 2022, as compared to 2021. Al-Shabaab violent attacks have continued to persist in June 2023, including along the Kenya-Somalia border which has resulted in a postponement of the reopening of such borders.

In addition, the Dadaab refugee complex in north east Kenya, originally established in 1991 to house refugees from the Somali civil war, has elicited concerns that the camp is a ground for recruiting Islamist militants, compromising border security and causing significant law and order problems within Kenya's territory. In November 2013, the Somali and Kenyan Governments signed an agreement with the United Nations High Commission for Refugees to begin repatriating Somali refugees on a voluntary basis. Any forced repatriation of Somali refugees, or even the perception of such repatriation, could potentially build resentment amongst affected individuals and enhance Al-Shabaab's recruitment efforts in Kenya. There can also be no assurance that repatriated persons will not seek to return to Kenya. In February 2017, the High Court ruled against the Government proposal to close the camp and as of the date of this Offering Circular the camp remains open. As of June 2023, the Dadaab camp houses over 320,000 refugees and asylum-seekers and the Government, together with UN agencies, continues to provide new refugees with basic services. The population of the camp increased rapidly in 2023 due to an extended drought in Somalia, leading to severe overcrowding, increased pressure on services and a cholera outbreak. Should the Somali state fail, such as in the case that international actors withdraw security support, risks to Kenya may become more acute and severely impact Kenya's investment climate.

On 24 March 2021, the Cabinet Secretary for Interior announced jointly with the UNHCR that Kenya intends to expedite the repatriation of individuals residing in both Dadaab and Kakuma refugee camps with a view to closing the camps by 30 June 2022. However, the Nairobi High Court issued an injunction temporarily blocking the Government from repatriating refugees and asylum seekers dwelling at Kakuma and Dadaab camps. The orders were in place until 7 July 2021 when the case was to be heard at the Nairobi High Court. For more information, see "*Republic of Kenya—Anti-Corruption, Anti-Money Laundering and Combating Terrorism Combating Terrorism*".

Other internal security threats include the growth of pastoralist militias and mob violence. In 2022, there was a 129% increase in pastoralist militia violence events where poverty caused by the mass droughts and the growing arms smuggling operations has resulted in increased sectarian violence. This was focussed in the Kerio Valley region and north-eastern counties. In 2022, the capital also faced a peak in mob violence, with 440 mob violence events reported. Much of the mob violence was associated with the 2022 General Election and the campaign process. See "*—Investing in securities in emerging markets such as Kenya generally poses a greater degree of risk than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments.*"

Kenya also suffers from high crime rates. The total number of crimes reported to the police decreased by 25.4% to 68,817 cases in 2020 and increased by 22.3% to 84,194 cases in 2021, and further increased by 4.3% to 87,858 cases in 2022, primarily as a result of increased usage of dangerous drugs and criminal damages. For more information, (*Source: Kenya National Bureau of Statistics, Economic Survey 2023*). Violent crimes, such as kidnapping and extortion, continue to pose a significant risk to businesses and economic growth.

Foreign tourism is an important contributor to Kenya's economy, as well as being an important source of foreign exchange and one of Kenya's largest employers. As a result of security concerns, the United Kingdom, the United States, France and Australia have, in the past, issued travel advice recommending that their citizens avoid or reconsider travel to certain areas within Kenya, although some of these travel advisories have since been revised or withdrawn. The United States and the United Kingdom were, respectively, the largest and second largest sources of foreign tourists to Kenya in 2023. Similarly, in considering the top 30 performing source markets in 2022, the United States took the top position with 209,360 which was 16% of the total tourists. This was closely followed by Uganda, the United Kingdom, and the United Republic of Tanzania with 12%, 10%, and 10% market shares respectively. Accordingly, such travel warnings, as well as unfavourable media coverage, including coverage of extremist violence or violence in some parts of Kenya related to the 2022 elections or future analogous events may create a negative perception of Kenya as a holiday destination and thus have a detrimental impact on the level of tourism. See "*Investing in securities in emerging markets such as Kenya generally poses a greater degree of risk than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments*". Earnings from tourism have gradually begun to recover from 2014/15 levels, increasing from KES 163.6 billion in 2018/19 to KES 268.1 billion in December 2022, reflecting improved security and domestic and international marketing campaigns (*Source: Annual Tourism Sector Performance Report*). However, earnings from tourism decreased significantly in 2020 primarily due to the impact of the Covid-19 Pandemic and related social and travel restrictions. The Government has estimated that the Covid-19

Pandemic cost the Kenyan tourism industry over KES 68 billion to date in hotel receipts and associated revenue. Any further decrease in tourism is likely to have an adverse economic impact. See “*The Economy—Principal Sectors of the Economy—Tourism*” for more information.

Although the Government has implemented recent security measures, investments and public campaigns to counter terrorism and criminal activities, as well as certain economic measures to assist hotels, restaurants and eateries in Kenya to safely reopen to pre-Covid-19 levels, there can be no assurance that such measures will be sufficient. Notwithstanding these efforts, if the level of instability, crime and violence, unfavourable coverage of Kenya or Africa in the media and Covid-19-related social and travel restrictions, continue or increase in the future, Kenya’s level of tourism and foreign investment, amongst other things, may suffer and potentially materially adversely affect Kenya’s economy and its ability to service its debt, including the Notes.

The impact of climate change has negatively affected Kenya in the past and may negatively affect it in the future.

Climate change is a threat to the Kenyan economy, the achievements of the Government’s sustainable development goals and the Vision 2030. A global increase in the mean temperature is likely to lead to changed precipitation patterns, sea level rises and more frequent extreme weather events, such as prolonged droughts and flooding. Kenya’s economy is dependent on climate sensitive sectors, for example agriculture, tourism and energy. In November 2023, Kenya faced significant flash flooding where scientists confirmed that climate change caused the magnitude of rainfall to be up to two-times more intense. A change in climate may have several consequences, including lower agriculture productivity, damage to coastal infrastructure, fragile ecosystems, impact on health and biodiversity, financial market disruption, lower GDP and altered migration patterns.

Kenya has historically been affected by a variety of natural disasters, including floods, droughts and locust swarms. Natural disasters such as floods may lead to casualties, the destruction of crops and livestock, the outbreak of waterborne disease, and the destruction of infrastructure such as roads and bridges. Droughts may negatively affect the supply of agricultural commodities, the food supply in general and the generation of hydroelectric power. For example, in 2016, below average rainfall led to a severe drought in Kenya, which led to the more than doubling of the food insecure population in the country. The price of staple foods, such as maize, rose substantially while water sources dried up. In February 2017, President Kenyatta declared the drought a national disaster, having affected 23 out of 47 counties, and committed US\$105 million in response. According to UNICEF, it was estimated that 2.7 million people in Kenya needed relief assistance in 2017 as a result of the drought. Furthermore, activity in the agriculture, forestry and fishing sector in 2016 was depressed compared to the performance recorded in 2015 owing to unfavourable weather conditions especially during the second half of the year when the country experienced a near failure of short rains. As a result, growth in the agriculture sector was impacted with a growth rate of 1.3% and 3.1% in the second and third quarters of 2017, respectively, in comparison to growth of 7.0% and 3.8% in the second and third quarters of 2016, respectively. Food shortages as a result of the drought increased food prices, causing inflation to rise above Government targets in the first half of the year, with month-on-month inflation as high as 11.7% in May 2017.

In addition, above-average rainfall between March 2018 and May 2018 led to severe flooding across Kenya and resulted in approximately 300,000 people being displaced from their homes and significant damage to farmland and infrastructure. In 2020, heavy rainfall created an environment conducive to locust breeding. This resulted in the worst locust outbreak faced by Kenya in the last 70 years and affected approximately 172,973 acres of land, resulting in widespread crop and pasture losses and threatening the food security of a significant portion of the population. Above-average rainfall in October 2023 led to severe flooding, particularly in the Coastal regions of Kenya, with approximately 6,000 households being displaced from their homes, and damage to farmland and infrastructure. Continuing heavy rains in November 2023 resulted in further flash floods that caused thousands of Kenyans to lose livestock, farmland, and homes. The floods affected 38 of the 47 counties and caused 76 fatalities, resulting in President Ruto activating a National Disaster Operation Centre. In the future, excess rainfall may also result should the current El Niño event prove particularly strong. This could lead to a fall in Kenyan crop production, and other impacts, including displacement of persons, livestock, lives, and livelihoods. These impacts and the costs to mitigate them are expected to negatively impact the Kenyan economy.

According to United Nations Office for the Coordination of Humanitarian Affairs (OCHA), Kenya faced an unprecedented drought in 2022-2023, causing the longest and most severe drought in recent history and driving

rapidly rising humanitarian needs across the Arid and Semi-Arid Lands (ASAL) region. Issues of drought had knock-on effects on electricity generation in 2022 with a 17.3% decline in hydro electricity generation from 2021 to 2022 due to insufficient rains.

At the same time, staple food prices rose across Kenya because of below-average production combined with increased fuel prices and reduced cross-border imports from Uganda and Tanzania. Market prices for staple commodities such as maize and beans were 60 to 90% more expensive than the five-year average in February 2023, according to the Short Rains Assessment 2022.

In January 2023, the President established a private sector led National Steering Committee on Drought Response. The Government tasked the Committee with mobilizing resources to complement its efforts to mitigate the prevailing situation.

Kenya also experienced El Niño-induced heavy rains and flooding. As of 18 December 2023, authorities reported that more than half a million people had been displaced due to flooding and heavy rains, while UNHCR reported that over 30,000 refugees have also been affected. The Government set aside about US\$ 15.6 million for emergency assistance to flood victims.

Additionally, drought continued to affect the agricultural industry and impacted food supplies, as a result of which the Government pledged KES1.8 billion to various ministries to mitigate adverse economic effects. In 2019, the long rain season was delayed initially and has since been unevenly distributed spatially and temporally across the country. This led to poor crop germination as well reported incidences of early Fall Army Worm infestation. However, national food security had stabilised since the 2017 drought. In 2019, the Agriculture, Forestry and Fishing sector grew by 3.6% compared to 6.0% in 2018. The sector contracted by 1.6% in 2022 compared to contraction of 0.4% in 2021. In February 2023, Kenya faced severe droughts as a result of the sixth consecutive failed rainy season. The droughts resulted in approximately 5.4 million people facing high levels of acute food security (*Source: International Rescue Committee Press Release, February 2023*).

Agriculture, forestry and fishing account for a significant portion of Kenya's nominal GDP (21.2% of GDP in 2022). Kenya's economy is particularly vulnerable to natural disasters such as floods and drought, in light of the significant contribution of agriculture, forestry and fishing to Kenya's economy. In addition, expenditures associated with natural disaster relief efforts may adversely affect Kenya's budgetary position and, as a result, may impair Kenya's ability to service the Notes. Kenya has taken measures to reduce the impact of climate change, such as the establishment of the National Treasury as the National Designated Authority for Green Climate Fund and establishing structures to enable the private sector to support Government initiatives in financing mitigation and adaptation actions through the issuance of green bonds. Nevertheless, adverse weather conditions as well as any natural disasters or other effects associated with climate change could have a material adverse effect on the Kenyan economy.

The United Nations ("UN") has classified Kenya as a water-scarce country. Although progress was made under the second MTP, with urban water supply coverage increasing from 70% in 2018/19 to 76% in 2022/23 and rural water supply coverage increasing from 56% to 60% over the same period, there are further improvements to be made. In recognition of the importance of sustainable management of water resources, the Government has initiated reforms in the sector including, amongst others, the rehabilitation and protection of Kenya's five areas with the greatest rainfall; review of six catchment area management strategies; construction of 50 sand dams and/sub-surface dams along seasonal rivers especially in arid and semi-arid land; mapping of shared water resources of the country; and development of a national water allocation plan. In 2016, the Government enacted the Water Act 2016 with a focus on improving water storage, strengthening regulation, creating viable water utilities and improving sector planning. Kenya could face water shortages, however, if planned reforms are not implemented, such water shortages could have an impact on the agriculture and forestry products sector of the economy including the important exports of tea and horticulture, potentially leading to trade and current account imbalances. Any shortage of water in Kenya could have a material adverse effect on Kenya's economy and its level of economic growth. In 2023, Kenya sought to amend the Water Act 2016 through the Water (Amendment) Bill, 2023 with the aim of introducing public-private partnerships as a funding option for bulk water supply projects. According to the National Assembly's Thirteenth Parliament – Second Session – 2023 Report on the Consideration of the Water Amendment Bill, the proposed public-private partnerships funding option if adopted is expected to contribute to the attainment of the target of raising Kenya Shillings 500 billion required to increase access to water from the current 60% for regulated services to 80% and increase irrigation

acreage to 1.2 million acres by year 2030. As at the date of this Offering Circular, the Water (Amendment) Bill, 2023 has not yet been assented into law.

China is Kenya's largest creditor and an adverse impact on the Chinese economy may impact the future ability of Kenya to increase its borrowings.

As at 30 June 2023, outstanding bilateral external debt due to China (excluding Chinese commercial banks) amounted to US\$ 6.26 billion, making China Kenya's largest creditor. See "*Public Debt*". During the years 2018 and 2019, the Government through various implementing ministries entered into three loans with Exim Bank of China, amounting to a total sum of approximately CNY1.66 billion to finance projects in roads and ICT sectors. Such loans mature between 2038 and 2039. In October 2023, Kenya entered negotiations with China to seek an additional \$1 billion loan for long-term economic development, particularly stalled road construction projects.

Kenya's reliance on China for such a significant portion of its bilateral external debt and a key financing source to various infrastructure projects means that any disruption to China's economic stability or shifts in Chinese appetite for funding infrastructure projects in emerging markets could have an adverse effect on Kenya's ability to increase bilateral borrowings from the country in the future. Further, as has been cited in media and ratings agency reports, the terms of Chinese lending may be less favourable to borrowers than debt from other multilateral or bilateral lenders.

Failure to address actual and perceived risks of corruption and money laundering may adversely affect Kenya's economy and ability to attract foreign direct investment.

Although Kenya has implemented and is pursuing major initiatives to prevent and fight corruption and money laundering, both remain important issues in Kenya and a key constraint on economic growth. Kenya is ranked 123 out of 180 in Transparency International's 2022 Corruption Perceptions Index and placed at the 15.57 percentile rank (with 100 the highest rank) on the World Bank's Worldwide Governance Indicators for 2022 (control of corruption indicator). Although the number of cases handled by the Kenya Ethics and Anti-Corruption Commission (the "**EACC**") declined following the enactment of the Ethics and Anti-Corruption Commission Act 2011 and the Anti-Corruption and Economic Crimes (Amnesty and Restitution) Regulations 2011 under the Anti-Corruption and Economic Crime Act, 2003 ("**Anti-Corruption and Economic Crimes Act**"), the number of cases has risen in recent years and corruption continues to be a concern. The EACC is currently investigating allegations of unlawful or irregular compensation in relation to the compulsory acquisition of land for the SGR and Kenya National Highway Authority. The matter was investigated and consent from the DPP granted in 2018. The suspects were arrested and arraigned at the Milimani law courts, and the prosecution closed its case in October 2023. Counsels for the defence made an application to be allowed to petition the Chief Justice to allow the court to conclude the matter as it is at the tail end. The Court allowed the application and the matter will be mentioned virtually on February 2024.

The Financial Action Task Force (the "**FATF**") announced that Kenya had established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in October 2013. In June 2014, the FATF, which was established by the G-7 countries as part of an ongoing global anti-money laundering and anti-terrorist financing effort, announced that Kenya would no longer be subject to monitoring as a result of previously identified strategic anti-money laundering deficiencies.

Since 2002, Kenya has implemented various initiatives aimed at combating corruption, money laundering and financing of terrorism, including establishing a National Task Force on Anti-Money Laundering and Combating the Financing of Terrorism and recently amending the Proceeds of Crime and Anti-Money Laundering Act 2009 (the "**Proceeds of Crime Act**"). See "*Republic of Kenya—Anti Corruption, Anti-Money Laundering and Combating Terrorism*".

There is no certainty, however, to the success of these measures or that Kenya will not be subject to enhanced monitoring again. Failure to implement these strategies, continued corruption in the public sector and deficiencies in the systems for addressing money laundering activities could have a material adverse effect on the Kenyan economy and may have a negative effect on Kenya's ability to attract foreign investment. See also "*The Economy—Major Infrastructure Projects Expansion of Railway Transport*" for a discussion of the procurement process in the SGR.

The outcome of these investigations and any future allegations of corruption, whether or not substantiated, could have a material adverse effect on the Kenyan economy and may have a negative effect on Kenya's ability to attract foreign investment.

Failure to continue to restructure and enhance the banking and financial sector may constrain Kenya's economic growth.

The Kenyan banking sector is subject to a number of risks and uncertainties, that include persistent inflationary pressures, the effects of tighter monetary policy conditions on credit flows and by extension economic activity, the tax measures under the Finance Act 2023, sustained depreciation of the Kenya Shilling versus the major currencies, and concerns of debt sustainability amidst upcoming external debt maturities. In particular, asset quality in the Kenyan banking sector has decreased in recent years as reflected by the sector's high non-performing loan ratio which was 14.8% in December 2021 and 13.9% in December 2022 (Source: CBK 2022 Bank Supervision Annual Report). The marginal decline was mainly attributable to improved business activities as the economy continued to recover from the COVID-19 pandemic. The concentration of non-performing loans was mainly in Trade, Manufacturing, Real Estate, and Personal and Household sectors in December 2022. This was mainly due to delayed payments from public and private sectors, slow uptake of housing units and a challenging business environment. If the non-performing loan ratio continues to increase, this could have a material adverse effect on the Kenyan banking sector and the Kenyan economy due to likelihood of higher credit costs. (Source: the CBK's 2022 Bank Supervision Annual Report). In September 2022, rising Kenyan banks' asset-quality risks were reported due to weaker global and domestic conditions with continued asset-quality pressures expected from SMEs and retail loan books. Such conditions contributed in Fitch viewing the Kenyan banks' sector with negative outlook. Separately, stress tests conducted by CBK in September 2023 showed capital shortfalls at some banks in scenarios with large interest rate increases or significant currency depreciation. According to the IMF, the Central Bank of Kenya is monitoring the implementation of the banks' capital restoration plans and encouraging adequate provisioning for loan losses.

In December 2023, against a backdrop of continued global uncertainty, volatility in international oil prices, weak global growth outlook and escalation of geopolitical tensions, the Monetary Policy Committee noted persistent domestic inflationary pressures and a depreciating shilling. The Central Bank of Kenya raised the base lending rate by 2% points to 12.5%, a move that has led to commercial banks raise their loan rates.

The banking sector is also particularly concentrated amongst certain major banks. In 2013, the CBK developed a framework for identifying Domestic Systemically Important Banks ("D-SIBs"). However, the framework on D-SIBs has not been regularised under the Banking Act and/or the CBK's Prudential Guidelines 2013 for institutions licenced under the Banking Act (the Prudential Guidelines) and therefore remains non-operationalised. The capital and liquidity requirements are enforced under the Banking Act with specific guidance offered under the Prudential Guidelines. The Kenyan banking sector comprised of the CBK, as the regulatory authority, 38 commercial banks, 1 mortgage finance company, 1 mortgage refinance company, 10 representative offices of foreign banks, 14 microfinance banks, 3 credit reference bureaus, 19 money remittance providers, 8 non-operating bank holding companies, 10 digital credit providers and 72 foreign exchange (forex) bureaus. Out of the 39 banking institutions, 37 were privately owned while the Kenya Government and 1 had majority ownership in 2 institutions. Of the 37 privately owned banks, 20 were locally owned (the controlling shareholders are domiciled in Kenya) while 17 were foreign owned. The 20 locally owned institutions comprised 19 commercial banks and 1 mortgage finance company. Of the 17 foreign-owned institutions, all are commercial banks with 14 being local subsidiaries of foreign banks and 3 are branches of foreign banks. All licensed forex bureaus, microfinance banks, credit reference bureaus, money remittance provider, digital credit providers and nonoperating bank holding companies are privately owned (Source: *CBK Annual Report 2022*). Consequently, the potential failure of one or more D-SIBs and any remedial measures could pose a systemic risk to the banking industry and have a material adverse impact on the Kenyan banking sector and the Kenyan economy.

Furthermore, the National Bank of Kenya, one of the largest banks in Kenya, is largely supported by Government shareholdings but has suffered in recent years from a distressed portfolio as well as issues relating to governance. This relationship between the Kenyan banking sector and the Government is further seen in the sensitivity of Kenyan bank ratings to a lower sovereign rating and high sovereign debt exposure pressures. During 2020, three significant transactions involving the consolidation of smaller banks were concluded. Access Bank of Nigeria acquired Transnational Bank which was subsequently renamed Access Bank Kenya. CIB Bank

of Egypt acquired a majority stake in Mayfair Bank and renamed it to Mayfair CIB Bank. The Co-operative Bank of Kenya acquired Jamii Bora Bank and renamed it Kingdom Bank. All Kenyan banks continue to strengthen their capital and liquidity buffers and business models as they position themselves for the post Covid-19 recovery. A number of smaller banks have experienced capital deficiencies necessitating sector consolidation and asset and liability selling. In 2023, Equity Bank (Kenya) Limited acquired certain assets and liabilities of Spire Bank Limited. As of 30 September 2023, 20 banks accounting for 60% of the asset base were accessing the CBK's "discount window," a lending facility of last-resort.

In March 2020, the CBK announced emergency measures to mitigate the adverse economic effects of the Covid-19 Pandemic. The measures included (i) loan restructurings such as extensions on payment obligations of up to one year on performing loans and amending repayment schedules for businesses that had adapted their business models during the Covid-19 Pandemic, for example, hotels that began offering long lease accommodations, (ii) banks meeting the costs of these loan restructurings, (iii) waiving all charges on balance inquiries, and (iv) supporting the use of digital transaction platforms by removing charges for transfers between electronic money wallets. By February 2021, the total amount of loans restructured under these relief measures totalled KES 1.7 trillion which accounted for 55% of the banking sector's loan portfolio. Following the expiry of the restructuring period and reversion of loans to normal terms, the outstanding restructured loans as at 30 June 2021, amounted to KES 494.2 billion or 16% of the total gross loans. Over 94% of the outstanding restructured loans at 30 June 2021 were performing as per the restructured terms. (*Source: CBK's Bank Supervision Annual Report, 2022*).

The Kenyan market for banking and financial services is fragmented and a number of smaller banks in Kenya are undercapitalised and operating at a loss. The Kenyan banking sector is currently undergoing a period of consolidation to reduce the number of existing banks. However, to the extent such efforts to consolidate are unsuccessful, fragmentation in the banking sector could continue to hinder smooth transmission of monetary policy, increase the burden on the regulators and supervisors of the Kenyan banking system and prevent smaller banks from achieving economies of scale to help sustain profitability. Additionally, it is not possible to estimate or quantify the future economic impact which the Covid-19 Pandemic may have on the banking sector, their ability to secure a successful post-pandemic recovery or ability to benefit from sufficient Government or CBK stimulus measures. Each of the foregoing elements could in turn have a material adverse effect on the Kenyan economy and its ability to service its debts, including the Notes.

The Kenyan banking sector is subject to operational risks relating to the introduction of and reliance on information technology systems including cybersecurity and privacy risks.

As part of the Government's "Vision 2030" strategy and successive MTPs, information and communication technology ("ICT") has been prioritised by the Government as having a key role in expanding access to financial services and improving the ways of doing business in Kenya as a whole. As various ICT products and infrastructure have been implemented throughout the Kenyan banking sector, including the increasing usage of mobile financial services and additional ICT financial products, there has been an inherent operational risk with Kenyan banks' dependency on their ICT systems to process a large number of transactions on an accurate and timely basis, and to store and process business and operating data. The proper functioning of the banks' financial controls, risk management, credit analysis and reporting, accounting, customer service and other ICT functions are critical to the individual banks' business as well as to the overall health of the banking sector. In addition, as various financial products have been leveraged on the new ICT payment platforms, including the provision of Government services to the private sector and the collection of Government payments, the banking sector and other businesses whose performance is linked to these ICT systems remain an important source of corporate tax revenue for the Government. Therefore, any failure or disruption to mobile banking services or other ICT products operated by the banking sector may lead to significant loss of potential Government revenue, customers' deposits and market confidence. Such failures can be caused by a variety of factors, including natural disasters, extended power outages, computer viruses, and/or complications related to the availability and operation of the national fibre optic coverage. The proper functioning of ICT systems also depends on accurate and reliable data and other system inputs, which are subject to human errors.

In addition, information security risks for large financial institutions have increased in recent years, in part because of the proliferation of new technologies, the use of internet and telecommunications technology and the increased sophistication and activities of organised criminals and hackers. Kenyan banks' databases contain personal data of their customers, which may be vulnerable to damage, including telecommunications and network failures, natural disasters and human acts both by individuals external to the banks' business as well as

the banks' employees. Although Kenyan banks maintain information security software, their computer systems, software and networks may be vulnerable to unauthorised access, misuse, denial-of-service attacks, phishing attacks (SMS phishing by which individuals or organised groups send SMS or text messages to customers to obtain sensitive information or account credentials), computer viruses or other malicious codes. The National Cybersecurity Centre detected more than 143 million cyber threats in 2021 as compared to 187.8 million threats in 2022 (*Source: Cybersecurity Report Q1 2021-2021 and Cybersecurity Report April-June 2023*). This is attributed to enhanced cyber threat detection capabilities tools such as deployment of more sensors. In July 2023, a major cyber-attack caused an outage of more than 5000 public services in Kenya for a period exceeding 48 hours. The outage affected key services including M-Pesa, a key mobile phone-based money transfer service, and the Government's e-services portal providing national identification and visas. Cyber-attacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyber-attacks could give rise to the disablement of the banks' ICT systems used to service the banks customers, including the Government. As attempted attacks continue to evolve in scope and sophistication, banks may incur significant costs in their attempts to modify or enhance protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach. The risk of cyber-attacks resulting in hacker access to sensitive data may also disincentivise certain foreign investors from launching financial infrastructure in Kenya and dampen economic opportunity.

Any substantial failure of the Kenyan banking sector ICT systems or any failure by Kenyan banks to effectively manage cybersecurity and privacy risks, may affect the health of the banking sector as a whole, and therefore have a material adverse effect on Kenya's economy.

A significant portion of the Kenyan economy is not recorded.

A significant portion of the Kenyan economy is composed of the informal, or shadow, economy. Based on information from the Kenya National Bureau of Statistics, approximately 82.6% of employment in 2018, 83.0% in 2019, 83.3% in 2020, 83.6% in 2021 and 83.8% in 2022 was in the informal sector, which the Government defines as including all small-scale activities that are semi-organised, unregulated and which use low and simple technologies while employing few persons. The informal economy is not recorded and is only partially taxed, resulting in a lack of revenue for the Government, ineffective regulation, unreliability of statistical information (including the understatement of GDP and the contribution to GDP of various sectors) and inability to monitor or otherwise regulate a large portion of the economy. However, this informal sector contributes to between 20-40% of Kenya's GDP and is mainly composed of work conducted by young women aged between 18 to 35. Lack of effective regulation and enforcement in this sector also gives rise to other issues, including health and safety issues. Although the Government is attempting to address the informal economy by streamlining certain regulations, particularly tax laws, there can be no assurance that such reforms will adequately address the issues and bring the informal economy into the formal sector, thus having a material adverse effect on Kenya's economy. See "*The Economy—Employment and Wages*".

Furthermore, unregulated artisanal and small-scale mining is an income-generating activity for some vulnerable groups in Kenya, but such activity is associated with smuggling, tax evasion, health and safety risks, socio-cultural dislocation and a variety of illicit activities.

Because legal reforms in a number of areas were adopted fairly recently and are largely untested, any perceived inadequacy in the Kenyan legal system may generally deter foreign and domestic investment in Kenya and adversely affect Kenya's economy.

The justice system in Kenya is going through major changes. The reform of the legal and institutional framework includes reforms to the judiciary and the police services. Historically, Kenya's judiciary has suffered from a lack of resources and inefficiencies, and, as a result, has faced a significant backlog of cases. The judiciary and the legal system more generally are subject to a risk of politicisation and corruption which can have a material adverse impact on Kenya's investment climate and economic outlook.

With respect to the judiciary, an independent Judicial Service Commission responsible for nominating judges was established under Article 171(1) of the Constitution, and, thereafter members have been competitively appointed with the approval of Parliament. On 22 March 2011, a Judicial Service Act was enacted that establishes the mandate and membership of the Judicial Service Commission, creates a Judiciary Fund, and regulates appointment and removal of judges, amongst other things. Judges and magistrates have undergone public vetting, and many new judges and magistrates have been appointed to increase capacity. Infrastructure

development, including the construction of new courts and the purchase of equipment, has been completed. The Chief Justice and the Deputy Chief Justice of the Supreme Court were competitively appointed with the approval of Parliament. In addition, the Government has created a Judiciary Fund which was set to be operational in 2021/2020 and covers both recurrent and development spending. In 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23, Government funding to the Judiciary was KES 14.8 billion, KES 17.9 billion, KES 18.9 billion, KES 16.2 billion and KES 19.8 billion, respectively (*Source: 2023 Budget Review and Outlook Report*). Moreover, new court procedural rules have also been promulgated, which are aimed at improving efficiency. Because the legal reforms in a number of areas were adopted fairly recently and are largely untested, any perceived inadequacy in the Kenyan legal system may generally deter foreign and domestic investment in Kenya and adversely affect Kenya's economy.

With respect to the police services, the Constitution has provided for major changes to security and police governance, including provisions to diminish political manipulation and increase accountability of the police. The Constitution also merged the prior two police forces (the Kenya Police Service and the Administration Police Service) into one National Police Service. During 2011 three key police reform laws were passed: the National Police Service Act, which provides for the establishment, structure, powers and operations of the police service; the National Police Service Commission Act, which makes further provisions for the functions and powers of the National Police Service Commission and the qualifications and procedures for appointment of such; and the Independent Policing Oversight Authority Act 2011, which provides for civilian oversight of the work of the police and establishes the Independent Policing Oversight Authority, as well as its functions and powers. Reforms to the police force are continuing. No assurance can be given that these reforms might not lead to increased costs for the Government and materially adversely affect Kenya's economy or lead to an increase in the levels of crime through poor implementation.

Kenya enacted the Finance Act 2023 on the 26 June 2023. The aim of the Finance Act, 2023 was to amend various provisions of Kenya's tax laws for purposes of providing a legal framework for the implementation of the budget for the financial year 2023-24. New tax rates introduced by the Finance Act aimed to raise more funds for the government to utilise for development programs and management of its domestic and foreign debt. Notable changes in taxation included the introduction of a 16% flat rate Value Added Tax on petroleum products which was previously taxed at 8%. The Value Added Tax (V.A.T) Act was amended to remove V.A.T on liquefied petroleum gas to make the cost of energy cheaper. In addition, the Income Tax Act was amended to introduce new tax bands for persons earning above six million Kenyan shillings (KES 6,000,000) annually. The amendments to the Income Tax Act introduced two new tax bands, i.e. 32.5% and 35% to cover the taxation of the high income earners. Other taxes that were introduced include an introduction of the withholding tax on digital content monetization at a rate of 5% for residents and 20% for non-residents, reduction of withholding tax from 10% to 7.5%, taxation on cryptocurrency, and an increase of turnover tax from 1% to 3%. The Finance Act, 2023 also introduced the Housing Levy with the aim of providing affordable housing to Kenyans and create jobs in the construction sector. The introduction of the Housing Levy was challenged in Kenyan courts for being unconstitutional. As at the date of this Offering Circular, the Court of Appeal has suspended collection of the Housing Levy by Government pending the hearing and determination of the suit.

The Social Health Insurance Act was enacted into law on 22 November 2023 replacing the National Health Insurance Fund Act as part of the Universal Health Coverage Program. The Act has four (4) main objectives namely to: i) provide a framework for improved health outcomes with regard to universal health coverage; ii) realign healthcare systems and processes and to ensure their sustainability; iii) enhance pooling of resources that will guarantee access to healthcare; and iv) promote strategic purchasing of healthcare services.

The Social Health Insurance Act further established three separate funds and introduces a new funding model that is not reliant only on the contributions from members but also from the National Assembly. The Act introduced a 2.75% flat rate for contributions from Kenyans to increase the monies available to ensure universal health coverage.

The implementation of the Social Health Insurance Act has been subject to litigation at both the High Court and the Court of Appeal. In the High Court, through *Petition No. E473: Joseph Enock Aura & Others versus the Cabinet Secretary Ministry of Health & Others*, the Petitioner challenged the constitutionality of the Act seeking among other orders, a declaration that the entire Act, the Digital Health Act, 2023 and the entire Primary Health Act, 2023 are invalid for lack of public participation. The Petition was accompanied by a Notice of Motion Application inviting the Court to, in the interim issue a conservatory order restraining the Government from

implementing the Social Health Insurance Act, 2023. Upon hearing the Application the Court granted the temporary conservatory orders which resulted to an appeal against the orders by the Government. In its appeal, the Government cited the imminent monumental crisis in the health sector and a regulatory vacuum affecting more than 17 million citizens following the conservatory orders.

In a ruling in January 2024, the Court of Appeal suspended the High Court orders restraining the implementation and/or enforcement of the Social Health Insurance Act, 2023, the Primary Health Care Act, 2023 and the Digital Health Act. However, the Court of Appeal upheld the suspension of some sections of the Act.

Implementation of the Universal Health Coverage laws described above might lead to increased cost for the Government and materially adversely affect Kenya's economy.

As demonstrated above, while Kenya has implemented a number of new legal measures aimed at reforming the economy, these reforms are not without legal challenge and have not yet been fully tested to ensure they will be successful at achieving their desired outcomes. Failure of such initiatives could further delay economic reform in Kenya, which could have a material adverse effect on Kenya's economic condition and prospects, including its ability to service its debts.

Tensions with Kenya's neighbours could disrupt the Kenyan economy and have negative consequences for Kenya in its international diplomatic and trade relations.

Kenya has in the past been involved in territorial disputes with its neighbours, and such disputes may continue. In 2008, both Kenya and Uganda claimed Migingo Island as their territory. The two countries have since taken steps to make delineation of the boundary of the lake more precise and to petrol the disputed island.

In 2019, Kenya signed a memorandum of understanding with the Ugandan authorities to enable fishermen and other Lake Victoria users to access either side of Lake Victoria's boundary. However, this memorandum of understanding may be threatened by any future territorial disputes between Kenya and Uganda.

Also, Kenya has submitted to the UN Commission on the Limits of the Continental Shelf (the "UN Commission") a filing on claims to mineral exploitation rights in ocean waters beyond the 200 nautical mile baseline. Somalia and Kenya are in discussion over the non-objection of their respective submissions. In addition, in 2014, Somalia instituted proceedings against Kenya before the International Court of Justice (the "ICJ") with regard to the dispute concerning the location of the maritime boundary between the two countries in the Indian Ocean. Hearings proceeded in March 2021 without Kenya making oral arguments. The court rendered its judgement on 12 October 2021. In its judgment, the court rejected the claim made by Somalia, alleging that Kenya, by its conduct in the disputed area, had violated its international obligations. See "*Republic of Kenya—Border Disputes*" for more information.

In addition, structural differences between East African countries may result in a hampering of intra-regional trade due to barriers to the free movement of goods. Challenges may also include the informality of cross-border trade, poor infrastructure, and non-tariff barriers. As Kenya is a manufacturing and financial hub of the region, this may limit the realization of the potential for trade with other East African nations.

Tensions have also increased between Kenya and its neighbour Sudan over the ongoing conflict in Sudan. See "*—Impact of Global Conflicts*" for further information. In January 2024, Sudan recalled its ambassador to Kenya due to allegations of Kenyan interference in Sudanese internal affairs and threatening Sudanese sovereignty.

Tensions also remain with South Sudan over Kenya's border with the country. In May 2023, the Minister for Roads and Bridges of the Republic of South Sudan stated that the construction of the Nadapal-Nakodok road may not continue until the boundaries between Kenya and South Sudan are established. Border-related issues are also relevant to an ongoing lawsuit between Kenya and Rwanda regarding land in Miritini, Mombasa which was allocated to Rwanda for use as a dry dock for exports and imports.

The region may also face instability as a result of Ethiopia entering an agreement with Somaliland for access to Somaliland waters. This also impacts the Lamu Port-Southern Sudan-Ethiopia Transport project which aims to provide reliable transport for Ethiopia and South Sudan and promote trade within the region. See "*The Economy—The Lamu Port-Southern Sudan Ethiopia Transport Corridor*" for further information on the project.

Any escalation in tensions with Kenya's neighbours could materially adversely affect the Kenyan economy and have negative consequences for Kenya in its international diplomatic and trade relations.

Failure to significantly improve Kenya's infrastructure could adversely affect Kenya's economy, competitive ranking and growth prospects, including its ability to meet GDP growth targets.

Failure to improve infrastructure may impede growth of key sectors of the economy and may constrain Kenya's economic growth. The lack of infrastructure (including inadequate power supply and transportation systems) may be a significant constraint in further development in the key sectors of the economy, and Kenya's current rate of growth may decline in future periods as a result of poor infrastructure development. It may be difficult to fund further infrastructural development due to potential fiscal constraints stemming from the burden of servicing debts accrued for the purpose of funding infrastructure projects. Over the last several years, however, Kenya has made progress in the development and expansion and improvement of airports, ports, rail, pipelines, hydropower, geothermal plants, ferries, housing and public works facilities.

Nevertheless, Government concerns still exist over the length of future planning and consultative processes, poverty and unemployment levels, food insecurity and poor living conditions. For example, the Government has identified that:

- in the health sector, the number of people accessing health care is low due to the cost;
- in the manufacturing sector, there is low value addition which has hindered improved economic growth, job creation and poverty reduction;
- in the agriculture sector, reliance on rain-fed agriculture is too high, and unpredictable weather conditions in Kenya have led to incidents of hunger and malnutrition; and
- in the housing sector, urbanisation has led to a shortage of affordable housing, resulting in some people living in sub-standard housing.

Certain large infrastructure projects, such as the Mombasa port, have faced significant under-investment in regional logistics which have in turn hampered the ability to foster greater intra-regional trade. Infrastructure projects also pose additional risks, including the displacement of communities living along proposed infrastructure sites, which could exacerbate the vulnerability of these communities due to loss of homes, livelihoods, and social and cultural heritage. A failure to significantly improve Kenya's infrastructure in order to support growth in the key sectors of its economy may constrain Kenya's overall economic growth and make it difficult to meet the objectives of Vision 2030, which may in turn result in a material adverse effect on Kenya's ability to meet its debt obligations, including those under the Notes. For more information on risks to growth of key sectors of the economy, see "*—Kenya may be unable to meet its economic growth and reform objectives and policies which may adversely affect the performance of the Kenyan economy*".

Statistical information published by Kenya may differ from that produced by other sources and may be unreliable. Statistical information may also be more limited in scope and published less frequently than in the case of other countries such that adequate monitoring of key fiscal and economic indicators may be difficult.

The National Treasury, Kenya National Bureau of Statistics and the CBK all produce statistics relating to Kenya and its economy. Although collaborative efforts are being taken by the relevant agencies in order to produce accurate and consistent social and economic data, there may be inconsistencies in the compilation of data and methodologies used by some of these agencies, and in common with many developing economies, given the relative size of the informal economy in Kenya there may be material omissions or misstatements in the statistical data prepared by such agencies. As a result, there can be no assurance that these statistics are as accurate or as reliable as those published by more developed countries. In addition, Kenya's statistical information may also be more limited in scope and published less frequently than in the case of other countries such that adequate monitoring of key fiscal and economic indicators may be difficult.

Some of the statistics contained in this Offering Circular for 2020, 2021, 2022, 2023 and 2024 may be estimated or provisional figures that are subject to later revision. In September 2021, the Government published rebased and revised national accounts estimates from 2009 to 2016. There have also been significant efforts to improve the compilation of Kenya's balance of payments data in recent years, including through technical assistance

provided by the IMF; however, errors and omissions in the balance of payments data persist and may complicate the assessment of such data.

Failure to compile accurate and timely data on fiscal and economic indicators may affect how effectively Government policy is made in response to such statistical information and thus have a material adverse effect on Kenya's economic growth. Prospective investors should be aware that figures relating to Kenya's GDP, its balance of payments and other figures cited in this Offering Circular may be subject to some degree of uncertainty and that the information set forth in this Offering Circular may become outdated relatively quickly, which may result in such figures being revised in future periods.

Kenya's energy sector relies exclusively on imported oil to meet its petroleum requirements and is therefore vulnerable to oil price increases and prolonged weakness in the Kenyan shilling to US dollar exchange rate.

Kenya relies solely on imported oil to meet its petroleum requirements. Net imports of petroleum decreased by 2.4% to 5.4 million tonnes in 2018, increased by 2.4% to 6.5 million tonnes in 2019 and increased by 1.5% to 6.6 million tonnes in 2020, 12.3% to 6.4 million tonnes in 2021 and decreased by 12.5% to 5.9 million tonnes in 2022. Accordingly, a rise in the international price of oil significantly affects Kenya's economy because, amongst other things, a higher oil price increases Kenya's imports cost and thereby increases its trade and current account deficits and exerts upward pressure on prices and inflation. In 2020, measures were taken to confirm oil reserve quality and continuity in the Ngamia and Aмосing fields and the development of domestic oil reserves is expected to lead to significant product growth from 2026.

Previously, Kenya procured oil through an open tender system, under which the Government tendered online for petroleum products to be purchased every month. The oil marketing company that offered the lowest price on freight and premium won the tender and was engaged to deliver the petroleum products on behalf of the other licenced oil marketing companies.

In March 2023, Kenya introduced a government-to-government oil import arrangement replacing the previous open tendering system as measure to help ease foreign exchange pressures. The arrangement is based on a master framework agreed between Kenya and suppliers from the Gulf that are state-owned. The arrangement provides a six-month credit for oil imports, backed by letters of credit issued by participating commercial banks. Under the arrangement, the Ministry of Energy and Petroleum centrally procures the petroleum product from the supplier through an identified seller who is responsible for opening the letter of credit and payment for the product can take place in KES. The scheme was for an initial 9 months but was extended for 12 months to December 2024. As of the date of this Offering Circular, gasoline, automotive gas oil and kerosene are imported under the government-to-government arrangement and current supply agreements are valid up to 31 December 2024.

Oil prices and markets historically have been volatile, and they are likely to continue to be volatile in the future. Prices of oil are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, oil, market uncertainty and a variety of additional factors that are beyond Kenya's control. These factors include, but are not limited to, political conditions in the Middle East and other regions, internal and political decisions of the Organisation of the Petroleum Exporting Countries ("OPEC") and other oil producing nations to decrease or increase production of crude oil, US and other international sanctions targeting oil producing countries (including Iran, Russia and Venezuela), domestic and foreign supplies of oil, consumer demand, weather conditions, domestic and foreign government regulations, transport costs, the price and availability of alternative fuels and overall economic conditions. For example, Brent crude oil prices fell below US\$21 per barrel in April 2020 and subsequently rose to above US\$68 per barrel by April 2021 due to shifts in global demand and OPEC policy. Kenya does not have a hedging policy to manage oil price risk. In August 2023, as a consequence of an increase in pump prices, the Government introduced a fuel stabilization plan in the July-August pricing cycle, and this has continued until February 2024. The stabilization is funded using resources from the Petroleum Development Fund (set up under the Petroleum Development Levy Order 2020).

Further, international oil prices are typically denominated in US dollars and so prolonged weakness in the exchange rate of the Kenyan shilling against the US dollar will increase the local cost of petroleum and other oil-based products, even if there is no change in the international price of oil. Should oil prices increase and/or prolonged weaknesses in the Kenyan shilling against the US dollar occur, such events could have a material adverse effect on Kenya's economy.

Periodic strikes by doctors and teachers disrupt the provision of health and education services in Kenya and may lead to further increases in the public sector wage bill, which could crowd out spending in much-needed infrastructure and affect the stability of the Kenyan economy.

There have been periodic strikes by doctors, nurses and teachers, demanding increased salaries and collective bargaining agreements with unions. In December 2020, doctors and nurses went on a strike over delayed salaries, inadequacy of personal protective equipment and health insurance during the Covid-19 Pandemic. The strike was called off in less than a week following conciliatory intervention by the Ministry of Health.

In 2017, nurses in Kenya held a five-month strike over delays in wage rises, demanding a collective bargaining agreement. The strikes brought health services to a halt in many parts of the country, with patients being sent away in Government run hospitals. Two additional strikes threatened by the Kenya Medical Practitioners and Dentists Union were averted in February 2018 and August 2018, however more localised strike action continued. In March 2018, 700 doctors went on strike at Kenyatta National Hospital, Kenya's largest referral and training hospital. This coincided with a 76-day strike by lecturers at public universities, which ended on 1 June 2018. Furthermore, a teachers' strike planned for January 2019 to protest the transfer of teachers between schools and a perceived lack of promotion opportunities was suspended, following a court order that the Kenya National Union of Teachers and the Teachers Service Commission enter negotiations to avert the strike. Following such negotiations, the strike was successfully averted. Strike action remains pertinent with doctors considering strike action due to poor working conditions in January 2023 and postal workers going on strike and civil servant workers threatening strike action at the end of the 2023, due to the delay in payment of public sector workers by the Government.

The occurrence of such strikes significantly disrupts the provision of health and education services in Kenya, and there can be no assurance that doctors, nurses and teachers will not carry out further strikes, or that strikes may not occur in other sectors. Such strikes may result in the Government having to increase wages or implement costly measures to prevent further disruption, thus increasing Government expenditure. While the Government wage bill decreased in recent years, from 33.8% of Government revenue (15.0% of GDP) in 2020/21 to 25.3% (14.1% of GDP) in 2022/23, any further increases in the wage bill could crowd out spending in needed infrastructure investment and social protection. The wage bill is projected at 23.8% of Government revenues (17.8% of GDP) for 2023/24 but is expected to stabilise at around 21.5% of Government revenue going forward (*Source: 2023 Budget Policy Statement*). Measures to address the wage bill could include freezing public sector employment and reforming the remuneration policy. Resistance to these reforms by those most likely to be immediately affected may be followed by further protests, demonstrations and strikes. Instability in the civil service sector could affect the stability of the Kenyan economy. On the other hand, if the Government fails to implement reforms to the wage bill, the Government's fiscal position could deteriorate and the Kenyan economy may be materially adversely affected.

Changes in monetary policies in developed markets may cause capital outflows from emerging and frontier markets and may generate a negative impact on emerging and frontier economies, such as Kenya.

Changes in monetary policies in developed markets outside the control of Kenyan policymakers may cause capital outflows from emerging and frontier markets and may generate a negative impact on emerging and frontier economies, such as Kenya. Of significance, short-term private capital flows, a large source of financing for Kenya's capital and financial account, may decline if developed markets scale back expansionist monetary policy measures. This would adversely affect the funding of Kenya's current account deficit. A portfolio shift to larger economies with increasing yields could lead to a depreciation of the Kenyan shilling and increase exchange rate volatility. Higher volatility in the exchange rate could bring uncertainty in the currency market. Faced with uncertainty, investors tend to postpone making investment decisions, which could lead to less investment in the economy and have a material adverse effect on Kenya's economy.

Power shortages, over-dependence on hydropower and high energy costs may negatively impact economic growth.

Electricity in Kenya is generated from imported fossil fuels and renewable energy sources including biomass, hydro, geothermal, solar and wind. As at the date of this Offering Circular, the interconnected installed capacity is 3,321.3 megawatts ("MW") with a peak demand of 2057 MW. According to Statista, about 76.54% of the population has access to electricity with approximately 8.6 households connected to the grid. Assistance from, amongst others, the Development Partners, African Development Bank, World Bank and the Global Partnership

of Output Based Aid have greatly contributed to the development of Kenya's electricity network. Nevertheless, lack of reliable electricity supply remains a serious impediment to Kenya's economic growth and development. Insufficient power generation, aging or insufficient infrastructure, high initial investment costs, inadequate funding and weak distribution networks result in occasional power outages, inadequate generation and transmission capacity, high transmission and distribution losses and power rationing, particularly during the dry season. For example, in late 2023, successive nationwide power blackouts took place with the most recent blackout in December 2023 disrupting two terminals of Nairobi airport where back-up power generators failed to activate. Droughts have also impacted electricity generation as Kenya depends on hydropower generation for much of its power generation capacity (approximately 838.9 MW of total power generation in 2022), with geothermal capacity accounting for approximately 871 MW in 2022.

The issue of power blackouts and unreliable electricity supply is compounded by the issue of transmission losses. The total system losses are currently at 23.5% due to technical and commercial factors arising from the expanded transmission and distribution network. The System Average Interruption Frequency Index and Customer Average Interruption Duration Index are estimated to be below international standards at 1.98 and 4.37 respectively. This is due to the fact that the electricity transmission network is vulnerable and faces large amounts of variable renewable energy. There is also an issue with vandalism which affects the interruption of electricity. The energy sector is working towards minimizing these losses and improving system reliability by implementing transmission and distribution projects from 2,919 MW in 2021 to 8,920 MW in 2041. Initiatives include installation of smart meters to industrial customers funded by the World Bank which helps to monitor meter tampering issues and a shortening of the length of low voltage networks.

Kenya's Vision 2030 seeks to achieve universal access to electricity by 2030. The Government's LCPDPs for 2022-2041 set out a series of recommendations and plans to develop Kenya's renewable energy capabilities, and to improve its energy infrastructure to meet the country's energy demands. See "*The Economy—Increasing Electricity Availability through Power Generation*". In December 2023, Davis Chirchir, Kenya's Energy Minister, announced that Kenya would be considering scheduled power outages known as "load shedding" as a method for managing blackouts, as well.

No assurance can be given that Kenya will be able to improve the power sector effectively, or that the improvements will not cost significantly more than estimates. While the Government intends to develop the transmission network to minimise transmission distances and losses, it may not be able to adequately finance these initiatives to achieve its targets, or meet socio-economic and environmental sustainability concerns. Failure to address adequately the significant deficiencies in Kenya's power generation, transmission and distribution infrastructure could lead to lower GDP growth and reduce the country's ability to attract investment, thereby causing a material adverse effect on Kenya's economy.

Health risks could adversely affect Kenya's economy.

Total disease incidences as reported by public health authorities decreased by 6.9% from 94.3 million in 2021 to 87.8 million in 2022. Respiratory system diseases were the leading cause of morbidity at 19.5% of all disease instances in 2022.

HIV/AIDS, tuberculosis (which is exacerbated in the presence of HIV/AIDS) and malaria are major healthcare challenges in Kenya and other East African countries. According to estimates from the World Bank, national HIV prevalence of adults aged 15-49 years declined from 5.2% in 2014 to 4% in 2022.

Incidences of tuberculosis infections are predominantly opportunistic infections occurring in individuals with compromised immune systems as a result of HIV. Tuberculosis deaths remain a challenge for Kenya due to a number of reasons such as malnutrition, late diagnosis, and HIV co-infection.

While nationwide malaria prevalence has decreased from 14.9% in 2019 to 11.7% in 2022, confirmed cases decreased by 27.5% to 10.2 million in 2022, with the lake stable endemic zone accounting for largest number of cases. Kenyans live in malaria-endemic regions of Western, Nyanza and the Coast, with a majority of them under the age of 15.

In 2014, an outbreak of Ebola spread rapidly in West Africa, particularly in Guinea, Liberia and Sierra Leone. Although no Ebola outbreaks have been reported in Kenya, the Government issued an Ebola alert in May 2017 following an outbreak of the disease in the Democratic Republic of the Congo. While the Government has taken

steps to prepare for any possible outbreak, if Ebola resurfaces in West Africa or spreads to East Africa or Kenya, costs in treating victims of the disease as well as associated travel and trade restrictions and disruptions to commercial activity may adversely impact Kenya's economy.

Since October 2022, Kenya has been facing an outbreak of cholera with 17 of the 47 counties on high alert in April 2023. The outbreak has been concentrated in the northern regions and was triggered by the impact of prolonged and severe droughts. In February 2023, the Kenyan health authorities launched the cholera vaccination drive to control the outbreak and targeted 2.2 million people in the four worst-affected counties.

There can be no assurance that the high prevalence rate of HIV/AIDS, tuberculosis, malaria, cholera or other diseases or the possible spread of Ebola in Kenya will not have a material adverse effect on the economy of Kenya and its ability to service its debt, including the Notes.

Any significant depreciation of the Kenyan shilling against the US dollar or other major currencies might have a negative effect on Kenya's ability to repay its debt denominated in currencies other than the Kenyan shilling, including the amounts due under the Notes.

The shilling depreciated against most of the selected major trading currencies as at 30 June 2023. The Kenyan shilling weakened against the euro, US dollar, pound sterling and Japanese yen by 23.4%, 19.3%, 23.4% and 10.7%, respectively, between 30 June 2022 and June 2023 (*Source: Annual Public Debt Management Report*). Further, depreciation of the Kenyan shilling against the US dollar, or any volatility in the exchange rate or a decline in of the level of foreign reserves could materially impair Kenya's ability to repay its external debt 66.9% of which is denominated in US dollars. Kenya has a relatively high fiscal deficit, limited foreign-exchange reserves and a high dependence on commodity exports, which puts further pressure on the Kenyan shilling, which ultimately could result in a decline of foreign reserves. As a result, when combined with weak commodity prices and low production levels, and because Kenya pays for its key imports, such as oil in US dollars, the Kenyan shilling will likely remain vulnerable to external shocks that could lead to a sharp decline in its value and put significant pressure on Kenya's balance of payments.

For the foregoing reasons, a continued depreciation of the Kenyan shilling against the US dollar or other major currencies might have a material adverse effect on Kenya's ability to repay its debt denominated in currencies other than the Kenyan shilling, including the amounts due under the Notes.

Risks Relating to the Notes

Events in other emerging markets, including those in other African countries, may negatively affect the Notes.

Economic distress in any emerging market country may adversely affect prices of securities and the level of investment in other emerging market issuers as investors move their money to more stable, developed markets. Financial problems or an increase in the perceived risks associated with investing in emerging market economies could dampen foreign investment in Kenya, adversely affect the Kenyan economy or adversely affect the trading price of the Notes. Even if the Kenyan economy remains relatively stable, economic distress in other emerging market countries could adversely affect the trading price of the Notes and the availability of foreign funding sources for the Government. Adverse developments in other countries in sub-Saharan Africa, in particular, may have a negative impact on Kenya if investors perceive risk that such developments will adversely affect Kenya or that similar adverse developments may occur in Kenya. Risks associated with sub-Saharan Africa include political uncertainty, civil unrest and conflict, corruption, the outbreak of diseases and poor infrastructure. Investors' perceptions of certain risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Kenya, including elements of the information provided in this Offering Circular. See “—*Statistical information published by Kenya may differ from that produced by other sources and may be unreliable. Statistical information may also be more limited in scope and published less frequently than in the case of other countries such that adequate monitoring of key fiscal and economic indicators may be difficult*”.

The Notes have amortising redemption features.

The Notes have amortising obligations and principal on the Notes is scheduled to be repaid in three equal instalments of US\$500,000,000 on 16 February 2029, 16 February 2030 and 16 February 2031. Holders of the Notes may only be able to reinvest any amounts they receive upon such amortisation in lower-yielding securities

than the Notes. Prospective investors should consider the reinvestment risk in light of other investments available at the relevant time.

Credit ratings may not reflect all risks.

The Notes are assigned a rating of B by both S&P and B by Fitch. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A credit rating is generally dependent on a number of factors, including public debt levels, past and projected future budget deficits and other considerations. Any adverse change in the credit ratings of the Notes, or of the Issuer, could adversely affect the trading price of the Notes.

Investors regulated in the UK are subject to restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2023 ratings, provided the relevant conditions are satisfied.

European regulated investors are similarly restricted under the Regulation (EC) No. 1060/2009 (the “**CRA Regulation**”) from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

The liquidity of the Notes may be limited and trading prices may fluctuate.

The Notes have no established trading market. While application has been made to admit the Notes to trading on the London Stock Exchange’s main market and any one or more of the Joint Bookrunners may make a market in the Notes, they are not obliged to do so and may discontinue any market making, if commenced, at any time without notice. There can be no assurance that a secondary market will develop for the Notes or, if a secondary market does develop, that it will continue. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering prices, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Kenya.

Fluctuations in exchange rates and interest rates may adversely affect the value of the Notes.

The Issuer will pay principal and interest on the Notes in US dollars. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than US dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the Investor’s

Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the US dollar would decrease the equivalent Investor's Currency yield on the Notes, the Investor's Currency equivalent value of the principal payable on the Notes and the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities (including where the investor is domiciled) may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. In addition, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Definitive Notes not denominated in an integral multiple of US\$200,000 or its equivalent may be illiquid and difficult to trade.

The Notes have denominations consisting of a minimum of US\$200,000 plus integral multiples of US\$1,000 in excess thereof. It is possible that the Notes may be traded in amounts that are not integral multiples of US\$ 200,000. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than US\$200,000 in their account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a nominal amount of Notes at or in excess of US\$200,000 such that its holding amounts to US\$200,000. Further, a holder who, as a result of trading such amounts, holds an amount which is less than US\$200,000 in their account with the relevant clearing system at the relevant time may not receive a Certificate in respect of such holding (should Certificates be printed) and would need to purchase a nominal amount of Notes at or in excess of US\$200,000 such that its holding amounts to US\$200,000.

If Certificates are issued, holders should be aware that Certificates which have a denomination that is not an integral multiple of US\$200,000 may be illiquid and more difficult to trade than Notes denominated in an integral multiple of US\$200,000.

The terms of the Notes may be modified, waived or substituted without the consent of all the holders of the Notes.

The Terms and Conditions of the Notes contain provisions for convening meetings of holders of the Notes to consider matters affecting their interests and for the passing of written resolutions of holders without the need for a meeting. Such provisions are commonly referred to as "collective action clauses". The provisions permit defined majorities to bind all holders of the Notes including any such Noteholders who did not attend and vote at the relevant meeting or sign the relevant written resolution and any such Noteholders who voted in a manner contrary to the majority.

In addition, the Terms and Conditions of the Notes permit "cross-series modifications" to be made to more than one series of debt securities, provided that each affected series of debt securities also contains a cross-series modification provision. Under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Terms and Conditions), such cross-series modification may be made to more than one series of debt securities with the approval of the applicable percentage of the aggregate principal amount of the outstanding debt securities of all affected series and without requiring the approval of a particular percentage of the holders of any individual affected series of debt securities.

There is therefore a risk that the terms of the Notes may be modified in circumstances where the holders of debt securities approving the modification may be holders of different series of debt securities and the majority of Noteholders would not necessarily have approved such modification. In addition, there is a risk that the provisions allowing for aggregation across multiple series of debt securities may make the Notes less attractive to purchasers in the secondary market and adversely affect the market value of the Notes in circumstances where such modification or a proposal for such modification is expected to be made by the Issuer.

The Terms and Conditions of the Notes also provide that the Notes, their terms and conditions and the provisions of the Agency Agreement (as defined in the Terms and Conditions) may be amended without the consent of the Noteholders for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained therein or in any other manner which is, in the sole opinion of the Issuer, not materially prejudicial to the interests of the Noteholders.

The Conditions restrict the ability of an individual holder to declare an Event of Default, and permit a majority of holders to rescind a declaration of such an Event of Default.

The Conditions contain a provision which, if an Event of Default occurs, allows the holders of not less than 25% in aggregate principal amount of the outstanding Notes to declare all of the Notes to be immediately due and payable by providing notice in writing to the Issuer, whereupon the principal, interest and all additional amounts payable on the Notes will become immediately due and payable on the date on which the Issuer receives written notice of the declaration as aforesaid.

The Conditions also contain a provision permitting the holders of at least 50% in aggregate principal amount of the outstanding Notes to notify the Issuer to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. The Issuer shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

The Issuer is not required to effect equal or rateable payment(s) with respect to its other debt obligations pursuant to the Conditions, and is not required to pay other debt obligations at the same time or as a condition of paying sums on the Notes and vice versa.

In accordance with Condition 3 (*Status*), the Notes will at all times rank *pari passu* with all other present and future unsecured obligations of the Issuer. However, the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other unsecured obligations of the Issuer and, in particular, shall have no obligation to pay other unsecured obligations at the same time or as a condition of paying sums due on the Notes and vice versa. Accordingly, the Issuer may choose to grant preferential treatment to, and therefore prioritise payment obligations to, other unsecured creditors of the Issuer as payments fall due.

Kenya is a sovereign state and, accordingly, it may be difficult to obtain or enforce judgments or arbitral awards against it.

Kenya is a sovereign state and has waived only certain immunities and has not submitted to the jurisdiction of any court outside Kenya, but instead it has agreed to resolve disputes by arbitration in accordance with rules and procedures of the LCIA. As a result, an LCIA arbitration proceeding is the exclusive forum in which a holder may assert a claim against Kenya. In addition, it may not be possible for investors to effect service of process upon Kenya within their own jurisdiction, obtain jurisdiction over Kenya in their own jurisdiction or enforce against Kenya judgments or arbitral awards obtained in their own jurisdiction. See “*Enforcement of Civil Liabilities*” and Condition 16(b) (*Arbitration*).

The value of the Notes could be adversely affected by a change in English law or administrative practice.

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

The Notes will be issued with original issue discount for US federal income tax purposes.

The Notes will be issued with OID for US federal income tax purposes because the stated principal amount of the Notes will exceed their “issue price” by an amount equal to or more than a statutorily defined *de minimis* amount. Accordingly, US Holders (as defined in “*Taxation—United States Federal Income Taxation*”) will be required to include any amounts representing OID in gross income (as ordinary income) on a constant yield to maturity basis for US federal income tax purposes in advance of the receipt of cash payments to which such income is attributable regardless of their regular method of accounting for US federal income tax purposes. For further discussion, see “*Taxation—United States Federal Income Taxation*.”

USE OF PROCEEDS

Kenya intends to apply the net proceeds of the issue of the Notes towards the repayment of the outstanding debt of Kenya, including to purchase its US\$2,000,000,000 6.875% Notes due 2024 (the “**2024 Notes**”) which have been accepted for purchase by Kenya in the tender offer announced by Kenya on 7 February 2024 (the “**Tender Offer**”). In addition, if the principal amount of the Notes exceeds the aggregate amount of 2024 Notes tendered in the Tender Offer, the Republic intends to utilise the balance for general budgetary expenditures.

REPUBLIC OF KENYA

Location and Geography

Kenya occupies a land area of 580,876.3 square kilometres on the equator and is bordered by the Indian Ocean to the southeast, Tanzania to the south, Uganda to the west, South Sudan to the northwest, Ethiopia to the north and Somalia to the northeast. Kenya is divided into 47 semi-autonomous counties that are headed by governors who were elected in the first general election under the Constitution in March 2013. Nairobi is the largest city and the capital of the country.



Kenya has a warm and humid climate along its Indian Ocean coastline, with wildlife-rich savannah grasslands inland towards the capital. Nairobi has a cool climate that gets colder approaching Mount Kenya. Further inland, there is a warm and humid climate around Lake Victoria and temperate forested and hilly areas in the western region. The north-eastern regions along the border with Somalia and Ethiopia are arid and semi-arid areas with near-desert landscapes. Lake Victoria, the world's second largest fresh-water lake and the world's largest tropical lake, is situated to the southwest; Kenya, Uganda and Tanzania share its border.

The “long rains” season occurs from March to June. The “short rains” season occurs from October to December. The rainfall is sometimes heavy and often falls in the afternoon and evening. The temperature remains high throughout these months of tropical rain. The hottest periods are February and March, leading into the season of long rains, and the coldest periods are in July and August. In recent years, Kenya has also experienced major droughts and flooding. (*See “Risk Factors—The impact of climate change has negatively affected Kenya in the past and may negatively affect it in the future.”*).

Kiswahili and English are both official languages in Kenya. Kiswahili is the national language.

Border Disputes

The Maritime Border with Somalia

Kenya has a long-running boundary dispute with Somalia concerning the location of the maritime boundary between the two countries in the Indian Ocean. On 6 May 2009, Kenya submitted information to the UN Commission on the boundary limits of the continental shelf beyond 200 nautical miles from the baselines from which the breadth of the territorial sea is measured. The submission was intended to give Kenya the right to explore and exploit mineral resources in this additional territory under the United Nations Convention on the Law of the Sea. On 28 August 2014, Somalia started proceedings against Kenya before the ICJ regarding the boundary dispute. Somalia contended that both countries disagree about the location of the maritime boundary in the area where their maritime entitlements overlap. Somalia requested that the ICJ determine the complete course of the single maritime boundary dividing all the maritime areas appertaining to Somalia and Kenya in the Indian Ocean and for the ICJ to determine the precise geographical co-ordinates of the single maritime boundary in the Indian Ocean, including the continental shelf beyond 200 nautical miles. In February 2017, Kenya challenged the ICJ's authority to adjudicate over the dispute. This was dismissed by the ICJ, which determined that it had authority to hear the full case. The hearing took place in March 2021. Kenya declined to

participate in the proceedings, citing that new counsel was introduced on record and needed to be given proper instructions and they did not want to proceed without proper representation. The hearing therefore proceeded without Kenya making its oral arguments, solely on the basis of the written proceedings submitted by Kenya.

The ICJ delivered its decision on the merits of the case on 12 October 2021 by which it determined the maritime boundary between Somalia and Kenya. In its judgment, the court rejected the claim made by Somalia, alleging that Kenya, by its conduct in the disputed area, had violated its international obligations.

Milingo Island

Milingo is a 2,000-square-metre (half-acre) island in Lake Victoria. In 2008, both Kenya and Uganda claimed the island as part of their territory. The basis for the dispute revolves primarily around the lucrative fishing rights associated with the island, mostly for valuable Nile perch. In July 2009, the Ugandan government stated that, while Milingo Island was in fact part of Kenya, much of the waters near the island were Ugandan territory.

In April 2009, the Ugandan flag on the island was lowered and Ugandan security personnel withdrew from the island. A joint re-demarcation line of the border was launched on 2 June 2009 to recover and to place survey markers on land, making delineation of the boundary on the lake more precise. The two countries have established a joint technical experts committee to demarcate the borderline along the island. The committee has held several meetings aimed at concluding the exercise. In August 2016, Kenya and Uganda announced a joint taskforce comprising police from both countries that will patrol the disputed island and the entire common border. In 2019, Kenya signed a memorandum of understanding with Uganda, which has enabled fishermen and other Lake Victoria users to access either side of the boundary.

Ilemi Triangle

The Ilemi Triangle is an area of disputed land in East Africa, measuring between 10,320 and 14,000 square kilometres (3,985 and 5,405 square miles). The territory borders Ethiopia, and both South Sudan and Kenya have claimed the territory. However, since its independence, Kenya, however, has had *de facto* control of the area.

History

In 1890, Britain established the East Africa Protectorate, which became a crown colony in 1920, by the name of the Colony and Protectorate of Kenya. Organised resistance to colonial rule emerged in the 1920s, intensified in the 1940s, and became violent in 1952, following the formation of the Mau Resistance movement. After nearly eight decades of British colonial rule, Kenya gained independence in 1963 and became a republic a year later. Jomo Kenyatta, an icon of the struggle for liberation, became Prime Minister, and later, its President, from independence in 1963 until his death in 1978, when President Daniel Moi took power in a constitutional succession. The country was a *de facto* one-party state from 1969 until 1982 when the ruling Kenya African National Union (“KANU”) made itself the sole legal party in Kenya. President Moi stepped down in December 2002 following democratically held elections. Mwai Kibaki ran as the candidate of the multi-ethnic, united opposition group, the National Rainbow Coalition (“NARC”) and defeated KANU candidate Uhuru Kenyatta (the son of founding President Jomo Kenyatta) with a successful anti-corruption campaign. Kibaki assumed the presidency in 2002. His NARC coalition splintered in 2005 over a constitutional review process. Government defectors joined with KANU to form a new opposition coalition, the Orange Democratic Movement (“ODM”), which defeated the Government’s draft constitution in a referendum in November 2005. President Kibaki’s re-election in December 2007 brought charges of vote rigging from ODM candidate Raila Odinga, resulting in two months of violence in which it is estimated that 1,133 people died. The African Union conducted mediation, led by former UN Secretary General Kofi Annan, in late February 2008. Through this mediation process, the parties agreed to a power-sharing accord bringing Mr. Odinga into the Government as Prime Minister.

The power-sharing accord included a broad reform agenda, the centrepiece of which was constitutional reform. In August 2010, Kenya adopted the Constitution following a national referendum. The Constitution introduced a bill of rights for Kenyan citizens, and significant devolution of power and resources to 47 newly created counties. It also abolished the position of Prime Minister and the first presidential elections were held under the Constitution on 4 March 2013. There were allegations of voting irregularities; however, the 2013 elections were not marred by violence. Uhuru Kenyatta won in the first round by a close margin, and the newly constituted Supreme Court dismissed the opposition’s petition against the election results. Uhuru Kenyatta was sworn into

office on 9 April 2013. Uhuru Kenyatta was re-elected as President in August 2017; however, the election results were annulled by the Supreme Court, which cited irregularities in the votes and it ordered re-elections to be held. The October 2017 re-election was boycotted by the opposition, the National Super Alliance (“NASA”) led by Raila Odinga. Voter turnout for the election was significantly lower than for the August 2017 elections. Uhuru Kenyatta was re-elected in the October 2017 re-election and the results were again challenged in the Supreme Court. In November 2017, the Supreme Court ruled the petitions were without merit and declared that Uhuru Kenyatta had been validly re-elected as President and he was subsequently sworn in as President of Kenya. In March 2018, Raila Odinga officially recognised Uhuru Kenyatta as President of Kenya and the two released a joint press statement promising reconciliation and collaboration on economic and political reforms.

See “Risk Factors—Risks Relating to the Republic of Kenya—Investing in securities in emerging markets such as Kenya generally poses a greater degree of risk than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments.”

On 9 August 2022, general elections were held in Kenya to elect, among others, the President of the Republic of Kenya for a five-year term as prescribed by the Constitution. The Chairperson of the Independent Electoral and Boundaries Commission (the “IEBC”) declared William Samoei Ruto as the President-elect and Rigathi Gachagua, as the Deputy President having been satisfied that the terms of Article 138(4) of the Constitution had been met. The Chairperson of the IEBC issued Gazette Notice No. 9773 of 16 August 2022 to formalise the declaration. The said declaration precipitated the institution and filing of nine Presidential Election Petitions challenging among other issues: (i) whether the technology deployed by the IEBC for the conduct of the 2022 General Elections met the standards of integrity, verifiability, security, and transparency to guarantee accurate and verifiable results; (ii) whether there were unexplainable discrepancies between the votes cast for Presidential candidates and other elective positions; and (iii) whether the declared President-elect attained requisite majority of votes cast in accordance with Article 138(4) of the Constitution.

The Supreme Court upon scrutiny of the evidence supplied by the petitioners, held that the election of William Samoei Ruto as President is valid under Article 140(3) of the Constitution. William Samoei Ruto was sworn in as President of Kenya on 13 September 2022.

The decision of the Supreme Court went against the opposition leader, Hon. Raila Odinga who mobilized his supporters to take part in a series of violent demonstrations which also protested against the rising cost of living, high tax rates, joblessness among the youth, and other political and socio-economic issues. The President and Raila Odinga came together to address the issues and formed the National Dialogue Committee which sought to end the demonstrations. In 2023, the National Dialogue Committee published a report that provided recommendations which included auditing of the 2022 election process, restructuring of the IEBC to ensure that minority perspectives, electoral law reforms to increase the timeline within which the Supreme Court can hear presidential election petitions and proposals to lower the cost of living by reducing some taxes and Government expenditure.

Kenya’s next general elections are scheduled to take place on August 2027.

Energy

Supply

The main source of energy in Kenya is biomass, accounting for 69% of the primary energy consumption, followed by petroleum at 22% and electricity 9%. Other forms of energy in use include solar and biogas. As at the date of this Offering Circular, the interconnected installed capacity is 3,224 MW with a peak demand of 3,224 MW.

Electricity access rate is estimated at about 75% with approximately 9,231,288 customers connected to the grid. Interventions from the development partners, mainly the African Development Bank, the World Bank, European Investment Bank, the EU and Japan International Cooperation Agency through the Last Mile Connectivity project and Global Partnership of Output Based Aid have greatly contributed to growth in access.

The Power Transmission Network is currently operating at 132 kilo Volts (“kV”), 200 kV and 400 kV. The size of transmission network (400kV, 200kV and 132kV) by circuit length is approximately 7,676km. The distribution network comprises an approximate medium voltage network with a length of approximately 79,310

km. The total system losses are currently at 23.5% due to technical and commercial factors arising from the expanded transmission and distribution network. The System Average Interruption Frequency Index and Customer Average Interruption Duration Index are estimated to be below international standards, at 1.98 and 4.37, respectively. The energy sector is working towards minimizing these losses and improving system reliability by implementing transmission and distribution projects from 2,919 MW in 2021 to 8,920 MW in 2041.

Electricity demand is projected to grow to 8,920 MW by 2041 according to the LCPDP. The Government plans to expand the generation capacity to meet this demand and the transmission network to 8,644km by 2040. Renewable energy will continue playing a dominant role in the supply of energy accounting for about 94% of the energy dispatched. The Government plans to expand the generation capacity to meet this demand and the transmission network to 12,672km by 2041. To achieve the increased demand, the Least Cost Power Development Plan 2022-2041 aims for generation coming from geothermal, hydro, solar and wind with development by public and private sector actors. In 2021, The Ministry restructured the Feed In Tariff Policy for small renewable energy projects and the Renewable Energy Policy for wind and solar projects. Future electricity supply plans are expected to remain focussed on increasing renewable components and flexible generation through hydroelectric sources. This is central in achieving the country’s development agenda under the Vision 2030 and the Bottom-Up Economic Transformation Agenda (the “**BETA**”) (See *The Economy - The Bottom-up Economic Transformation Agenda*).

The following table presents Kenya’s installed and effective/contracted electricity-producing capacity as at 31 December 2022:

Source	Installed		Effective /Contracted	
	(MW)	Percentage (%)	(MW)	Percentage (%)
Hydro	839.3	25.9	810.4	26.0
Geothermal	940.0	29.0	876.1	28.1
Thermal (MSD).....	512.8	15.8	506.4	16.3
Thermal (GT).....	60.0	1.9	56.0	1.8
Wind	435.5	13.4	425.5	13.7
Biomass.....	2.0	0.1	2.0	0.1
Solar	210.3	3.0	210.3	6.8
Interconnected System	3,200	98.7	3,087	99.2
Off grid Thermal	41.0	1.3	24.2	0.8
Off-grid Solar.....	2.7	0.1	1.9	0.1
Off-grid Wind.....	0.6	0.0	0.0	0.0
Imports	200	6.2	200	6.4
Total Capacity MW	3,244	100	3,113	100.0%

Source: Ministry of Energy & Petroleum

Currently, there is limited cross-border power supply between Kenya and Uganda and Tanzania. In 2021, the connection between Kenya and Ethiopia was energised and Kenya is currently importing 200MW with an aim to import 400MW in 2025. There are several regional interconnectors under implementation. These will increase and facilitate regional power trade. The lines are 400kV Kenya - Tanzania interconnector, 400kV Kenya – Uganda interconnector and the 500kV HVDC Kenya – Ethiopia interconnector.

Government strategy

The Ministry of Energy undertakes long-term electricity planning through an annual 20-year rolling Least Cost Power Development Plan (“**LCPDP**”), the latest of which is for 2022-2041.

The LCPDP projects that demand for electricity will grow from 12,416 gigawatt hours (“**GWh**”) in 2021 to 34,321 GWh in 2041, with the corresponding peak demand increasing from 2,036 MW in 2021 to 5,757 MW in 2041. This will be supplied with generation originating from geothermal, hydro, solar and wind sources that are under development by the public and private sectors. As at the date of this Offering Circular, the Government is on target to match the prevailing demand and supply for electricity and provide for reserve margins.

A total of 12,672 kilometres in circuit length of power transmission lines and 18,497 MVA in substation capacity will be constructed in addition to the construction of a modern National Load Dispatch and Control Centre. In addition, the distribution footprint will entail the construction of 116 new primary distribution substations with

a distribution capacity of 2,809 MVA and 1,244 kilometre of associated 66kV and 33kV lines, 20 new bulk supply substations and installation of 336.5 megavolt ampere of reactive power (“MVAR”) reactive power compensation equipment in 15 transmission substations.

The Government in achieving its target of universal access of electricity by the year 2030. The Last Mile Connectivity and KOSAP project involves expansion of the national power distribution grid and development of off-grid solutions to achieve this goal. Although there can be no assurance that the Government will meet such target as a result of possible challenges including inadequate financing to achieve the targets and difficulties in meeting the socio-economic and environmental sustainability concerns. This could slow down economic growth given the importance of the sector to industrial development.

See “*The Economy—Oil and Gas—Renewable Energy*” for details regarding renewable energy policies.

Population

According to the World Bank, Kenya had an estimated population of 54 million in 2022, of which 26.7 were male and 27.2 million were female, accounting for 50.4% of the total population.

The five largest ethnic groups are Kikuyu, Luhya, Kalenjin, Luo and Kamba, while the five smallest ethnic groups are Dahalo, El Molo, Konso, Gosha and Wayyu.

According to the World Bank, population density is estimated at approximately 93 people per square kilometre in 2022, with approximately 28% of the population living in urban areas. Nairobi, the capital of the country and its largest city, has an estimated population of 4.9 million.

The following table sets out selected comparative socio-economic indicators for 2022 for Kenya and for certain other countries in the region.

	Per capita GDP (in current prices 2023 US\$) ⁽¹⁾	Life Expectancy (in years) ⁽²⁾	Adult Literacy Rate ⁽³⁾	Doing Business Ranking ⁽⁴⁾	Debt/GDP ⁽⁵⁾ (% of GDP)
Ghana	2,329.0	64	80	118	88.8
Kenya	2,187.7	61	83	56	67.9
Tanzania	1,326.6	66	82	141	_(6)
Uganda	1,163.0	63	81	116	50.8
Rwanda.....	1,031.7	66	76	38	64.4

(1) IMF World Economic Outlook data.

(2) 2021 World Bank data.

(3) 2022 World Bank data for Zambia and Ghana; 2022 data for Rwanda and 2022 Uganda; 2022 data for Kenya and Burundi and 2022 data for Tanzania.

(4) 2020 data.

(5) 2022 IMF: Central Government Debt

(6) IMF has not published data for Tanzania for 2022. According to IMF indicators for General Government Debt for 2022, Tanzania’s Debt/GDP ratio as a percentage of GDP was 41.6%

Public Health

Kenya’s public health policy is to achieve the highest attainable standard of health in a manner responsive to the needs of the population. Under the current health sector structure, the sector is composed of the Ministry of Health and eight semi-autonomous Government agencies, which provide the Ministry of Health with support in specialised health, service delivery, medical research and training, procurement and distribution of drugs and financing through health insurance.

The Ministry of Health is primarily responsible for developing national policy, providing technical support, monitoring quality standards of performance of the county governments and community organisations, providing guidelines on tariffs and conducting studies required for administrative and management purposes.

Pursuant to the Constitution, most of the delivery of health services is provided by the counties, with further responsibilities at the county level being provided at a sub-county and community level. The one exception is the Ministry of Health, which retains national referral services, comprising all secondary and tertiary referral

facilities that provide specialised services. The county health services are primarily responsible for comprehensive in-patient diagnostics, medical, surgical and rehabilitative care, including reproductive health services, specialised outpatient services and facilitating and managing referrals from the sub-county and community health level. The primary responsibilities at the sub-county level are disease prevention and health promotion, basic outpatient diagnostic, medial surgical and rehabilitative services, inpatient services for emergency patients awaiting referral, patient observation and normal delivery services. County health services are funded from locally generated revenue, rather than from national grants. At both the national and county level, the Government allocated approximately 3.4% of the total budget to healthcare provisions in 2022/23.

The sub-county level institutions are also responsible for facilitating referrals from the community health level. The community health level institutions in the country, comprised of the community units, are primarily responsible for the promotion of better health behaviours, recognition of signs and symptoms of conditions requiring referral and facilitation of community diagnostics, management and referrals to the higher levels.

Universal Healthcare

The Government has identified healthcare delivery as one of the core pillars of the BETA.

Under the BETA, the Government made commitments to progress the universal healthcare coverage. In this regard, the Government increased allocation to the health sector by EKS 31.5 billion in the FY 2023/24.

The Government has committed to invest in the primary healthcare system through; (i) establishment of stakeholder managed primary health care funds as strategic purchasers at each level 4 facility; (ii) establishment and operationalization of emergency medical fund and establish a fund to bridge the financial gaps in the wake of diminishing donor funding in support of key programmes including HIV/AIDS, tuberculosis, malaria, family planning and reproductive health, vaccines and nutrition. To achieve this, the Government has identified the following as areas of priority in respect of the implementation of universal health coverage:

- Kenya has made notable progress in its pursuit of universal health coverage through enactment of four Acts. These Acts, namely the Primary Health Care Act, the Digital Health Act, Facility the Improvement Financing Act and the Social Health Insurance Act, are aimed at revolutionizing the healthcare sector in the country. The Facility Improvement Financing Act aims to improve the financial governance of public health facilities by ensuring that public health facilities can retain their funds and have management autonomy. It also aims to provide a unified system for financial management in public health facilities. Under the Facility Improvement Financing Act, the Government has developed and operationalised the ‘Facility Improvement Fund’. The Primary Health Care Act and the Digital Health Act took effect on 2 November 2023, and the Social Health Insurance Act took effect on 22 November 2023;
- As part of the health sector interventions highlighted above, the Government has sought to reform the National Health Insurance Fund as a necessary imperative. The enactment of the Social Health Insurance Act establishes the Social Health Authority under which three funds have been created: the Primary Healthcare Fund, the Social Health Insurance Fund and the Emergency, Chronic, and Critical Illness Fund. All the funds, assets and other property held by National Health Insurance Fund (NHIF) Board was vested in the Social Health Authority with effect from 22 November 2023. The National Health Insurance Fund Act has been repealed and the NHIF Board is required to wind up the National Hospital Insurance Fund within one year from the stated effective date;
- The Government has also changed the contribution structure from an occupational scheme for persons in formal employment to a household contribution model with the aim of enhancing the health insurance membership. The Social Health Insurance Fund introduces a new funding model that is not reliant only on the contributions from members but also from the National Assembly. The Act introduced a 2.75% flat rate for contributions from Kenyans to increase the monies available to ensure universal health coverage.
- The Government has ring fenced and up scaled research funding for the Kenya Medical Research Institute in the FY 2023/24 and the subsequent medium term; and
- The Government is also supporting Kenya Bio Vax Limited to locally produce vaccines and other health products and technologies.

Other commitments of the Government to facilitate the implementation of universal health coverage include:

- employment and initiation of payment for community health workers who shall form part of the Primary Health Care system;
- prioritization of employment of 20,000 healthcare workers- doctors, nurses, clinical officers, laboratory technologists, physiotherapists, among others, to bridge the gap according to WHO recommendations of 23 HC per 10,000 populations;
- the establishment of an emergency medical treatment fund to cater for emergency, cancer treatment and referrals;
- setting aside of KES 50 billion for medical schemes associated with the Kenya Association of Retired Officers;
- integration of preventive and promotive services/ establish of MDT (a primary healthcare approach) as envisioned in the Afya Bora Mashinani;
- setting aside of seed deposit amount of KES 100 billion into co-funding the strategic programs for HIV, tuberculosis, blood transfusion, malaria, family planning and reproductive health;
- ring-fencing funds for healthcare from facility improvement funds to allocations from the Treasury in collaboration with County Governments; and
- building up supply chain management systems to ensure efficiency and accountability in the medical supplies to all health facilities.

HIV/AIDS, Malaria and Tuberculosis

HIV/AIDS, malaria and tuberculosis are major healthcare challenges in Kenya and other East African countries. According to estimates from the World Bank, national HIV prevalence in adults aged 15-49 years declined from 5.2% in 2014 to 4.0% in 2021. Tuberculosis deaths remain a challenge due to a number of reasons such as malnutrition, late diagnosis, and HIV co-infection.

The Government has implemented specific strategies to address the prevention and treatment of HIV/AIDS, including provision of counselling and testing, public education, provision of free antiretrovirals to those infected and increasing efforts to prevent stigmatisation and discrimination of those infected. The estimated annual cost for HIV commodities is KES 27-30 billion. Currently, HIV health products are funded through the Government, the Global Fund and U.S. President's Emergency Plan for AIDS Relief (PEPFAR). Unfortunately, there has been a decline in proportionate donor funding and expectation for increase in Government contribution towards HIV commodities. PEPFAR is a key partner in the Kenya's fight against HIV contributing about 40% of total funded budget for HIV commodities and since 2004, the US government has invested at least \$ 6.5 billion in Kenya.

The Government's efforts on malaria include the development of a national malaria control strategy for 2018 to 2025, which focuses on the prevention and treatment of malaria, and outlines a strategic approach on the use of long-lasting insecticide-treated nets as a key measure in the prevention of malaria. The nets are distributed free of charge to vulnerable persons, including pregnant women and children below one year of age in malaria-endemic areas. Mass net distribution occurs every three years targeting 27 counties to protect their populations against malaria. In addition, the Ministry of Health supplies Malaria medicines and rapid diagnostic tests kits and distributes them to all counties. In particular, sulphadoxine pyrimethamine is given to pregnant women in 36 counties to protect them against malaria and indoor residual spraying is used in the two counties most at risk of malaria.

During 2022/23, the Government allocated a total of KES 306 million for the procurement of malaria commodities. The Global Fund provided KES 477.6 million and the President's Malaria Initiative contributed KES 229.4 million of funding for procurement of these commodities in 2022/2023.

Since October 2022, Kenya's northern regions have been affected by a cholera outbreak triggered by the impact of a severe drought and the outbreak has affected 26 of the 47 counties. As of 28 August 2023, Kenya recorded more than 11,872 cases and 196 deaths, with a fatality rate of 1.7%. The outbreak led the country's health authorities to launch a cholera vaccination drive in February 2022 to control the spread of disease and the

campaign targeted 2.2 million people in the four worst-affected counties. According to the World Health Organisation, the campaign ultimately managed to reach 99.2% of the target population by 21 February 2023. An additional vaccination campaign in eight high-risk counties took place in August 2023 with vaccinations of 1.59 million people.

Ebola

In March 2014, the WHO reported an outbreak of Ebola in Guinea, and the virus later spread to other West and Central African countries, including Liberia, Nigeria, Senegal and Sierra Leone. Ebola is a dangerous and contagious virus that often results in death. The West Africa Ebola outbreak was the largest in history, affecting multiple countries in and beyond West Africa. According to the WHO, 28,616 suspected, probable, and confirmed cases with a total of 11,310 deaths were recorded in Guinea, Liberia, and Sierra Leone in 2014.

On 29 March 2016, the WHO lifted the Public Health Emergency of International Concern related to Ebola in West Africa. While there have been no confirmed cases of Ebola in Kenya, the Government issued an Ebola alert in May 2017, following an outbreak of the disease in the Democratic Republic of the Congo, and again in 2019, following an outbreak in Uganda. Kenya has invested in significant training and equipment to combat any possible outbreak and has recently strengthened screening and surveillance of persons travelling from or through the Democratic Republic of the Congo.

Education

The overall goal of the education sector is: to increase access to education and training, improve quality and relevance of education, reduce inequality as well as develop knowledge and skills in science, technology and innovation for global competitiveness. The education sector is composed of the State Department for Basic Education, State Department for Universities, State Department for Vocational and Technical Training and Teachers Service Commission, together with their affiliated agencies and institutions. The National Government’s role is in setting policy, allocating the national education budget, and supervising and regulating the education system. Expenditures by the Ministry of Basic Education were KES 96,357.55 million, and expenditures by the Teachers Service Commission were KES 297,611.45 million for 2022/23.

Recent initiatives in the sector include enhancing IT integration in education at all levels, including the deployment of laptops to schools, development of digital content, building capacity of teachers and rolling out computer laboratory for primary schools throughout the country. Going forward, the Government aims to focus on construction and improvement of infrastructure in learning institutions, enhancing educational grants, strengthening teacher supervision, and expanding industry-led vocational training and instituting paid-for internship programmes to facilitate the absorption of more young Kenyans into the job market.

In terms of innovation, Kenya ranks 88th among the 132 economies featured in the Global Innovation Index 2022 and Kenya ranks 100th among the 132 economies featured in the Global Innovation Index 2023.

Primary, Secondary and Higher Education

At present, basic education covers eight years of primary education, four years of secondary education and four years of basic university degree. The table below provides information as to student enrolment in primary and secondary schools as at the dates indicated.

	As at 31 December				
	2018	2019	2020	2021	2022
	<i>(thousands of students)</i>				
Primary school	10,390	10,072	10,170.1	10,285.1	10,364.2
Secondary school.....	3,013	3,263	3,520.4	3,692.5	3,858

Source: Ministry of Education, Science and Technology.

Kenya is transitioning from the current 8-4-4 system to 2-6-6-3 Competency Based Curriculum system. Kenya has adopted the “Competency Based Curriculum” for all levels of basic education which has already been rolled out in the “Early Years Education”, which consists of Pre-Primary 1 and 2, and Grades 1, 2 and 3.

The table below provides student enrolment in public and private universities for the periods provided.

	As at 30 June				
	2018/19	2019/20	2020/21	2021/22	2022/23 ⁽¹⁾
Public Universities ⁽²⁾	456,925	430,572	440,474	448,482	450,638
Private Universities	108,120	110,304	112,841	113,584	112,287
Total Enrolment	565,045	540,876	553,316	562,066	562,925

⁽¹⁾ Provisional

⁽²⁾ Includes information as to enrolment only as to the following universities: University of Nairobi, Kenyatta University, Moi University, Egerton University, Jomo Kenyatta University of Agriculture and Technology, Maseno University, Masinde Muliro University of Science and Technology, Kenya Polytechnic University and Mombasa Polytechnic University College.

Source: Ministry of Education, Science and Technology.

Political System

General

Kenya is a multiparty democratic state composed of the executive, the legislature, the judiciary and the devolved county governments.

The President, the Deputy President and the Cabinet constitute the executive branch of the Government. The President is the Head of State and Government, the Commander in Chief of the Kenya Defence Forces and the chair of the National Security Council. The President is elected by registered voters in a national election for a five-year term and can only be re-elected for one additional term. The Deputy President is the principal assistant of the President and deputises the President in the execution of the President's functions. The Cabinet is composed of the President, the Deputy President, the Attorney General, and the Cabinet Secretaries, of which there may be no less than 14 and no more than 22. The President nominates and, with the approval of the National Assembly, appoints Cabinet Secretaries. The President has appointed 21 Cabinet Secretaries.

The legislature is composed of the Senate and the National Assembly.

There are 67 Senators; 47 are elected by the registered voters in the 47 counties of Kenya; 16 women members are nominated by political parties according to their proportion of members in the Senate and four members (two men and two women) represent the youth and persons with disabilities and are elected on the basis of proportional representations by use of party lists. The Speaker is an *ex officio* member of the Senate. The Speaker is elected from candidates who are not Senators by the votes of two-thirds of all the Senators. If no candidate reaches the required number of votes, then a runoff election is held between the two candidates who receive the highest and next highest number of votes; however, if more than one candidate receives the highest number of votes, then only the candidates who receive the highest number of votes will participate in the runoff election. The candidate who receives the highest number of votes in the runoff election is declared the Speaker.

There are 349 members of the National Assembly. Each of the 290 constituencies elect a member to the National Assembly. Under the Constitution, there must be a women's representative Member of Parliament elected from each county, guaranteeing a minimum of 47 women members in the National Assembly. Twelve additional members are nominated by parliamentary political parties according to their proportion of members in the National Assembly. Similar to the Senate, the Speaker is an *ex officio* member of the National Assembly and is elected from candidates who are not members of the National Assembly. The procedure for election of the Speaker of the National Assembly is similar to the election of the Speaker of the Senate.

The political parties supporting President Kenyatta hold 194 out of the 349 seats in the National Assembly and 37 out of the 67 of the seats in the Senate.

Since the occurrence of the 2007-2008 post-election violence, Kenya has made concerted efforts to put in place an institutional framework intended to facilitate the peaceful transition of successive governments. The most notable measures that have been implemented are the following:

- the Constitution, which contains detailed provisions in respect of general election cycles and the requirement that election petitions be determined within six months after the declaration of results. It established the Supreme Court of Kenya, whose mandate includes hearing and determining petitions arising out of a presidential election and provides for the process of swearing in a newly elected President;

- the enactment of legislation containing provisions aimed at addressing concerns that might have contributed to the 2007 post-election violence, as further detailed below;
- the establishment of various independent commissions whose mandates are to implement the provisions of the Constitution, as further detailed below;
- undertaking extensive ongoing judicial reforms to instil public confidence in the Kenyan judicial system, in particular the public vetting of judicial officers, including Magistrates and Judges of Kenya's subordinate and superior courts, respectively; and
- the establishment of the Constitutional Implementation Oversight Committee, a select committee of Parliament established under the Constitution to oversee implementation of the Constitution.

As mentioned above, several independent commissions have been established under the Constitution respectively to entrench constitutionalism and respect for the rule of law and to implement the devolved system of government. The independent commissions include:

- the National Cohesion and Integration Commission which, amongst other things, facilitates and promotes the elimination of all forms of discrimination, promotes arbitration and other dispute resolution mechanisms, investigates complaints of ethnic or racial discrimination and makes recommendations to the Attorney General, the Kenya National Commission on Human Rights or any other relevant authority on the remedial measures where such complaints are valid;
- the Kenya National Commission on Human Rights, which monitors, investigates and reports on the observance of human rights; investigates complaints about alleged abuses of human rights and takes steps to secure appropriate redress where human rights have been violated;
- the Independent Electoral and Boundaries Commission, which supervises elections and referenda at the county and national government levels;
- the National Police Service Commission, whose role includes staffing of the National Police Service, observing due process and exercising disciplinary control over the members of the National Police Service; and
- the National Land Commission, whose functions include managing public land on behalf of the national and county governments, initiating investigations, on its own initiative or on a complaint, into present or historical land injustices, and recommending appropriate redress.

In addition, a number of statutes have been enacted with the aim of fostering the peaceful transition of successive governments, including the following:

- the Assumption of the Office of President Act, 2012, which came into force upon the announcement of the date of first elections in March 2013 under the Constitution and set out the procedure for the swearing in ceremony of the President and the Deputy President;
- the National Police Service Act, which amongst other provisions, provides for the recruitment, enlisting and training of police officers and the implementation of the ongoing police reforms, which involve, amongst other measures, the public vetting of senior officials serving in the National Police Service;
- the Land Act 2012 and the Land Registration Act, which were intended to address unequal distribution of land, one of the perceived causes of the 2007 post-election violence. The two statutes revise, consolidate and rationalise existing land ownership in accordance with the Constitutional principles aimed at ensuring equitable access to land, security of land rights, transparent and cost-effective land administration, amongst others; and
- the PFMA which provides for the effective management of public finances by the national and county governments, the oversight responsibility of Parliament and County Assemblies and the different responsibilities of government entities.

Judicial System

The judiciary is composed of three superior courts: the Supreme Court, the Court of Appeal, and the High Court.

The Supreme Court is the highest judicial body consisting of the Chief Justice, the Deputy Chief Justice and five other judges. The Supreme Court has original jurisdiction to hear and determine disputes relating to the Presidential elections and appellate jurisdiction to hear and determine appeals from the Court of Appeal and any other court or tribunal as prescribed by national legislation.

The Court of Appeal consists of such number of judges, not fewer than 12, as may be prescribed by an Act of Parliament. This court has jurisdiction to hear appeals from the High Court and any other court or tribunal as prescribed by an Act of Parliament.

The High Court consists of such number of judges prescribed by an Act of Parliament and has unlimited original jurisdiction in civil and criminal matters, jurisdiction to determine any infringements of the rights and freedoms under the Bill of Rights to hear appeals from a decision of a tribunal appointed under the Constitution to consider the removal of a person from office, and to hear any questions with respect to interpretation of the Constitution and supervisory jurisdiction over all other subordinate courts and any other persons, body or authority exercising judicial or quasi-judicial functions.

The Constitution of Kenya also provides for the establishment of courts with the status of the High Court to hear and determine disputes relating to employment and labour relations, and the environment and the use and occupation of, and title to, land. The Magistrates' Courts Act establishes the subordinate courts and various other laws establish tribunals.

After a competitive recruitment process by the Judicial Service Commission on 21 May 2021, the first-ever female Chief Justice of the Republic of Kenya, Martha Karambu Koome, took her oath of office following the retirement of the previous Chief Justice David K. Maraga. The Chief Justice is the head of the Judiciary, President of the Supreme Court and President of the Judicial Service Commission. Justice William Ouko, from the Court of Appeal, was also appointed as a Judge of the Supreme Court.

In addition, in a Special Gazette release dated 3 June 2021, it was reported that the former President appointed 34 judges who took their oath of office on 4 June 2021. There were calls to the former President to appoint the remaining judges. The newly elected President in two Gazette Notices dated 13 September 2022, appointed the remaining 6 judges. The 6 judges took their oath of office on the same day. As of the date of this Offering Circular, there are 7 judges on the Supreme Court.

Procurement

Article 227 of the Constitution provides that state or public entities entering into contracts for goods or services shall do so in a fair, equitable, transparent, competitive and cost-effective way. The Public Procurement and Asset Disposal Act, 2015 and related regulations set provisions for awarding such contracts and emphasise maximisation of value for money, promotion of citizen contractors and promotion of local industry, sustainable development and protection of the environment. An open tender is considered to be the preferred procurement method; however, there are also alternative methods.

Various controls are in place to ensure appropriate procurement procedures:

- a clear separation of responsibilities in various stages of the procurement process;
- the head of procurement function of a procuring entity is required to prepare a signed professional opinion to the accounting officer for each procurement proceeding;
- a complaints procedure and an appeals procedure for aggrieved parties;
- an annual audit by the Office of the Auditor General; and
- a regular Public Procurement Regulatory Authority inspection audits.

The Public Procurement Administrative Review Board hears and determines appeals lodged by aggrieved bidders in the procurement process.

County Governments

The Constitution establishes 47 counties, each with its own county government. County governments consist of a county assembly and a county executive.

The county assembly is made up of members elected from different wards in the county, the number of special seat members necessary to ensure that no more than two-thirds of the membership of the assembly are the same gender and the number of members of marginalised groups, including persons with disabilities and youth, prescribed under an act of Parliament. The speaker of the county assembly is an *ex officio* member and is elected by the county assembly from amongst persons who are not members of the county assembly.

The executive authority of the county is vested in and exercised by a county executive committee. The executive committee consists of the county governor, the deputy governor and members appointed by the county governor with the approval of the county assembly (from amongst persons who are not members of the assembly).

Voters in each county elect their governor. Each county governor nominates a candidate for deputy governor. The governor and the deputy governor shall not hold office for more than two terms.

Some of the provisions of the Constitution with regard to devolved governments are still in the process of being implemented. Since February 2012, the National Assembly has enacted a number of laws to implement devolution, which, together with the Constitution, provide a set of institutional arrangements for managing the transition to devolved county governments.

The 2010 Constitution and Devolution

After the 1997 general elections, Parliament passed the Constitution of Kenya Review Act (1997) (later amended by the Constitution of Kenya Review Act (2002)) which formed the legal groundwork for constitutional reforms. A constitutional review body was created to provide civic education, seek public input and draft a new constitution to be studied by a National Constitutional Conference. Voters initially rejected the draft constitution, in a referendum in 2005. Parliament approved the revised constitution in April 2010. The proposed constitution was approved by 67% of Kenyan voters in a referendum in August 2010 and became the Constitution. The Constitution introduced additional checks and balances to executive power, including a bill of rights for Kenyan citizens and significant devolution of power and resources to 47 newly created counties. The purpose of devolution was largely to increase accountability and provision of services and to reduce poverty.

There have been various initiatives to support and facilitate a successful devolution framework. Examples of such support initiatives include:

- the World Bank's Kenya Devolution Support Program that assist capacity building and provision of technical assistance to all 47 county governments;
- the European Union's Instrument for Devolution Advice and Support program which supports economic development in 15 county governments;
- USAID's Agile and Harmonised Assistance for Devolution Institution which supports general devolution activities in Kenya; and
- UNDP's support consolidating gains and deepening devolution.

There is a strain on resource allocation between county governments and demand for resources occurs annually. This is resolved by the relevant institution established by the Constitution to determine distribution of revenue between different levels of government.

The financial management and reporting by county governments have improved, with more county governments reporting qualified statements of accounts. As a result, accountability has improved. The counties' revenue collection has also continued to improve, which has improved the financial position of counties. Despite this, debt has been increasing and nation debt remains high.

Legal Proceedings

Anglo Leasing

In December 2003, the Department of Immigration contracted for a loan for the issuance of secure passports and the equipment to be used at Kenya's borders. A company named "Anglo Leasing and Finance Company Ltd" ("**Anglo Leasing**") was awarded the contract. Subsequent reviews revealed that there were 18 contracts similar to the one arranged by Anglo Leasing, collectively referred to as the "Anglo Leasing Contracts." On 12 August 2004, the then Ministry of Finance suspended all payments pursuant to the Anglo Leasing Contracts pending further investigation. Investigations followed by the Ministry of Finance, the Public Accounts Committee of Parliament, the Controller and Auditor General. Additionally, PricewaterhouseCoopers, an independent auditor, was contracted to conduct a forensic audit and valuation of the Anglo Leasing Contracts. The various reports concluded, amongst other things, that Kenya's procurement laws had not been followed, there was gross overpricing for goods and services, pre-financing payments were made to Anglo Leasing, Kenya was paying interest on its own funds, in some cases, and there was evidence of corruption and abuse of office.

Of the 18 Anglo Leasing contracts, (i) four contracts with a value of KES 18.9 billion were cancelled, and KES1 billion were recovered; (ii) three contracts with a value of KES 6.8 billion have been completed and paid out; and (iii) eleven contracts with a value of KES 30.6 billion were at various stages of completion. Of the 11 partially completed contracts, six have not been active, two have been settled directly with the parties, and two had final judgments totalling approximately US\$14.8 million plus interest and costs entered against Kenya in courts in Switzerland and England. On 19 May 2014, Kenya paid a negotiated amount of US\$16.4 million concerning these two judgments. The negotiated amount was due on 28 April 2014. The Attorney General of Kenya does not believe that the claimant creditors will seek further payments from Kenya, but, if they do, Kenya is prepared to resolve the matter. As for the eleventh contract, which involved a contract for the design, supply and installation of various electronic security equipment for the National Intelligence Service, the contractor terminated the contract in October 2013 and sent Kenya a claim for approximately KES 3.05 billion. In May 2014, the President ordered an investigation by the EACC into the corruption allegations in connection with the Anglo Leasing contracts. At the recommendation of the EACC, criminal charges were brought against 13 individuals and three corporate entities. These charges are currently being brought in three separate trials all of which are currently in advanced stages, with more than three-quarters of the witnesses having given testimony. On 10 March 2021, the High Court held that a former Chief Accountant of the National Treasury, Patrick Ochieno Abachi, had been a beneficiary of the awarded contracts and ordered him to forfeit to the Government all assets not commensurate with his legitimate source of income (namely, his salary). This is the first seizure of property linked to the Anglo Leasing matter.

On 19 January 2023 businessmen Deepak Kamani and his brother Rashmi Kamani were acquitted alongside three former government officials, former Principal Secretaries Dave Mwangi (Office of the President), Joseph Magari (National Treasury & Planning) and David Onyonka (Debt Management Office, National Treasury), for lack of evidence. The Chief Magistrate ruled that the suspects were charged irregularly, citing contradictions and inconsistencies in the prosecution's case. It was also ruled that the prosecution failed to prove the case throughout the trial and the court had no option but to free the suspects for justice. It was further ruled that the entire procurement procedures were properly followed and that the budget allocation for the project was in order.

Vanoil Energy Limited

On 24 September 2014, the Attorney General of Kenya received a notice of arbitration from Vanoil Energy Ltd. ("**Vanoil**") in connection with a dispute over production sharing contracts between the Government and Vanoil's predecessor, Vangold Resources Ltd., related to Blocks 3A and 3B in Anza Basin in Garissa. Vanoil has stated that civil disturbances constituted a *force majeure* which extended the duration of the production sharing contracts. Vanoil has also claimed that the alleged failure by the Government to resolve civil disturbances was a breach of the Government's obligations under the production sharing contracts, including an obligation to provide Vanoil with access to the territory to enable Vanoil to fulfil its obligations under the production sharing contracts. In addition, Vanoil has alleged that the Government's actions constituted deprivation of its property rights in the production sharing contracts. Vanoil has claimed damages equal to the alleged US\$150 million market value of its rights in Blocks 3A and 3B in Anza Basin in Garissa. An arbitration tribunal has not yet been appointed and the matter has not progressed.

KU Railways Holdings Limited & RVR Investments (Pty) Limited (RVR) Vs Republic of Kenya (GOK) & Republic of Uganda

On 6 May 2022, the Claimants commenced arbitration against the Republic of Kenya and the Republic of Uganda for breach of concession agreements relating to the railroad system connecting the port of Mombasa-Kenya and Kampala- Uganda. The Claimants seek to be paid damages for the breaches of the concession agreements by the Respondents for the sum of USD 2,005,900,000.

Hearing of the matter is scheduled to take place from 4 to 15 March 2024 in London, United Kingdom.

International Court of Arbitration, Arbitration Reference ICC Case No. 25896/GR - 1. Cooperativa Muratori & Cementisti - C.M.C. Di Ravenna Societa Cooperativa (Italy); 2. Itinera S.P.A. (Italy); 3. CMC Di Ravenna - Itinera JV S.C.P.A. Vs Kerio Valley Development Authority (Kenya)

The Arbitration concerns the construction of the Arror and Kimwarer multipurpose dam projects in Elgeyo Marakwet County. On 15 December 2020, the Contractor (CMC Di Ravenna & 2 others) commenced arbitration against Kerio Valley Development Agency (KVDA) for breach of the contracts relating to the two projects and sought for compensation in the sum of USD 115,211,667.

This matter is scheduled for hearing in Paris, France on 15 to 27 April 2024.

Proceedings pertaining to Government officials

In a judgment in Nairobi High Court Constitutional Petition No. 33 of 2018, as consolidated with High Court Constitutional Petition No. 42 of 2018, the High Court made a number of declarations and orders, including the:

- the Office of the Chief Administrative Secretary as currently set up is unconstitutional;
- any Cabinet Secretary who served during the first term of H.E. President Kenyatta and continues to serve as a Cabinet Secretary during the President's second term without having been approved by the National Assembly upon the President's re-election is in office in contravention of the Constitution; and
- any serving Principal Secretary who was not either shortlisted, interviewed, recommended for nomination by the Public Service Commission to the President or approved by the National Assembly is in office in contravention of the Constitution and the law.

The Attorney General has filed a notice of appeal against the judgment under Appeal E633 of 2022 and later withdrew the appeal through a notice of withdrawal dated 22 December 2022.

In a subsequent matter, High Court Constitutional Petition E080, E084 & E150 of 2023 (Consolidated), the High Court made the following orders:

- The Office of the Chief Administrative Secretary created by the President and the Public Service Commission and contained in the Kenya Gazette Special Issue Number 12432 dated 12 October 2022 was unconstitutional;
- Whereas there was some reasonable public participation on the first complement of 23 Chief Administrative Secretaries, there was no such participation regarding the additional complement of 27 office holders;
- The entire complement of 50 Chief Administrative Secretaries was unconstitutional and the notification by the President dated 16 March 2023 appointing them to the Office of Chief Administrative Secretary was quashed.

The Attorney General and interested parties filed a notice of appeal and the matter is pending determination at the Court of Appeal.

Anti-Corruption, Anti-Money Laundering, Crime and Combating Terrorism

Anti-Corruption and Money Laundering

Parliament has enacted various legislation dealing with corruption and money laundering, including the Anti-Corruption and Economic Crimes Act which provides for the prevention, investigation and punishment of corruption, economic crime and related offences; the Proceeds of Crime Act, which establishes the offence of money laundering and introduces measures for combating the offence; and the Ethics and Anti-Corruption Commission Act 2011, which established the Ethics and Anti-Corruption Commission (the “**EACC**”) to combat and prevent corruption, economic crime and unethical conduct in Kenya through law enforcement, prevention, public education and the promotion of standards and practices of integrity, ethics and anti-corruption. The Ethics and Anti-Corruption Commission also enforces the Anti-Corruption and Economic Crimes Act 2003, which is the principal law that provides for the investigation, prosecution and adjudication of corruption and economic crime in Kenya. On 28 March 2013, the Proceeds of Crime and Anti-Money Laundering Regulations 2013 were issued by the Minister for Finance which provide for the due diligence and reporting requirements of certain reporting institutions licenced and regulated by Kenyan regulatory authorities. In 2017, the Proceeds of Crime Act was amended to enhance the Financial Reporting Centre’s (“**FRC**”) powers to impose civil monetary penalties and to take administrative action for non-compliance with the legislation, and the Asset Recovery Agency has also been strengthened by making it an autonomous institution with its own budget. The Statute Law (Miscellaneous Amendments) Act 2018 amended section 48 of the Proceeds of Crime Act to introduce reporting obligations for accountants when preparing or carrying out transactions for their clients in various situations including management of client money, securities or other assets, and management of bank, savings or securities accounts. In addition, amendments to the Companies Act 2015 to provide, amongst other things, the identification of beneficial owners, have also been passed. Kenya has an Anti-Money laundering/Combating the Financing of Terrorism (AML/CFT) legal and regulatory framework that is aligned to international standards.

In 2023, Kenya’s Parliament passed amendments to various provisions of the law through the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Financing Laws (Amendment) Act of 2023 (the “**AML/CFT Amendment Act 2023**”). The amendments made significant changes to 16 Acts of Parliament to combat money laundering in Kenya. To curb the high risk of money laundering within the legal profession, the AML/CFT Amendment Act 2023 included the Law Society of Kenya as a body that falls within the bodies that should report money laundering crimes within its membership. The Law Society of Kenya was previously excluded as a reporting agent under the AML/CFT legal and regulatory framework. The AML/CFT Amendment Act, 2023 requires legal professionals to report any suspicious activities or transactions carried out by their clients including but not limited to suspected activities in real estate transactions, management of client assets, management of client accounts, management of companies, and buying and selling of business entities. The punishment for failure to report money laundering activities has also been increased to 50% of the amount of monetary instruments or an imprisonment for up to 5 years or both. This penalty was increased from the previous 10%.

The AML/CFT (Amendment) Act 2023 has also bolstered the power of the Ethics and Anti-Corruption Commission (the “**EACC**”) in investigating financial crimes by including money laundering as an economic crime. The amendments expanded the definition of economic crimes in the Anti-Money Laundering and Economic Crimes Act to include an offence involving the laundering of proceeds of corruption. Previously, the EACC could not investigate money laundering separately from corruption as that was the power of the Directorate of Criminal Investigations. The AML/CFT Amendment Act 2023 now empowers the EACC to investigate money-laundering as a separate crime from corruption.

In addition companies and other legal entities including limited liability partnerships are now required to provide information on beneficial owners. Companies and limited liability partnerships are also required to keep a register of nominee directors and partners respectively to help create more stringent controls around beneficial ownership. Through these requirements, the EACC can effectively investigate legal entities connected with individuals who suspected to be engaged in illicit financial activity.

The Central Bank of Kenya, the Capital Markets Authority, the Insurance Regulatory Authority and other financial regulatory authorities are also required to supervise the entities they regulate. Their supervision includes but is not limited to vetting significant shareholders and proposed directors, inspecting the entities,

conducting audits and compelling production of documents, imposing sanctions, and allowing cooperation and information sharing between the regulatory authorities.

Kenya is also a member of the Eastern and Southern Africa Anti-Money Laundering Group (the “**ESAAMLG**”). Members of ESAAMLG carry out mutual evaluations and prepare independent reports (containing analysis, findings and recommendations) of the country’s compliance with the FATF Standards, in terms of both technical compliance and effectiveness. Kenya has addressed the majority of the findings from the first round of the mutual evaluation in 2010 undertaken by ESAAMLG, with the second round of evaluations scheduled for November 2021. Kenya is in the final stages of conducting an anti-money laundering, anti-terrorist financing National Risk Assessment (“**NRA**”) in compliance with FATF recommendations. The NRA assesses threats and vulnerabilities to inform a national strategy and action plan.

The EACC has set out a strategic plan for 2023 - 2028 (the “**EACC Strategic Plan**”) to focus on the following:

- effectively deterring and punishing corruption and unethical practices;
- promoting ethics and integrity;
- improving institutional accountability in public and private sectors;
- increasing public involvement in the fight against corruption and unethical practices;
- enhancing cooperation, collaboration and coordination in the fight against corruption and unethical practices; and
- improving organizational efficiency and effectiveness.

The EACC Strategic Plan outlines an implementation and coordination framework aimed at achieving the above objectives. It envisions growing the EACC by 749 officers to ensure effective asset tracing, investigations, and efficient recovery of assets. It also seeks to strengthen policies on money laundering through partner and stakeholder engagement. The risk management framework under the EACC strategic Plan identifies 7 high risk areas that would hinder its strategic objectives and offers accompanying mitigating measures to help reduce the associated risks. The mitigating strategies offered include engaging the Office of the Director of Prosecution to increase prosecution of cases, engaging with the Judiciary to increase the number of judges and magistrates under the Anti-Corruption and Economic Crimes Court, and establishing a liaison office to upscale tracing of unexplained wealth or assets acquired through corruption.

The EACC also employs various additional corruption prevention strategies, which include:

- Disruption of corruption networks, through which the EACC has averted possible loss of public funds worth approximately KES 30.4 billion over the last five years;
- Review of systems, policies, procedures and practices of public bodies, including interventions in over 15 national Government ministries, departments and agencies and 20 county governments. The EACC has also issued over 400 advisories to Government ministries, departments and agencies;
- Integrity verification for persons seeking appointments to public office. In the last five years, the Commission has processed 258,676 self-declaration forms under section 12A of the Leadership and Integrity Act, 2012 and undertook integrity vetting of over 30,000 persons seeking appointment to public office.
- Review and approval of Codes of Leadership and Integrity. Over 70% of state officers elected or appointed to public office following the 2017 General Election have signed these Codes;
- Regulation of bank accounts. The EACC has approved 565 bank accounts held outside Kenya by state and public officers; and
- Establishment of the National Integrity Academy which focuses on training on ethics and anti-corruption.

In addition, the EACC has undertaken systems review of public bodies, which have been conducted in more than 15 national government ministries, departments and agencies (“MDAs”) and 20 county governments, and it has issued more than 400 advisories to MDAs. The EACC has also developed: bribery regulations and guidelines, an asset management policy and provided inputs towards the Conflict of Interest Bill. At the national level, the Kenya has now adopted a National Ethics and Anti-Corruption Policy which has bolstered accountability in both the public and private sector. These interventions have created increased accountability and deterrence in engaging in corruption across all sectors.

Some of the EACC’s key partnerships and collaborations to combat corruption and promote good governance in Kenya include:

- the Framework for the Return of Assets from Corruption and Crime in Kenya, which is a multi-lateral agreement between Kenya, Jersey, Switzerland and the United Kingdom that sets out a framework for return of stolen assets to Kenya;
- the Multi Agency Framework, which is a collaborative framework that consists of oversight, law and enforcement agencies whose mandates relate to combatting corruption; and
- the East African Association of Anti-Corruption Authorities (the “EAAACA”). The EACC is a member of EAAACA, which provides a forum for exchange of information, experience and best practice standards in asset recovery and other anti-corruption initiatives.

Positive developments combatting corruption and money laundering have been reported. For example, over the past five years, the EACC has concluded 1,000 investigations into corruption and related offences. A total of 275 corruption cases have been finalised in court, with 169 of these resulting in a conviction over the same period. In addition, the Commission recovered corruptly acquired assets worth approximately US\$250,000,000 and disrupted possible loss of public funds worth approximately US\$304,000,000. Finally, the EACC is also pursuing forfeiture of approximately US\$25,500,000 as unexplained wealth possessed by certain national and county government officials. Assets worth approximately KES 28 billion have been recovered and surrendered back for public benefit. In order to ensure the integrity of the EACC’s investigation processes and to ensure it does not prejudice the rights of the persons of interest, the Commission upholds confidentiality on matters under investigation.

The EACC also undertakes various public education, training and awareness programme. During the past five years, the EACC has:

- sensitised 219,359 public officers on ethics, integrity and anti-corruption;
- trained 1,944 community-based anticorruption monitors;
- sensitised 6,073 college students on ethics, integrity and character;
- reached 9,759,744 listeners and viewers through various outreach clinics and media education programmes;
- sensitised 13,605 student leaders, students and staff in colleges and universities; and
- trained 5,633 integrity assurance officers.

A key legal provision is the Proceeds of Crime Act which is aligned with international standards such as the Financial Action Taskforce Recommendations and the United Nations Convention Against Corruption. The Proceeds of Crime Act establishes two institutions:

- The FRC, which became operational in 2012, is a Government institution created by the Proceeds of Crime Act. Its main function is to review, analyse and disseminate reports of unusual or suspicious transactions made by reporting institutions to law enforcement agencies.
- Assets Recovery Agency, whose function is to trace, identify, freeze, seize and confiscate proceeds of crime.

Key provisions in the AML/CFT legal framework include:

- The requirement for reporting institutions to apply counter measures to transactions or business relationships from countries that have been identified as posing a higher risk of money laundering, terrorism financing or proliferation financing.
- The inclusion of trust and company service providers as designated non-financial businesses and professionals that are subject to AML/CFT obligations.
- Banks are to submit annual compliance reports on their AML/CFT activities to the CBK.
- Banks are required to account for the source of cash deposits above the equivalent of US\$10,000 and submit cash transaction reports to the FRC.
- Bank CEOs are required to declare under oath to the CBK that their institutions have complied with all applicable AML/CFT laws, that they and their employees have received training on AML/CFT compliance.
- The CBK conducts onsite inspections of payment service providers that provide, amongst other services, mobile money transfer. CBK requires the Chief Executive Officers of the PSPs to sign a declaration of their institutions compliance with all applicable AML and CFT laws, regulations and prudential guidelines.
- On 1 June 2019, former KES 1,000 bank notes were withdrawn from circulation and exchanged for new generation KES 1,000 bank notes to remove counterfeit and illegally acquired cash from the financial sector.

Kenya's anti-corruption legal, policy and institutional framework is benchmarked against the United Nations Convention Against Corruption (the "UNCAC") in accordance with the implementation review mechanism established by the State parties to the UNCAC.

For more information, see "*Risk Factors—Risks Related to the Republic of Kenya—Failure to address actual and perceived risks of corruption and money laundering may adversely affect Kenya's economy and ability to attract foreign direct investment.*"

Crime

Kenya suffers from high crime rates. The total number of crimes reported to the police amounted to 88,083 in 2022, which principally consisted of crimes relating to theft and other offences against persons. The overall crime rate has not experienced a significant decrease over the past five years (excluding the impact of COVID-19). Certain types of violent crime, such as kidnappings and armed attacks on civilians and businesses, continue to remain prevalent.

The Government have implemented various policies to reduce crime, particularly the high crime rates in urban areas. These measures include: (i) establishing clear accountability structures in terms of response and escalation of investigations within the National Police Service, (ii) ensuring the National Police Service are adequately equipped and deploying more police officers in urban areas and (iii) installing street lights and promoting civilian involvement in crime prevention through Community Policing initiatives.

Managing inter-ethnic violence amongst the Kenyan population remains a challenge. The Rift Valley, Nairobi, the pastoralist drylands, and the coast are amongst the most affected areas. Hostilities have arisen over inequality in land ownership, grazing rights and access to resources with the most violent incidences occurring around election times such as in 2007 and 2017, when 1,200 and 100 were killed, respectively, in post-election violence. There have been 39 incidences of inter-ethnic violence in 2022, which occurred as a result of cattle rustling and political clashes. The Government has introduced legislation and policies to manage violence amongst ethnic groups, and to reduce the incidences of violent outbreaks around election times such as (i) establishing Peace and Security Committees at regional, county and sub-county level, (ii) organising community forums, especially in hotspot regions and (iii) active monitoring of political rallies. The Government enacted the National Cohesion and Integration Act 2008, following the violence after the 2007 elections, and introduced the Policy on

Peacebuilding and Conflict Management in 2014. The Government continues to address these conflicts through regional meetings and community forums.

See *“Risk Factors—Risk related to Kenya—Kenya continues to be challenged by internal security issues as well as unfavourable media coverage which has had and may continue to have a negative impact on the economy, including the tourism industry”*

Combating Terrorism

Kenya has from time-to-time experienced internal security concerns. The Al-Shabaab group, an extremist militant group, has claimed responsibility for past attacks and resumed its threats of continued attacks, not only against Kenya but also against Western countries for their intervention in Somalia. Al-Shabaab claimed that the presence of Kenyan troops in southern Somalia as part of the peacekeeping forces of the African Union Mission in Somalia (**“AMISOM”**) prompted attacks and announced that it would continue its attacks until Kenya withdrew its troops from Somalia. For example, on 5 January 2020, Al-Shabaab conducted an attack on a military airstrip in the shared U.S.-Kenyan Manda Bay Airfield, near Kenya’s border with Somalia. The attack, which involved indirect and small-arms fire, killed three Americans. On 7 January 2020, Al-Shabaab militants opened fire near Saretho village in Garissa county. The attackers killed four children and wounded three others before being repelled by security forces. On 18 May 2021, a suspected improvised explosive device detonated in Baure, Lamu County killed 8 soldiers of the Kenyan Defence Forces and injured several others. Al-Shabaab violent attacks have continued to persist in June 2023, including along the Kenya-Somalia border which has resulted in a postponement of the reopening of such borders. See *“Risk Factors — Risks Relating to the Republic of Kenya - Kenya continues to be challenged by internal security issues as well as unfavourable media coverage, which has had and may continue to have a negative impact on the economy, including the tourism industry”*.

As a result of such incidents, the United Kingdom, the United States, France and Australia have, in the past, issued travel advisories advising their citizens to avoid or reconsider travel to certain areas within Kenya. See *“Risk Factors—Risks Relating to the Republic of Kenya— Investing in securities in emerging markets such as Kenya generally poses a greater degree of risk than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments”*.

As of June 2023, the Dadaab refugee complex in north-east Kenya houses over 320,000 refugees and asylum-seekers and the Government, together with UN agencies, continues to provide new refugees with basic services. Originally established in 1991 to house refugees from the Somali civil war, the Dadaab complex has elicited tension amongst the surrounding communities. Some have alleged that the existence of the settlement can compromise border security and has caused significant law and order problems within Kenya’s territory. For example, in January 2019, police arrested 12 people at the Dadaab camp suspected of involvement in the terror attack in Nairobi on 15 January 2019. In March 2021, Kenya announced that it intended to close two refugee camps, Dadaab and Kakuma, by June 2022. However, the High Court in Nairobi, issued an injunction temporarily blocking the Government from repatriating refugees and asylum seekers dwelling at Kakuma and Dadaab camps. Following discussions with the UNHCR, in March 2021 the Government and the UNHCR agreed on a roadmap for orderly closure of the Kakuma and Dadaab camps by 30 June 2022. As of the date of this Offering Circular, the camp remains open. See *“Risk Factors—Risks Relating to the Republic of Kenya - Kenya continues to be challenged by internal security issues as well as unfavourable media coverage, which has had and may continue to have a negative impact on the economy, including the tourism industry”*.

In addition, the Mombasa Republican Council, a separatist organisation based at the coastal town of Mombasa, has demanded that Mombasa secede from the rest of the country. The Mombasa Republican Council was formed in 1999 to address perceived historical injustice against the indigenous people of the coast who do not own land. The Government believes that members of Mombasa Republican Council could potentially be a recruiting ground for Al-Shabaab.

Anti-Terrorism Measures

The Prevention of Terrorism Act 2012, as amended, provides the legal framework to fight terrorism and gives law enforcers more powers to investigate and combat terrorism. In 2016, the Government launched the National Strategy on Countering Violent Extremism, aimed at fostering greater engagement with religious and civil

society groups, enhancing inter-agency coordination in counter-terrorism strategies and strengthening security operations, surveillance and border controls.

International Relations

WTO Membership

Kenya has been a member of the World Trade Organisation (the “WTO”) since 1 January 1995. In connection with Kenya’s WTO membership, the Government is committed to supporting the progressive elimination of export subsidies as well as the substantial reduction of trade-distorting domestic support, while ensuring that it retains the right to support its own producers. As part of Kenya’s goal of ensuring its citizens have access to foreign goods and services that are not readily available in the country, the Government is committed to engage in successive WTO Services negotiations to improve market access in partner WTO countries.

United Nations

Kenya has been a member of the UN since independence. Kenya recognises the vital role of the UN in establishing and maintaining international peace and security, as well as in sustainable development and democratisation. Kenya continues to contribute military, police and corrections personnel to UN peace keeping operations, mostly in Africa. Kenya is currently involved in peacekeeping operations involved in Somalia, Sudan, South Sudan, Sierra Leone and Liberia.

World Bank and IMF

Kenya has been a member of the World Bank and the IMF since 1964. See “*Public Debt—Relations with the IMF*” for more information on Kenya’s relationship with the IMF.

EU Relations

Kenya participates in political, trade and co-operation relations with the EU through the “Cotonou Agreement”, the revised draft of which the EU and 79 countries in Africa, the Caribbean and the Pacific (the “ACP”) signed in March 2010. The agreement has the objective of reducing and eventually eradicating poverty consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy. The agreement is designed to establish a comprehensive partnership, based on three complementary pillars: development cooperation, economic and trade cooperation, and the political dimension. Kenyan and EU bilateral cooperation is guided by the Kenya-EU Joint Cooperation Strategy 2018-2022.

In September 2023, Kenya and the EU signed a deal that will result in the disbursement by the EU of approximately EKS1.9 billion (\$13 million) in grants for investment in Kenya’s green hydrogen industry. The roadmap sets out Kenya’s ambitions to develop its green hydrogen industry to 2032 and beyond. It focuses on domestic market development and growth, exports, and includes specific objectives related to emission reduction, job creation, and direct investments. In December 2023, Kenya and the EU signed the Kenya—EU Economic Partnership Agreement. The Agreement is expected to boost trade in goods and create new economic opportunities, with targeted cooperation to enhance Kenya’s economic development. The agreement will provide duty-free, quota-free EU market access to all exports from Kenya as soon as it enters into force, as well as partial and gradual opening of the Kenyan market to imports from the EU.

United States

Kenya has a ‘Strategic Partnership’ with the United States based around four pillars: (1) Economic Prosperity, Trade and Investment, (2) Defence Cooperation, (3) Democracy, Governance and Civilian Security, and (4) Multilateral and Regional Issues. The partnership involves a strategic dialogue held annually by the Kenyan Ministry of Foreign Affairs and the US Department of State. Kenya and the United States have also established a trade and investment working group, through which both countries have agreed to put in place a mechanism that will promote optimisation of opportunities under the Africa Growth and Opportunity Act (“AGOA”) over the next four years until 2025, initiate discussions regarding post-AGOA arrangements and support Kenya in its efforts to maintain its trade policy and position of leadership in the region and the continent. Kenya and the United States have also collaborated in military efforts to counter terrorism and radicalisation in the fight against Al-Shabaab in Somalia. The US has offered military support in the form of equipment (including donations of

helicopters, patrol boats and 12 bastion armoured personnel carriers to Kenya Defence Forces (“**KDF**”) and training of military and security officers.

China

China is Kenya’s largest creditor and currently Chinese investment in the Kenyan economy is on the rise as there are more than 400 Chinese companies operating in Kenya, employing over 150,000 Kenyans. While Kenya and China enjoy cordial relations, Kenya’s trade with China remains currently is heavily in favour of China, with most of Kenya exports being in primary form, while imports from China are mainly industrial products.

Cooperation between Kenya and China is undertaken through bilateral means, through the Forum for Cooperation with African Countries, the Belt and Road Initiative and others.

See “*Risk Factors—Risks Relating to the Republic of Kenya—China is Kenya’s largest creditor and an adverse impact on the Chinese economy may impact the future ability of Kenya to increase its borrowings.*”

United Kingdom

The UK has consistently ranked in the top five export destinations for Kenya’s exports with the UK accounting for approximately 23.6% and 33.5% of Kenya’s total volume and total value of exports to Western Europe, respectively, in 2022. The UK and Kenya enjoy good relations and agreed to enter a ‘Strategic Partnership’ on 21 January 2020. The partnership is anchored on five pillars, namely: mutual prosperity, security and stability, sustainable development, climate change, and people to people relations. Following the UK’s exit from the European Union, Kenya and the UK entered into an Economic Partnership Agreement, pursuant to which Kenya’s exports to the UK continue on duty-free and quota-free terms. This will support Kenya’s agriculture and manufacturing sectors. The UK is one of Kenya’s major trading partners outside the East African Community, especially for the commodity sector, and the countries signed an Economic Partnership Agreement on 8 December 2020.

Regional Relations

African Union. Kenya is an active member of the African Union (the “**AU**”), the successor of the Organisation of African Unity, which formally launched in July 2002 at a meeting in South Africa of African heads of state. The AU is modelled on the EU and has plans for a parliament, a central bank, a single currency, a court of justice and an investment bank. These plans include the Pan-African Parliament, which was inaugurated in March 2004 and has since held a number of sessions, although it does not yet play a legislative role.

AMISOM. AMISOM is an active regional peace support mission set up by the Peace and Security Council of the AU with the full support of the UN. The principal aim of the mission is to provide support for the Federal Republic of Somalia in its efforts to stabilise the country and foster political dialogue and reconciliation. AMISOM is also mandated to facilitate the delivery of humanitarian aid and create necessary conditions for the reconstruction and sustainable development of Somalia. AMISOM staff come from a wide range of nations across Africa, although a large number of its troops come from five countries: Uganda, Burundi, Djibouti, Kenya and Sierra Leone. AMISOM was created with an initial six-month mandate though subsequent renewals of its mandate by the AU Peace and Security Council and the UN Security Council has been authorised. UN Security Council resolution 2461 renewed the mandate of the troops to 31 March 2020. The Security Council Resolution No. 2568 on 12 March 2021 authorised the AU to maintain the deployment of AMISOM until 31 December 2021.

East African Community. Kenya is also an active member of the East African Community (“**EAC**”). The EAC is a regional intergovernmental organisation of the Republics of Burundi, Kenya, Rwanda and Uganda and the United Republic of Tanzania. The Treaty for Establishment of the East African Community was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the original three partner states of Kenya, Tanzania and Uganda. Rwanda and Burundi acceded to the treaty on 18 June 2007 and became full members on 1 July 2007. In 2016, South Sudan became the sixth member of the EAC. The EAC aims at widening and deepening co-operation amongst its members in, amongst others, political, economic and social fields for their mutual benefit. The EAC countries established a customs union in 2005 and a common market in 2010. The common market comprises over 283.7 million people across six member states with a total GDP

of approximately US\$312.9 billion (according to separate IMF estimates for each member state in 2022). The next phase of EAC integration contemplates monetary union and a political federation of the member states.

The EAC customs union has assisted with the imposition of uniform competition policy and laws, customs procedures and external tariffs on goods imported from third countries, supporting the region to advance its economic development and poverty reduction agenda. The customs union has also promoted cross-border investment and served to attract investment into the region. As an enlarged market with minimal customs clearance formalities, it is more attractive to investors than the smaller markets of individual nations. In addition, the customs union offers a more predictable economic environment for both investors and traders across the region, as the regionally administered Common External Tariff and trade policy tend to be more stable.

Kenya has benefited from EAC integration, with trade in goods and services increasing since the launch of the customs union. In 2022, EAC member states (including South Sudan) accounted for 63.3% of Kenya's total exports to Africa, with Uganda as the leading destination within the EAC, accounting for approximately 42.3% of exports to the EAC.

In order to enhance trade within the EAC, member states have been addressing issues relating to movement of goods and services. Recently, the heads of state of Kenya, Uganda and Rwanda launched a project to revamp the existing railway from the port of Mombasa to Nairobi extending to Kampala, Uganda, which also is expected to have links to Kigali, Rwanda. The Government has also commenced building a new railway, road and pipeline as part of the Lamu Port-Southern Sudan-Ethiopia Transport ("LAPSSET") corridor project from Lamu, Kenya to South Sudan, which also is expected to have a connection to Ethiopia. The EAC member states expect these infrastructure projects to boost trade and economic integration amongst the members. The three member states also launched the single customs territory that saw the reduction of transit time for goods from Mombasa port to Kigali from 22 days to eight, and to Kampala from 18 days to five days.

Somalia and Ethiopia have expressed interest in joining the EAC.

COMESA. Kenya attaches great significance to COMESA, as it provides a market for its manufactured products. The COMESA region is a vibrant economic area and membership in the free trade area was launched in October 2000 and has since been a catalyst to increased trade and investment. The COMESA member states are Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

Currently, COMESA is the leading destination of Kenya's exports, constituting over 30.1% of total exports in 2022. In 2018, Kenya's exports to COMESA decreased by 3.8% to KES 160.0 billion. In 2019, Kenya's exports to COMESA increased by 2.6% to KES 164.3 billion. In 2020, Kenya's exports to COMESA increased by 15.5% to KES 189.8 billion. In 2021, Kenya's exports to COMESA increased by 23.1% to KES 233.7 billion. In 2022, Kenya's exports to COMESA increased by 12.2% to KES 262.3 billion.

Kenya's primary exports to COMESA include tea, cement, natural sodium carbonate, iron and steel bars and cigarettes. Kenya now hosts a number of COMESA institutions which include the Monetary Institute, ZEP-RE (re-insurance company) and COMESA reference laboratory for plant health at the Kenya Plant Health Institute.

Within the framework of EAC and COMESA, Kenya has been negotiating the Tripartite Free Trade Area Agreement, an umbrella of organisations consisting of three of Africa's regional economic communities, which are EAC, COMESA and South African Development Community. As at the date of this Offering Circular, the Tripartite Free Trade Area Agreement has been signed by 22 of the 26 member countries.

The objective of the Tripartite Free Trade Area is to contribute to the broader objectives of the AU, namely accelerating economic integration of the continent and achieving sustainable economic development, thereby reducing poverty and improving the quality of life for the people of eastern and southern Africa. The Tripartite Free Trade Area works towards harmonisation of the various regional integration programmes of its member regional economic communities. These regional integration programmes focus on expanding and integrating trade and include the establishment of a free trade area, a customs union, a monetary union, and a common market; as well as infrastructure development projects in transport, information, communication, technology and energy sectors. Kenya is expected to benefit from the Tripartite Free Trade Area framework due to an increased market for goods and services as well as increased investments with member states.

Nile Water Agreement of 1929. The Nile Water Agreement of 1929 grants Egypt the majority share of the Nile River's waters. Under the treaty, Egypt is guaranteed access to 55.5 billion cubic metres of water out of a total of 84 billion cubic metres. To forestall any potential disputes, the Nile Basin Initiative was formally launched in February 1999 by the water ministers of nine countries that share the river Egypt, Sudan, Ethiopia, Uganda, Kenya, Tanzania, Burundi, Rwanda and the Democratic Republic of the Congo, with Eritrea as an observer. The Nile Basin Initiative is a partnership amongst the Nile riparian states that "seeks to develop the river in a cooperative manner, share substantial socioeconomic benefits, and promote regional peace and security". The Nile Basin Initiative has ten member states: Burundi, the Democratic Republic of the Congo, Egypt, Ethiopia, Kenya, Rwanda, South Sudan, Sudan, Tanzania and Uganda. Eritrea is an observer.

Relations with Neighbouring Countries

South Sudan. South Sudan remains a country with special links to Kenya premised on cultural, social, political, economic and other strategic factors. Culturally, the border communities share languages and traditions. Kenya hosted many of South Sudan's refugees during its struggle for independence. However, when South Sudan achieved independence in 2005, some of the refugees returned to South Sudan. The foregoing factors have contributed to the close relations both between the governments and the people of the two countries.

Kenya also helped the negotiation processes between South Sudan and Sudan leading to the creation of South Sudan. This process included the signing of the Comprehensive Peace Agreement in Nairobi in January 2005. Following the independence of South Sudan, the two countries agreed on several initiatives aimed at strengthening and formalising relations. As a priority area, Kenya supported South Sudan in establishing its new government system. Kenya also strongly supports the AU process led by the High Level Implementation Panel aimed at securing permanent and conclusive solutions to the pending issues between Sudan and South Sudan including resolution over the disputed area of Abyei and the border dispute between South Sudan and Sudan.

Kenya continues to support South Sudan's development. For example, a new 1,800-kilometre railway and a road and pipeline under the LAPSSSET project are expected to be built from Lamu, Kenya to South Sudan, which also will have a connection to Ethiopia, and mobilisation of funds are underway. See "*The Economy – Major Infrastructure Projects – the Lamu Port-Southern Sudan-Ethiopia Transport Corridor*".

Sudan. Kenya maintains diplomatic relations with Sudan and, as a COMESA member state, Kenya maintains an ordinary course trading relationship with Sudan and expects to continue to do so. However, tensions have also increased between Kenya and its neighbour Sudan over the ongoing conflict in Sudan. See "*Risk Factors - Risks Relating to the Republic of Kenya —Impact of Global Conflicts*" for further information. In January 2024, Sudan recalled its ambassador to Kenya due to allegations of Kenyan interference in Sudanese internal affairs and threatening Sudanese sovereignty

Somalia. Although Kenya has sought to maintain good relations with the Federal Republic of Somalia, the current relationship has been subject to a number of challenges. The launch of the Joint Commission of Cooperation in June 2013 aims to boost bilateral ties as well as provide a platform for the economic and technical cooperation between Kenya and Somalia. Following the conflict in Somalia in October 2011, Kenya intervened to help create stability and promote peace and reconciliation in the war-torn country, which has contributed to good bilateral relations between the two countries. In addition, Kenya is involved in regional peace initiatives in Somalia and has contributed troops to the AMISOM peacekeeping forces in Somalia. The relationship was recently strained as Somalia severed diplomatic ties with Kenya in December 2020 after accusing Kenya of meddling in internal affairs before an election. Relations have since normalised in May 2021 and both committed to seek mutual benefit and growth. Since 2014, Kenya was involved in a maritime boundary dispute with Somalia that heard by the ICJ, and hearings proceeded in March 2021 without Kenya making oral arguments. The court rendered its judgement on 12 October 2021. In its judgment, the court rejected the claim made by Somalia, alleging that Kenya, by its conduct in the disputed area, had violated its international obligations. See "*—Border Disputes*" for more information.

Uganda. Kenya has good relations with Uganda, Kenya's largest export destination. Exports to Uganda totalled US\$606 million in 2018, US\$627 million in 2019, US\$671.2 million in 2020, US\$814.7 million in 2021 and US\$789.9 million in 2022. There is a large population of Kenyan students in Uganda.

On 1 March 2016, Uganda and Tanzania agreed to construct a pipeline for the transportation of crude oil from Hoima, Uganda to Tanga, Tanzania on the grounds that this route would be shorter and more secure than a

pipeline routed from Hoima through Lokichar to Lamu, in the process traversing territory with higher rates of attack by Islamist militants. The Hoima-Tanga East Africa oil pipeline commenced construction on 11 November 2017. The construction of this pipeline may make the completion of the LAPSSET project more uncertain.

Similarly, there have been delays in discussions with Uganda with respect to the SGR. While it is believed that construction will continue as discussed, in the event Uganda decides to instead build a central railway through Tanzania, maximum economic returns from the SGR may not be realised.

Kenya was involved in a territorial dispute with Uganda over Migingo Island in 2008. The two countries have since taken steps to make delineation of the boundary of the lake more precise and to patrol the disputed island. In 2019, Kenya signed a memorandum of understanding with the Ugandan authorities to enable fishermen and other Lake Victoria users to access either side of Lake Victoria's boundary. However, this memorandum of understanding may be threatened by any future territorial disputes between Kenya and Uganda

Ethiopia. Kenya has good relations with Ethiopia. Kenya plans to import electricity from Ethiopia under the Eastern Electricity Highway Project, a project that aims to connect Ethiopia's electrical grid with Kenya's and allow Ethiopia to sell its surplus power to Kenya. Kenya and Ethiopia signed a Special Status Agreement, which aims to promote economic activity between the two countries, on 21 November 2012. In addition, the new railway, road and pipeline under the LAPSSET project expected to be built from Lamu, Kenya to South Sudan are also expected to have a connection to Ethiopia. The Government has secured financing and the projects are ongoing. See "*The Economy—Major Infrastructure Projects—The Lamu Port-Southern Sudan-Ethiopia Transport Corridor*".

Tanzania. Kenya has good relations with Tanzania. Kenya and Tanzania have agreed to revive the Joint Commission of Cooperation with an aim to deepening economic and political cooperation. Exports to Tanzania totalled US\$291 million in 2018, US\$274.5 million in 2019, US\$295.8 million in 2020, US\$406.8 million in 2021 and US\$466.4 million in 2022. Imports from Tanzania totalled US\$178 million in 2018, US\$331 million in 2019, US\$259.1 million in 2020, US\$486.4 million in 2021 and US\$437.6 million in 2022. In May 2021, Kenya and Tanzania agreed to build a liquefied natural gas pipeline from Dar-es-Salaam to Mombasa. The bilateral agreement has been finalized and the agreement is awaiting execution. The project is expected to boost electricity generation in Kenya.

THE ECONOMY

Background and Economic History

Kenya is the largest economy in East Africa and is a regional financial and transportation hub. After independence, Kenya promoted rapid economic growth through public investment, encouraged smallholder agricultural production and provided incentives for private (often foreign) industrial investment.

Kenya has experienced continued growth in GDP over the last few years. Real GDP grew 5.6% in 2018, 5.1% in 2019, contracted by -0.3% in 2020, grew by 7.6% in 2021 and 4.8% in 2022. The Government attributes the decline to reduced growth in several sectors of the economy and the peak in 2021 to the significantly high growths that signified recovery from the economic downturn in 2020. Real GDP grew by 5.9% in the third quarter of 2023. Kenya's economy is expected to remain resilient, supported by a robust performance in the services sector and expected recovery in agriculture. Leading indicators in the first quarter of 2023 point to strong activities in wholesale and retail trade, accommodation and food services, education, and information and communication.

Real GDP grew by 5.9% in 2018/19, 3.0% in 2019/20, 3.6% in 2020/21, 6.2% in 2021/22 and 5.2% in 2022/23.

Vision 2030

In 2007, the Government announced Vision 2030 as its long-term plan for attaining middle-income status as a nation by 2030. In line with Vision 2030, the Government prepares successive MTPs that outline the policies, programmes and projects that the Government intends to implement over a five-year period. The first MTP covered the period from 2008 to 2012, with the second MTP covering the 2013 to 2017 period. The third MTP, covered the 2018 to 2022 period. The fourth MTP is intended to cover the 2023 to 2027 period, although has not yet been adopted as further described below in "*—The Bottom-up Economic Transformation Agenda and the Fourth MTP*". There can be no assurance that the Vision 2030 targets will be met. See "*Risk Factors—Risks Relating to the Republic of Kenya— Kenya may be unable to meet its economic growth and reform objectives and policies which may adversely affect the performance of the Kenyan economy*" for further information.

The First MTP

In the initial year of the first MTP, a number of projects aimed at national healing and reconciliation following the post-election violence were implemented. Repair of damaged infrastructure, assistance to affected small-scale businesses and resettlement of internally displaced persons were all undertaken in order to raise GDP growth (which fell to 1.5% in 2008) and to promote national reconciliation.

Up to the year 2012, progress recorded under the first MTP included the following:

- enrolment in early childhood education increased by 40% from 1.72 million in 2008 to 2.4 million;
- transition rate from primary to secondary education increased from 64% in 2008 to 77%;
- the number of students enrolled in university education increased by 103% from 118,239 in 2008 to 240,551;
- a total of 2,200 km of roads were constructed exceeding the MTP target of 1,500 km;
- three undersea submarine fibre optic networks linking Kenya to the global internet networks were completed including 5,500 km of terrestrial fibre optic network;
- total installed capacity for generation of electricity increased by 22%. In the MTP period (2008-2021); and
- enactment of the Constitution.

The Second MTP

The Government announced the second MTP of Vision 2030 in October 2013. The second MTP gave priority to devolution as specified in the Constitution and to more rapid socio-economic development with equity as a tool for building national unity. The second MTP also aimed to build on the successes of the first MTP,

particularly in increasing the scale and pace of economic transformation through infrastructure development, and placed strategic emphasis on priority sectors under the economic and social pillars of Vision 2030. Under the second MTP, transformation of the economy focused on rapid economic growth in a stable macro-economic environment, modernisation of infrastructure, diversification and commercialisation of agriculture, food security, a higher contribution of manufacturing to GDP, wider access to African and global markets, wider access for Kenyans to better quality education and health care, job creation targeting unemployed youth, provision of better housing and provision of improved water sources and sanitation to Kenyan households.

The economic pillar in the second MTP focused on six priority sectors: tourism; agriculture, livestock and fisheries; trade; manufacturing; financial; information technology; and a recently added seventh priority sector: oil and other minerals.

The key aims under each of the priority sectors of second MTP included:

- *Tourism*: to turn Kenya into a top 10 long haul tourist destination in the world, by marketing new high-end tourist segments like business, cultural and ecological tourism, constructing new coastal and upcountry resort cities and opening more five-star hotels to improve the standards of tourist accommodation and facilities;
- *Agriculture, livestock and fisheries*: to increase irrigation in order to reduce the country's dependence on rain fed agriculture, mechanise agricultural production, revive cooperatives and farmers unions and subsidise farm inputs to raise productivity;
- *Trade*: to reinforce regional and international economic partnerships;
- *Manufacturing*: to increase the sector's contribution to Kenya's nominal GDP and foreign exchange earnings by establishing three special economic zones targeting manufacturing in Mombasa, Kisumu and Lamu, building clusters for meat and leather products, strengthening the dairy sector and developing industrial and SME parks that once completed are expected to provide linkages to other sectors such as agriculture and services;
- *Financial*: to enhance access, efficiency, and stability to financial markets to create a globally competitive financial sector that once completed are expected to create jobs and promote high levels of savings to finance Kenya's overall investment needs;
- *Information technology*: to enable universal access to ICT, develop digital content, promote e-Government services and encourage the establishment of more ICT based industries; and
- *Oil and other minerals*: to develop the policy and the legal and institutional framework for the exploitation and management of Kenya's natural resources, enact legislation for transparency and fair sharing of the revenue generated and erect safeguards to protect the environment.

Other key achievements under the second MTP include:

- total installed capacity for generation of electric power increased by 38%, from 1,690 MW in 2012 to 2,340 MW in 2017 to 2,712 MW in 2018. This was mainly due to the injection of 310 MW and 50 MW wind and solar capacity in the main grid respectively, from Lake Turkana Wind Power Plant and Garissa Solar Power Plant;
- significant progress on infrastructure projects, with the first phase of the SGR from Mombasa to Nairobi and the second container terminal at the port of Mombasa completed, as well as a total 1,304 km of new roads built. The rail is expected to improve rail freight traffic;
- internet users increased by 125% from 16 million users in December 2012 to an estimated 36 million users in December 2015;
- achievements in the health sector, including improved access to safe drinking water from approximately 53% of the population in 2013/14 to 58% in 2015/16 and a decline in the infant mortality rate, from 52 to 39 deaths per 1,000 births;

- fibre optic cables that will enable 30 out of 42 counties to have internet access as such services are rolled out; and
- a total of 74 oil exploration wells were drilled by 2015 under the second MTP, and 36 blocks were licensed to 18 international oil companies. In addition, the national petroleum data centre was established to enable archiving and retrieval of exploration and production data;

The Third MTP

The Government announced the third MTP of Vision 2030 in March 2017. The third MTP aims to carry forward and complete the programmes and projects initiated during the second MTP. It also aims to achieve high inclusive and broad based economic growth. A key objective of the third MTP is to include policies, programmes and projects aimed at meeting the Sustainable Development Goals, which replaced the Millennium Development Goals from January 2016.

Key priorities of the third MTP include:

- to develop infrastructure and enable the environment to support the country's oil and gas and other mineral resources sector by means of investment in research and technology development and development of relevant local content policy and regulations;
- to develop the maritime sector by enhancing technical cooperation, maritime spatial planning and integrated coastal zone management, protecting and regulating the marine ecosystem, enhancing the sustainable exploitation of agriculture-based marine resources and developing fishing ports and associated infrastructure;
- to irrigate 1.3 million acres of land (increasing the area of irrigated arable land from 355,000 acres to 484,000 acres by 2016) and increase value addition of agricultural products through the Galana-Kulalu Food Security Project, National Expanded Irrigation Program, and Community Based Smallholder and Irrigation Projects;
- to build domestic capacity and capabilities, especially in engineering and construction, through local and overseas training and cooperation and joint ventures with leading foreign construction and technology firms;
- to progressively achieve universal access to water and sanitation, by building approximately 200,000 additional water connections and 350,000 new sewer connections annually;
- to create sustainable employment opportunities and green jobs, build a skilled, adaptive and enterprising labour force, improve labour market efficiency through strengthening the labour administration system and promoting public-private partnerships in employment creation, as well as establishing more youth polytechnics and technical and vocational education and training institutions to impart the requisite technical skills; and
- to prevent corruption, improve governance and accountability, deepen public sector reforms, strengthen the capacity of county governments and coordination between national and county governments.

The Bottom-up Economic Transformation Agenda and the Fourth MTP

The BETA has been designed to address the current challenges facing the economy, stimulate economic recovery and bolster resilience. The BETA places emphasis on reduction to the cost of living, eradication of hunger, creation of jobs, achievement of more equitable distribution of income and inclusive growth, enhancement of social security, expansion of the tax base and an increase of foreign exchange earnings. These priorities are to be achieved through targeted investments in five core pillars: Agriculture; Micro, Small and Medium Enterprises (MSME) Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Economy. BETA is still in its early stages of implementation.

Agriculture

Under the agricultural transformation pillar, the government has established a fertilizer subsidies program, progressively reduced the cost of fertilizer and implemented an e-voucher system through which farmers

received their fertilizer consignments for planting and top-dressing of maize, tea, coffee, rice, potatoes, cotton and edible oil crops. Additionally, the Government has made adequate arrangements, including investment in necessary infrastructure, to facilitate post-harvest management and prevent losses. For MSMEs, the Government established the Financial Inclusion Fund (commonly referred to as the “Hustlers Fund”) in November 2022 which has disbursed KES 44.7billion as of 14 January 2024. Viewed as a core pillar in BETA, for housing reform, the Government has established the Affordable Housing Programme across the country with a total of 746,795 housing units in the pipeline, undergoing various stages of design. To deliver Universal Health Coverage and strengthen the legal basis for health financing and service provision, four new health laws have been enacted and the Government has reformed the National Health Insurance Fund. In order to entrench the digital economy, the Government is currently rolling out the last mile 100,000 km of fibre optic infrastructure throughout the country and concurrently setting up 25,000 WiFi hotspots.

Agricultural Transformation and Inclusive Growth Pillar is aimed at addressing the cost, quality and availability of inputs; reducing the cost of food and cost of living in general; reducing food insecurity; raising productivity of key food value chains; increasing access to affordable credit and agricultural extension services; creating direct and indirect jobs, increasing average daily income of farmers and exchange earnings and tackling underperforming and collapsed export crops while expanding emerging crops. The Government rolled out a fertilizer subsidy programme that made available 5.5 million bags of fertilizers to farmers across Kenya. The Government has also progressively reduced the cost of fertilizer from KES. 6,500 to KES. 2,500, increased maize acreage under production by an extra 200,000 acres and enhanced maize production by an additional 18 million bags.

To achieve efficiency, transparency and accuracy in fertilizer distribution, the Government rolled out a countrywide farmer registration programme, which enrolled farmers on a digital register, with accurate details of the location and acreage of their agricultural landholding. The database enabled the Government to implement an e-voucher system through which farmers received their fertilizer consignments for planting and top-dressing of maize, tea, coffee, rice, potatoes, cotton and edible oil crops.

On the other hand, the Government granted a duty waiver on importation of key food products such as white maize, rice, yellow maize, soya beans, soya bean meal, assorted protein concentrates, and feed additives to tackle the food stocks deficit as well as lower and stabilise food prices.

Additionally, the Government has made investments in infrastructure to facilitate post-harvest management and prevent losses. This includes 17 certified warehouses, jointly managed by the National Cereals and Produce Board and private sector owners, with a combined capacity of 365,000 metric tonnes in the maize growing areas. Further, the Government has mainstreamed nine priority value chains including crops that impact on the cost of living (maize), crops that can be exported and increase overall exports (tea, dairy, leather) and methods to reduce food imports (rice, edible oils, blue economy).

Transforming the Micro, Small and Medium Enterprises (MSME) Economy

The Micro, Small and Medium Enterprise (MSME) Economy provides enormous opportunities for Kenya’s socio-economic transformation, particularly by providing income opportunities for youth, women, persons with disabilities and low-skilled persons, who experience disproportionately high unemployment. In order to support individuals and MSMEs, the Government established the Financial Inclusion Fund,(also known as the “Hustlers Fund”) in November 2022 to cushion the MSMEs against high cost of credit.

As at the date of this Offering Circular, the Fund had disbursed KES 44.7billion and realised KES2.7 billion in savings, benefitting 22.4 million customers with 7.8 million repeat borrowers whose overall repayment rate is at an impressive 73%. The top borrower of the Fund has so far accessed a total KES6.2 million in 1,316 transactions, while the top voluntary saver is at KES 631,491. In the intervening period, the Hustler Fund has also launched a group product, which has attracted 53,860 active groups to the platform, of which 22,759 have received KES. 174 million.

Housing and Settlement

As a core pillar in BETA, the Government is committed to ensuring that the constitutional right to accessible and adequate housing to all citizens is achieved. There is an estimated shortfall of 200,000 urban housing units a year, has led to high cost for poor-quality housing. In order to bridge the housing gap, the Government has

established the Affordable Housing Programme across the country. The construction of 46,792 units in various parts of the country is already underway, while another 40,000 units to be constructed. A total of 746,795 housing units are in the pipeline, undergoing various stages of design.

The Government is also implementing policy and administrative reforms to lower the cost of construction and improve access to affordable housing finance. In this regard, the Government is structuring affordable long-term housing finance schemes, including a National Housing Fund and Cooperative Social Housing Schemes, that will guarantee off-take of houses from developers. As part of the process, the Housing Levy that was enacted in Finance Act 2023 is providing an off-take fund that will de-risk investors and offer affordable finance to home-owners.

Importantly, the Affordable Housing Programme is systematic job creation mechanism with the creation of jobs in the construction sector and indirectly throughout other value chains in the housing development ecosystem. These jobs are also provide entrepreneurial opportunities to all Kenyans especially the youths and employed graduates from technical colleges and universities. 120,000 Kenyans, who were previously unemployed, are now engaged directly or indirectly, in various parts of the country in the programme, and the numbers are expected to significantly increase as the rest of the projects move into the next phases.

The housing scheme also indirectly supports the formal and informal manufacturing of materials, fixtures, fittings and accessories required in the construction. The Government has continued to upgrade and support the Jua Kali sector capacity to produce high quality construction material by linking it with technical and vocational education institutions.

Healthcare

The Constitution guarantees Kenyans the right to the highest standards of health and hence the Government identified healthcare delivery as one of the core pillars of the BETA. Health insurance coverage in Kenya has generally been low at 26%, with those at the bottom of the economic pyramid having the least coverage of less than 5%. Many Kenyans have incurred catastrophic expenditures from out-of-pocket healthcare payments, while many more do not seek care when they fall ill.

In this regard, the Government has embarked on various interventions in order to deliver Universal Health Coverage. Notably, to strengthen the legal basis for health financing, health service provision and achievement of UHC, four new health laws have been enacted. See *“The Republic of Kenya—Public Health”* for further information.

The Government has reformed the National Health Insurance Fund to meet the urgent needs of Kenyans at the bottom of the socioeconomic structure by actualizing its purpose as a social medical insurance facility. The new Social Health Insurance Act 2023 creates a Social Health Authority and will repeal the current National Health Insurance Fund Act 1998. The new Act establishes, among other things, the publicly financed Primary Health Fund, a fully publicly financed chronic, emergency and critical illness fund and the Social Health Insurance Fund. Access to healthcare will be based on the health needs of every Kenyan. The Government will be implementing a per-household payment system, where a flat rate applies to everyone, regardless of their income.

To increase the availability of human capital in public health sector, the Government has scaled up investment in healthcare workforce. Approximately 20,000 new healthcare workers have been employed, 8,429 workers whose contracts had lapsed deployed and 3,394 interns enrolled across the country. Additionally, the Government has collaborated with all the County Governments to recruit and deploy 100,000 community health promoters (CHP) throughout the country. Each community health promoter is allocated 100 homes within their neighbourhoods countrywide.

To better deliver universal health coverage, the Government has leveraged the digital health agenda starting from the community level. In this regard, the electronic community health information systems (e-CHIS) is being used by the community health promoters across the country to collect real-time accurate household data, initiate planning for health service delivery and provide linkage to health facilities. Along with the CHP kits, the Government has provided 110,000 smartphones for use by the promoters and Community Health Assistants. This will provide quality community health data that is essential for the planning, resource allocation and monitoring of progress towards Universal Health Coverage.

Digital Superhighway and Creative Economy

The Government recognises that digital economy is the emerging frontier of opportunity, productivity and competitiveness. In order to entrench Kenya's lead in digital economy, the Government under the BETA has onboarded 15,000 services and with a target of onboarding all services by the end of the year. This has increased efficiency in service delivery, revenue collection and enhanced accountability.

Working with the private sector, the Government launched the local assembly of affordable smartphones in November 2023 in Athi River. In particular, the Government has prioritised digital registration in order to promote reliable identification and authentication system for all citizens and reduce fraud linked to identity theft. A reliable and centralised identification system will also support better management of social programmes, delivery of essential services, transparency and accountability in Government operations.

The Government is currently rolling out the last mile 100,000 km of fibre optic infrastructure throughout the country to improve internet connectivity in health facilities, schools, judiciary offices, and other public institutions. The Government is also concurrently setting up 25,000 WiFi hotspots targeting fresh produce markets, bus parks and other public spaces.

Further, the Government is working with Members of Parliament to provide to 1,450 ICT Hubs in every ward in the country, 8 remote working centres and other online enterprises to enable the youth to find opportunities. Teaching and learning of digital skills, including coding, has also been prioritised to prepare children for the economy of the future. The education curriculum will continuously be reviewed to make sure they are in line with global technological changes. The initiatives are expected to spur e-commerce, the creative arts and the digital economy; the frontier of BETA.

The Fourth MTP

The Fourth MTP is intended to implement the BETA. The Fourth MTP seeks to strengthen economic resilience and drive inclusive, broad-based and sustainable economic growth during the 2023 to 2027 period. The Fourth MTP is intended to implement the BETA which is geared towards economic turn-around and inclusive growth through a value chain approach. As at the date of this Offering Circular, the Fourth MTP remains in draft form and has not yet been formally adopted.

Climate change efforts

Amongst the emerging challenges, climate change impacts continue to exert negative effects on key sectors of the economy and may stunt long-term economic growth prospects as well as the ability to meet the targets set in Vision 2030. In September 2024, Kenya hosted the Africa Climate week in Nairobi – positioning Kenya as a regional climate leader. Priority will be given to effectively mainstream and integrate climate change measures in the third MTP. The Government has already taken steps towards developing key policy documents and legislation including the Climate Change Act (2016), the National Climate Change Framework Policy, the National Climate Change Action Plan and the National Climate Change Response Strategy. Under the National Climate Change Action Plan II, Kenya developed National Long Term Low Emission Development Strategy for 2050 and achieved increased forest cover from 6.99% in 2010 to 8.83% in 2021, construction of 11 seed centres and submitted Kenya's Nationally Determined Contributions targeting to reduce greenhouse emissions by 32% by 2030. Kenya also achieved a 87% reduction of banned single-use plastic and via the Jaza-miti app launched monitoring of tree growing.

Recent developments with respect to Kenya's environmental legislation and policies include the National Climate Change Action Plan III (2023-2027). The action plan has identified priority climate actions for both mitigation and adaptation for implementing the Nationally Determined Contributions (NDC) in the short to medium term. Such priorities include strengthening environmental, forestry and climate change governance, a focus on sustainable development, protection of wetlands, forests and water resources, enhancing waste management and coordinating national climate action and reporting and capacities for meteorological services. The plan also aims to develop agroforestry and commercial forestry and sustainable financing for the environment, climate change and forestry conservation.

2021 Rebase of GDP

In September 2021, Kenya National Bureau of Statistics rebased its national accounts, changing the base year from 2009 to 2016, and revised the annual and quarterly national accounts statistics for the period 2009 to 2016. Kenya National Bureau of Statistics applied the System of National Accounts 2008 and the International

Standard Industrial Classification revision 4 system (“ISIC”) to compile the rebased GDP estimates. The System of National Accounts is the internationally agreed standard set of recommendations on how to compile measures of economic activity, and ISIC is the international standard for the classification of productive economic activities. This revision is the seventh time that Kenya has revised the national account statistics. The first revision was carried out in 1957 and subsequent revisions were carried out in 1957, 1967, 1976, 1985, 2005, 2014 and 2021. The UN Statistical Commission recommends that countries rebase every five years.

Rebasing enables economic estimates to better understand the current structure of the economy and sectoral growth drivers, and to better reflect the performance of the most important parts of the economy. For example, the rebasing in 2021 allowed the Government to account for changes in production structure, relative product prices and products. These measures have led to changes in the size of GDP, growth rates, contributions by sector and related indicators that use GDP.

GDP

The nominal GDP was KES 9,367 billion for FY 2018/19, KES 10,175 billion for FY 2019/20, KES 11,370 billion for FY 2020/21, KES 12,698 billion for FY 2021/22 and KES 14,274 billion for FY 2022/23.

The following table sets out Kenya’s nominal GDP by economic sector for the periods presented.

	Year ended 31 December				
	2018	2019	2020	2021	2022
	(KES millions)				
Industry					
Agriculture, forestry and fishing.....	1,897,475	2,135,709	2,432,613	2,583,190	2,829,505
Mining and quarrying.....	68,909	72,769	76,402	92,045	120,300
Manufacturing.....	785,369	809,253	814,328	885,633	1,046,289
Electricity supply.....	157,521	161,716	163,320	172,640	175,417
Water supply; sewerage, waste management.....	59,6480	58,912	60,250	63,342	64,565
Construction.....	545,654	630,653	750,153	849,377	953,773
Wholesale and retail trade, repairs.....	762,968	837,918	867,574	952,902	1,042,106
Transport and storage.....	1,056,264	1,202,830	1,156,921	1,391,614	1,653,557
Accommodation and food service activities.....	100,019	119,581	77,843	133,678	147,342
Information communication technology.....	240,120	257,419	274,820	291,437	318,304
Financial and insurance activities.....	622,625	667,702	723,059	860,626	1,009,433
Real estate.....	881,622	946,732	996,203	1,076,597	1,149,057
Professional, scientific and technical activities.....	163,9599	175,882	159,505	179,258	188,008
Administrative and support service activities.....	97,502	108,875	92,732	105,657	130,523
Public administration and defence.....	493,180	541,367	592,623	634,986	671,869
Education.....	399,515	431,876	413,090	521,945	542,704
Human health and social work activities.....	188,778	197,9693	212,966	238,544	244,335
Arts, entertainment and recreation.....	24,541	27,056	19,941	23,511	28,078
Other service activities.....	135,539	144,894	124,379	143,824	155,623
Activities of households as employers.....	65,710	68,917	72,064	75,242	79,420
Financial services indirectly measured.....	(215,414)	(226,631)	(218,639)	(244,592)	(264,781)
All industries	8,531,502	9,371,398	9,862,147	11,031,456	12,285,427
Taxes less subsidies on products.....	808,805	866,330	852,923	996,206	1,082,913
GDP at market prices	9,340,307	10,237,727	10,715,070	12,027,662	13,368,340

Source: Kenya National Bureau of Statistics.

The following table sets out each economic sector’s contribution to Kenya’s nominal GDP for the periods presented.

	Year ended 31 December				
	2018	2019	2020	2021	2022
	(%)				
Industry					
Agriculture, forestry and fishing.....	20.3	20.9	22.7	21.5	21.2
Mining and quarrying.....	0.7	0.7	0.7	0.8	0.9
Manufacturing.....	8.4	7.9	7.6	7.4	7.8
Electricity supply.....	1.7	1.6	1.5	1.4	1.3
Water supply; sewerage, waste management.....	0.6	0.6	0.6	0.5	0.5
Construction.....	5.8	6.2	7.0	7.1	7.1
Wholesale and retail trade, repairs.....	8.2	8.2	8.1	7.9	7.8
Transport and storage.....	11.3	11.7	10.8	11.6	12.4
Accommodation and food service activities.....	1.1	1.2	0.7	1.1	1.1
Information communication technology.....	2.6	2.5	2.6	2.4	2.4
Financial and insurance activities.....	6.7	6.5	6.7	7.2	7.6
Real estate.....	9.4	9.2	9.3	9.0	8.6
Professional, scientific and technical activities.....	1.8	1.7	1.5	1.5	1.4
Administrative and support service activities.....	1.0	1.1	0.9	0.9	1.0
Public administration and defence.....	5.3	5.3	5.5	5.3	5.0
Education.....	4.3	4.2	3.9	4.3	4.1
Human health and social work activities.....	2.0	1.9	2.0	2.0	1.8
Arts, entertainment and recreation.....	0.3	0.3	0.2	0.2	0.2
Other service activities.....	1.5	1.4	1.2	1.2	1.2
Activities of households as employers.....	0.7	0.7	0.7	0.6	0.6
Financial services indirectly measured.....	(2.3)	(2.2)	(2.0)	(2.0)	(2.0)
All industries at basic prices	91.3	91.5	92.0	91.7	91.9
Taxes less subsidies on products.....	8.7	8.5	8.0	8.3	8.1
GDP at market prices	100.0	100.0	100.0	100.0	100.0

Source: Kenya National Bureau of Statistics.

The following table sets out Kenya's real GDP by economic sector for the periods presented at constant 2016 prices.

	Year ended 31 December				
	2018	2019	2020	2021	2022
	(KES millions)				
Industry					
Agriculture, forestry and fishing.....	1,587,784	1,630,607	1,705,985	1,699,959	1,672,085
Mining and quarrying.....	79,986	83,386	87,968	103,842	113,458
Manufacturing.....	738,305	757,794	755,608	810,827	833,052
Electricity supply.....	156,679	159,673	158,927	167,339	175,525
Water supply; sewerage, waste management.....	57,743	58,473	60,591	64,420	67,626
Construction.....	438,962	470,526	517,977	552,764	575,215
Wholesale and retail trade, repairs.....	694,215	730,922	727,726	786,202	815,937
Transport and storage.....	849,165	902,898	830,249	891,983	941,947
Accommodation and food service activities.....	88,863	101,584	53,114	81,037	102,286
Information communication technology.....	241,178	257,959	273,440	290,224	319,056
Financial and insurance activities.....	629,731	680,556	720,435	802,964	905,490
Real estate.....	802,728	856,588	891,574	951,093	993,623
Professional, scientific and technical activities.....	160,3255	171,268	151,534	163,485	171,873
Administrative and support service activities.....	86,819	92,729	76,386	80,663	95,224
Public administration and defence.....	459,667	498,143	532,781	564,957	590,386
Education.....	392,401	414,661	376,307	462,227	484,217
Human health and social work activities.....	176,043	185,702	196,120	213,529	223,105
Arts, entertainment and recreation.....	22,089	23,857	17,112	19,239	22,688
Other service activities.....	118,593	124,449	100,205	119,100	125,989
Activities of households as employers.....	56,797	57,649	58,513	59,391	60,282
Financial services indirectly measured.....	(254,198)	(278,418)	(273,375)	(287,975)	(292,296)
All industries at basic prices.....	7,583,875	7,981,005	8,019,178	8,597,270	8,996,769
Taxes less subsidies on products.....	747,016	775,941	713,883	798,672	854,561
GDP at market prices.....	8,330,891	8,756,946	8,733,060	9,395,942	9,851,329

Source: Kenya National Bureau of Statistics.

The following table sets out Kenya's real GDP growth by economic sector for the periods presented.

	Year ended 31 December				
	2018	2019	2020	2021	2022
	(%)				
Industry					
Agriculture, forestry and fishing.....	5.7	2.7	4.6	(0.4)	(1.6)
Mining and quarrying.....	(4.7)	4.3	5.5	18.0	9.3
Manufacturing.....	3.6	2.6	(0.3)	7.3	2.7
Electricity supply.....	4.0	1.9	(0.5)	5.3	4.9
Water supply; sewerage, waste management.....	2.5	1.3	3.6	6.3	5.0
Construction.....	6.1	7.2	10.1	6.7	4.1
Wholesale and retail trade, repairs.....	5.9	5.3	(0.4)	8.0	3.8
Transport and storage.....	6.0	6.3	(8.0)	7.4	5.6
Accommodation and food service activities.....	15.6	14.3	(47.7)	52.6	26.2
Information communication technology.....	7.9	7.0	6.0	6.1	9.9
Financial and insurance activities.....	2.7	8.1	5.9	11.5	12.8
Real estate.....	6.5	6.7	4.1	6.7	4.5
Professional, scientific and technical activities.....	5.4	6.8	(11.5)	7.9	5.1
Administrative and support service activities.....	9.8	6.8	(17.6)	5.6	18.1
Public administration and defence.....	7.9	8.4	7.0	6.0	4.5
Education.....	6.8	5.7	(9.2)	22.8	4.8
Human health and social work activities.....	5.4	5.5	5.6	8.9	4.5
Arts, entertainment and recreation.....	3.7	8.0	(28.3)	12.4	17.9
Other service activities.....	4.0	4.9	(19.5)	(18.9)	5.8
Activities of households as employers.....	1.5	1.5	1.5	1.5	1.5
Financial services indirectly measured.....	3.7	9.5	(1.8)	5.3	1.5
All industries at basic prices.....	5.6	5.2	0.5	7.2	4.6
Taxes less subsidies on products.....	5.9	3.9	(8.0)	11.9	7.0
GDP at market prices.....	5.6	5.1	(0.3)	7.6	4.8

Source: Kenya National Bureau of Statistics.

The Government expects the Kenyan the economy to recover and grow by 5.8% in 2022/23 as a result of broad-based private sector growth, including recoveries in agriculture while the public sector consolidates (*Source: 2023 Budget Policy Statement, National Treasury*).

Principal Sectors of the Economy

Agriculture

Real GDP in the agricultural sector contracted by 0.4% to KES 1,699,959 million in 2021 and further contracted by 1.6% to KES 1,672,085 in 2022. This was largely occasioned by drought in most parts of the country that severely affected agricultural production.

The agriculture sector accounted for 20.3%, 20.9%, 22.7%, 21.5% and 21.2% of nominal GDP in 2020, 2021 and 2022 respectively.

The following table sets out the agriculture sector's output and input values at current and constant prices for the periods presented.

	Year ended 31 December				
	2018	2019	2020	2021	2022
	(KES millions)				
Production at Current Prices					
Output at basic prices.....	2,099,266	2,337,922	2,672,546	2,838,170	3,133,710
Intermediate consumption.....	378,805	416,390	476,067	534,718	606,621
Value added at basic prices, gross.....	1,720,461	1,921,532	2,196,480	2,303,453	2,527,089
Production Constant Prices					
Output.....	1,785,520	1,845,314	1,950,802	1,964,020	1,943,762
Intermediate consumption.....	335,969	354,775	383,327	401,197	410,719
Gross Value Added.....	1,449,551	1,490,539	1,567,475	1,562,823	1,533,043

Source: Kenya National Bureau of Statistics.

(1) Projection

The following table sets out the value of recorded marketed production at current prices in the agricultural sector for the periods indicated.

	Year ended 31 December				
	2018	2019	2020	2021	2022
	(KES millions)				
Cereals					
Maize.....	9,986.9	10,681.2	8,232.5	6,858.1	5,938.4
Wheat.....	11,744.7	13,373.4	10,281.5	10,396.6	10,863.4
Others.....	7,268.0	11,104.4	11,106.7	10,450.2	15,710.0
Total.....	28,999.6	35,159.0	29,620.7	27,704.9	32,511.8
Horticulture⁽¹⁾					
Cut flowers.....	113,165.2	104,141.8	107,508.6	110,849.3	103,558.5
Vegetables.....	27,685.2	27,247.8	24,228.4	28,460.7	22,999.0
Fruits.....	12,831.1	13,189.0	18,426.9	18,382.9	19,570.3
Total.....	153,681.5	144,578.6	150,163.9	157,692.9	146,127.8
Temporary industrial crops					
Sugar-cane.....	20,985.5	17,576.9	25,207.3	28,386.3	39,350.4
Pyrethrum.....	28.5	68.5	57.0	106.7	221.5
Others.....	1,510.4	1,223.2	1,591.7	1,275.6	2,103.3
Total.....	22,522.1	18,868.6	26,856.0	29,768.6	41,675.2
Permanent crops					
Coffee.....	14,837.7	10,164.8	10,817.4	18,551.3	27,322.4
Tea.....	127,669.3	104,072.6	122,161.6	126,091.7	156,714.2
Sisal.....	3,794.3	4,379.6	4,981.1	5,596.2	6,532.8
Total.....	146,301.3	118,617.1	137,960.1	150,239.2	190,569.4
Total crops.....	351,506.8	317,223.3	344,600.8	365,405.6	410,884.2
Livestock and products					
Cattle and calves.....	100,248.7	107,352.6	117,144.0	103,500.2	84,725.2
Goats and sheep.....	7,758.8	7,591.4	7,403.6	10,592.8	15,428.3
Milk.....	23,026.7	20,576.2	22,721.5	33,680.3	36,887.5
Chickens and eggs.....	12,069.2	9,227.8	9,478.8	9,690.7	10,870.2
Others.....	4,040.5	3,661.3	3,957.7	4,155.7	5,839.0
Total.....	147,143.9	148,409.3	160,705.7	161,619.6	153,750.2
Total.....	498,650.8	465,632.5	505,306.5	527,025.2	564,634.4

(1) Projection

(2) Data refers to fresh horticultural exports only.

Source: Kenya National Bureau of Statistics.

Output at current prices increased by 10.4% from KES 2,838.2 billion in 2021 to KES 3,133.7 billion in 2022. Intermediate consumption and value added under current prices increased by 13.4% and 9.7% from KES 534.7 billion and KES 2,303.5 billion in 2021 to KES 606.6 billion and KES 2,527.1 billion, respectively, in 2022. Output at constant prices decreased from KES 1,964.0 billion in 2021 to KES 1,943.8 billion in 2022. Intermediate consumption grew by 2.4% from KES 401.2 billion in 2021 to KES 410.7 billion in 2022. Consequently, Agriculture value added dropped by 1.9% to KES 1,533.0 billion in 2022.

The value of marketed agricultural production increased by 7.1% from KES 527.0 billion in 2021 to KES 564.6 billion in 2022 on account of improved prices. The value of marketed production for crops increased by 12.4% to KES 410.9 billion while that of livestock declined by 4.9% to KES 153.8 billion during the review period. The crops share in marketed production expanded to 72.8% in 2022 from 69.3% in 2021.

Earnings from coffee increased from KES 18.6 billion in 2021 to KES 27.3 billion in 2022. This was as a result of increased quantity of marketed coffee despite lower coffee prices. Similarly, earnings from tea increased by 24.3% from KES 126.1 billion in 2021 to KES 156.7 billion in 2022. This was occasioned by higher prices paid for tea. Earnings from sugarcane increased from KES 28.4 billion in 2021 to KES 39.3 billion in 2022. Earnings

to farmers for dry pyrethrum flowers more than doubled from KES 106.7 million in 2021 to KES 221.5 million in 2022. This was attributed to higher production coupled with higher prices for the pyrethrum flowers.

The value of marketed maize decreased by 14.5% from KES 6.9 billion in 2021 to KES 5.9 billion in 2022 as a result of decreased quantities of marketed maize. The value of marketed wheat increased by 4.8% from KES 10.4 billion in 2021 to KES 10.9 billion in 2022 attributed to higher prices resulted in higher earnings despite the reduction in quantities of marketed wheat. The value of horticulture exports decreased from KES 157.7 billion in 2021 to KES 146.1 billion in 2022. This is explained by low demand for cut flowers and vegetables in the international market during the year under review. The value of marketed milk increased by 9.5% from KES 33.7 billion in 2021 to KES 36.9 billion in 2022. This was attributed to better prices for milk produce.

2019 drought

In 2019, the long rain season was delayed initially and was subsequently unevenly distributed spatially and temporally. This led to poor crop germination as well reported incidences of early Fall Army Worm infestation. As a result, the long-term outlook suggested agricultural production for 2019 would be considerably lower than in prior years. Apart from maize, other food commodities such as rice, beans and sorghum were readily available in local markets, though at steadily increasing prices. However, due to the delayed rainfall, leafy vegetables were scarce and also increasing in price.

Several counties experienced the effects of this drought, including food scarcity. The counties exhibited the highest need for food assistance were Turkana, Garissa, Marsabit, Tana River and Isiolo, all of which are pastoral counties with agriculturally based local economies. The Ministry of Agriculture has since determined that national food supply is generally stable.

The Ministry of Agriculture appealed to county governments to support farmers whose crops had been affected. The NCPB also took steps to enable vetted farmers that had exhausted their allocations to deliver any surplus maize to the NCPB thus easing distribution to the needy counties across the country.

Manufacturing

The manufacturing sector was the fifth largest contributor to the economy in 2022. In terms of employment generation, the Government estimates that the sector employed approximately 352.6 thousand persons in 2022, an increase of 4.7% from 2021, and accounting for 11.7% of total employment in the formal sector.

Real GDP in the manufacturing sector grew by 7.3% to KES 810,827 million in 2021 and grew by 2.7% to KES 833,052 million in 2022. The decelerated growth was partly attributed to low agricultural production especially food crops that are the main inputs to agro-processing.

The manufacturing sector accounted for 8.4%, 7.9%, 7.6%, 7.4%, and 7.8% of nominal GDP in 2018, 2019, 2020, 2021, and 2022, respectively.

The following table sets out the quantum index of manufacturing production using 2017 as the base year (Base 2017 = 100).

	Year ended 31 December				
	2018	2019	2020	2021	2022
Meat and meat products	106.0	117.1	87.1	98.5	104.8
Processing and preserving of fish	107.1	100.9	93.4	99.3	114.8
Prepared and preserved fruits and vegetables.....	104.1	86.1	81.7	70.7	74.4
Animal and vegetable fats and oils	108.4	115.2	116.3	113.0	102.4
Dairy products	121.9	127.2	118.6	132.9	121.8
Grain mill products	105.4	109.7	122.5	130.1	129.1
Bakery products	114.5	113.3	109.5	119.8	127.4
Sugar	130.6	117.2	160.5	186.2	211.8
Cocoa, chocolate and sugar confectionery	97.6	106.6	108.8	108.8	113.8
Food products n.e.s.	110.5	105.7	110.6	104.2	107.5
Animal feed	96.6	100.5	103.9	103.0	101.3
Total food products.....	110.2	109.9	116.1	119.5	120.8
Beverages	105.7	113.6	92.8	99.8	102.3
Tobacco products	106.3	114.7	98.3	89.5	80.9
Beverages and tobacco.....	105.8	113.8	93.7	98.1	98.8
Textiles	100.5	116.1	105.1	108.1	104.5
Wearing apparel.....	96.2	98.5	91.7	98.3	104.6
Leather and related products.....	125.8	124.9	106.4	123.0	125.9
Wood and products of wood.....	92.4	117.1	140.1	157.6	170.2
Paper and paper products	93.0	95.8	85.5	108.1	115.3
Printing and production of recorded media.....	111.2	135.8	105.9	122.4	122.6
Refined petroleum products.....	106.6	110.4	103.6	104.5	99.7
Chemical and chemical products	101.6	108.5	110.4	116.2	121.3
Pharmaceutical products.....	108.1	113.2	115.2	114.4	119.8
Plastic products.....	114.3	118.0	116.8	121.0	122.7
Other non-metallic mineral products	98.2	97.6	117.1	144.4	152.8
Basic metals.....	106.3	109.5	103.7	108.0	123.8
Structural Metal Products	91.1	93.3	86.9	95.7	106.8
Fabricated metal products.....	103.1	102.9	113.2	122.1	124.1
Electrical equipment.....	100.7	84.3	74.8	74.8	75.4
Machinery and equipment n.e.s.....	105.0	110.1	108.5	112.7	125.7
Motor vehicle, trailers and semi-trailers.....	98.5	139.1	128.0	155.9	196.1
Motorcycles	100.0	100.0	100.0	100.0	100.0
Manufacture of furniture	121.9	108.0	104.3	100.6	101.4
Other manufacturing n.e.s	102.5	102.2	106.0	106.3	107.0
Repair and installation of machinery and equipment.....	102.6	109.2	122.4	130.3	134.2
Total manufacturing	106.7	110.0	110.2	117.3	121.8

Source: Kenya National Bureau of Statistics.

According to the Kenya National Bureau of Statistics, Economic Survey 2023, the real value added of the manufacturing sector grew by 2.7% in 2022 compared to 7.3% recorded in the previous year. The volume of output expanded by 3.6% in the year under review compared to a growth of 6.7% in 2021. The contribution of the manufacturing sector to GDP was 7.8% in the same period. The sectors that registered major growth in volume of output in 2022 were motor vehicle, trailers and semi-trailers, processing and preservation of fish and basic metal products. However, processing of tobacco and key agro-processing sub-sectors including animal and vegetable oils, dairy products, grain milling and prepared animal feeds recorded a decline in growth. The sector's poor performance was mainly in crop and livestock production, which was severely affected by the widespread drought experienced in 2022.

The volume of output in the manufacturing sector expanded by 3.8% in 2022 from a growth of 6.5% in 2021.

The quantity of manufactured food products reduced by 1.1% in 2022 compared to a growth of 3.0% in 2021. This was mainly on account of reduced production recorded in the food sub-sectors as a result of drought experienced during the year which affected the supply of raw materials for most agro-based industries.

In 2022, the production of meat and meat products registered a growth of 6.4%. The growth was partly due to an 8.1% rise in production of sausages. Animal and vegetable fats and oils registered a drop of 9.4% in production for the second consecutive year. The quantity of processed and preserved fish grew by 15.6% in 2022 from 6.3% in 2021, while that of prepared and preserved fruits and vegetables increased by 5.3% from a contraction of 13.5% in the previous year.

The Dairy production and grain milling sub-sectors contracted by 8.4 and 0.7%, respectively in 2022. In the dairy subsector, the decrease was mainly due to a decline in the production of processed milk from 509.0 million litres in 2021 to 463.9 million litres in 2022. In the grain milling sub-sector, the production of wheat flour reduced to 1,405.4 thousand tonnes in 2022 from 1,437.5 thousand tonnes in 2021. However, production of maize flour increased to 650.1 thousand tonnes in 2022 from 639.6 thousand tonnes in 2021.

The bakery products sector grew by 6.3% in 2022 compared to a 9.4% increase in 2021. The growth was attributed to an increase in quantities of bread and other bakers' wares from 152.0 thousand tonnes in 2021 to 164.4 thousand tonnes in 2022. The sugar sub-sector grew by 13.8% to 796.6 thousand tonnes in 2022 compared to 16.0% growth in 2021. In the same period the quantity of manufactured cocoa, chocolate and sugar confectionary products increased by 4.5%.

During the period under review, the production quantity of coffee increased to 51.9 thousand tonnes. However, during the same period, the production quantity of tea decreased to 463.0 thousand. This resulted in a growth of 3.1% of food products not elsewhere classified in 2022 from a reduction of 5.8% in 2021.

The Beverages and Tobacco sub-sector increased by 0.7% in the year under review. This growth was partly due to the production of soft drinks (sodas) which registered a growth of 2.6% from 570.8 million litres in 2021 to 579.5 million litres in 2022. However, production quantities of tobacco products dropped by 9.5%.

Wholesale and Retail Trade

The wholesale and retail trade sector includes wholesale and retail sales (i.e., sale without transformation of any type of goods and the rendering of services incidental to the sale of these goods, including maintenance and repairs of motor vehicles and motorcycles). Wholesaling and retailing are the final steps in the distribution of goods.

Real GDP in the wholesale and retail trade sector grew by 5.9 % in 2018 to KES 694,215 million, grew by 5.3% in 2019 to KES 730,922 million, contracted by 0.4% in 2020 to KES 727,726 million, grew by 8.0% in 2021 to KES 786,202 million and grew by 3.8% in 2022 to KES 815,937 million. The contraction in 2020 and reduced growth in 2022 was principally a result of the impact of the Covid-19 Pandemic and the rise of cost-of-living pressures which contributed towards reduced wholesale and retail trade activities, respectively. The wholesale and retail trade sector accounted for 8.2%, 8.2%, 8.1%, 7.9%, and 7.8% of nominal GDP in 2018, 2019, 2020, 2021, and 2022, respectively.

Transport and Storage

The transport and storage sector comprises land transport, air transport including support services and all other transport including postal and courier activities.

Real GDP in the transport and storage sector grew by 6.0% to KES 849,165 million in 2018, grew by 6.3% to KES 902,898 million in 2019, contracted by 8.0% in 2020 to KES 830,249 million, grew by 7.4% in 2021 to KES 891,983 million and grew by 5.6% in 2022 to KES 941,947 million. The contraction in 2020 was principally a result of the impact of the Covid-19 Pandemic. The transport and storage sector accounted for 11.3%, 11.7%, 10.8%, 11.6%, and 12.4% of nominal GDP in 2018, 2019, 2020, 2021, and 2022, respectively.

The following table sets out the value of output for various transport and storage sub-sectors for the periods presented.

	Year ended 31 December				
	2018	2019	2020	2021	2022
Road transport.....	1,377,138	1,531,990	1,537,403	1,789,928	2,226,222
Railway transport.....	11,497	14,828	12,553	15,731	16,695
Water transport	52,750	54,868	54,649	55,915	54,792
Air transport.....	202,000	216,3762	111,010	144,524	225,569
Services incidental to transport	186,224	211,248	204,133	254,125	300,000
Pipeline transport	30,019	31,879	26,667	28,007	29,809
Postal and courier services.....	21,169	20,982	18,734	19,486	19,819
Total.....	1,880,797	2,082,170	1,965,149	2,307,716	2,872,977

Source: Kenya National Bureau of Statistics.

There was a 24.5% rise in the total value of output by the sector from KES 2,307.7 billion in 2021 to KES 2,873.0 billion in 2022. The highest improvement was experienced in the air transport sector that doubled from KES 144.5 billion in 2021 to KES 225.6 billion in 2022. Road transport accounted for the highest contributor for the value of output at 77.5% in 2022. There was a rise in value of output in all sectors except water transport which shrunk by 2.0% to KES 54.8 billion in 2022.

Financial and Insurance Activities

The financial intermediation sector comprises institutions that carry out banking and similar activities, insurance and pension funds and auxiliary financial activities. The CBK adopted a tight monetary policy stance by raising the Central Bank Rate from 7.0% in December 2021 to 7.50, 8.25 and 8.75% in December 2022. Consequently, lending interest rates for both loans and advances; and overdrafts increased from 12.16% and 11.45% in December 2021 to 12.67% and 12.22% in December 2022 respectively.

Broad money supply (M3) recorded a growth of 7.5% to KES 5,042.4 billion as at 31 December 2022 compared to a growth of 6.2% in 2021. On the other hand, the real value of M3 declined to KES 4,583.6 billion in 2022 while that of total commercial bank credit declined to KES 4,152.5 billion as at 31 December 2022. Further, net foreign assets declined by 51.9% to KES 283.4 billion in 2022 as compared to KES 589.3 billion in 2021.

Total assets of pension funds increased by 1.9% from KES 1,547.4 billion in 2021 to KES 1,576.2 billion in 2022. In the insurance sub-sector, claims incurred under general insurance business increased by 11.2% while claims incurred under reinsurance business went up by 13.5% in 2022. Similarly, net earned premium income under both general insurance and reinsurance businesses grew by 12.7% and 20.7% to KES 114.3 billion and KES 29.9 billion, respectively, in 2022.

Capital markets reported subdued performance during the review period. The Nairobi Securities Exchange 20 share index decreased to 1,676 points in 2022, from 1,903 points in December 2021. During the review period, the total value of shares traded decreased by 31.4% to 94.3 billion from KES 137.4 billion in 2021. Total bond turnover declined to KES 741.9 billion in 2022 from KES 957.0 billion recorded in 2021.

Money supply (M1) grew by 7.0% to KES 1,946.4 billion as at 31 December 2022 compared to a growth of 7.1% recorded as at 31 December 2021. Further, Broad Money supply (M3) grew by 7.5% in 2022 to KES 5,042.4 billion, compared to a growth of 6.2% as at 31 December 2021. Net foreign assets declined by 51.9% from KES 589.3 billion in 2021 to KES 283.4 billion in 2022. During the year under review, credit to private sector; and the National Government increased by 12.3 and 13.9%, respectively.

Real GDP in the financial and insurance activities sector grew by 2.7% to KES 629,731 million in 2018, grew by 8.1% to KES 680,556 million in 2019, grew by 5.9% in 2020 to KES 720,435 million, grew by 11.5% in 2021 to KES 802,964 million and grew by 12.8% in 2022 to KES 905,490 million. The financial and insurance activities sector accounted for 6.7%, 6.5%, 6.7%, 7.2%, and 7.6% of nominal GDP in 2018, 2019, 2020, 2021, and 2022, respectively.

Construction

The construction sector comprises the roads and public/private housing subsectors. Real GDP in the construction sector grew by 6.1% to KES 438,962 million in 2018, grew by 7.2% to KES 470,526 in 2019, grew by 10.1% in 2020 to KES 517,977 million, grew by 6.7% in 2021 to KES 552,764 million and grew by 4.1% in 2022 to KES 575,215 million. The construction sector accounted for 5.8%, 6.2%, 7.0%, 7.1%, and 7.1% of nominal GDP in 2018, 2019, 2020, 2021, and 2022, respectively.

Electricity and water supply; sewerage and waste management

Real GDP in the electricity and water supply sector grew by 6.5% to KES214,422 million in 2018, grew a further 3.2% in 2019, 3.1% in 2020, 11.6% in 2021 and 9.9% in 2022. The electricity and water supply sector accounted for 2.3%, 2.2%, 2.1%, 1.9%, and 1.8% of nominal GDP in 2018, 2019, 2020, 2021, and 2022, respectively.

The following tables set out installed capacity and generation of electricity by producers for the periods indicated.

Year	Installed Capacity MW ⁽¹⁾							Total
	Hydro	Thermal Oil	Geo thermal	Wind	Co-generation	Solar	Ethiopia HVDC	
2018.....	826.2	807.7	663.0	336.1	28.0	50.7	-	2,711.7
2019.....	826.2	749.3	828.4	336.1	28.0	51.0	-	2,818.9
2020.....	834.0	749.1	863.1	336.1	2.0	52.5	-	2,836.7
2021.....	838.1	677.8	863.1	436.1	2.0	172.5	-	2,989.6
2022.....	838.9	681.9	950.0	436.1	2.0	212.5	200.0	3,321.3

⁽¹⁾ 1 megawatt = million watts = 1,000 kilowatts.

Source: Kenya Power & Lighting Company Ltd./Kenya Electricity Generation Company Ltd.

	Generation GWh ⁽¹⁾⁽²⁾									
	Thermal oil				Geo thermal	Co-generation	Wind	Solar	Imports	Total
	Hydro	KenGen	IPPs and Off-Grid	Total						
2018.....	3,986.4	755.8	790.1	1,545.8	5,127.8	2.5	375.6	13.68	130.3	11,182.0
2019.....	3,205.3	668.9	644.3	1,313.3	5,234.7	0.3	1,562.7	92.3	212.0	11,620.7
2020.....	4,232.7	120.6	633.9	754.5	5,059.8	0.2	1,331.4	88.4	136.7	11,603.6
2021.....	3,675.0	434.3	760.0	1,262.0	5,037.0	0.5	1,984.8	167.4	288.0	12,414.7
2022.....	3,039.9	494.9	1,090.0	1,584.9	5,517.5	0.3	2,143.0	383.7	316.0	12,985.4

IPP: Independent Power Producers

EPP: Emergency Power Producers

⁽¹⁾ Includes generation for industrial establishment with generation capacity of over 100KVA plus emergency supply of 99 MW by contract.

⁽²⁾ 1 gigawatt hour = 1,000,000 kilowatt hours.

Source: Kenya Power & Lighting Company Ltd./Kenya Electricity Generation Company Ltd.

Electricity installed capacity increased to 3,321.3 MW in 2022 from 2,989.6 MW in 2021. The installed capacity of geothermal electricity increased by 10.1% to 950.0 MW in 2022, while solar capacity rose by 23.2% to 212.5 MW attributed to, the commissioning of Alten Solar Power plant, in the review period. Similarly, hydroelectric power capacity increased by 0.8 MW to 838.9 MW in 2022, while thermal oil electricity installed capacity increased from 677.8 MW in 2021 to 681.9 MW in 2022.

Total effective capacity of electricity increased by 10.8% to 3,166.2 MW during the review period. In 2022, the effective solar capacity increased by 40 MW to 212.2 MW. Similarly, thermal oil electricity effective capacity increased by 1.8 MW to 645.5 MW in 2022. Likewise, geothermal effective capacities increased by 66 MW to 871.1 MW in 2022, while that of cogeneration remained constant.

Total electricity generation increased by 4.5% to 12,669.4 GWh in 2022. In the review period, wind electricity generation increased by 158.2 GWh to 2,143.0 GWh. The amount of geothermal electricity generated rose by 480.5 GWh to 5,517.5 GWh in 2022. However, hydroelectric power generation declined by 17.3% to 3,039.9 GWh, on account of depressed rainfall in 2022. Imports of electricity increased by 9.7% to 316.0 GWh in 2022.

Total domestic demand for electricity increased by 4.6% to 10,008.4 GWh in 2022. During the review period, demand for electricity increased in all categories except street lighting which declined by 5.4% to 94.2 GWh. Local electricity generation increased by 4.5% to 12,669.4 GWh in 2022, while imports of electricity increased by 9.7% to 316.0 GWh, in the same period.

The country stock of transmission lines remained at 7,676 circuit length kilometres (ckm) with voltages of 132 kV, 220 kV and 400 kV between 31st December 2021 and 31st December 2022. Further, there were 282,261 ckm of transmission and distribution lines of between 400/230 V and 66 kV in the same period. In 2022, 400/220/132 kV Olkaria-Narok transmission line was completed with a circuit length of 68 Km. In addition, Athi river 220/66 kV substation was completed in the review period. The country has ambitious plans to increase transmission lines further by 2,492 Km of circuit length in 2023. The period under review registered the commissioning of Ethiopia High Voltage Direct Current (HVDC) plant in Ethiopia, which dedicates all its hydroelectric power generation to Kenya.

The following table sets out demand and supply of electricity for the periods indicated.

	Year ended 31 December				
	2018	2019	2020	2021	2022
			(MW)		
Demand					
Domestic and Small Commercial	3,665.9	3,780.1	3,829.1	4,088.6	4,291.5
Large Medium (Commercial and Industrial).....	4,336.5	4,441.0	4,281.0	4,728.4	4,958.2
Off-peak.....	30.4	³	³	³	³
Street Lighting	68.2	63.9	74.5	99.6	94.2
Rural Electrification.....	601.3	569.0	611.9	648.8	664.5
Total Domestic Demand.....	8,702.3	8,854.0	8,796.4	9,565.4	10,008.4
Exports to Uganda and Tanzania	35.2	16.2	16.5	18.2	21.3
Transmission and Distribution losses ⁽¹⁾	2,444.5	2,750.5	2,790.7	2,831.0	2,955.7
Total Demand = Total Supply⁽²⁾.....	11,182.0	11,620.7	11,603.6	12,414.7	12,985.4
less imports from Uganda and Ethiopia	130.3	212.0	136.7	288.0	316.0
Net generation	11,051.7	11,408.6	11,466.9	12,126.7	12,669.4

⁽¹⁾ Voltage losses in power transmission lines.

⁽²⁾ Total supply equals total generation.

⁽³⁾ Data for off-peak is not available as at the date of this Offering Circular

Source: Kenya National Bureau of Statistics

Information and Communication

The information and communications sector comprises telecommunications, publishing, broadcasting and other IT and information activities.

Real GDP in the information and communications sector grew by 7.9% to KES 241,178 million in 2018, grew by 7.0% to KES 257,959 million in 2019, grew by 6.0% to KES 273,440 million in 2020, grew by 6.1% to KES 290,224 million in 2021 and grew by 9.9% to KES 319,056 million in 2022. The information and communications sector accounted for 2.6%, 2.5%, 2.6%, 2.4%, and 2.4% of nominal GDP in 2018, 2019, 2020, 2021, and 2022, respectively.

The following table sets out information regarding landline and portable phone connections, international call traffic and mobile connections as at the dates indicated.

	As at 31 December				
	2018	2019	2020	2021	2022
			(millions)		
Fixed line and Portable Phone Telephony					
Fixed line Capacity	144	120	121	121	121
Fixed line and Portable Phone Connection					
Wireline Connections.....	21,516	20,588	16,003	13,626	10,676
Wireless Connections.....	1,047	1,012	1,066	1,174	1,287
Total Connections	22,567	21,600	17,069	14,800	11,963
International Outgoing Traffic (Minutes) ⁽¹⁾	15,815	14,921	10,496	5,358	6,232
International Incoming Traffic (Minutes) ⁽¹⁾	30,098	24,585	19,328	16,098	12,676
Mobile Telephony					
Mobile Telephone Capacity.....	85,950	88,700	96,700	96,030	98,072
Mobile Telephone Connections.....	49,502	54,556	61,409	65,085	65,737
Mobile Money Transfer Service Subscribers.....	31,627	28,976	32,460	35,209	38,646

⁽¹⁾ Landlines.

Source: Communications Commission of Kenya and Kenya National Bureau of Statistics

Information and Communication Technologies (“ICT”) in Kenya have continually evolved to meet the increasing demand for connectivity, engaging social platforms, dynamic e-commerce, flexible remote work

solutions, accessible online education and meetings, and seamless financial services. The growing reliance on digital technologies and the internet has led service providers to focus on expanding network infrastructure, transitioning from voice to data services and launching of rural tower expansion, fifth Generation (5G) networks and expansion of fibre rollouts. The government's commitment to improving digital connectivity was demonstrated by the launching of the Digital Masterplan 2022-2032 in 2022 to support the growth of the digital economy.

In 2022, ICT output value saw a 7.7% growth, from KES 564.8 billion in 2021 to KES 608.1 billion in 2022. Intermediate consumption increased from KES 273.4 billion in 2021 to KES 289.8 billion in 2022 while ICT value added increased by 9.2% from KES 291.4 billion in 2021 to KES 318.3 billion in 2022. Mobile subscriptions registered a slowed growth in the period under review to 65.7 million compared to 65.1 million in 2021. The fixed broadband exhibited growth in 2022, with total subscriptions rising by 24.5% to 837,990. A key driver of this growth was the 38.0% increase in Fibre to the Home (FttH) subscriptions to 566,901 in 2022, accounting for 67.7% of total fixed broadband subscriptions. The expansion reflects the country's commitment to enhancing digital connectivity and infrastructure. In the Network Readiness Index 2023, which measures a country's ability to exploit opportunities offered by ICT, Kenya ranked 70th out of 134 economies included (*Source: Kenya Performance Overview, Network Readiness Index*).

Wireless internet subscriptions increased from 45.7 million in 2021 to 48.0 million in 2022, with terrestrial wireless data recording a growth of 67.4%. The 4G transceivers increased from 42,455 in 2021 to 57,498 in 2022 indicating a rising demand for faster internet connectivity. In the period under review, 102 Fifth Generation transceivers were launched indicating the ongoing evolution and advancements of mobile communication technology.

Fixed telephony capacity has remained constant for the last three years, whereas fixed connections have consistently declined culminating in a 19.2% reduction to 11,963 in 2022. This trend is mainly attributed to the continuous adoption of mobile technology, as many people continue abandoning fixed telephony in preference of mobile services. The number of fixed Voice over Internet Protocol (VoIP) subscribers grew by 10.5% to 51,144 in 2022 from 46,296 in 2021. The growth was mainly attributed to a reduction in costs associated with VoIP services, particularly for international calls.

The capacity of mobile telephony expanded by 2.1% from 96.0 million Erlangs in 2021 to 98.1 million Erlangs in 2022. The International Mobile Telecommunications (IMT) spectrum expanded from 560 Megahertz (MHz) in 2021 to 860 MHz in 2022, out of which operators utilised 740 MHz in 2022, compared to the 520 MHz used in 2021. Mobile subscriptions grew to 65.7 million in 2022, from 65.1 million in 2021.

The number of mobile money transfer agents and transactions recorded steady growth over the past five years. In 2022, the number of mobile money subscribers rose by 9.7% to reach 38.6 million while the value of mobile money transferred increased by 15.1% to KES 7.9 trillion. The value of mobile commerce transactions grew by 32.7% from KES 15.3 trillion in 2021 to KES 20.3 trillion in 2022.

The CBK regulates all mobile phone-based banking products offered by banks, pursuant to the National Payment System Act 2011 (Cap. 493E) and the National Payment System Regulations 2014, to ensure that effective, transparent and adequate governance arrangements and anti-money laundering protections are in place.

The Government recognises ICT as a foundation for economic development and as a means of reducing the cost of doing business, creating job opportunities and enhancing efficiency in service delivery. In light of this, over the last four years, the Government has implemented a number of initiatives to enhance the use of ICT including the expansion of National Optic Fibre Backbone ("**NOFBI**") infrastructure, which was expected to enable internet connectivity across 30 out of 42 counties in order to facilitate internet connectivity, recruiting and training ICT graduates under the Presidential Digital Talent Programme aimed at improving ICT skills amongst the youths to enhance their employability. Furthermore, the Government utilises the Integrated Financial Management Information System ("**IFMIS**"), an automated system used for public financial management that enhances budget planning, procurement process, financial data recording, tracking and information management. The Government has also introduced the 2019 and 2020 Digital Economy Blueprints that seek to ensure every citizen, enterprise, and organization has digital access and the capacity to participate in the digital economy. As at the date of this Offering Circular, approximately 96% of the population is covered by 4G.

Going forward, the Government aims to build on the progress made so far to improve ICT infrastructure and increase ICT skills and innovation in order to drive the attainment of The Big Four Agenda. The strategy has focus on expanding ICT infrastructure connectivity by further roll out of NOFBI, connecting all state departments to a unified Government communications system and digitising Government records, managing and improving cyber security and increasing youth ICT training and facilitating their absorption to the job market.

The Data Protection Act, No. 24 of 2019 was assented to on 8 November 2019 and came into force on 25 November 2019. In November 2020, the first Data Commissioner was appointed and mandated with the administration and enforcement of the Data Protection Act. The Data Protection (General) Regulations, 2021, the Data Protection (Complaints, Handling and Enforcement Procedures) Regulations, 2021 and the Data Protection (Registration of Data Controllers and Data Processors) Regulations 2021 were gazetted on 14 January 2022. The National Information Communications and Technology (ICT) Policy Guidelines 2020 was gazetted on 7 August 2020 (the “**ICT Policy**”). In March 2021, the Ministry of Information Communication and Technology published amendments to the ICT Policy which amended the equity participation requirement amongst others. The Government is also establishing an integrated identity management system with biometric records of all citizens and foreigners, National Integrated Identity Management System (“**NIIMS**”). In the first two weeks of the project, 10.2 million Kenyans were registered and had their biometrics taken. In total, the NIIMS project will entail registering over 40 million Kenyans.

One of the major projects commenced under the second MTP is the development of the Konza Technology City that aims to position Kenya as the ICT hub of Africa. The Government expects to develop the project in phases and the first phase includes construction of a BPO park, a science park, residential buildings, a data centre and part of the central business district. The first phase of implementation of Konza Technology City is underway with development of basic infrastructure including water supply, installation of electricity to the site and ongoing construction of two sub-stations to guarantee adequate and stable power. The project is projected to generate approximately 17,000 jobs and provide homes for approximately 30,000 residents. The Government estimates the development of on-site infrastructure and sales pavilion, including roads, power, sewerage and railway to cost approximately US\$760 million over five years, of which it expects 10% to be funded by the national budget and the balance, through public-private partnerships.

Tourism

Tourism is an important contributor to the economy, accounting for over 10.4% of the GDP in 2022. The sector is estimated to employ an average of 5.5% of the labour force in the formal sector. In 2022, tourism accounted for 10.3% of the labour work force.

The following table sets out annual departing tourists by country of residence for the periods indicated.

	Year ended 31 December				
	2018	2019	2020	2021	2022
	(thousands)				
Country of Residence					
Germany	68.4	61.8	8.4	19.2	32.1
United Kingdom	168.0	155.8	18.8	38.5	84.0
Switzerland	12.2	12.0	1.8	4.8	5.8
Italy	53.2	43.3	6.4	8.2	18.4
France	43.0	46.0	5.9	13.8	21.8
Scandinavia	52.1	47.8	7.8	15.2	18.0
Other Europe	135.4	152.0	15.5	51.2	68.4
Total Europe	532.2	518.6	64.5	150.9	248.6
United States	201.7	209.2	24.5	98.5	132.5
Canada	37.7	35.1	4.5	9.8	15.7
Total North America	239.4	244.3	29.0	108.3	147.8
Uganda	132.1	129.5	16.6	49.0	77.0
Tanzania	159.7	129.6	14.5	46.6	31.4
Burundi	21.3	22.3	2.9	8.5	0.6
Rwanda	25.7	32.5	5.7	18.3	27.3
South Sudan	15.9	19.1	3.4	12.7	34.8
Other Africa	264.8	255.0	31.0	113.9	142.5
Total Africa	619.6	587.9	74.2	249.1	313.6
India	113.6	102.6	10.1	32.0	52.4
Japan	11.8	11.7	1.3	1.5	3.0
Israel	5.5	4.4	0.5	1.9	2.6
Other Asia	126.9	125.3	13.2	56.1	39.3
Total Asia	257.8	244.1	25.2	91.4	97.2
Australia and New Zealand	28.8	27.7	2.6	2.7	8.2
All other countries	18.0	20.3	1.8	5.2	62.5
Total	1,695.8	1,642.9	197.2	607.5	877.9

Source: Kenya National Bureau of Statistics.

The tourism sector contributes to the hospitality and restaurant activities, wholesale and retail trade and transport and storage sectors. Real GDP in the hospitality and restaurant sector grew by 15.6% to KES 88,863 million in 2018, increased by 14.3% to KES 101,584 million in 2019, contracted by 47.7% to KES 53,114 million in 2020, grew by 52.6% to KES 81,037 million in 2021 and grew by 26.2% to KES 102,286 million in 2022. The hospitality and restaurant sector accounted for 1.1%, 1.2%, 0.7%, 1.1%, and 1.1% of nominal GDP in 2018, 2019, 2020, 2021, and 2022, respectively.

The sector recorded an improved performance in 2022 driven by an increase in international visitors. The increase was mainly on account of continued relaxation of Covid-19 Pandemic-related travel restrictions in 2022. The number of international visitor arrivals were 2,048,834 in 2019, 567,848 in 2020 and 870,465 in 2021 (*Source: Annual Tourism Sector Performance Report – 2022, Ministry of Tourism, Wildlife and Heritage*). International tourist arrivals in 2022 closed at 1,483,752 which represents a 70.45% increase as compared to the previous year's arrivals of 870,465. This growth can be attributed to countries lessening their Covid-19 restrictions and opening up for travel. In 2023, international tourist arrivals hit 1.75 million. During the year under review, hotel bed-nights occupancy rose by 27.0% to 7,009.0 thousand from 5,517.0 thousand in 2021. Visitors to national parks and game reserves increased by 69.1% to 2,543.0 thousand in 2022. The number of visitors to select museums, snake parks and historical sites more than doubled from 403.7 thousand in 2021 to 843.7 thousand in 2022. The number of international conferences and delegates increased from 292 and 9,093 in 2021 to 896 and 23,105 in 2022, respectively. Similarly, the number of local conferences and delegates increased from 8,117 and 164,924 in 2021 to 9,662 and 615,373 in 2022, respectively.

The hospitality and restaurant sector accounted for 1.1%, 1.2%, 0.7%, 1.1%, and 1.1% of nominal GDP in 2018, 2019, 2020, 2021, and 2022, respectively.

The Government has taken various measures to mitigate the effects of terrorism and national security threats and promote tourism in Kenya. These include the promotion of local tourism, exemption of value added taxes to all travel agents, scrapping landing charges in Mombasa and Malindi as the main tourist destinations and providing budgetary reallocations to promote domestic tourism. In the recent past, terrorist activities and violent extremism have continued to have a negative impact upon the tourism sector. Travel advisories, including travel bans to Kenya from the main sources of tourists such as the United States and Europe, have significantly affected tourist arrivals and tourism earnings in Kenya. However, the Government has undertaken recent security measures, investments and public campaigns to counter terrorism and criminal activities. See *“Risk Factors—Risks Relating to the Republic of Kenya—Kenya continues to be challenged by internal security issues as well as unfavourable media coverage which has had and may continue to have a negative impact on the economy, including the tourism industry.”* Tourism in Kenya has recovered slightly in, recent years as a result of improvements in security and successful international and domestic marketing campaigns, which is most recently demonstrated by the significant increase of 76.9% in international visitor arrivals to 1,541.0 thousand in 2022 as compared to 871.3 thousand in 2021. The number of hotel bed-nights occupied increased by 20.1% to approximately 8,617,900 in 2018 and increased by 5.1% to 9,058,200 in 2019, decreased by 58.0% to 3,803,000 in 2020 (principally as a result of the impact of Covid-19 Pandemic on the tourism sector), grew by 45.1% to 5,517,000 in 2021 and grew by 27.0% to 7,009,000 in 2022.

The Government has developed the “New Vision for Kenya Tourism” to accelerate recovery of the tourism industry in Kenya, with plans around brand positioning Kenya as an upmarket destination and increasing investment into parks, reserves and coastal beaches. Tourism is projected to contribute US\$12.38 billion to the country’s GDP by 2027.

Oil and Gas

Between 2012 and 2014, several oil and gas discoveries were made by oil corporations in Kenya, including at the Sunbird 1, Sala 1 and Mbawa 1 exploration wells. On 15 January 2014, Tullow Oil plc announced oil discoveries at the Amosing-1 and Ewoi-1 exploration wells in Block 10BB onshore northern Kenya. As a result of these discoveries and prior discoveries at Ekales-1 and Agete-1, Tullow Oil plc updated its estimate of discovered resources in this basin to over 600 million barrels of oil.

By 2015, a total of 74 oil exploration wells were drilled and 17 new exploration blocks were created. A total of 36 blocks have been licensed to 18 international oil companies. The Government estimates Kenya’s oil and natural gas reserves to be equivalent to between 235 and 1,228 million barrels. The Early Oil Pilot Scheme at Ngamia and Amosi fields, commissioned in June 2018, continued to register improved production with daily transportation increasing from 600 bbl./day to 2,000bbl./day. The initial 200,000bbl capacity of crude oil was achieved and the first consignment flagged off by the President on 26 August 2019. The transported crude oil is stored at the Kenya Petroleum Refineries Storage tanks prior to export.

Seeking prospects, exploring for and developing oil reserves involves a high degree of operational and financial risk. The actual costs of seeking prospects, drilling, completing and operating wells may exceed Tullow Oil plc’s budgeted costs and can increase significantly when drilling costs rise due to a tightening in the supply of various types of oil field equipment and related services. Prospects may be unsuccessful for many reasons, including geological conditions, weather, cost overruns, equipment shortages and mechanical difficulties. Exploratory wells bear a much greater risk of loss than development wells. Moreover, the successful drilling of an oil well does not necessarily result in a profit on investment. A variety of factors, both geological and market-related, can cause a well to become uneconomic or only marginally economic. Initial costs associated with identifying prospects and drilling wells require significant additional exploration and development, regulatory approval and commitments of resources prior to commercial development.

Kenya stopped its licensing of new open blocks of petroleum exploration to allow time for the ongoing review of the legal and regulatory framework of oil and gas operations in the country. The Government plans to propose a different licensing process under new energy legislation that would be more competitive and use bidding rounds instead of a first-come, first-serve approach under the current framework. In order to facilitate development of the oil and gas sector, the Petroleum Act 2019 was enacted into law on 12 March 2019. In addition, the Mining Act 2016 has replaced the old mining legislation and is aligned with the provisions of the

Constitution and with the industry international best practices. To complement private investment exploration and in a bid to de-risk investments in mining, the government mooted and implemented a National Airborne Geophysical Survey (NAGS) between January 2019 and June 2022. The objective of the exercise was to collect geophysical magnetics and radiometric datasets all over Kenya and its exclusive economic zone. The collected datasets aided in mapping the mineralized ore environment followed by identifying the mineralized zones. Following completion of the survey, the sector has recorded increased attention from investors across the globe with over 400 applications for various mineral rights. The government is committed to the promotion of the mining sector as a new frontier of economic growth and revenue diversification. In this regard, the government is committed to promoting and provide the necessary incentives to enhance exploration and in-country mineral value addition. The government is also investing in strengthening mining sector institutions such as the Geological Survey and the Directorate of Mines as well as the National Mining Corporation to position them to better respond to emerging issues in mining.

Global oil prices fell in the first quarter of 2020 and global demand fell due to the Covid-19 Pandemic. Kenya benefited from the sharp drop in international oil prices in 2020 due to reduced global demand attributed to the Covid-19 Pandemic. In terms of value, Kenya's imports of petroleum products reduced from KES 316.6 billion in 2019 to KES 209.1 billion in 2020, KES 348.3 billion in 2021 further and to KES 628.3 billion in 2022. The increase in 2022 was principally a result of the sharp increase of oil prices following the outbreak of the Russia and Ukraine conflict.

Renewable energy

Electricity in Kenya is mainly generated from renewable sources: 43.6% of electricity generated in Kenya is from geothermal sources, 24.0% from hydro, 16.9% from wind and thermal power plants generating 12.5% in 2022. Electricity demand is forecasted to grow to 8,920 MW by 2041. There are planned expansions of Kenya's generation capacity to meet this demand. The Government plans for renewable energy to account for about 94% of the energy dispatched in the country.

In 2018, the Government adopted the Energy Policy 2018, which sets out the Government's role in promoting the use of renewable energy in Kenya, such as:

- *investments*: designing incentive packages to promote the utilisation and exploitation of emerging renewable energy technologies, supporting public private partnership arrangements to accelerate investment in cogeneration developments;
- *geothermal energy*: supporting for geothermal energy development by managing geothermal exploration risk, attracting investors, streamlining the licensing and allocation process of geothermal blocks;
- *hydroelectricity*: financing conservation of hydro power water catchment areas, incentivising public private partnerships into small hydro developments;
- *frameworks*: providing a framework for connecting solar and wind generated electricity to national and isolated grids through direct sale or net metering;
- *policy*: developing and implementing a plan for renewable energy, partner with relevant institutions to support green energy certification schemes, develop and regularly review model power purchase agreements; formulate and implement an information dissemination strategy to investors on matters such as licensing, taxation and Feed-In-Tariff policy;
- *wind*: providing incentives for wind energy development, investment in transmission lines to facilitate transmission of power from areas with high wind generation potential to major load centres;
- *waste*: providing incentives for conversion of municipal waste into energy; and
- *Feed-In-Tariff Policy ("FiT Policy")*: encouraging the private sector to develop sites to generate electricity for their own consumption and for export of any surplus to the national grid.

The FiT Policy was adopted to help Kenya meet its targets to reduce reliance on fossil fuels. The FiT Policy promotes the generation of electricity from renewable energy sources by enabling power producers to sell electricity generated at a pre-determined tariff for a given period. Tariffs are available for energy generated from

wind power, biomass, small-hydro, solar, biogas and resources. The tariff is calculated based on the following factors:

- Investment costs for the plant (including the costs of feasibility studies, site development, construction costs etc.).
- Operation and maintenance costs.
- Fuel costs (where applicable).
- Financing costs.
- Estimated lifetime of the power plant.
- Amount of electricity to be generated.

Under the FiT Policy, the Off-taker (defined as Buyer of electrical energy for the purpose of selling the electricity to customers connected to the national grid or off-grid (mini-grid) systems) guarantees priority purchase, transmission and distribution of all electricity supplied by small renewable energy projects (capacity up to 10 MW). The purchase, transmission and distribution of electricity supplied by large renewable energy projects (capacity exceeding 10 MW) is subject to the terms of the negotiated power purchase agreements (PPA) between the sellers and the Off-taker. Off-takers shall recover from electricity consumers 70% of the portion of the Feed-In-Tariff except for solar plants connected to off-grid systems, where the Off-taker shall recover 85%, or as may be directed by the national Energy Regulatory Commission at the time of approval of the PPA or review thereafter. The pass through costs shall enable the Off-taker to remain revenue neutral after contracting a Feed-in-Tariff power plant.

In 2021, the Government restructured the FiT Policy so that small renewable energy sources are now classed as capacities not exceeding 20 MW. Cumulative contracted capacity contribution by FIT projects of up to 20 MW shall not exceed 10% of System wide generation capacity. PPAs will be energy based and there will be no capacity payment. Deemed Generated Energy payments shall be paid if the grid availability falls below the guaranteed levels as specified under the PPA at a rate equivalent to 75% of the applicable tariff values. All projects approved for implementation shall not require any form of security or guarantee from the Government. Through the FiT Policy, there are a total of 299 projects in various stages of development, with a total capacity of 5,044 MW.

As part of changes to the FiT Policy, the Government also plans to set up a Renewable Energy Auction Policy, an energy auction system for all the solar and wind energy capabilities and for other renewable energy projects larger than 20MW. The renewable energy auction policy proposes to transition all solar and wind projects that do not have a PPA to the energy auction in order to have a competitive tariff. Successful bidders will sign PPAs with the Off-taker. The aim is to promote competitive bidding and lead to cost effective renewable energy programmes in Kenya. The Ministry of Energy will appoint a Renewable Energy Auction Committee to be responsible for the implementation of the Renewable Energy Auction Policy. The transition is part of the recommendations listed in the Updated LCPDP for the study period 2017-2037.

LCPDPs

Energy generation and transmission system planning is based on medium term and 20 year long term rolling LCPDPs. The LCPDP 2022 –2041 estimates that energy demand will increase from 12,416 GWh in 2021 to 34,321 GWh in 2041 with the corresponding peak demand estimated to increase from 1,972MW in 2020 to 5,526MW in 2040. Under the plan, energy demand will be supplied by energy generated from geothermal, hydro, solar and wind by private and public development. See *“The Republic of Kenya—Energy for further information.*

The renewable energy sector is subject to various risks that may affect, among other things, power generation and transmission continuity. See *“Risk Factors—Risks Relating to the Republic of Kenya—Failure to significantly improve Kenya’s infrastructure could adversely affect Kenya’s economy, competitive ranking and growth prospects, including its ability to meet GDP growth targets.”* for further information.

Role of the State in the Economy; Privatisation

General

State corporations comprise both commercial and non-commercial entities. Amongst commercial state corporations are corporations that have a “public goods” mandate, such as the Kenya Broadcasting Corporation and Kenya Ferry Services Limited, for which the Government is required to meet full cost using budgetary resources approved by the National Assembly. Non-commercial state corporations are specialised agencies that act as implementing agencies of the Government that deliver public projects and programmes, including Vision 2030 flagship projects. Commercial state corporations do not, in general, depend on Central Government funds to meet their operations, except in cases where: (i) the corporation is required to carry out social (non-commercial) programmes/activities on behalf of the Government or (ii) the corporation is unable to sustain itself on account of persistent poor performance. Some commercial state corporations are key implementing agencies for purposes of major governmental infrastructure projects and therefore receive Central Government budgetary resources for these projects. The Government from time to time also provides guarantees on their behalf for purposes of raising funds to finance projects of national importance.

The state-owned companies that have undergone partial privatization include the Kenya Electricity Generating Company, Kenya Power and Lighting Company, Kenya Reinsurance Corporation and East African Portland Cement Company. The specific state-owned companies to be privatised in the medium to long term will be determined based on the recommendations of the Privatization Commission in accordance with the Privatization Act. State corporations such as Kenya Ports Authority, Kenya Railways Corporation and Kenya Airports Authority have been established under specific Acts of Parliament to carry out specific mandates on commercial principles. For such strategic state-owned entities, the immediate (ongoing) strategy is to strengthen the corporate governance practices and both financial and non-financial performance of the entities.

To meet their recurrent and development budgetary requirements, non-commercial state corporations rely on internally generated revenue and/or Central Government funding. In any given year, however, these corporations post surpluses or deficits. The corporations either retain these surpluses or remit whole, or part of it, to the Central Government. According to the State Corporations Act and the PFMA, state corporations may contract commercial debts on the strength of their balance sheets with the approval of the Cabinet Secretaries of the relevant line ministry and with the approval of the National Treasury. In accordance with the PFMA, the Government may provide guarantees to borrow provided that the proceeds of the loan are utilised for capital expenditure, the guarantee is approved by the National Assembly and the loan is accommodated within the approved national debt ceiling.

The following table sets out information regarding the mandate and summary financial information of major commercial state-owned entities.

Name	Mandate	As at and for the year ended 30 June 2023 ⁽¹⁾		
		Assets	Liabilities	Profits/ (Losses)
		(in KES millions)		
Kenya Electricity Generating Company	Power generation and sale of electricity	511,011.4	238,273.1	272,738.3
Kenya Pipeline Company	To provide efficient, reliable, safe and cost-effective means of transporting petroleum products from Mombasa to the hinterland and to market, process, treat, deal in petroleum products and other products and goods.	129,370.7	38,857.8	90,512.9
Kenya Power and Lighting Company	Transmission, distribution and retail of electricity	12,804.3	15,304.5	(2,500.2)
Geothermal Development Company	To fast track development of geothermal resource which is indigenous, abundant, affordable, reliable and environmentally-friendly source of electricity.	108,462.6	4,513.0	103,949.6
National Housing Corporation....	To play a principal role in the implementation of the government’s Housing Policies and Programmes and provision of affordable housing.	22,003.8	937.7	21,066.1
Kenya Airports Authority	To construct, operate and maintain aerodromes and other related facilities.	1,057,512.3	26,396.5	1,031,115.9

Name	Mandate	As at and for the year ended 30 June 2023 ⁽¹⁾		
		Assets	Liabilities (in KES millions)	Profits/ (Losses)
Kenya Ports Authority	To maintain, operate, improve and regulate all scheduled sea ports situated along Kenya's coastline.	346,246.9	83,214.8	263,032.2
Kenya Railways Corporation	Provide effective railway services and promote, facilitate and participate in railway networks developments	783,290z.5	854,943.7	(71,653.2)

⁽¹⁾ For the Consolidated Bank of Kenya and Kenya Reinsurance Corporation Limited, figures are as at and for the year ended 31 December 2022. For the National Housing Corporation, figures are as at and for the year ended 30 June 2023.

Source: Department of Government Investments & Public Enterprises.

Recent Developments in relation to Certain State-Owned Enterprises

Unbundling of Kenya Railways Corporation

In January 2024, the Railways Amendment Bill 2024 was approved by the Cabinet proposes to unbundle Kenya Railways into three entities to enhance efficiency of the Kenyan railway system and improve regional competitive. Kenya Railways will be unbundled into three segments that will in turn be separately responsible for: (a) the commercial business, (b) asset management, and (c) regulatory. In particular, the Bill will enable private investors and county governments to lead rail development projects (as opposed to the Government), and Kenya Railways would function as a regulator in respect of such developments.

Restructuring of Kenya Power and Lighting Company

The COVID-19 Pandemic caused both supply and demand shocks across the sector and has put existing energy systems under pressure. Electricity consumption declined by about 15.4% in the first three months of the pandemic and the sector revenue shortfall continued as a result of lower sales into the first half of FY 2020/21. Kenya Power has also struggled with less-than-expected demand as a result of the slow shift to electricity usage in rural regions and a reduction in tariff by 15% which eroded gains that the business had met in terms of ensuring financial turnaround. Kenya Power also has large foreign exchange exposure with 65% of PPP projects denominated in foreign currency and 90% of its loan book denominated in foreign currency, The National Treasury chaired a Kenya Power Financial Stability Task Force to review the financial status of the Energy Sector, with particular focus on Kenya Power. The task force recommended a government granted moratorium for payment of principal & interest on on-lent loans which was approved for two years for KETRACO and one year for Kenya Power and KenGen. Kenya Power also requested for the extension of the moratorium for another one year which was approved and extended to June 2024. To manage foreign exchange exposure, Kenya Power has also sought approvals for refinancing of foreign debt into KES. A key project initiated by the Government was a proposed transfer of Kenya Power transmission assets to KETRACO to strengthen its balance sheet. This was aimed to harness efficiencies with KETRACO already having a large proportion of transmission length and address foreign exchange challenges, annual debt service and improving the working capital of the business. Currently, identification of assets for transfer is on-going for the valuation process and Kenya Power expects completion by December 2024.

Kenya Airways

As of November 2023, the Government had not provided any new direct budget support to Kenya Airways in the preceding year. Kenya Airways reported operational profits in the first six months of 2023, but incurred losses due to exchange rate depreciation. The Government views that a viable strategy is required for Kenya Airways and have committed to have it approved by the Cabinet by end-April 2024. The novation of Kenya Airways' guaranteed external debt, for which the Government took up the servicing obligations last year following a call on the guarantee, has been completed. The authorities agree to continue with the least-cost approach to the exchequer in providing any support to the SOEs.

State-Owned Financial Institutions

The Government owns a substantial majority of the capital stock of several financial institutions such as the Development Bank of Kenya and the Consolidated Bank of Kenya, although it intends to decrease its

participation in the financial system over the medium term, providing assistance only to specific sectors of the Kenyan economy.

Following an acquisition in 2019, the National Bank of Kenya (“**NBK**”) is currently a wholly-owned subsidiary of KCB; the National Treasury and the National Social Security Fund do not own shares in NBK. The Government does not expect to participate in a recapitalisation of the NBK in view of the fact that it is currently not a beneficial owner of the bank, and also in accordance with the policy of privatisation and divestiture in entities that have a purely commercial mandate. In the long term, the privatisation policy is expected to enable full divestiture of Government ownership in commercial banks.

Under the parastatal reform programme, ten parastatals were transferred to the Agriculture and Food Authority (“**AFA**”), following the enactment of the AFA Act 2013. The AFA now performs the functions of the ten parastatals, and during the transition in order to enable the transfer of the functions, assets, and liabilities of those institutions their accounts have been frozen.

The Government is currently reviewing the parastatal sector for reforms, which could include privatisation of state-owned corporations and mergers of certain state corporations. The Government is considering classifying state corporations as commercial and non-commercial, separate institutions overseeing each class of corporations. A proposal provides that the Government establish a Government investment corporation to serve as a holding company for commercial state corporations.

Major Infrastructure Projects

In order to ensure every Kenyan enjoys the benefits of an expanded road network, the Government has been scaling up the construction of modern highways as well as urban and rural roads in every part of the country. This will continue to open up many areas to economic activities and spur growth in other sectors of the economy. In respect to key national trunk roads, the construction of the Nairobi Expressway Project and Africa’s largest Public-Private Partnership funded project (the Nairobi-Mau-Summit Express Way) will have significant positive impact on the economy by decongesting Nairobi’s gateways on the part of the Expressway Project and by opening up the economies of and increasing connectivity in Western, Rift Valley and Central Kenya on the part of the Nairobi-Mau-Summit Project.

In recent years, Kenya has focused on the development of faster and cheaper means of transport, which it views as critical for the expansion of economic for employment and the competitiveness of the economy. It has, amongst other things, expanded and modernised the Kisumu International Airport and selected airstrips countrywide and began such process on the Jomo Kenyatta International Airport (“**JKIA**”). There has been expansion and modernisation of Mombasa Port and development of Berth No.19. The commuter rail core system has been upgraded with the completion of JKIA Commuter Rail Phase I and the construction of a railway station at Syokimau. The second phase of construction of the SGR from Mombasa to Nairobi, and construction of the SGR from Nairobi to Naivasha has been completed. the Government is continuing to construct new roads and rehabilitate and reconstruct existing roads. Roadworks spanning 2.9 thousand kilometres and costing an estimated KES 295.4 billion were under construction as at 31 December 2022.

Kipevu Container Terminal

The development of the new container terminal at the port of Mombasa on an area of 100 hectares at the western side of the existing Kipevu Oil Terminal is complete and operational. It has yard capacity of 4,135 ground slots, 1,090 and 3,045 slots for yard 20 and 21, respectfully. The new terminal is composed of two berths of Panamax and Post-Panamax container vessels of 20,000 tons and 60,000 tons respectively. This phase 1 of the project was completed and handed to the Authority in March 2016. The whole project is expected to complete by 2023 and will create an additional capacity of 1.2 million TEU (or more depending on the cargo dwell times). Construction was progressed to 84% as at 30 April 2021. It involves reclamation of the sea to create a terminal with three berths measuring 15 metres, 12 metres and 11 metres deep. Phase 2 involved construction of berth 22 which is 320 metres long and 15 metres deep and was completed in May 2022. Phase 3 will be development of berth 23 which will be 230 metres in length, 12 metres deep and a side berth of 4.5 metres deep and 80 metres long. There will also be construction of additional stacking yards, procurement of equipment and dredging works.

Expansion of Railway Transport

The railway design and its current state of repair limits its capacity and delivery speed and cannot therefore meet future demand for rail transport in the country and the region. The Government believes that Uganda and the Democratic Republic of the Congo need a fast and dependable means of access to the part of Mombasa that can facilitate trade and industrial development. In view of expected local and international demand for reliable transport, the Government has commenced the development of the Standard Gauge Railway (“SGR”) between Mombasa through Nairobi to Malaba with connectivity to Kisumu, Uganda and Rwanda. With the construction of the SGR from Mombasa to Malaba, the Government expects rail transport to handle 50% of the freight cargo throughput, thus easing the pressure on roads, lowering the cost of doing business and enhancing trade and regional integration in East Africa.

The Government plans for construction of the new railway to take place in three phases. Phase I, which involved the construction of a 495-km line from Mombasa to Nairobi, was completed and commissioned on 31 May 2017 and Kenya Electricity Transmission Company has recently signed a contract with China Electric Power Equipment and Technology Company for the electrification of this section of the railway. Phase II involves the construction of the Nairobi to Malaba to Kisumu line which is divided into three sub-phases as follows, phase 2A (120 km) Nairobi to Naivasha, Phase 2B (262 km) Naivasha to Narok to Bomet to Nyamira (which includes a new Kisumu Port) and Phase 2C (107 km) Kisumu to Yala to Mumias to Malaba. Construction of phase 2A has now been completed and the SGR line runs from Mombasa, through Nairobi’s Inland Container Depot, to Naivasha – a total distance of 592km. The commercial contract in relation to phase 2B has been signed and is awaiting funding. Phase III of the project involves the construction of the Malaba to Kampala, Uganda to Kigali, Rwanda line for which feasibility and preliminary designs are also being undertaken. The Government expects the remaining phases of the project to be completed in the medium, at a cost of approximately US\$13 billion. In addition, in December 2017 President Kenyatta launched the Inland Container Terminal in Nairobi to support the SGR. To date, the Mombasa – Nairobi SGR section totals 472 km and the expansion and modernisation of the Nairobi Inland Container Depot (NICD) was financed at a total cost of KES 350 billion by Exim Bank of China (85%) and the Government (15%). Civil works and facilities/locomotives operations have been completed and is operational transporting on average 8 million tons of freight and 500,000 passengers per annual. The Nairobi-Naivasha SGR was completed at a cost of US\$ 1,482,745,029.43 and is now operational and expected serve the Naivasha Industrial Park. The Naivasha - Kisumu SGR Section, which has a length totalling 262.3 Km, and the 106 km Kisumu - Malaba SGR, is yet to start. Investment for the next section will include SGR civil works, 35 locomotives, 724 wagons and 64 passenger coaches.

The Government also upgraded the existing Meter Gauge Railway (“MGR”) network. An MGR rail-link of 23.5km has been constructed from Mai-Mahiu to connect with the Malaba MGR from Longonot Suswa MGR station The Longonot Suswa – Malaba MGR is also being upgraded to provide a better network to Kampala, Uganda. In addition, Nakuru-Kisumu MGR and Nairobi-Nanyuki lines have been upgraded, the Nakuru-Kisumu line will support the newly upgraded inland water route in Kisumu to provide short accessible routes to Uganda, Burundi, Tanzania and Democratic Republic of the Congo. This project is funded through Government funds. The SGR also has a new 43 Km MGR link from Suswa-Longonot to Maai Mahiu SGR to connect with the Rehabilitated Longonot-Malaba Metre Gauge Railway to provide seamless railway transport awaiting completion of the SGR to Kisumu and Malaba.

The Lamu Port-Southern Sudan Ethiopia Transport Corridor.

The LAPSSSET corridor project is another major transport and infrastructure project of the Government. The objective of the project is to open up access to northern Kenya, provide a reliable transport corridor for Ethiopia and Southern Sudan, promote trade between regions and enhance socio economic activity along the corridor and open up new tourist destinations by initiating development of resort cities. In January 2015, the project was awarded the status of a high-impact development project regionally under the Presidential Infrastructure Championship Initiative of the AU. The project includes the following components:

- a standard gauge railway line;
- a new road network;
- an oil pipeline, crude oil pipeline and refined oil pipeline from Lamu to Juba and Ethiopia;

- an oil refinery at Lamu with capacity of 120,000 barrels per day;
- a modern oil terminal at Lamu port to facilitate tanker loading and offloading;
- a refined petroleum products pipeline from Lamu connecting to the existing Mombasa Kampala pipeline;
- international airports at Lamu, Isiolo and Lokichoggio;
- a free port at Lamu (Manda Bay) including a total of 32 berths to handle container, conventional and bulk cargo vessels;
- Lamu port management building, Lamu port police station and staff housing, as well as a dispensary and club house;
- three resort cities in Lamu (at Manda Bay), Isiolo and on the shores of Lake Turkana; and
- 1,420km 220 kV double circuit electricity transmission line along the LAPSSSET corridor.

Construction of the first three berths at Lamu commenced in October 2016. The three berths are currently completed. The first berth opened in October 2019. The second and third berths were completed in 2020 with only yard construction pending. The second and third berths were opened in December 2021.

Major auxiliary facilities are in place, with the Port Headquarters and the Lamu Port police station, Port Management Housing Scheme and port workshop completed. Currently the Port Management Houses are occupied by port security/police officers. Electric power has been delivered from Rabai to Lamu via a 220 kV line to power the infrastructure. The water reticulation network to the port has been undertaken. The Government has awarded consultancy services contracts for construction of roads from Lamu to Garissa and Garissa to Isiolo. Construction of a 505km road from Marsabit and from Moyale was completed in 2016.

Fundraising efforts are underway for the construction of the 1,800km Lamu South Sudan and Ethiopia Railway and the Lamu and Lake Turkana airports. The Government expects the cost of the projects to reach KES 1.6 trillion (US\$18.1 billion). The Government anticipates that funding for the various components is expected to be made through a public-private partnership of government and one or more private sector companies.

With respect to the crude oil pipeline, in 11 November 2017 Uganda and Tanzania commenced construction of an oil pipeline from Hoima, Uganda to Tanga, Tanzania on the grounds that this route would be shorter and more secure than a pipeline routed from Hoima through Lokichar to Lamu. The construction of this pipeline may make the completion of the LAPSSSET project more uncertain. For more information, see “*The Republic of Kenya—Regional Relations—Uganda.*”

Improvement of Shipping and Maritime Facilities.

The Government hopes to implement a programme to build port capacity of 50 million tonnes and transform Kenya into a maritime hub by facilitating trans-shipment of cargo at the port of Mombasa. In order to achieve this goal, the Government plans to improve port efficiency, construct a second container terminal at the Mombasa port, provide new handling facilities at the Mombasa port, develop Dongo Kundu Free Trade Port and modernise ferry services to increase passenger capacity per year.

Phase I of the program to develop the Mombasa port was completed in February 2016 and the terminal became fully operational in April 2016. The second terminal with a capacity of 1.2 million twenty foot equivalent units has been completed and is fully operational. The KES 38.0 billion (US\$350 million) project was funded by a JPY 26.7 billion loan from the Japan International Cooperation Agency. In the last three years, Phase II of the Mombasa port development was completed, increasing container capacity by 450,000 TEUs to 2.1 million TEUs. Operationalization of first three berths of the Lamu Port was completed in June 2022 and construction of the New Kipevu Oil Terminal (KOT) was also completed at the Mombasa port in February 2022, enabling handling of at least four post-Panamax vessels. Nairobi's ICD capacity has also been improved from 450,000 designed TEUs to 628,000.

Amongst other port development and construction projects, plans are underway to purchase a second wagon ferry from Kenya Shipyard Ltd to improve inland water transport across Lake Victoria. To further increase the

capacity, the government has earmarked the development of several port projects in the next five years including development of Dongo Kundu Berth 1 and 2 and channel dredging for the Mombasa port. Kenya is implementing the Mombasa Special Economic Zone (MSEZ) at Dongo Kundu with the government of Japan committed to financing the basic infrastructure of Phase 1 of the MSEZ through a concessional loan of US\$ 210.8 million (JPY 37,090 million) and grant assistance of US\$ 58.9 million. The loan component will support the development of Berth 1, the port access road and power transmission. The grant component covers water supply and drainage around the port. The government will provide the necessary infrastructure for MSEZ and invite the private sector to develop and operate industries on the 3,000 acres of land owned by the government. The tender for civil works (port and link road) has been concluded, and KPA is awaiting the signature of the government of Japan's to the contract.

Increasing Electricity Availability through Power Generation.

The Government plans to improve the energy infrastructure network and promote development and use of renewable energy sources to create a reliable, adequate and cost-effective energy supply regime to support industrial take off for economic growth. One of the key projects prioritised for implementation is the development of an additional 3,085 MW of geothermal energy at Olkaria, Menengai and Silali Bogoria. The Government expects the cost of the project to reach KES 753.9 billion (US\$8.7 billion). The Government anticipates that funding will be made through a public-private partnership of Government, development partners and one or more private sector companies. Construction of the Olkaria V Geothermal plant, which has a capacity of 165.4 MW of geothermal energy, and the Garissa solar plant, which has a capacity of 50 MW of solar energy, is complete. The Government has also launched the construction of a 310 MW power plant in Lake Turkana.

Other key projects are the development of multi-purpose dams such as the High Grand Falls dam (700 MW), the Magwagwa dam (120 MW) and the Nandi Forest dam (50 MW). In October 2023, Kenya's National Irrigation Authority signed a project development agreement (PDA) with UK construction firm GBM Limited to undertake final project studies and designs for the implementation of the High Grand Falls dam. The Nandi Forest dam Project comprises the construction of a dam with a design total plant output of 50 MW and a reservoir to supply water to Kaimosi in Vihiga Counties and also provide water for irrigation. The Government anticipates that funding will be made through a public-private partnership.

The Government also plans to upgrade and expand the national power transmission and distribution network to improve supply and reliability, reduce losses and connect two million new customers. The Government aims to connect 6,304 public facilities, including electrifying 2,600 main public facilities (trading centres, secondary schools, health centres and dispensaries) and other facilities such as primary schools, tea buying centres, water supply systems and places of worship, amongst others. Kenya achieved an electricity access rate of 75% in 2020 which covered 8,126,030 customers.

There are also several regional interconnectors under implementation, to increase and facilitate the regional power trade. The lines are the 400kV Kenya to Tanzania interconnector, the 400kV Kenya to Uganda interconnector and the 500kV HVDC Kenya to Ethiopia interconnector.

Replacement of the Mombasa Nairobi Pipeline

In March 2014, the Kenyan Pipeline Company Ltd. (“KPC”) began the procurement process for the replacement of the Mombasa to Nairobi multi product pipeline, due to extensive corrosion damage and metal loss throughout the entire pipeline, making it no longer economical to repair. The total value of the project is US\$ 400 million. In July 2014, KPC signed a contract for the replacement of the pipeline with Zakhem International Construction Co. Ltd.

The construction of the pipeline was completed in July 2018. The new pipeline is 20-inches in diameter, features four new pump stations, a current installed flow rate of 1,000m³/hr and provision for further enhancement of the flow rate to 1,863m³/hr by 2023 and 2,638m³/hr by 2024.

Airport Expansion

Jomo Kenyatta International Airport is Kenya's largest aviation facility, and the busiest airport in east and central Africa. It serves as a transit hub for major airlines as well as the gateway for visitors to other airports in Africa. The airport also serves as a major cargo centre for both inbound and outbound goods.

JKIA has recently been expanded by the addition of two terminal buildings and the refurbishment and expansion of existing terminal buildings. Passenger capacity has increased significantly, and recently, JKIA achieved category one status, which now enables direct flights to operate between Nairobi and the United States. Kenya Airways launched direct flights from Nairobi to New York in October 2018.

The Government has also announced the planned construction of a 4.9-km second runway, including connecting taxiways, additional parking stands for aircraft, and an air rescue firefighting unit. The second runway will support more air traffic and facilitate increased tourism and business travel and expedite a two-way cargo traffic, as well as achieving the strategic objective of making the airport a regional hub. It is expected that the new runway will increase the existing annual service volume by approximately 13%.

The Government continues to develop several airstrips to enhance connectivity within Kenya and its neighbouring countries, including the rehabilitation and expansion of Lokichoggio Airport, Ikanga Voi Airstrip, Kabunde Airport, Suneka Airstrip, Wajir Airport, Manda Airport and Nanyuki Airstrip.

Crude Oil Pipeline

In 2017, Kenya signed an agreement with a consortium comprising of Tullow Oil, Africa Oil and A.P. Moller-Maersk for a feasibility study on a proposed pipeline to transport crude oil from the country's oilfields to Lamu. Kenya discovered commercial oil reserves in its Lokichar basin in the country's northwest in 2012.

The pipeline is expected to run 820 km between Lokichar and Lamu on Kenya's coast. The consortium has indicated that survey work on the pipeline was already being carried out and the consortium would likely make a final investment decision on its Kenya project in 2019.

Proven commercial discoveries of oil and natural gas in the South Lokichar basin, Rift Valley resulted in Tullow Oil and its partners submitting a draft South Lokichar field development plan, which is under the review by the Government and environmental and social impact assessment studies are being reviewed by the National Environment Management Authority. The South Lokichar Development (Phase 1) plan is currently in appraisal stage and is expected to start commercial production in 2026, once the field development plan is approved. Final investment decision (FID) of the project will be approved in 2024. The development cost is expected to be US\$ 3.4bn.

Employment and Wages

The total number of people employed outside small-scale agriculture and pastoralist activities increased from 17.3 million in 2018, to 18.1 million persons in 2019, to 17.4 million persons in 2020, to 18.3 million persons in 2021 and to 19.1 million persons in 2022.

Wage employment in the modern sector increased by 3.8% to 3.0 million persons in 2022 from 2.9 million persons in 2021. In the year under review, a total of 113.7 thousand jobs were created in the modern sector. The informal sector created 702.9 thousand new jobs, which constituted 86.1% of all new jobs created outside small-scale agriculture and pastoralists activities. Further, the total number of self-employed and unpaid family workers within the modern sector was estimated to have gone up from 163.7 thousand persons in 2021 to 168.1 thousand persons in 2022.

The nominal wage bill rose from KES 2,404.2 billion in 2021 to KES 2,610.1 billion in 2022. The private sector wage bill went up by 10.7% to stand at KES 1,819.7 billion in 2022, while the public sector wage bill rose by 4.0%. The contribution of the public sector to the total wage bill in the modern sector reduced from 31.6% in 2021 to 30.3% in 2022.

The following table sets out certain employment data as at the dates indicated.

	As at 30 June			
	2019	2020	2021	2022
	<i>(in thousands)</i>			
Modern Establishments Urban and Rural Areas				
Wage employees.....	2,928.3	2,742.6	2,906.1	3,015.4
Self-employed and unpaid family workers	162.7	156.1	163.7	168.1
Informal sector ⁽¹⁾	15,051.6	14,508.0	15,261.8	15,964.7
Total	18,142.7	17,406.7	18,331.6	19,148.2

⁽¹⁾ Estimated

Source: Kenya National Bureau of Statistics

The following table sets out wage employment in the formal sector by industry and sex and sector for the periods presented.

	As at 30 June			
	2019	2020	2021	2022
	<i>(in thousands)</i>			
Agriculture, forestry and fishing	296.7	280.6	295.3	299.7
Mining and quarrying.....	15.2	13.7	14.0	14.3
Manufacturing	329.0	293.8	313.5	329.6
Electricity, gas, steam and air conditioning supply	5.3	5.0	5.1	5.1
Water supply; sewerage, waste management and remediation activities	5.9	5.5	5.7	6.2
Construction	212.7	212.4	217.3	222.2
Wholesale and retail trade; repair of motor vehicles and motorcycles.....	267.7	249.7	256.3	265.7
Transportation and storage	73.9	58.0	63.0	65.8
Accommodation and food service activities	81.2	49.8	61.7	75.9
Information and communication	130.4	117.2	132.1	140.5
Financial and insurance activities....	65.9	66.5	66.8	70.0
Real estate activities	4.4	3.7	4.1	4.3
Professional, scientific and technical activities	64.3	57.0	63.2	66.5
Administrative and support service activities	6.4	4.8	5.8	6.4
Public administration and defence; compulsory social security.....	-	-	-	-
Education	228.7	181.1	210.6	227.3
Human health and social work activities	114.6	103.6	106.7	112.5
Arts, entertainment and recreation...	5.1	4.4	5.1	5.4
Other service activities	38.0	32.8	37.4	40.1
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	116.4	117.0	117.9	118.6
Activities of extraterritorial organisations and bodies	1.4	1.4	1.4	1.4
Total private sector	2,063.2	1,858.0	1,983.0	2,077.5
Agriculture, forestry and fishing	41.9	41.7	41.9	4.9
Mining and quarrying.....	0.7	0.7	0.7	0.7
Manufacturing	24.1	23.0	23.3	23.0
Electricity, gas, steam and air conditioning supply	18.5	17.5	17.0	16.4
Water supply; sewerage, waste management and remediation activities	9.5	9.1	19.4	10.0
Construction	8.8	9.1	9.2	9.5
Wholesale and retail trade; repair of motor vehicles and motorcycles.....	2.0	2.2	2.2	2.2

	As at 30 June			
	2019	2020	2021	2022
		<i>(in thousands)</i>		
Transportation and storage	18.8	19.1	19.9	22.4
Accommodation and food service activities	1.7	1.7	1.7	1.7
Information and communication	1.9	1.9	1.9	2.0
Financial and insurance activities....	12.0	11.1	11.0	11.2
Real estate activities	-	-	-	-
Professional, scientific and technical activities	6.5	6.7	6.7	6.8
Administrative and support service activities	-	-	-	-
Public administration and defence; compulsory social security	304.6	311.3	329.8	334.9
Education	369.1	381.9	398.6	401.8
Human health and social work activities	42.8	45.2	47.4	50.9
Arts, entertainment and recreation...	2.3	2.4	2.4	2.5
Other service activities	-	-	-	-
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	-	-	-	-
Activities of extraterritorial organisations and bodies	-	-	-	-
Total public sector	865.2	884.6	923.1	937.9
Total wage employment	2,928.4	2,742.6	2,906.1	3,015.4

Source: Kenya National Bureau of Statistics.

Private Sector

During the review period, the share of the private sector employment to the total employment in the modern sector stood at 65.8% compared to 63.9% recorded in 2021. Overall, the private sector created 94.5 thousand jobs in 2022 compared to 125.0 thousand jobs created in 2021.

In 2022, the leading industries providing wage employment in the private sector were manufacturing, agriculture, forestry and fishing, and wholesale and retail trade and repair of motor vehicles accounting for 15.9, 14.4 and 12.8% of the total private sector employment, respectively. There was, however, a lower growth in agriculture, forestry and fishing industries at 1.5% in 2022 compared to 5.2% realized in 2021. This could be partly attributable to prolonged drought experienced which had direct impact on the agriculture sector reflecting decelerated growth in employment in 2022. The manufacturing sector also recorded a sustained growth of 5.1% in 2022 compared to 6.7% realised in 2021. However, the decelerated growth could partly be attributed to globalization and competition from cheap imports. Accommodation and food service activities recorded the highest growth in employment at 23.0%. This was followed by administrative and support service activities, water supply; sewerage, waste management and remediation activities, and education which registered a growth of 10.3, 8.8 and 7.9%, respectively.

Public Sector

Employment in the public sector registered growth of 1.6% in 2022, 4.4% in 2021, 2.6% in 2020, 2.6% in 2019 and 1.2% in 2018.

Transport and storage activities recorded the highest growth of 12.6% mainly spurred by growth in rail transport. This was followed by human health and social work activities, which recorded a growth of 7.4%. The leading activities with highest employment levels in the public sector were education; public administration and defence; compulsory social security which accounted for 42.8% and 35.7% of total employment in the sector, respectively, in 2022.

Informal Sector

The informal sector represents an important part of the economy and plays a major role in employment creation, production and income generation. The Kenyan informal sector covers mainly small-scale activities that are

typically semi-organised, unregulated and use simple technologies. With shrinking job creation in the formal sector, the majority of youth who exit from learning institutions and individuals who leave formal employment can still join the informal sector. The majority of the small businesses such as retailers, street vendors and other service providers fall in the informal sector. The sector has also expanded to cover areas such as manufacturing and information and communications. The informal sector plays a central role in the economy as a source of employment opportunities for persons exiting from the formal sector of the economy. The sector also plays a vital role in the economic development of the country by increasing competition and fostering innovation, besides generating employment. The inter-linkages between the informal sector and the formal sector including Government are also crucial in fostering growth in the sector. The Government expects to build on the current tax and revenue reform movement to seal tax loopholes, broaden the tax base to ensure equity in the tax system, review and modernise existing tax legislation, and enhance the capacity of tax administration including widening the tax brackets to include the informal sector.

The informal sector has registered steady growth in employment over the last five years. In 2022, the number of persons estimated to have been engaged in the informal sector went up by 4.6% to 16.0 million compared to the 15.3 million registered in 2021. An estimated 15.3 million persons were engaged in informal sector economic activities in 2021, an increase of approximately 5.5% from 2020. An estimated 14.5 million persons were engaged in the informal sector economic activities in 2020, an increase of approximately (4.0)% from 2019. An estimated 15.1 million persons were engaged in the informal sector economic activities in 2019, an increase of approximately 5.4% from 2018.

The following table sets out the estimated distribution of the informal sector by industry for the periods presented.

	Year ended 31 December				
	2018	2019	2020	2021	2022
			(in thousands)		
Manufacturing	2,878.8	3,044.9	2,874.2	3,067.1	3,181.0
Construction	367.8	385.2	406.6	416.0	419.7
Wholesale and Retail Trade, Hotels and Restaurants	8,557.1	9,005.6	8,879.3	9,114.5	9,320.9
Transport and Communications ⁽¹⁾	445.5	470.2	390.1	431.9	444.9
Community, Social and Personal Services	1,388.2	1,462.5	1,334.3	1,521.6	1,846.4
Others	646.2	683.2	623.3	710.8	751.8
Total	14,283.6	15,051.6	14,508.2	15,261.8	15,964.7

⁽¹⁾ Includes mainly support services to transport activity.

Source: Kenya National Bureau of Statistics

Minimum Wage

The Salaries and Remuneration Commission (“SRC”) is established by the Constitution and its functions, powers, governance and procedures are provided by the Salaries & Remuneration Commission Act 2011. The mandate of the SRC is to set and regularly review the remuneration and benefits of state officers, and realign and restore harmony and equity in the public service remuneration structure and banding system. In performing its functions, the SRC is expected to ensure that the total public compensation bill is fiscally sustainable, but that public services are able to attract and retain the persons and skills required, recognise productivity and performance, and transparency and fairness.

The Government has had an active minimum wage setting policy since Kenya’s independence in 1963. Minimum wages apply to all salaried employees who are at least 18 and work in the formal sector. However, the minimum wages do not apply to the skilled and professional personnel.

On average, the monthly basic minimum wage for the agricultural industry was KES 9,014 in 2018, KES 9,014 in 2019, KES 9,014 in 2020, KES 9,014 in 2021 and KES 10,107 in 2022. As of the date of this Offering Circular, there has been no new minimum wage gazetted.

The following table sets out the average monthly basic minimum wage for the agricultural sector.

	Year ended 31 December				
	2018	2019	2020	2021	2022
	(KES)				
Type of Employee					
Unskilled employees	6,736	6,736	6,736	6,736	7,545
Stockman, herdsman and watchman	7,779	7,779	7,779	7,779	8,713
Skilled and Semi-Skilled Employees:					
House servant or cook	7,585	7,585	7,585	7,585	8,613
Farm foreman	12,152	12,152	12,152	12,152	13,611
Farm clerk	12,152	12,152	12,152	12,152	13,611
Section foreman	7,867	7,867	7,867	7,867	8,811
Farm artisan	8,051	8,051	8,051	8,051	9,018
Tractor driver	8,538	8,538	8,538	8,538	9,563
Combine harvester driver	9,406	9,406	9,406	9,406	10,535
Lorry driver or car driver	9,871	9,871	9,871	9,871	11,055
Average	9,014	9,014	9,014	9,014	10,107

Source: Ministry of Labour & Human Resource Development

The following tables sets out the average monthly basic minimum wages in the urban areas indicated for the periods presented.

	Nairobi, Mombasa & Kisumu Cities			
	Year ended 30 June			
	2019	2020	2021	2022
Occupation				
General labourer	13,573	13,573	13,573	15,202
Miner, stone cutter, turnboy, waiter, cook	14,659	14,659	14,659	16,418
Night watchman	15,142	15,142	15,142	16,959
Machine attendant	15,383	15,383	15,382	17,230
Machinist	17,561	17,561	17,561	19,668
Plywood machine operator	18,320	18,320	18,320	20,518
Pattern designer	20,905	20,905	20,905	23,414
Tailor, driver (medium vehicle)	23,039	23,039	23,039	25,804
Dyer, crawler, tractor driver, salesman	25,435	25,435	25,435	28,487
Saw doctor, caretaker (building)	28,148	28,148	28,148	31,525
Cashier, driver (heavy commercial)	30,627	30,627	30,627	34,303
Artisan (ungraded)	18,320	18,320	18,320	20,518
Artisan Grade III	23,039	23,039	23,039	25,804
Artisan Grade II	24,884	24,884	24,884	27,870
Artisan Grade I	30,627	30,627	30,627	34,303
Average	21,311	21,311	21,311	23,868

⁽¹⁾ Excludes housing allowance.

Source: Ministry of Labour & Human Resource Development

	All former Municipalities and Town Councils of Mavoko, Ruiru & Limuru Town Councils			
	Year ended 30 June			
	2019	2020	2021	2022
Occupation				
General labourer	12,523	12,523	12,523	14,025
Miner, stone cutter, turnboy, waiter, cook	13,006	13,006	13,006	14,566
Night watchman	14,038	14,038	14,038	15,723
Machine attendant	14,315	14,315	14,315	16,033
Machinist	16,428	16,428	16,428	18,400
Plywood machine operator	16,908	16,908	16,908	18,937
Pattern designer	19,112	19,112	19,112	21,406
Tailor, driver (medium vehicle)	21,175	21,175	21,175	23,716
Dyer, crawler, tractor driver, salesman	23,732	23,732	23,732	26,580
Saw doctor, caretaker (building)	26,283	26,283	26,283	29,437
Cashier, driver (heavy commercial)	28,822	28,822	28,822	32,281
Artisan (ungraded)	16,908	16,908	16,908	18,937
Artisan Grade III	21,175	21,175	21,175	23,716
Artisan Grade II	23,732	23,732	23,732	26,580
Artisan Grade I	28,822	28,822	28,822	32,281
Average	19,799	19,799	19,799	22,174

⁽¹⁾ Excludes housing allowance.

Source: Ministry of Labour & Human Resource Development

	All other towns			
	Year ended 30 June			
	2019	2020	2021	2022
	(KES)			
Occupation				
General labourer	7,241	7,241	7,241	8,110
Miner, stone cutter, turnboy, waiter, cook	8,366	8,366	8,366	9,370
Night watchman	8,636	8,636	8,636	9,673
Machine attendant	11,603	11,603	11,603	12,995
Machinist.....	13,431	13,431	13,431	15,043
Plywood machine operator	13,975	13,975	13,975	15,652
Pattern designer.....	16,296	16,296	16,296	18,252
Tailor, driver (medium vehicle).....	18,881	18,881	18,881	21,147
Dyer, crawler, tractor driver, salesman.....	21,418	21,418	21,418	23,989
Saw doctor, caretaker (building).....	24,485	24,485	24,485	27,423
Cashier, driver (heavy commercial).....	27,024	27,024	27,024	30,267
Artisan (ungraded).....	13,975	13,975	13,975	15,653
Artisan Grade III	18,846	18,846	18,846	21,107
Artisan Grade II.....	21,418	21,418	21,418	23,989
Artisan Grade I.....	27,024	27,024	27,024	30,267
Average	16,841	16,841	16,841	18,862

⁽¹⁾ Excludes housing allowance.

Source: Ministry of Labour & Human Resource Development

Social Security

The National Social Security Fund (“NSSF”) provides social security protection to workers in the formal and informal sectors and in the private and Government sectors. Both the number of registered employers and employees have increased in line with general employment rates.

In December 2013, the National Social Security Fund Act 2013 (the “NSSF Act”) transformed the NSSF from a provident fund, which fund a limited number of lump sum benefits, into a social security scheme paying retirement pensions as well as additional benefits such as invalidity and funeral grants. The NSSF Act also increased contribution rates by members and employers significantly from the prior capped amount of KES 400.0 to a total of 12.0% of a member’s pensionable earnings. In June 2014, certain trade unions brought legal action against NSSF alleging that certain provisions of the NSSF Act, including those related to mandatory contributions to NSSF are inconsistent with the Constitution. The NSSF Act was declared unconstitutional by the Employment and Labour Relations Court (“ELRC”) on 19 September 2022. The matter was appealed, and the Court of Appeal overturned the decision of the ELRC and declared that the NSSF Act was constitutionally enacted rendering the NSSF Act effective. The NSSF issued a notice on 9 February 2023 informing employers that the rates were effective immediately.

The NSSF Act divides a member’s contributions into Tier I and Tier II. Tier I is based on emoluments up to the average minimum wage, while Tier II is based on emoluments above this level. Tier I contributions must be paid into the NSSF, whereas an employer can ‘opt out’ of the NSSF and make Tier II contributions to another retirement benefits scheme, subject to fulfilling certain requirements. In determining pensionable earnings, the NSSF Act sets an upper limit at the average national wage in the first year but rising to four times the average national wage in the fifth year. Annual contributions increased by 5.2% in 2018, 7.9% in 2019, (2.6)% in 2020, 6.8% in 2021 and 7.6% in 2022 and benefits increased by 2.6% in 2018 and 0.8% in 2019, (10.2)% in 2020, 34.1% in 2021 and (8.5)% in 2022.

The following table sets out details of registered employers, registered employees, annual contributions and benefits to members of the NSSF.

	As at 30 June			
	2019	2020	2021	2022
	<i>(in thousands)</i>			
Details				
Registered Employers '000	28,080	82,261	32,252	12,004
Male	120,071	108,106	152,916	252,278
Female	82,515	68,006	116,148	210,237
Total	202,586	176,112	269,064	462,515
Annual contribution (KES million)	15,102.4	14,732.6	15,685.3	16,865.7
Annual benefits paid (KES million)	4,939.1	4,433.5	5,896.2	5,430.4

Source: National Social Security Fund

The Social Protection Fund was established to minimise vulnerability across gender lines, reduce excessive inequality and disparities between social strata and to mitigate against any distinction and exclusion. The funds allocated to older persons increased from KES 17,930.8 million in 2018/19, KES 17,170.0 million in 2019/20, KES 18,343.5 million in 2020/21, and to KES 17,543.6 million in 2021/22. Direct cash disbursement increased from KES 11,245.8 million in 2017/18, to KES 18,201.2 million in 2018/19, KES 18,367.0 million in 2019/20, KES 18,325.3 in 2020/21, and to KES 18,169.5 million in 2021/22.

The Social Protection Fund for orphans and vulnerable children (“OVC”) started in 2004 in response to the strong need to protect and assist the highly vulnerable children and also to strengthen the capacity of the households to protect and care for OVC within their families and communities. The fund is currently directed to poor households taking care of OVC through the department of children’s services. The increased allocation and direct cash disbursements were attributed to increased capital transfers and an increase in the number of targeted households. The funding allocated for OVC increased from KES 8,507.5 million in 2017/18 to KES 7,257.4 million in 2018/19, KES 7,065.1 in 2019/20, KES 7,063.2 million in 2020/21 and to KES 7,930.7 million in 2021/22. The amount disbursed is expected to reduced from KES 7.4 billion in 2017/18, to KES 7.3 billion in 2018/19, KES 7.1 billion in 2019/20, KES 7.1 billion in 2020/21 and to KES 6.7 billion in 2021/22.

The following table sets out the funds allocated for social protection by the National Government.

	Social Protection Fund for Older Persons		Social Protection Fund for OVC	
	Allocation	Direct Cash Disbursement	Allocation	Direct Cash Disbursement
	<i>(KES millions)</i>			
2017/18.....	14,452.4	11,245.8	8,507.5	7,352.2
2018/19.....	17,930.8	18,201.2	7,257.4	7,257.8
2019/20.....	17,170.0	18,367.0	7,065.1	7,065.5
2020/21.....	18,343.5	18,325.3	7,063.2	7,064.0
2021/22.....	17,543.6	18,169.5	7,930.7	6,666.5

Source: Department of Gender and Social Development/Ministry of Labour and East African Community Affairs

Social Protection Financing is undertaken pursuant to the Kenya National Social Protection Investment Plan, the Kenya National Social Protection Strategy and the Proposal for Sustainable Financing for Social Protection. The Government is currently undertaking a review of the Social Assistance Act, 2013, National Social Protection Policy and the Children Act, 2001. Pursuant to this legislation, the Government aims to strengthen and develop its information systems for the management of social protection as well as its monitoring and evaluation frameworks.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The balance of payments records the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of:

- The current account, which includes:
 - net exports of goods and services (the difference in value of exports minus imports);
 - net financial and investment income;
 - net transfers; and
- The capital and financial accounts, which comprise the difference between financial capital inflows and financial capital outflows.

The following table sets forth Kenya's balance of payments for the periods indicated

Item	2018	2019	2020	2021	2022
			<i>(KES million)</i>		
Current Account.....	(505,410)	(536,306)	(510,079)	(629,768)	(679,561)
Goods: exports (fob).....	616,582	598,764	644,206	744,332	874,438
Goods: imports (fob).....	1,649,819	1,688,325	1,531,835	1,957,457	2,253,934
Services: credit.....	554,876	571,202	388,769	551,549	758,538
Services: debit.....	393,166	393,155	353,583	437,864	622,172
Balance on goods and services.....	(871,528)	(911,513)	(852,443)	(1,099,439)	(1,243,131)
Primary income: credit.....	21,622	22,174	5,643	6,751	4,648
Primary income: debit.....	162,502	185,850	190,387	207,903	209,838
Balance on goods, services, and primary income.....	(1,012,408)	(1,075,189)	(1,037,187)	(1,300,591)	(1,448,320)
Secondary income: credit.....	511,848	544,457	535,311	686,238	774,317
of which Diaspora Remittances.....	275,577	289,471	330,842	413,344	478,502
Secondary income ⁽¹⁾ : debit.....	4,851	5,575	8,203	15,415	5,557
Capital Account.....	26,593	21,146	14,023	21,451	16,508
Financial Account.....	(662,248)	(491,954)	(286,476)	(644,073)	(494,868)
Overall Balance.....	(98,719)	(111,404)	152,484	(90,141)	251,492

Source: Kenya National Bureau of Statistics, Economic Survey 2023.

The following table sets forth a breakdown of Kenya's current account balance for the periods indicated and the percentage change.

Item	2022 ⁽¹⁾	2023 ⁽²⁾	2022-2023	
	(US\$ million)	(US\$ million)	(Change)	(% Change)
Current Account	(5,774)	(4,259)	1,515.0	(26.2)
Goods	(11,715)	(9,848)	1,866.8	(15.9)
Exports (fob)	7,421	7,258	(163.2)	(2.2)
<i>Of which:</i>				
Coffee.....	331	266	(64.6)	(19.5)
Tea.....	1,384	1,345	(38.8)	(2.8)
Horticulture.....	944	929	(15.3)	(1.6)
Oil products.....	88	116	28.4	32.4
Manufactured Goods.....	622	686	64.3	10.3
Raw Materials.....	498	380	(118.6)	(23.8)
Chemicals and Related Products.....	606	610	3.6	0.6
Miscellaneous Man. Articles.....	689	602	(87.8)	(12.7)
Re-exports.....	795	734	(60.5)	(7.6)
Other.....	1,415	1,524	109.4	7.7
Imports (fob)	19,031	16,950	(2,081.2)	(10.9)
<i>Of which:</i>				
Oil.....	5,548	4,802	(745.6)	(13.4)
Chemicals.....	3,277	2,896	(380.3)	(11.6)
Manufactured Goods.....	3,469	2,654	(815.5)	(23.5)
Machinery.....	2,556	2,225	(330.9)	(12.9)
Transport equipment.....	1,204	1,027	(176.4)	(14.7)
Other.....	4,381	4,510	128.5	2.9
<i>Of which:</i>				
Food.....	2,094	2,370	276.0	13.2
Services	1,165	632	(532.5)	(45.7)
Transport Services (Net).....	166	170	3.8	2.3
Travel Services (Net).....	953	883	(70.0)	(7.3)
Other Services (Net).....	46	(420)	(466.3)	(1,015)
Primary Income	(1,740)	(2,027)	(286.7)	16.5
Secondary Income	6,516	6,983	467.2	7.2

(1) Revised

(2) Provisional; fob - free on board

Source: Central Bank of Kenya-CBK reports and FS-Annual report

Current Account

In 2018, the current account deficit improved to KES 511.3 million (5.8% of nominal 2018 GDP). The narrowing of the current account deficit reflected strong performance of agricultural exports, particularly tea and horticulture, diaspora remittances, improved receipts from services (transport and travel), as well as lower imports of food and SGR-related equipment following completion of the Mombasa-Nairobi segment.

In 2019, the current account deficit increased to 566.9 billion (5.8% of nominal 2019 GDP). The widening of the current account deficit reflected a decline in the value of exports.

In 2020, the current account deficit improved to KES 486.5 million (4.7% of nominal 2020 GDP) mainly reflecting reduced imports despite lower receipts from services and secondary income transfers.

In 2021, the current account deficit widened to KES 629.8 million (5.2% of nominal 2021 GDP) mainly reflecting increased expenditure on imports and payment for services.

In 2022, the current account deficit further widened to KES 679.6 million (5.1) % of nominal 2022 GDP) mainly reflecting an increase in imports.

In 2023, the current account deficit improved to US\$4.3 billion (3.9% of projected GDP in 2023). The narrowing of the current account deficit reflected lower imports of energy and all goods with the exception of food, attributed to relatively lower international oil prices and completion of major infrastructure projects, respectively, despite the reduction in exports of goods and services. The value of imports decreased by 10.9% from US\$19 billion in 2022 to US\$17 billion in 2023. The value of exports decreased by 2.2% from US\$7.4 billion to US\$7.3 billion in the same period attributed to reduced earnings from raw materials, miscellaneous manufactured articles and re-exports. Total receipts from services were lower in 2023 compared to 2022, primarily due to a decline in receipts from transport and other services (Telecommunications and Government services).

The narrowing of the current account deficit in 2023 was also supported by a resilient performance of the secondary income account. Remittance inflows reached an all-time high US\$ 4,190 million in 2023 compared to US\$ 4,028million in 2022, an increase of 4.0%. The US remains the largest source of remittances into Kenya, accounting for 56% in 2023.

The current account deficit is projected to remain stable at 4.0% in 2024 supported by improved receipts from exports of goods particularly tea and horticulture and a recovery in services particularly those related to transportation.

Balance of Trade

The following table sets out information on the balance of trade for the periods presented.

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(KES million)</i>					
Exports (f.o.b):						
Domestic Exports	542,856.5	520,787.4	567,370.4	666,738.7	779,608	901,241.2
Re-exports	71,459.2	75,889.3	76,335.8	76,932.4	93,536.6	103,479.4
Total	614,315.7	596,676.6	643,706.2	743,671.1	873,144.6	1,004,720.6
Imports (c.i.f):						
Commercial	1,705,062.1	1,758,963.8	1,590,249.1	2,062,260.6	2,426,562.8	2,541,360.9
Government	59,409.3	47,370.8	53,310.9	57,098.6	64,211.9	62,076.5
Total	1,764,471.5	1,806,334.6	1,643,560.1	2,119,359.1	2,490,774.7	2,603,437.4
Balance of Trade	(1,150,155.8)	(1,209,658.0)	(999,853.9)	(1,375,688)	(1,617,630.1)	1,598,716.8
Total Trade	2,378,787.2	2,403,011.2	2,287,266.2	2,863,030.2	3,363,919.3	3,608,716.8
Cover Ratio⁽²⁾ (in percentage)	34.8	33.0	39.2	35.1	35.1	38.6

(1) Provisional

(2) Cover ratio is the ratio of exports to imports.

Source: Kenya National Bureau of Statistics Economic Survey 2023

In 2018, exports increased by 2.7% from KES 597.9 billion in 2017 to KES 614.3 billion in 2018 on account of increased exports to Asia. Domestic exports increased by 1.6% from KES 534.4 billion in 2017 to KES 542.8 billion in 2018. Re-exports increased by 12.5% to KES 71.5 billion in 2018. The export/import cover ratio deteriorated from 34.4% in 2017 to 34.8% in 2018, as a result of faster growth in imports relative to exports.

In 2019, exports declined by 2.9% to KES 596.7 billion in 2019 from KES 614.3 billion in 2018. This was a result of a 4.1% decrease in the value of domestic exports to KES 520.8 billion. Import expenditure increased by 2.4% to KES 1,806.3 billion in 2019. This resulted in worsening of the trade balance from a deficit of KES 1,150.2 billion in 2018 to a deficit of KES 1,209.7 billion in 2019. The total value of trade flows rose by 1.0% to KES 2,403.0 billion in 2019. The export/import cover ratio declined from 34.8% in 2018 to 33.0% in 2019.

In 2020, exports increased by 7.8% to KES 643.7 billion in 2020 from KES 596.7 billion in 2019. This was a result of improved exports. The export/import cover ratio increased from 33.0% in 2019 to 39.2% in 2020.

In 2021, exports increased by 15.5 % to KES 743.7 billion in 2021 from KES 643.7billion in 2020. This was a result of increase in total export. The export/import cover ratio declined from 39.2% in 2020 to 35.1% in 2021.

In 2022, exports further increased by 17.4% to KES 873.1 billion in 2022 from KES 743.7billion in 2021. This was a result of further increase in total export. The export/import cover ratio remained unchanged at 35.1 %

In 2023, exports increased by 15.1% to KES 1,005 billion in 2023 from KES 873 billion in 2022. This was a result of domestic exports. The export/import cover ratio increased from 35.1% in 2022 to 38.6% in 2023.

Remittances from the Kenyan diaspora are a major contributor to Kenya's economic growth and development. Diaspora remittances increased by 15.8% in 2022 and contributed to a secondary income net inflow of KES 5774.3.0 billion in 2022. The increase was from KES 413.3 billion in 2021 to KES 478.5 billion in 2022.

Remittances increased from US\$2,796 million in 2019 to US\$3,094 million in 2020. Remittances increased to US\$ 3,770 million in 2021 and US \$4,028 million in 2022. In 2023, remittances increased to US\$ 4,190 million. Diaspora remittances, along with tourism, tea and horticulture are amongst Kenya's leading foreign exchange earners.

Directions of Foreign Trade

Exports

Other African countries collectively remain the largest export destination for Kenyan trade, accounting for 35.3%, 37.6%, 38.2%, 41.6%, 41.0% and 43% of total exports in 2018, 2019, 2020, 2021, 2022, and 2023, respectively. Within Africa, Uganda is Kenya's predominant trade partner, accounting for 28.8%, 28.6%, 29.3%, 29.6%, 27.2% and 29.5% of total African exports in 2018, 2019, 2020, 2021, 2022 and 2023 respectively. Exports to Africa decreased by 3.1% in 2018 and increased by 3.1% in 2019, and by 9.8%, 25.6% and 15.7% in 2020, 2021 and 2022 respectively. In 2023, Kenya's exports to Africa increased by 20.8%. Several factors drove the increase including emerging markets such as the Democratic Republic of Congo. Total exports to the East African Community (EAC) expanded by KES 96.5 billion to KES 226.5 billion in 2022 and accounted for 25.9% of the total exports. The value of exports to Tanzania, Rwanda and Uganda increased by 9.7%, 6.7%, 29.8%, 16.1% and 22.3% to KES 121.1 billion, KES 129.3 billion, KES 167.7 billion, KES 194.7 billion and KES 238.1 billion respectively, mainly attributed to an increase in manufactured good exports to the regional markets. The value of exports to Somalia declined from KES 13.5 billion in 2021 to KES 13.3 billion in 2022 but increased to KES 21.6 billion in 2023.

Exports to Europe accounted for 24.9%, 25.4%, 26.6%, 25.8%, 23.3% and 23.3% of total exports value in 2018, 2019, 2020, 2021, 2022 and 2023 respectively. Exports to Europe increased by 4.3% in 2018, and decreased by 0.9% in 2019, and increased by 13.4%, 11.6%, 6.1%, 6.0% in 2020, 2021, 2022 and 2023, respectively. Within Europe, the Netherlands and the United Kingdom were the main destinations accounting for 30.4% and 26.3% respectively in 2018, 31.7% and 26.5% respectively in 2019, 28.4% and 29.1% respectively in 2020, 32.2% and 25.8% respectively in 2021, 34.3% and 21.9% respectively in 2022 and 35.3% and 25.4% respectively in 2023.

Exports to Asia accounted for 29.5%, 26.1%, 24.5%, 23.1%, 24.9% and 25.9% of total exports value in 2018, 2019, 2020, 2021, 2022 and 2023, respectively. In 2021, total exports to Asia increased by 8.8% with exports to the Middle East increasing by 0.3%, and exports to the Far East increasing by 14.0%. In 2022, the value of exports to Asia increased by 26.9% to an overall KES 217.6 billion. The value of exports to the Middle East rose by 42.4% to KES 85 billion in 2022 and by 21% to KES 102.7 billion, attributed to emerging markets for fruits and vegetables. Exports to the Far East increased by 18.6% and 5.5% to KES 132.6 billion and KES 139.9 billion in 2022 and 2023, respectively. The value of exports to China (mainland) went up by 25.9% and 5.1% in 2022 and 2023, respectively, due to increases in the value of exports of titanium ores and concentrates.

The following table sets out the value of total exports by destination for the periods presented.

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	KES million					
Europe						
European Union						
Belgium.....	6,345	7,369	6,856	7,923	8,728	7,679
Finland.....	737	811	984	1,094	1,041	984
France.....	7,925	7,864	9,151	9,722	1,090	15,553
Germany.....	11,160	11,306	14,533	14,268	15,946	15,974
Italy.....	3,968	3,480	3,589	3,260	4,695	6,671
Netherlands.....	46,365	48,005	48,738	61,666	69,651	76,017
Spain.....	4,444	4,437	5,373	6,363	7,463	8,851
Sweden.....	2,829	1,975	2,253	2,820	3,396	4,089
United Kingdom.....	40,192	40,082	49,921	49,400	44,564	54,685
Poland.....	2,220	2,653	2,375	2,402	2,923	3,418
Other.....	5,017	5,414	5,435	6,393	9,245	13,889
Total European Union.....	131,202	133,396	149,208	165,311	168,742	207,810
Other Western Europe.....	9,146	7,027	9,224	10,297	10,838	26,049
Total Western Europe.....	140,348	140,423	158,432	175,608	179,580	233,859
Eastern Europe:						
Russia Federation.....	8,573	6,348	8,009	10,466	7,636	4,771
Kazakhstan.....	2,949	3,227	3,783	3,796	5,487	8,403
Other.....	863	1,313	1,295	1,729	1,432	5,300
Total Eastern Europe.....	12,385	10,888	13,087	15,991	14,555	18,474
Total Europe.....	152,733	151,311	171,519	191,599	194,135	252,333
America:						
United States of America	47,341	51,922	49,378	59,562	79,932	64,264
Canada.....	3,140	2,926	1,244	2,195	2,208	2,344

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
Other.....	5,392	1,228	1,678	1,867	3,319	1,688
Total America	55,873	56,076	52,300	63,624	85,459	68,296
Africa						
EAC						
Uganda	62,629	64,106	72,220	91,653	97,161	127,236
Tanzania	29,972	33,865	31,833	45,560	57,372	68,547
South Sudan	12,968	12,575	23,195	17,154	23,466	31,768
Rwanda.....	17,842	23,175	25,211	30,520	40,173	42,366
Burundi.....	6,593	6,726	5,879	7,531	8,309	9,661
Total EAC.....	130,004	140,447	158,338	192,418	226,481	279,578
Rest of Africa						
South Africa.....	4,387	3,312	3,481	3,957	6,851	7,454
Egypt.....	20,125	18,927	18,983	21,176	26,768	31,216
Somalia.....	15,145	11,842	11,394	13,452	13,333	21,618
Ethiopia.....	6,678	7,104	9,494	13,891	17,827	15,764
Sudan.....	6,202	5,824	8,270	7,234	7,793	6,748
Democratic Republic of the Congo.....	15,177	13,466	14,298	24,455	17,809	26,447
Zambia.....	5,290	4,364	4,440	8,015	7,421	9,733
Other ⁽¹⁾	14,595	18,961	17,523	24,657	31,367	33,363
Total Rest of Africa.....	87,599	83,800	87,883	116,837	129,169	152,343
Total Africa.....	217,603	224,247	246,221	309,255	355,650	431,921
Asia						
Middle East						
Iran.....	2,174	2,124	1,626	2,174	5,868	6,726
Israel.....	922	592	624	889	979	882
Jordan.....	1,449	1,339	2,702	1,145	2,105	3,578
Saudi Arabia.....	10,019	8,903	8,150	7,700	12,390	18,129
United Arab Emirates.....	35,009	38,685	34,435	34,559	44,022	55,925
Yemen Arab Republic.....	4,890	4,978	4,692	4,985	7,143	5,919
Other.....	9,244	9,367	7,231	8,216	12,455	11,571
Total Middle East.....	63,707	65,988	59,460	59,668	84,962	102,730
Far East						
China (Mainland).....	11,133	15,160	14,795	21,886	27,547	28,957
India.....	9,101	5,404	7,686	10,408	8,056	10,536
Indonesia.....	1,092	1,084	861	912	1,142	571
Japan.....	5,073	5,478	4,790	6,717	5,986	8,766
Korea Republic (South Korea) ...	2,828	2,351	2,359	3,915	6,132	2,418
Pakistan.....	59,387	45,240	54,657	53,173	75,117	60,582
Singapore.....	525	1,962	665	651	2,478	1,127
Afghanistan.....	3,773	3,609	2,302	606	3,092	4,615
Thailand.....	7,258	2,771	2,083	2,310	3,757	4,004
Other.....	17,042	6,917	7,967	11,284	10,321	17,615
Total Far East.....	117,212	89,976	98,165	111,862	143,628	139,191
Total Asia.....	180,919	155,964	157,625	171,530	228,590	241,921
Australia & Oceania						
Australia.....	2,879	2,412	2,352	2,574	3,495	3,596
Other.....	1,521	3,036	261	454	390	248
Total Australia & Oceania.....	4,400	5,448	2,613	3,028	3,885	3,844
All Other Countries.....	1,269	1,585	874	1,657	2,530	2,784
Aircraft and Ships Stores.....	1,519	2,047	12,648	3,181	2,896	3,712
Total All Other Countries n.e.s.....	2,788	3,631	13,428	4,838	5,426	6,406
Total Exports.....	614,316	596,677	643,706	743,874	873,145	1,004,721

⁽¹⁾ Provisional

Source: Kenya National Bureau of Statistics

Imports

The majority of Kenya's imports originate from Asia. Imports from the Far East and the Middle East accounted for 46.1% and 20.2% respectively in 2018, for 45.9% and 17.8% respectively in 2019, for 51.5% and 12.0% respectively in 2020, for 48.4% and 16.8% respectively in 2021, for 44.6% and 24.6% respectively in 2022, for 42.1% and 23.5% respectively in 2023.

Within Asia, India and China accounted for 15.9% and 31.7% respectively in 2018, for 15.5% and 32.7% respectively in 2019, for 18.1% and 34.7% respectively in 2020, for 16.7% and 32.0% respectively in 2021 and for 14.5% and 26.3% respectively in 2022 and for 14.9% and 25.4% respectively in 2023.

In 2018, imports from India increased by 8.7% while imports from China decreased by 5.1%. In 2019, imports from India decreased by 3.4% while imports from China increased by 1.6%. In 2020, imports from India increased by 5.4% while imports from China decreased by 4.1%. In 2021, imports from India increased by 22.5% while imports from China increased by 22.1%. In 2022, imports from India increased by 8.3% while imports from China increased by 2.5%. In 2023, imports from India increased by 7.6% while imports from China increased by 1.4%.

The value of imports from Europe accounted for 16.6% in 2018, 17.0% in 2019, 18.8% in 2020, 16.8% in 2021, 13.0% in 2022, and 8.6% in 2023. In 2018, imports from the United Kingdom increased by 5.0% while imports from the Netherlands decreased by 0.9%. In 2019, imports from the United Kingdom increased by 11.8% and imports from the Netherlands increased by 64.9%. In 2020, imports from the United Kingdom decreased by 17.2% and imports from the Netherlands increased by 31.2%. In 2021, imports from the United Kingdom increased by 15.1% and imports from the Netherlands increased by 11.8%. In 2022, imports from the United Kingdom increased by 3.4% and imports from the Netherlands decreased by 31.5%. In 2023, imports from the United Kingdom increased by 17.7% and imports from the Netherlands increased by 36.2%.

African countries accounted for 11.9% in 2018, 13.0% in 2019, 11.3% in 2020, 10.9% in 2021 and 11.0% in 2022 and 10.3% in 2023. In 2018, the value of imports from Africa increased by 2.7%, with the value of imports from South Africa increasing by 4.6%. In 2019, the value of imports from Africa increased by 11.4%, with the value of imports from South Africa increasing by 14.4%. In 2020, the value of imports from Africa decreased by 20.9%, with the value of imports from South Africa decreasing by 38.2%. In 2021, the value of imports from Africa increased by 24.6%, with the value of imports from South Africa decreasing by 3.7%. In 2022, the value of imports from Africa increased by 18.5%, with the value of imports from South Africa increasing by 38.5%. In 2023, the value of imports from Africa declined by 2.1%, with the value of imports from South Africa increasing by 25.8%.

The value of imports from the United States decreased by 7.2% in 2018, increased by 16.9% in 2019, decreased by 9.6% in 2020, increased by 49.6% in 2021, increased by 10.8% in 2022 and increased by 20.8% in 2023. The following table sets out the value of total imports by country of origin for the periods presented.

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(KES million)</i>					
Europe						
European Union						
Belgium.....	16,205	14,587	18,580	24,086	22,885	17,207
Finland.....	2,972	3,979	5,235	6,772	6,128	5,956
France.....	23,930	24,691	23,283	22,491	21,267	36,938
Germany.....	46,599	46,439	40,207	42,994	34,355	39,915
Italy.....	25,731	21,125	23,587	24,712	24,707	21,885
Netherlands.....	19,364	31,926	41,885	46,815	32,066	43,662
Spain.....	10,586	11,476	10,079	14,145	11,025	10,393
Sweden.....	7,339	5,972	6,286	6,263	6,001	7,322
United Kingdom.....	31,555	35,266	29,190	33,594	34,748	40,909
Denmark.....	4,307	4,083	3,955	3,929	3,777	4,441
Ireland.....	6,652	10,134	4,045	4,534	4,055	5,149
Czech Republic.....	4,079	2,551	3,588	3,323	4,434	5,586
Austria.....	2,594	4,711	2,787	2,361	2,882	5,434
Poland.....	4,620	5,375	5,422	6,060	6,585	5,361
Hungary.....	1,781	2,481	996	1,267	1,079	1,603
Other.....	11,290	10,631	14,212	18,240	20,974	12,036
Total European Union.....	219,604	235,428	204,146	227,993	202,221	222,888
Other Western Europe.....	32,879	30,167	29,571	36,083	42,052	76,336
Total Western Europe.....	252,482	265,595	262,907	297,670	279,021	211,019
Eastern Europe						
Russian Federation.....	31,721	33,733	37,996	37,660	36,838	82,736
Ukraine.....	7,456	6,961	7,473	19,294	5,321	10,156
Other.....	902	1,071	1,024	483	2,170	15,395
Total Eastern Europe.....	40,079	41,765	46,494	57,437	54,329	108,287
Total Europe.....	292,561	307,360	309,401	355,106	323,350	223,104
America						
United States of America.....	53,245	62,272	56,306	84,247	93,370	112,761

	Year ended 31 December					
	2018	2019	2020 (KES million)	2021	2022	2023 ⁽¹⁾
Canada	8,920	13,892	10,436	8,699	8,189	18,222
Brazil	9,276	5,202	5,849	7,226	9,287	31,617
Mexico	1,885	2,190	5,039	3,466	3,443	3,242
Argentina	10,826	15,019	16,432	14,960	26,470	4,094
Other	1,702	8,099	2,561	5,074	4,119	4,148
Total America	85,854	106,673	96,623	123,672	144,876	174,084
Africa						
South Africa	64,734	74,040	45,779	44,078	61,062	76,841
Tanzania	18012	27,700	27,881	54,473	57,404	43,052
Uganda	52586	38,478	25,900	34,155	39,929	37,932
Swaziland	8,628	12,557	8,662	12,366	11,862	11,219
Mauritius	6,100	7,876	4,748	6,378	7,527	5,327
Rwanda	1,186	1,404	2,041	3,264	3,556	4,837
Zambia	6,885	6,685	3,617	6,143	8,211	6,912
Other ⁽¹⁾	52,067	65,456	66,650	69,974	87,418	122,565
Total Africa	210,198	234,198	185,278	230,831	273,607	267,856
Asia						
Middle East						
Iran	10,419	6,089	4,847	3,703	3,356	3,987
Israel	6,302	5,061	4,453	5,226	6,840	5,209
Jordan	1,461	1,150	619	924	1,227	849
Saudi Arabia	172,703	127,165	69,002	114,679	122,032	145,150
United Arab Emirates	147,417	167,877	92,283	178,535	407,394	412,185
Bahrain	5,409	1,076	4,198	2,954	5,568	1,640
Oman	6,680	9,295	10,029	22,019	37,194	31,864
Other	5,325	4,306	11,046	28,319	28,463	10,887
Total Middle East	355,716	322,019	196,477	356,358	612,014	611,771
Far East						
China	370,826	376,726	361,367	441,365	45,2612	458,967
India	185,252	178,873	188,588	230,976	250,049	269,174
Indonesia	46,105	50,630	62,693	44,415	27,135	41,207
Japan	99,823	99,433	87,594	97,827	97,500	97,482
Korea South	18,983	14,813	20,436	22,345	50,196	28,214
Pakistan	21,455	24,848	21,449	18,991	26,397	25,962
Singapore	3,116	6,891	8,884	10,556	11,945	22,353
Taiwan	10,105	15,040	14,475	16,214	20,545	12,159
Malaysia	21,483	25,651	45,563	93,751	120,605	120,498
Thailand	19,972	19,339	15,370	19,720	23,432	19,507
Other	15,686	17,417	19,660	28,763	29,601	20,365
Total Far East	812,805	829,662	846,080	1,024,922	1,110,016	1,095,523
Total Asia	1,168,522	1,151,681	1,042,557	1,381,280	1,722,030	1,804,379
Australia & Oceania						
Australia	6,329	5,387	7,018	25,897	20,750	14,039
Other	887	755	497	1,415	317	298
Total Australia & Oceania	7,216	6,141	7,515	27,313	21,067	14,338
All Other Countries n.e.s.	121	281	2,186	1,158	5,843	2,594
Total All Other Counties n.e.s.	121	281	2,186	1,158	5,843	2,594
Total Imports	1,764,472	1,806,335	1,643,560	2,119,359	2,490,775	2,603,438

⁽¹⁾ Provisional

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

Content of Foreign Trade

The primary contributors to foreign exchange are as follows: (a) exports (tea, coffee, horticulture produce, manufactured goods, etc.), (b) tourism, (c) international organisation/aid agencies, (d) foreign investments (foreign direct investment, portfolio investments, etc.), (e) loans and grants, and (f) remittances.

Kenya's horticulture exports were the leading contributor to foreign exchange in 2022 and accounted for 22.9%, 23.6%, 24.0%, 24.8%, 19.5% and 16.4% of total export earnings in 2018, 2019, 2020, 2021, 2022, and 2023 respectively. Export earnings from horticulture increased by 9.7% to KES 124.3 billion in 2018 but decreased by 1.1% to KES 122.9 billion in 2019, and subsequently increased by 10.6% to KES 136.0 billion in 2020 and increased by 21.8% to KES 165.7 billion in 2021 before decreasing by 8.1% to KES 152.3 billion in 2022. They declined further by 2.7% to KES 148 billion in 2023.

The volume of exported horticulture increased by 8.7% in 2018 to 497,417 tonnes due to increased rainfall, and decreased by 6.0% in 2019 to 467,603 tonnes.

Tea exports accounted for 25.6%, 21.8%, 23.0%, 19.6%, 20.9% and 20.9% of total export earnings in, 2018, 2019, 2020, 2021, 2022 and 2023 respectively. Export earnings from tea increased by 5.7% to KES 138.8 billion in 2018, decreased by 18.2% to KES 113.5 billion in 2019, and increased by 14.8% in 2020 to KES 130.4 billion, increased by 0.4 % to KES 130.9 billion in 2021 and further increased by 24.7% to KES 163.3 billion in 2022. Tea exports increased by 15.3 % to KES 188 billion in 2023.

The volume of exported tea increased by 7.4% in 2018 to 501,786 tonnes due to increased rainfall, decreased by 5.2% in 2019 to 475,502 tonnes, increased by 21.1% in 2020 to 576,053 tonnes, decreased by 3.2% in 2021 to 557,351 tonnes and further decreased by 1.0 % to 551,804 tonnes in 2022.

Petroleum products and industrial machinery are Kenya's principal imports, collectively accounting for 31.0%, 31.3%, 26.3%, 27.8%, 36.4% and 36.8% of the total import value in 2018, 2019, 2020, 2021, 2022 and 2023 respectively.

The value of imported petroleum products increased by 25.6% to KES 295.1 billion in 2018 and increased by 4.2% to KES 307.5 billion in 2019, decreased by 34.6% to KES 201.1 billion in 2020 and increased by 66.7% to KES 335.3 billion in 2021, increased by 78.2% to KES 597.7 billion in 2022 and increased by 3.2% to KES 617.0 billion. The value of imported industrial machinery increased by 5.9% to KES 252.5 billion in 2018 and increased by 2.0% to KES 257.6 billion in 2019, decreased by 10.0% to KES 231.9 billion in 2020, and increased by 9.6% to KES 254.2 billion in 2021, increased by 21.4% to KES 308.5 billion in 2022 and further increased by 10.3% to KES 340.4 billion in 2023.

The following tables set out the value of principal exports and imports for the periods presented.

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023
	(KES million)					
Exports						
Fish and fish preparations.....	2,975	3,413	2,739	3,431	5,612	3,702
Maize (unmilled, excluding sweet corn).....	514	509	1,148	643	321	594
Meals and flours of wheat	89	94	151	166	194	1,954
Horticulture	124,267	122,916	135,960	165,655	152,270	148,157
Sugar confectionery.....	4,855	4,885	5,721	6,878	8,160	8,684
Coffee, unroasted	23,095	20,310	22,243	26,141	37,132	36,752
Tea.....	138,836	113,551	130,353	130,897	163,278	188,270
Margarine and shortening.....	2,705	3,492	3,803	4,604	5,279	6,590
Edible products and preparations, n.e.s.....	5,939	6,740	7,511	9,679	10,084	17,559
Beer made from malt.....	2,641	1,695	1,573	1,953	2,764	3,684
Tobacco and tobacco manufactures	13,988	13,024	16,334	13,653	14,146	13,747
Hides and skins (undressed)	66	152	56	123	292	355
Sisal.....	4,080	3,887	4,571	5,487	6,526	6,101
Stone, sand and gravel.....	792	770	855	1,056	1,043	1,336
Fluorspar	0	0	0	0	0	0
Salt	4,141	3,871	4,806	4,203	4,503	6,173
Soda ash	6,664	6,113	5,198	6,479	11,882	11,996
Titanium ores and concentrates	15,364	13,853	16,688	21,095	29,398	27,791
Metal scrap	3,943	3,389	3,082	5,989	4,480	8,568
Animal and vegetable oils	5,338	6,517	10,347	15,241	26,948	22,616
Alcohols, phenols, phenol-alcohols, and their halogens	198	109	132	221	396	369
Pigments, paints, varnishes and related materials	2,653	2,197	2,248	2,623	2,901	3,555
Medicinal and pharmaceutical products	10,445	10,327	10,965	11,116	12,211	17,683
Essential oils.....	11,851	13,391	15,812	18,978	21,836	26,839
Plates, sheets, film, foil and strip, of plastics	1,816	2,005	2,022	2,573	2,963	3,487
Insecticides and fungicides.....	1,982	1,871	2,663	2,468	2,260	2,390
Leather	4,420	2,948	2,086	1,904	1,991	2,191
Wood manufactures n.e.s.....	149	148	121	121	196	218
Paper and paperboard	5,627	4,716	4,265	3,535	5,081	2,093
Textile yarn	799	835	1,052	1,013	900	1,059
Made-up articles, wholly or chiefly of textile materials, n.e.s. .	1,962	2,192	2,506	2,197	2,556	2,982
Glassware.....	927	1,069	1,246	1,331	1,762	2,078
Cement	1,483	679	1,148	1,656	4,056	5,884
Iron and steel	12,344	15,698	14,889	19,138	27,532	32,381
Metal containers	393	669	769	1,056	1,302	2,325
Wire products: nails screws, nuts, etc	557	525	539	1,306	3,093	2,577
Household equipment of base metal, n.e.s.....	868	1,084	1,273	1,734	939	2,074
Manufactures of base metal, n.e.s.....	2,822	2,813	2,195	2,199	4,273	3,105
Automatic data processing machines and units thereof;	244	299	359	307	328	568
Electrical machinery and apparatus, n.e.s.....	1,967	2,115	2,474	2,956	3,057	3,215
Trailers and semi-trailers; other vehicles	1,316	1,122	950	1,201	1,479	1,332
Furniture and parts thereof; bedding, mattresses	1,025	1,294	1,095	1,190	1,604	1,873

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023
	(KES million)					
Footwear.....	3,369	3,826	4,210	3,713	2,904	2,900
Printed matter.....	6,860	3,241	5,579	5,322	6,790	3,758
Articles of plastics.....	7,200	6,760	7,582	8,597	9,015	11,899
Articles of apparel and clothing accessories.....	34,328	34,768	32,918	42,701	47,311	44,797
All other items.....	64,962	74,907	73,132	102,209	126,561	202,980
Total	542,857	520,787	567,370	666,739	779,608	901,241

Source: Kenya National Bureau of Statistics 2023 Economic Survey; Kenya Revenue Authority

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023
	(KES million)					
Imports						
Wheat, unmilled.....	42,899	51,347	48,934	62,403	78,083	93,438
Rice.....	25,590	25,063	26,336	31,148	34,408	54,650
Maize (unmilled, excluding sweet corn).....	12,008	6,297	7,460	13,749	24,704	22,963
Wheat flour.....	823	44	214	35	50	46
Sugars, molasses and honey.....	22,466	33,257	26,921	28,856	27,996	57,224
Edible products and preparations, n.e.s.....	11,035	13,061	16,394	16,272	20,431	36,000
Textile fibres and their waste.....	6,550	6,585	6,585	8,035	8,452	5,971
Second-hand clothing.....	16,933	17,770	12,242	18,964	19,991	21,557
Petroleum products.....	295,060	307,469	201,142	335,338	597,654	617,031
Residual petroleum products, n.e.s and related materials.....	7,429	7,914	8,970	8,999	10,842	10,836
Liquefied propane and butane.....	15,090	16,042	15,385	25,980	29,189	33,556
Animal/vegetable fats and oils.....	59,426	59,892	94,105	120,829	145,771	139,120
Organic & inorganic chemicals.....	30,319	26,486	27,956	35,307	49,121	49,158
Pigments, paints, varnishes and related materials.....	8,747	8,565	8,952	10,510	12,572	11,464
Medicinal & pharmaceutical products.....	59,746	65,758	75,919	88,443	92,896	90,557
Essential oils and perfumes.....	22,860	24,229	21,125	26,341	27,175	31,856
Chemical fertilizers.....	23,492	27,011	27,414	38,809	49,179	63,047
Plastics in primary & non-primary forms.....	68,868	66,498	69,233	98,231	101,290	99,218
Insecticides and fungicides.....	14,034	11,256	16,538	23,626	15,653	17,205
Miscellaneous chemical products, n.e.s.....	16,071	15,024	17,770	8,315	23,011	24,791
Rubber tyres and inner tubes, for wheels of all kinds.....	16,273	16,118	15,585	18,650	16,234	16,853
Paper and paperboard.....	41,853	34,708	29,064	38,964	49,334	44,580
Textile yarn.....	4,940	4,660	3,706	5,539	6,807	5,970
Cement clinkers.....	9,576	8,378	8,646	6,676	5,070	3,715
Iron and steel.....	97,686	104,112	105,101	155,539	150,634	120,789
Non-ferrous metals.....	16,425	14,015	16,010	18,731	20,936	22,099
Structures and parts of structures, n.e.s., of iron, steel or aluminium.....	11,222	9,399	10,095	18,322	10,192	5,510
Hand and machine tools.....	2,749	2,931	3,257	3,504	3,670	4,173
Manufactures of base metal, n.e.s.....	10,976	9,351	9,622	11,336	11,692	12,787
Industrial machinery.....	252,461	257,635	231,854	254,222	308,508	340,374
Agricultural machinery and tractors.....	9,298	7,006	9,188	11,349	10,757	3,983
Automatic data processing machines and units thereof.....	11,725	17,956	14,012	14,084	16,329	19,032
Telecommunications equipment, n.e.s., and parts, n.e.s.....	25,512	26,055	25,912	22,924	23,797	30,871
Parts, n.e.s and accessories of the motor vehicles.....	10,103	11,130	11,999	14,114	11,739	13,925
Motorcycles and cycles fitted with an auxiliary motor.....	11,316	13,273	13,631	20,767	13,767	9,597
Bicycles, assembled or partly assembled.....	505	600	662	882	657	3,416
Road motor vehicles.....	92,586	92,141	81,181	99,463	84,983	116,753
Aircraft and associated equipment.....	16,160	22,146	9,094	17,895	15,139	24,892
Prefabricated buildings.....	5,182	2,705	3,447	4,017	4,138	3,896
Furniture and parts thereof.....	8,803	8,403	7,219	8,814	9,381	11,903
Quality control instruments and apparatus, n.e.s.....	12,952	11,393	8,788	10,202	8,432	25,799
Printed matter.....	7,545	8,185	4,950	7,566	12,373	3,812
Articles, n.e.s., of plastics.....	8,880	8,575	7,997	9,345	12,959	13,382
All other commodities.....	320,257	325,893	282,946	345,665	314,783	277,103
Total	1,764,472	1,806,335	1,643,560	2,119,359	2,490,775	2,603,438

Source: Kenya National Bureau of Statistics Economic Survey; Kenya Revenue Authority

The following tables set out the quantities of principal exports and imports for the periods presented.

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023
	(in tonnes, unless otherwise stated)					
Exports						
Fish and fish preparations.....	7,250	8,844	8,418	10,875	13,624	10,698
Maize (unmilled, excluding sweet corn).....	2,673	3,129	6,641	5,128	3,825	1674
Meals and flours of wheat.....	2,282	2,032	2,749	2,867	2,559	9261

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023
	<i>(in tonnes, unless otherwise stated)</i>					
Horticulture	497,417	467,603	592,068	682,279	603,800	713319
Sugar confectionery	29,042	34,801	49,902	64,670	71,514	29268
Coffee, unroasted	44,680	48,735	43,407	37,504	48,302	51201
Tea	501,786	475,503	576,053	557,351	551,804	562388
Margarine and shortening	19,523	20,795	20,863	21,654	18,579	20216
Edible products and preparations, n.e.s.	27,685	32,117	35,494	43,108	39,114	50275
Beer made from malt (000's litres)	33,965	21,739	18,583	21,953	24,133	34647
Tobacco and tobacco manufactures	21,775	20,295	24,082	19,984	16,238	36098
Hides and skins	1,221	1,662	1,083	2,496	5,565	5722
Sisal	24,542	24,134	27,655	31,152	32,372	23383
Stone, sand and gravel	147,615	159,663	163,997	183,779	216,820	201233
Fluorspar	0	0	0	0	0	0
Salt	311,817	266,402	264,615	265,788	329,508	426103
Soda Ash	294,306	254,714	228,200	302,536	284,739	113178
Titanium ores and concentrates ⁽¹⁾	563,835	425,502	399,743	444,620	424,916	293104
Metal scrap	14,212	12,727	12,462	17,875	12,723	18479
Animal and vegetable oils	56,508	85,936	99,506	96,610	122,060	117988
Alcohols and derivatives thereof	1,698	1,124	1,190	1,462	3,245	6713
Pigments, paints, varnishes and related materials	15,162	13,514	14,964	15,978	21,508	22350
Medicinal and pharmaceutical products	13,086	12,577	13,258	11,864	12,485	18719
Essential oils	101,973	124,861	143,252	149,593	124,578	144841
Plates, sheets, film, foil and strip, of plastics	5,105	5,212	5,697	6,582	6,007	6082
Insecticides and fungicides	2,874	2,660	3,698	4,335	2,542	4220
Leather	23,142	15,775	8,626	8,634	9,084	8152
Wood manufactures n.e.s.	279	416	375	582	510	589
Paper and paperboard	33,861	27,019	22,695	20,713	25,152	24857
Textile yarn	1,798	1,916	2,048	1,902	1,480	1515
Made-up articles, wholly or chiefly of textile materials, n.e.s.	7,246	8,286	8,895	8,085	6,764	1893
Glassware	14,558	16,572	18,519	19,675	21,331	20463
Cement	144,275	61,658	120,024	172,523	326,530	448,288
Iron and steel	110,472	149,325	151,053	140,324	164,957	196908
Metal containers	1,932	3,120	3,939	5,341	5,041	7397
Wire products: nails screws, nuts, etc	5,122	4,083	4,551	11,523	18,338	19055
Household equipment of base metal, n.e.s.	3,551	3,742	3,677	5,438	2838	4168
Manufactures of base metal, n.e.s.	12,108	11,956	10,224	8,227	10,275	8880
Automatic data processing machines and units thereof	8,560	23,335	14,724	7,047	5,294	4003
Footwear (000's pairs)	34,411	39,269	35,519	29,368	25,105	23795
Printed matter	5,644	4,544	5,173	7,002	5,904	4724
Articles of plastic	33,901	43,564	47,750	57,303	55,980	37893

⁽¹⁾ Provisional

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023
	<i>(in tonnes, unless otherwise stated)</i>					
Imports						
Wheat, unmilled	1,736,692	1,998,852	1,882,452	1,889,922	1,676,624	2,036,933
Rice	599,339	608,602	605,148	630,911	678,088	935,930
Maize (unmilled, excluding sweet corn)	529,558	228,784	273,472	486,525	793,752	504,696
Wheat flour	22,642	988	4,943	611	689	594
Sugars, molasses and honey	408,383	627,168	482,070	468,785	364,461	641,582
Edible products and preparations, n.e.s.	92,865	102,742	89,959	85,989	82,038	105,583
Textile fibres and their waste	24,146	24,345	26,867	29,468	28,847	19,647
Second-hand clothing	177,160	184,555	121,778	183,830	177,664	166,866
Petroleum products (MM litres)	5,471	6,235	5,514	6,149	5,618	6,540
Residual petroleum products, n.e.s. and related materials	177,989	150,111	198,442	152,675	151,058	117,296
Liquefied propane and butane	240,484	304,408	321,184	373,865	323,718	403,694
Animal/vegetable fats and oils	867,297	1,006,481	1,208,219	926,435	686,603	952,217
Organic and inorganic chemicals	315,055	342,367	360,441	346,409	363,202	401,645
Pigments, paints, varnishes and related materials	52,512	44,342	49,432	52,159	58,582	57,927
Medicinal and pharmaceutical products	29,848	32,378	39,389	30,182	34,825	37,078
Essential oils and perfumes	64,188	72,427	73,134	85,820	84,459	87,209
Chemical fertilizers	632,075	768,825	836,072	758,457	561,986	915,719
Plastics in primary and non-primary forms	471,676	501,451	569,396	576,189	525,317	561,378
Insecticides and fungicide	20,340	15,606	25,810	19,159	17,393	20,455

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023
	<i>(in tonnes, unless otherwise stated)</i>					
Miscellaneous chemical products, n.e.s.....	49,330	49,389	54,013	55,810	53,690	51,304
Rubber tyres and inner tubes, for wheels of all kinds (<i>number</i>).....	10,476	10,182	10,985	11,339	4,279	11,839
Paper and paperboard.....	400,137	359,151	317,842	362,718	351,915	355,715
Textile yarn.....	21,918	21,828	18,874	23,436	21,841	19,184
Cement clinkers	2,016,670	1,813,898	2,008,427	1,065,709	656,499	1,836,290
Iron and steel.....	1,313,822	1,594,244	1,737,983	1,711,277	1,406,637	1,208,076
Non-ferrous metals	46,322	40,226	48,470	44,110	37,914	37,648
Structures and parts of structures of iron, steel or aluminium	59,364	45,920	47,972	62,566	32,886	21,909
Hand and machine tools.....	11,933	12,732	14,439	12,591	10,109	13,122
Manufactures of base metal, n.e.s.	45,327	42,730	45,064	43,106	38,878	39,973
Industrial machinery ⁽¹⁾	-	-	-	-	-	-
Agricultural machinery and tractors ⁽¹⁾	-	-	-	-	-	-
Automatic data processing machines and units thereof (<i>number</i>).....	4989	1,089	938	1,241	298	213
Telecommunications equipment, n.e.s., and parts, n.e.s. ⁽¹⁾	-	-	-	-	-	-
Parts, n.e.s. and accessories of the motor vehicles ⁽¹⁾	-	-	-	-	-	-
Motorcycles and cycles fitted with an auxiliary motor (<i>number</i>).....	204	231	233	342	321	383
Bicycles, assembled or partly assembled (<i>number</i>).....	160	199	211	257	105	116
Road motor vehicles (<i>number</i>).....	101,964	109,933	94,569	103,859	141,837	47,714
Aircraft and associated equipment ⁽¹⁾ ..	-	-	-	-	-	-
Prefabricated buildings	18,185	9,404	9,205	10,753	11,036	9,608
Furniture and parts thereof ⁽¹⁾	-	-	-	-	-	-
Quality control instruments and apparatus, n.e.s. ⁽¹⁾	-	-	-	-	-	-
Printed matter.....	14,151	13,836	6,299	8,789	11,869	9,576
Articles, n.e.s., of plastics	42,043	38,541	37,570	36,027	36,851	42,634

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

Capital and Financial Account

The capital account recorded surpluses of KES 21.1 billion, KES 14.0 billion, KES 21.4 billion, KES 16.5 billion, and KES 17.2 billion in 2019, 2020, 2021, 2022, and 2023, respectively. These surpluses were mainly due to an increase in project grants.

The following table sets out the balance on the capital and financial account for the periods indicated.

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023
	<i>(KES million)</i>					
Credit.....	26,593.0	21,146	14,023	21,451	16,508	17,259.0
Debit.....	-	-	-	-	-	-
Capital Account	26,593.0	21,146	14,023	21,451	16,508	17,259.0
Direct investment:						
Assets.....	(325.9)	3,796.8	(15,167.0)	44,950.5	5,798.9	(7,168.8)
Liabilities.....	77,775.4	47,929.8	45,380.5	50,800.5	46,390.1	58,473.3
Portfolio investment						
Assets.....	117,891.8	87,442.3	110,688.4	114,140.2	56,341.5	67,180.4
Liabilities.....	183,638.5	134,177.3	(29,109.3)	91,815.2	(27,206.6)	(20,336.9)
Other investment						
Assets.....	95,398	58,399.7	108,690.3	11,500.4	(61,700.9)	406,548
Liabilities.....	577,535.1	458,182.7	473,119.9	674,515.8	473,613.4	957,352.4
Financial Account	(624,247.5)	(491,954.3)	(286,475.7)	(644,072.8)	(494,867.7)	(521,436.9)

Source: Kenya National Bureau of Statistics and Kenya Revenue Authority

The following table sets out information on foreign investor net cash inflow activity in the equity market according to the Nairobi Securities Exchange for the periods indicated.

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023
	<i>(KES millions)</i>					
January	(1,464)	(1,357)	530	621	(423)	(2,855)
February	(5,137)	216	(2,655)	(621)	187	(382)
March	(1,483)	1,742	(9,058)	(976)	(1,451)	(10,692)
April	(1,815)	93	(4,098)	(31)	(1,653)	(283)
May	(4,022)	2,166	(4,462)	(782)	(4,207)	(1,312)
June	(2,339)	(900)	(1,690)	(1,196)	(5,036)	113
July	(2,111)	(2,073)	(5,339)	1,555	(2,972)	(3,019)
August	(1,565)	1,509	10	1,721	(1,656)	672
September	(3,029)	827	802	(942)	(2,337)	(1,193)
October	(4,287)	(1,361)	(1,129)	(1,021)	(2,319)	(571)
November	(599)	(730)	(1,186)	(4,294)	(887)	(480)
December	(1,785)	1,247	(354)	(2,874)	(1,664)	(1,286)
Net Cash Inflow	(29,636)	1,378	(28,629)	(10,239)	(24,417)	(21,288)

Source: Capital Markets Authority-CMA statistical bulletin

The Government plans to implement the following objectives in order to increase foreign investment in Kenya:

- expand energy sources to provide reliable energy to industries at competitive rates;
- improve Kenya’s investment climate by simplifying processes;
- finalise commercial laws aimed at increasing efficiency in business and investment in the country;
- improve investor facilitation by creating “one-stop shops” for information;
- prioritise and effectively carry out the necessary institutional reforms to improve governance;
- maintain and expand existing infrastructure; and
- enhance internal security.

Through its Industrial Transformation initiative, the Government has sought to increase connectivity through affordable rail and road networks and ports, re-engineer processes and reduce costs through a broad range of business-related measures. In addition, the Government’s multi-institutional Business Environment Delivery Unit and the Department of Business Reforms and Transformation in collaboration with the private sector coordinated implementation of the reforms required to make Kenya competitive locally and internationally. To this end, Kenya’s ranking in the World Bank Doing Business Indicators has improved, reflecting reforms undertaken in the areas of starting businesses, construction permits, getting credit, payment of taxes, protecting minority investors, and resolving insolvency. In addition, Kenya maintains a flexible exchange rate regime and a fully liberalised capital account.

Foreign direct investment is largely in the form of equity and retained earnings. The main sources of investment are Europe (United Kingdom, France and Netherlands), and Africa (South Africa and Mauritius). These investments are largely in finance and insurance, wholesale and retail trade, information and communication, and manufacturing activities.

Foreign Reserves

Foreign reserves increased to US\$9.1 billion (5.5 months of imports) as at 31 December 2019 but decreased to US\$8.3 billion (5.1 months of imports) as at 31 December 2020. Foreign reserves increased to US\$9.5 billion (5.7 months of imports) as at 31 December 2021 but decreased to US\$8.0 billion (4.5 months of imports) as at 31 December 2022. As at 31 December 2023, foreign reserves slightly decreased to US\$7.3 billion, sufficient to cover 3.9 months of imports. The statutory requirement for import cover is to endeavour to maintain at least 4 months of import cover and reserves are projected at an average of US\$ 7.17 billion in the FY 2023/24.

The following tables sets out foreign reserves held by the CBK and the Central Government as at the dates indicated (in US dollars and KES).

As at end of	Central Bank of Kenya			Central Government		Months of Import cover
	SDR	Foreign Exchange (Cash + gold)	Total	Reserve Position in IMF	Total International Reserves	
US\$ Millions						
2018						
January	8	7,466	7,474	20	7,494	5.1
February	27	7,465	7,492	19	7,511	5.1
March	27	9,295	9,322	19	9,341	6.3
April	16	9,405	9,421	19	9,440	6.4
May	53	9,199	9,251	19	9,270	6.2
June	20	8,895	8,916	19	8,934	6.0
July	14	9,050	9,064	19	9,083	6.0
August	53	8,921	8,974	19	8,993	5.9
September	53	8,453	8,506	19	8,525	5.6
October	33	8,483	8,516	19	8,534	5.6
November	57	8,186	8,243	19	8,261	5.4
December	25	8,120	8,146	19	8,164	5.3
2019						
January	19	8,183	8,203	19	8,221	5.3
February	9	8,525	8,535	19	8,553	5.5
March	83	8,346	8,429	19	8,448	5.4
April	53	7,999	8,052	19	8,070	5.1
May	52	10,032	10,084	18	10,102	6.4
June	10	9,627	9,637	19	9,656	6.0
July	121	9,502	9,623	18	9,642	6.0
August	111	9,447	9,558	18	9,576	5.9
September	111	9,313	9,423	18	9,442	5.8
October	92	9,238	9,330	18	9,348	5.7
November	81	9,052	9,133	18	9,152	5.6
December	59	9,038	9,097	19	9,115	5.5
2020						
January	53	8,809	8,861	18	8,880	5.3
February	43	8,692	8,735	18	8,753	5.3
March	43	8,573	8,616	18	8,634	5.2
April	14	8,324	8,338	18	8,356	5.0
May	14	9,706	9,719	18	9,738	5.9
June	31	9,691	9,721	18	9,739	6.0
July	25	9,595	9,620	19	9,639	5.9
August	16	9,161	9,177	19	9,197	5.7
September	79	8,667	8,746	19	8,765	5.4
October	49	8,295	8,344	19	8,362	5.2
November	50	8,127	8,176	19	8,195	5.1
December	26	8,251	8,277	19	8,297	5.1
2021						
January	20	7,969	7,989	19	8,008	5.0
February	11	7,772	7,782	19	7,802	4.8
March	10	7,711	7,722	19	7,741	4.8
April	42	7,780	7,822	19	7,841	4.8
May	43	7,809	7,852	19	7,871	4.9
June	20	9,917	9,938	19	9,957	6.1
July	14	9,618	9,632	19	9,651	5.9
August	754	8,378	9,132	19	9,151	5.6
September	746	8,867	9,613	19	9,632	5.9
October	729	8,701	9,430	19	9,449	5.8
November	710	8,577	9,287	19	9,306	5.7
December	686	8,786	9,472	19	9,490	5.7
2022						
January	682	8,212	8,894	19	8,912	5.3
February	682	7,967	8,650	19	8,668	5.2
March	676	7,737	8,413	19	8,432	5.0
April	626	8,389	9,015	18	9,033	5.3
May	628	8,141	8,769	18	8,787	5.1
June	608	7,868	8,477	18	8,494	4.9
July	602	7,648	8,250	18	8,267	4.8
August	592	7,261	7,852	17	7,870	4.5
September	582	7,188	7,770	17	7,787	4.4
October	574	7,158	7,732	17	7,749	4.4
November	583	6,947	7,531	18	7,548	4.3
December	568	7,383	7,951	18	7,969	4.5
2023						
January	575	6,901	7,476	18	7,494	4.2
February	555	6,603	7,158	18	7,176	4.0
March	562	6,382	6,943	18	6,961	3.9
April	552	6,509	7,061	18	7,079	3.9
May	529	6,679	7,208	18	7,226	3.9
June	521	7,498	8,018	18	8,036	4.4
July	525	7,376	7,901	18	7,919	4.3
August	502	7,132	7,634	18	7,651	4.1
September	496	7,022	7,517	18	7,535	4.0
October	496	6,982	7,478	18	7,495	4.0
November	480	6,899	7,379	18	7,397	3.9
December	474	6,849	7,322	18	7,340	3.9

As at end of	Central Bank of Kenya			Central Government			Total International Reserves ⁽¹⁾
	SDRs	Foreign Exchange (cash + gold)	Total	Reserve Position in IMF (KES millions)	Deposits with Crown Agents	Total	
2018							
January	864	742,068	742,932	1,996	122	2,117	745,049
February	2,776	740,110	742,885	1,980	122	2,102	744,987
March	2,678	915,089	917,767	1,962	119	2,081	919,848
April	1,592	930,264	931,856	1,931	115	2,046	933,902
May	5,356	920,230	925,586	1,923	113	2,036	927,623
June	2,065	882,616	884,682	1,902	110	2,012	886,694
July	1,438	894,967	896,405	1,888	110	1,998	898,403
August	5,377	869,859	875,236	1,887	109	1,997	877,232
September	5,393	863,207	868,600	1,885	111	1,995	870,595
October	3,341	845,205	848,545	1,884	108	1,992	850,537
November	5,811	827,600	833,411	1,899	110	2,009	835,420
December	2,577	831,298	833,875	1,899	110	2,009	835,883
2019							
January	1,953	841,171	843,124	1,893	110	2,003	845,127
February	939	841,304	842,243	1,874	109	1,983	844,227
March	8,343	837,697	846,040	1,874	110	1,984	848,024
April	6,346	830,833	837,180	1,882	109	1,991	839,171
May	5,230	1,036,089	1,041,319	1,871	107	1,977	1,043,297
June	1,008	1,029,833	1,030,841	1,905	119	2,024	1,032,864
July	12736	1,000,217	1,012,954	1,920	100	2,020	1,014,974
August	11489	961,288	972,776	1,898	105	2,004	974,780
September	11479	943,223	954,701	1,897	107	2,004	956,705
October	9,465	936,180	945,646	1,907	111	2,018	947,664
November	8,312	910,615	918,927	1,891	111	2,002	920,929
December	5,975	911,428	917,402	1,877	111	1,988	919,391
2020							
January	5,300	870,553	875,853	1,855	110	1,965	877,819
February	4,342	865,758	870,100	1,858	109	1,966	872,066
March	4,541	872,947	877,488	1,914	108	2,023	879,510
April	2,529	863,500	866,028	1,964	111	2,075	868,103
May	1,449	997,753	999,202	1,966	110	2,075	1,001,277
June	3,256	1,065,543	1,068,799	1,963	110	2,073	1,070,871
July	2,703	1,031,050	1,033,752	2,039	117	2,155	1,035,908
August	1,732	993,633	995,365	2,057	120	2,177	997,542
September	8,588	946,247	954,834	2,046	116	2,162	956,996
October	6,430	906,505	912,935	2,058	118	2,176	915,110
November	5,434	906,294	911,727	2,108	123	2,231	913,958
December	2,868	882,037	884,904	2,106	124	2,230	887,135
2021							
January	2,207.7	876,888.3	879,096	2,125.9	- ²	2,125.9	881,221.9
February	1,160.8	852,576.3	853,737.1	2,117.0	- ²	2,117.0	855,854.1
March	1,140.0	843,692.2	844,832.2	2,079.1	- ²	2,079.1	846,911.3
April	4,577.5	838,181.2	842,758.7	2,074.5	- ²	2,074.5	844,833.2
May	4,573.1	839,409.9	843,983.0	2,082.2	- ²	2,082.2	846,065.2
June	2,202.7	1,068,594.5	1,070,797.2	2,060.8	- ²	2,060.8	1,072,858.0
July	1,548.0	1,043,533.6	1,045,081.6	2,078.7	- ²	2,078.7	1,047,160.3
August	82,876.7	919,585.1	1,002,461.8	2,096.3	- ²	2,096.3	1,004,558.1
September	82,439.4	978,619.5	1,060,721.9	2,085.2	- ²	2,085.2	1,062,807.1
October	81,102.4	954,947.9	1,036,050.3	2,108.7	- ²	2,108.7	1,038,159.0
November	79,906.5	963,765.9	1,043,672.4	2,110.8	- ²	2,110.8	1,045,783.2
December	77,625.5	993,050.5	1,070,676	2,121.3	- ²	2,121.3	1,072,797.3
2022							
January	77,487.3	931,686.8	1,009,174.1	2,117.5	- ²	2,117.5	1,011,291.6
February	77,658.6	906,054.2	983,712.8	2,127.1	- ²	2,127.1	985,839.9
March	77,719.4	888,538.0	966,257.4	2,128.7	- ²	2,128.7	968,386.1
April	72,458.1	970,265.8	1,042,723.9	2,078.1	- ²	2,078.1	1,044,802.0
May	73,332.5	949,414.8	1,022,747.3	2,110.7	- ²	2,110.7	1,024,858.0
June	71,692.4	926,266.7	997,959.1	2,095.9	- ²	2,095.9	1,000,055.0
July	71,523.5	907,721.2	997,790.2	2,093.2	- ²	2,093.2	999,883.4
August	71,023.1	870,546.0	841,569.1	2,092.1	- ²	2,092.1	843,661.2
September	70,270.4	867,016.0	937,286.4	2,070.1	- ²	2,070.1	939,356.5
October	69,688.0	867,671.3	937,359.3	2,085.8	- ²	2,085.8	939,445.1
November	71,393.7	849,887.7	921,281.4	2,156.7	- ²	2,156.7	923,438.1
December	70,071.1	910,070.7	980,141.8	2,199.4	- ²	2,199.4	982,341.2
2023							
January	71,593.37	857,702.6	929,296	2,247.2	- ²	2,247.2	931,543.2
February	70,392.86	836,923.7	907,316.5	2,258.0	- ²	2,258.0	909,574.6
March	74,342.01	843,769.6	918,111.6	2,384.7	- ²	2,384.7	920,496.3
April	75,034.71	883,925	958,959.7	2,452.4	- ²	2,452.4	961,412.1
May	73,278.98	924,288.1	997,567	2,462.7	- ²	2,462.7	1,000,029.8
June	73,156.29	1,052,796	1,125,952	2,503.8	- ²	2,503.8	1,128,456.1
July	74,671.37	1,049,282	1,123,954	2,561.1	- ²	2,561.1	1,126,514.9
August	72,929.06	1,036,218	1,109,147	2,590.5	- ²	2,590.5	1,111,737.6
September	73,444.76	1,039,134	1,112,579	2,608.8	- ²	2,608.8	1,115,187.4

(1) International reserves are a subset of foreign assets which are readily available for meeting external financial needs

(2) As of January 2021, the Central Bank of Kenya stopped publishing this data

Source: Central Bank of Kenya

Foreign Exchange

Kenya has a flexible exchange rate regime where the value of the Kenya shilling is determined by the market according to the demand and supply of foreign exchange, with the Central Bank intervening only to prevent excess volatility in the currency's trading level. In 2018, the Kenyan shilling appreciated by 2.0% against the dollar, 0.5% against the Japanese Yen, and depreciated by 1.5% against the pound sterling and 2.5% against the euro. The Kenyan shilling's strength in 2018 was attributed to a positive outlook for the Kenyan economy marked by low and stable inflation, expectations of robust growth and a narrowing current account balance. In 2019, the shilling depreciated by 0.7% against the dollar, 2.0% against the Japanese Yen and appreciated by 3.7% against the pound sterling and 4.6% against the Euro. In 2020, the shilling depreciated by 4.4% against the dollar, 5.0% against the pound sterling, 6.6% against the Japanese Yen and by 6.5% against the Euro, mainly due to Covid-19 related concerns. In 2021, the shilling depreciated by 3.0% against the dollar, 10.4% against the pound sterling, 0.2% against the Japanese Yen and by 6.8% against the Euro. In 2022, the shilling depreciated by 7.5% against the dollar, appreciated by 3.3% against the pound sterling, appreciated 9.8% against the Japanese Yen and appreciated by 4.3% against the Euro. In 2023, the shilling depreciated by 18.6% against the dollar, 19.5% against the pound sterling, 10.4% against the Japanese Yen and by 21.9% against the Euro.

The table below sets out selected mean exchange rates for the Kenyan shilling, computed as a simple average of the daily average buying and selling rates.

	2018	2019	2020	2021	2022	2023
1 euro.....	119.63	114.18	121.65	129.76	124.19	151.34
1 US dollar.....	101.29	101.99	106.47	109.65	117.87	139.74
1 Pound Sterling	135.25	130.18	136.73	150.85	145.80	174.19
100 Japanese Yen	91.74	93.59	99.80	99.94	90.15	99.51

Source: Central Bank of Kenya

The table below sets out the fiscal year average exchange rates for the Kenyan shilling against the US\$.

	FY2018/19	FY2019/20	FY2020/21	FY2021/22	FY2022/23
1 US dollar.....	101.16	103.58	108.74	112.79	126.21

Source: Central Bank of Kenya

Trade Policy

Kenya is a signatory to a number of multilateral and bilateral trade agreements and is also a beneficiary to trade enhancing schemes, including: the EU and African, Caribbean and Pacific countries (the “**ACP EU Trade Agreement**”); African Continental Free Trade Area (the “**AfCFTA**”); the United States’ Africa Growth and Opportunity Act (“**AGOA**”); the COMESA; the EAC; the economic partnership agreement between the EAC and the EU (the “**EAC-EU EPA**”); and the Generalised System of Preferences (the “**GSP**”), which, together, provide Kenyan exports with preferential access to a range of African and world markets. Kenya is also a member of the WTO, which grants Kenya’s export products “most favoured nation” treatment in more than 90% of world markets.

Regional Agreements

Kenya’s membership of several regional agreements provides a strong multilateral basis for Kenya to engage in intra-African trade. As a member of the EAC, Kenya enjoys preferential tariff, duty, and customs trade with neighbouring Tanzania, Uganda, Burundi, Rwanda, South Sudan. Through the COMESA, Kenya further benefits from reduced tariff and non-tariff barriers and the elimination of customs duties with the 21 COMESA states. The AfCFTA launched on 1 January 2021 after being delayed by the Covid-19 Pandemic and aims to work towards creating a single liberalised market across the 54 participating African States. Currently, the AfCFTA is in Phase 1 and provides for reductions on tariffs for 90% of goods as well as other trade facilitation and liberalisation measures.

Under the ACP EU Trade Agreement, exports from Kenya entering the EU are entitled to duty reductions and freedom from all quota restrictions. Trade preferences include duty free entry of all industrial products as well as a wide range of agricultural products including beef, fish, dairy products, cereals, fresh and processed fruits and vegetables. Once in force, the EAC-EU EPA will provide for duty and quota-free access for Kenyan exports to the EU, customs facilitative-provisions, and protections for key Kenyan industries.

Under the AGOA, many Kenyan exports qualify for duty-free access to the US market including textiles, apparels and handicrafts. Kenya's exports to the United States under the AGOA increased from approximately KES 41.6 billion in 2018 and to KES 54.1 billion in 2022. The AGOA is set to expire in 2025 although the USA is currently developing a new initiative called 'Prosper Africa' which has the goal to substantially increase two-way trade and investment between the United States and Africa.

Under the GSP, a wide range of Kenya's manufactured products are entitled to preferential duty treatment in the United States, the United Kingdom, Japan, Canada, New Zealand, Australia, Switzerland, Norway, Sweden, Finland, Austria and other European countries. In addition, no quantitative restrictions are applicable to Kenyan exports on any of the 3,000 plus items currently eligible for GSP treatment.

Bilateral Trade Agreements

Kenya has also signed bilateral trade agreements, including sectoral agreements, with several countries around the world. In December 2020, Kenya signed a trade agreement with the United Kingdom.

Kenya has also negotiated and signed Avoidance of Double Taxation Agreements with the United Arab Emirates, the United Kingdom, Germany, India, Canada, Norway, Sweden, Denmark, Zambia, the Republic of Korea, the State of Qatar, the Republic of Iran, France and South Africa, and is currently negotiating a number of others with various countries such as Portugal, Turkey, and Botswana. Kenya has also concluded Investment Promotion and Protection Agreements with France, Finland, Germany, Italy, Netherlands, Switzerland, China, Libya, Iran, Burundi and the United Kingdom, amongst others. Kenya has diplomatic relations with Cuba and trade relations as demonstrated by Kenya's participation in trade fairs.

Export Promotion Council

The Export Promotion Council ("EPC") supports producers and exporters of goods and services through enhancing market access, value addition and dissemination of trade information. The EPC exposes the beneficiary firms to the opportunities available through enhanced international visibility for their products and ease of transacting business.

Under the trade facilitation policy, the EPC advocates a trade policy environment that aids growth and development of Kenya's export sector. This was achieved through participation and contribution in several bilateral and multilateral trade negotiations policy forums, including the EAC-EU EPA, the EAC/COMESA/SADC tripartite negotiations, the AGOA, the COMESA, and the EAC common market negotiations amongst others.

The EPC assists in identifying and expanding export opportunities for Kenya through market research and trade statistical analyses and organises and facilitates participation of Kenya's exhibitors in international trade fairs and exhibitions, as well as providing training to enhance exporters' skills and knowledge.

Kenya-USA Strategic Trade and Investment Partnership

In 2022, Kenya and the United States of America (USA) agreed to commence the negotiations under the framework of the Strategic Trade and Investment Partnership (STIP). Consequently, on 14 July 2022, Kenya and USA issued a joint statement announcing the launch of the Kenya-US Strategic Trade and Investment Partnership. Both countries identified 11 initial areas and developed a roadmap for enhanced cooperation with the goal of negotiating high-standard commitments. The areas identified include agriculture, anti-corruption, digital trade, environment and climate action, good regulatory practices, Micro, Small and Medium Enterprises (MSMEs), promoting workers' rights and protections, supporting participation of women, youth, and others in trade. standards collaboration. trade facilitation and customs procedures and services domestic regulations. In addition, both countries signed a confidentiality agreement that details how data, information, and reports would be handled in the negotiations of the Kenya - US Trade Agreement.

MONETARY AND FINANCIAL SYSTEM

Central Bank of Kenya

The Central Bank of Kenya Act (Cap. 491) established the Central Bank of Kenya. The establishment of the CBK was a direct result of three East African states' desire to have independent monetary and financial policies. This led to the collapse of the East Africa Currency Board in the mid-1960s. Following the promulgation of the Constitution on 27 August 2010, the CBK was established as an autonomous institution under Article 231 of the Constitution. Under this Article, the CBK has the responsibility to formulate monetary policy, promote price stability, issue currency and perform any other functions conferred on it by an act of Parliament. The Central Bank of Kenya Act (Cap. 491) limits the CBK's lending to the Government to 5% of the Government's audited revenue. The Kenyan banking industry has experienced transformation through digitalisation and modernisation of the banking sector. See *"Risk Factors—Risks relating to the Republic of Kenya—The Kenyan banking sector is subject to operational risks relating to the introduction of and reliance on information technology systems including cybersecurity and privacy risks"* for further information regarding operational risk in the banking sector.

The functions and powers of the CBK are the following:

- to formulate and implement monetary policy directed to achieving and maintaining stability in the general level of prices;
- to foster the liquidity, solvency and proper functioning of a stable market-based financial system;
- subject to the above, the CBK shall support the economic policy of the Government, including its objectives for growth and employment;
- to formulate and implement foreign exchange policy;
- to hold and manage its foreign exchange reserves;
- to licence and supervise authorised dealers;
- to formulate and implement such policies as best promote the establishment, regulation and supervision of efficient and effective payment, clearing and settlement systems;
- to act as banker and adviser to, and as fiscal agent of the Government;
- to issue currency notes and coins; and
- to licence to supervise mortgage refinance companies.

Under the Central Bank of Kenya Act (Cap. 491), the responsibility for determining the policy of the CBK, other than the formulation of monetary policy, is given to the Board of Directors. The board comprises 11 members consisting of the Chairperson, the Governor, the Principal Secretary to the National Treasury or his representative who must be a non-voting member, and eight other non-executive directors. The chairperson and directors are appointed by the President with the approval of Parliament and hold office for a period of four years but are eligible for re-appointment for one further term of four years. Persons eligible to be appointed to the board must be citizens of Kenya who are knowledgeable or experienced in monetary, financial, banking and economic matters or other disciplines relevant to the functions of the CBK.

The CBK operates from its head office in Nairobi and has branch offices in Mombasa, Kisumu and Eldoret. The CBK also runs currency centres in Nyeri, Nakuru and Meru. The CBK has a major stake in the Kenya School of Monetary Studies, which is headed by an executive director answerable to the Governor of the CBK.

As part of strengthening the banks' corporate governance, board capabilities and best practises in line with international financial institutions, CBK developed and issued the Kenyan Banking Sector Charter through Banking Circular No. 1 of 2019 on 28 February 2019. The objective was to ensure a responsible and disciplined banking sector.

The following table sets out the financial position of the CBK as at the dates indicated.

	At 30 June					
	2018	2019	2020	2021	2022	
	(KES millions)					
Assets						
Balances due from banking institutions	522,987	542,849	369,505	430,968	295,836	421,469
Funds held with IMF	2,012	1,008	3,255	2,201	71,639	73,275
Securities and advances to banks.....	38,503	66,909	55,561	59,540	71,829	82,469
Loans and advances.....	2,585	3,363	3,274	3,131	3,726	3,694
Financial assets at fair value through profit or loss.....	400,333	504,533	724,892	664,991	636,651	640,530
Investments in securities.....	9	9	10	10	10	12
Other assets	3,302	5,684	5,595	5,541	8,559	7,997
Gold holdings	71	81	106	106	120	150
Right-of-use assets	—	—	222	114	90	79
Retirement benefit asset.....	6,584	4,328	6,537	7,639	7,081	4,994
Property and equipment.....	27,153	30,001	31,618	33,105	31,910	29,710
Intangible assets	165	837	1,224	1,784	310	1,998
IMF on-lent to Government of Kenya			79,702	160,638	192,924	326,865
Due from Government of Kenya	80,188	79,556	68,933	79,288	118,263	189,967
Total assets	1,083,892	1,239,158	1,350,434	1,449,056	1,438,948	1,783,209
Liabilities						
Currency in circulation.....	262,439	249,509	257,792	277,129	305,350	315,967
Investments by banks	—	—	6,997	—	—	—
Deposits from banks and Government	584,287	741,000	732,187	728,001	539,610	572,975
IMF	100,284	83,653	151,841	221,174	325,145	477,899
Other liabilities.....	7,119	6,521	5,602	6,258	4,463	6,291
Total liabilities	954,129	1,080,683	1,154,419	1,232,562	1,174,568	1,373,132
Equity and reserves						
Share capital	5,000	20,000	35,000	35,000	35,000	38,000
General reserve fund.....	106,162	109,608	128,199	155,368	226,986	366,730
Asset revaluation reserve.....	17,801	17,801	17,801	21,680	21,680	21,680
Fair Value reserve	—	7,066	12,515	(1,054)	(23,286)	(21,333)
Consolidated fund.....	800	4,000	2,500	5,500	4,000	5,000
Total liabilities and equity	1,083,892	1,239,158	1,350,434	1,449,056	1,438,948	1,783,209

Source: Central Bank of Kenya

Structure and Development of the Kenyan Banking System

Commercial Banks and Mortgage Finance Institutions

Commercial banks and mortgage finance institutions are licenced and regulated pursuant to the provisions of the Banking Act (Cap. 488) and the Regulations and Prudential Guidelines issued thereunder. They are the dominant institutions in the Kenyan banking system. As at the date of this Offering Circular, there is a moratorium on licencing of new banks as part of efforts to strengthen the banking sector.

As at the date of this Offering Circular, there are 38 licenced commercial banks and 1 mortgage finance company. Out of the 39 institutions, 22 are locally owned and 17 are foreign owned. The locally owned financial institutions are comprised of 2 commercial banks whose majority shareholding are held by the Government, namely the Consolidated Bank of Kenya (77.8% Government owned), the Development Bank of Kenya (89.3% Government owned), 19 privately owned commercial banks and 1 mortgage finance institution. Over the last two years, 3 commercial banks in the small peer group have been acquired by 3 foreign banks. In January 2023, CBK announced the acquisition of assets and liabilities of Spire Bank by Equity Bank Kenya Limited effective from 31 January 2023. This was following a period in 2022/2023 when Spire Bank was in distress.

Over the last six years, CBK has focused on strengthening the banking sector through strengthening of business models to enhance resilience through capital and liquidity buffers. CBK has also entrenched the Internal Capital Adequacy Assessment Process (ICAAP) by banks. ICAAP ensures that banks maintain adequate capital in relation to their risk profile and market niche.

In a bid to strengthen their business models, banks have pursued various options including mergers and acquisitions. Over the last four years, there were a number of mergers and acquisitions including: the acquisition of Transnational Bank by Access Bank of Nigeria, the acquisition of a majority stake in Mayfair Bank by CIB

Bank of Egypt, the acquisition of Jamii Bora Bank by Co-operative Bank of Kenya, the acquisition of assets and liabilities of Spire Bank by Equity Bank Kenya, the acquisition of First Community Bank by Premier Bank of Somalia, and acquisition of 20% in Credit Bank by Shorecap III, LP of Mauritius.

The current minimum capital requirement is KES 1 billion, with the minimum core capital and total capital ratios to risk weighted assets at 10.5% and 14.5%, respectively, under the Central Bank of Kenya's Prudential Guideline on Capital Adequacy. To ensure adherence with the Basel II Accord (International Convergence of Capital Measurement and Capital Standards; Basel Committee on Banking Supervision), capital charges for operational and market risk came into force on 1 January 2014. Similarly, a capital conservation buffer of 2.5% was introduced effective January 2015 in line with Basel III. Banks are required to set aside specific capital charges for credit, market and operational risks.

Following a challenging period experienced by the banking sector in 2016/17, CBK instituted reforms to entrench a culture of transparency and accountability in the banking sector, ensure stronger governance hierarchies and encourage effective business models. CBK also strengthened its supervisory capabilities through recruitment of additional staff with competencies in ICT and has reviewed its supervisory processes and procedures.

The onset of the Covid-19 Pandemic presented unprecedented social and economic challenges around the world. This was underpinned by stringent containment measures instituted to control the Covid-19 Pandemic. The impact on the banking sector in Kenya was mainly through increased credit risk and decreased profitability. The Covid-19 Pandemic presented both threats and opportunities for Kenya's banking and financial industry.

Despite creating operational challenges and business interruptions, the Covid-19 Pandemic also provided banking institutions with the following opportunities: (i) designating financial services as essential services to maintain continuity of operations, (ii) enhanced use of digital service platforms (e.g. mobile and Internet banking) which offered an opportunity for banks to upgrade their delivery channels and (iii) enhanced demand for lending to Fast Moving Consumer Goods ("FMCG"), health and technology companies.

As the banking sector regulator, CBK worked with market players to ensure that the financial sector remained resilient despite the threats posed by the Covid-19 Pandemic. CBK instituted emergency measures aimed at mitigating adverse effects of Covid-19 and also issued regulatory guidance aimed at maintaining business continuity and keeping institutions operational. These measures facilitated operational continuity, adequate liquidity, health and safety of staff and customers and also cushioned borrowers against the adverse impact of the Covid-19 Pandemic.

The major risks affecting the Kenyan banking sector are credit risk, operational risk particularly cyber risk, market risk and liquidity risk. Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the bank or if an obligor otherwise fails to perform as agreed. The rise in credit risk in the Kenyan banking sector can be seen in the increase in its nonperforming loan ratio from 14.5% in December 2020 to 14.8% in December 2023. Credit risk has recently increased mainly due to a challenging business and operating environment. CBK is addressing the deterioration in asset quality by enhancing provisioning measures for non-performing loans as well as strengthening the banking sector's credit underwriting standards. Cyber risk is the risk of financial loss, disruption or damage to the reputation of an organisation from a failure of its information technology systems. The rollout of digital service platforms has made banks and other financial service providers vulnerable to cyber-threats and attacks. In recognition of these enhanced risks, the CBK issued a guidance note to banking institutions in August 2017 and to payment service providers in July 2019 on the management of cyber risks. Market risk has increased due to exchange rate volatility and rising interest rates following tightening of monetary policy. To mitigate the increased market risk, banks have set aside sufficient capital. CBK is closely monitoring market risk management by banks. Liquidity risk is the risk that a bank may be unable to meet short-term financial demands. The average liquidity position in the Kenyan banking sector reached 51% in December 2023, against a regulatory minimum of 20%. Liquidity is currently evenly distributed in the banking sector.

Microfinance Banks

The Microfinance Act and the Microfinance Regulations issued thereunder set out the legal, regulatory and supervisory framework for the microfinance industry in Kenya. The Microfinance Act took effect in 2008. As at the date of this Offering Circular, there were 14 licenced microfinance banks in Kenya. CBK is in the process

of reviewing the legal and regulatory framework governing the microfinance banking industry in Kenya. As at the date of this offering Circular, a draft Microfinance Bill 2021 was approved by Cabinet in May 2022, for tabling in the National Assembly. In addition, the Central Bank of Kenya (Digital Credit Providers) Regulations 2022 were gazetted and operationalised on 18 March 2022. As at 31 December 2023, CBK had licensed 32 Digital Credit Providers (DCPs) to conduct DCP business.

Forex Bureaus and Money Remittance Providers

Forex bureaus were established and first licenced in January 1995 to foster competition in the foreign exchange market and to narrow the exchange rate spread in the market. As authorised dealers, forex bureaus conduct business and are regulated and supervised by the Central Bank of Kenya Act, chapter 491 of the Laws of Kenya and guidelines issued thereunder. As at the date of this offering Circular, there are 74 licenced forex bureaus across the country.

Money remittance providers were first licenced as standalone entities in 2013 to facilitate regulation of international remittances in Kenya. As at the date of this offering Circular, there are 23 licenced money remittance providers in Kenya.

Credit Reference Bureaus

Credit reference bureaus complement the central role played by banks and other financial institutions in extending financial services within an economy. Credit reference bureaus help lenders make faster and more accurate credit decisions. They collect, manage and disseminate customer information to lenders within the framework of the Credit Reference Bureau Regulations 2020 which governs the licencing, operation and supervision of Credit Reference Bureaus by the CBK. CBK is currently working with stakeholders to strengthen the credit information sharing mechanism. This is to among others support risk based credit pricing in the banking sector and expand data sources.

As at the date of this Offering Circular, there are three licenced credit reference bureaus in Kenya.

Capital Adequacy Ratios

The table below sets out the two main capital adequacy ratios for the Kenyan banking sector.

	At 31 December					
	2018	2019	2020	2021	2022	2023*
	(%)					
CAR Ratio ⁽¹⁾⁽²⁾						
Core Capital (tier 1) to Risk Weighted Assets	16.6	16.6	16.6	16.6	16.0	15.1
Total (Regulatory) Capital to Risk Weighted Assets	19.5	18.8	19.0	19.5	18.9	18.3

Source: Central Bank of Kenya

⁽¹⁾ Ratios are based on Basel I and relevant aspects of Basel II and III Capital Accords.

⁽²⁾ The current minimum core capital requirement is KES 1 billion with the minimum core capital and total capital ratios to risk weighted assets at 10.5% and 14.5%, respectively.

* Based on unaudited financial statements.

The East African Central Banks have adopted a common position on Basel III and CBK has implemented some aspects of Basel III. The East African Central Banks are currently harmonising regulatory frameworks which, once complete, will result in implementation of relevant provisions of Basel II and III.

Following the adoption of Internal Capital Adequacy Assessment Process in 2017, all banks are required to maintain sufficient capital aligned to their size, risk profile and complexity. Nonetheless, CBK is currently exploring the possibility of increasing the minimum core capital for banks. This to take into account the evolving risk profiles and to enable the sector support large transformational projects in the economy. The minimum core capital proposal has been articulated in the Draft 2024 Budget Policy Statement and measures are being taken for public participation (as reform may entail amendment of banking legislation). This reform to capital requirements is a result of an increase in the asset base and increased risks to the banking sector, for example, due to cybersecurity and climate change. Separately, stress tests conducted by the Central Bank of Kenya in September 2023 showed capital shortfalls at some banks in scenarios with large interest rate increases or

significant FX depreciation. According to the IMF, the CBK is monitoring the implementation of the banks' capital restoration plans and encouraging adequate provisioning for loan losses.

Non-Performing Loans

The CBK classifies credit exposures of commercial banks in five categories according to their performance at a given point in time. These five categories are:

- Normal: loans performing in accordance with the contractual terms and which are up to date on repayments, and expected to continue in this condition.
- Watch: Loans which are generally past due by between 30 and 90 days.
- Substandard: Loans which are generally past due for more than 90 but less than 180 days.
- Doubtful: Loans which are generally past due for more than 180 but less than 360 days.
- Loss: Loans which are generally past due for 360 days or more.

Loans classified as sub-standard, doubtful and loss are considered as non-performing loans (“NPL”).

The slightly elevated NPL ratio is due to a higher government spending bill as well as the economic slowdown. Approximately 40% of total NPLs are concentrated in the Manufacturing and Trade sectors, thus reducing contagion to the Banking sector.

The table below sets out the gross loans, non-performing loans and returns as at the dates indicated.

	As at 31 December					
	2018	2019	2020	2021	2022	2023
	<i>(KES billions)</i>					
Gross loans	2,488.1	2,690.9	3,006.1	3,248.7	3,677.3	4,199.5
Gross NPLs	316.7	336.9	436.1	426.8	487.7	621.3
Return on Assets (%).....	2.8	2.6	1.7	2.6	3.0	2.3
Return on Equity (%).....	22.5	21.8	13.9	21.6	25.2	22.9
Net profit after tax.....	105.3	110.1	87.1	143.3	175.5	172.9

Source: Central Bank of Kenya

* - Based on unaudited financial statements.

Monetary Policy Framework

The CBK’s principal objective is the formulation and implementation of monetary policy directed at achieving and maintaining stability in the general level of prices (i.e., overall inflation) and the value of the Kenyan shilling against the major currencies. Currently, the CBK targets overall inflation at 5% with an allowable margin of 2.5% on either side, as prescribed by the National Treasury

Monetary policy is the main tool used in the preservation of the value of the currency in an economy. It involves the control of liquidity circulating in an economy to levels consistent with growth and price objectives set by the Government. The volume of liquidity in circulation influences the levels of interest rates, inflation and the relative value of the local currency against other currencies. It is the responsibility of the Monetary Policy Committee (the “MPC”) to formulate the monetary policy of the CBK.

The membership of the MPC is as follows:

- the Governor, who is the chairman;
- the Deputy Governor, who is the deputy chairman;
- two members appointed by the Governor from the CBK, one being a person with executive responsibility within the CBK for monetary policy analysis and the other is a person with responsibility within the CBK for monetary policy operations;

- four external members who have knowledge, experience and expertise in matters relating to finance, banking, fiscal and monetary policy, who are appointed by the Cabinet Secretary for the National Treasury; and
- the Principal Secretary, National Treasury, or his designated alternate as representing the National Treasury. The National Treasury representative is a non-voting member of the committee.

Each external member of the MPC serves for a term of three years, which is renewable once. The MPC meets at least once every two months.

The CBK pursues its monetary policy objectives using the following instruments:

- The Central Bank Rate (“**CBR**”): The CBR is reviewed and announced by the MPC at least every two months. Movements in the CBR, both in direction and magnitude, signal the monetary policy stance. In order to enhance clarity and certainty in monetary policy implementation, the CBR is the base for all monetary policy operations. Whenever the Central Bank is injecting liquidity through a Reverse Repo, the CBR is the lowest acceptable rate by law. Likewise, whenever the Bank wishes to withdraw liquidity through a Vertical Repo, the CBR is the highest rate that the CBK will pay on any bid received. However, to ensure flexibility and effectiveness of monetary policy operations in periods of volatility in the market, the CBK can raise the maximum acceptable interest rates on Term Auction Deposit (“**TAD**”) to above the CBR. Movements in the CBR are transmitted to changes in short-term interest rates. A reduction of the CBR signals an easing of monetary policy operations and a desire for market interest rates to move downwards.
- Open Market Operations (“**OMO**”): This refers to actions by the CBK involving purchases and sales of eligible securities to regulate the money supply and the credit conditions in the economy. OMO can also be used to stabilise short-term interest rates. When the Central Bank buys securities on the open market, it increases the reserves of commercial banks, making it possible for them to expand their loans and hence increase the money supply. To achieve the desired level of money supply, OMO is conducted using:
 - Repurchase Agreements (“**Repos**”): A repo is a collateralised loan involving a contractual arrangement between two parties, in which one party sells a security at a specified price with a commitment to buy the security back at a later date. Both parties therefore, meet their investment goals of secured funding and liquidity. CBK Repos are conducted through auctions with tenors of three and seven days and are for mopping up liquidity from the market. The Late Repo, sold in the afternoon, has a four-day tenor and is issued at 100 basis points below the repo rate of the day. Reverse Repos, on the other hand, are for liquidity injections and involve purchase of securities from commercial banks. The current tenors for Reverse Repos are 7, 14, 21, 28 and 91 days;
 - TAD: The TAD is used when the securities held by the CBK for Repo purposes are exhausted or when CBK considers it desirable to offer longer dated tenors. TAD is essentially not backed by collateral and is conducted through an auction, similar to Repos. Currently, the tenors for such deposits at CBK are 14, 21, 28 or 91 days and upon maturity of TAD, the CBK credits the respective commercial bank with the deposit and interest; and
 - Horizontal Repos: Horizontal Repos are modes of improving liquidity distribution between commercial banks, and are conducted under CBK supervision. They are transacted between commercial banks on the basis of signed agreements using Government securities as collateral, and have negotiated tenors and yields. Commercial banks, short of deposits at the CBK, borrow from banks with excess deposits on the security of an appropriate asset, normally a Government security. Horizontal Repos also help banks overcome the problem of limits to lines of credit, thus promoting more efficient management of interbank liquidity.
- Standing Facilities: The CBK does not have automatic standing facilities with respect to overnight lending. The CBK, as lender of last resort, provides secured loans to commercial banks on an overnight basis at a penal rate that is over the CBR. This facility is referred to as the Discount Window. Access to the Window is governed by rules and guidelines which are reviewed from time to time by the CBK.

Banks making use of this facility more than twice in a week are scrutinised closely, and supervisory action taken.

- The Cash Reserves Ratio (“**CRR**”): In accordance with the law, the CRR is the proportion of a commercial bank’s total deposit liabilities which must be held as deposits at CBK. These deposits are held in the CRR Account at no interest. The ratio is currently 4.25% of the total of a bank’s domestic and foreign currency deposit liabilities. To facilitate commercial banks’ liquidity management, commercial banks are currently required to maintain their CRR based on a daily average level from the 15th of the previous month to the 14th of the current month and not to fall below a CRR of 3% on any day. An increase in reserve requirements restricts commercial banks’ ability to expand bank credit and the reverse is regarded as credit easing. Changes to the cash reserves ratio have rarely been utilised by the MPC as an instrument of monetary policy.
- Monetary policy communication: The increasing use of communication media ensures a wider dissemination of monetary policy decisions and background data thereby increasing the efficiency of information transmission and managing expectations. The regular interaction between the MPC and the Chief Executive Officers of banks has ensured that monetary policy decisions are transmitted to the banking sector. The regular Governor’s Press Conferences have also enhanced the media understanding of monetary policy decisions. The CBK website is an important source of up-to-date data on all aspects of the financial market including interest rates, exchange rates, results of auctions of Government securities, and the MPC releases.

The following monetary policy reforms have been implemented by the CBK:

- The MPC published a White Paper on Modernization of the Monetary Policy Framework and Operations in July 2021, which outlines the reforms that would enhance the effectiveness of monetary policy and support anchoring of inflation expectations. These reforms entail: refining macroeconomic modelling and forecasting frameworks in line with changing structure of the economy, improving the functioning of the interbank market in order to strengthen monetary policy transmission and operations, and continued improvement of communication of monetary policy decisions.
- The CBK implemented the DhowCSD on July 31, 2023, which has improved the functioning of the interbank market by facilitating collateralised lending amongst commercial banks and reducing segmentation in the interbank market.
- To enhance monetary policy transmission, the CBK adopted a new monetary policy implementation framework in August 2023. The new framework is based on inflation targeting and introduces an interest rate corridor around the Central Bank Rate (CBR) set at $CBR \pm 250$ basis points. Consequently, monetary policy operations aim at ensuring the interbank rate, as an operating target, closely tracks the CBR.
- To improve access to the Discount (Overnight) Window, the CBK adopted changes to the terms and conditions for the facility. The applicable interest rate on the facility was reviewed from 600 basis points above the CBR to 400 basis points above the CBR. The improved access to the facility is designed to enhance monetary policy transmission and complement the effectiveness of the interest rate corridor. The repeal of interest rate caps in November 2019 restored the clarity of monetary policy decisions and is expected to strengthen the transmission of monetary policy

Other CBK reforms relating to enhancing the efficiency of the foreign exchange market were as follows:

- In March 2023, CBK issued the Kenya Foreign Exchange Code (the FX Code) to commercial banks. The FX Code sets out standards for commercial banks and aims to strengthen and promote the integrity and effective functioning of the wholesale foreign exchange (FX) market in Kenya. It will facilitate better functioning of the market, reinforcing Kenya’s flexible exchange rate regime for greater resilience of the economy. It borrows heavily from the FX Global Code and best practices adapted in leading jurisdictions. The FX Code focuses on six leading principles to be adhered to by institutions: ethics; government; execution; information sharing; risk management and compliance; and confirmation and settlement processes.

- Changes to the Interbank Foreign Exchange Market: to streamline and improve operations in the FX interbank market:
- Introduced Electronic Matching System (EMS) in the FX interbank market to increase efficiency, accountability and transparency in a market that was trading manually before.
- CBK issued circulars to review the following:
 - Indicative spread of 0.20 cents in the interbank market.
 - Reduce swap limits for foreign counterparties from 1-year to 6-months to increase liquidity in the foreign exchange market. No tenor limits for resident counterparties. Counterparties operating withing the EAC will be treated as local counterparties.
- Minimum amount that can be traded in the interbank market reviewed from USD 500,000 to USD 100,000. Banks wishing to trade amounts smaller than the set minimum can do so on a market taker basis and such trades will not be considered as interbank.

Inflation and Interest Rates

The MPC held six bi-monthly meetings in 2018. The Central Bank rate (CBR) was reduced from 10.0% to 9.5% in the March 2018 meeting, and from 9.5% to 9.0% in the July 2018, with the objective of supporting economic activity while continuing to anchor inflation expectations. The CBR was retained at 9.0% from July 2018 to June 2019, following well-anchored inflation expectations within the target range, and muted demand driven inflation pressures with the economy operating close to its potential. In November 2019, the CBK lowered the CBR to 8.50% to boost economic growth against a backdrop of anchored inflationary expectations.

In the MPC meeting of 2020 held in January, the Committee lowered the CBR by 25 basis points to 8.25%, noting that the economy was operating below its potential level, and the tightening of fiscal policy provided room for accommodative monetary policy to support economic activity. The onset of the Covid-19 Pandemic in Kenya in mid-March created unprecedented uncertainty for the economy. The MPC moved quickly to put in place measures to prevent the Covid-19 Pandemic from becoming a severe economic and financial crisis. The Committee lowered the CBR to 7.25% in March 2020 and further to 7.00% in April 2020 in order to support economic activity. Additionally, the MPC reduced the Cash Reserve Ratio (CRR) to 4.25% from 5.25% releasing an additional liquidity of KES 35.2 billion used to directly support distressed borrowers as a result of Covid-19. Additionally, the MPC extended the maximum tenor of Reverse Repurchase Agreements from 28 to 91 days. This provided flexibility on liquidity management facilities provided to banks by CBK by enabling banks access to longer-term liquidity secured on their holdings of Government securities without having to discount them. The MPC held monthly meetings in April and May 2020 to ensure closer monitoring of the impact of these policy measures on the economy, as well as the evolution of the Covid-19 Pandemic.

During the Monetary Policy Committee (MPC) meetings in July, September and November 2020 as well as in January, March and May 2021, the Committee retained the Central Bank Rate (CBR) at 7.0%, observing that the package of policy measures adopted since March 2020 were having the intended effect on the economy, and that these measures would be augmented by the announced fiscal measures for 2020/21.

Overall inflation remained well anchored within the Government's medium-term target range in 2018 through to May 2022, reflecting stable food prices, lower fuel and electricity prices. Non-Food-Non-fuel inflation remained below 5.0% during the period, indicating muted demand pressures arising from appropriate monetary policy stance. However, overall inflation increased to above the target range in June 2022, to a peak of 9.6% in October 2022, following a surge in global prices of key commodities particularly fuel, wheat, and edible oils due to supply disruptions exacerbated by the Russia-Ukraine war. Prices of maize grain and flour increased sharply due to reduced supply following poor harvests in 2021 attributed to unfavourable weather conditions. To anchor inflation expectations, the Monetary Policy Committee (MPC) tightened the monetary policy stance from May 2022. The MPC cumulatively raised the CBR by 550 basis points between May 2022 and December 2023 to mitigate the potential impact of the sustained inflationary pressures and the elevated global risks. The CBR was increased by 50 basis points in May 2022, 75 basis points in September 2022, 50 basis points in November 2022, 75 basis points in March, and the most decisive actions being the 100 basis points and 200 basis points increases in the CBR in June and December 2023, respectively. While headline inflation in this

period was largely driven by supply side factors, CBK actions were aimed at addressing the pressures in the exchange rate, mitigating the second-round effects, and ensuring inflation expectations are well anchored.

Overall inflation declined from the peak level of 9.6% witnessed in October 2022 to 6.6% in December 2023, which is within the 2.5–7.5% target range. The decline in inflation in 2023 reflected the impact of monetary policy measures adopted by CBK, easing food prices attributed to favourable weather conditions, and the government measures to zero-rate key food imports and enhance food production through subsidy on fertilizer prices. Food inflation eased to 7.7% in December 2023 from 15.8% in December 2022, following improved food supply supported by lower international food prices. Fuel inflation remained elevated at 13.7% in December 2023 compared to 12.6% in December 2022, mainly reflecting the impact of exchange rate depreciation on domestic fuel prices. Non-food non-fuel (NFNF) inflation eased to 3.4% in December 2023 from 3.8% in December 2022, reflecting the impact of monetary policy measures.

The capping of bank interest rates was repealed through the enactment of the Finance Act 2019. Interest on commercial bank loans and advances reduced to 12.02% as at December 2020 from 12.24% as at December 2019 from 12.51% as at December 2018. Interest rates on commercial loans increased slightly to 12.16% as at December 2021. The 91-day Treasury Bills rate was 7.26% as at December 2021, 6.90% as at December 2020, 7.17% as at December 2019, and 7.34% as at December 2018. The loans-deposits interest rate spread decreased to 5.66% as at 31 December 2021 from 5.73% as at December 2020. The cost of borrowing between banks as indicated by the inter-bank rate fell from a high of 8.15% as at December 2018 to 2.98% as at June 2019 but rose to 6.03% as at 31 December 2019. The inter-bank rate then fell to 5.3% as at 31 December 2020 and stayed relatively stable around that range through June 2022.

Interest rates rose from the second half of 2022, reflecting the tightening of monetary policy stance. The interbank interest rate increased from 5.06% as at June 2022 to 5.39% as at December 2022 and 12.36% as at 30 September 2023. The 91-day Treasury bill rate increased from 7.90% as at June 2022 to 9.33% as at 31 December 2022 and 14.38% as at 30 September 2023. Interest on commercial banks loans increased from 12.27% as at June 2022 to 12.67% as at December 2022 and 13.62% as at 30 September 2023. The loans-deposits interest rate spread decreased to 5.33% as at 30 September 2023 from 5.51% as at 31 December 2022 and 5.66% as at 31 December 2021.

	Year ended 31 December												Dec*
	2018		2019		2020		2021		2022		2023		
	June	Dec	June	Dec	June	Dec	June	Dec	June	Dec	June	Sept	
91-day Treasury Bills Rate..	7.87	7.36	6.94	7.17	7.14	6.90	7.03	7.26	7.90	9.33	11.49	14.38	15.70
CBR	9.5	9.0	9.0	8.50	7.00	7.00	7.00	7.00	7.50	8.75	10.50	10.50	12.50
Repo rate	6.16	7.72	4.23	7.45	3.50	6.81	5.37	5.31	6.80	—	—	—	-
Inter-bank rate	5.0	8.15	2.98	6.03	3.27	5.29	4.63	5.10	5.06	5.39	9.48	12.36	11.65
Commercial banks ⁽¹⁾													
Average deposits	8.0	7.41	7.19	7.11	6.86	6.30	6.37	6.50	6.62	7.17	7.80	8.64	10.10
Savings deposits	6.6	5.13	4.77	4.02	4.15	2.70	2.55	2.55	2.50	3.56	3.91	4.00	4.23
Loan and advances	13.2	12.51	12.47	12.24	11.89	12.02	12.02	12.16	12.27	12.67	13.31	13.98	14.64
Overdraft	13.2	12.17	12.12	11.67	11.24	11.51	11.18	11.45	11.86	12.22	12.83	13.62	14.65

Source: Central Bank of Kenya

⁽¹⁾ Weighted average commercial bank interest rates.

* The December 2023 commercial banks interest rates are provisional

Average headline inflation rose from 4.7% in 2018 to 7.7% in 2023, largely on account of supply factors associated with developments in food and energy prices. The average food inflation was low at 1.4% in 2018, reflecting the impact of favourable weather conditions. The lower food inflation counterbalanced the impact of higher fuel inflation which averaged 17.8% in 2018, reflecting the impact of higher international oil prices. Food prices increased significantly from 2019 to the first quarter of 2023, due to unfavourable weather conditions with Kenya witnessing the worst drought in decades.

Inflation developments in the period 2020-2022 were exacerbated by supply chain disruptions associated with the Covid-19 Pandemic and the Russia-Ukraine war. Food inflation averaged 8.5% in 2021, 13.1% in 2022 and 9.7% in 2023. Fuel inflation declined to 8.8% and 7.9% in 2019 and 2020, respectively, reflecting lower international oil prices on account of low global demand following the Covid-19 Pandemic. However, the pick-

up in global demand coupled with supply chain constraints, resulted in a significant increase in international oil prices between 2021 and 2022. As a result, fuel inflation increased to average 12.1% in 2021 and 13.9% in 2023. Overall inflation increased to above the 7.5% target band in June 2022.

Overall inflation returned to the 5±2.5% target band in July 2023 and has remained in the band since then. The decline in overall inflation was driven mainly by easing food prices arising from increased supply following improved weather conditions, and impact of monetary policy measures adopted by the CBK. However, fuel has remained elevated due to rising international oil prices and the impact of the depreciation in the exchange rate on imported prices. The tight monetary policy implemented by the CBK contained second order effects of high energy prices on the Non-Food-Non-Fuel, (NFNF). The NFNF inflation averaged 3.4% in December 2023 compared to 4.4% in February 2023.

The following table sets out the headline inflation rates for the periods indicated.

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023
January	4.8	4.7	7.4	5.7	5.4	9.0
February	4.5	4.1	7.2	5.8	5.1	9.2
March	4.2	4.3	5.8	5.9	5.6	9.2
April	3.7	3.7	6.0	5.8	6.5	7.9
May	4.0	3.5	5.3	5.9	7.1	8.0
June	4.3	4.8	4.6	6.3	7.9	7.9
July	4.4	6.1	4.4	6.5	8.3	7.3
August	4.0	6.0	4.4	6.6	8.5	6.7
September	5.7	5.1	4.2	6.9	9.2	6.8
October	5.5	6.3	4.8	6.5	9.6	6.9
November	5.6	7.1	5.3	5.8	9.5	6.8
December	5.7	7.2	5.6	5.7	9.1	6.6
Average Inflation (%)	4.7	5.2	5.4	6.1	7.7	7.7

Source: Kenya National Bureau of Statistics

Liquidity and Credit Aggregates

The following table sets out the deposit liabilities and liquid assets of commercial banks as at the end of each month indicated.

		Deposit Liabilities ⁽¹⁾	Liquid Assets ⁽²⁾	Overall Liquidity Ratio ⁽³⁾
		<i>(KES millions)</i>		<i>(%)</i>
2018	December	3,414,706	1,726,988	50.6
2019	December	3,634,996	1,911,337	52.6
2020	December	4,100,921	2,315,961	56.5
2021	December	4,418,326	2,668,905	60.4
2022	December	4,710,272	2,714,636	57.6
2023	June	5,150,753	2,909,245	56.5
	September	5,489,380	3,107,524	56.6

(1) Total deposits net of balances due to banks, NBFIs, building societies and mortgage finance companies.

(2) Includes cash in till, deposits with local and foreign banks, and local and foreign securities held.

(3) Commercial banks' liquid assets as a percentage of deposit liabilities.

Source: Central Bank of Kenya

Net foreign assets in the banking system increased by 38.3% to KES 714.1 billion as at 31 December 2018, and an increase of 12.65% to KES 804.5 billion as at 31 December 2019, and a decrease of 7.1% to KES 746.9 billion in 2020. Net foreign assets in the banking system further decreased by 21.0% to KES 590.1 billion as at 31 December 2021 and further decreased 51.9% to KES 283.9 billion as at 31 December 2022. Net foreign assets in the banking system increased by 179.5% to KES 793.6 billion as at 31 December 2023 compared with similar period in 2022.

Domestic credit within the banking system increased by 4.6% as at 31 December 2018, and an increase of 7.3% as at 31 December 2019, and an increase of 17.0% as at 31 December 2020, and an increase of 14.9% as at 31 December 2021, and an increase of 11.5% as at 31 December 2022 and an increase of 14.9% as at 31 December

2023. Domestic credit growth to the private sector increased by 2.4% in 2018 as at 31 December 2018, and increased by 7.1% as at 31 December 2019, and increased by 8.4% to KES 2,811 billion as at 31 December 2020, and increased by 8.6% to KES 3,053 billion as at 31 December 2021, and increased by 12.5% to KES 3,434 billion as at 31 December 2022 and increased by 13.9% to KES 3,911 billion as at 31 December 2023. At 31 December 2023, lending to the private sector accounted for 67.1% of total lending, while lending to the Central Government accounted for 30.4% of total lending.

As at 31 December 2018, broad money supply increased by 8% to KES 2,756.0 billion. As at 31 December 2019, broad money supply increased by 5.4% to KES 2,904.4 billion. As at 31 December 2020, broad money supply increased by 11.9% to KES 3,250.2 billion. As at 31 December 2021, broad money supply increased by 5.6% to KES 3,431.6 billion. As at 31 December 2022, broad money supply increased by 5.4% to KES 3,617.4 billion. As at 31 December 2023, broad money supply increased by 9.3% to KES 3,952 billion compared with similar period in 2022.

Extended broad money supply (M3) grew to KES 3,524.0 billion as at December 2019 from KES 3,337.8 billion as at December 2018, and it grew to KES 3,990.9 billion as at 31 December 2020. Extended broad money supply (M3) further grew to KES 4,235.2 billion as at 31 December 2021, KES 4,538.5 as at 31 December 2022 and KES 5,489.6 billion as at 31 December 2023. Total domestic credit grew by 14.9% to KES 6,252.0 billion in 2023 compared to a growth of 11.5% in 2022. Overall liquidity of the banking system grew by 18.9% to KES 8,197.8 billion in 2023. The currency outside banks increased to KES 282.1 billion in December 2023 from KES 260.8 billion.

The following table sets out monetary and liquidity indicators for Kenya as at the dates indicated.

	As at 31 December					
	2018	2019	2020	2021	2022	2023
Assets	<i>(KES millions)</i>					
Net Foreign Assets	714,099	804,452	746,941	590,084	283,947	793,576
CBK / Government.....	739,492	833,302	738,485	700,572	537,832	486,884
Commercial Banks	(25,393)	(28,850)	8,456	(110,487)	(253,884)	306,692
Domestic Credit	3,381,067	3,628,093	4,245,764	4,876,893	5,439,734	6,252,043
Private (excl Interest in Suspense)	2,421,961	2,594,580	2,811,280	3,053,180	3,433,534	3,911,171
Government.....	858,156	941,229	1,343,280	1,723,576	1,924,256	2,239,527
Other Public (net).....	100,950	92,284	91,204	100,137	81,944	101,345
Other items (net).....	(757,333)	(908,519)	(1,001,803)	(1,231,753)	(1,185,177)	(1,547,046)
Net Domestic Assets	2,623,733	2,719,574	3,243,960	3,645,139	4,254,557	4,704,994
Liabilities						
Overall Liquidity (L)	4,461,216	4,831,493	5,665,218	6,202,347	6,896,874	8,197,773
Extended broad money	3,337,832	3,524,026	3,990,901	4,235,224	4,538,504	5,498,573
Foreign Currency Deposits.....	581,859	619,675	740,678	803,661	921,052	1,546,251
Broad Money (M2).....	2,755,973	2,904,352	3,250,223	3,431,563	3,617,453	3,952,322
Money (M1)	1,477,526	1,525,237	1,720,132	1,848,086	1,971,099	2,044,063
Money (M0)	230,344	198,612	233,681	253,485	260,775	282,092
Currency in circulation.....	288,299	258,945	290,544	310,278	325,866	351,275
Cash in tills.....	57,955	60,333	56,863	56,794	65,091	69,183
Quasi Money	1,278,447	1,379,115	1,530,090	1,583,477	1,646,354	1,908,259

Source: Central Bank of Kenya

Narrow money supply (M1) grew by 6.6% to KES 1,477.5 billion as at 31 December 2018, increased by 3.2% to KES 1,525 billion as at 31 December 2019, increased by 12.8% to KES 1,720 billion as at 31 December 2020, increased by 7.4% to KES 1,848 billion as at 31 December 2021, and increased by 6.7% to KES 1,971 billion as at 31 December 2022. As at 31 December 2023, narrow money supply (M1) increased by 3.7% to KES 2,044 billion compared to December 2022

The overall liquidity increased by 11.2% to KES 4,461 billion as at 31 December 2018, increased by 8.3% to KES 4,831 billion as at 31 December 2019, increased by 17.3% to 5,665 billion as at 31 December 2020, increased by 9.5% to KES 6,202 billion as at 31 December 2021, and increased by 11.2% to KES 6,897 billion as at 31 December 2022. As at 31 December 2023, the overall liquidity increased by 18.9% to KES 8,198 billion compared to December 2022.

Securities Markets

Kenya has one stock exchange, the Nairobi Securities Exchange, which was established in 1954 and currently has 61 listed companies. The Capital Markets Authority of Kenya (the “**Capital Markets Authority**”) is the Government regulator charged with licencing and regulating the capital markets in Kenya. It also approves public offers and listings of securities traded at the Nairobi Securities Exchange. The Capital Markets Authority was established in 1989 and approved the demutualisation of the Nairobi Securities Exchange and the initial public offering of its shares and subsequent listing of its shares on the Nairobi Securities Exchange in June 2014. The Government and the CMA Investor Compensation Fund each hold a 5.1% interest in the Nairobi Securities Exchange. In September 2014, the Nairobi Securities Exchange announced the conclusion of the initial public offering. The number of investment banks was 16 in 2022, while the number of stockbrokers and fund managers was 10 and 34, respectively. The number of custodians was 223 in 2022. Kenya has also established a new Central Securities Depository to provide a settlement and clearing services..

The following table sets out information on various capital market indicators for the periods indicated.

	Year ended 31 December					
	2018	2019	2020	2021	2022	2023
Equities:						
Total No. of Shares Traded (millions).....	6,336	4,832	5,264	4,051.1	3,081.0	3,745.18
Total No. of Transactions.....	305,587	247,815	263,907	277,611	272,936.0	272,481
Total Value of Shares Traded (KES billions)	176	154	149	137	94	88.23
NSE 20 Share Index (Base Jan 1966=100).....	2,801	2,654	1,868	1,903	1,676	1,501.2
End-Period Market Capitalisation (KES billions)	2,102	2,540	2,337	2,593	1,986	1,439
Fixed Income:						
Total Bond Turnover (KES` billions)	563	652	692	957	742	644.0

Source: Kenya National Bureau of Statistics / Nairobi Securities Exchange

PUBLIC FINANCE

Budget Process

The Constitution provides that the National Government must share all revenue that it raises equitably amongst the national and county governments. For every financial year, the revenue allocated to the county governments shall not be less than 15% of the total revenue that the National Government collects. This amount is calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly. County governments may however be given additional allocations from the National Government's share of the revenue either conditionally or unconditionally. In line with this requirement, the equitable share allocation to counties has averaged 20.3% of the shareable revenues and 22.1% of the four taxes (Excise, import duties, income taxes and VAT) since the inception of Kenyan devolution in FY 2013/14 to the FY 2022/23. In addition to equitable share allocation, the Government has continued to transfer conditional allocations to the counties to address critical policy objectives at the grass roots. These conditional allocations have risen from KES 3.4 billion in FY 2013/14 to KES 16.2 billion in FY 2022/23.

At least two months before the end of each financial year, a Division of Revenue Bill is introduced in Parliament to divide revenue raised nationally between the National Government and the county governments. Similarly, a County Allocation of Revenue Bill is introduced in Parliament that divides amongst the counties the revenue allocated to the county governments. Both these bills must be passed by the National Assembly and the Senate. The National Assembly, however, has power under the Constitution to amend or veto the County Allocation of Revenue Bill passed by the Senate by a resolution supported by two-thirds of the members of the National Assembly.

On 15 May 2020, the Supreme Court of Kenya issued an advisory opinion on the 2019 Division of Revenue Bill following a delay by Parliament in enacting the 2019 Division of Revenue Bill, without which the county governments could not prepare and adopt their annual budgets and appropriation laws.

The Supreme Court advised that the National Assembly should authorise counties to withdraw money from the Consolidated Fund if there is an impasse over the Division of Revenue Bill. Any delay in disbursement of funds to the county governments must be justified and explained to the county governments. Parliament cannot enact an Appropriation of Revenue Act before enacting the Division of Revenue Act. The estimates of revenue and expenditure which the Cabinet Secretary to the Treasury submits to the National Assembly should be based on the National Government's share of revenue as provided for in the Division of Revenue Act.

The Division of Revenue Bill and the County Allocation of Revenue Bill are submitted to Parliament by 15 February of each year.

The revenue allocated to the National Government must be dealt with through a process involving the introduction of budget estimates (proposals as to how the money should be spent) and then the annual Appropriation Bill (which authorises the executive to spend).

Three separate sets of "budget estimates" are submitted to the National Assembly. They are:

- the expenditure of the National Government prepared by the National Treasury and submitted by the Cabinet Secretary for the National Treasury;
- the expenditure by the parliamentary service submitted by the Parliamentary Service Commission; and
- the expenditure by the judiciary submitted by the Chief Registrar of the Judiciary.

The budget estimates prepared by the National Treasury incorporates estimates of the projects and programs provided for in the MTP.

The Constitution does not require estimates for the parliamentary service or the judiciary to be considered by the National Treasury before they are submitted to Parliament.

Before the National Assembly considers the estimates of revenue and expenditure, a committee of the National Assembly discusses and reviews the estimates and makes recommendations to the National Assembly.

In discussing and reviewing the estimates, the committee must seek representations from the public which are taken into account when the committee makes its recommendations to the National Assembly.

When the estimates of the National Government expenditure and the estimates of expenditure for the Judiciary and the Parliament have been approved by the National Assembly, they are included in an Appropriation Bill which is introduced into the National Assembly. The Appropriation Bill authorises the withdrawal, from the Consolidated Fund, of the money needed for the expenditure and appropriation of that money for purposes mentioned in the Appropriation Bill.

The budget estimates and Appropriation Bill are submitted to the National Assembly by 30 April of each year.

On the basis of the Division of Revenue Act passed by Parliament, each county government prepares and adopts its own budget and appropriation bill based on the revenue they raise themselves as well as their share of the revenue raised nationally that is divided amongst the counties in a County Allocation of Revenue Act.

In line with the Constitution, Section 15 of the PFMA sets out fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The law provides that:

- over the medium term, a minimum of 30% of the national budget shall be allocated to development expenditure;
- the National Government's expenditure on wages and benefits for its public officers must not exceed 35% of total National Government revenue;
- over the medium term, the National Government's borrowings should be used only for the purpose of financing development expenditure and not for recurrent expenditure;
- the public debt should be maintained at a sustainable level;
- fiscal risks should be managed prudently; and
- a reasonable degree of predictability with respect to the level of tax rates and tax bases should be maintained, taking into account any tax reforms that may be made in the future.

In order to control the flow of cash between treasury and spending units and reduce the procedural delays encountered in the actual execution of budgets, the PFMA provides for the establishment of single treasury accounts for the National Government and county governments through which payments of money should be made.

While county governments have a greater involvement in the budget process now than they had prior to the adoption of the Constitution as a result of devolution, the Constitution also provides the basis for a coherent public financial management legal framework. Under the Constitution, the controller of budget shall oversee the implementation of the budgets of the national and county governments by authorising withdrawals from public funds. In addition, the PFMA also provides that the County Fiscal Strategy Paper must align with the national objectives in the BPS. The County Fiscal Strategy Paper contains the broad strategic priorities and policy goals that is intended to guide the county governments in their budgeting process. County governments rely on allocations from the National Government to finance their budgets, with Government allocations accounting for approximately 77.6% in 2018/19, 78.1% in 2019/20, 72.5% in 2020/21, 74.7% in 2021/22 and 79.4% in 2022/23. The county governments are responsible for their own budgets and are expected to prepare balanced budgets, with no deficit. If there are any such deficits, these are not subsumed by the National Government and consequently do not impact the national debt obligation.

In addition, intergovernmental fora, (such as the Intergovernmental Budget and Economic Council, the Intergovernmental Relations Summit and the Council of county governors) have been established to facilitate closer cooperation between the national and county governments. The Intergovernmental Budget and Economic Council is a forum for consultation on economic and financial matters. Moreover, the National Government, in accordance with the requirements of the Constitution, has been supporting county governments by building their capacity in the management of public finances. The Government is also working closely with the Salaries and Remuneration Commission, which is mandated to set and advise on salary policy in the public sector. On 14 November 2023 Kenya's Q1 2023/24 economic and budgetary review was published, demonstrating a strong

and resilient economy in the first half of 2023, underpinned by financial, hospitality and agriculture sectors. Recent measures to monitor public finances and government spending include the implementation of the Treasury Single Account for national and county governments to simplify government banking, create visibility of government cash resources and increase transparency in government cash management. The Treasury Single Account also provides better control and management of expenditure and minimisation of fragmentation of government accounts.

Taxation Policy

Taxation policy in Kenya is primarily set out under Article 209 of the Constitution of Kenya, which grants the National Government the authority to levy various taxes such as Income Tax, Value-Added Tax (VAT), Excise Duty, Customs Duties, and other duties on imports and exports. This authority extends to any other tax established by an Act of Parliament or County Assembly. Additionally, County Governments have the power to impose property rates, entertainment taxes, and other taxes as sanctioned by Parliament.

Additionally, Article 210 of the Constitution stipulates that the imposition, waiver, or alteration of taxes must be done through an Act of Parliament. Complementing this, Article 201 of the Constitution mandates the fair distribution of the tax burden and equitable sharing of nationally raised revenue between the National and County Governments. Article 201 delineates the principles of public finance, which are foundational to tax laws, administrative processes, and procedures. The PFMA further outlines fiscal responsibility principles, including the need for predictability in tax rates and tax base. In addition to the Constitution and the PFMA, there are specific tax laws and administration laws overseen by the National Government.

The key tax laws include:

- **The Income Tax Act (Cap. 470)**, governs the determination, assessment, and collection of income tax;
- **The Value Added Tax Act, 2013**, which imposes VAT on goods and services produced or imported into Kenya;
- **The Excise Duty Act, 2015**, outlining the charge, assessment, and collection of Excise Duty on excisable goods and services;
- **The Tax Procedures Act, 2015**, standardizing and consolidating the procedural rules for administering tax laws in Kenya;
- **The East African Community Customs Management Act, 2004**, managing Customs-related issues within the East African Community (EAC);
- **The Miscellaneous Fees and Levies Act, 2016**, imposing fees and levies on imported goods for Kenyan consumption and export duties to promote value addition;
- **The Tax Appeals Tribunal Act, 2013**, establishing a tribunal for tax appeal management and administration; and
- **The Kenya Revenue Authority Act (Cap. 469)**, which establishes the Kenya Revenue Authority, responsible for revenue assessment and collection, and enforcing revenue laws.

Generally, the overall aim of Kenya's tax policy is to move more to expenditure-based taxes that cover all sectors, including the informal sector and away from direct taxes. Over the years, there had been incremental improvements of the taxation regime in the country. For instance, between 2014 and 2016, the Government simplified and modernised its VAT legislation and legislation relating to excise duty and tax procedure. Major changes to Kenya's tax policy were also introduced by the Finance Act 2017, including expanding the individual Pay As You Earn ("PAYE") bands by 10%, increasing personal relief by 10% and raising the taxes for betting, lottery, gaming and competition.

By the end of 2019/20, Kenya's tax base constituted 44.8% income tax, 25.1% Value Added Tax (both domestic and import), 12.2% Excise Duty, 5.7% Import Duty and 12.2% Other Taxes. Other taxes include investment income, stamp duty, capital gain tax, traffic revenue, land revenue, fines and forfeitures, import declaration fees (IDF), tax on property, reimbursement and Anti Adulteration Levy.

Further, the Government, through the Tax Laws (Amendment) Act, 2018, and the Finance Act, 2018, amended the Income Tax Act, Excise Duty Act, VAT Act and the Tax Procedures Act and introduced several other policy and administrative reforms to bolster tax revenue from 2018/19 onward. The reforms are intended to improve domestic revenue collection and are estimated collectively to achieve a revenue yield of 0.9% of GDP in 2018/19. More reforms on business taxes were introduced in the Finance Acts in the years 2019 and 2020, including: a turnover tax at the rate of 3% of gross receipts, which seeks to effectively tax the informal sector; a minimum turnover tax at the rate of 1% of total turnover, which sought to ensure that all companies contribute to development and infrastructure; and a Digital Service Tax at the rate of 1.5% of the gross value of digital transactions.

Challenges to the Income Tax Act

In *Nairobi HC Petition E280 OF 2021 Eliud Karanja Matindi Vs Cabinet Secretary, The National Treasury & Planning; The Attorney General; The National Assembly & The Commissioner General, Kenya Revenue Authority*, the Petition was lodged against the decision to exempt income accrued in or derived from Kenya by Japanese companies, consultants and employees involved in the projects under the Financing Agreements specified in legal notice No. 15 of 2021 from the provisions of the Income Tax Act. The Petitioner contended that this amounted to discrimination against Kenyan Citizens who were already facing steep taxation.

The court determined the matter by a judgement delivered on 17 February 2023, where the Petition was found to be merited and the exemption from payment of income tax by the Japanese companies, consultants and employees involved in the projects under the Financing Agreements specified in legal notice No. 15 of 2021 was deemed to be in violation of the provisions of Article 27 of the Constitution, as it was discriminating on the grounds of race.

The court further declared the provisions of section 13(5) of the Income Tax Act unconstitutional to the extent that the same allowed the Cabinet Secretary to issue tax exemptions, instead of the National assembly as contemplated by the Constitution of Kenya. The court then directed that KRA should proceed to collect taxes from the date of the judgement from the previously excluded category of people.

The National Assembly lodged an application Nairobi Civil Appeal Application Number E176 of 2023 National Assembly Vs. Eliud Karanja Matindi & Others, seeking to stay the execution of the judgement, pending the hearing and determination of the substantive appeal. The Court allowed the application for stay by a ruling delivered on 19th December, 2023, and directed that the appeal be prosecuted within a period of six months.

In the meantime, the Attorney General has filed a substantive appeal, being Nairobi COACA E330 of 2023 The Honourable Attorney General Vs. Eliud Karanja Matindi & Others. Directions from the Court of Appeal are yet to be received on prosecution.

In support of devolution, allocation to counties has over the years averaged 17% of ordinary revenues and 18% of the main taxes.

When the Covid-19 Pandemic struck the Kenyan economy in March 2020, the Government moved swiftly and implemented tax reliefs (tax cuts) to businesses and people to mitigate the effects of the Covid-19 Pandemic. These tax measures were introduced through Tax (Amendment) (No. 1) Act, 2020. They included removing PAYE for those earning KES 24,000 and below; reducing corporate and personal income tax rate from 30% to 25%; reducing the VAT rate from 16% to 14%; and reducing turnover tax rate from 3% to 1%. Together, these tax reliefs led to a loss of an estimated KES 172 billion (approximately US\$1.5 billion) per year.

The aforementioned tax reliefs were then reversed through the Tax (Amendment) (No. 2) Act, 2020. The reversal was made effective 1 January 2021 and was due to the declining revenue yields and rising expenditure needs as a result of the adverse effects of Covid-19.

Recently, through the Finance Act 2023, enacted on June 26, 2023, the Kenyan Parliament introduced significant changes to the taxation regime, reflecting the government's efforts to enhance revenue collection and address fiscal challenges to meet the expansive KES 3.6 trillion budget. The Finance Act 2023 introduced pivotal changes across various tax structures, aiming to augment national revenue while considering the socio-economic impacts on the citizenry and businesses. Some of the key tax amendments are as follows:

- Introduction of the Housing Levy. Both employers and employees are required to contribute 1.5% to the National Housing Development Fund. This levy, initially proposed to be refundable or applicable for house purchases, has been legislated as a non-refundable contribution, symbolizing the government's effort to address housing needs. A petition was filed in the High Court amongst others challenging the housing levy. The High Court in *Petition No. E181 of 2023 consolidated with Petitions No. E211, 217, 219,221,227,228,232, 234, 237 and 254 of 203*, initially declared the levy unconstitutional, citing its discriminatory nature against formal sector workers and lack of rational basis. After a temporary stay, the Court of Appeal in *Civil Application Nos. E581 of 2023 and 577 of 2023* refused to extend this stay, effectively stopping the housing levy's collection. The matter is currently pending before the Supreme Court seeking to address the constitutional issues raised in the appeal.
- The Finance Act, 2023 brought a progressive change in the PAYE tax structure. It incorporates new tax bands of 32.5% for incomes ranging between KES 500,000 and KES 800,000 and 35% for those exceeding KES 800,000. This adjustment is expected to have a noteworthy impact on tax collections from high-income earners.
- Further, the Finance Act, 2023 has increased the VAT on petroleum products from 8% to 16%, excluding liquefied petroleum gas. This increment reflects the government's approach to balance revenue generation with the economic realities of Kenyans. More on VAT reforms seeking to align with global norms, the Finance Act 2023 introduces a 0% tax rate on services exported from Kenya, a strategic move to encourage international trade and service exportation.
- It has introduced a more stringent requirement for withholding tax remittance which should now be to the Kenya Revenue Authority within five days post-deduction. This measure is aimed at enhancing the efficiency of tax collection. Marking a significant shift, the Finance Act, 2023 imposes a 15% tax on repatriated income for non-residents with a permanent establishment in Kenya, alongside a reduction in their Corporate Income Tax rate from 37.5% to 30%. Equally, to promote domestic vaccine production, the corporate tax for companies manufacturing human vaccines has been reduced from 30% to 10%. The Act further adjusts the turnover tax by reducing the upper threshold to KES 25 million from KES 50 million and increasing the rate from 1% to 3%. This change targets the broader inclusion of businesses within the tax net.
- The Finance Act, 2023 introduces a tax on income derived from digital assets, including cryptocurrencies, at a rate of 3%, acknowledging the evolving digital economy.
- Other changes include Mortgage Interest Deduction, where individuals are now entitled to claim deductions on mortgage interest expenses up to KES 300,000 annually for loans obtained from cooperative societies. There is a Rental Income Tax Reduction with the Residential Rental Income Tax reduced from 10% to 7.5%, a measure likely to have a positive impact on the real estate sector.

The Finance Act 2023 amendments exemplifies Kenya's strategic approach to fiscal policy, balancing the need for revenue generation with the economic welfare. As these changes unfold, their impact on the Kenyan economy, business environment, and Kenyans will be closely monitored and evaluated.

Petitions challenging the Finance Act 2023

Various petitions were filed in the High Constitutional Court Division thus Petition No. E181 of 2023 consolidated with Petitions No. E211, 217, 219, 221, 227, 228, 232, 234, 237 and 254 of 203 which challenged the constitutionality and legislative process that resulted into the enactment of Finance Act 2023. The Court vide a three judge bench delivered a judgement on 28th November, 2023 which held that the legislative process including public participation and various provisions of the Act were constitutional save for the following which were declared unconstitutional:

- (a) Sections 76 and 78 of the Finance Act 2023 amending Section 7 of the Kenya Roads Act, 1999; Section 87 of the Finance Act 2023 amending Section 28 of the Unclaimed Assets Act 2011 and 88 and 89 of the Finance Act 2023 which repeals Section 21 of the Statutory Instruments Act are all unconstitutional, null and void.

- (b) Section 84 of Finance Act 2023 violates Article 10 (2) (b) and (c) and 201 of the Constitution and is therefore unconstitutional, null and void.
- (c) Order of prohibition is hereby issued prohibiting the Respondents from charging, levying or in any way collecting tax, otherwise known as the ‘Affordable Housing Levy’ on the basis of the aforesaid Section 84 of Finance Act 2023.

The Executive together with the National Assembly, having been dissatisfied with part of the judgment, filed application for stay in the Court of Appeal thus Civil Application Nos. E581 of 2023 and 577 of 2023 respectively seeking stay of execution and/or conservatory orders suspending the effect of part of the aforesaid judgment declaring sections 76,78,84,87,88 and 89 of the Finance Act, 2023 as unconstitutional pending hearing and determination of the intended appeal.

The Court of Appeal on 26 January 2023 declined to grant stay and held that the public interest tilted in favour of not granting the said stay or suspension and directed that the appeal be heard expeditiously.

The National Government has in the meantime explored other options including coming up with the new Bill to take into consideration the issues raised by the Court in the High Court judgment on the Affordable Housing Levy. The Bill was tabled in Parliament and currently going through public participation.

In *NAIROBI HC PET E202 OF 2023 - Kenneth Njagi and 11 Others versus the Hon. Ag and 30 Others* vide an amended petition dated 23 June 2023, the petitioners filed a petition challenging the ruling of the speaker of the National Assembly delivered on 6th October 2022 on the determination on which party is the majority or minority party terming it as unlawful for being in contravention of the Constitution 2010 and the Standing Orders of the National Assembly. The petition also challenged The Finance Act 2023 and the Appropriation Act 2023 averring that they were prepared through an illegal process spearheaded by parliamentary committees lead by the majority party that is unlawfully in office. The National Assembly filed a preliminary objection which was dismissed on 26 January 2023. The Respondents sought leave to appeal against the Ruling and the same was granted. Parties were also directed to file submissions on the main petition which is to be heard.

The Kenya Revenue Authority (KRA) has implemented several new initiatives and reforms to enhance tax collection and administration. These initiatives are part of a broader strategy to increase efficiency, compliance, and broaden the tax base.

Amongst these initiatives are several measures intended to combat tax evasion and fraud through the use of intelligence and risk-based forward looking enforcement. Some of the specific reforms undertaken include the: (i) roll out of the Integrated Customs Management System (“**ICMS**”) to improve the efficient clearance of goods and prevent undervaluation, mis-declarations and falsifications of import documents; (ii) implementation of the Regional Electronic Cargo Tracking (“**RECTS**”) to tackle transit diversion; (iii) enhancement of scanning activities to detect concealment; (iv) scaling-up of ongoing and routine activities such as Pre-Verification of Conformity (“**PVOC**”), benchmarking and auctions; (v) data matching and use of third-party data to enhance compliance; (vi) integration of iTax with IFMIS to ensure timely collection of withholding VAT and other withholding taxes; (vii) expansion of the tax base by targeting the informal sector, betting, lotteries and gaming; (viii) pursuit of non-filers and an increased focus on the taxation of international transactions and transfer pricing; and (ix) enhancement of investigations and intelligence capacity to support revenue collection.

Kenya has also signed and ratified international conventions on tax such as the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.

Above this, the Kenyan government has proposed various economic and tax reforms for the fiscal year 2023/2024 as outlined in the 2023 Budget Policy Statement (BPS). These reforms include the development of the National Tax Policy and the Medium-Term Revenue Strategy (MTRS) for the period FY 2023/24-2026/27. The focus of these reforms is to reduce tax gaps, enhance revenue per unit, and increase tax compliance rates. The reforms are crucial for financing the government’s economic plan, which focuses on agriculture, MSME economy, housing and settlement, healthcare, digital superhighway and creative economy, and environment and climate change. The National Tax Policy provides broad guidelines for governing tax administration and the tax system in Kenya. More specifically, the policy provides a set of guidelines for taxation of income, goods and services and forms the basis for review of tax legislation, development and administration. The overall objective of the policy is to guide the development of a progressive tax system that enhances revenue

mobilization by the Tax administration, promotes investment and fosters a flexible fiscal space. The aim is to ensure that tax rates do not affect the demand of the product and the tax structure do not distort markets and to ensure that taxes do not affect investment.

In response to missing its revenue targets, KRA has also initiated several changes to improve tax collection. These include halting payment for tax reliefs to audit and enhance tax relief processes, implementing new regulations for hunting tax evaders with overseas accounts, and strengthening the domestic taxes enforcement division. Kenya's Treasury has also signed regulations to allow KRA access to information on bank accounts held by Kenyans in various countries, aiming to step up efforts against tax evasion. These initiatives represent a comprehensive approach by the Kenyan government and KRA to enhance the country's tax system's efficiency and effectiveness.

However, challenges remain. One of the primary challenges is the low level of tax compliance. This is partly due to a large informal sector that is not fully captured in the tax net. The lack of compliance is also attributed to the complexity of the tax system, which can discourage voluntary compliance. Further, the Kenyan tax base is relatively narrow, with a heavy reliance on a small number of taxpayers. This puts a disproportionate tax burden on formal sector employees and compliant businesses, while a significant portion of the economy operates outside the tax system. Equally, economic factors such as inflation, unemployment, and fluctuating economic growth also impact tax revenue collection. Lastly, globalization and the digital economy present new challenges for tax collection, such as the difficulty in taxing international transactions and transfer pricing issues. In 2022, the MTRS was approved by Cabinet for implementation. The MTRS is aligned to the National Tax Policy and will guide tax administration to improve efficiency in the administration of tax laws, close loopholes for tax evasion, and enhance voluntary tax compliance. The additional resources raised from the MTRS will facilitate the implementation of the Government's Bottom-up Economic Transformation Agenda geared towards economic turn-around and inclusive growth through the Fourth Medium Term Plan (MTP IV) of the Vision 2030, as well as the Medium-Term Expenditure Framework (MTEF).

The objectives of the Medium-Term Revenue Strategy (MTRS) are to: (i) improve efficiency in revenue administration; (ii) ensure equity and fairness in the tax regime; (iii) enhance tax-payer compliance with tax obligations; (iv) expand the tax base; (v) create certainty in the tax regime to attract investment; and (vi) promote investment across various sectors by removing market distortions. The implementation of MTRS is expected to among others: (i) raise revenue to GDP ratio from 14.3% in FY 2022/23 to 20.0% by end of the FY 2026/27; (ii) increase tax compliance rate from 70% in FY 2022/23 to 90% by FY 2026/27; and (iii) increase investment to GDP ratio from 19.3% in FY 2022/23 to 25.7% in FY 2026/27.

The MTRS will be implemented within a three-year period from FY 2024/25 to FY 2026/27. Tax policy reforms will be implemented through the Finance Acts and Regulations, beginning with the Finance Act, 2024 while revenue administration reforms will begin from January 2024 as per the implementation matrix annexed to the MTRS. The implementation of the Strategy will involve Ministries, Departments and Agencies; the Legislature, Judiciary; County Governments; private sector players and development partners.

Revenues and Expenditures

In FY 2018/19, the Government's fiscal deficit including grants was KES 709.6 billion (7.3% of GDP), an increase from the KES 593.7 billion (6.7% of GDP) in 2017/18. The increase was as a result of a shortfall in revenues due to the delayed enactment of the Finance Act 2018 and thereafter the subsequent court injunctions which followed its enactment that frustrated the implementation of the revenue yielding policy measures, especially withholding tax on winnings. The high increase in investment deductions further affected negatively the collection of income tax. The revenues were below target by KES 123.5 billion.

In FY 2019/20, the fiscal deficit including grants amounted to KES 738.2 billion (estimated to be 7.0% of GDP) from a deficit of KES 709.6 billion (7.3% of GDP) in 2018/19. The higher deficit was on account of revenue shortfalls and rising expenditure pressures. In particular, the revenue shortfalls in the fourth quarter of 2019/20 was largely due to the severe disruptions on economic activities from the containment measures put in place to contain the spread of the Covid-19 Pandemic and the tax reliefs implemented by the Government to cushion Kenyans. In particular, import-related taxes such as import duty, VAT on imports, import declaration fees and railway development were negatively affected due to lower imports and reduction of trade amongst countries. Further, other domestic taxes were severely affected by declining incomes and depressed consumption.

In the 2023/24, the fiscal deficit was adjusted to 4.9% of GDP from 4.4% of GDP. The Government raised that the primary surplus from KES 55.1 billion (0.3% of GDP) in the approved budget to KES 107.9 billion (0.7% of GDP). This was to ensure that the fiscal aggregates in the fiscal year 2023/24 are designed to keep the debt to GDP ratio on a downward trajectory. The Government achieved this by reducing primary spending as well as improving additional non-tax revenue of KES 28.6 billion (0.2% of GDP). Specifically, the Government increased non-tax revenue by reviewing the rates on immigration services offered by the Immigration Department and services under State Department of Land on transactions involving land issues which provided KES 23 billion. The increased primary surplus was also achieved by reduced development spending, particularly project spending, by approximately KES 44 billion.

The following tables sets forth the fiscal accounts of the Government for the periods indicated.

	2018/19		2019/20	
	Actual	Target	Actual	Target
	<i>(KES millions)</i>			
Total Revenue and Grants	1,724,064	1,829,041	1,815,485	1,899,849
Revenue	1,704,363	1,794,300	1,795,665	1,864,823
Ordinary Revenue.....	1,499,757	1,588,132	1,573,418	1,615,378
Import duty	106,875	108,504	98,022	95,942
Excise duty.....	194,310	198,362	195,270	201,205
Income tax	685,330	742,230	706,936	720,268
VAT.....	414,143	425,498	383,713	400,129
Investment Income - Others	26,763	36,716	116,146	121,791
Others	72,336	76,821	73,331	76,043
Appropriation-in-Aid.....	204,606	206,168	224,247	249,445
Grants	19,702	34,741	19,820	35,026
AMISOM Receipts	4,315	6,500	4,639	11,698
Projects Grants (Revenue).....	8,437	13,449	9,623	15,309
Projects Grants (AIA)	6,949	14,792	5,558	8,019
Italian Debt Swap.....	0	0	0	0
County Health Facilities – DANIDA	0	0	0	0
Total Expenditure and Net Lending	2,433,708	2,546,287	2,565,444	2,817,808
Recurrent Expenditure	1,531,083	1,574,129	1,645,222	1,776,959
Domestic Interest	272,351	264,831	315,362	301,812
Foreign Interest due	103,372	103,718	121,840	131,868
Pensions, salaries, allowances, and miscellaneous services.....	70,804	84,605	89,605	90,989
Wages & Salaries.....	417,526	427,953	449,927	457,155
Defence and NSIS.....	135,277	136,360	138,018	142,072
O&M/Others	531,753	556,662	530,469	653,063
Development and Net Lending	541,885	607,199	594,944	678,466
Equalisation Fund/1400.....	6,962	4,700	0	0
County Governments' Allocation.....	360,740	364,958	325,278	362,383
Contingencies Fund.....	0	0	0	0
Deficit Excluding Grant (Commitment Basis)	(729,344)	(751,987)	(769,779)	(952,985)
Deficit Incl. Grants (Commitment Basis)	(709,642)	(717,246)	(749,959)	(917,959)
Adjustment to cash basis	0	0	11,801	0
Deficit Including Grants (Cash Basis)	(709,642)	(717,246)	(738,158)	(917,959)
Financing	721,058	650,515	790,804	917,959
Net Foreign Financing	414,518	444,851	340,431	324,009
Disbursements.....	680,759	704,253	442,031	445,486
Commercial Financing	373,712	375,846	5,870	6,209
Project Loans AIA.....	100,622	112,084	104,525	113,896
Project Loans Revenue	41,681	54,220	47,798	56,361
Project Loans SGR AIA	79,960	79,960	44,812	51,090
Programme Loans.....	84,784	82,143	239,026	217,930
Debt Repayment – Principal	(266,241)	(259,402)	(101,600)	(121,477)
Other Domestic Financing.....	2,878	3,925	2,599	4,323
Net Domestic Financing	306,540	205,664	450,373	593,950
Nominal GDP Estimate	9,745,599	9,348,273	10,620,841	10,196,618
Primary Balance Inclusive of Grants (Cash Basis)	(333,919)	(348,697)	(300,956)	(484,279)

Source: National Treasury

In FY 2020/21, the fiscal deficit including grants amounted to KES 929.3 billion (estimated to be 8.2% of GDP) from the 7.3% of GDP deficit in FY 2019/20. The higher deficit is largely due to increased spending pressures for containing the spread of COVID-19 Pandemic and implementation of containment measures including

review of tax rate to increase disposable income that worsened revenue performance. In particular, severe disruptions on economic activities in the first half of the FY 2020/21 arising from the COVID-19 Pandemic containment measures coupled with tax reliefs implemented by Government in April 2020 to cushion Kenyans majorly explain the subdued revenue performance which led to an increase in the fiscal deficit.

In FY 2021/22, the fiscal deficit improved to amount to KES 785.1 billion (estimated to be 6.2% of GDP) from the deficit of 8.2% of GDP in FY 2020/21. This was largely attributed to improved operating business environment following the recovery of the economy from the adverse impact of COVID-19 Pandemic resulting to above target performance of total revenue mainly on account of surplus collection of ordinary revenue. This good performance was however overshadowed by the effects of the Russia-Ukraine conflict which put pressure on fuel and commodity prices prompting the Government to increase spending in order to cushion citizens. This coupled with the unfavourable conditions in the sovereign bond market which resulted to below target performance in foreign financed resources and shortfalls in domestic market affected expenditure performance during the reporting period.

The following tables sets forth the fiscal accounts of the Government for the periods indicated.

	2020/21		2021/22	
	Actual	Target	Actual	Target
	<i>(KES millions)</i>			
Total Revenue and Grants	1,834,856	1,921,044	2,230,839	2,254,871
Revenue	1,803,536	1,848,026	2,199,808	2,191,953
Ordinary Revenue.....	1,562,015	1,594,009	1,917,911	1,851,510
Import duty	108,375	96,291	118,280	115,869
Excise duty.....	216,325	208,786	252,094	255,890
Income tax	694,053	733,000	876,707	836,691
VAT.....	410,758	395,185	523,098	514,107
Investment Income - Others	37,607	32,568	38,160	32,209
Others	94,897	128,179	109,571	96,743
Appropriation-in-Aid.....	241,521	254,017	281,897	340,443
Grants	31,320	73,017	31,031	62,918
AMISOM Receipts	8,943	7,404	3,603	3,000
Projects Grants (Revenue).....	9,378	17,857	5,903	15,496
Projects Grants (AIA)	12,999	23,827	12,435	24,072
Italian Debt Swap.....	0	0	0	0
County Health Facilities – DANIDA	0	0	0	0
Total Expenditure and Net Lending	2,769,254	2,891,955	3,027,836	3,286,077
Recurrent Expenditure	1,813,271	1,835,059	2,135,305	2,227,325
Domestic Interest	388,830	339,993	456,849	479,223
Foreign Interest due	106,312	118,748	121,130	126,059
Pensions, salaries, allowances, and miscellaneous services.....	112,872	115,310	122,432	125,346
Wages & Salaries.....	493,029	493,914	525,122	525,122
Defence and NSIS.....	157,673	152,024	175,798	157,123
O&M/Others	531,753	431,219	510,074	548,913
Development and Net Lending	556,990	652,971	540,117	657,515
Equalisation Fund/1400.....	0	6,788	0	6825
County Governments' Allocation.....	398,993	398,924	352,414	401,237
Contingencies Fund.....	0	5000	0	0
Deficit Excluding Grant (Commitment Basis)	(965,717)	(1,043,928)	(828,028)	(1,094,124)
Deficit Incl. Grants (Commitment Basis)	(934,384)	(970,911)	(796,997)	(1,031,206)
Adjustment to cash basis	5,098	0	11868	0
Deficit Including Grants (Cash Basis)	(929,286)	(970,911)	(785,129)	(1,031,206)
Financing	950,235	970,911	747,825	1,031,206
Net Foreign Financing	323,310	426,991	142,524	343,085
Disbursements.....	451,587	784,155	327,059	545,151
Commercial Financing	114,292	350,493	0	124,318
Project Loans AIA	104,787	151,953	92,619	134,382
Project Loans Revenue	52,351	90,278	58,601	81,074
Project Loans SGR AIA	11,514	11,921	0	0
Programme Loans.....	168,644	179,510	135,019	163,196
Debt Repayment – Principal	(128,278)	(357,164)	(184,536)	(202,066)

	2020/21		2021/22	
	Actual	Target	Actual	Target
	(KES millions)			
Other Domestic Financing.....	0	0	0	0
Net Domestic Financing	626,926	531,999	605,301	688,121
Nominal GDP Estimate	11,256,082	11,168,511	12,698,001	12,646,197
Primary Balance Inclusive of Grants (Cash Basis)	(434,144)	(512,170)	(207,150)	(425,924)

Source: National Treasury

In FY 2022/23, the fiscal deficit amounted to KES 800.4 billion (estimated to be 5.6% of GDP) from the deficit of 6.2% of GDP in FY 2021/22. The implementation of the FY2022/23 budget marked the transition from the previous Regime to the current Administration. The first half of the FY 2022/23 was marked by slow implementation of programmes and projects due to inadequate resources. In part, revenue performance was affected by the general slowdown of economic activities occasioned by the adverse impact of shocks that hit the country including the uncertain operating environment related to the general elections and the negative impact of the geo-politics that led to global economic slowdown and supply chain disruptions. There were also constraints in raising resources from the domestic market due to tight liquidity conditions and short-term instruments becoming saturated. Given the realities, the Government embarked on reprioritization and cost-cutting measures to ensure smooth implementation of priority programmes for the remainder of the financial year.

The FY 2023/24 budget targeted a fiscal deficit of KES 718.9 billion (estimated to be 4.4% of GDP). During the implementation process, movement in interest rates and exchange rate coupled with constraints in resource mobilization have impacted on fiscal space. As such, the fiscal deficit was revised in supplementary 1 to amount to KES 886.6 billion (estimated at 5.5% of GDP). In order to maintain the primary balance consistent with the fiscal consolidation path, expenditures have been maintained at the levels approved in printed estimates.

The following tables sets forth the fiscal accounts of the Government for the periods indicated.

	2022/23		2023/24	
	Actual	Target	Budget Estimate	Revised Budget
	(KES millions)			
Total Revenue and Grants	2,383,593	2,520,338	3,027,738	3,094,915
Revenue	2,360,510	2,478,622	2,985,566	3,047,559
Ordinary Revenue.....	2,041,119	2,145,399	2,571,159	2,576,759
Import duty.....	130,123	142,676	173,270	173,270
Excise duty.....	264,509	293,973	352,730	352,730
Income tax.....	941,576	982,140	1,198,535	1,198,535
VAT.....	550,440	580,616	703,302	703,302
Investment Income - Others.....	37,301	31,496	33,071	33,671
Others.....	128,179	72,336	110,252	115,455
Appropriation-in-Aid.....	319,391	333,222	414,407	470,800
Grants	23,083	41,717	42,172	47,357
AMISOM Receipts.....	6,982	6,982	0	0
Projects Grants (Revenue).....	7,524	16,703	14,295	19,711
Projects Grants (AIA).....	8,577	18,031	27,877	27,646
Italian Debt Swap.....	0	0	0	0
County Health Facilities – DANIDA.....	0	0	0	0
Total Expenditure and Net Lending	3,221,001	3,366,561	3,746,618	3,981,529
Recurrent Expenditure	2,311,564	2,367,671	2,536,255	2,793,852
Domestic Interest.....	533,098	527,928	628,264	646,356
Foreign Interest due.....	154,223	154,937	146,875	272,483
Pensions, salaries, allowances, and miscellaneous services.....	120,425	144,676	165,368	165,423
Wages & Salaries.....	539,552	539,552	584,647	589,493
Defence and NSIS.....	172,209	172,209	183,290	192,450
O&M/Others.....	522,318	557,051	534,758	540,158
Development and Net Lending	493,663	560,545	795,009	812,566
Equalisation Fund/1400.....	0	13,893	7,867	10,867
County Governments' Allocation.....	415,774	436,345	429,741	423,879
Contingencies Fund.....	0	2000	2,800	1,200
Deficit Excluding Grant (Commitment Basis)	(860,491)	(887,940)	(761,051)	(933,970)
Deficit Incl. Grants (Commitment Basis)	(837,408)	(846,223)	(718,880)	(886,614)
Adjustment to cash basis.....	37031	0	0	0
Deficit Including Grants (Cash Basis)	(800,377)	(846,223)	(718,880)	(886,614)
Financing	770,307	846,223	718,880	886,614

	2022/23		2023/24	
	Actual	Target	Budget Estimate	Revised Budget
	(KES millions)			
Net Foreign Financing	310,759	362,665	131,467	412,064
Disbursements.....	548,171	597,178	607,064	978,726
Commercial Financing.....	102,218	104,819	270,000	175,135
Project Loans AIA.....	74,245	105,158	149,132	148,672
Project Loans Revenue.....	61,975	83,091	122,502	114,768
Project Loans SGR AIA.....	0	0	0	0
Programme Loans.....	266,885	256,825	65,429	540,151
Debt Repayment – Principal.....	(237,412)	(234,513)	(475,596)	(566,661)
Other Domestic Financing.....	0	0	0	0
Net Domestic Financing	459,548	483,558	587,413	474,549
Nominal GDP Estimate	14,274,419	14,521,624	16,290,270	16,131,502
Primary Balance Inclusive of Grants (Cash Basis)	(82,985)	(163,358)	56,259	32,225

Source: National Treasury

Kenya believes it has access to adequate concessional and non-concessional financing and reserves buffer to finance both fiscal and balance of payments gaps, while a robust domestic securities market provides further flexibility. The below table sets out the sources of financing for the FY 2022/2023 fiscal deficit, as well as the potential sources of financing for the FY 2023/2024 fiscal deficit. As of 31 January 2024, the Government has raised approximately US\$3 billion of funding of the approximately US\$5.7 billion projected to be required for the FY 2023/2024 fiscal deficit. The Government is committed to implement the 2023 Medium Term Debt Strategy which envisages maximization of concessional and semi concessional external debt while proposing liability management operations in the domestic and international capital markets.

	FY 2022/2023 ⁽¹⁾	FY 2023/24 Budget ⁽²⁾	Cumulative
			Disbursements as at 31 January 2024
	(In USD Millions)		
Sources of Funding	5,168	7,461	3,015
Net Foreign Financing	2,898	4,248	1,611
Capital Markets and Commercial Loan Financing.....	727	2,645 ⁽³⁾	402
Project Loans.....	971	1,783	468
Program Loans.....	1,889	3,657	742
African Development Bank.....	143	99	-
IMF.....	589	1,582	742 ⁽⁴⁾
World Bank.....	1,156	1,976	-
Debt Repayment - Principal.....	(1,689)	(3,836)	-
Net Domestic Financing	3,270	3,212	1,404

⁽¹⁾ Conversion from Kenyan shilling to US dollar made using the applicable end of period fiscal year exchange rate as released by the Central Bank of Kenya.

⁽²⁾ Conversion from Kenyan shilling to US dollar made using the December 2023 end of period exchange rate as released by the Central Bank of Kenya

⁽³⁾ Includes proceeds of US\$ 1,459,050,000 from the offering of the Notes hereby

⁽⁴⁾ This comprises US\$676 million under the ECF/EFB and US\$65 million under the RSF. See “Public Debt—Relations with the IMF”.

Source: National Treasury

Revenue and Grants

Actual revenue in 2018/19 was KES 1,704.4 billion, or 5.0%, less than the target revenue included in the budget for the fiscal year. The shortfall was primarily a result of underperformance in both ordinary revenues and the Appropriation-in-Aid (“A-i-A”) revenues by KES 91.2 billion and KES 32.3 billion, respectively.

Actual revenue in 2019/20 was KES 1,737.0 billion, or 6.9%, less than the target revenue included in the budget for the fiscal year. The shortfall was primarily a result of underperformance ordinary revenue collection amounting to KES 42.0 billion with tax revenues falling below target in all broad categories. The A-i-A was also below target by KES 89.2 billion.

The following table sets forth information regarding the composition of fiscal revenues as a percentage of total revenues and grants, for the periods indicated.

	2018/19		2019/20	
	Actual	Target	Actual	Target
	(%)			
Revenue	98.9	98.1	98.9	98.2
Ordinary Revenue	87.0	86.8	89.6	85.0
Import duty.....	6.2	5.9	5.6	5.0
Excise duty.....	11.3	10.8	11.1	10.6
Income tax.....	39.8	40.6	40.2	37.9
VAT.....	24.0	23.3	21.8	21.1
Investment Income - Others	1.6	2.0	6.6	6.4
Others.....	4.2	4.2	4.2	4.0
Appropriation-in-Aid	11.9	11.3	9.3	13.1
Grants	1.1	1.9	1.1	1.8
AMISOM Receipts.....	0.3	0.4	0.3	0.6
Project Grants (Revenue).....	0.5	0.7	0.5	0.8
Project Grants (AIA).....	0.4	0.8	0.3	0.4
Italian Debt Swap.....	0.0	0.0	0.0	0.0
County Health Facilities – DANIDA	0.0	0.0	0.0	0.0

Source: National Treasury

Actual revenue in 2020/21 was KES 1,803.5 billion, or 2.4%, less than the target revenue included in the budget for the fiscal year. The shortfall was primarily a result of underperformance in both ordinary revenues and the A-i-A revenues by KES 32.0 billion and KES 12.5 billion, respectively.

Actual revenue in 2021/22 was KES 2,199.8 billion, or 0.4%, more than the targeted revenue included in the budget for the fiscal year. The above target collection was primarily as a result of surplus ordinary revenue collection amounting to KES 66.4 billion with tax revenues above target in all broad categories except excise duty. Performance of ministerial A-i-A was below target by KES 58.5 billion on account of shortfalls recorded in both recurrent and development A-i-A.

The following table sets forth information regarding the composition of fiscal revenues as a percentage of total revenues and grants, for the periods indicated.

	2020/21		2021/22	
	Actual	Target	Actual	Target
	(%)			
Revenue	98.3	96.2	98.6	97.2
Ordinary Revenue.....	85.1	83.0	86.0	82.1
Import duty.....	5.9	5.0	5.3	5.1
Excise duty.....	11.8	10.9	11.3	11.3
Income tax.....	37.8	38.2	39.3	37.1
VAT.....	22.4	20.6	23.4	22.8
Investment Income - Others	2.0	1.7	1.7	1.4
Others.....	5.2	6.7	4.9	4.3
Appropriation-in-Aid	13.2	13.2	12.6	15.1
Grants	1.7	3.8	1.4	2.8
AMISOM Receipts.....	0.5	0.4	0.2	0.1
Project Grants (Revenue).....	0.5	0.9	0.3	0.7
Project Grants (AIA).....	0.7	1.2	0.6	1.1
Italian Debt Swap.....	0.0	0.0	0.0	0.0
County Health Facilities – DANIDA	0.0	0.0	0.0	0.0

Source: National Treasury

Actual revenue in 2022/23 was KES 2,360.5 billion, or 4.8%, less than the target revenue included in the budget for the fiscal year. The shortfall was primarily a result of underperformance in both ordinary revenues and the A-i-A revenues by KES 104.3 billion and KES 13.8 billion, respectively. Tax revenue from the broad tax categories were below their respective targets in the period under review with Excise duty recording the highest shortfall of KES 29.5 billion. The shortfall in excise duty is explained by the decline in oil volumes, motor vehicle imports and deliveries of domestic excisable goods such as cosmetics, beer and spirits.

The following table sets forth information regarding the composition of fiscal revenues as a percentage of total revenues and grants, for the periods indicated.

	2022/23		2023/24	
	Actual	Target	Budget Estimate	Revised Budget 1
	(%)			
Revenue	99.0	98.3	98.6	98.5
Ordinary Revenue.....	85.6	85.1	84.9	83.3
Import duty	5.5	5.7	5.7	5.6
Excise duty.....	11.1	11.7	11.6	11.4
Income tax	39.5	39.0	39.6	38.7
VAT.....	23.1	23.0	23.2	22.7
Investment Income - Others	1.6	1.2	1.1	1.1
Others	5.4	2.9	3.6	3.7
Appropriation-in-Aid	13.4	13.2	13.7	15.2
Grants	1.0	1.7	1.4	1.5
AMISOM Receipts.....	0.3	0.3	0.0	0.0
Project Grants (Revenue).....	0.3	0.7	0.5	0.6
Project Grants (AIA).....	0.4	0.7	0.9	0.9
Italian Debt Swap.....	0.0	0.0	0.0	0.0
County Health Facilities – DANIDA	0.0	0.0	0.0	0.0

Source: National Treasury

Expenditure and Net Lending

Total expenditure and net lending in 2018/19 recorded an under spend of KES 149.2 billion (or 5.8% deviation from budget). This shortfall was attributed to lower absorption in both recurrent and development expenditures by the National Government.

Total expenditure and net lending in 2019/20 was KES 2,565.4 billion against a revised target of KES 2,817.8 billion, representing an under spend of KES 252.4 billion (or 9.0% deviation from the revised budget). This shortfall was attributed to lower absorption in both recurrent and development expenditures by the National Government.

The following table sets forth information regarding the composition of fiscal expenditures as a percentage of total expenditures and net lending for the periods indicated.

	2018/19		2019/20	
	Actual	Target	Actual	Target
	(%)			
% Total Expenditure and Net Lending	62.9	61.8	64.1	63.1
Recurrent Expenditure	11.2	10.4	12.3	10.7
Domestic Interest.....	4.2	4.1	4.7	4.7
Foreign Interest due.....	2.9	3.3	3.5	3.2
Pensions, salaries, allowances, and miscellaneous services.	17.2	16.8	17.5	16.2
Wages & Salaries	5.6	5.4	5.4	5.0
Defence and NSIS	21.8	21.9	20.7	23.2
O&M/Others ⁽¹⁾	22.3	23.8	23.2	24.1
Development and Net Lending	0.3	0.2	0.0	0.0
Equalisation Fund/1400.....	14.8	14.3	12.7	12.9
County Governments' Allocation.....	0	0.0	0.00	0.00
Contingencies Fund.....	62.9	61.8	64.1	63.1

⁽¹⁾ Other expenditures consist of personal emoluments, utilities for use of goods and services, current and capital transfers which includes subscriptions.

Source: National Treasury

Total expenditure and net lending in 2020/21 recorded an under spend of KES 122.7 billion (or 4.2% deviation from budget). This shortfall was attributed to lower absorption in both recurrent and development expenditures by the National Government.

Total expenditure and net lending in the FY 2021/22 amounted to KES 3,027.8 billion against a revised target of KES 3,286.1 billion, representing an under spending of KES 258.2 billion (7.9% deviation from the revised budget). The shortfall in spending was attributed to low A-i-A related spending on account of reduced

collections, lower than targeted spending on interest payments and low absorption of both externally and domestically funded development projects.

The following table sets forth information regarding the composition of fiscal expenditures as a percentage of total expenditures and net lending for the periods indicated.

	2020/21		2021/22	
	Actual	Target	Actual	Target
(%)				
% Total Expenditure and Net Lending				
Recurrent Expenditure	65.5	63.5	70.5	67.8
Domestic Interest	14.0	11.8	15.1	14.6
Foreign Interest due	3.8	4.1	4.0	3.8
Pensions, salaries, allowances, and miscellaneous services.	4.1	4.0	4.0	3.8
Wages & Salaries.....	17.8	17.1	17.3	16.0
Defence and NSIS.....	5.7	5.3	5.8	4.8
O&M/Others ⁽¹⁾	19.2	14.9	16.8	16.7
Development and Net Lending	20.1	22.6	17.8	20.0
Equalisation Fund/1400.....	0.0	0.2	0.0	0.2
County Governments' Allocation.....	14.4	13.8	11.6	12.2
Contingencies Fund.....	0	0.2	0.0	0.00

⁽¹⁾ Other expenditures consist of personal emoluments, utilities for use of goods and services, current and capital transfers which includes subscriptions.
Source: National Treasury

Total expenditure and net lending in the FY 2022/23 amounted to KES 3,221.0 billion against a revised target of KES 3,366.6 billion, representing an under spending of KES 145.6 billion (4.4% deviation from the revised budget). The shortfall was attributed to low spending on both recurrent and development expenditure items. There was delayed disbursement of project funds and a shortfall in domestic borrowing resulting in unfunded expenditures items.

	2022/23		2023/24	
	Actual	Target	Budget Estimate	Revised Budget
(%)				
% Total Expenditure and Net Lending				
Recurrent Expenditure	71.8	70.3	67.7	70.2
Domestic Interest	16.6	15.7	16.8	16.2
Foreign Interest due	4.8	4.6	3.9	6.8
Pensions, salaries, allowances, and miscellaneous services.	3.7	4.3	4.4	4.2
Wages & Salaries.....	16.8	16.0	15.6	14.8
Defence and NSIS.....	5.3	5.1	4.9	4.8
O&M/Others ⁽¹⁾	16.2	16.5	14.3	13.6
Development and Net Lending	15.3	16.7	21.2	20.4
Equalisation Fund/1400.....	0.0	0.4	0.2	0.3
County Governments' Allocation.....	12.9	13.0	11.5	10.6
Contingencies Fund.....	0	0.1	0.1	0.03

⁽¹⁾ Other expenditures consist of personal emoluments, utilities for use of goods and services, current and capital transfers which includes subscriptions.
Source: National Treasury

The following tables sets forth information regarding the composition of ministerial expenditures as a percentage of total expenditures, for the periods indicated.

Ministry Department Commissions	Jun-21			Jun-21			Jun-21			% of total expenditure to target
	Recurrent		Variance	Development		Variance	Total		Variance	
	Actual*	Target		Actual*	Target		Actual*	Target		
Executive Office of the President.....	29,545	26,897	2,647	11,759	14,040	(2,281)	41,304	40,937	366	100.9
State Department for Interior and Citizen Services	120,876	129,398	(8,522)	3,983	4,027	(44)	124,859	133,425	(8,566)	93.6
State Department for Correctional Services	22,777	26,867	(4,090)	45	258	(212)	22,822	27,125	(4,302)	84.1
State Department for Devolution.....	1,021	1,029	(9)	5,320	8,161	(2,840)	6,341	9,190	(2,849)	69.0
State Department for Development of the ASAL	945	971	(26)	3,897	7,765	(3,868)	4,842	8,736	(3,894)	55.4
Ministry of Defence	112,512	112,519	(7)	9,670	9,743	(73)	122,183	122,262	(79)	99.9
Ministry of Foreign Affairs.....	10,329	16,203	(5,874)	411	1,129	(719)	10,739	17,332	(6,593)	62.0
State Department for Vocational and Technical Training....	18,278	18,392	(114)	5,334	6,294	(960)	23,613	24,686	(1,073)	95.7
State Department for University Education	75,552	87,836	(12,284)	3,968	4,363	(394)	79,520	92,198	(12,678)	86.2

Ministry Department Commissions	Jun-21			Jun-21			Jun-21			% of total expenditure to target
	Recurrent		Variance	Development		Variance	Total		Variance	
	Actual*	Target		Actual*	Target		Actual*	Target		
State Department for Early Learning & Basic Education	88,324	88,224	99	5,905	8,930	(3,026)	94,228	97,155	(2,926)	97.0
State Department for Post Training and Skills Development.....	124	126	(2)	-	-	-	124	126	(2)	98.4
The National Treasury....	52,268	55,746	(3,479)	47,812	58,780	(10,967)	100,080	114,526	(14,446)	87.4
State Department for Planning.....	3,178	3,244	(65)	55,750	55,929	(179)	58,928	59,173	(245)	99.6
Ministry of Health.....	66,452	68,034	(1,582)	40,051	52,865	(12,814)	106,503	120,899	(14,396)	88.1
State Department for Infrastructure.....	73,989	67,159	6,831	129,750	133,372	(3,622)	203,739	200,531	3,208	101.6
State Department for Transport.....	4,028	7,260	(3,232)	66,267	66,981	(714)	70,295	74,241	(3,946)	94.7
State Department for Shipping and Maritime	2,101	1,647	454	-	565	(565)	2,101	2,212	(111)	95.0
State Department for Housing & Urban Development.....	981	992	(11)	25,637	27,245	(1,608)	26,618	28,237	(1,618)	94.3
State Department for Public Works	2,318	2,269	49	724	827	(103)	3,042	3,096	(54)	98.3
Ministry of Environment and Forestry.....	9,900	10,222	(321)	2,637	3,753	(1,116)	12,537	13,974	(1,437)	89.7
Ministry of Water & Sanitation and Irrigation.....	3,775	6,077	(2,302)	62,904	75,724	(12,820)	66,679	81,801	(15,122)	81.5
Ministry of Lands and Physical Planning....	2,639	2,829	(190)	3,246	3,299	(53)	5,885	6,128	(243)	96.0
State Department for Information Communication Technology & Innovation.....	1,595	1,641	(46)	16,328	19,449	(3,121)	17,923	21,090	(3,167)	85.0
State Department for Broadcasting & Telecommunications	6,870	7,759	(889)	283	282	1	7,153	8,042	(889)	89.0
State Department for Sports.....	1,461	1,397	64	3,078	7,381	(4,303)	4,539	8,778	(4,239)	51.7
State Department for Culture and Heritage	2,328	2,457	(129)	32	32	(0)	2,361	2,490	(129)	94.8
Ministry of Energy.....	2,388	6,343	(3,954)	52,844	72,822	(19,978)	55,233	79,164	(23,932)	69.8
State Department for Livestock	2,114	2,310	(196)	1,563	2,167	(604)	3,678	4,477	(800)	82.1
State Department for Fisheries, Aquaculture & the Blue Economy	2,210	2,436	(226)	1,566	2,896	(1,330)	3,776	5,332	(1,556)	70.8
State Department for Crop Development & Agricultural Research	21,072	23,354	(2,282)	13,731	26,687	(12,957)	34,803	50,042	(15,239)	69.5
State Department for Cooperatives	905	922	(17)	761	762	(1)	1,665	1,684	(18)	98.9
State Department for Trade and Enterprise Development.....	2,025	2,165	(139)	1,261	1,286	(24)	3,287	3,450	(164)	95.3
State Department for Industrialization	2,091	2,987	(896)	2,336	3,640	(1,303)	4,427	6,627	(2,199)	66.8
State Department for Labour	1,486	2,635	(1,150)	808	1,232	(424)	2,293	3,867	(1,574)	59.3
State Department for Social Protection, Pensions & Senior Citizens Affairs	29,987	30,455	(468)	1,222	2,280	(1,058)	31,208	32,735	(1,526)	95.3
State Department for Mining.....	415	548	(133)	76	81	(4)	492	629	(137)	78.2
State Department for Petroleum.....	1,831	1,840	(9)	2,650	3,177	(527)	4,481	5,017	(536)	89.3
State Department for Tourism	2,508	6,091	(3,583)	3,413	3,464	(51)	5,921	9,555	(3,635)	62.0
State Department for Wildlife.....	9,085	9,105	(20)	453	650	(197)	9,538	9,755	(217)	97.8
State Department for Gender	929	1,084	(155)	2,246	2,258	(12)	3,175	3,342	(167)	95.0
State Department for Public Service	13,445	14,625	(1,180)	1,022	998	24	14,467	15,623	(1,156)	92.6
State Department for Youth Affairs	1,300	1,305	(5)	1,896	2,098	(202)	3,196	3,403	(207)	93.9
State Department for East African Community .	483	511	(28)	-	-	-	483	511	(28)	94.5
State Department for Regional and Northern Corridor Development.....	2,050	2,357	(307)	1,083	1,258	(175)	3,133	3,615	(482)	86.7
State Law Office and Department of Justice	4,476	4,811	(335)	71	80	(9)	4,547	4,891	(344)	93.0
The Judiciary	13,787	14,575	(789)	1,601	2,558	(958)	15,387	17,133	(1,746)	89.8
Ethics and Anti-Corruption Commission	3,225	3,272	(47)	13	41	(28)	3,238	3,313	(75)	97.7
National Intelligence Service.....	45,160	45,551	(391)	-	-	-	45,160	45,551	(391)	99.1
Office of the Director of Public Prosecutions..	3,035	3,282	(247)	40	49	(9)	3,075	3,331	(256)	92.3
Office of the Registrar of Political Parties	1,295	1,306	(11)	-	-	-	1,295	1,306	(11)	99.2
Witness Protection Agency	372	462	(91)	-	-	-	372	462	(91)	80.4

Ministry Department Commissions	Jun-21			Jun-21			Jun-21			% of total expenditure to target
	Recurrent		Variance	Development		Variance	Total		Variance	
	Actual*	Target		Actual*	Target		Actual*	Target		
Kenya National Commission on Human Rights	365	374	(8)	-	-	-	365	374	(8)	97.8
National Commission on Land Independent Electoral and Boundaries Commission	1,110	1,112	(3)	-	-	-	1,110	1,112	(3)	99.8
Parliamentary Service Commission	4,926	5,309	(383)	71	75	(4)	4,997	5,384	(387)	92.8
National Assembly	5,357	6,272	(914)	-	-	-	5,357	6,272	(914)	85.4
Parliamentary Joint Services	19,134	21,615	(2,482)	-	-	-	19,134	21,615	(2,482)	88.5
Judicial Service Commission	4,699	5,598	(899)	2,512	2,866	(354)	7,211	8,464	(1,253)	85.2
The Commission on Revenue Allocation..	503	531	(28)	-	-	-	503	531	(28)	94.7
Public Service Commission	314	319	(5)	-	-	-	314	319	(5)	98.4
Salaries and Remuneration Commission	2,136	2,177	(40)	19	19	(0)	2,156	2,196	(40)	98.2
Teachers Service Commission	437	460	(23)	-	-	-	437	460	(23)	95.0
National Police Service Commission	274,794	274,950	(156)	97	240	(143)	274,891	275,190	(299)	99.9
Auditor General	624	645	(21)	-	-	-	624	645	(21)	96.8
Office of the Controller of Budget	5,017	5,328	(311)	197	197	(0)	5,214	5,525	(311)	94.4
The Commission on Administrative Justice	541	566	(25)	-	-	-	541	566	(25)	95.5
National Gender and Equality Commission	459	474	(15)	-	-	-	459	474	(15)	96.8
Independent Policing Oversight Authority ..	354	372	(18)	-	3	(3)	354	375	(20)	94.5
Total	1,203,233	1,258,434	(55,201)	598,341	705,076	(106,735)	1,801,575	1,963,510	(161,935)	91.8

Source: National Treasury

Ministry Department Commissions	Jun-22			Jun-22			Jun-22			% of total expenditure to target
	Recurrent		Variance	Development		Variance	Total		Variance	
	Actual*	Target		Actual*	Target		Actual*	Target		
Executive Office of the President	29,233	30,710	(1,477)	10,648	11,669	(1,021)	39,881	42,378	(2,498)	94.1
State Department for Interior and Citizen Services	127,019	134,359	(7,340)	5,514	8,504	(2,990)	132,533	142,863	(10,330)	92.8
State Department for Correctional Services	23,744	28,521	(4,777)	519	630	(111)	24,263	29,151	(4,888)	83.2
State Department for Devolution	3,142	3,564	(422)	1,116	1,239	(122)	4,258	4,802	(545)	88.7
State Department for Development of the ASAL	1,045	1,074	(29)	6,155	9,880	(3,726)	7,200	10,955	(3,755)	65.7
Ministry of Defence	128,597	130,609	(2,011)	6,080	6,150	(70)	134,677	136,758	(2,081)	98.5
Ministry of Foreign Affairs	15,341	18,695	(3,354)	295	1,296	(1,001)	15,636	19,991	(4,355)	78.2
State Department for Vocational and Technical Training...	19,302	19,045	257	2,146	4,008	(1,863)	21,447	23,053	(1,606)	93.0
State Department for University Education	95,713	101,365	(5,652)	3,744	4,353	(609)	99,456	105,717	(6,261)	94.1
State Department for Early Learning & Basic Education	94,155	93,259	895	6,867	14,100	(7,233)	101,021	107,359	(6,338)	94.1
State Department for Post Training and Skills Development	225	232	(7)	-	-	-	225	232	(7)	96.9
State Department for Implementation of Curriculum Reforms.	88	88	0	-	-	-	88	88	0	100.0
The National Treasury....	56,599	59,099	(2,501)	66,594	111,008	(44,414)	123,193	170,107	(46,915)	72.4
State Department for Planning	3,834	3,982	(148)	47,510	47,652	(142)	51,344	51,634	(290)	99.4
Ministry of Health	68,714	66,661	2,054	48,183	63,809	(15,625)	116,898	130,469	(13,572)	89.6
State Department for Infrastructure	73,883	4,055	(172)	128,649	156,534	(27,884)	202,532	230,589	(28,057)	87.8
State Department for Transport	5,597	10,369	(4,772)	420	985	(565)	6,017	11,353	(5,337)	53.0
State Department for Shipping and Maritime	2,090	2,099	(10)	10	580	(570)	2,100	2,680	(580)	78.4
State Department for Housing & Urban Development	1,403	1,392	11	13,451	14,125	(674)	14,854	15,517	(663)	95.7
State Department for Public Works	2,998	3,093	(94)	840	1,028	(188)	3,839	4,120	(282)	93.2
Ministry of Environment and Forestry	9,904	10,525	(621)	3,084	4,082	(998)	12,988	14,607	(1,618)	88.9
Ministry of Water & Sanitation and Irrigation	4,899	6,292	(1,393)	58,227	71,577	(13,351)	63,126	77,869	(14,743)	81.1
Ministry of Lands and Physical Planning	3,015	3,170	(155)	2,250	2,291	(41)	5,266	5,461	(195)	96.4
State Department for Information Communication	1,938	1,796	142	16,670	18,374	(1,704)	18,608	20,170	(1,562)	92.3

Ministry Department Commissions	Jun-22			Jun-22			Jun-22			% of total expenditure to target
	Recurrent		Variance	Development		Variance	Total		Variance	
	Actual*	Target		Actual*	Target		Actual*	Target		
Technology & Innovation.....										
State Department for Broadcasting & Telecommunications	6,037	7,647	(1,610)	352	397	(45)	6,388	8,044	(1,655)	79.4
State Department for Sports.....	1,766	1,307	458	13,153	15,168	(2,015)	14,918	16,475	(1,557)	90.6
State Department for Culture and Heritage	2,886	3,089	(203)	65	66	(1)	2,951	3,155	(203)	93.6
Ministry of Energy.....	13,634	16,403	(2,769)	35,940	49,201	(13,261)	49,574	65,604	(16,030)	75.6
State Department for Livestock.....	2,591	3,615	(1,024)	1,988	2,861	(873)	4,579	6,476	(1,897)	70.7
State Department for Fisheries, Aquaculture & the Blue Economy.....	2,219	2,239	(20)	3,512	5,993	(2,481)	5,731	8,232	(2,501)	69.6
State Department for Crop Development & Agricultural Research.....	9,219	13,361	(4,142)	25,206	31,715	(6,509)	34,425	45,076	(10,651)	76.4
State Department for Cooperatives.....	461	1,495	(1,034)	372	433	(61)	833	1,928	(1,095)	43.2
State Department for Trade and Enterprise Development.....	2,285	2,550	(265)	2,387	2,387	(0)	4,671	4,937	(265)	94.6
State Department for Industrialization.....	3,184	3,305	(121)	1,875	2,988	(1,113)	5,059	6,293	(1,234)	80.4
State Department for Labour.....	1,692	2,744	(1,052)	499	867	(368)	2,191	3,611	(1,420)	60.7
State Department for Social Protection, Pensions & Senior Citizens Affairs.....	33,116	33,904	(788)	2,406	3,306	(901)	35,522	37,211	(1,689)	95.5
Ministry of Petroleum and Mining.....	82,788	81,951	837	2,292	2,464	(172)	85,080	84,415	665	100.8
State Department for Tourism.....	7,598	7,740	(142)	474	475	(1)	8,072	8,215	(142)	98.3
State Department for Wildlife.....	6,810	8,824	(2,013)	769	820	(51)	7,579	9,643	(2,064)	78.6
State Department for Gender.....	1,164	1,140	25	2,358	2,481	(124)	3,522	3,621	(99)	97.3
State Department for Public Service.....	18,708	19,491	(783)	482	668	(186)	19,190	20,159	(969)	95.2
State Department for Youth Affairs.....	1,379	1,419	(40)	3,221	3,977	(756)	4,599	5,395	(796)	85.2
State Department for East African Community .	602	609	(7)	-	-	-	602	609	(7)	98.8
State Department for Regional and Northern Corridor Development.....	2,930	2,956	(26)	2,240	2,549	(308)	5,170	5,505	(335)	93.9
State Law Office and Department of Justice.....	4,722	5,112	(389)	137	138	(1)	4,860	5,250	(390)	92.6
The Judiciary.....	15,584	15,968	(385)	1,997	2,592	(595)	17,581	18,561	(980)	94.7
Ethics and Anti-Corruption Commission.....	3,489	519	(30)	9	67	(9)	3,548	3,586	(38)	98.9
National Intelligence Service.....	47,201	47,201	-	-	-	-	47,201	47,201	-	100.0
Office of the Director of Public Prosecutions	3,129	3,326	(197)	117	150	(33)	3,246	3,476	(230)	93.4
Office of the Registrar of Political Parties.....	3,228	3,315	(87)	-	-	-	3,228	3,315	(87)	97.4
Witness Protection Agency.....	490	490	(0)	-	-	-	490	490	(0)	100.0
Kenya National Commission on Human Rights.....	399	400	(1)	-	-	-	399	400	(1)	99.8
National Land Commission.....	1,693	1,687	6	39	39	(0)	1,732	1,726	6	100.4
Independent Electoral and Boundaries Commission.....	20,132	23,041	(2,909)	117	125	(8)	20,249	23,166	(2,917)	87.4
Parliamentary Service Commission.....	6,557	6,962	(404)	-	-	-	6,557	6,962	(404)	94.2
National Assembly.....	21,033	23,372	(2,339)	-	-	-	21,033	23,372	(2,339)	90.0
Parliamentary Joint Services.....	5,061	5,673	(611)	1,810	2,404	(594)	6,872	8,077	(1,205)	5.1
Judicial Service Commission.....	577	619	(42)	-	-	-	577	619	(42)	93.2
The Commission on Revenue Allocation..	435	446	(11)	-	-	-	435	446	(11)	97.5
Public Service Commission.....	2,356	2,372	(16)	7	19	(13)	2,363	2,391	(29)	98.8
Salaries and Remuneration Commission.....	592	21	(29)	-	-	-	592	621	(29)	95.3
Teachers Service Commission.....	289,407	290,319	(912)	358	515	(157)	289,766	290,834	(1,069)	99.6
National Police Service Commission.....	826	864	(38)	-	-	-	826	864	(38)	95.6
Auditor General.....	5,514	6,077	(563)	2	6	(4)	5,516	6,083	(568)	90.7
Office of the Controller of Budget.....	621	650	(29)	-	-	-	621	650	(29)	95.5
The Commission on Administrative Justice.....	605	625	(20)	-	-	-	605	625	(20)	96.8
National Gender and Equality Commission.....	434	440	(6)	-	10	(10)	434	450	(16)	96.5

Ministry Department Commissions	Jun-22			Jun-22			Jun-22			% of total expenditure to target
	Recurrent		Variance	Development		Variance	Total		Variance	
	Actual*	Target		Actual*	Target		Actual*	Target		
Independent Policing Oversight Authority	888	929	(42)	-	-	-	888	929	(42)	95.5
Total	1,408,518	1,463,867	(55,349)	533,204	688,752	(155,548)	1,941,722	2,152,619	(210,897)	90.2

Source: National Treasury

Ministry Department Commissions	Jun-23			Jun-23			Jun-23			% of total expenditure to target
	Recurrent		Variance	Development		Variance	Total		Variance	
	Actual*	Target		Actual*	Target		Actual*	Target		
Office of the President....	23,802	27,229	(3,426)	3,686	7,815	(4,129)	27,489	35,044	(7,556)	78.4
Office of the Deputy President	863	1,017	(154)	-	-	-	863	1,017	(154)	84.8
Office of the Prime Cabinet Secretary	678	853	(176)	-	-	-	678	853	(176)	79.4
State Department for Interior and Citizen Services	102,695	106,467	(3,773)	3,840	3,897	(57)	106,535	110,365	(3,830)	96.5
State Department for Correctional Services	26,308	31,566	(5,258)	492	505	(14)	26,800	32,072	(5,272)	83.6
State Department for Immigration and Citizen Services	1,827	1,907	(81)	125	107	18	1,952	2,014	(62)	96.9
National Police Service	24,594	25,180	(586)	-	-	-	24,594	25,180	(586)	97.7
State Department for Internal Security & National Administration	7,862	8,846	(984)	-	-	-	7,862	8,846	(984)	88.9
State Department for Devolution	1,535	1,580	(45)	100	227	(128)	1,635	1,808	(173)	90.4
State Department for Development of the ASAL	6,224	6,377	(153)	11,279	14,428	(3,149)	17,503	20,805	(3,302)	84.1
Ministry of Defence	127,430	135,615	(8,186)	-	3,365	(3,365)	127,430	138,981	(11,551)	91.7
Ministry of Foreign Affairs.....	12,096	14,476	(2,380)	1,087	1,096	(9)	13,184	15,572	(2,388)	84.7
State Department for Foreign Affairs.....	1,904	5,196	(3,293)	-	-	-	1,904	5,196	(3,293)	36.6
State Department for Diaspora Affairs.....	472	658	(186)	-	-	-	472	658	(186)	71.7
State Department for Technical Vocational Education and Training	20,093	20,318	(225)	2,167	4,098	(1,931)	22,260	24,416	(2,156)	91.2
State Department for Higher Education and Research	101,616	103,830	(2,214)	3,545	4,621	(1,075)	105,161	108,450	(3,289)	97.0
State Department for Basic Education	111,384	110,600	784	18,171	24,222	(6,051)	129,555	134,822	(5,267)	96.1
State Department for Post Training and Skills Development.....	129	129	(0)	-	-	-	129	129	(0)	100.0
State Department for Implementation of Curriculum Reforms.	189	205	(16)	-	-	-	189	205	(16)	92.4
The National Treasury....	59,420	61,605	(2,184)	73,044	85,958	(12,914)	132,465	147,563	(15,099)	89.8
State Department for Economic Planning ..	3,760	3,810	(51)	45,285	47,572	(2,287)	49,045	51,382	(2,338)	95.5
Ministry of Health.....	76,772	69,199	7,573	41,019	41,987	(967)	117,791	111,185	6,606	105.9
State Department for Public Health and Professional Standards	840	2,875	(2,035)	2,388	2,337	50	3,228	5,213	(1,985)	61.9
State Department for Roads.....	74,914	69,017	5,896	90,838	101,778	(10,940)	165,752	170,795	(5,043)	97.0
State Department for Transport.....	10,478	9,831	647	2,642	2,662	(19)	13,120	12,492	628	105.0
State Department for Shipping and Maritime Affairs	3,141	2,181	960	1	690	(689)	3,142	2,871	271	109.4
State Department for Housing & Urban Development.....	1,216	1,243	(27)	9,351	10,526	(1,175)	10,567	11,769	(1,202)	89.8
State Department for Public Works	3,129	3,072	56	485	436	49	3,614	3,508	106	103.0
State Department for Irrigation.....	106	193	(87)	2,090	2,389	(299)	2,196	2,582	(386)	85.1
Ministry of Environment and Forestry	9,996	9,338	658	3,777	4,367	(590)	13,773	13,705	68	100.5
State Department for Water & Sanitation...	6,943	6,348	595	45,120	59,395	(14,275)	52,063	65,744	(13,680)	79.2
State Department for Lands and Physical Planning.....	2,859	3,022	(163)	1,349	1,272	77	4,208	4,293	(86)	98.0
State Department for Information Communication Technology & Digital Economy	2,246	2,815	(569)	9,053	11,670	(2,618)	11,299	14,485	(3,187)	78.0
State Department for Broadcasting & Telecommunications	4,502	6,278	(1,776)	267	266	0	4,769	6,544	(1,776)	72.9
State Department for Sports.....	1,894	1,898	(4)	10,111	12,021	(1,910)	12,005	13,919	(1,914)	86.3
State Department for Culture and Heritage	2,607	2,971	(363)	63	328	(265)	2,670	3,298	(628)	81.0
State Department for Energy	11,411	11,686	(276)	31,035	43,118	(12,083)	42,446	54,805	(12,359)	77.4

Ministry Department Commissions	Jun-23			Jun-23			Jun-23			% of total expenditure to target
	Recurrent		Variance	Development		Variance	Total		Variance	
	Actual*	Target		Actual*	Target		Actual*	Target		
State Department for Livestock Development.....	2,870	4,407	(1,537)	2,610	4,370	(1,760)	5,480	8,777	(3,297)	62.4
State Department for the Blue Economy and Fisheries.....	2,283	2,314	(32)	3,526	4,915	(1,389)	5,809	7,229	(1,421)	80.3
State Department for Crop Development...	21,801	14,189	7,612	29,336	35,230	(5,894)	51,137	49,419	1,718	103.5
State Department for Cooperatives.....	3,497	2,138	1,359	12,803	20,823	(8,020)	16,300	22,960	(6,661)	71.0
State Department for Trade.....	2,035	2,953	(918)	795	1,265	(471)	2,829	4,218	(1,389)	67.1
State Department for Industry.....	3,241	2,672	569	1,005	1,279	(274)	4,246	3,951	295	107.5
State Department for Micro, Small and Medium Enterprises Development.....	344	588	(243)	46	46	-	390	634	(243)	61.6
State Department for Investment Promotion.....	448	976	(528)	1,238	1,238	-	1,686	2,214	(528)	76.1
State Department for Labour and Skills Development.....	2,866	2,934	(68)	278	423	(144)	3,144	3,357	(212)	93.7
State Department for Social Protection and Senior Citizens Affairs.....	33,369	35,197	(1,828)	2,177	3,049	(872)	35,546	38,246	(2,700)	92.9
State Department for Mining.....	205	238	(33)	122	131	(9)	327	369	(42)	88.6
Ministry of Petroleum and Mining.....	63,347	63,991	(644)	2,357	2,501	(144)	65,704	66,492	(788)	98.8
State Department for Tourism.....	6,686	10,055	(3,369)	13	59	(46)	6,699	10,114	(3,415)	66.2
State Department for Wildlife.....	9,324	9,364	(40)	172	369	(196)	9,496	9,732	(236)	97.6
State Department for Gender and Affirmative Action...	995	1,193	(198)	2,418	2,753	(335)	3,412	3,946	(533)	86.5
State Department for Public Service.....	20,665	22,640	(1,975)	301	303	(1)	20,966	22,943	(1,977)	91.4
State Department for Youth Affairs.....	1,360	1,374	(15)	942	1,163	(222)	2,301	2,538	(236)	90.7
State Department for East African Community .	780	776	4	-	-	-	780	776	4	100.5
State Department for Regional and Northern Corridor Development.....	3,426	3,336	90	3,638	3,838	(200)	7,064	7,174	(110)	98.5
The State Law Office.....	5,289	5,718	(429)	68	97	(29)	5,357	5,815	(458)	92.1
The Judiciary.....	18,925	19,232	(307)	1,310	1,900	(590)	20,235	21,132	(897)	95.8
Ethics and Anti-Corruption Commission.....	3,357	3,521	(164)	47	47	-	3,403	3,567	(164)	95.4
National Intelligence Service.....	35,985	37,628	(1,643)	-	-	-	35,985	37,628	(1,643)	95.6
Office of the Director of Public Prosecutions..	3,449	3,670	(221)	21	12	9	3,470	3,682	(212)	94.2
Office of the Registrar of Political Parties.....	1,453	1,530	(77)	-	-	-	1,453	1,530	(77)	95.0
Witness Protection Agency.....	532	632	(100)	-	-	-	532	632	(100)	84.2
State Department for Forestry.....	2,151	2,392	(240)	602	617	(16)	2,753	3,009	(256)	91.5
Kenya National Commission on Human Rights.....	450	451	(1)	-	-	-	450	451	(1)	99.7
National Land Commission.....	1,478	1,482	(5)	-	-	-	1,478	1,482	(5)	99.7
Independent Electoral and Boundaries Commission.....	20,333	20,639	(306)	-	-	-	20,333	20,639	(306)	98.5
Parliamentary Service Commission.....	7,849	8,950	(1,101)	-	-	-	7,849	8,950	(1,101)	87.7
National Assembly.....	27,282	31,849	(4,567)	-	-	-	27,282	31,849	(4,567)	85.7
Parliamentary Joint Services.....	6,056	6,235	(179)	2,250	2,465	(215)	8,306	7,700	(394)	95.5
Judicial Service Commission.....	830	887	(57)	-	-	-	830	887	(57)	93.6
The Commission on Revenue Allocation..	537	541	(4)	-	-	-	537	541	(4)	99.3
Public Service Commission.....	2,427	2,452	(26)	26	26	(0)	2,453	2,479	(26)	99.0
Salaries and Remuneration Commission.....	499	505	(6)	-	-	-	499	505	(6)	98.8
Teachers Service Commission.....	298,553	299,119	(567)	820	1,076	(256)	299,372	300,195	(823)	99.7
National Police Service Commission.....	958	1,007	(49)	-	-	-	958	1,007	(49)	95.2
Auditor General.....	5,893	6,504	(611)	2	29	(26)	5,895	6,533	(637)	90.2
Office of the Controller of Budget.....	601	620	(19)	-	-	-	601	620	(19)	96.9
The Commission on Administrative Justice.....	572	578	(6)	-	-	-	572	578	(6)	99.0
National Gender and Equality Commission.....	397	398	(1)	6	10	(4)	403	408	(5)	98.8
Independent Policing Oversight Authority .	913	927	(14)	-	-	-	913	927	(14)	98.5

Ministry Department Commissions	Jun-23			Jun-23			Jun-23			% of total expenditure to target
	Recurrent		Variance	Development		Variance	Total		Variance	
	Actual*	Target		Actual*	Target		Actual*	Target		
Total.....	1,474,244	1,508,235	(33,991)	481,336	583,186	(101,850)	1,955,580	2,091,422	(135,841)	93.5

Source: National Treasury

The 2018/19 Budget

In June 2018, Parliament approved the original budget estimates for the 2018/19 budget, though these estimates were revised in October 2018 and further adjusted by the time of the publication of the 2019 BPS in February 2019. In line with the strategies outlined in the third MTP and building on the progress made so far under Vision 2030, the 2019 BPS reiterates the priorities of the Government's Big Four Agenda:

- Supporting job creation by increasing value addition and raising the manufacturing sector's share to GDP to 15% by 2022;
- Focusing on initiatives that guarantee food security and nutrition to all Kenyans;
- Providing universal health coverage thereby guaranteeing quality and affordable healthcare to all Kenyans; and
- Supporting construction of at least five hundred thousand (500,000) affordable new houses to Kenyans.

By the end of June 2019, total cumulative revenue (including A-i-A collected) amounted to KES 1,704.4 billion against a revised target of KES 1,794.3 billion. This represented a revenue shortfall of KES 89.9 billion. Ordinary revenue collection amounted to KES 1,499.8 billion against a target of KES 1,588.1 billion. Tax revenues were largely below the revised targets in all the broad categories. Income tax, which comprises of (i) PAYE and other income tax¹, (ii) corporate, (iii) rental, and (iv) withholding tax on income (excluding personal income tax), recorded the highest shortfall of KES 56.8 billion, majorly attributed to underperformance in other income tax (KES 46.9 billion) which covers all taxes on income aside from personal income tax. The performance of income tax was affected negatively by various factors: first, by the delayed enactment of the Finance Act 2018 and thereafter the court injunctions which followed its enactment and frustrated the implementation of the revenue yielding policy measures, especially withholding tax on winnings. The A-i-A shortfall of KES 32.3 billion is partly explained by delayed reporting by the collecting MDAs and is expected to narrow significantly when the MDAs present their final financial statements.

Total expenditure and net lending in 2018/19 totalled to KES 2,433.7 billion against a revised target of KES 2,546.3 billion, representing an underspend of KES 149.2 billion (or a 5.8% deviation from the revised budget). This shortfall was attributed to lower absorption in both recurrent and development expenditures by the National Government. The National Government's recurrent expenditure amounted to KES 1,531.1 billion (excluding KES 41.2 billion by Parliament and Judiciary) against a target of KES 1,574.1 billion (excluding KES 45.6 billion for Parliament and Judiciary), representing an underspend of KES 82.4 billion, mainly in operations and maintenance (KES 65.2 billion including KES 31.1 A-i-A), pensions and other contribution funds (KES 13.8 billion), as well as wages and salaries (KES 10.5 billion). However, the shortfall in A-i-A is expected to reduce significantly once MDAs submit their financial statements. The reported shortfall in A-I-A (shortfall of 4.2 billion) is largely attributable to the lag between spending at the Sub-County level and reporting to the headquarters.

Expenditure on domestic interest payments was above target by KES 7.5 billion while foreign interest was below target by KES 0.34 billion. Foreign interest payments amounted to KES 103.4 billion, compared to KES 84.4 billion in the same period of 2017/18. The domestic interest payments were KES 272.4 billion, higher than KES 239.5 billion paid in the corresponding period of the previous financial year. Ministerial A-i-A in recurrent expenditure recorded an under spending of KES 31.1 billion. This underspending is the main cause of the huge shortfall in O&M. Development expenditures were below target by KES 60.5 billion on account of lower than programmed absorption by MDAs of domestically financed programmes by KES 34.9 billion and lower than programmed execution of externally funded programmes by KES 25.6 billion.

¹ 'other income tax' combines all taxes on income.

In line with performance in revenue and expenditure, the fiscal deficit (excluding grants) amounted to KES 734.9 billion (equivalent to 7.7% of GDP). This deficit was lower than the projected deficit of KES 760.6 billion (equivalent to 8.0% of GDP). Excluding expenditures related to SGR, the fiscal deficit was 6.8% of GDP. Including grants, the fiscal balance (on commitment basis) deficit stood at 7.7% of GDP against a targeted deficit of 6.8% of GDP. The fiscal deficit by the end of June 2019 was financed through net external financing equivalent to KES 414.6 billion and net domestic financing amounted to KES 303.7 billion.

	Actual Budget	2018/19	
		Revised Budget (KES millions)	Deviation
Total Revenue and Grants	1,724,064	1,829,041	(104,976)
Revenue	1,704,363	1,794,300	(89,937)
Ordinary Revenue	1,499,757	1,588,132	(88,375)
Import duty.....	106,875	108,504	(1,629)
Excise duty.....	194,310	198,362	(4,052)
Income tax.....	685,330	742,230	(56,900)
VAT.....	414,143	425,498	(11,355)
Investment Income - Others.....	26,763	36,716	(9,953)
Others.....	72,336	76,821	(4,485)
Appropriation-in-Aid	204,606	206,168	(1,562)
Grants	19,702	34,741	(15,039)
AMISOM Receipts.....	4,315	6,500	(2,185)
Projects Grants (Revenue).....	8,437	13,449	(5,012)
Projects Grants (AIA).....	6,949	14,792	(7,843)
Italian Debt Swap.....	0	0	0
County Health Facilities – DANIDA	0	0	0
Total Expenditure and Net Lending	2,433,707	2,546,287	(112,580)
Recurrent Expenditure	1,531,083	1,574,129	(43,046)
Domestic Interest.....	272,351	264,831	7,520
Foreign Interest due.....	103,372	103,718	(346)
Pensions, salaries, allowances, and miscellaneous services.....	70,804	84,605	(13,801)
Wages & Salaries.....	417,526	427,953	(10,427)
Defence and NSIS.....	135,277	136,360	(1,084)
O&M/Others	531,753	556,662	(24,909)
Development and Net Lending	541,884	607,199	(65,316)
Equalisation Fund/1400.....	6,962	4,700	2,262
County Governments' Allocation.....	360,740	364,958	(4,219)
Contingencies Fund.....	0	0	0
Deficit Incl. Grant (Commitment Basis)	(729,344)	(751,987)	22,643
Deficit Excluding Grants (Commitment Basis)	(709,642)	(717,246)	7,604
Adjustment to cash basis	0	0	0
Deficit Including Grants (Cash Basis)	(709,642)	(717,246)	7,604
Financing	721,058	650,515	70,543
Net Foreign Financing	414,518	444,851	(30,333)
Disbursements.....	680,759	704,253	(23,494)
Commercial Financing.....	373,712	375,846	(2,134)
Project Loans AIA.....	100,622	112,084	(11,462)
Project Loans Revenue.....	41,681	54,220	(12,538)
Project Loans SGR AIA.....	79,960	79,960	0
Programme Loans	84,784	82,143	2,641
Debt Repayment – Principal.....	(266,241)	(259,402)	(6,839)
Other Domestic Financing.....	2,878	3,925	(1,047)
Net Domestic Financing	306,540	205,664	100,876
Nominal GDP Estimate.....	9,367,317	9,348,273	19,044

Source: National Treasury

The 2019/20 Budget

The 2020 BPS assumed a normal operating environment having set on a conscious journey of fiscal consolidation, targeting a lower fiscal deficit of 6.3% of GDP in 2019/20, 4.9% of GDP in 2020/21, and ultimately 3.0% of GDP over the medium term. This plan was premised on strong revenue growth, the reduction of non-core expenditures and a gradual slowdown in the growth of public debt.

However, this path was interrupted by the disruptions of economic activities caused by the containment and fiscal measures undertaken to reduce the spread of the Covid-19 Pandemic and to cushion Kenyans against the negative impacts of the Covid-19 Pandemic. The Covid-19 Pandemic negatively affected revenue performance in 2019/20 and also affected revenue performance in 2020/21. In particular, import-related taxes such as import duty, VAT on imports, import declaration fees and the railway development levy have been affected by lower imports and reduction of trade amongst countries. Further, other domestic taxes have been severely affected by declining incomes and depressed consumption.

Even before the first Covid-19 case was reported in Kenya, measures instituted internationally to curb the spread of the disease such as the cancellation of international flights and total/partial lockdowns by some countries were having an adverse impact on import-related taxes and sectors such as tourism and hospitality. The emergence of the Covid-19 Pandemic in Kenya in early March 2020 complicated the situation and negatively affected both the domestic and import related revenues especially in the fourth quarter of 2019/20.

As a result of the challenging operating environment, total cumulative revenue (including A-i-A) for 2019/20 amounted to KES 1,737.0 billion against a revised target of KES 1,864.8 billion. This represented a revenue shortfall of KES 131.2 billion. Ordinary revenue collection amounted to KES 1,573.4 billion against a target of KES 1,615.4 billion with tax revenues falling below target in all broad categories. The A-i-A shortfall of KES 89.2 billion is attributed to a difficult operating environment owed to the prevalence of Covid-19 Pandemic especially in the fourth quarter. Closure of learning institutions significantly affected A-i-A revenue collection especially in the universities and other institutions of higher learning such as TVETs and Kenya Medical Training Colleges (KMTCs).

Total expenditure and net lending in 2019/20 was KES 2,565.4 billion against a revised target of KES 2,817.8 billion, representing an under-spending of KES 252.4 billion (9.0% deviation from the revised budget). This shortfall was attributed to lower absorption in both recurrent and development expenditures by the National Government. The National Government's recurrent expenditure amounted to KES 1,645.2 billion (excluding KES 41.2 billion by Parliament and Judiciary) against a target of KES 1777.0 billion, representing an under-spending of KES 125.3 billion. The under expenditure in recurrent category was mainly due to below target expenditure on operation and maintenance attributed to scaled down operations of the National Government in the last half of 2019/20 due to the Covid-19 Pandemic. Expenditure on domestic interest payments was above target by KES 13.5 billion while foreign interest payments were below target by KES 10.0 billion. Over the same period, a huge shortfall in operation and maintenance resulted to an under-spending of KES 69.2 billion in recurrent ministerial A-i-A. Development expenditures were below target by KES 83.5 billion on account of lower than programmed absorption by MDAs of domestically financed programmes by KES 53.0 billion and lower than programmed execution of externally funded programmes by KES 30.5 billion. The Government earmarked KES 40.0 billion for expenditures related to mitigating the impact of the Covid-19 Pandemic.

In line with the performance in expenditure and reduced revenues as a result of the Covid-19 Pandemic, the fiscal deficit (excluding grants) amounted to KES 790.8 billion (7.8% of GDP). This deficit was lower than the projected deficit of KES 917.9 billion (9.0% of GDP). Including grants, the fiscal deficit (on commitment basis) amounted to KES 828.5 billion (8.1% of GDP) against a target of KES 918.0 billion (9.0% of GDP). The fiscal deficit was financed through net external financing equivalent to KES 340.4 billion and net domestic financing amounting to KES 450.4 billion.

The following table sets forth the 2019/20 actual budget as provided in the 2020 BPS.

	2019/20		
	Actual Budget	Revised Budget	
	<i>(KES millions)</i>		
		Deviation	
Total Revenue and Grants	1,756,802	1,899,849	(143,047)
Revenue	1,736,982	1,864,823	(127,841)
Ordinary Revenue	1,573,418	1,615,378	(41,960)
Import duty.....	98,022	95,942	2,080
Excise duty.....	195,270	201,205	(5,935)
Income tax.....	706,936	720,268	(13,332)
VAT	383,713	400,129	(16,416)
Investment Income - Others	116,146	121,791	(5,645)
Others	73,331	76,043	(2,712)
Appropriation-in-Aid	163,564	249,445	(85,881)
Grants	19,820	35,026	(15,206)
AMISOM Receipts.....	4,639	11,698	(7,059)
Projects Grants (Revenue).....	9,623	15,309	(5,686)
Projects Grants (AIA).....	5,558	8,019	(2,462)
Italian Debt Swap.....	0	0	0
County Health Facilities – DANIDA	0	0	0
Total Expenditure and Net Lending	2,565,444	2,817,808	(252,365)
Recurrent Expenditure	1,645,222	1,776,959	(131,737)
Domestic Interest.....	315,362	301,812	13,550
Foreign Interest due.....	121,840	131,868	(10,028)
Pensions, salaries, allowances, and miscellaneous services.	89,605	90,989	(1,384)
Wages & Salaries	449,927	457,155	(7,228)
Defence and NSIS	138,018	142,072	(4,053)
O&M/Others	530,469	653,063	(122,594)
Development and Net Lending	594,944	678,466	(83,523)
Equalisation Fund/1400.....	0	0	0
County Governments' Allocation.....	325,278	362,383	(37,105)
Contingencies Fund.....	0	0	0
Deficit Incl. Grant (Commitment Basis)	(828,461)	(952,985)	124,524
Deficit Excluding Grants (Commitment Basis)	(808,642)	(917,959)	109,317
Adjustment to cash basis	11,801	0	11,801
Deficit Including Grants (Cash Basis)	(796,841)	(917,959)	121,118
Financing	790,804	917,959	(127,155)
Net Foreign Financing	340,431	324,009	16,423
Disbursements	442,031	445,486	(3,455)
Commercial Financing	5,870	6,209	(338)
Project Loans AIA.....	104,525	113,896	(9,371)
Project Loans Revenue.....	47,798	56,361	(8,563)
Project Loans SGR AIA	44,812	51,090	(6,278)
Programme Loans	239,026	217,930	21,096
Debt Repayment – Principal.....	(101,600)	(121,477)	19,878
Other Domestic Financing.....	2,599	4,323	(1,724)
Net Domestic Financing	450,373	593,950	(143,577)
Nominal GDP Estimate	10,175,226	10,196,618	(21,393)

Source: National Treasury

The 2020/21 Budget

The fiscal performance in the FY 2020/21 was satisfactory despite the slight underperformance in revenue and elevated expenditures associated with the adverse impact of COVID-19 Pandemic. In particular, severe disruptions on economic activities in the first half of the FY 2020/21 arising from the COVID-19 Pandemic containment measures coupled with tax reliefs implemented by Government in April 2020 to cushion Kenyans majorly explain the subdued revenue performance. However, revenue performance gradually picked up beginning November 2020 following the reopening of the economy and the reversal of tax relief measures that was implemented in January 2021.

Total cumulative revenue including Appropriation in Aid for FY 2020/21 amounted to KES 1,803.5 billion against a revised target of KES 1,837.8 billion, indicating a shortfall of KES 34.3 billion. Ordinary revenue

collection amounted to KES 1,562.0 billion against a target of KES 1,578.8 billion. Collections from the main tax categories were broadly on target with Value Added Tax and Import Duty above the revised target by KES 7.7 billion and KES 6.0 billion, respectively. The good performance in the main tax categories was however dampened by poor collection from the 'Other revenues' category which was below target by KES 25.8 billion. This was due to lower than anticipated mop up of idle cash from state corporations, accounting for KES 30.8 billion of the shortfall in this category.

Total expenditure and net lending in the FY 2020/21 amounted to KES 2,769.3 billion against a revised target of KES 2,886.9 billion, representing an under spending of KES 117.7 billion (4.1% deviation from the revised budget). The shortfall in spending was attributed to low A-i-A related spending on account of reduced collections and low absorption of both externally and domestically funded development projects.

In line with the performance in expenditure and revenues, the fiscal deficit (including grants) amounted to KES 929.3 billion (8.3% of GDP) against a target of KES 976.2 billion (8.7% of GDP). The fiscal deficit was financed through net external financing amounting to KES 323.3 billion (2.9% of GDP) and net domestic financing of KES 626.9 billion (5.6% of GDP).

The following table sets forth figures available from the 2020/21 Budget

	2020/21		
	Actual Budget	Revised Budget	Deviation
		<i>(KES millions)</i>	
Total Revenue and Grants	1,834,870	1,910,632	(75,762)
Revenue	1,803,536	1,837,835	(34,299)
Ordinary Revenue.....	1,562,015	1,578,787	(16,772)
Import duty	108,375	102,418	5,957
Excise duty.....	216,325	217,984	(1,659)
Income tax	694,053	697,010	(2,957)
VAT.....	410,758	403,099	7,659
Investment Income - Others	37,607	32,568	5,039
Others	94,897	125,708	(30,811)
Appropriation-in-Aid.....	241,521	259,048	(17,527)
Grants	31,334	72,797	(41,463)
AMISOM Receipts	8,943	8,736	207
Projects Grants (Revenue).....	9,378	16,304	(6,926)
Projects Grants (AIA)	12,999	0	12,999
Italian Debt Swap.....	0	0	0
County Health Facilities – DANIDA	0	0	0
Total Expenditure and Net Lending	2,769,254	2,886,934	(117,680)
Recurrent Expenditure	1,813,271	1,819,107	(5,836)
Domestic Interest	388,830	353,139	35,691
Foreign Interest due	106,312	107,737	(1,425)
Pensions, salaries, allowances, and miscellaneous services.	112,872	115,310	(2,438)
Wages & Salaries.....	493,029	493,914	(885)
Defence and NSIS.....	157,673	0	0
O&M/Others	554,555	749,007	(194,452)
Development and Net Lending	556,990	668,242	(111,252)
Equalisation Fund/1400.....	0	0	0
County Governments' Allocation.....	398,993	399,585	(592)
Contingencies Fund.....	0	0	0
Deficit Incl. Grant (Commitment Basis)	(934,384)	(976,302)	41,918
Deficit Excluding Grants (Commitment Basis)	(965,717)	(1,049,099)	83,382
Adjustment to cash basis	5,098	0	5,098
Deficit Including Grants (Cash Basis)	(929,286)	(976,302)	47,016
Financing	950,235	976,302	(26,067)
Net Foreign Financing	323,310	417,553	(94,243)
Disbursements.....	451,587	769,570	(317,983)
Commercial Financing	114,292	350,493	(236,201)
Project Loans AIA.....	104,787	131,136	(26,349)
Project Loans Revenue	52,351	90,712	(38,361)
Project Loans SGR AIA	11,514	11,921	(407)
Programme Loans.....	168,644	185,307	(16,663)
Debt Repayment – Principal	(128,278)	(352,017)	223,739
Net Domestic Financing	626,926	558,749	68,177
Nominal GDP Estimate	11,256,082	11,168,511	87,571

The 2021/22 Budget

The fiscal performance in the FY 2021/22 was satisfactory, largely attributed to improved operating business environment following the recovery of the economy from the adverse impact of COVID-19 Pandemic. Revenue performance recorded a growth of 22.0% compared to a marginal growth of 0.3% in FY 2020/21. The growth in revenue collection was recorded in all broad tax categories in the period under review. This good performance was however overshadowed by the effects of the Russia-Ukraine conflict which put pressure on fuel and commodity prices prompting the Government to increase spending in order to cushion citizens. This coupled with the unfavourable conditions in the sovereign bond market which resulted to below target performance in foreign financed resources and shortfalls in domestic market affected expenditure performance during the reporting period.

Total revenue including A-i-A for FY 2021/22 was KES 2,199.8 billion against a revised target of KES 2,192.0 billion, recording a surplus of KES 7.9 billion. Ordinary revenue collection was KES 1,917.9 billion against a target of KES 1,851.5 billion. Collections from the broad tax categories were above target except Excise Duty which was slightly below target by KES 3.8 billion. Performance of ministerial A-i-A was below target by KES 58.5 billion on account of shortfalls recorded in both recurrent and development A-i-A of KES 44.9 billion and KES 13.7 billion, respectively.

Total expenditure and net lending in the FY 2021/22 amounted to KES 3,027.8 billion against a revised target of KES 3,286.1 billion, representing an under spending of KES 258.2 billion (7.9% deviation from the revised budget). The shortfall in spending was attributed to low A-i-A related spending on account of reduced collections, lower than targeted spending on interest payments and low absorption of both externally and domestically funded development projects. The underspending of KES 258.2 billion was also partly attributed to below target transfers to County Governments and lower disbursement of Governments contribution to civil servant superannuation pension scheme.

In line with the performance in expenditure and revenues, the fiscal deficit (including grants), amounted to KES 785.1 billion (6.2% of GDP) against a target of KES 1,031.2 billion (8.2% of GDP). The fiscal deficit was financed through net external financing amounting to KES 142.5 billion (1.1% of GDP) and net domestic financing of KES 605.3 billion (4.8% of GDP).

The following table sets forth figures available from the 2021/22 Budget

	2021/22		
	Actual Budget	Revised Budget	Deviation
		(KES millions)	
Total Revenue and Grants	2,230,839	2,254,871	(24,032)
Revenue	2,199,808	2,191,953	7,855
Ordinary Revenue.....	1,917,911	1,851,510	66,401
Import duty.....	118,280	115,869	2,411
Excise duty.....	252,094	255,890	(3,796)
Income tax.....	876,707	836,691	40,017
VAT.....	523,098	514,107	8,990
Investment Income - Others.....	38,160	32,209	5,951
Others.....	109,571	96,743	12,828
Appropriation-in-Aid.....	281,897	340,443	(58,546)
Grants	31,031	62,918	(31,887)
AMISOM Receipts.....	3,603	3,000	603
Projects Grants (Revenue).....	5,903	15,496	(9,593)
Projects Grants (AIA).....	12,435	24,072	(11,637)
Italian Debt Swap.....	0	0	0
County Health Facilities – DANIDA.....	0	0	0
Total Expenditure and Net Lending	3,027,836	3,286,077	(258,241)
Recurrent Expenditure	2,135,305	2,227,325	(92,021)
Domestic Interest.....	456,849	479,223	(22,374)
Foreign Interest due.....	121,130	126,059	(4,930)
Pensions, salaries, allowances, and miscellaneous services.....	122,432	125,346	(2,915)
Wages & Salaries.....	525,122	525,122	0
Defence and NSIS.....	175,798	157,123	18,676
O&M/Others.....	733,974	814,452	(80,478)

	2021/22		
	Actual Budget	Revised Budget	Deviation
	<i>(KES millions)</i>		
Development and Net Lending	540,117	657,515	(117,398)
Equalisation Fund/1400.....	0	6,825	(6,825)
County Governments' Allocation.....	352,414	401,237	(48,823)
Contingencies Fund.....	0	0	0
Deficit Incl. Grant (Commitment Basis)	(796,997)	(1,031,206)	234,077
Deficit Excluding Grants (Commitment Basis)	(828,028)	(1,094,124)	266,096
Adjustment to cash basis	11,868	0	11,868
Deficit Including Grants (Cash Basis)	(785,129)	(1,031,206)	246,077
Financing	747,825	1,031,206	(283,381)
Net Foreign Financing	142,524	343,085	(200,561)
Disbursements.....	327,059	545,151	(218,092)
Commercial Financing	0	124,318	(124,318)
Project Loans AIA.....	92,619	134,382	(41,764)
Project Loans Revenue	58,601	81,074	(22,473)
Project Loans SGR AIA	0	0	0
Programme Loans.....	135,019	163,196	(28,177)
Debt Repayment – Principal	(184,536)	(202,066)	17,530
Net Domestic Financing	605,301	688,121	(82,820)
Nominal GDP Estimate	12,698,001	12,646,197	51,804

Source: National Treasury

The 2022/23 Budget

The implementation of the FY2022/23 budget marked the transition from the previous Regime to the current Administration. The first half of the FY 2022/23 was marked by slow implementation of programmes and projects due to inadequate resources. In part, revenue performance was affected by the general slowdown of economic activities occasioned by the adverse impact of shocks that hit the country including uncertain operating environment related to the general elections and the negative impact of the geo-politics that led to global economic slowdown and supply chain disruptions. Additionally, there were liquidity constraints in raising resources from the domestic market. Given the realities, the Government embarked on reprioritization and cost-cutting measures to ensure smooth implementation of priority programmes for the remainder of the financial year. This demonstrated the Government's strong commitment to manage the expenditures, create fiscal space and signal fiscal consolidation and public debt sustainability.

Total revenue including external grants was KES 2,383.6 billion against a revised target of KES 2,520.3 billion recording a shortfall of KES 136.7 billion. Revenue performance, including Appropriation in Aid (A-i-A), was KES 2,360.5 billion in FY 2022/23 from KES 2199.8 billion in FY 2021/22, a growth of 7.3%. The growth in revenue collection was recorded in all the broad tax categories. However, the performance fell short of the target with ordinary revenue collection amounting to KES 2,041.1 billion against a target of KES 2,145.4 billion representing a shortfall of KES 104.3 billion.

Tax revenue from the broad tax categories were below their respective targets in the period under review. Excise duty recorded the highest shortfall of KES 29.5 billion, followed by VAT on domestic goods and services and other income tax of KES 24.5 billion and KES 24.4 billion respectively. The shortfall in excise duty is explained by the decline in oil volumes, motor vehicle imports and deliveries of domestic excisable goods such as cosmetics, beer and spirits. Domestic VAT collection was mainly affected by subdued growth in the construction, transport and manufacturing sectors owing to the high cost of inputs and increasing inflationary pressures. The performance of ministerial A-i-A was KES 319.4 billion against a target of KES 333.2 billion. The shortfall of KES 13.8 billion was on account of shortfalls recorded in both recurrent and development A-i-A of KES 9.3 billion and KES 4.5 billion, respectively.

Total expenditure and net lending in the FY 2022/23 amounted to KES 3,221.0 billion against a revised target of KES 3,366.6 billion, representing an under spending of KES 145.6 billion (4.4% deviation from the revised budget). The shortfall was attributed to low spending on both recurrent and development expenditure items. There was delayed disbursement of project funds and a shortfall in domestic borrowing resulting in unfunded expenditures items. This led to a carryover of KES 77.5 billion during the period under review.

In line with the performance in expenditure and revenues, the fiscal deficit (including grants, on a cash basis), amounted to KES 800.4 billion (5.6% of GDP) against a target of KES 846.2 billion (5.8% of GDP). The fiscal

deficit was financed through net external financing amounting to KES 310.8 billion (2.1% of GDP) and net domestic financing of KES 459.5 billion (3.2% of GDP).

	2022/23		
	Actual Budget	Revised Budget	Deviation
	<i>(KES millions)</i>		
Total Revenue and Grants	2,383,593	2,520,338	(136,745)
Revenue	2,360,510	2,478,622	(118,112)
Ordinary Revenue.....	2,041,119	2,145,399	(104,280)
Import duty	130,123	142,676	(12,553)
Excise duty.....	264,509	293,973	(29,465)
Income tax	941,576	982,140	(40,565)
VAT	550,440	580,616	(30,176)
Investment Income - Others	41,301	35,496	5,806
Others	113,171	110,498	2,673
Appropriation-in-Aid.....	319,391	333,222	(13,832)
Grants	23,083	41,717	(18,633)
AMISOM Receipts	6,982	6,982	0
Projects Grants (Revenue).....	7,524	16,703	(9,179)
Projects Grants (AIA)	8,577	18,031	(9,455)
Italian Debt Swap.....	0	0	0
County Health Facilities – DANIDA	0	0	0
Total Expenditure and Net Lending	3,221,001	3,366,561	(145,561)
Recurrent Expenditure	2,311,564	2,367,671	(56,107)
Domestic Interest	533,098	527,928	5,171
Foreign Interest due	154,223	154,937	(714)
Pensions, salaries, allowances, and miscellaneous services.	120,425	144,676	(24,250)
Wages & Salaries.....	539,552	539,552	7,604
Defence and NSIS.....	172,209	172,209	0
O&M/Others	784,452	828,369	(43,918)
Development and Net Lending	493,663	560,545	(66,882)
Equalisation Fund/1400.....	0	13,893	(13,893)
County Governments' Allocation.....	415,774	436,345	(20,571)
Contingencies Fund.....	0	2,000	(2,000)
Deficit Incl. Grant (Commitment Basis)	(837,408)	(846,223)	45,847
Deficit Excluding Grants (Commitment Basis)	(860,491)	(887,940)	27,449
Adjustment to cash basis	37,031	37,031	37,031
Deficit Including Grants (Cash Basis)	(800,377)	(846,233)	45,847
Financing	770,307	846,223	(75,916)
Net Foreign Financing	310,759	362,665	(51,906)
Disbursements.....	548,171	597,178	(49,007)
Commercial Financing	102,218	104,819	(2,601)
Project Loans AIA	74,245	105,158	(30,913)
Project Loans Revenue	61,975	83,091	(21,116)
Project Loans SGR AIA	0	0	0
Programme Loans.....	266,885	256,825	10,061
Debt Repayment – Principal	(237,412)	(234,513)	(2,899)
Other Domestic Financing			
Net Domestic Financing	459,548	483,558	(24,010)
Nominal GDP Estimate	14,274,419	14,521,624	(247,204)

Source: National Treasury

The 2023/2024 Budget

Budget implementation during the first half of FY 2023/24 has progressed well despite emerging challenges. There are expenditure pressures arising from FY 2022/23 carryovers amounting to KES 77.5 billion; elevated domestic interest rates and a weaker exchange rate has pushed our estimated interest payments to about KES 918.9 billion from KES 775.1 billion approved in June 2023. This is an upward adjustment of KES 143.8 billion or 0.9% of GDP; and the Government received requests from the MDAs amounting to over KES 300.0 billion to cover for salaries operations and maintenance, Government funded development projects and Development partners funded projects.

To finance these additional expenditures and to align the budget to the revised revenue forecast, budget rationalization was undertaken in the context of Supplementary Budget 1 taking into consideration the following:

- Need to maintain the primary balance consistent with the fiscal consolidation path by accommodating additional requests within the approved budget ceilings;
- Absorption rates of the FY 2023/24 budget;
- Core mandate of the MDAs;
- Removal of non-core items in the budget; and
- Ring-fencing of BETA priorities, social spending and projects targeted for completion in the FY 2023/24.

Given these developments, total revenues for the FY 2023/24 are projected at KES 3,047.6 billion (18.9% GDP) while total revenues inclusive of grants are projected as KES 3,094.9 billion. Ordinary revenues are projected at KES 2,576.7 billion (16.0% of GDP). Total expenditures are projected at KES 3,981.5 billion (24.7% of GDP) with recurrent expenditures projected at KES 2,793.8 billion (17.3% of GDP), development expenditures are projected at KES 762.6 billion (4.7% of GDP) and an allocation of KES 1.2 billion to Contingency Fund. Transfer to County Governments is projected at KES 423.9 billion (2.6% of GDP) with equitable share amounting to KES 385.4 billion (2.4% of GDP). The resulting fiscal deficit inclusive of grants of KES 886.6 billion (5.5% of GDP) will be financed by a net external financing of KES 412.1 billion (2.6% of GDP) and a net domestic financing of KES 474.5 billion (2.9% of GDP).

	2023/24		
	Budget Estimate	Revised Budget 1	Revised Budget 2
	<i>(KES millions)</i>		
Total Revenue and Grants	3,027,738	3,094,915	3,117,915
Revenue	2,985,566	3,047,559	3,070,559
Ordinary Revenue.....	2,571,159	2,576,759	2,624,639
Import duty	173,270	173,270	173,270
Excise duty.....	352,730	352,730	352,730
Income tax	1,198,535	1,198,535	1,198,535
VAT	703,302	703,302	703,302
Investment Income - Others	33,071	33,671	33,671
Others	110,252	115,455	115,252
Appropriation-in-Aid.....	414,407	470,800	445,920
Grants	42,172	47,357	47,357
AMISOM Receipts	0	0	0
Projects Grants (Revenue).....	14,295	19,711	19,711
Projects Grants (AIA)	27,877	27,646	27,646
Italian Debt Swap.....	0	0	0
County Health Facilities – DANIDA	0	0	0
Total Expenditure and Net Lending	3,746,618	3,981,529	3,902,895
Recurrent Expenditure	2,536,255	2,793,852	2,760,062
Domestic Interest	628,264	646,356	646,356
Foreign Interest due	146,875	272,483	246,483
Pensions and miscellaneous services.....	165,368	165,423	165,423
Wages & Salaries.....	584,647	589,493	589,493
Free Secondary Education.....	68,600	71,879	71,879
Free Primary Education	14,404	14,903	14,903
Junior Secondary School - Capitation	25,460	31,000	31,000
IEBC	4,571	4,274	4,274
KRA.....	24,812	24,812	24,812
Defence and NSIS.....	183,290	192,450	190,800
Others	422,372	431,204	449,943
Ministerial Recurrent A.I.A.	264,588	321,113	296,233
Development	777,822	762,598	717,755
Domestically Financed (Gross).....	472,154	455,202	437,659
o/w Domestically Financed (Net).....	322,335	305,515	287,972
Ministerial Development A.I.A.....	149,819	149,687	149,687
Foreign Financed.....	280,614	277,604	250,304
Net Lending	17,187	18,924	18,924
Equalisation Fund/1400.....	7,867	10,867	10,867
County Transfer	429,741	423,879	423,879
Equitable Share	385,425	385,425	385,425
Conditional Allocation	44,316	38,454	38,454
Contingencies Fund	2,800	1,200	1,200
Deficit Excluding Grant (Commitment Basis)	(761,051)	(933,970)	(832,337)
Deficit Including Grants (Commitment Basis)	(718,880)	(886,614)	(784,980)
Adjustment to cash basis	0	0	0

	2023/24		
	Budget Estimate	Revised Budget 1	Revised Budget 2
Deficit Including Grants (Cash Basis)	(718,880)	(886,614)	(784,980)
Financing	718,880	886,614	784,980
Net Foreign Financing	131,467	412,064	362,234
Disbursements.....	607,064	978,726	995,209
Commercial Financing.....	270,000	175,135	175,135
Project Loans AIA.....	149,132	148,672	134,672
Project Loans Revenue.....	122,502	114,768	101,468
Project Loans SGR AIA.....	0	0	0
Programme Loans.....	65,429	540,151	583,935
Debt Repayment – Principal.....	(475,596)	(566,661)	(632,976)
Net Domestic Financing	587,413	474,549	422,747
Nominal GDP Estimate.....	16,290,270	16,131,502	16,131,502

Source: National Treasury

Funding the Fiscal Deficit

Kenya believes it has access to adequate concessional and non-concessional financing and reserves buffer to finance both fiscal and balance of payments gaps, while a robust domestic securities market provides further flexibility. The below table sets out the sources of financing for the FY 2022/2023 fiscal deficit, as well as the potential sources of financing for the FY 2023/2024 fiscal deficit. As of 31 January 2024, the Government has raised approximately US\$3 billion of funding of the approximately US\$5.7 billion projected to be required for the FY 2023/2024 fiscal deficit. The Government is committed to implement the 2023 Medium Term Debt Strategy which envisages maximization of concessional and semi concessional external debt while proposing liability management operations in the domestic and international capital markets.

	FY 2022/2023 ⁽¹⁾	FY 2023/24 Budget ⁽²⁾	Cumulative Disbursements as at 31 January 2024
		(In USD Millions)	
Sources of Funding	5,168	7,461	3,015
Net Foreign Financing	2,898	4,248	1,611
Capital Markets and Commercial Loan Financing.....	727	2,645 ⁽³⁾	402
Project Loans.....	971	1,783	468
Program Loans.....	1,889	3,657	742 ⁽⁴⁾
<i>African Development Bank</i>	143	99	-
<i>IMF</i>	589	1,582	742
<i>World Bank</i>	1,156	1,976	-
Debt Repayment - Principal.....	(1,689)	(3,836)	-
Net Domestic Financing	3,270	3,212	1,404

⁽¹⁾ Conversion from Kenyan shilling to US dollar made using the applicable end of period fiscal year exchange rate as released by the Central Bank of Kenya.

⁽²⁾ Conversion from Kenyan shilling to US dollar made using the December 2023 end of period exchange rate as released by the Central Bank of Kenya

⁽³⁾ Includes proceeds of US\$ 1,459,050,000 from the offering of the Notes hereby

⁽⁴⁾ This comprises US\$ 676 million under the ECF/EFF and US\$ 65 million under the RSF. See “Public Debt – Relations with the IMF”.

Source: National Treasury

PUBLIC DEBT

Overview

Government debt comprises external and domestic debt. Domestic debt is reported on a gross basis and excludes Government deposits in commercial banks, CBK and National Treasury advances to parastatals. It consists of Government securities and loans and advances from the banking system. All domestic debt is in local currency; there is no foreign currency domestic debt. External debt consists of public and publicly guaranteed debt from outside the country contracted in foreign currency. As at 31 December 2023, the stock of external debt was KES 6.1 trillion (US\$ 38.9 billion) while domestic debt was KES 5.0 trillion (US\$ 32.3 billion). The majority of external debt is long-term whilst majority of the stock of domestic debt consists of Treasury bills (short-term).

Public debt management is governed by a legislative and regulatory framework including the Constitution and the PFMA. Subject to the provisions of the Constitution and the PFMA, the Government (through the Cabinet Secretary) may borrow or raise money from any reputable source for purposes of economic management and development of the country. The Cabinet Secretary may guarantee or raise a loan on behalf of Government or any other public institution, authority or person as authorised by or under an Act of Parliament. The decision to borrow on behalf of the Government rests with the Cabinet Secretary and is guided by, amongst others, (i) the Constitution, (ii) the PFMA, (iii) the BPS and Medium-Term Debt Strategy (MTDS), and (iv) Annual Budget Estimates approved by the National Assembly.

The PFMA underwent amendments under Section 50 (2A) and (2B) whereby the debt ceiling was changed from a debt ceiling of KES 10 trillion to a debt threshold of $\pm 55\%$ of the Gross Domestic Product (GDP) in present value terms. As of the date of this Offering Circular the Government's debt exceeds the debt ceiling. As at December 31, 2023, Kenya's debt was 68.2% in present value terms. However, section 50 (2B) of the PFMA provides that such threshold may be exceeded by not more than 5% in exceptional circumstances. Section 50 (2C) of the PFMA provides that the Cabinet Secretary shall, not later than five years from the date of the coming into force of subsections (2A) and (2B), on 1 November 2023, take measures to ensure that borrowing by the national government complies with the threshold prescribed in subsection (2A). The Cabinet Secretary shall from 1 November 2028 (being five years after the date of the coming into effect of Section 50 (2A) and 50 (2B) of the PFMA) submit to Parliament, a report on the breach of the debt threshold, if any, indicating the circumstances provided for in subsection (2B).

Under the Constitution, the Government may guarantee borrowings of SOEs, county governments and any other borrower as the Constitution provides. The Government has taken a conservative approach in providing borrowing guarantees to entities and total outstanding guarantees are less than 2% of total outstanding debt.

Total public debt and publicly guaranteed debt stood at US\$71,114.28 million as at 31 December 2023 and external debt represented 54.71% of total public debt at the same time, primarily due to external loan disbursements and depreciation in exchange rates. Total Public and publicly guaranteed debt stood at US\$ 73,145.58 million as at 30 June 2023, which represented a 0.21% decrease from US\$ 73,301.43 million as at 30 June 2022. The Public and publicly guaranteed debt as at 30 June 2022 represented a 2.71% increase from US\$ 71,364.25 million as at 30 June 2021. The total public debt and publicly guaranteed debt as at 30 June 2021 represents a 13.57 % increase from US\$ 62,835.03 million as at 30 June 2020, which in turn represented a 10.65 % increase from US\$56,785.66 million as at 30 June 2019. The proportion of the public's external debt to total debt increased by 32.64% as from 30 June 2017 to 30 June 2019, mainly due to increased commercial borrowing.

The proportion of the Public external debt to total debt increased to 52.53% as at 30 June 2020 from 52.04% as at June 2019 due to rise of multilateral debt stock in which the Government contracted concessional debt. The proportion of the public's external debt to total debt decreased to 51.96% as at 30 June 2021, and decreased further to 49.80% as at 30 June 2022 and thereafter increased to 52.99% as at 30 June 2023.

The following table sets out a summary of the public debt and publicly guaranteed debt disaggregated into foreign and domestic debt as at the dates indicated.

As at 30 June	External			Internal			Total		
	(KES millions)	(US\$ millions) ⁽¹⁾	As % of GDP	(KES millions)	(US\$ millions) ⁽¹⁾	As % of GDP	(KES millions)	(US\$ millions) ⁽¹⁾	Total debt as % of GDP
2018	2,568,399	25,417	30.2	2,478,835	24,531	29.2	5,047,234	49,948	59.4
2019	3,023,139	29,552	32.3	2,785,483	27,229	29.7	5,808,621	56,781	62.0
2020	3,515,812	33,005	34.6	3,177,526	29,830	31.2	6,693,336	62,835	65.8
2021	3,999,542	37,084	35.4	3,697,093	34,280	32.7	7,696,635	71,364	68.1
2022	4,299,948	36,502	33.7	4,288,333	36,404	33.9	8,588,281	72,906	67.6
2023	5,446,561	38,759	38.2	4,832,113	34,387	33.3	10,278,674	73,146	71.5

(1) Conversion from Kenyan shilling to US dollar made using the applicable end of period mean exchange rate as released by the Central Bank of Kenya.
Source: National Treasury / Central Bank of Kenya

As at 31 December 2023, the total outstanding Public Debt was KES 11,126,668 million (US\$ 71,114 million), of which foreign debt was KES 6,087,538 million (US\$ 38,908 million) and the total outstanding internal debt was KES 5,039,130 million (US\$32,207 million).

The following table sets out a summary of Public debt and publicly guaranteed debt disaggregated into fixed rate debt and floating rate debt as at the dates indicated.

	As at 30 June					
	2018	2019	2020	2021	2022	2023
Debt Maturing in one year (% of GDP)	11.7	11.1	11.0	10.2	9.2	10.0
Floating rate debt.....	16	13	13	23	23.1	14.8
Fixed rate debt.....	84	87	87	77	76.9	85.2
Total	100	100	100	100	100.0	100.0

Source: National Treasury / Central Bank of Kenya

As at 31 December 2023, total external debt was made up of 22% bilateral debt, 50% multilateral debt, and 24.8% sovereign bonds, commercial debt, and buyer credit.

The total multilateral debt increased by 131% at US\$ 18.89 billion at 30 June 2023 from US\$ 8.17 billion as at 30 June 2018 while total bilateral debt increased from US\$ 8.07 billion at 30 June 2018 to US\$ 9.08 billion at 30 June 2023. The increase was a result of was as a result of the Government contracting concessional loans. The increased borrowing was to meet to finance the projects and programs in the budget under the Development Policy Operation (DPO).

In June and November 2014, Kenya raised in aggregate US\$2.75 billion through a dual tranche 5- and 10-year Eurobond issuance. The proceeds of the issuance were used for the funding of infrastructure projects, as well as the repayment of a US\$600 million loan incurred in 2011/12.

In 2015, Kenya entered into a two-year US\$750 million syndicated loan with a consortium of banks. In addition, the Government executed two Export Credit Agency loans with the Italian Export Agency totalling €578.3 million to finance the construction of the Aror and Kimwarer Dams.

In June 2016, Kenya entered into a seven-year US\$600 million loan from China Development Bank Corporation and a two-year US\$200 million loan from Africa Export-Import Bank (“**Afrexim**”). In December 2016, Kenya entered into a two-year US\$250 million loan from East and South Africa Trade Development Bank (formerly PTA Bank). In March 2017, Kenya entered into a five-year US\$300 million loan and a 10-year US\$200 million from East and South Africa Trade Development Bank, and a two-year US\$766 million and a three-year US\$234 million loans with a consortium of banks. In October 2017, Kenya entered into a 10-year US\$750 million loan from East and South Africa Trade Development Bank to refinance the maturing two-year US\$750 million syndicated loan. In June 2018, Kenya entered into a 10-year US\$200 million loan from East and South Africa Trade Development Bank to refinance the maturing two-year US\$200 million syndicated loan. In October 2023,

Kenya entered negotiations with China to seek an additional \$1 billion loan for long-term economic development.

In 2017, various ministries and corporations in Kenya, such as the Ministry of Energy and Kenya Power and Lighting Co. Ltd. entered into a series of loans with Exim Bank of China, amounting to a total sum of approximately US\$1.2 billion and CNY 3.4 billion. The loans mature between 2030 and 2040 and were used to fund certain infrastructure and electricity projects in Kenya.

In February 2018, Kenya issued a US\$2.0 billion Eurobond comprising a 10-year tranche due 28 February 2028 and a 30-year tranche due 28 February 2048 (“**2028/2048 Eurobond**”). During the period from March 2018 to June 2018, Kenya entered into five new loans, totalling US\$517 million. These included two bilateral loans with a maturity of 30 years, two multilateral loans with maturities of 25 and 30 years and one loan from a commercial bank. From July 2018 to December 2018, Kenya entered into three further loans, two with bilateral lenders and another with a development finance institution. The bilateral loans are long term with maturities ranging from 12 to 30 years. The loan from the development finance institution is a 10-year loan that will be used to refinance a two-year syndicated loan.

Between January and April 2019, Kenya entered into five new loans, totalling US\$1.8 billion in value, three of which were bilateral loans each with a maturity of 10 years and two of which were commercial loans each with a maturity of 10 years.

In 2020, Kenya entered into four new loans totalling US\$187 million through various bilateral and multilateral loan agreements aimed at curbing the impact of the Covid-19 Pandemic and providing necessary support to the Kenyan health system. The loans were to support transformation of health care systems for universal care, specifically: (i) improving quality of care; (ii) strengthening monitoring and evaluation and civil registration and vital statistics; (iii) supporting health financing reforms towards universal health coverage and (iv) purchasing medical equipment.

On 10 June 2021, the World Bank approved a US\$750 million loan in development policy financing to Kenya to generally support the Government’s Post-Covid-19 Economic Recovery Strategy and to support reforms in sectors significantly impacted by the Covid-19 Pandemic, such as healthcare, education and energy. This loan will have a concessional annual interest rate of 3.1%.

In the FY 2021/22 the Development Policy Operations (DPO) program supported by World Bank secured to support institutional reforms and Post COVID Recovery initiatives which amounted to US\$ 945.03 million, while Program for Results (PforR) secured support of US\$ 37.32 million. In addition, the Government of Kenya secured budget support of US\$269.56 million under the 38-month IMF Extended Credit Facility (ECF) and Extended Fund Facility (EFF) Program.

In the FY 2022/23 The Government contracted eighteen (18) new external loans equivalent to US\$ 2,461.45 million out of which, eight (8) were from multilateral lenders, six (6) from bilateral lenders and four (4) from commercial banks to finance the budget deficit. In January 2024, the Trade and Development Bank disbursed a loan to Kenya in an aggregate principal amount of US\$ 385 million.

Currently, Kenya has not entered into any derivatives transactions. As at June 2022, the total external debt as a percentage of GDP stood at 34% while it was at 33% in December 2023. Kenya’s external debt is well-diversified in terms of currency and creditor exposures, which enables hedging against exchange rate risks. Efforts are being made to further diversify and sustain Kenya’s debt currency mix. The Government’s strategy is to manage the currency exposures by seeking to match currency of external liabilities with the currency composition of Kenya’s foreign exchange inflows, foreign reserves, and cost of borrowing in each currency.

The following tables set out the total public and publicly guaranteed external and internal debt by source as at the dates indicated.

	As at 30 June						
	2018	2019	2020	2021	2022	2023	Dec 2023
External Debt:	(US\$ millions) ⁽¹⁾						
1. Lending Countries:							
Germany	343.0	364	333	297.02	296.03	318.45	336.41
Japan	1,008.3	1,322	1,424	808.94	709.38	705.34	702.88
France	611.4	709	748	851.83	764.63	780.81	753.72
United States	29.2	20	15	13.14	10.69	8.53	7.43
Netherlands	10.7	3	1	-	-	-	-
Denmark	11.6	9	6	4.39	3.88	3.07	2.58
Finland	16.3	18	13	11.31	7.50	5.17	3.96
China	5,532.6	6,462	6,753	7,056.92	6,830.10	6,280.39	6,006.71
Belgium	101.0	113	112	117.61	109.81	182.15	179.21
Austria	5.7	18	13	13.33	11.04	13.75	13.63
Canada	4.1	1	-	-	-	-	-
Italy	1.2	355	350	371.85	328.79	343.70	212.13
United Kingdom	4.6	1	-	-	-	-	-
Other	611.4	342	1,065	1,028.80	885.26	890.87	870.96
Total Lending Countries	8,291.0	9,737	10,085	10,575.2	9,957.11	9,532.23	9,089.63
2. International Organisations:							
ADB/ADF	2,026.5	2,245	2,476	2,988.35	3,269.82	3,685.50	3,792.02
IDA/IFAD	5,114.0	5,953	8,649	10,146.7	10,470.1	11,424.85	11,685.80
EEC/EIB	192.5	169	158	215.38	176.12	207.53	204.58
IMF	708.4	481	1,038	1,652.44	1,751.40	2,388.16	2,694.19
Others	27.7	91	86	383.48	656.15	1,187.13	1,187.98
Total International Organisations	8,069.2	8,938.5	12,407.1	15,386.3	16,323.6	18,893.17	19,564.57
3. Commercial debts:							
Commercial Banks	8,929.9	9,598.00	10,348.0	3,903.51	3,058.22	3,128.01	3,053.63
International Sovereign Bond	4,750.0	6,100.00	6,100.00	7,106.58	7,100.00	7,100.00	7,100.00
Export Credit	165.5	165.51	165.51	112.77	103.14	105.66	112.75
Total commercial debts	13,845.40	15,863.51	16,613.51	11,122.86	10,261.36	10,333.67	10,266.83
Total External⁽²⁾	30,205.60	34,539.51	39,853.51	37,084.35	36,542.06	38,759.07	38,920.57

⁽¹⁾ Conversion from Kenyan shilling to US dollar made using the applicable end-of-period mean exchange rate as released by the Central Bank of Kenya.

⁽²⁾ The sum of items 1, 2 and 3

Source: National Treasury; Central Bank of Kenya

As at 29 December 2023, the total external lending was US\$38,907.50 million, comprised primarily of lending by countries of US\$8,509.40 million; by international organisations of US\$19,564.57 million, by commercial banks of US\$2,463.72 million, and international sovereign bonds of US\$7,100.00 million.

	As at 30 June					
	2018	2019	2020	2021	2022	2023
Internal Debt:	(KES Millions)					
Treasury Bills (1)	878,622	954,220	887,142	765,375	628,754	614,726
Treasury Bonds	1,511,873	1,748,603	2,219,444	2,849,936	3,569,092	4,013,891
Non-Interest bearing debt	23,894	22,229	21,674	20,009	18,899	17,789
Others (includes stocks)(2)	64,447	60,855	49,267	61,774	71,588	90,191
Less Government deposits & on-lending	(330,626)	(507,429)	(503,310)	(556,430)	(418,284)	(484,584)
Total Internal (net)	2,148,210	2,278,478	2,674,217	3,140,664	3,870,049	4,252,013

(1) Excludes repo bills.

(2) Others consist of Central Bank of Kenya overdraft to the Government of Kenya, cleared items awaiting transfer to PMG, commercial bank advances and tax reserve certificates.

Source: National Treasury; Central Bank of Kenya

The Government undertakes Treasury bond auctions every month, The Treasury bonds auction results for the FY 2023/24 has been performing well. In July 2023, the Government issued bonds worth KES 60.0 billion and received an oversubscription of 1.6x, in that auction a total of KES 95.2 billion was taken. In August 2023, the Government issued bonds worth KES 61.0 billion and received an oversubscription of 1.3x, a total of KES 76.6 billion was taken in that auction. In September 2023, the Government issued bonds worth KES 35 billion and received a subscription of 1.0x, a total of KES 34.0 billion was realised in that auction. In October 2023, the Government issued bonds worth KES 50.0 billion and received an undersubscription of 0.3x, a total of KES 15.7 billion was taken from that auction. In November 2023, the Government issued bonds worth KES 50.0 billion and received an oversubscription of 1.8x, a total of KES 88.9 billion was raised from that auction. In December 2023, the Government issued bonds worth KES 25.0 billion and received an oversubscription of 1.9x, from that auction a total of KES 47.2 billion.

The table below shows the principal maturities of Kenya's foreign currency debt. This data takes into account foreign currency debt maturities deferred under the DSSI.

	2023	2024	2025	2026	2027	2028-2032	2033-2037	2038-2042	2043-2048
					(US\$ millions)				
Concessional	892.89	872.13	556.06	542.68	546.65	3,413.72	1,882.12	1,235.32	1,196.72
Non-concessional	335.26	228.77	133.65	56.19	42.89	94.84	21.09	2.66	-
Eurobond	-	2,000.00	300	300	300	1,000.00	-	-	1,000.00

Source: National Treasury

As at 29 December 2023, the National Government guaranteed approximately KES 183,083.36 million of the indebtedness of the non-financial public sector. The table below sets out information on publicly guaranteed debt of the non-financial public sector at the dates indicated.

	Publicly Guaranteed Debt							
	Contracted	Year Loan Creditor	Year Loan			Loan Balance At 30 June		
			2018	2019	2020	2021	2022	2023
				(KES millions)				
Kenya Broadcasting Corporation.....	1989	Japan	1,035	357	-	-	-	-
Telkom Kenya Ltd	1990	Canada	-	-	-	-	-	-
Tana and Athi River Development Authority	1990	Japan	673	279	-	-	-	-
East African Portland Cement	1990	Japan	836	346	-	-	-	-
KenGen Ltd	1995	Japan	2,923	2,421	2,108	1,867	1,652	825
	1997	Japan	3,099	2,727	2,515	1,979	1,751	1,148
	2004	Japan	8,404	8,207	8,233	7,932	6,720	7,049
	2007	Japan	3,827	3,760	3,789	3,590	3,177	3,227
	2010	Japan	51	19,389	19,549	18,533	16,397	14,938
	2010	Germany	2,970	2,607	1,879	1,505	1,455	947
	2011	Germany	4,510	3,924	3,113	2,947	2,848	1,916
	2021	Japan	-	-	-	-	-	1,413
Kenya Ports Authority.....	2007	Japan	23,808	23,903	23,185	21,970	19,439	19,755
Kenya Railways	2008	IDA	4,547	4,603	4,793	-	-	-
Kenya Ports Authority	2015	Japan	-	-	-	13,739	14,094	27,048
	2015	Japan	-	-	-	2,191	-	3,739
	2016	Japan	6,333	10,158	16,189	-	-	-
Kenya Airways	2017	Afrexim	75,787	76,724	79,893	80,963	77,824	88,224
Total			137,768	159,405	165,247	157,219	145,357	170,229

Source: National Treasury

The Central Government's net external debt servicing charges increased by 12.3% from US\$ 2,370.1 million in 2017/18 to US\$ 2,662.3 million in 2018/19 and increased by 11% to US\$ 2,961.4 million in 2019/2020. Net external debt servicing charges decreased by 25 % to US\$ 2,196.4 million in 2020/21, and thereafter increased by 18.8 % to US\$ 2,609.9 million in 2021/22 and by 12.2% to US\$ 2,878 million in 2022/23.

Net internal debt servicing charges decreased by 41.5% from US\$ 3,630.1 million in 2018/19 to US\$ 2,122.0 million in 2019/20, but increased by 41.16 % to US\$5,124.1 million in 2020/21, by 45.5% to US\$ 5,238.3 million in 2021/22 and by 56.81% to US\$ 5,692.3 million in 2022/23.

The following table sets out a summary of Central Government debt service as at the dates indicated.

Year Ended 30 June	Annual Debt Servicing Charges(1)			Interest and Loan Repayment Receipts			Net Servicing Charges		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
2018.....	2,370.1	2,183.5	4,553.5	-	38.8	38.8	2,370.1	2,222.3	4,592.3
2019.....	3,602	4,708	8,310	-	28.1	28.1	2,662.3	3,630.1	6,292.4
2020.....	2,098	4,018	6,116	-	24.4	24.4	2,961.4	2,122.0	5,083.4
2021.....	2,177	5,066	7,243	19.44	58.07	77.51	2196.4	5,124.1	7,320.5
2022.....	2,594	5,195	7,789	15.86	43.25	59.1	2,609.9	5,238.3	7,848.2
2023.....	2,875	5,672	8,547	2.96	20.31	23.3	2,878	5,692.3	8,570.3

(1) Annual debt servicing charges = Central Government and guaranteed debt redemption + interest.

(2) Conversion from Kenyan shilling to US dollar made using the applicable end of period mean exchange rate as released by the Central Bank of Kenya.

Source: National Treasury

Medium Term Debt Strategy

The Government is committed to implement the 2023 Medium Term Debt Strategy which envisages maximisation of concessional and semi concessional external debt while proposing liability management operations in the domestic and international capital markets

The 2023 Medium Term Debt Strategy also reiterates the importance of stepping up reforms in the domestic debt markets to ensure more depth, diversification and increased role of the domestic debt market in meeting the financing needs of the Government

As such, the National Treasury and Economic Planning through the fiscal agent and Capital Markets Authority, is implementing strategic debt market reforms aimed at increasing domestic market efficiency.

The 2020 MTDS was implemented through a borrowing plan that factors in Government cash flow requirements and market conditions. It envisaged 72% of total gross domestic borrowing over the medium term to be raised from domestic financing and 28% from external borrowing. Implementation is monitored against changes in the key macroeconomic indicators and market interest rates, the actual gross domestic financing was 78.6% of the total borrowing and gross external borrowing comprised of concessional and semi concessional at 21.1%.

The 2021 optimal strategy was to minimise costs and risks of public debt and it suggested the borrowing in the ratio of 57:43 in net external and net domestic borrowing. In terms of gross borrowing, external and domestic financing accounts for 27% and 73% respectively. The actual gross domestic financing in FY2020/21 was 81.3% while the actual gross external borrowing was 18.7% of the total borrowing. The strategy was underpinned by the need to move away from high interest cost of domestic debt. It aimed to achieve gradual repayment of Treasury bills and part of commercial debt in the external portfolio through liability management operations. It considered the cost and risk trade-offs, the net borrowing and the need to diversify the funding sources.

The 2022 optimal strategy option was designed to encourage the use of more concessional funding from international sources and reducing commercial borrowing from international creditors, thereby reducing the cost of debt. For domestic financings, the option is aimed at reducing refinancing risk, principally, through the issuance of medium-to-long term instruments as the main source of domestic financing. In net borrowing terms, the option assumes 68% domestic and 32% 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% and 75%, respectively. The actual gross domestic borrowing in FY2021/22 was 85.0% of the total borrowing while the total actual gross external borrowing of 15% was from concessional and semi-concessional sources

The optimal strategy of the MTDS 2023 is to minimise costs and risks through a net financing combination of 50% from both external and domestic sources. Externally, the strategy aimed at maximizing concessional borrowing and minimise on commercial borrowing, thereby lowering the debt service cost. The total actual gross external borrowing was 22.0% of the total borrowing while the actual gross domestic borrowing was 78.0% of the total borrowing. On the domestic borrowing, the strategy aim was to reduce the risk of refinancing by maintaining the existing stock of Treasury bills at the current levels while issuing medium to long term debt securities under the benchmark Treasury bond programme.

The 2024 optimal strategy seeks to achieve gradual reduction of Treasury bills stock with domestic financing mainly sourced from medium to long-term Treasury bonds. Externally, the strategy focuses more on budget financing through concessional borrowing. In terms of net financing, the option assumes 45% domestic and 55% external borrowing.

The strategy will meet the government requirements while repaying its debt maturities. The outcomes of the optimal strategy are:

- reduce cost of debt in terms of interest payments as a percentage of GDP and implied interest rate.
- minimise PV of debt to GDP as a resulting outcome of the fiscal consolidation plan.
- minimise refinancing risk by lengthening the total portfolio Average Time to Maturity (ATM) through issuance of medium to long-term bonds and concessional loans with longer maturities.
- minimise interest rate risk in terms of average time to re-fixing.
- deepen the domestic bond market through issuance of more medium to long-term instruments as the main source of domestic financing.

The government's plan in the fiscal year 2024/25 and over the medium-term is to implement priority economic policies, structural reforms, fiscal consolidation plan and sectoral expenditure programs outlined in the 2024 BPS, through a Bottom-Up approach for a socioeconomic transformation, economic turnaround and inclusive growth. Special focus will be placed on increased employment, more equitable distribution of income, social security while also expanding the tax revenue base, and increased foreign exchange earnings.

The strategy is aligned to 2024 Budget Policy Statement (BPS) whose aim is to support economic recovery through a growth friendly fiscal consolidation plan aimed at slowing the public debt accumulation without compromising service delivery to citizens. The debt service to revenue ratio is expected to increase from 16.6% in 2023 to 18.2% in 2025 and further to 19.2% in 2026. A series of planned liability management operation aims to reduce these ratios in the near term.

As part of its strategy, the Government plans for actively undertaking debt management operations to lower the cost of debt and refinancing risk by seeking to refinance some outstanding borrowings with longer-dated debt instruments; the aim is to lower the cost of debt and to improve on the sustainability indicators.

The Government continues to pursue growth responsive fiscal consolidation measures aimed at reducing the fiscal deficits and lower debt service costs and release resources for priority programs. In this regard, the deficit is projected to decline to 4.4% of GDP in the FY 2023/24 and 3.6% of GDP over the medium-term.

In terms of net financing, the option assumes 45% domestic and 55% external borrowing. In gross borrowing terms, external and domestic financing accounts for 37% and 63%, respectively. Gross external financing would be composed of 16% concessional, 6% semi-concessional and 15% commercial borrowing. The Government strategy favours the issuance of long-term instruments, with more borrowing through medium term to long term treasury bonds and less borrowing through treasury bills.

Optimising the composition of domestic debt sources and foreign debt sources is expected to help to reduce risks to the cost of Kenya's public external debt posed by export volume shocks without crowding out private sector debt in the form of domestic bank credit. Another element of the Government's overall strategy is to extend debt maturities by improving the average time to maturity of Kenya's overall debt profile.

As a result of borrowing projections, total nominal public debt is expected to increase from KES 10,428.71 billion as at June 2023 to KES 13,192.24 billion as at June 2027. As share of GDP, the total public debt is projected to decline from 70.6% as at 30 June 2023 to 57.7% as at 30 June 2027, which is in line with the Government's strategy on fiscal consolidation. The Government plans to borrow KES 10,967.59 billion (67.3% of GDP) in 2023/24 from KES 10,248.71 billion (70.6% of GDP) in 2022/23.

The MTDS assumes that reducing the fiscal deficit over the medium term, restricting borrowing to only finance projects with high social and economic returns, and lengthening the maturity of non-concessional borrowing will help limit and eventually reduce public debt ratios, consequently reducing refinancing risks. In addition, the Government is committed to pursuing a fiscal consolidation path aimed at ensuring a slower growth of fiscal deficit enhancing revenue collection and is expected to be implemented through measures which entails reduction of the pace of debt accumulation and the risk of elevated debt distress. Revenue enhancement measures are expected to include broadening tax base to raise revenues and curtailing overall spending while prioritizing high-impact social and investment expenditure.

The table below shows the Government's debt service payments for the next five financial years.

	Revised				
	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
			<i>(KES millions)</i>		
External Debt					
Interest.....	155,907	146,875	152,687	154,396	187,147
Principal	248,056	475,596	281,459	302,197	360,227
Total External Debt Service (TEDS).....	403,963	622,471	434,146	456,593	547,374
Domestic Debt					
Domestic Treasury Bond Redemption	262,375	374,539	512,577	516,858	564,457
Domestic debt Interest.....	533,098	628,264	680,924	730,847	787,884
Total Domestic Debt Service.....	795,473	1,002,803	1,193,501	1,247,705	1,352,341
Total debt service	1,199,436	1,625,274	1,627,648	1,704,299	1,899,715

Source: National Treasury

Debt service to revenue is expected to decrease from 58.8% of total revenues in 2022/23 to 45.3% by 2026/27. This is due to the fiscal consolidation and planned liability management efforts that are being implemented from 2022/23 to the medium term. The proposed liability management will involve replacement of expensive short to medium term debts in the debt portfolio with less expensive debts through refinancing operations and at the same time lengthen maturity profile of those debts.

Guarantees and Contingent Liabilities

The Government has guaranteed debt for parastatals, primarily in the Energy and Transport sectors. These are guarantees on debt to Kenya Electricity Generating Company, Kenya Ports Authority and Kenya Airways. Guarantees processed by the National Treasury are to SOEs that have strong balance sheets and where their financial performance is able to accommodate debt service obligations. Guarantees are normally processed by the National Treasury and submitted to Parliament for approval. As of 30 December 2023, the Government had a total of KES 1.17 billion in guaranteed debt for parastatals.

Relations with the IMF

In February 2015, the IMF approved a blended Stand-By Arrangement and Standby Credit Facility (the “SBA-SCF 1”) for a combined amount of SDR 488.52 million (approximately US\$688 million), with SDR 379.96 million made available immediately, and the remainder in two equal tranches upon completion of semi-annual programme reviews. The first review was completed in September 2015, where the Executive Board made available an additional SDR54.38 million (approximately US\$76.3 million).

In March 2016, the IMF approved the SBA-SCF 2, comprised of a new SDR 709.259 million (approximately US\$989.8 million) 24-month Stand-By Arrangement and a SDR 354.629 million (approximately US\$494.9 million) 24-month Standby Credit Facility for a combined SDR 1.06 billion (approximately US\$1.5 billion) for Kenya and SDR 542.8 million (approximately US\$757.5 million) was immediately made available. The first review of the SBA-SCF 2 was completed by the IMF in January 2017 and following completion of this review an additional SDR 56.994 million (approximately US\$77.4 million) under the facility was made available to Kenya.

However, the second and third reviews of the IMF programme due in June 2017 and December 2017 could not be completed on time due to the prolonged election period. Following the conclusion of the general election, the IMF was in Nairobi in April 2018 to conduct a review under the SBA-SCF2 and for consultations on whether to extend the existing SBA-SCF or to agree on a new programme. However this review did not conclude with the agreement of a new programme and accordingly no funds are currently available under an IMF standby arrangement facility, as the SBA-SCF 2 facility expired in September 2018.

On 2 April 2021, the Executive Board of the IMF approved 38-month arrangements under the ECF and the EFF for Kenya in an amount equivalent to SDR 1.655 billion (305% of quota or about US\$2.34 billion) to support the next phase of the Covid-19 response, address the urgent need to reduce debt vulnerabilities and for safeguarding resources to protect vulnerable groups. On 17 May 2021, the Government and the IMF concluded

the first review of the IMF Programme and agreed that Kenya will receive access to approximately US\$ 410 million in IMF financing when the full review is formally completed.

The International Monetary Fund (IMF) completed the Fourth reviews of the 38-month arrangements under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) arrangements on December 2022. The approval enabled the immediate disbursement of SDR336.54 million (about US\$447.39 million) usable for budget support, including an augmentation under the ECF arrangement of SDR162.34 million (30% of quota, about US\$215.81 million). This brought Kenya's cumulative disbursements under the EFF/ECF arrangements to about US\$1.655.59 million. With the augmentation, the total amount under the EFF/ECF arrangements rises to SDR 1.818 billion (335% of quota or about US\$2.416 billion)

On 17 July 2023, the Executive Board of the International Monetary Fund (IMF) completed the fifth reviews under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) arrangements for Kenya. The Board also approved an extension of the EFF/ECF arrangements from the 38 months to 48 months (through 1 April 2025) to allow sufficient time to implement the authorities' reform agenda and realise the program's key objective and an augmentation of access amounting to 75% of quota (SDR407.1 million) over the extended program duration for balance of payments support. The decision allowed for an immediate disbursement of SDR306.7 million (about US\$415.4 million), bringing total disbursements under the arrangements to SDR1.51 billion (about US\$2.04 billion). In completing the review, the Executive Board also approved modification of program conditionalities, waivers of non observance of the continuous performance criteria on accumulation of external arrears and end-June 2023 tax revenue target in light of corrective measures taken by the authorities and waiver of applicability for all other end-June 2023 and continuous quantitative performance criteria. The Executive Board also approved Kenya's request for an arrangement under the Resilience and Sustainability Facility (RSF) of SDR407.1 million (75% of quota; about US\$551.4 million) to support Kenya's ambitious efforts to build resilience to climate change. The quantitative targets of the fifth review were met with the exceptions of the end-June 2023 target on tax collections and the continuous performance criterion on no new external payment arrears. Six out of the seven June–October 2023 structural benchmarks were implemented with delays. The structural benchmarks and reforms to be achieved include a governance structure for state co-operation, a review of fuel pricing mechanism and progressive elimination of fuel subsidy and a comprehensive time bound strategy to address public debt management.

An IMF mission team undertook the sixth review of Kenya's program under the Extended Fund Facility (EFF)/ Extended Credit Facility (ECF) as well as the first review under the Resilient Sustainability Facility (RSF). This mission, conducted from 30 October to 15 November 2023 concluded successfully. The mission and the Government reached an agreement with the IMF on economic policies and reforms to conclude the sixth review of Kenya's program under the EFF/ECF as well as the first review of the RSF. In addition, an agreement was also reached on augmentation of access under the EFF/ECF of SDR 707.3 million (about US\$ 941.2 million). The executive board approved the augmentation, the total IMF commitment under these arrangements over the duration of the program would be SDR3.34 billion (about US\$4.43 billion). Through the anchoring of policies to support economic growth and ensure debt sustainability, the program has helped mitigate the negative impact of global shocks associated with drought, inflation, unpredictable international commodity prices, and tighter external financing conditions. The Government remains committed to the implementation of the IMF-supported economic program. The program remains broadly on track, which the Government considers crucial for maintaining macroeconomic stability and achieving high and sustainable growth rates.

History of Debt Restructuring

Paris Club. Kenya has approached the Paris Club of creditors three times since 1990 to seek debt relief and a rescheduling of its external debt. The first debt rescheduling agreement was reached in January 1994 and granted debt relief with respect to US\$535 million of indebtedness to bilateral creditors on non-concessional terms with an eight-year repayment period, including a one-year grace period. The amount covered by the first rescheduling agreement has been fully repaid. While the first rescheduling agreement was “flow” rescheduling, which limited the rescheduling to the debt servicing (principal plus interest) falling due within a specified period (consolidation period), the second rescheduling agreement received “stock” treatment, which takes into account the entire outstanding stock (principal plus accumulated arrears) and re-profiles it over an extended period of time. The second debt rescheduling agreement was signed in November 2000 and granted debt relief with respect to US\$301 million of indebtedness to bilateral creditors, with maturities due from 1 July 2000 to 30 June 2001 (including the debt service payments in arrear as of 1 July 2000). As part of this rescheduling, Kenya received

an extension of repayment of Official Development Assistance (“ODA”) of 20 years and an extension of repayment of non-ODA credits of 18 years, with a three-year grace period.

The third rescheduling agreement was signed in January 2004. Approximately US\$353 million of debt owed to bilateral creditors was rescheduled and the Republic received an extension of repayment of ODA credits of 20 years, with a ten-year grace period, and an extension of repayment of non-ODA credits of 15 years, with a five-year grace period. The total stock of bilateral debt eligible under the agreement covered maturities falling due from 1 January 2004 to 31 December 2006 (including the debt service payments in arrear as of 31 December 2003).

London Club. Kenya has also received debt relief from the London Club creditors. In 1998, the London Club creditors rescheduled Kenya’s debts amounting to US\$70 million over ten years, including a three-year grace period, at prevailing market interest rates. In 2003/04, approximately US\$23 million of debt owed to London Club creditors was rescheduled over two years at prevailing market interest rates.

Bilateral Debts. Kenya has also received bilateral debt cancellations from Finland, Netherlands and China. In 2006, Kenya entered into a debt-for-development swap agreement with the Italian government amounting to US\$44 million. In January 2021, Kenya secured a debt suspension from China until June 2021. Under the terms of the debt suspension, which falls under the G20 DSSI framework, the deferred amount of US\$ 378 million, which Kenya owes to China, will be repaid over a five-year period after a debt suspension period of one year. The loans under the debt suspension include a loan by Eximbank to fund Kenya’s SGR. The suspended amounts are to be paid in ten equal, successive and semi-annual instalments over a five-year repayment period after a one year grace period at the same rate as the rate of interest in the original loan agreement.

To mitigate debt-risks, the Government is committed to:

- Fiscal consolidation under the IMF programme, including continued efforts to improve tax revenues, strengthen exports and continued reliance on concessional financing;
- Limiting use of commercial borrowing to the amounts allowed under the IMF Debt Limits Policy;
- Actively undertaking debt management operations to lower the cost of debt and refinancing risk by seeking to refinance syndicated loans, the 2024 Eurobond and other outstanding commercial debts with long-dated debt instruments; and
- Implementing reforms to strengthen the domestic debt markets to enhance efficiency in the secondary market and lower the cost of Government securities across the yield curve.

The 2021 debt strategy was formed amid the Covid-19 Pandemic, which affected Kenya’s economic growth and the country’s capacity to raise revenue leading to expenditure pressures. This adversely impacted its ability to service its public debts. Under the strategy, Kenya has modest exposure levels to foreign exchange rate risk which is consistent with the Government’s debt management plan. The envisaged borrowing will be used to maximise concessional and semi-concessional debt from the external sources. The Strategy also envisages debt sourcing from the international capital market.

The National Treasury plans to implement reforms to develop the domestic debt market and position Kenya as the regional financial hub in Africa. Strategic reforms include:

Enhancement of market infrastructure such as automation of processes at both primary and secondary markets.

A new Central Securities Depository to reduced time for primary market auction cycle, efficient payment and settlement processes, greater and convenient access to Government securities by both institutional and retail investors.

Restructuring of the interbank repo to provide for transfer of ownership of securities provided as collateral.

The issuance of fewer but large size benchmark bonds at the primary market to create better market liquidity and the development of the benchmark yield curve.

To establish over-the-counter trading to complement the exchange trading platform (Nairobi Securities Exchange).

The National Treasury will continue to explore diversification of Government securities to include non-plain vanilla instruments as well as undertake liability management operations such as bond exchanges, as part of a market-based debt restructuring approach.

The table below summarises the current status of the rescheduled debts.

Rescheduling year	Amount rescheduled	Outstanding amount
	As at 31 December 2023	
	<i>(US\$ millions)⁽¹⁾</i>	
Paris Club		
1994.....	535	0.0
2000.....	301	0.0
2004.....	353	33.8
London Club		
1998.....	70	0.0
2003.....	23	0.0

⁽¹⁾ Conversion from Kenyan shilling to US dollar made using the applicable end of period mean exchange rate as released by the Central Bank of Kenya.

Source: National Treasury

Debt Management

The DSSI was established on 1 May 2020 by the World Bank and the International Monetary Fund in response to the Covid-19 Pandemic. Under the DSSI, bilateral creditors, for a limited period of time, suspended debt service payments from 73 low-and lower middle-income countries that request the suspension on their debt obligations. Kenya secured debt suspension relief from eight out of its 10 Paris Club member creditors, and China with a view to free up liquidity for Covid-19 Pandemic-related expenditures.

The first phase of the deferral agreements was completed in June 2021, after which the Government sought suspension of eligible debt service payments between July and December 2021. The first phase of the DSSI freed up approximately KES 46.2 billion, while the second phase 1 deferred approximately KES 9.5 billion of debt service payments between July and December 2021.

The Government is not planning to restructure any of its debts, although plans are under way to conduct liability management operations on selected commercial debts with an aim to lengthen the maturity structure and refinance those debts at lower interest rates. Even without the liability management operations, the Government still expects to refinance selected commercial debts as and when they mature.

The Common Framework for Debt Treatments beyond the DSSI (the “**Common Framework**”) is an agreement of the G20 and Paris Club countries to coordinate and cooperate on debt treatments for up to 73 countries that are eligible for the DSSI, and extends beyond bilateral agreements. Kenya does not currently plan to participate in the Common Framework. See “*Risk Factors—Risks Relating to the Republic of Kenya—High levels of indebtedness could have a material adverse effect on Kenya’s economy, its sovereign credit ratings and its ability to service its debt, including the Notes.*”

TERMS AND CONDITIONS OF THE NOTES

The US\$1,500,000,000 9.750% Amortising Notes due 2031 (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) issued by the Republic of Kenya (the “**Issuer**”) are issued subject to and with the benefit of an agency agreement dated 16 February 2024 (such agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) made between the Issuer, Citibank Europe plc, Germany Branch as registrar (the “**Registrar**”), Citibank, N.A., London Branch as fiscal agent and principal paying agent (the “**Fiscal Agent**”), Citibank, N.A., London Branch as transfer agent (the “**Transfer Agent**”) and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the “**Paying Agents**”) and the other agents named in it (together with the Fiscal Agent, the Registrar, the Transfer Agent and the other Paying Agents, the “**Agents**”). The Notes also have the benefit of a deed of covenant dated 16 February 2024 (the “**Deed of Covenant**”) executed by the Issuer in relation to the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions contained in the Agency Agreement. Copies of the Agency Agreement and the Deed of Covenant (i) are available for inspection during normal business hours by the holders of the Notes (the “**Noteholders**”) at the Specified Office (as defined in the Agency Agreement) of each of the Paying Agents, or (ii) may be provided by email to a Noteholder following their prior written request to any Paying Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent, the Transfer Agent, the Registrar, the Paying Agents and the Agents shall include any successor appointed under the Agency Agreement.

1. Form, Denomination and Title

- (a) *Form and Denomination:* The Notes are issued in registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof (each, an “**Authorised Denomination**”). A registered note certificate (each, a “**Certificate**”) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders (the “**Register**”) which the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement.
- (b) *Title:* Title to the Notes passes only by registration in the Register. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions “**Noteholder**”, and in relation to a Note, “**holder**” means the person in whose name a Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**holders**” shall be construed accordingly.

2. Transfers of Notes and Issue of Certificates

- (a) *Transfers:* Subject to Condition 2(d) and Condition 2(e), a Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the Specified Office of the Registrar or any of the Transfer Agents together with such evidence as the Registrar or Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided however, that a Note may not be transferred unless the nominal amount of the Notes transferred and (where not all of the Notes held by a Noteholder are being transferred) the nominal amount of the Notes not transferred, are Authorised Denominations.
- (b) *Delivery of new Certificates:* Each new Certificate to be issued upon transfer or exchange of Notes will, within five business days of receipt by the Registrar or the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer.

For the purposes of this Condition 2(b), “**business day**” shall mean a day on which commercial banks are open for business in the city in which the Specified Office of the Registrar or the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

- (c) *Formalities free of charge:* Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but upon payment by the Noteholder (or the giving of such indemnity as the Registrar or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.
- (d) *Closed Periods:* No Noteholder may require the transfer of a Note to be registered during the period of 15 calendar days ending on (and including) the due date for any payment of principal or interest on that Note.
- (e) *Regulations:* All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder upon request.

3. Status

The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank, and will rank, *pari passu* and without any preference among themselves, and at least *pari passu* with all other present and future unsubordinated and (subject as provided in Condition 4) unsecured obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law, **provided, further, that** the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due on the Notes and *vice versa*. The Notes are backed by the full faith and credit of the Issuer.

4. Negative Pledge

- (a) *Negative Pledge:* So long as any Note remains outstanding (as defined in the Agency Agreement) the Issuer will not, save for the exceptions set out below in Condition 4(c) create, incur, assume or permit to subsist any Security upon the whole or any part of its present or future assets or revenues to secure (i) any of its Public External Indebtedness, (ii) any Guarantees in respect of Public External Indebtedness or (iii) the Public External Indebtedness of any other person, without at the same time or prior thereto securing the Notes equally and rateably therewith or providing such other arrangement (whether or not comprising Security) as shall be approved by an Extraordinary Resolution of Noteholders or by a Written Resolution (as defined in Condition 13.1). For the avoidance of doubt, any such approval shall not constitute a Reserved Matter (as defined in Condition 13.5).
- (b) *Interpretation:* In these Conditions:
 - (i) “**Guarantee**” means any obligation of a person to pay the Indebtedness of another person including, without limitation: an obligation to pay or purchase such Indebtedness, an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, an indemnity against the consequences of a default in the payment of such Indebtedness or any other agreement to be responsible for such Indebtedness;

- (ii) “**Extraordinary Resolution**” means a resolution passed at a meeting of Noteholders (whether originally convened or resumed following an adjournment) duly convened and held in accordance with Schedule 7 (*Provisions for Meetings of the Noteholders*) to the Agency Agreement by a majority of not less than three quarters of the votes cast;
- (iii) “**Indebtedness**” means any obligation (whether present or future) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing);
- (iv) “**person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, trust or other juridical entity, state or agency of a state or other entity, whether or not having a separate legal personality;
- (v) “**Public External Indebtedness**” means any Indebtedness which (i) is expressed, denominated or payable, or at the option of the relevant creditor may be payable, in any currency other than the lawful currency from time to time of the Republic of Kenya, and (ii) is in the form of, or is represented by, bonds, notes or other securities with a stated maturity of more than one year from the date of issue which are, or are capable of being, quoted, listed or ordinarily purchased or sold, dealt in or traded on any stock exchange, automated trading system, over-the-counter or other securities market; and
- (vi) “**Security**” means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance including, without limitation, anything analogous to the foregoing under the laws of any jurisdiction.
- (c) *Exceptions:* The following exceptions apply to the Issuer’s obligations under Condition 4(a):
 - (i) any Security upon property to secure Public External Indebtedness of the Issuer or any Guarantee by the Issuer of Public External Indebtedness of any other person incurred for the purpose of financing the acquisition or construction of such property and any renewal and extension of such Security which is limited to the original property covered thereby and which (in either case) secures any renewal or extension of the original secured financing; and
 - (ii) any Security securing Public External Indebtedness of the Issuer or any Guarantee by the Issuer of Public External Indebtedness of any other person incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project; provided that (A) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and revenues of such project or the proceeds of insurance thereon as the principal source of repayments of such Public External Indebtedness and (B) the property over which such Security is granted consists solely of such assets and revenues.

5. Interest

- (a) *Interest Rate and Interest Payment Dates:* The Notes bear interest on their outstanding principal amount from time to time (as determined in accordance with Condition 7) from and including 16 February 2024 (the “**Issue Date**”) to but excluding the Maturity Date (as defined in Condition 7(a)) at the rate of 9.750% per annum (the “**Rate of Interest**”), payable semi-annually in arrear on 16 February and 16 August in each year (each, an “**Interest Payment Date**”), subject as provided in Condition 6(d). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called, an “**Interest Period**”.
- (b) *Interest Accrual:* Each Note will cease to bear interest from and including its due date for redemption unless, upon surrender of the Certificate representing such Note, payment of the principal in respect of the Note is improperly *withheld* or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue at the rate referred to in Condition 5.1(a) (both before and after judgment) until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note up to that date have been received by or on behalf of the relevant Noteholder; and
 - (ii) the day which is seven days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12 (except to the extent that there is any subsequent default in payment to the relevant Noteholders).
- (c) *Calculation of Interest:* The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the Rate of Interest to the then outstanding principal amount of such Note (as determined in accordance with Condition 7), dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

6. Payments

- (a) *Payments in respect of Notes:* Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by a cheque in US dollars drawn on a bank that processes payments in US dollars mailed to the registered address of the Noteholder if it does not have a registered account. Payment of principal will only be made against surrender of the relevant Certificate at the Specified Office of any of the Paying Agents. Interest on Notes due on an Interest Payment Date will be paid to the Noteholder shown on the Register at the close of business on the date (the “**record date**”) being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition 6(a), a Noteholder’s “**registered account**” means the US dollar account maintained by or on its behalf with a bank that processes payments in US dollars, the details of which appear on the Register at the close of business, in the case of principal, on the second Business Day (as defined below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder’s “**registered address**” means its address appearing on the Register at that time.

- (b) *Payments subject to Applicable Laws:* Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8.
- (c) *No commissions:* No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 6.
- (d) *Payment on Business Days:* Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the due date for payment or, in the case of a payment of principal, if later, on the Business Day on which the relevant Certificate is surrendered at the Specified Office of an Agent. If any date for payment in respect of a Note is not a Business Day, the Noteholder shall not be entitled to payment until the next following Business Day.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition 6(d) arrives after the due date for payment.

In this Condition 6, “**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London, New York City and, in the case of surrender of a Certificate, in the place in which the Certificate is surrendered.

- (e) *Partial Payments*: If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest in fact paid.
- (f) *Agents*: The names of the initial Agents and their initial Specified Offices are set out in the Agency Agreement. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents; **provided that**, there will at all times be: (i) Fiscal Agent, (ii) such other agents as may be required by any stock exchange on which the Notes may be listed, (iii) a Registrar, and (iv) Transfer Agent.
- Notice of any termination or appointment and of any changes in Specified Offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.
- (g) In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

7. Redemption and Purchase

- (a) *Redemption by Amortisation and Final Redemption*: Unless previously purchased and cancelled as provided below, the Issuer will redeem the Notes in three equal instalments on each amortisation date specified in column A below (each, an “**Amortisation Date**”) at the related amortisation amount specified in column B below (each, an “**Amortisation Amount**”) payable as provided in Condition 6 (*Payments*). The outstanding principal amount of the Notes shall be reduced by the Amortisation Amount so paid by the Issuer on the relevant Amortisation Date for all purposes with effect from such relevant Amortisation Date such that the outstanding aggregate principal amount of the Notes following such payment shall be as specified in column C below. If payment of the relevant Amortisation Amount is improperly withheld or refused in respect of a Note, the relevant principal amount of such Note will remain outstanding until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day have been paid and (ii) the Business Day after the Fiscal Agent has given notice to the Noteholders that it has received all sums due in respect of such Notes up to that Business Day (except to the extent that there is any subsequent default in payment in accordance with these Conditions). The Notes shall be finally redeemed at their final Amortisation Amount payable on 16 February 2031 (the “**Maturity Date**”).

Amortisation Date (A)	Amortisation Amount (B) (US\$)	Outstanding Aggregate Principal Amount of the Notes (C) (US\$)
Interest Payment Date falling on 16 February 2029	500,000,000	1,000,000,000
Interest Payment Date falling on 16 February 2030	500,000,000	500,000,000
Maturity Date	500,000,000	0

In these Conditions, references to “**principal**” shall, unless the context requires otherwise, be deemed to include any Amortisation Amount and references to the “**due date**” for payment shall, unless the context requires otherwise, be deemed to include any Amortisation Date.

In the event of any purchase and cancellation of the Notes as provided in Condition 7(b) (*Purchases and Cancellation*) below, there shall be a corresponding pro rata reduction in the remaining Amortisation Amounts payable in respect of the Notes to reflect the reduction in the outstanding aggregate principal amount of the Notes following such purchase and cancellation, as the case may be, and to provide for the redemption of the remaining Notes in corresponding instalments on each remaining Amortisation Date.

- (b) *Purchases and Cancellation:* The Issuer may at any time purchase Notes in the open market or otherwise at any price and for any consideration. All Notes so purchased may be cancelled or resold. Any Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder of the Notes to vote at any meeting of Noteholders and shall not be deemed outstanding for the purpose of such meetings. Any Notes cancelled shall not be reissued.

8. Taxation

- (a) *Payment without Withholding:* All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, except that no additional amounts shall be payable in relation to any payment in respect of any Note:
- (i) held by or on behalf of a Noteholder who is liable to the Taxes in respect of such Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or
 - (ii) in respect of which the Certificate representing it is surrendered for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the relevant Noteholder would have been entitled to such additional amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days assuming, whether or not such is in fact the case, that day to have been a Business Day (as defined in Condition 6).
- (b) *Interpretation:* In these Conditions:
- (i) “**Relevant Date**” in respect of any Note means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12; and
 - (ii) “**Relevant Jurisdiction**” means the Republic of Kenya or any political subdivision or any authority thereof or therein having power to tax in respect of payments in respect of the Notes.
- (c) *Additional Amounts:* Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8.

9. Prescription

Claims against the Issuer for payment in respect of the Notes will be prescribed and become void unless made within six years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8).

10. Events of Default

- (a) *Events of Default:* If any of the following events (“**Events of Default**”) shall have occurred and be continuing:
- (i) *Non-payment:* (A) the Issuer fails to pay any principal on any of the Notes when due and payable and such failure continues for a period of 15 business days; or (B) the Issuer fails to pay any interest on any of the Notes or any amount due under Condition 8 when due and payable, and such failure continues for a period of 30 days; or

- (ii) *Breach of Other Obligations*: the Issuer does not perform or comply with any one or more of its other obligations under the Notes, the Agency Agreement or the Deed of Covenant, which default is incapable of remedy or is not remedied within 45 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or
- (iii) *Cross-default*: (A) the acceleration of the maturity (other than by optional or mandatory prepayment or redemption) of any External Indebtedness of the Issuer, or (B) any default in the payment of principal of any External Indebtedness of the Issuer shall occur when and as the same shall become due and payable if such default shall continue beyond the initial grace period, if any, applicable thereto or (C) any default in the payment when due and called upon (after the expiry of any originally applicable grace period) of any Guarantee of the Issuer in respect of any External Indebtedness of any other person; provided that, the aggregate amount of the relevant External Indebtedness in respect of which one or more of the events mentioned in this paragraph (iii) have occurred equals or exceeds US\$25,000,000 or its equivalent in other currencies; or
- (iv) *Moratorium*: a moratorium on the payment of principal of, or interest on, the External Indebtedness of the Issuer shall be declared by the Issuer; or
- (v) *IMF Membership*: the Issuer shall cease to be a member of the International Monetary Fund (“**IMF**”) or shall cease to be eligible to use the general resources of the IMF; or
- (vi) *Validity*: (A) the validity of the Notes shall be contested by the Issuer, or (B) the Issuer shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (C) it shall be or become unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes, including, without limitation, the payment of interest on the Notes, as a result of any change in law or regulation in the Republic of Kenya or any ruling of any court in the Republic of Kenya whose decision is final and unappealable or for any reason such obligations cease to be in full force and effect; or
- (vii) *Consents*: if any authorisation, consent of, or filing or registration with, any governmental authority necessary for the performance of any payment obligation of the Issuer under the Notes, when due, ceases to be in full force and effect or remain valid and subsisting,

then the holders of at least 25% in aggregate principal amount of the Notes then outstanding may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount (as determined in accordance with Condition 7) together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer.

If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the Notes then outstanding to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

In this Condition 10, “**External Indebtedness**” means Indebtedness expressed or denominated or payable or which, at the option of the relevant creditor, may be payable in a currency other than the lawful currency from time to time in the Republic of Kenya.

11. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Notices

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the Register at the time of publication of such notice by pre-paid first class mail (or any other manner approved by the Registrar (or the Fiscal Agent on its behalf), which may be by electronic transmission). Any such notice shall be deemed to have been given on the fourth week day (being a day other than a Saturday or Sunday) after being so mailed. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules.

13. Meetings of Noteholders; Written Resolutions

13.1 Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

- (a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the Agency Agreement. The Issuer will determine the time and place of the meeting (which need not be to a physical place and instead may be to the meeting held by way of conference call or by use of a videoconference platform). The Issuer will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting. References to persons being "present" at or "attending" a meeting shall include being present at or attending by means of video or telephone conference facilities.
- (b) The Issuer or the Fiscal Agent will convene a meeting of Noteholders if the holders of at least 10% in principal amount of the Notes then outstanding (as defined in the Agency Agreement and described in Condition 13.9 below) have delivered a written request to the Issuer or the Fiscal Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Fiscal Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.
- (c) The Issuer (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.
- (d) The notice convening any meeting will specify, *inter alia*:
 - (i) the date, time and location of the meeting;
 - (ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;
 - (iii) the record date for the meeting, which shall be no more than five business days before the date of the meeting;
 - (iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

- (v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;
 - (vi) whether Condition 13.2, or Condition 13.3, or Condition 13.4 shall apply and, if relevant, in relation to which other series of debt securities it applies;
 - (vii) if the proposed modification or action relates to two or more series of debt securities issued by the Issuer and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;
 - (viii) such information that is required to be provided by the Issuer in accordance with Condition 13.6;
 - (ix) the identity of the Aggregation Agent and the Calculation Agent (each as defined in these Conditions), if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 13.7; and
 - (x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
- (e) All information to be provided pursuant to Condition 13.1(d) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents (as defined in Condition 13.12).
- (f) A “**record date**” in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.
- (g) An “**Extraordinary Resolution**” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
- (h) A “**Written Resolution**” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
- (i) Any reference to “**debt securities**” means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.
- (j) “**Debt Securities Capable of Aggregation**” means those debt securities which include or incorporate by reference this Condition 13 and Condition 14 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

13.2 Modification of this Series of Notes only

- (a) Any modification of any provision of, or any action in respect of, the Notes, these Conditions, the Agency Agreement and/or the Deed of Covenant may be made or taken if approved by a Single Series Ordinary Resolution, a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
- (b) For the purposes of a meeting of Noteholders convened in respect of this Series of Notes only and for the purposes of passing a Single Series Ordinary Resolution and/or a Single Series

Extraordinary Resolution (each as defined below) (a “**Single Series Meeting**”), at any such Single Series Meeting any one or more persons present holding Notes or proxies or representatives and holding or representing in the aggregate not less than 50% in principal amount of the Notes for the time being outstanding (or, in the case of an adjourned meeting, one or more persons present holding Notes or being proxies or representatives (whatever the principal amount of Notes so held or represented)) shall (except for the purposes of passing a Single Series Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any such Single Series Meeting unless the requisite quorum be present at the commencement of business. The quorum at any such Single Series Meeting convened for the purpose of passing a Single Series Extraordinary Resolution shall be one or more persons present holding Notes or being proxies or representatives and holding or representing in the aggregate not less than 66.67% of the principal amount of the Notes for the time being outstanding, (or, in the case of an adjourned meeting, one or more persons so present holding Notes or being proxies or representatives and holding or representing in the aggregate not less than 33.34% in the principal amount of Notes for the time being outstanding).

- (c) A **Single Series Ordinary Resolution** means a resolution passed at a Single Series Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Conditions 13.1 and 13.2(b) in respect of any matter other than a Reserved Matter, by a majority of at least 66.67% of the votes cast.
- (d) A **Single Series Extraordinary Resolution** means a resolution passed at a Single Series Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Conditions 13.1 and 13.2(b) in respect of a Reserved Matter by a majority of at least 75% of the votes cast.
- (e) A “**Single Series Written Resolution**” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
 - (i) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the Notes then outstanding; or
 - (ii) in the case of a matter other than a Reserved Matter, at least 66.67% of the aggregate principal amount of the Notes then outstanding.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

- (f) Any Single Series Ordinary Resolution, Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended such Single Series Meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

13.3 *Multiple Series Aggregation - Single limb voting*

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, **provided that** the Uniformly Applicable condition is satisfied.
- (b) A “**Multiple Series Single Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 13.1, as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the debt securities

then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

- (c) A “**Multiple Series Single Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.
- (d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.
- (e) The “**Uniformly Applicable**” condition will be satisfied if:
 - (i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
 - (ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).
- (f) It is understood that a proposal under Condition 13.3(c) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).
- (g) Any modification or action proposed under Condition 13.3(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 13.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

13.4 *Multiple Series Aggregation - Two limb voting*

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of

Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

- (b) A “**Multiple Series Two Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 13.1, as supplemented if necessary, which is passed by a majority of:
- (i) at least 66.67% of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (ii) more than 50% of the aggregate principal amount of the debt securities then outstanding in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (c) A “**Multiple Series Two Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
- (i) at least 66.67% of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (ii) more than 50% of the aggregate principal amount of the debt securities then outstanding in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.
- (e) Any modification or action proposed under Condition 13.4(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 13.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

13.5 *Reserved Matters*

In these Conditions, “**Reserved Matter**” means any proposal:

- (a) to change the dates, or the method of determining the dates, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;
- (b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

- (c) to change the majority or quorum required to pass a Single Series Ordinary Resolution, an Electronic Consent, an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
- (d) to change this definition, or the definition of “Electronic Consent”, “Extraordinary Resolution”, “Single Series Ordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution” or “Multiple Series Two Limb Written Resolution”;
- (e) to change the definition of “debt securities” or “Debt Securities Capable of Aggregation”;
- (f) to change the definition of “Uniformly Applicable”;
- (g) to change the definition of “outstanding” set out in the Agency Agreement or to modify the provisions of Condition 13.9;
- (h) to change the legal ranking of the Notes;
- (i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 10;
- (j) to change the law governing the Notes, the arbitral tribunals to the jurisdiction of which the Issuer has submitted in the Notes, the Issuer’s obligation to maintain an agent for service of process in England, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer’s waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 16;
- (k) to impose any condition on or otherwise change the Issuer’s obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;
- (l) to modify the provisions of this Condition 13.5;
- (m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or
- (n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:
 - (i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or
 - (ii) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

13.6 *Information*

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 13.2, Condition 13.3 or Condition 13.4, the Issuer shall publish in accordance with Condition 14, and provide the Fiscal Agent with the following information:

- (a) a description of the Issuer’s economic and financial circumstances which are, in the Issuer’s opinion, relevant to the request for any potential modification or action, a description of the Issuer’s existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;
- (b) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement;
- (c) a description of the Issuer’s proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and
- (d) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 13.1(d)(vii).

13.7 *Claims Valuation*

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 13.3 and Condition 13.4, the Issuer may appoint a calculation agent (the “**Calculation Agent**”). The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

13.8 *Manifest error, etc.*

The Notes, these Conditions and the provisions of the Agency Agreement may be amended by the Issuer and the Fiscal Agent without the consent of the Noteholders either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is, in the sole opinion of the Issuer, not materially prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

13.9 *Notes controlled by the Issuer*

For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, the right to give an Electronic Consent, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) this Condition 12 and (c) Condition 10, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be deemed not to remain outstanding, where:

- (a) “**public sector instrumentality**” means the Central Bank of Kenya, any other department, ministry or agency of the government of the Republic of Kenya or any corporation, trust, financial institution or other entity owned or controlled by the government of the Republic of Kenya or any of the foregoing; and
- (b) “**control**” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Electronic Consent or Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 14.5, which includes information on the total number of Notes which are for the time being held by any person (including but not limited to the Issuer) on behalf of the Issuer or by any public body owned or controlled, directly or indirectly, by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

13.10 *Publication*

The Issuer shall publish all Extraordinary Resolutions, Electronic Consents and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 14.8.

13.11 *Exchange and Conversion*

Any Extraordinary Resolutions, Electronic Consents or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

13.12 *Written Resolutions and Electronic Consents*

A Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Noteholders.

For so long as any Notes are in the form of a global Note held on behalf of one or more of Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), The Depository Trust Company ("**DTC**") or any other clearing system (the "**relevant clearing system(s)**"), then:

- (a) Approval of a resolution proposed by the Issuer given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (i) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders or (ii) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of:
 - (A) in respect of a proposal that falls within paragraphs (c), (d) and (e) of Condition 13.2, the persons holding at least 75% of the aggregate principal amount of the Notes then outstanding in the case of a Reserved Matter or at least 66.67% of the aggregate principal amount of the Notes then outstanding, in the case of a matter other than a Reserved Matter;
 - (B) in respect of a proposal that falls within paragraphs (b) and (c) of Condition 13.3, the persons holding at least 75% of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate);

- (C) in respect of a proposal that falls within paragraphs (b) and (c) of Condition 13.4, (x) the persons holding at least 66.67% of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and (y) the persons holding more than 50% of the aggregate principal amount of the debt securities then outstanding in each affected series of Debt Securities Capable of Aggregation (taken individually),

(in the case of (A), (B) and (C), each an “**Electronic Consent**”) shall, for all purposes (including Reserved Matters) take effect as (i) a Single Series Extraordinary Resolution (in the case of (A) above), (ii) a Multiple Series Single Limb Extraordinary Resolution (in the case of (B) above) or (iii) a Multiple Series Two Limb Extraordinary Resolution (in the case of (C) above), as applicable.

The notice given to Noteholders shall specify, in sufficient detail to enable Noteholders (in the case of a proposal pursuant to Condition 13.2) or holders of each affected series of Debt Securities Capable of Aggregation (in the case of a proposal pursuant to Condition 13.3 or 13.4) to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the “**Relevant Date**”) by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion for approval, the resolution shall, if the party proposing such resolution (the “**Proposer**”) so determines, be deemed to be defeated. Alternatively, the Proposer may give a further notice to Noteholders (in the case of a proposal pursuant to Condition 13.2) or holders of each affected series of Debt Securities Capable of Aggregation (in the case of a proposal pursuant to Condition 13.3 or 13.4) that the resolution will be proposed again on such date and for such period as shall be agreed with the Issuer (unless the Issuer is the Proposer). Such notice must inform Noteholders (in the case of a proposal pursuant to Condition 13.2) or holders of each affected series of Debt Securities Capable of Aggregation (in the case of a proposal pursuant to Condition 13.3 or 13.4) that insufficient consents were received in relation to the original resolution and the information specified in the previous paragraph. For the purpose of such further notice, references to “**Relevant Date**” shall be construed accordingly.

An Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened above, unless that meeting is or shall be cancelled or dissolved.

Where Electronic Consent has not been sought, for the purposes of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the relevant clearing system(s) with entitlements to any global Note and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the relevant clearing system(s) and, in the case of (b) above, the relevant clearing system(s) and the accountholder identified by the relevant clearing system(s). Any such certificate or other document (i) shall be conclusive and binding for all purposes and (ii) may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having

rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

All information to be provided pursuant to paragraph (d) of Condition 13.1 shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.

A Written Resolution and/or Electronic Consent (i) shall take effect as an Extraordinary Resolution and (ii) will be binding on all Noteholders, whether or not they participated in such Written Resolution and/or Electronic Consent, even if the relevant consent or instruction proves to be defective.

14. Aggregation Agent; Aggregation Procedures

14.2 Appointment

The Issuer will appoint an aggregation agent (the “**Aggregation Agent**”) to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes, and, in the case of a multiple series aggregation, by the required principal amount of debt securities then outstanding of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

14.2 Extraordinary Resolutions

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

14.3 Written Resolutions

If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

14.4 Electronic Consents

If approval of a resolution proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, is proposed to be given by way of Electronic Consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant Electronic Consent has been given, calculate whether holders of a sufficient portion of the aggregate principal amount of the Notes then outstanding and, where relevant, each other affected series of debt securities, have consented to the resolution by way of Electronic Consent such that the resolution is approved. If so, the Aggregation Agent will determine that the resolution has been duly approved.

14.5 Certificate

For the purposes of Condition 14.2, 14.3 and Condition 14.4, the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 13.2, Condition 13.3 or

Condition 13.4, as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution and, with respect to an Electronic Consent, the date arranged for consenting to the Electronic Consent.

The certificate shall:

- (a) list the total principal amount of Notes outstanding and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and
- (b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 13.9 on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

14.6 *Notification*

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 14 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

14.7 *Binding nature of determinations; no liability*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 14 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

14.8 *Manner of publication*

The Issuer will publish all notices and other matters required to be published pursuant to this Condition 14, including any matters required to be published pursuant to Condition 10 and Condition 13:

- (a) on the website of the National Treasury, acting on behalf of the Issuer: www.treasury.go.ke;
- (b) through the systems of Clearstream, Luxembourg, Euroclear, DTC and/or any other international or domestic clearing system(s) through which the Notes are for the time being cleared and otherwise in accordance with Condition 12; and
- (c) in such other places and in such other manner as may be required by applicable law or regulation.

15. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

16. **Governing Law, Arbitration and Enforcement**

- (a) *Governing Law:* The Agency Agreement and the Notes (including any non-contractual obligations arising from or in connection with them) are governed by, and will be construed in accordance with, English law.

- (b) *Arbitration:* Any dispute arising out of or in connection with the Notes (including any dispute as to (i) the existence of the Notes, (ii) the validity or termination of the Notes, (iii) any non-contractual obligation arising out of or in connection with the Notes, (iv) the consequences of the nullity of the Notes or (v) this Condition 16(b)) (each, a “Dispute”) shall be exclusively referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the “LCIA”) (the “Rules”) as at present in force and as modified by this Condition 16(b), which Rules, as so modified, are deemed incorporated by reference into this Condition 16(b). The number of arbitrators shall be three, one of whom shall be appointed by the claimant(s), one by the respondent(s) and the third of whom, who shall act as chairman, shall be nominated by the two party-nominated arbitrators, provided that if the claimant(s) or respondents(s) fail to nominate an arbitrator within the time limits specified by the Rules or the party-nominated arbitrators fail to nominate a chairman within 30 days of the nomination of the second party-nominated arbitrator, such arbitrator shall be appointed promptly by the LCIA. The seat of Arbitration shall be London, England and the language of the arbitration shall be English. The parties exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.
- (c) *Appointment of Process Agent:* The Issuer has appointed the High Commissioner of the Republic of Kenya in London, presently located at 45 Portland Place, London W1B 1AS as its agent for service of process in relation to any proceedings (“**Proceedings**”) before the English courts permitted by the Rules in connection with any arbitral proceedings pursuant to Condition 16(b), or in connection with the enforcement of any arbitral award rendered pursuant to Condition 16(b) and hereby undertakes that, in the event of the High Commissioner of the Republic of Kenya ceasing so to act or ceasing to be located in England, it will appoint another person as its agent for service of process in England for such purposes as soon as reasonably practicable thereafter. Nothing in these Conditions shall affect the right to serve Proceedings in any other manner permitted by law.
- (d) *Consent to Enforcement and Waiver of Immunity:* Except as provided below in this Condition 16(d) and, without prejudice to the exclusivity of the remedies provided in Condition 16(b), to the extent the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, arbitral award, judgment, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process in respect of (i) any arbitration proceedings to resolve a Dispute under Condition 16(b) or (ii) any Proceedings, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any such proceedings). The Issuer does not hereby waive such immunity from execution or attachment in respect of (a) property, including any bank account, used by a diplomatic or consular mission of the Issuer or its special missions or delegations to international organisations, (b) property of a military character or in use for military purposes and in each case under the control of a military authority or defence agency of the Issuer or (c) property located in the Republic of Kenya. The Issuer reserves the right to plead sovereign immunity under the US Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of or in the United States of America under any United States federal or State securities law.

17. **Rights of Third Parties**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or any arbitration award or any order or judgment given or made in relation thereto has to be converted from the currency (the “**First Currency**”) in which the same is payable under these Conditions or such award, order or judgment into another currency (the

“**Second Currency**”) for the purpose of (i) making or filing a claim or proof against the Issuer, (ii) obtaining an award, order or judgment in any arbitral tribunal or court or (iii) enforcing any award, order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (x) the rate of exchange used for such purpose to convert the sum in question from the First Currency into the Second Currency and (y) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the First Currency with the Second Currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such award, order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

THE GLOBAL NOTES

The Global Notes contain the following provisions which apply to the Notes in respect of which they are issued while they are represented by the Global Notes, some of which modify the effect of the Terms and Conditions of the Notes. Terms defined in the Terms and Conditions of the Notes have the same meaning in paragraphs 1 to 6 below.

1. Accountholders

For so long as any of the Notes are represented by one or more Global Notes, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression “**Noteholders**” and references to “**holding of Notes**” and to “**holder of Notes**” shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against Kenya, solely in the nominee for the relevant clearing system (the “**Relevant Nominee**”) in accordance with and subject to the terms of the Global Notes. Each Accountholder must look solely to DTC or Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. Cancellation

Cancellation of any Note following its purchase by Kenya will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders.

3. Payments

Payments of principal and interest in respect of Notes represented by a Global Note will be made upon presentation or, in the case of payment of principal, against presentation and surrender of such Global Note to or to the order of the Fiscal Agent, or such other Agent as shall have been notified to the holders of one or more Global Note for such purpose.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

Holders of book-entry interests in the Notes held through DTC will receive, to the extent received by the Fiscal Agent, all distributions of amounts with respect to book-entry interests in such Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant US tax laws and regulations.

A record of each payment made will be entered in the register of Noteholders by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

4. Notices

So long as the Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 12 (*Notices*) as set forth herein, **provided that**, so long as the Notes are listed on any stock exchange notices shall also be published in accordance with the rules of such exchange. See “*Terms and Conditions of the Notes*”. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to such clearing system.

While any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing

system's operational procedure approved for this purpose and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

5. Registration of Title

The Global Note will be exchangeable (free of charge to the holder) in whole but not in part for Certificates only upon the occurrence of an Exchange Event. An Exchange Event means that:

- (a) an Event of Default (as defined in Condition 10) has occurred and is continuing;
- (b) in the case of Notes registered in the name of a Relevant Nominee for DTC, the Issuer has been notified by DTC that DTC is unwilling or unable to continue to act as depository with respect to the Global Note and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the US Securities Exchange Act of 1934 (as amended, the "**Exchange Act**"); or
- (c) in the case of Notes registered in the name of a Relevant Nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear or Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available.

The Issuer will promptly give notice to the Noteholders in accordance with Condition 12 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any Accountholder) may give notice to the Registrar requesting exchange. Any exchange shall occur no later than ten days after the date of receipt of the first relevant notice by the Registrar.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for a period of fifteen calendar days preceding the due date for any payment of principal or interest in respect of the Notes.

If only one of the Global Notes (the "**Exchanged Global Note**") becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Note and, on the other hand, persons wishing to purchase beneficial interests in the other Global Note.

In the event that:

- (a) the Notes as evidenced by the Global Note (or any part of it) have become due and repayable in accordance with the Conditions or that the maturity date of the Notes has occurred and, in either case, payment in full of the amount due has not been made to the Relevant Nominee; or
- (b) following an Exchange Event, the Global Note is not duly exchanged for Certificates by the day provided in the Global Note, then from 8.00 p.m. (London time) on such day each Accountholder will become entitled to proceed directly against the Issuer on, and subject to, the terms of a deed of covenant dated 16 February 2024 (a "**Deed of Covenant**") executed by the Issuer in respect of the Notes and the Relevant Nominee will have no further rights under the Global Note (but without prejudice to the rights any person may have under a Deed of Covenant).

6. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants, as more fully described under "Clearing and Settlement Arrangements".

CLEARING AND SETTLEMENT ARRANGEMENTS

Kenya has obtained the information in this section from sources it believes to be reliable, including from DTC, Euroclear and Clearstream, Luxembourg. Kenya confirms that it has accurately reproduced such information and that, so far as it is aware and is able to ascertain from information published by third parties, it has omitted no facts which would render the reproduced information inaccurate or misleading. Kenya takes no responsibility, however, for the accuracy of this information. Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the following procedures in order to facilitate transfers of interests in the Unrestricted Global Note and in the Restricted Global Note amongst participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither Kenya nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

DTC

DTC is a limited-purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organisations (“**DTC Participants**”) and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of its DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, brokers, banks, trust companies and clearing corporations and may include certain other organisations, indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (“**Indirect DTC Participants**”).

Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants and certain banks, the ability of a person having a beneficial interest in a note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate of such interest. The Rules applicable to DTC and its Participants are on file with the US Securities and Exchange Commission.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg hold securities for participating organisations, and facilitate the clearance and settlement of securities transactions between their respective participants, through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their participants, amongst other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg interface with domestic securities markets. Euroclear and Clearstream, Luxembourg participants are recognised financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations and include the Joint Bookrunners. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Unrestricted Global Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II. B1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy. L-1855, Luxembourg.

DTC

The Restricted Global Notes will have a CUSIP number and will be deposited with a custodian (the “**Custodian**”) for and registered in the name of Cede & Co., as nominee of DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system. The address of the DTC is 55 Water Street, New York, New York 10041, USA.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by Kenya to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). Kenya expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Global Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants’ or account holders’ accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. Kenya also expects that payments by direct participants in any clearing system to owners of beneficial interests in any Global Note held through such direct participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against Kenya in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of Kenya will be discharged by payment to the registered holder of such Global Note in respect of each amount so paid. None of Kenya, the Fiscal Agent or any agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through direct participants, which will receive a credit for such Notes on the clearing system’s records. The ownership interest of each actual purchaser of each such Note (the “**Beneficial Owner**”) will in turn be recorded on the direct and indirect participants’ records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for interests evidenced by a definitive note certificate.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants, the ability of a person having an interest in a Restricted Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Investors that hold their interests in the Notes through DTC will follow the settlement practices applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors that hold their interests in the Notes through Clearstream, Luxembourg or Euroclear accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. The interests will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to establish at the time of trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC Participants

Secondary market trading between DTC Participants will be settled using the procedures applicable to global bond issues in same-day funds.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg participants will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC seller and Euroclear or Clearstream, Luxembourg purchaser

When Notes are to be transferred from the account of a DTC Participant to the account of a Clearstream, Luxembourg or Euroclear participant, the purchaser will send instructions to Clearstream, Luxembourg or Euroclear through a Clearstream, Luxembourg or Euroclear participant, as the case may be, at least one business day prior to settlement. Clearstream, Luxembourg or the Euroclear operator will instruct its respective depository to receive the Notes against payment. Payment will include interest accrued on such beneficial interest on the Note from and including the last interest payment date to and excluding the settlement date. Payment will then be made by the depository to the DTC Participant's account against delivery of Notes. After settlement has been completed, the Notes will be credited to the respective clearing system, and by the clearing system, in accordance with its usual procedures, to the Clearstream, Luxembourg or Euroclear participant's account. The securities credit will appear the next day (European time) and the cash debit will be back-valued to, and the interest on the Note will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Clearstream, Luxembourg or Euroclear cash debit will be valued instead as of the actual settlement date.

Euroclear and Clearstream, Luxembourg participants will need to make available to the respective clearing system the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on-hand or existing lines of credit. Under this approach, participants may take on credit exposure to the Euroclear operator or Clearstream, Luxembourg until the interests in the Note are credited to their accounts one day later.

As an alternative, if Clearstream, Luxembourg or Euroclear has extended a line of credit to a Clearstream, Luxembourg or Euroclear participant, as the case may be, such participant may elect not to pre-position funds and may allow that credit line to be drawn upon to finance settlement. Under this procedure, Clearstream, Luxembourg participants or Euroclear participants purchasing interests in a Note would incur overdraft charges for one day, assuming they cleared the overdraft when the interest in the Note were credited to their accounts. However, interest on the Note would accrue from the value date. Therefore, in many cases, the investment income on the interest in the Note would accrue from the value date. Therefore, in many cases, the investment income on the interest in the Note earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC Participants can employ their usual procedures for transferring interests in the Global Notes to the respective depositories of Clearstream, Luxembourg or Euroclear for the benefit of Clearstream, Luxembourg participants or

Euroclear participants. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC Participants, a cross-market sale transaction will settle no differently than a trade between two DTC Participants.

Trading between Clearstream, Luxembourg or Euroclear Seller and DTC purchaser

Due to time zones differences in their favour, Clearstream, Luxembourg and Euroclear participants may employ their customary procedures for transactions in which interests in a Note are to be transferred by their respective clearing system, through its respective depository, to a DTC Participant, as the case may be, at least one business day prior to settlement. In these cases, Clearstream, Luxembourg or Euroclear will instruct its respective depository to deliver the interest in the Note to the DTC Participant's account against payment. Payment will include interest accrued on such beneficial interest in the Note from and including the interest payment date to and excluding the settlement date. The payment will then be reflected in the account of the Clearstream, Luxembourg participant or Euroclear participant the following day, and receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would be back-valued at the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream, Luxembourg or Euroclear participant have a line of credit in its respective clearing system and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges occurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Clearstream, Luxembourg or Euroclear participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream, Luxembourg or Euroclear to purchase interests in a Note from DTC Participants for delivery to Clearstream, Luxembourg participants or Euroclear participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

- borrowing through Clearstream, Luxembourg or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream, Luxembourg or Euroclear accounts) in accordance with the clearing system's customary procedures;
- borrowing the interests in the United States from a DTC Participant no later than one day prior to settlement, which would give the interests sufficient time to be reflected in their Clearstream, Luxembourg or Euroclear account in order to settle the sale side of the trade; or
- staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Clearstream, Luxembourg participant or Euroclear participant.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

The Notes have not been registered under the Securities Act, and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold (1) in the United States only to persons reasonably believed to be QIBs within the meaning of Rule 144A under the Securities Act and (2) outside the United States in offshore transactions pursuant to Regulation S under the Securities Act. Terms used herein that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein, as applicable.

General

Transfers will be subject to the transfer restrictions contained in the legend appearing on the face of such Note, as set out below.

The Restricted Global Notes will bear a legend substantially identical to that set out below, and neither a Restricted Global Note nor any beneficial interest in the Restricted Global Notes may be transferred except in compliance with the transfer restrictions set forth in such legend.

A beneficial interest in the Restricted Global Notes may be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Notes only upon receipt by the Registrar of a written certification from the transferor (in the form scheduled to the applicable Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any beneficial interest in either the Restricted Global Notes or the Unrestricted Global Notes that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

Kenya is a foreign government as defined in Rule 405 under the Securities Act and is eligible to register securities on Schedule B of the Securities Act. Therefore Kenya is not subject to the information provision requirements of Rule 144A(d)(4)(i) under the Securities Act.

Restricted Notes

Each purchaser of Restricted Notes within the United States, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged as follows:

1. the purchaser (i) is a QIB, (ii) is acquiring the Notes for its own account or for the account of a QIB and (iii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the herein acknowledgments, representations and agreements on behalf of each such account;
2. the purchaser understands that such Restricted Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, such Restricted Notes have not been and will not be registered under the Securities Act or any other applicable State securities laws, the purchaser acknowledges that such Restricted Note is a "restricted security" (as defined in Rule 144(a)(3) under the Securities Act) and that (i) if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Restricted Notes, such Restricted Notes may be offered, sold, pledged or otherwise transferred only (A) in the United States to a person that the seller reasonably believes is a QIB purchasing for its own account in a transaction meeting the requirements of Rule 144A whom the seller has notified, in each case, that the offer, resale, pledge or other transfer is being made in reliance on Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (D) to Kenya; in each case in accordance with any applicable

securities laws of any state of the United States, and (ii) no representation can be made as to the availability at any time of the exemption provided by Rule 144 for the resale of the Notes;

3. the purchaser agrees that it will deliver to each person to whom it transfers Notes notice of any restriction on transfer of such Notes;
4. the purchaser understands that the Restricted Notes offered hereby will bear a legend to the following effect, unless Kenya determines otherwise in accordance with applicable law:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (“**QIB**”), PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE ISSUE DATE AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“**DTC**”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT,

AND ANY REGISTERED NOTE ISSUED IN EXCHANGE FOR THIS GLOBAL NOTE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL SECURITY, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.

5. the purchaser understands that Notes offered in reliance on Rule 144A will be represented by a Restricted Global Note. Before any interest in a Note represented by a Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and
6. it understands that the Issuer, the Registrar, the Joint Bookrunners, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements;
7. it acknowledges that neither the Issuer, the Joint Bookrunners nor any person representing the Issuer or the Joint Bookrunners, has made any representation to it with respect to the Issuer or the offer or sale of any of the Notes, other than (in the case of the Issuer) the information contained in this Offering Circular. It acknowledges that the Joint Bookrunners make no representation or warranty as to the accuracy or completeness of this Offering Circular.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Unrestricted Notes

Each purchaser of Notes outside the United States pursuant to Regulation S, by accepting delivery of this Offering Circular and the Unrestricted Notes, will be deemed to have represented, agreed and acknowledged as follows:

1. it is, or at the time Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes; it is located outside the United States (within the meaning of Regulation S), and it is not an affiliate of Kenya or a person acting on behalf of such an affiliate;
2. such Unrestricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
3. the Notes offered in reliance on Regulation S will be represented by the Unrestricted Global Notes;
4. the Notes, while represented by the Unrestricted Global Notes, or if issued in exchange for an interest in the Unrestricted Global Notes or for Note Certificates, will bear a legend to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION

UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.

5. it understands that the Issuer, the Registrar, the Joint Bookrunners, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements; and
6. if it is acquiring any Notes for the account of one or more investor accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;
7. it acknowledges that neither the Issuer, the Joint Bookrunners nor any person representing the Issuer or the Joint Bookrunners, has made any representation to it with respect to the Issuer or the offer or sale of any of the Notes, other than (in the case of the Issuer) the information contained in this Offering Circular. It acknowledges that the Joint Bookrunners make no representation or warranty as to the accuracy or completeness of this Offering Circular.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Republic of Kenya of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

The Republic of Kenya

Income tax in the Republic of Kenya is charged under the provisions of the Income Tax Act (Chapter 470, Laws of the Republic of Kenya) (the “**ITA**”). Pursuant to section 3 of the ITA, income tax is chargeable on all the income of a person, whether resident or non-resident, which accrued in or was derived from the Republic of Kenya. Interest payable on the Notes was been exempted from income tax under section 13(2) of the ITA by virtue of the Legal Notice 86/2014 dated 18 June 2014, as amended by the Legal Notice 45/2018 dated 8 February 2018 (together, the “**Income Tax Exemption**”). The Income Tax Exemption was effected upon publication in the Kenya Gazette and was laid before Parliament in accordance with the Statutory Instruments Act, 2013.

However, the legality of this provision enabling exemption was impugned by the High Court on 17 February 2023, in the Constitutional Petition No. E280 of 2021, where the court declared that Section 13(2) of the ITA as unconstitutional to the extent that it authorises income tax waivers through a notice in the Gazette. The Petition had challenged, among others, the constitutionality of the Cabinet Secretary’s action to grant income tax exemption on income accrued in or derived from Kenya by foreign entities.

The High Court was of the view that an exemption or waiver of income tax can only be granted by the National Assembly through national legislation that would require a public record of each waiver and the reason for the waiver and each waiver and the reason for it shall be reported to the Auditor General. The import of this judgment is that the Cabinet Secretary can no longer grant tax exemptions through gazette notices. This means therefore, the Gazette notice offering exemption on the Notes may have been negated and interest rate on payment of Notes to Kenya tax residents are applicable, unless an appeal, which has been proffered by the Attorney General in the Court of Appeal succeeds.

Notwithstanding whether the decision of the High Court is overturned by the Court of Appeal, if the Income Tax Exemption is modified or revoked by Parliament or otherwise ceases to be in force for any reason, interest income earned on the Notes by a person, whether resident or non-resident, could become subject to income tax in the Republic of Kenya. In such circumstances, the Government would be obliged to deduct withholding tax at the rate then prevailing. The current rate applicable to interest income is 15% of the gross amount payable. Under the terms and conditions of the Notes, the Issuer is required to pay additional amounts so that the Noteholders will receive the full net amount which they would otherwise have received had there been no deduction of income tax.

Capital gains tax was reintroduced in the Republic of Kenya by the Finance Act, 2014, with effect from 1 January 2015. Chargeable gains or allowable losses may arise upon the transfer of Notes. The current applicable rate is 5% of the chargeable gain. Capital gains that accrue on a transfer of the Notes have been exempted from capital gains tax under section 13(2) of the ITA by virtue of the Legal Notice 44/2018 dated 8 February 2018 (the “**Capital Gains Tax Exemption**”). The Capital Gains Tax Exemption came into effect upon publication in the Kenya Gazette and has been laid before Parliament in accordance with the Statutory Instruments Act, 2013.

The basis of the Capital Gains Tax Exemption is uncertain, on account of the High Court’s decision in Constitutional Petition No. E280 of 2021 and unless the said judgment is reversed by Kenya’s Court of Appeal.

Notwithstanding the reversal by Kenya’s Court of Appeal, if the Capital Gains Tax Exemption is modified or revoked by Parliament or otherwise ceases to be in force for any reason, chargeable gains or allowable losses may arise upon the transfer of Notes.

Pursuant to section 21(1)(b) of the Statutory Instruments Act, 2013, the Income Tax Exemption and the Capital Gains Tax Exemption have been exempted from expiry by virtue of the Legal Notice 46/2018 dated 9 February 2018 (the “**Statutory Instruments Act Exemption**”). The Statutory Instruments Act Exemption came into effect upon publication in the Kenya Gazette and has been laid before Parliament in accordance with the Statutory Instruments Act, 2013.

If the Statutory Instruments Act Exemption is modified or revoked by Parliament or otherwise ceases to be in force for any reason, the Income Tax Exemption and the Capital Gains Tax Exemption is each subject to automatic revocation on the day which is ten years after the making of the Income Tax Exemption or the Capital Gains Tax Exemption, as the case may be.

United States Federal Income Taxation

The following is a summary of certain US federal income tax consequences to original purchasers of the Notes of the purchase, ownership and disposition of the Notes by a US Holder (as defined below). This summary is based upon tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the “**Code**”), its legislative history, existing and proposed Treasury Regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect. No assurances can be given that any changes in these laws or authorities will not affect the accuracy of the discussions set forth in this summary.

This summary does not purport to discuss all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by a particular investor in light of that investor’s individual circumstances, such as investors subject to special tax rules (*e.g.*, financial institutions, insurance companies, dealers in securities or currencies, investors liable for the alternative minimum tax, US Holders whose functional currency is not the US dollar, US expatriates and former citizens or long-term residents of the United States, accrual method taxpayers that are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements, individual retirement accounts and other tax-deferred accounts, certain securities and currency traders, regulated investment companies, real estate investment trusts, pension plans, tax-exempt organisations, partnerships or other pass through entities for US federal income tax purposes or investors in such entities, and investors that hold Notes as a position in a “straddle,” “conversion,” “hedging,” “integrated” or “constructive sale” transaction for US federal income tax purposes). In addition, this summary does not discuss any non-US, state, or local tax considerations or non-income taxes (such as US estate and gift taxes), nor does it discuss the 3.8% US federal tax on net investment income. This summary only applies to investors that acquire Notes as part of the initial offering at their issue price (generally the first price at which a substantial amount of the Notes is sold for money to the public, not including purchases by bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) and hold Notes as “capital assets” (generally, property held for investment) within the meaning of the Code.

For purposes of this summary, the term “**US Holder**” means a beneficial owner of a Note who, for US federal income tax purposes, is an individual citizen or resident of the United States, a corporation created or organised in or under the laws of the United States, any state of the United States or the District of Columbia, an estate whose income is subject to US federal income tax regardless of its source or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more “United States persons,” as defined for US federal income tax purposes, have the authority to control all substantial decisions of the trust or the trust has a valid election in effect to be treated as a United States person.

If a partnership (or other entity or arrangement treated as a partnership for US federal income tax purposes) holds the Notes, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. Prospective purchasers that are treated as partnerships for US federal income tax purposes should consult their tax advisers concerning the US federal income tax consequences to them and to their partners of the acquisition, ownership and disposition of Notes by the partnership.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Certain Additional Payments

In certain circumstances, the Issuer may be obligated to make certain contingent payments on the Notes. See “*Terms and Conditions of the Notes — Redemption and Purchase.*” These potential payments may implicate the provisions of Treasury Regulations relating to “contingent payment debt instruments” (“**CPDIs**”), but the Issuer does not intend to treat the possibility of such contingent payments on the Notes as subjecting the Notes to the CDPI rules. The Issuer’s determination that the Notes are not subject to the CDPI rules is binding on a US Holder, unless such US Holder discloses its contrary position in the manner required by applicable Treasury Regulations. The Issuer’s determination, however, is not binding on the US Internal Revenue Service (“**IRS**”) and if the IRS were to successfully challenge this determination, a US Holder may be required to accrue income on the Notes that such US Holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such Notes before the resolution of the contingency. In the event that such contingency were to occur, it would affect the amount and timing of the income that a US Holder recognizes. US Holders are urged to consult their tax advisors regarding the potential application to the Notes of the CPDI rules and the consequences thereof. This discussion assumes that the Notes will not be treated as CPDIs.

Payments of Interest and Additional Amounts

Payments of interest on a Note generally will be taxable to a US Holder as ordinary income at the time they are received or accrued, depending on the US Holder’s regular method of tax accounting. In addition to interest on a Note, if withholding taxes are imposed on payments of interest, the Issuer may be required to pay additional amounts to US Holders so that US Holders receive the same amounts they would have received had no withholding taxes been imposed. If taxes are withheld from a payment of interest on the Notes, a US Holder will be required to include the amount of any such tax withheld as ordinary income, even though such holder did not in fact receive it, as well as any additional amounts paid in respect of such tax withheld.

Any Kenyan withholding tax paid in respect of a payment of interest to a US Holder on the Notes may be eligible for a foreign tax credit (or a deduction in lieu of such credit) for US federal income tax purposes. However, there are significant complex limitations on a US Holder’s ability to claim such a credit or deduction. US Holders are urged to consult their tax advisors regarding the creditability or deductibility of any withholding taxes under their particular circumstances.

Original Issue Discount

The Notes will be issued with OID for US federal income tax purposes because the stated principal amount of the Notes will exceed their “issue price” by an amount equal to or more than a statutorily defined de minimis amount (generally, 0.0025 multiplied by the stated principal amount and the “weighted average maturity” of the Notes (as determined for US federal income tax purposes)). Accordingly, US Holders generally will be required to include such OID in gross income (as ordinary income) for US federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for US federal income tax purposes. As a result, US Holders will include any OID in income in advance of the receipt of cash attributable to such income.

The amount of OID includible in income by a US Holder is the sum of the “daily portions” of OID with respect to the Note for each day during the taxable year or portion thereof in which such US Holder holds such Note (“**accrued OID**”). A daily portion is determined by allocating to each day in any “accrual period” a *pro rata* portion of the OID that accrued in such period. The “accrual period” of a Note may be of any length and may vary in length over the term of the Note, *provided that* each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note’s “adjusted issue price” at the beginning of such accrual period and its “yield to maturity,” determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the accrued OID for each prior accrual period. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

Sale, Exchange, Retirement or Other Taxable Disposition of a Note

A US Holder generally will recognise gain or loss upon the sale, exchange, retirement or other taxable disposition of a Note in an amount equal to the difference between the amount realised upon that sale, exchange, retirement or other taxable disposition (other than amounts representing accrued and unpaid interest and OID, which will be taxable as interest income to the extent not previously included in income) and the US Holder's adjusted tax basis in the Note. The amount realised is the sum of cash plus the fair market value of any property received upon the sale, exchange, retirement or other taxable disposition of a Note. A US Holder's adjusted tax basis in a Note generally will equal the US Holder's initial investment in the Note, increased by any previously accrued OID, and reduced by the amount of any payments (including repayments of principal) received by such US Holder other than payments of qualified stated interest. Gain or loss on the sale, exchange, retirement or other taxable disposition of a Note generally will be capital gain or loss, and will be long-term capital gain or loss if the Note is held by the US Holder for more than one year. Capital gains of certain non-corporate US Holders, including individuals, with respect to capital assets held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to significant limitations.

Any capital gain or loss recognised on the sale, exchange, retirement or other taxable disposition of a Note by a US Holder generally will be treated as income or loss from sources within the United States for foreign tax credit limitation purposes. Therefore, US Holders may not be able to claim a credit for any Kenyan tax imposed upon a sale, exchange, retirement or other taxable disposition of a Note unless (subject to special limits) such holder has other income from foreign sources and certain other requirements are met. There are significant complex limitations on a US Holder's ability to claim such a credit or any deduction in lieu of such credit. US Holders are urged to consult their tax advisors regarding the creditability or deductibility of any Kenyan taxes imposed on the sale, exchange, retirement or other taxable disposition of a Note under their particular circumstances.

Information with Respect to Foreign Financial Assets

US Holders that own "specified foreign financial assets," including debt of foreign entities, with an aggregate value in excess of \$50,000 on the last day of the taxable year, or \$75,000 at any time during the taxable year generally will be required to file information reports with respect to such assets with their US federal income tax returns. Depending on the US Holder's circumstances, higher threshold amounts may apply. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by certain financial institutions: (i) stocks and securities issued by non-US persons, (ii) financial instruments and contracts held for investment that have non-US issuers or counterparties and (iii) interests in non-US entities. The Notes may be treated as specified foreign financial assets and US Holders may be subject to this information reporting regime. Failure to file information reports may subject US Holders to penalties. US Holders should consult their own tax advisors regarding their obligation to file information reports with respect to the Notes.

US Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments of principal and interest (including the accrual of OID) and any additional amounts on the Notes to non-corporate US Holders, and to payments of proceeds on a sale, exchange, retirement or other taxable disposition of a Note, if such payments are made within the United States or by or through certain US-related intermediaries. Backup withholding will apply to such payments if such US Holder fails to provide an accurate taxpayer identification number or otherwise fails to establish an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a US Holder of a Note generally will be allowed as a refund or a credit against the US Holder's US federal income tax liability as long as the US Holder provides the required information to the IRS in a timely manner.

PLAN OF DISTRIBUTION

Each of the Joint Bookrunners has, pursuant to Subscription Agreement (the “**Subscription Agreement**”) dated 14 February 2024 severally (but not jointly) agreed to subscribe or procure subscribers for the principal amount of Notes set out opposite its name in the table below at the issue price of 97.270% of the principal amount of the Notes, less a management and underwriting commission.

Joint Bookrunners	Principal Amount of Notes (US\$)
Citigroup Global Markets Limited	750,000,000
The Standard Bank of South Africa Limited	750,000,000
Total	1,500,000,000

Kenya has been informed that the Joint Bookrunners propose to resell the Notes at the issue price set forth on the cover page of this Offering Circular within the United States to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance upon Rule 144A, and to persons outside the United States in reliance upon Regulation S. See “– *United States*” and “*Transfer Restrictions*” below. The issue price at which the Notes are offered may be changed at any time without notice.

Kenya has agreed to indemnify the Joint Bookrunners against certain liabilities (including liabilities under the Securities Act) incurred in connection with the issue of the Notes. The Subscription Agreements may be terminated in certain circumstances prior to payment of the net subscription money in respect of the Notes to Kenya.

The Subscription Agreement provides that the obligations of the Joint Bookrunners to subscribe for Notes are subject to certain conditions precedent, including (amongst other things) receipt of legal opinions from legal counsel, and the Subscription Agreement may also be terminated in certain circumstances prior to payment of the issue price to the Issuer. The offering of the Notes by the Joint Bookrunners is subject to the Joint Bookrunners’ right to reject any order in whole or in part.

Offers and sales of the Notes in the United States will be made by those Joint Bookrunners or their affiliates that are registered broker-dealers under the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), or in accordance with Rule 15a-6 thereunder.

Allocations of the Notes to potential investors in the offering will be made in accordance with customary allocation processes and procedures following the completion of the book-building process for the offering of the Notes and will be made at the sole discretion of the Issuer.

The Notes are a new issue of securities for which there currently is no market. The Issuer cannot provide assurance that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Joint Bookrunners have advised the Issuer that following the completion of the offering of the Notes, they intend to make a market in the Notes. They are not obligated to do so, however, and any market-making activities with respect to the Notes may be discontinued at any time at their sole discretion without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, the Issuer cannot give any assurance as to the development of any market or the liquidity of any market for the Notes.

In connection with the offering of the Notes, the Joint Bookrunners may engage in over-allotment, stabilising transactions and syndicate covering transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the Joint Bookrunners. Stabilising transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Any of these activities may prevent a decline in the market price of the Notes, and may also cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. The Joint Bookrunners may conduct these transactions in the over-the-counter market or otherwise. If the Joint Bookrunners commence any of these transactions, they may discontinue them at any time.

The Issuer expects that delivery of interests in the Notes will be made against payment therefor on the Issue Date specified on the cover page of this Offering Circular, which will be the fourth Business Day following the

date of pricing of the Notes (this settlement cycle being referred to as T+4). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two New York business days, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in the Notes on the date of pricing of the Notes or the next New York business day will be required, by virtue of the fact that the Notes initially will settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the Notes who wish to trade interests in the Notes on the date of pricing of the Notes or the next New York business day should consult their own adviser.

The Joint Bookrunners or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory, mergers and acquisitions and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. Certain of the Joint Bookrunners and their affiliates have performed certain investment and commercial banking or financial advisory services for the Issuer and their affiliates from time-to-time, for which they have received customary fees and commissions, and they expect to provide these services to the Issuer and their affiliates in the future, for which they expect to receive customary fees and commissions. "Affiliates" as used in this Offering Circular is defined as under Rule 501(b) of Regulation D of the U.S. Securities Act. One or more of the Joint Bookrunners may purchase Notes offered hereby for their own account.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. If the Joint Bookrunners or their affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, each Joint Bookrunner has agreed, severally (but not jointly), to offer the Notes for resale in the United States initially only (1) to persons they reasonably believe to be QIBs purchasing for their own account or for the account of a QIB in reliance on Rule 144A, or (2) outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

Each Joint Bookrunner has represented and agreed severally (but not jointly), that, except as permitted by the Subscription Agreement, it has not offered and sold, and will not offer and sell, the Notes by means of any general solicitation or advertising in the United States or otherwise in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act. Accordingly, neither such Joint Bookrunner nor its affiliates, nor any persons acting on its or their behalf, have engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Notes.

United Kingdom

Each Joint Bookrunner has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000, as amended (the “**FSMA**”)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to Kenya; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MIFID II**”); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

Each Joint Bookrunner has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the “**C(WUMPO)**”) or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, each Joint Bookrunner has represented and agreed that, save as set out below, it has not offered, sold, or delivered and will not offer, sell, or deliver any Notes in the Republic of Italy in a solicitation to the public and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, each Joint Bookrunner has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of the Offering Circular and any other document relating to the Notes in the Republic of Italy except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Financial Services Act**”) and Italian CONSOB regulations; or

- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

- (a) be made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993 as amended (the “**Banking Act**”); and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

The Republic of Kenya

This Offering Circular and the initial offering of Notes has not been and will not be approved by the Capital Markets Authority in the Republic of Kenya (the Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023 do not apply to the Notes) and the Notes will not be listed on the Nairobi Securities Exchange when they are issued. The Notes will not be issued, offered or sold in the Republic of Kenya, except in compliance with all laws and regulations in the Republic of Kenya.

South Africa

Each Joint Bookrunner has represented and agreed that it has not and will not offer for sale or subscription or sell any Notes, directly or indirectly, within the Republic of South Africa or to any person or corporate or other entity resident in the Republic of South Africa except (i) in accordance with the exchange control regulations of the Republic of South Africa and (ii) to any entity resident or within the Republic of South Africa in accordance with the Commercial Paper Regulations issued under Government Notice 2172 published in Government Gazette No. 16167 of 14 December 1994 pursuant to the Banks Act 1990 and the Companies Act 2008 and the Financial Advisory and Intermediary Services Act 2002.

Switzerland

Each Joint Bookrunner has represented and agreed that it will not publicly offer, as such term is defined or interpreted under the Swiss Code of Obligations, sell or advertise, directly or indirectly, the Notes in, into or from Switzerland and agrees and undertakes that it will not publicly distribute or otherwise make publicly available in Switzerland this Offering Circular or any other offering or marketing material relating to the Notes.

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, distributed, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in article 5 of the Swiss Collective Investment Schemes Act, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Singapore

Each Joint Bookrunner has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “**MAS**”). Accordingly, each Joint Bookrunner has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate

or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore as modified or amended from time to time (the "SFA") pursuant to Section 274 of the SFA, or (ii) an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Notification under Section 309B(1)(c) of the SFA

The Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA) that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)

Each Joint Bookrunner has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Joint Bookrunner has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

General

No action has been taken by Kenya or any of the Joint Bookrunners that would, or is intended to, permit a public offer of the Notes or possession or distribution of the Offering Circular or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Bookrunner has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

Contact Information

The address of the Issuer is: The National Treasury, Harambee Avenue, Nairobi, GPO 00100, Kenya and its telephone number is +254 20 225 2299.

Listing

An application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's main market; however, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and to trading on the London Stock Exchange's main market will be granted on or around the Closing Date, subject only to the issue of the Notes.

The expenses in connection with the admission of the Notes to the Official List and to trading on the London Stock Exchange's main market are expected to amount to approximately £6,900.

Indication of Yield

As at the Closing Date and on the basis of the issue price of the Notes, the interest rate of the Notes, the redemption amount of the Notes and the tenor of the Notes, as calculated on the pricing date, the yield to maturity of the Notes is 10.375% per annum. This is not an indication of future yield.

Authorisations

Kenya has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes. The Government's power to borrow has been duly exercised in accordance with the PFMA.

Documents on Display

For so long as any Notes shall be outstanding, physical copies of: (i) Kenya's budget for the current fiscal year and each of the fiscal years ended 30 June 2023 and 30 June 2022, (ii) the Agency Agreement and (iii) the Deed of Covenant may be inspected during normal business hours at the specified offices of the Fiscal Agent.

Clearing Systems

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC.

The Unrestricted Global Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the Common Code No. 276483994 and the ISIN XS2764839945 for the Unrestricted Global Note.

The Restricted Global Notes have been accepted for clearance through DTC. The CUSIP number is 491798AM6, the ISIN is US491798AM68 and Common Code is 276675869 for the Restricted Global Note.

The address of Euroclear is 1 Boulevard du Roi Albert II, B. 1210 Brussels, Belgium, the address of Clearstream, Luxembourg is Avenue J.F. Kennedy, L-1855, Luxembourg and the address of DTC is 55 Water Street, New York, NY, 10041, USA.

Litigation

Save as disclosed in "*Risk Factors—Risks Relating to the Republic of Kenya—Failure to address actual and perceived risks of corruption and money laundering may adversely affect Kenya's economy and ability to attract foreign direct investment*", "*Public Finance—Taxation Policy*" and "*The Republic of Kenya—Legal Proceedings*", Kenya is not involved in, and has not been involved for 12 months prior to the date of this Offering Circular in, any governmental, legal or arbitration proceedings which may have or have had in the recent past a significant effect on its financial position nor, so far as Kenya is aware, is any such proceeding pending or threatened.

Material Change

Since the end of the last fiscal year on 30 June 2023, except as otherwise disclosed in this Offering Circular there has been no significant change in Kenya's (a) tax and budgetary systems, (b) gross public debt or the maturity structure or currency of its outstanding debt and debt payment record (c) foreign trade and balance of payment figures (d) foreign exchange reserves including any potential encumbrances to such foreign exchange reserves as forward contracts or derivatives (e) financial position and resources including liquid deposits available in domestic currency and (f) income and expenditure figures.

Interest of Natural and Legal Persons

So far as the Issuer is aware, no person involved in the offer or the Notes has an interest material to the offer.

ISSUER

Republic of Kenya, acting through the National Treasury and Economic Planning

The National Treasury
P.O. Box 30007
GPO 00100
Harambee Avenue
Nairobi Kenya

JOINT BOOKRUNNERS

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