

**REPUBLIC OF KENYA**



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**PUBLIC DEBT MANAGEMENT OFFICE**

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**ANNUAL PERFORMANCE REPORT**

**FY 2024/2025**

**SUBMITTED TO THE CABINET SECRETARY FOR THE  
NATIONAL TREASURY**

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## FOREWORD

The Public Debt Management Office (PDMO) Annual Performance Report for the Financial Year 2024/2025 has been prepared in accordance with the provisions of Section 64(2)(d) of the Public Finance Management Act, Cap 412A. The Act mandates the preparation and submission of an Annual Performance Report to the Cabinet Secretary responsible for finance and to the Commission on Revenue Allocation at the end of each financial year.

This Report presents an overview of the PDMO's performance in fulfilling Kenya's legal mandate on public debt management. It provides detailed disclosures on the public debt stock and debt service outturns, measured against the debt management objectives in the PFM Act Section 62 and targets outlined in the Budget Policy Statement (BPS), the Medium-Term Debt Management Strategy (MTDS), and the Annual Borrowing Plan (ABP) for FY 2024/2025.

The Report further highlights the public debt stock and assesses performance against the objectives and parameters set out in the MTDS. In addition, it highlights key reform initiatives, challenges, and emerging opportunities aimed at enhancing the effectiveness, transparency, and sustainability of public debt management in Kenya.

The global economic environment remained fragile, shaped by the prolonged Russia-Ukraine conflict and the escalation of the Israel– Hamas war. These conflicts disrupted global supply chains, heightened volatility in energy supplies and commodity markets prices, and sustained global inflationary pressures. For Kenya, the spillover effects were evident in elevated fuel prices and import costs, and increased fiscal and external pressures, all of which constrained economic performance and raised the cost of living.

The deficit financing requirement for FY 2024/2025 amounted to KSh 1,034.2 billion (5.8 percent of GDP) which was to be financed through various financing methods including domestic and external borrowing. Actual net domestic and external borrowing for the fiscal year amounted to KSh 852.0 billion (4.7 percent of GDP) and KSh 179.7 billion (1.1 percent of GDP) respectively. This represents a financing mix of 82.6 percent domestic and 17.4 percent external sources. Total debt service during the year under review amounted to KSh 1,722.1 billion, comprising KSh 734.6 billion in principal repayments and KSh 987.5 billion in interest payments.

Kenya continues to maintain its public debt at sustainable levels through fiscal consolidation and

undertook several active liability management operations during the year under review. The PDMO activities were focused on reforms aimed at lowering borrowing costs, mitigating risks, strengthening public debt management frameworks, and deepening the domestic debt market. The PDMO also upheld transparency by providing timely public debt information in line with both legal requirements and international best practices.

I wish to express my profound appreciation to the Cabinet Secretary, the National Treasury and the Principal Secretary, the National Treasury, for their support and leadership accorded to the PDMO during the year. I thank the Cabinet Secretary and the Principal for keeping our stakeholders including the media continuously updated on debt developments and strategies. I also extend my sincere gratitude to the Directors of the respective Departments and the dedicated officers from the Front, Middle, and Back Offices of the PDMO, whose professionalism, collaboration, and commitment were instrumental in the successful completion of the FY 2024/2025 Annual Performance Report.

The PDMO appreciates the continued partnership and technical support from key oversight authorities and development partners, whose collaboration has greatly contributed to strengthening public debt management practices and enhancing transparency and accountability in Kenya's debt operations. These include the Office of the Controller of Budget, Office of the Auditor General and the National Assembly's Public Debt and Privatization Committee. The PDMO is also grateful stakeholders such as the Institute of Public Finance for collaborating with the National Treasury on informing the public about debt developments through dissemination of public debt reports.

The Report is submitted to the Cabinet Secretary and the Commission on Revenue Allocation as provided for under Section 64 (2)(d) of the PFM Act, Cap 412A.

This Report, together with other public debt publications and monthly reports on public debt management, is available on the National Treasury website: [www.treasury.go.ke](http://www.treasury.go.ke)

**RAPHAEL O. OTIENO**  
**DIRECTOR GENERAL/PUBLIC DEBT MANAGEMENT OFFICE**

## EXECUTIVE SUMMARY

The Annual Performance Report is prepared pursuant to the provisions of the Public Finance Management Act, Cap. 421A. Section 64 of the Act requires the Public Debt Management Office (PDMO) to prepare and submit an Annual Performance Report to the Cabinet Secretary for the National Treasury and Commission on Revenue Allocation (CRA). The Report forms an integral component of transparency and accountability in the management of public debt.

During the review period (FY 2024/2025), the PDMO executed its mandate and achieved various milestones through implementation of 2025 Medium Term Debt Management Strategy and other planned activities. These included mobilizing resources to finance budget deficit; preparing statutory reports; implementing debt management reforms; engaging relevant stakeholders; and liability management operations ensuring timely servicing of public debt.

The net actual borrowing for FY 2024/2025 amounted to KSh 1,031.7 billion, comprising KSh 852.0 billion in net domestic borrowing through issuance of government securities and KSh 179.7 billion in net external borrowing. The purposes of borrowing were debt rollovers and financing the fiscal deficit for the financial year 2024/2025.

The National Treasury is mandated to manage public debt and ensure that all debt service obligations are met promptly as they fall due. In line with Article 214(1) of the Constitution, public debt is a first charge on the Consolidated Fund. In FY 2024/25, debt service budgetary allocation under the Consolidated Fund Services amounted to KSh 1,743.471 billion for both domestic and external debt. The actual expenditure was within budget at KSh 1,722.104 billion reflecting positive effects of appreciation of the Kenya Shilling.

The National Treasury is also required to publish, within two months after the close of each financial year, a report outlining all guarantees issued by the National Government. These guarantees, primarily extended to state corporations and other public entities, facilitate access to credit for strategic projects and investments that support national development objectives. During the period under review, no new loan guarantees were issued by the National Government.

The PDMO implemented several reforms and initiatives to strengthen public debt management in Kenya. These included the integration of the Integrated Financial Management Information

System (IFMIS) with the CS Meridian system, a move expected to bring a range of strategic, operational, and financial management benefits.

During FY 2024/25, the PDMO prepared, submitted, and publicized several statutory reports including the Annual Public Debt Management Report (APDMR), the Medium-Term Debt Management Strategy, Statistical and Analytical Reports, the Annual Borrowing Plan, the External Resources Estimates Handbook, and the External Public Debt Register.

The PDMO facilitated continuous engagement with investors, creditors, financial intermediaries, credit rating agencies, and development partners promoting fiscal transparency, strengthening market confidence, and enhancing access to both domestic and international capital markets.

The PDMO will continue working closely with key stakeholders including the Central Bank of Kenya, Parliament other oversight institutions, investors, and development partners to ensure efficient and effective delivery of its mandate.

## ABBREVIATIONS AND ACRONYMS

ABP	Annual Borrowing Plan
APDMR	Annual Public Debt Management Report
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
ATS	Automated Trading System
BMF	Bond Market Forums
Cap.	Chapter
CBK	Central Bank of Kenya
CFS	Consolidated Fund Services
CI	Composite Indicator
CPIP	County Portfolio Improvement Plan
CRAs	Credit Rating Agencies
CS Meridian	Commonwealth Secretariat Meridian System
DeMPA	Debt Management Performance Assessment
DES	Development Effectiveness Secretariat
Dhow CSD	Central Securities Depository for Government Securities
DPF	Development Partnership Forums
DR&S	Debt Recording and Settlement
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
DSSI	Debt Service Suspension Initiative
EDC	Effective Development Cooperation
EM	Emerging Markets
EUR	Euro
FMI	Financial Market Infrastructures
FTSE	Financial Times Stock Exchange
FX	Foreign Exchange
FY	Financial Year
GBP	Sterling Pound
GDP	Gross Domestic Product
GFSM	Government Finance Statistics Manual
HRT	Horizontal Repo Transactions
IBEC	Intergovernmental Budget and Economic Council
IDA	International Development Association
IFB	Infrastructure Bond
IFMIS	Integrated Financial Management Information System
IIF	Institute of International Finance
IMF	International Monetary Fund
IRU	Investor Relations Unit
ISB	International Sovereign Bond
JPY	Japanese Yen
KenGen	Kenya Electricity Generating Company PLC
KNBS	Kenya National Bureau of Statistics
KPA	Kenya Ports Authority
KQ	Kenya Airways
KSh	Kenya Shilling

LMO	Liability Management Operations
MFS	Monetary and Financial Statistics
MSME	Micro, Small and Medium Enterprise
MTDS	Medium Term Debt Management Strategy
MTRS	Medium Term Revenue Strategy
MTP	Medium Term Plan
O/W	Of which
OAFPs	Official Aid Funded Projects
ODA	Official Development Assistance
OPEC	Organization of the Petroleum Exporting Countries
OTC	Over The Counter
PDMO	Public Debt Management Office
PFM	The Public Finance Management
PPG	Public & Publicly Guaranteed
PPP	Public Private Partnership
PSDS	Public Sector Debt Statistics
PV	Present Value
QEBR	Quarterly Economic and Budgetary Review
S&P	Standard & Poor's
SACCOs	Savings and Credit Cooperative Organizations
SDR	Special Drawing Rights
SGR	Standard Gauge Railway
SLB	Securities Lending and Borrowing
SNA	System of National Accounts
SOEs	State Owned enterprises
SOFR	Secured Overnight Financing Rate
TSA	Treasury Single Account
UNDP	United Nations Development Programme
US	United States
USD	United States Dollar
WAIR	Weighted Average Interest Rate

## CHAPTER ONE

# LEGAL AND INSTITUTIONAL FRAMEWORK OF PUBLIC DEBT

### 1.0 Introduction

The Annual Performance Report for the financial year 2024/2025 provides highlights of the performance of the Public Debt Management Office (PDMO) during the fiscal year. The objective of the annual performance report is to evaluate the operational performance of PDMO during the fiscal year including achievements and recommendations. The report is prepared in accordance with the provisions of Section 64(2) of Public Finance Management (PFM) Act, CAP 412A which requires the PDMO to prepare and submit to the Cabinet Secretary for the National Treasury and Commission on Revenue Allocation (CRA) an Annual Performance Report. This report underscores the National Treasury's commitment to promoting transparency and accountability in the management of public debt.

An effective legal and institutional framework provides the foundation for sound public debt management by defining clear roles, mandates, and responsibilities for the institutions involved in the formulation and implementation of public debt management policies and oversight of public debt. It ensures that borrowing and debt-related activities are conducted within an established legal framework, thereby promoting transparency, accountability, and fiscal sustainability. Kenya's institutional and legal frameworks for public debt management provide a robust structure that supports effective fiscal policy and prudent borrowing practices. The evolving legal and institutional reforms, have continued to shape the operational dynamics of the PDMO during FY 2024/25 through enhanced reporting standards, improved data systems, and clearer borrowing procedures.

The following section outlines the key legal provisions and institutional arrangements that guide the performance of the Debt Management Office, highlighting the roles of various oversight and coordinating institutions that contribute to effective debt management practices and fiscal discipline.

### 1.1 Legal Framework

#### (a) The Constitution of Kenya, 2010

Chapter 12 of the Constitution provides the overarching legal basis for public borrowing and debt management. Articles 201, 211 to 214, 229, and 260 outline the principles of public finance which

provide for responsible utilization of public funds and clear fiscal reporting; borrowing by national and county governments; loans guaranteed by the national government; definition of public debt and interpretation of loans thereby providing clarity on the scope of obligations included under the national debt portfolio; and audit of public debt.

**(b) The Public Finance Management (PFM) Act, CAP. 412A**

The PFM Act, CAP. 412A operationalizes constitutional provisions and provides detailed procedures for debt management. It empowers the Cabinet Secretary for the National Treasury to manage public debt on behalf of the national government. The Act also establishes the Public Debt Management Office (PDMO) and defines reporting obligations, guarantee issuance procedures and debt recording protocols.

**(c) The Public Finance Management (National Government) Regulations, 2015**

The Regulations provide detailed guidance on the implementation of the PFM Act, CAP 412A, with respect to debt management. They elaborate on the functions of the PDMO, including debt policy formulation, debt database maintenance, report preparation, and timely servicing of debt obligations.

Regulation 192 PFM (National Government) regulations provide the purposes of borrowing as follows;

- (i) Financing national government budget deficits;
- (ii) Borrowing for purposes of cash management;
- (iii) Honouring obligations under outstanding national government guarantees;
- (iv) Refinancing outstanding debt or repaying a loan prior to its date of repayment;
- (v) Mitigation against adverse effects caused by an urgent and unforeseen event in cases where the contingency fund has been depleted;
- (vi) Mitigation against significant balance of payment imbalances; and
- (vii) Meeting any other development policy objectives that the Cabinet Secretary shall deem necessary, consistent with the law, and as Parliament may approve.

Other complementary laws include:

- The Central Bank of Kenya Act, Cap. 491: Governs the issuance and management of government securities and overdraft facility.
- The Public Audit Act, Cap. 412B: Mandates the Auditor-General to audit public debt operations.

- The Public Procurement and Asset Disposal Act, Cap. 412C: Ensures transparency in procuring debt-related financial services.

In addition, the Public Debt and Borrowing Policy act as a guide for public debt and borrowing practices of the National and County Governments, including the issuance process and management of the debt portfolio. Further, Kenya adheres to international best practices, such as the IMF–World Bank Guidelines for Public Debt Management, which emphasize prudent risk management, transparency, and accountability.

## **1.2 Institutional Framework**

The institutional framework for public debt management in Kenya establishes the mandates, responsibilities, and coordination mechanisms among various institutions involved in the formulation, execution, and oversight of debt management policies. This framework ensures that debt-related decisions are made within a structured governance system that promotes accountability, transparency, and fiscal discipline.

The National Treasury is the principal institution responsible for managing public debt on behalf of the National Government. Under the Public Finance Management Act, Cap. 412A, the Cabinet Secretary for the National Treasury is mandated to ensure that public debt remains sustainable and that borrowing is undertaken solely for purposes authorized by Parliament.

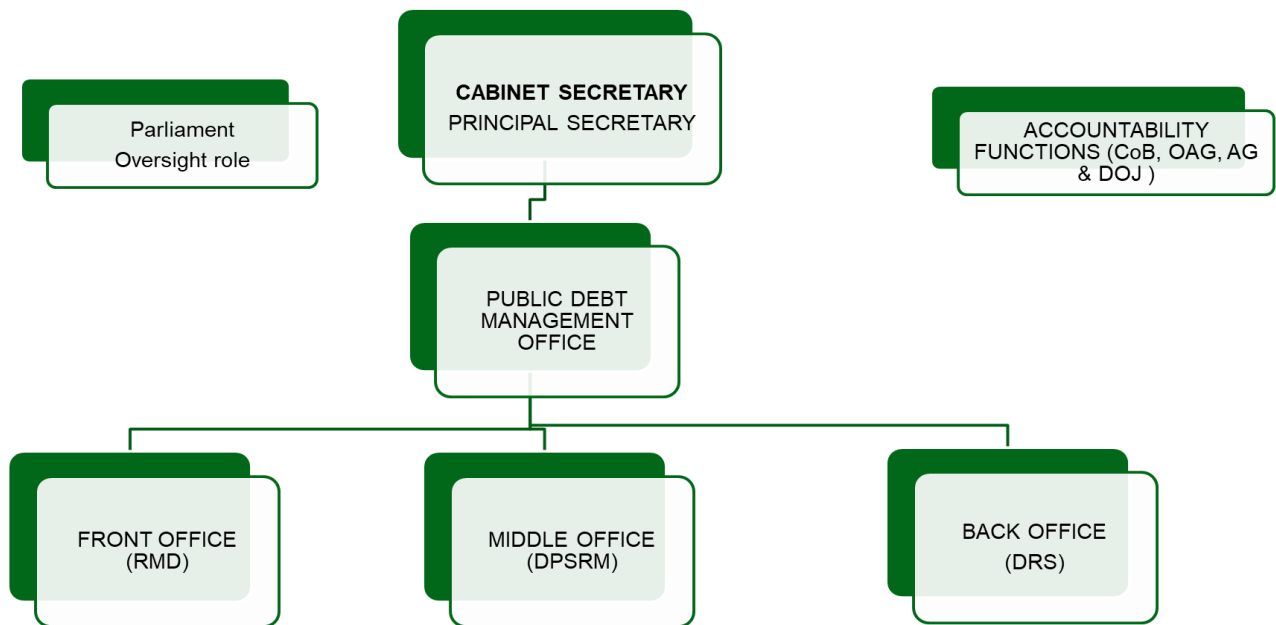
### **1.2.1 The Public Debt Management Office (PDMO)**

The Public Debt Management Office (PDMO) is established under Section 62 of the PFM Act, Cap. 412A. The objectives of PDMO are: to minimize the cost of public debt management and borrowing over the long-term, taking account of associated risks, to promote the development of the market institutions for Government debt securities, and to ensure benefits and costs/burdens of public debt are equitably shared between the current and future generations. The PDMO draws its mandate from Section 63 of the PFMA and Regulation 194 of the Public Finance Management (National Government) Regulations, 2015.

The Public Debt Management Office, established within the National Treasury, serves as the operational arm responsible for implementing the government’s debt management strategy. The PDMO’s core functions include:

- (i) Carrying out the government’s debt management policy of minimizing its financing cost over the long-term taking account of risk;
- (ii) Maintaining a reliable debt database for all loans taken by the national government, county governments and their entities including other loans guaranteed by the national government;
- (iii) Preparing and updating the annual medium-term debt management strategy including debt sustainability analysis;
- (iv) Preparing and implementing the national Government borrowing plan including servicing of outstanding debts;
- (v) Acting as the principal in the issuance of Government debt securities on behalf of the National Treasury;
- (vi) Monitoring and evaluating all borrowing and debt-related transactions to ensure that they are within the guidelines and risk parameters of the debt management strategy;
- (vii) Processing the issuance of loan guarantees including assessment and management of risks in National Government guarantees
- (viii) Transacting in derivative financial instruments in accordance with best international practices benchmarked to the debt management offices of other governments that are internationally respected for their practices.

**Organizational Chart of the Public Debt Management Office**



The PDMO is organized into three departments namely:

### **1.2.2 Resource Mobilization Department (Front Office)**

The Department carries the following functions

- Undertake domestic and foreign borrowing including raising of grants in accordance relevant laws;
- Prepare and implement the national government borrowing plan and in consultation with the fiscal agent prepare the annual domestic debt issuance calendar;
- Act as the principal in the issuance of Government debt securities on behalf of the National Treasury through the Implementation of government securities auction calendar;
- Undertake investor relations activities, roads shows, net shows, liaison and coordination with creditors and market participants;
- Process Government Guarantees; and
- Coordinate missions and technical assistance from cooperating development partners

### **1.2.3 Debt Policy, Strategy and Risk Management (Middle Office)**

The Department is mandated to carry the following functions

- Carrying out the government's debt management policy of minimizing its financing cost over the long-term taking account of risk through preparation, implementation and review of the medium-term debt Strategy;
- Monitor and evaluate all borrowing and debt-related transactions to ensure that they are within the guidelines and risk parameters of the debt management strategy;
- Process the issuance of loan guarantees including assessment and management of risks in national government guarantees and Public Private Partnerships (PPP).
- Transact in derivative financial instruments in accordance with best international practices bench-marked to the debt management offices of other governments that are internationally respected for their practices.
- Prepare statutory debt-related reports for the Cabinet Secretary;
- Undertake periodic public debt sustainability analysis, portfolio risks and costs analysis;
- Review public debt management policy and guidelines;
- Advise and coordinate domestic debt market for government debt securities;

#### **1.2.4 Debt Recording and Settlement Department (Back Office)**

The Department is mandated to perform the following function:

- Maintaining a reliable debt data base for all loans taken by the national government, county governments and their entities including other loans guaranteed by the national government;
- Process and settle debt service and disbursement of loans and grants;
- Prepare, reconcile and maintain financial statements on debt and grants related transactions and submit to the Accounting Officer responsible for finance;
- Maintain public debt registry;
- Maintain a comprehensive and reliable debt database for public debt and grants; and
- Monitor and report disbursement of loans and grants.

### **1.3 Roles of Other Institutions**

#### **1.3.1 Parliament**

Article 211 of the Constitution mandates Parliament to enact legislation guiding borrowing and public debt management and to monitor the overall level of indebtedness, including reporting requirements. It plays a pivotal role in ensuring that fiscal strategies align with national development priorities and long-term sustainability objectives.

#### **1.3.2 The Office of the Auditor-General**

Established under Article 229 of the Constitution, the office of the Auditor General provides independent assurance on the integrity of public debt management. It audits and reports on the accounts of all government entities, including debt transactions and guarantees, to ensure compliance with legal and regulatory frameworks. Audit findings help identify weaknesses and promote continuous improvement in financial governance.

#### **1.3.3 The Controller of Budget**

As provided for under Article 228 of the Constitution, the controller of budget oversees withdrawals from the Consolidated Fund and ensures that debt servicing payments are made in accordance with the law. The office also submits reports to Parliament that enhance transparency in the utilization of borrowed funds.

#### **1.3.4 Other Key Institutions**

Several other institutions supporting Kenya's Public debt management framework include:

- (i). The Central Bank of Kenya (CBK): Serves as the fiscal agent in the issuance, management, and redemption of government domestic securities as outlined in Section 44 of the Central Bank of Kenya Act, Cap. 491.
- (ii). Office of the Attorney General and Department of Justice: provide legal advisory services to the National Treasury on matters relating to public debt management.
- (iii). The Commission on Revenue Allocation (CRA): considers debt sustainability in the context of equitable revenue sharing.
- (iv). Development partners and multilateral institutions: provide concessional and non-concessional financing to support Kenya's development agenda.
- (v). Credit Rating Agencies: assess Kenya's creditworthiness, influence borrowing costs and investor confidence.

#### **1.4 Structure of the Report**

The rest of the Report is organized as follows: Chapter Two highlights performance contracting and PDMO Annual Work Plan, while Chapter Three reviews borrowing performance. Chapter Four outlines debt service and guarantees. Chapter Five discusses investor relations, whereas Chapter Six focuses on reform initiatives. Chapter Seven focuses on reporting and dissemination, while Chapter Eight presents recommendations.

## CHAPTER TWO

### PERFORMANCE CONTRACT AND ANNUAL WORK PLAN

#### 2.0 Introduction

In fulfilling its mandate, the PDMO aligns its annual activities with the Government's performance contracting obligations relevant to public debt. Public debt related performance targets are cascaded from Cabinet Secretary on the basis of signed agreement with the President. These targets are negotiated, vetted, and formalized through performance contracts, which are then operationalized via annual work plans. These work plans contribute to the broader national development agenda articulated in Kenya's Vision 2030, which is implemented through five-year Medium-Term Plans. The fourth Medium-Term Plan is aligned with the government's Bottom-Up Economic Transformation Agenda (BETA), which also informs the Ministerial Strategic Plan and other related planning instruments.

A number of PDMO activities contributed to the overall achievements of various deliverables as outlined in the Ministerial Strategic Plan, the Performance Contract, the Annual Work Plan in line with the National Treasury performance contract delegated to the various Departments in the PDMO as detailed below:

#### 2.1 Resource Mobilization Activities

During the period under review, the Resource Mobilization Department committed to the mobilization of resources from external and domestic sources, as listed below:

- (i) Mobilizing external resources amounting to KShs 355.800 billion to bridge the budget deficit.
- (ii) Preparing the Annual Borrowing Plan (ABP) for the FY 2024/2025;
- (iii) Developing and disseminating the External Resources Handbook for the FY 2024/2025.
- (iv) Undertaking portfolio reviews and reporting the absorption of external resources.

All the above targets were successfully achieved. During the review period, the Government mobilized a total of Ksh 1,031.71 billion against the financing requirement of Ksh 1,040.30 billion. This comprised net external financing of Ksh 179.7 billion against a target of Ksh. 186.5 billion, and net domestic financing of Ksh 852.01 billion against a target of Ksh. 853.8 billion.

The high-level engagements and dialogues included:

- (i) IMF/World Bank Spring Meetings: - The Cabinet Secretary of the National Treasury and Economic Planning led Kenyan delegation to the 2025 IMF/World Bank Spring Meetings held in Washington DC Between April 21-26, 2025. The meetings highlighted Kenya’s progress in transformation, accelerated delivery, and partnership-driven scaling of development initiatives.
- (ii) Portfolio Reviews and Joint Supervision Missions: - Joint Portfolio performance reviews, supervision missions, fiduciary clinics and field visits were held to review the project implementation status, disbursement levels, financial and procurement management of projects funded by the Development Partners. The outcome of the portfolio reviews and missions included;
  - (a) Assessment of portfolio performance and identification of implementation challenges
  - (b) Review of projects implementation status of and evaluation of progress on the 2024 Country Portfolio Improvement Plans (CPIP)
  - (c) Resolution of issues affecting the project implementation, including disbursement delays, tax exemptions bottlenecks, and inadequate counterpart funding.
- (iii) Multilateral and Bilateral Meetings: - The Cabinet Secretary held several Multilateral and Bilateral meetings with various Development Partners, including World Bank, African Development Bank, United Nations Agencies, Arab and Middle Eastern Agencies, and representatives from Germany, France, Japan, Belgium, China, Sweden, and Italy. These engagements resulted in: Strengthened multilateral and bilateral relations
- (iv) Discussions on financing envelopes and pipeline projects.

## **2.2 Debt Policy, Strategy and Risk Management Activities**

During the period under review, the DPSRM committed to implementing the following targets:

- (i) Preparation and submission of the 2025 Medium Term Debt Management Strategy (MTDS) to Parliament, aimed at minimizing the cost and risk of public debt;
- (ii) Revision and submission of the 2024 MTDS to the National Assembly; and
- (iii) Preparation and publication of the 2024 Annual Public Debt Management Report;

All the targets were successfully achieved. Additional key deliverables included:

- (i) Successful execution of the Liability Management Operation covering domestic debt, USD 1.5 billion Eurobond, and commercial loans maturities and issuance of a new USD 500 million Eurobond;
- (ii) Sensitization of Parliamentary committees on public debt matters;
- (iii) Staff training on Liability Management Operations (LMO);
- (iv) Evaluation of Public Debt Management using the Debt Management Performance Assessment (DeMPA) tool;
- (v) Development of draft regulations to operationalize the sinking fund;
- (vi) Preparation of the 2024 Annual Public Debt Management Report;
- (vii) Preparation and submission of the 2025 MTDS;
- (viii) 2024 Annual Public Debt Management Report dissemination in collaboration with the Institute of Public Finance;
- (ix) 2025 MTDS public participation report;
- (x) Preparation of weekly public debt briefs to the Cabinet Secretary;
- (xi) Amendments to the legal framework;
- (xii) Provision of advisory services on financing proposals and emerging debt policy issues; and
- (xiii) Monitoring and reporting on the implementation of the medium-term debt strategy through monthly bulletins published on the Treasury website.

### **2.3 Debt Recording and Settlement Activities**

The Debt Recording & Settlement (DR & S) department committed to improve efficiency in debt recording and settlement through the following targets:

- (i) Publication of the Audited External Debt Register within 30 days of audit completion;
- (ii) Facilitation of stakeholder engagement on debt management and repayment;
- (iii) Updating of the back-office procedures manual; and
- (iv) Integration of IFMIS with Meridian for straight-through debt payment processing.

All targets were successfully met. Additional achievements included:

- (i) Digitization of financing agreements and related documents;
- (ii) Verification and reconciliation of debt data with creditor statements, including updates on debt payments and disbursements;
- (iii) Processing of Consolidated Fund Services (CFS) debt payments; and

(iv)Preparation and updating of the Public Debt Register.

**Table 1:Performance Contract Targets and Achievements**

S/NO.	Target	Status/Achievement
<b>Resource Mobilization</b>		
1.	Mobilize External and Domestic resources	The PDMO mobilized Ksh 1,031.71 billion against the financing requirement of Ksh 1,040.30 billion. This comprised net external financing of Ksh 179.7 billion against a target of Ksh. 186.5 billion and net domestic financing of Ksh 852.01 billion against a target of Ksh. 853.8 billion.
2.	Prepare the Annual Borrowing Plan (ABP)	The ABP 2024/2025 was prepared and publicized
3.	Prepare Resources Estimates Handbook	Resource Estimates Handbook 2024/25 was prepared and publicized.
4.	Undertake stakeholder engagements and dialogues	High-level engagements and dialogues were conducted that included the IMF/World Bank, AfDB, UN Agencies, Arab and Middle East Agencies, Germany, France, Japan, Belgium, China, Sweden, Italy, Portfolio Reviews and joint supervision missions
<b>Debt Policy, Strategy and Risk Management</b>		
5.	Prepare 2025 Medium Term Debt Management Strategy (MTDS)	2025 MTDS prepared and submitted to Parliament on 15 <sup>th</sup> February 2025
6.	Prepare 2024/2025 Annual Public Debt Management Report	Prepared and submitted to Parliament on 30 <sup>th</sup> September 2025. Conducted dissemination of the 2024 Annual Public Debt Management Report
	Publish monthly debt bulletins	Published 12 monthly bulletins
7.	Train Staff on Liability Management Operations (LMO)	Two officers were trained on LMO in South Africa peer learning activities
8.	Issue new Eurobond (As part of LMO to pay off the maturing Eurobond)	Successfully issued USD 1.5billion Eurobond in March 2025 and April 2025.
9.	Prepare Guarantee debt	Prepared Guarantee debt report and submitted to parliament

	report	
10.	Sensitize Parliamentary committees on public debt	Sensitized Parliamentary committee for Public Debt and Privatization on Public and Public guaranteed debt
11.	Prepare Debt Sustainability Analysis (DSA)	Prepared DSA in October June 2025
12.	Develop Regulations to operationalize the sinking fund	Draft Regulations developed
13.	Evaluate Public Debt Management under the Debt Management Performance Assessment (DeMPA) tool	Public Debt evaluated under the DeMPA tool
14.	Provide advisory on financing proposals and other emerging debt policy issues	Advisories on financing proposals provided on request. Preparation of the weekly public debt briefs to the Cabinet Secretary.
<b>Debt Recording &amp; Settlement</b>		
15.	Published Audited Public Debt stock	Published Audited Public Debt stock 30 days after audit
16.	Digitisation of Financing Agreements	Digitisation of Financing Agreements and affiliated documents
17.	Updated procedures manual	Update the back-office procedures manual
18.	Interfaced IFMIS with Meridian	Interfaced IFMIS with Meridian for straight-through debt payment processing
19.	Verified and reconciled debt data	Verified and reconciled debt data with creditor statements, updated debt payments made and disbursements received

Source: *The National Treasury*

## CHAPTER THREE

### REVIEW OF BORROWING PERFORMANCE

#### 3.0 Introduction

This chapter details the performance of the PDMO in executing the Government's borrowing plan to finance the fiscal deficit during the year and meet debt maturity requirements financing requirements for the FY2024/25.

Total gross borrowing during the financial year ending June 2025 amounted to KSh 2,892.8 billion, against a target of KSh 2,915.6 billion, (both domestic and externally sourced). This was achieved amidst a challenging global macroeconomic environment characterized by elevated interest rates in domestic and international capital markets and heightened by geopolitical uncertainties. The PDMO successfully balanced the objectives of cost and risk, prioritizing concessional external financing and supporting the development of the domestic debt market.

#### 3.1 Borrowing Programme Performance

The Annual Borrowing Plan (ABP) for FY 2024/25 was designed to meet gross borrowing needs through a mix of domestic and external sources, in line with the 2025 Medium-Term Debt Strategy (MTDS).

#### 3.2 Overview of Borrowing

The total gross borrowing target for the last financial year was KSh 2,915.6 billion, comprising KSh 2,365.8 billion (81.2 percent) from the domestic market and KSh 548.0 billion (18.8 percent) from external sources. By the end of the fiscal year under review, total gross borrowing amounted to KSh 2,892.8 billion, representing 99.2 percent performance against the annual target. This comprises KSh 2,365.8 billion from domestic market and KSh 527.0 billion from external borrowing. The purposes of borrowing were debt rollovers and financing the fiscal deficit for the financial year 2024/2025.

**Table 2: Summary of Borrowing Performance for FY2024/25 (KSh Billions)**

	Source	Actual Raised (KSh billion)	Target (KSh billion)
1	Net Borrowing (2+3)	1,031.71	1,040.30
2	Net Domestic Borrowing (a+b)	852.01	853.8
a	O/w Treasury Bills	391.19	391.19
b	Treasury Bonds	460.82	462.62

	Source	Actual Raised (KSh billion)	Target (KSh billion)
<b>3</b>	<b>Net External Borrowing (4-5)</b>	<b>179.7</b>	<b>186.50</b>
<b>4</b>	<b>Disbursements (c+d+e+f+g)</b>	<b>527.04</b>	<b>548.03</b>
c	programme Loans	113.68	118.22
d	Project Cash Loans	85.81	93.83
e	Project Loans AIA	65.63	74.49
f	OPEC Funds	8.85	8.42
g	Commercial Financing	253.07	253.07
<b>5</b>	<b>External Amortizations</b>	<b>347.30</b>	<b>361.54</b>
<b>6</b>	<b>Domestic Redemptions (i+j)</b>	<b>1,513.76</b>	<b>1,513.76</b>
i	Treasury Bills	1,162.18	1,162.18
j	Treasury Bonds	351.59	351.59
	<b>Gross Domestic Borrowing (2+6)</b>	<b>2,365.77</b>	<b>2,367.56</b>
	<b>Gross External Borrowing (3+5)</b>	<b>527.00</b>	<b>548.03</b>
	<b>Total Gross Borrowing (1+5+6)</b>	<b>2,892.78</b>	<b>2,915.60</b>

Source: The National Treasury

### 3.3 FY 2024/25 Net Borrowing

The Government's net borrowing requirements for FY 2024/25 was KSh 1,040.3 billion, out of which KSh 853.8 billion was aimed at the domestic government securities and KSh 186.5 billion from external borrowing. The actual net borrowing from external amounted to KSh 179.7 billion compared to a target of KSh 186.5 billion, represented 96.4 percent performance rate and net domestic borrowing from government securities amounted to KSh 852.0 billion against the target of KSh 853.8 billion equivalent to 99.9 percent performance.

In addition to the deficit financing, the PDMO was responsible for raising resources to meet other financing needs, principally:

- **Domestic Debt Redemptions:** KSh 1,513.8 billion (Treasury Bills and Treasury Bonds) matured.
- **External Debt Service:** KSh 347.3 billion in external debt amortization.

This resulted in a total gross debt financing requirement of KSh 2,892.78 billion for the fiscal year.

### 3.4 Domestic Borrowing Performance

The PDMO raised a total of KSh 2,365.8 billion from the domestic debt market. This comprises KSh 1,553.4 gross borrowing through Treasury bills and KSh 812.4 billion through the Treasury Bonds. The net issuance of Treasury Bills and Treasury Bonds amounted to KSh 391.2 billion and KSh 460.8 billion

respectively as shown in Table 3: -

**Table 3: Domestic Borrowing Performance (KSh Billion)**

	<b>Instrument</b>	<b>Actual Raised (KSh billion)</b>	<b>Target (KSh billion)</b>	<b>%Achievement</b>
<b>1</b>	<b>Gross Domestic Borrowing (a+b)</b>	<b>2,365.77</b>	<b>2,367.56</b>	<b>99.92</b>
a	O/w Treasury Bills	1,553.36	1,553.36	100.00
b	Treasury Bonds	812.41	814.2	99.78
<b>2</b>	<b>Domestic Redemptions (c+d)</b>	<b>1,513.76</b>	<b>1,513.76</b>	<b>100.00</b>
c	Treasury Bills	1,162.18	1,162.18	100.00
d	Treasury Bonds	351.59	351.59	100.00
<b>3</b>	<b>Net Domestic Borrowing (1-2)</b>	<b>852.01</b>	<b>853.8</b>	<b>99.79</b>
	O/w Treasury Bills	391.19	391.19	100.00
	Treasury Bonds	460.83	462.62	99.61

Source: The National Treasury

The stock of Treasury bills and bonds as at end June 2025 is shown in Table 4 below: -

**Table 4: Stock of Treasury Bills and Bonds (KSh Million)**

<b>Instrument</b>	<b>June 2024</b>	<b>Percentage</b>	<b>June 2025</b>	<b>Percentage</b>
Treasury Bills	615,890	11.75	1,036,875	16.87
Treasury Bonds	4,627,123	88.25	5,110,010	83.13
<b>Total</b>	<b>5,243,013</b>	<b>100.00</b>	<b>6,146,885</b>	<b>100.00</b>

Source: The National Treasury

#### **(i) Treasury Bills Auctions**

Treasury bills auctions recorded a strong performance in FY 2024/25, with an average subscription rate of 162.6 percent, up from 127.0 percent in the previous financial year. This improvement was largely driven by heightened investor appetite for short term assets in the second quarter, as market participants sought to lock in favourable rates amid a declining yield environment and improved liquidity conditions.

#### **(ii) Treasury Bonds Auction**

The Treasury bonds auctions recorded an average performance of 184.3 percent in the FY 2024/25, up from 159.0 percent in the previous year, reflecting increased investor appetite for longer-dated instruments. This shift was driven by expectations of interest rates decline and an easing monetary policy environment both locally and globally.

During the financial year under review, PDMO conducted a liability management operation on a five-year infrastructure bond (IFB) maturing in February 2025 through bond buyback. This was aimed at managing refinance risk through smoothening the maturity profile for domestic debt.

### 3.5 External Borrowing Performance

Total gross external borrowing (disbursements) amounted to KSh 527.0 billion, against the target of KSh 548.0 billion representing 96.2 percent performance.

Gross Borrowing from external sources comprised of KSh 241.2 billion raised from multilateral partners, including the World Bank, IMF and the African Development Bank; KSh 32.8 billion secured from bilateral partners, and commercial borrowing amounting to KSh 253.1 billion as shown in Table 5 below: -

**Table 5: External Borrowing Performance (KSh Billion)**

	Source	Actual Raised (KSh billion)	Target (KSh billion)	% Achievement
<b>1</b>	<b>Gross external Lenders Disbursement (a+b+c)</b>	<b>527.05</b>	<b>548.03</b>	<b>96.17</b>
a	Multilateral	241.21	256.65	93.98
b	Bilateral	32.77	38.31	85.54
c	Commercial	253.07	253.07	100.00
<b>2</b>	<b>External Amortizations</b>	<b>347.3</b>	<b>361.54</b>	<b>96.06</b>
<b>3</b>	<b>Net External Borrowing (1-2)</b>	<b>179.75</b>	<b>186.5</b>	<b>96.38</b>

Source: The National Treasury

### 3.6 Grants

During the financial year under review, PDMO mobilized grants amounting to KSh 32.4 billion against the target of KSh 44.0 billion. This comprise KSh 28.3 billion from multilateral creditors and KSh 4.1 billion from bilateral creditors as shown in Table 6 below: -

**Table 6: Grants Mobilized in FY 2024/25**

Source	Actual raised (KSh billion)	Target (KSh billion)
Multilateral	28.27	37.48
Bilateral	4.09	6.55
<b>Total</b>	<b>32.36</b>	<b>44.03</b>

Source: The National Treasury

**Table 7: Evaluation of Costs and Risks Characteristics**

Indicator		2024 MTDS (1) Targets	Actual (2) June 2025	Deviation (2-1)	Remark on deviation
Interest payment as % of GDP		5.4	5.7	0.3	Increased debt service costs due to high interest rates in the domestic debt market and increased domestic borrowing quantum.
Refinancing risk	Debt maturing in 1yr (% of total debt)	12.4	13.5	1.1	Increased refinancing risks due to investor preference to short-term instruments amidst market uncertainties.
	Debt maturing in 1yr (% of GDP)	7.7	9.4	1.7	
	ATM External Portfolio (years)	9.9	9.4	-0.5	
	ATM Domestic Portfolio (years)	7.0	6.4	-0.6	
	ATM Total Portfolio (years)	8.4	7.9	-0.5	
Interest rate risk	ATR (years)	8.0	7.1	-0.9	Worsening in interest rate risk indicators due to market interest rate fluctuations and credit rating downgrade
	Debt refixing in 1yr (% of total)	22.2	24.6	2.4	
	Fixed rate debt (% of total)	88.6	87.0	-1.6	
	T-bills (percent of the total)	4.5	7.8	3.3	
Foreign exchange (FX) risk	FX debt as % of total debt	46.9	47.0	0.1	Moderate exposure to foreign exchange rate risk

Source: The National Treasury

**Table 8: Trends in Kenya’s Public and Publicly Guaranteed Debt (KSh Million)**

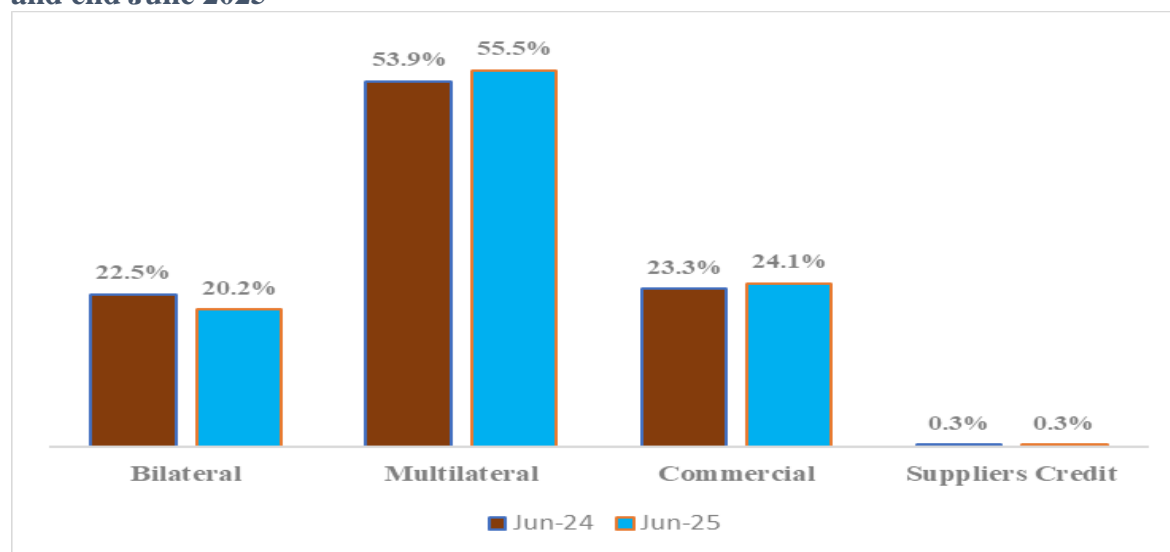
	FY 2020/21	FY 2021/22	FY 2022/23	FY2023/24	FY 2024/25*
<b>Total PPG debt stock</b>	<b>7,696,634</b>	<b>8,761,418</b>	<b>10,585,113</b>	<b>10,580,455</b>	<b>11,814,474</b>
<b>O/w External</b>	3,999,541	4,334,791	5,667,799	5,171,704	5,488,465
<b>O/w Domestic</b>	3,697,093	4,426,627	4,917,315	5,408,751	6,326,009
<b>% share of External debt</b>	52	49.5	53.5	48.9	46.5
<b>% share of Domestic debt</b>	48	50.5	46.5	51.1	53.5
<b>Nominal GDP</b>	<b>11,304,100</b>	<b>12,752,164</b>	<b>14,274,419</b>	<b>15,826,415</b>	<b>17,434,534</b>
<b>As percentage of GDP</b>					
<b>Total PPG debt to GDP</b>	<b>68.1</b>	<b>68.7</b>	<b>74.2</b>	<b>66.9</b>	<b>67.8</b>
<b>O/w External</b>	35.4	34	39.7	32.7	31.5
<b>O/w Domestic</b>	32.7	34.7	34.4	34.2	36.3
<b>PV of Debt to GDP</b>	58.8	63.1	64.4	64.4	63.7
<b>Annual Growth Rate</b>					
<b>Total PPG debt stock</b>	15	13.8	20.8	0	11.7
<b>O/w External</b>	13.8	8.4	30.8	-8.8	6.1
<b>O/w Domestic</b>	16.4	19.7	11.1	10.0	17.0
<b>Real GDP Growth</b>	7.6	4.8	5.3	5.6	4.9

\*Provisional

Source: The National Treasury

Kenya’s nominal GDP rose to KSh 17,434.5 billion in FY 2024/25, while the nominal debt-to-GDP ratio increased to 67.8 percent from 66.9 percent in FY 2023/24. This indicates that debt accumulation outpaced economic growth, which slowed to 4.9 percent from 5.6 percent the previous year.

**Figure 1: External Debt by Creditor Category as percentage of external debt for end June 2024 and end June 2025**



Source: The National Treasury

As of the end of June 2025, the share of multilateral and commercial debt increased to 55.5 percent and 24.1 percent, respectively, compared to 53.9 percent and 23.3 percent at the end of June 2024. This marginal increase underscores the National Treasury’s effort to focus on concessional financing to mitigate refinancing risks.

## CHAPTER FOUR

### DEBT SERVICE AND GUARANTEED DEBT

#### 4.0 Introduction

Public debt is a first charge on the Consolidated Fund Service; this is in accordance with Article 214 (1) of the Constitution. In accordance with the PFM Act, Cap 412A, the National Treasury is mandated to manage public debt and ensure that all debt service obligations are met promptly as they fall due.

In FY 2024/25, the debt service allocation under the Consolidated Fund Service amounted to KSh. 1,761.471 billion for both domestic and external debt. However, the actual expenditure, was KSh. 1,722.105 billion.

#### 4.1 Domestic Debt Payments

During FY 2024/25, cumulative domestic interest payments amounted to KSh. 776.257 billion compared to a target of KSh. 768.485 billion (**Table 9**). Cumulative actual principal repayments totalled KSh. 366.805 billion, compared to the target of KSh. 383.393 billion.

**Table 9: Domestic Debt Service Projections and Actuals (KSh. Millions)**

Interest Type	FY 2024/25		
	Estimates	Actuals	Deviation
Domestic Interest	768,485	776,257	7,772
Domestic Principal	383,393	366,805	(16,588)
<b>Total</b>	<b>1,151,878</b>	<b>1,143,062</b>	<b>(8,816)</b>

Source: The National Treasury

#### 4.2 External Debt Repayments

During FY 2024/25, total external debt service amounted to KSh. 579.043 billion against an estimate of KSh. 609.593 billion. Principal repayments totalled KSh. 367.804 billion compared to the projected KSh. 381.221 billion, while interest payments amounted to KSh. 211.239 billion against a target of KSh. 228.372 billion. Multilateral debt service stood at KSh. 118.907 billion compared to an estimate of KSh. 125.591 billion, while bilateral debt service amounted to KSh. 200.622 billion against KSh. 203.104

billion. Commercial debt service was KSh. 259.514 billion below the projected KSh. 280.897 billion (Table 10).

**Table 10: External Debt Repayments (KSh. Million)**

		FY 2024/25		
		Estimate	Actual	Deviation
<b>Multilateral</b>	Principal	57,794	55,433	(2,361)
	Interest	67,798	63,474	(4,324)
	<b>Sub Total</b>	<b>125,591</b>	<b>118,907</b>	<b>(6,685)</b>
<b>Bilateral</b>	Principal	149,481	150,358	877
	Interest	53,623	50,264	(3,359)
	<b>Sub Total</b>	<b>203,104</b>	<b>200,622</b>	<b>(2,481)</b>
<b>Commercial</b>	Principal	173,946	162,013	(11,933)
	Interest	106,951	97,501	(9,450)
	<b>Sub Total</b>	<b>280,897</b>	<b>259,514</b>	<b>(21,383)</b>
<b>Grand Total</b>	Principal	381,221	367,804	(13,417)
	Interest	228,372	211,239	(17,133)
	<b>Sub Total</b>	<b>609,593</b>	<b>579,043</b>	<b>(30,549)</b>

Source: The National Treasury

**Table 11: Trends in Public Debt Service and Interest Payments (KSh Million)**

	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25*
<b>Total Debt Service</b>	<b>780,628</b>	<b>917,778</b>	<b>1,202,075</b>	<b>1,580,766</b>	<b>1,722,104</b>
<b>Total interest</b>	<b>495,142</b>	<b>577,979</b>	<b>689,327</b>	<b>843,846</b>	<b>987,495</b>
<b>External Debt Service</b>	<b>234,590</b>	<b>305,666</b>	<b>405,004</b>	<b>773,406</b>	<b>579,042</b>
<b>External Principal</b>	128,278	184,536	248,776	552,104	367,804
<b>External Interest</b>	106,312	121,130	156,229	221,302	211,238
<b>Domestic Debt Service</b>	<b>546,038</b>	<b>612,112</b>	<b>797,071</b>	<b>807,360</b>	<b>1,143,062</b>
<b>Domestic Interest</b>	388,830	456,849	533,098	622,544	776,257
<b>Domestic Principal</b>	157,208	155,263	263,973	184,816	366,805
<b>Memorandum items</b>					
<b>As a percentage of Revenues</b>					
<b>Total debt services</b>	50.0	47.9	58.9	69.1	71.2
<b>Total interest</b>	31.7	30.1	33.8	36.9	40.8
<b>External interest</b>	6.8	6.3	7.7	9.7	8.7
<b>Domestic interest</b>	24.9	23.8	26.1	27.2	32.1
<b>Ordinary Revenue</b>	1,562,015	1,917,911	2,041,119	2,288,921	2,420,174
<b>As a percentage of Export</b>					
<b>External Debt Service</b>	34.5	36.5	26.9	50.4	35.1
<b>Export Earnings (Goods only)</b>	680,731	838,024	1,507,072	1,533,781	1,648,898

Source: National Treasury and Central Bank of Kenya

In terms of fiscal impact, total debt service as a share of government revenue rose from 50 percent in FY 2020/21 to 71.2 percent in FY 2024/25. This indicates that debt service consumed a substantial portion of Kenya’s revenue, constraining other public spending priorities.

### 4.3 Performance of Loan Guarantees

The National Treasury is mandated to publish, within two months after the close of each financial year, a report outlining all guarantees issued by the National Government. These guarantees, extended primarily to state corporations and other public entities, serve to facilitate access to credit for strategic projects and investments that support national development objectives. As contingent liabilities, guarantees form part of public debt and carry potential fiscal risks; therefore, maintaining prudent financial management and close monitoring of these obligations is critical to preventing their crystallization and safeguarding the Government’s fiscal space.

The National Government extended loan guarantees to the following State-Owned Enterprises (SOEs): Kenya Electricity Generating Company PLC (KenGen), Kenya Ports Authority (KPA), and Kenya Airways (KQ). The guaranteed obligations for KPA and KenGen remained performing in accordance with the respective loan agreement terms and conditions. However, KQ was unable to service its guaranteed debt to local banks and in FY 2024/25, the Government serviced guaranteed debt amounting to KSh. 19.685 billion on behalf of Kenya Airways.

During the financial year under review, no new loan guarantees were issued by the National Government. The list of guaranteed stock balances for FY 2024/25 is captured in the Table 12 below: -

**Table 12: List of Guaranteed Stock Balances in FY 2024/2025 (KSh. Million)**

Agency	Agreement Date/Year	Project	Creditor	Amount
	1997	Sondu Miriu Hydropower Project	Government of Japan	608
	2004	Sondu Miriu Hydro Power II	Government of Japan	5,907
	2007	Sondu - Miriu Hydropower Project Sangoro Power Plant	Government of Japan	2,798

Agency	Agreement Date/ Year	Project	Creditor	Amount
<b>Kenya Electricity Generating Company</b>	2010	Olkaria 1 Unit 4 and 5	Government of Japan	16,107
		Geothermal Power Project		
	2011	Rehabilitation and Upgrade of the Geothermal Plant Olkaria	Government of Fed. Republic of Germany - GTZ	791
	2021	DSSI Japan For KenGen Loans Phase I	Government of Japan	526
DSSI Japan For KenGen Loans Phase II		655		
<b>Kenya Ports Authority</b>	2007	Mombasa Port Development Programme (Mombasa Port A)	Government of Japan	15,726
	2007	Mombasa Port Development Programme (Mombasa Port)	Government of Japan	1,720
		Kenya Port Development Project - Phase II (Principal I)		
	2015	Kenya Port Development Project - Phase II (Principal IIA)	Government of Japan	2,858
		Kenya Port Development Project - Phase II (Principal IIA)		
	2021	DSSI Japan-Kenya Ports Authority (KE-P25) -Phase I	Government of Japan	162
	2021	DSSI Japan-Kenya Ports Authority (KE-	Government of Japan	203

Agency	Agreement Date/ Year	Project	Creditor	Amount
		P25) -Phase II		
<b>Kenya Airways</b>	2017	Kenya Airways Guarantee (for Local Banks)	MTC Trust & Corporate Services Limited (Security Agent for Local Banks)	9,690
<b>Total</b>				<b>83,241</b>

*Source: The National Treasury*

## CHAPTER FIVE

### CREDIT RATINGS AND INVESTOR RELATIONS

#### 5.0 Introduction

The Investor Relations (IR) activities within the PDMO is essential in Kenya’s engagement with investors, creditors, financial intermediaries, credit rating agencies, and development partners. The objectives of the IR engagements are to promote fiscal transparency, strengthen market confidence, and enhance access to both domestic and international capital markets. Through continuous communication and dissemination of debt-related information, the National Treasury reinforces investor understanding of Kenya’s macroeconomic and fiscal framework, thus supporting the government’s broader objective of maintaining fiscal credibility and debt sustainability.

#### 5.1 Engagement with Credit Rating Agencies

The National Treasury maintained structured engagement with Fitch Ratings, S&P Global Ratings, and Moody’s throughout the fiscal year. These interactions facilitated regular updates on Kenya’s fiscal performance, macroeconomic developments, issuance planning, and debt sustainability efforts.

During FY 2024/25, Fitch and S&P Global downgraded Kenya’s sovereign credit rating from ‘B’ to ‘B-’ with a Stable Outlook. Moody’s downgraded Kenya’s rating from *B3* (Negative) to *Caa1* with a Positive Outlook, citing diminished capacity to maintain revenue-based fiscal consolidation after the withdrawal of the 2024 finance bill.

**Table 13: Kenya's Credit Rating in the FY 2024/2025**

Agency	Date	Rating	Outlook
Fitch Ratings	31 <sup>st</sup> January 2025	B-	Stable Outlook
S&P Global Ratings	25 <sup>th</sup> August 2024	B-	Stable Outlook
Moody’s Investment Service	25 <sup>th</sup> January 2025	Caa1	Positive Outlook

*Source: Credit Rating Institutions*

#### 5.2 Investor Engagements

During FY 2024/25, the National Treasury intensified both domestic and international investor engagements to strengthen dialogue and build investor confidence. The National Treasury engaged institutional investors, sovereign wealth funds, and commercial banks, through bilateral meetings, deal

and non-deal roadshows, and virtual investor calls. Notably, Investor Relations is not merely a communication function, it is a cornerstone of Kenya's fiscal credibility, market access, and global financial engagement. During the IMF/World Bank Spring and Annual Meetings held in Washington D.C., the National Treasury convened several high-level meetings showcasing Kenya's fiscal reforms, macroeconomic progress, and debt management strategies.

Domestically, the Central Bank of Kenya (CBK) facilitated monthly Bond Market Forums (BMFs) bringing together fund managers, pension funds, insurance companies, and investment banks to discuss market performance and issuance strategies. Additionally, CBK undertook investor education and diaspora outreach programs aimed at promoting participation in government securities.

### **5.3 Investor Relations and Transparency Survey**

Kenya's participation in the 2025 Sovereign Investor Relations and Debt Transparency Survey conducted by the Institute of International Finance (IIF) reflects its growing commitment to transparency and proactive engagement with investors. The country's score rose significantly from 36.92 in 2024 to 42.13 out of a possible 50 in 2025, positioning Kenya among the most improved frontier markets. This progress was largely attributed to the timely release of debt reports, regular investor presentations, and the continued implementation of the Medium-Term Debt Management Strategy (MTDS).

The survey highlighted several key benefits of Kenya's investor relations (IR) programme. It is worth noting that these initiatives have positively influenced investor perceptions of Kenya's economic policies, fostering greater confidence and trust. Improved data management practices were also cited as a direct outcome of the IR efforts, contributing to more robust and reliable financial reporting.

Moreover, the IR activities has played a crucial role in reducing the cost of financing and enhancing Kenya's access to international capital markets. It has supported the development of a stronger local policy framework and facilitated smoother interactions with credit rating agencies, which in turn has led to improvements in Kenya's credit ratings.

A notable example of the programme's success was Kenya's issuance of a US\$1.5 billion Eurobond in October, which attracted bids totalling nearly US\$7.5 billion. This overwhelming response not only demonstrated increased investor appetite but also enabled Kenya to secure funding at a reduced cost, underscoring the effectiveness of its investor engagement strategy.

In summary, Kenya’s enhanced performance in the IIF survey underscores the tangible benefits of its investor relations and transparency initiatives, which have strengthened its financial credibility, broadened its funding base, and improved its standing in global markets.

**Table 14: Investor Relations Country Scores**

Year	Kenya’s IR Score (Out of 50)
2022	34.00
2023	36.54
2024	36.92
2025	42.13

Source: IIF 2025 Investor Survey

#### **5.4 Effective Development Cooperation Coordination**

The Development Effectiveness Secretariat (DES) under the National Treasury convened quarterly Development Effectiveness Group (DEG) meetings to monitor the implementation of Official Aid Funded Projects (OAFPs). The 12th Development Partnership Forum (DPF), held in March 2025 and co-chaired by the Deputy President and the Cabinet Secretary for the National Treasury, focused on improving project implementation and absorption of development funds. Additionally, a Joint Working Group meeting held on March 4, 2025 reviewed progress on Official Development Assistance (ODA) and proposed measures to strengthen coordination and accountability.

#### **5.5 Stakeholder Engagement**

The PDMO engaged a broad range of stakeholders, including Development partners, investors, media representatives, the General Public, Parliament, Commission on Revenue Allocation, Office of the Auditor-General, the Controller of Budget, the Central Bank of Kenya, Credit rating agencies and other government agencies. The feedback obtained was instrumental in creating awareness which enhanced collaboration between PDMO and other key stakeholders. In addition, the feedback has improved decision making. The PDMO website was also enhanced with updated investor-relevant materials, reports, and publications to facilitate access to debt data and policy documents.

## CHAPTER SIX

### DEBT MANAGEMENT REFORMS AND INITIATIVES

#### 6.0 Introduction

Kenya's economic stability and long-term prosperity depend on efficient Public Debt Management. While maintaining long-term budgetary sustainability, economic stability enables the government to obtain necessary funding at the lowest possible cost and risk. In order to improve the infrastructure of the debt market, the National Treasury has implemented a number of reforms. As stated below, the goals of these initiatives are to: Strengthen the institutional framework; Enhance operational effectiveness; Diversify financing sources; and enhance public debt transparency.

#### 6.1 Institutional Reforms

During the period under review the National Treasury started the process of integrating, the CS Meridian with the Integrated Financial Management Information System (IFMIS), and DhowCSD system. This integration will bring range of strategic, operational, and financial management benefits.

In the FY 2024/25, the National Treasury rolled out the implementation Treasury Single Account (TSA), as part of digital public finance reforms. These reforms are essential for improving financial management and accountability.

#### 6.2 Status of Implementation of Domestic Debt Reforms

The National Treasury has made major domestic debt reforms in the Financial Year 2024/25 hence molding a more sustainable, vigorous and efficient domestic debt framework.

- (a) **Strengthening the Secondary Market for Government Securities** – The Government initiated an over the counter (OTC) trading platform engagements as a transformative step in the development of government securities market. The OTC market is structured to promote greater market efficiency, improve price transparency, and strengthen the credibility of the domestic yield curve for Treasury instruments. Currently, the NSE annual turnover is only about a quarter

of total outstanding domestic government securities. The ultimate aim of the OTC exchange is to increase secondary market capacity to discharge securities issued at the primary market and improve the information market content of the yield curve. The electronic OTC trading and market making will enhance pre-trade market transparency, price discovery and market liquidity. Market organizers aspiring to undertake OTC trading will be integrated with Government Central Securities Depository (DhowCSD).

- (b) **Revised Bond Benchmark Programme** - In the domestic debt market, a portfolio of fewer but high volume benchmark issues will be used for the twin objectives of borrowing to meet the financing target and liability management operations. Fewer but high volume benchmark issues will enrich the domestic debt market yields.

### **6.3 Liability Management Operations**

During the Financial Year under review, the National Treasury undertook Liability Management Operations (LMOs) that included debt buybacks and prepayments, in both the domestic and external debt markets. The government successfully completed its first Treasury bond buyback operation in FY 2024–2025, repurchasing bonds totaling KSh 50.09 billion, which helped to reduce refinancing risk and increase economic liquidity. In order to refinance its existing liabilities, such as syndicated loans and a portion of its forthcoming Eurobond maturities, Kenya obtained USD 1.5 billion in March 2025 through a new 10-year Eurobond. In order to lower the near-term debt maturities, USD 600 million was utilized to partially repurchase the USD 900 million Eurobond that was due in 2027.

## CHAPTER SEVEN

### REPORTING AND DISSEMINATION

#### 7.0 Introduction

The Constitution of Kenya, together with the Public Finance Management Act, Cap 412A and the accompanying PFM Regulations, provides for the transparent, accountable, and prudent management of public finances. In line with these provisions, the Public Debt Management Office (PDMO) is mandated to prepare and disseminate the following reports:

- i. The Medium-Term Debt Management Strategy (MTDS);
- ii. The Annual Borrowing Plan (ABP);
- iii. The Annual Public Debt Management Report (APDMR);
- iv. The Annual Performance Reports;
- v. Statistical and Analytical Reports on Debt and Borrowing;
- vi. The External Resources Estimates Handbook; and
- vii. The External Public Debt Register.

During the Financial Year (FY) 2024/2025, the following reports were prepared, submitted to the relevant oversight authorities, and made public in accordance with the applicable legal and regulatory provisions.

#### 7.1 The Medium-Term Debt Management Strategy (MTDS)

In FY 2024/2025, the PDMO developed the 2025 Medium-Term Debt Management Strategy in line with the requirements of the PFM Act, Cap. 412A and submitted it to Parliament, the Commission on Revenue Allocation (CRA), and the Intergovernmental Budget and Economic Council (IBEC) on 15<sup>th</sup> February 2025. The MTDS is a forward looking Government borrowing and debt repayment cost and risk minimizing approach.

The 2025 MTDS was published and publicized on the National Treasury's website: <https://www.treasury.go.ke/medium-term-debt-management-strategy/>.

In addition a dissemination forum was held in March 2025.

#### 7.2 The Annual Borrowing Plan (ABP)

The Annual Borrowing Plan (ABP) is developed in accordance with Section 63(d) of the PFM Act, Cap. 412A to

guide the implementation of the National Government’s borrowing programme and the management of existing debt obligations.

In FY 2024/2025, the Plan was duly prepared, circulated to all relevant stakeholders, and subsequently published on the National Treasury website in line with the Government’s transparency and accountability framework: <https://www.treasury.go.ke/annual-borrowing-plan/>.

### **7.3 The Annual Public Debt Management Report (APDMR)**

The Annual Public Debt Management Report provided a comprehensive overview of public debt management developments during FY 2024/2025. It is therefore a retrospective account of the evolution of public debt and its characteristics. The report was prepared and submitted to Parliament on 30th September 2025, in accordance with the provisions of the PFM Act, Cap. 412A. The finalized report was published and made accessible to the public through the National Treasury’s website: <https://www.treasury.go.ke/annual-debt-management-reports/>.

In addition, a dissemination forum was held in November 2024.

### **7.4 Statistical and Analytical Reports on Debt and Borrowing**

During the reporting period, the PDMO provided analytical inputs to the Quarterly Economic and Budget Review (QEBR), detailing trends in public debt levels and servicing. Four (4) QEBR reports were finalized and made publicly available through the National Treasury’s website: <https://www.treasury.go.ke/quarterly-economic-budgetary-review-qebr/>.

The PDMO also issued Monthly Debt Bulletins highlighting key developments in debt stock, currency composition, debt servicing, domestic borrowing performance, and sovereign credit ratings. All bulletins were published on the National Treasury’s website to enhance transparency and inform stakeholders: <https://www.treasury.go.ke/monthly-bulletins/>.

Additionally, the PDMO produced Weekly Policy Performance Briefs summarizing the performance of domestic borrowing operations. These briefs captured key indicators, including interest rate movements, yields on government securities, outstanding debt stock, and developments in the domestic debt market necessitating policy review and intervention.

### **7.5 External Resources Estimates Handbook**

The External Resources Estimates Handbook provides information to the public, government entities, and development partners on externally funded programmes and projects for each financial year. It promotes transparency and accountability in the management of external resources and updates stakeholders on fiscal and policy developments.

The Handbook was prepared and made publicly available on the National Treasury’s website: <https://www.treasury.go.ke/kenya-external-resources-policy/>.

## **7.6 The External Public Debt Register**

The External Public Debt Register outlines the composition of the Government's total debt portfolio, specifying the principal and accumulated interest, the purpose of each loan, the servicing arrangements, and actual repayments made. The External Public Debt Register was prepared and published on the National Treasury website (<https://www.treasury.go.ke/external-public-debt-register/>).

## **7.7 Report on New Loans Contracted by the Government**

In compliance with Section 31(3) of the PFM Act, Cap. 412A, the PDMO prepared and submitted quarterly reports detailing new loans contracted by the Government. During FY 2024/2025, the Government contracted 29 new external loans amounting to KSh 457 billion.

## CHAPTER EIGHT

### CONCLUSION AND RECOMMENDATIONS

#### 8.0 Introduction

In conclusion, the Public Debt Management Office (PDMO) demonstrated a commitment to prudent public debt management throughout the financial year 2024/2025. Despite a challenging global and domestic economic environment, the Office successfully mobilized resources to finance the fiscal deficit, implemented key reforms, and maintained Kenya's debt at sustainable levels. Integration to IFMIS enhanced stakeholder engagement, and the adoption of liability management operations have collectively strengthened the institutional framework and operational effectiveness of public debt management.

The PDMO's continuous efforts to promote transparency, accountability, and market confidence have been reflected in improved investor relations and the timely dissemination of comprehensive debt reports. The PDMO remains dedicated to furthering reforms that will deepen the domestic debt market, lower borrowing costs, and mitigate fiscal risks. Moving forward, sustained collaboration with stakeholders and the implementation of the recommendations outlined in this report will be essential in safeguarding Kenya's fiscal sustainability and supporting national development objectives.

#### 8.1 Way Forward

The PDMO will endeavour to undertake the following: -

##### *Short term*

- (a) Review and strengthen the borrowing and debt management framework for County Governments and the Public Debt and Borrowing Policy to address liability management policy gaps.
- (b) Deepen public engagement and awareness through stakeholder forums and public briefings, enabling citizens, the media, and investors to better interpret debt information and understand its implications for fiscal policy
- (c) Develop a securitization Policy in 2025/2026 to diversify funding sources and enhance market efficiency.
- (d) Ensure that each supplementary budget is accompanied by a revised MTDS.

***Medium term***

- (e) Conduct quarterly Debt Sustainability Analyses (DSA) to ensure the timely identification of potential debt vulnerabilities and to inform proactive fiscal and borrowing decisions.
- (f) Explore non-traditional debt instruments to mitigate risks and reduce over-reliance on traditional external lenders.
- (g) Strengthen data integration and analysis to enhance coordination between different reporting tools and departments, thereby improving data consistency.
- (h) Finalize and operationalize the Over-the-Counter (OTC) and Securities Lending and Borrowing (SLB) frameworks to boost liquidity, enhance market transparency, and establish a credible domestic yield curve.
- (i) Undertake quarterly monitoring and reporting of the Medium-Term Debt Management Strategy (MTDS).