

Kenya's Public Debt Service for FY 2024/25

Kenya's Total Debt Obligation for FY 2024/25 Constitutes **48 Percent** of the Total Budget and **55 Percent** of the Country's Projected Income

Key Highlight

Kenya's total debt service obligation for the FY 2024/25 stands at Ksh 1.85 trillion, constituting debt redemption at Ksh 843.4 billion and interest payment at Ksh 1.1 trillion.

Concerns

- Refinancing government loans at a higher interest rate, as recently done with the Eurobond, will increase the debt repayment burden, diverting more future income toward loan interest repayment.
- Kenya's rising public debt presents serious risks, compounded by the rejection of the Finance Bill 2024 and the Court of Appeal's ruling that the Finance Act 2023 is unconstitutional, adding further uncertainty to resource mobilization strategies.
- Without thorough reassessment of debt sustainability, continued borrowing could lead to a severe debt trap, constraining fiscal space and limiting the government's ability to invest in essential services and development initiatives.

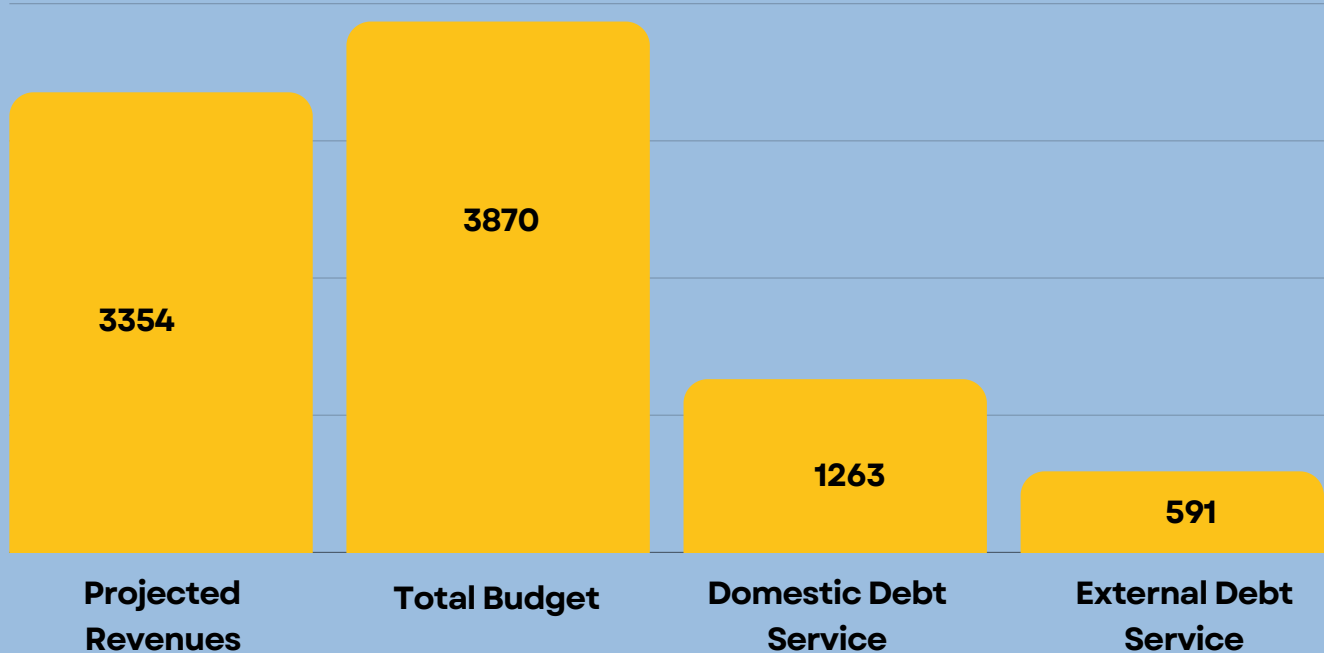
Recommendation

It is crucial for the National Treasury and the National Assembly's Departmental Committees of Finance and National Planning and the Public Debt and Privatization, to adopt prudent strategies focused on debt management and revenue collection reforms to prevent deeper financial instability.

Debt Service FY 2024/25

For every **Ksh 100** in the budget, **Ksh 33** is spent on repaying domestic debt service.

Total Budget, Projected Revenue, and Expenditure On Debt Service 2024/2025 (Kshs Billion)

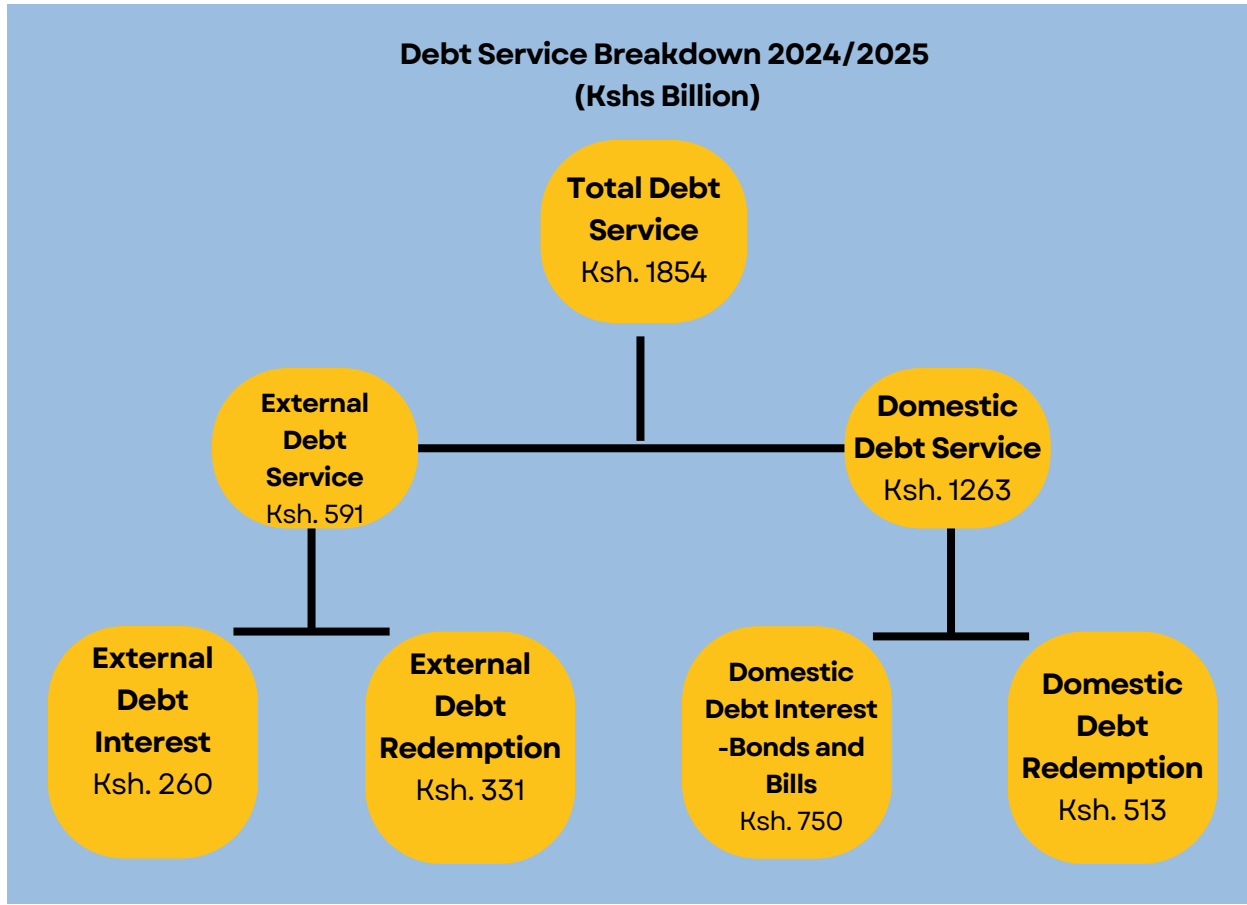


Source: The National Treasury of Kenya

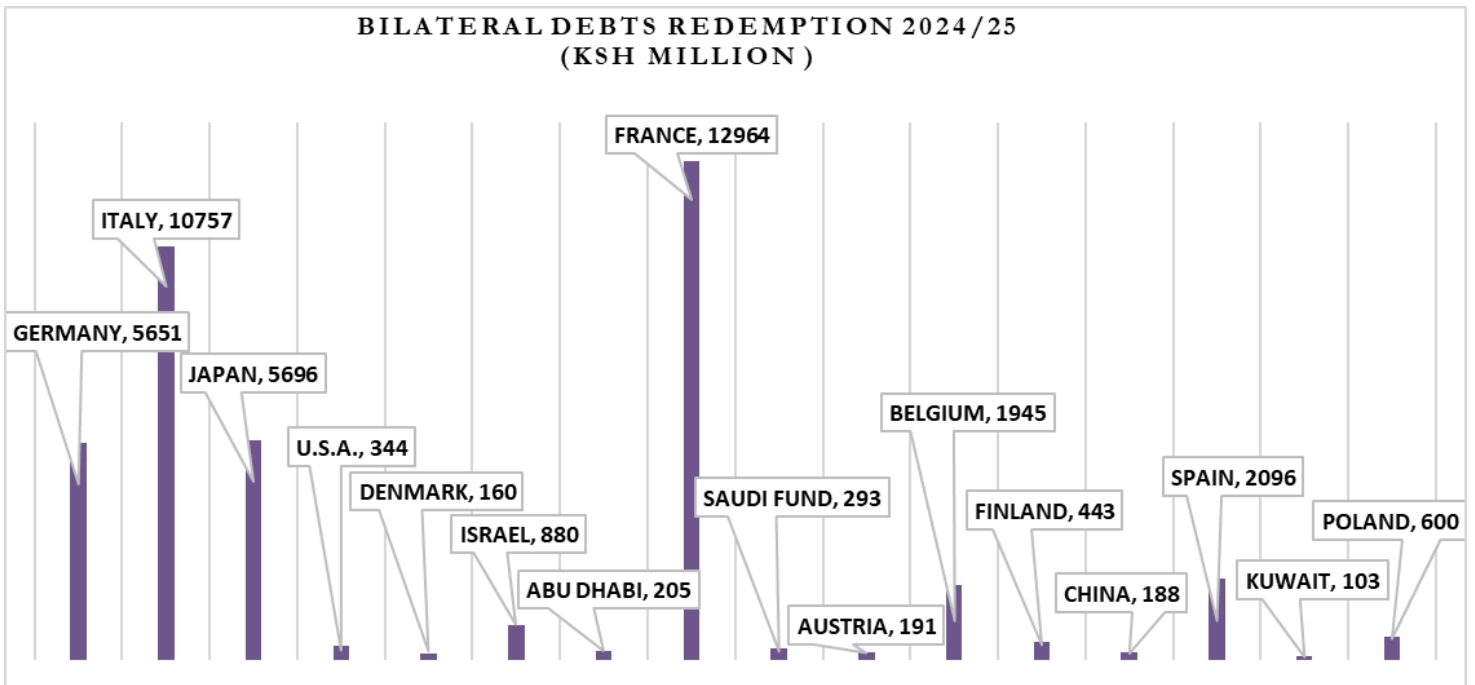
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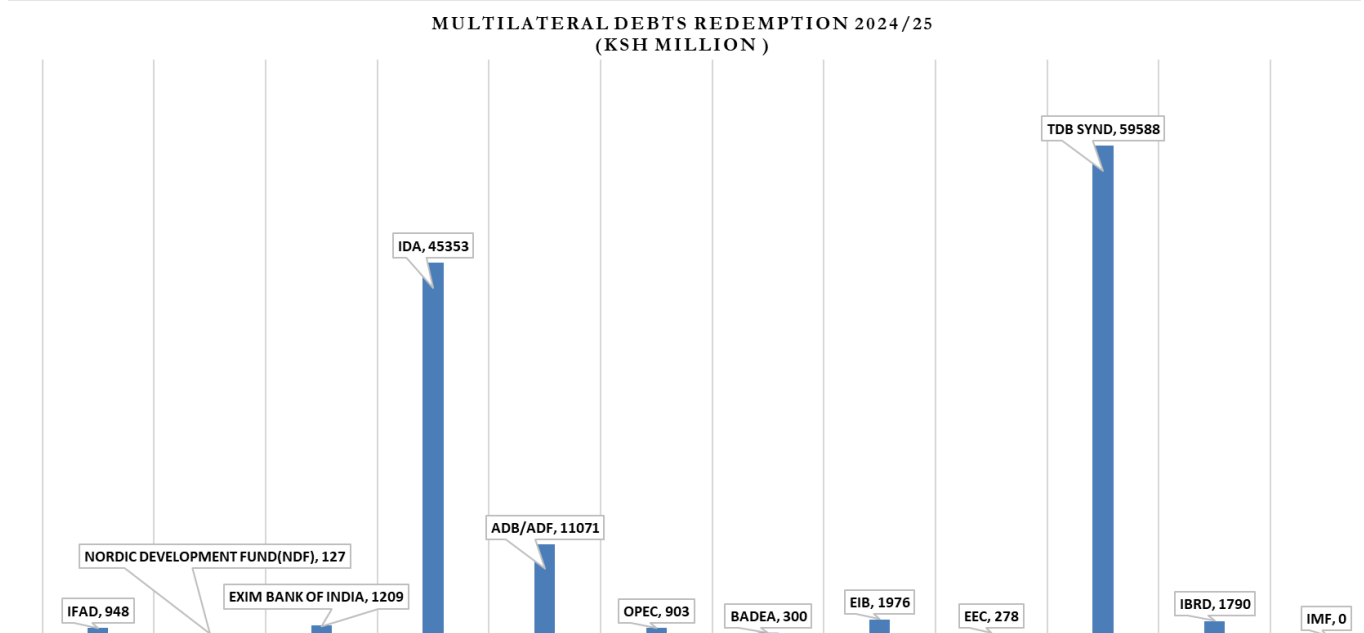
Domestic debt service, which forms the largest component of debt obligation at 68 percent, reduces risks associated with foreign exchange volatility—an essential factor in ensuring financial stability.



Half of Kenya's External Debt is Owed to Commercial Lenders



France and Italy will receive the highest bilateral debt redemption amounts, at Ksh 13 billion and Ksh 10.8 billion respectively. This debt redemption repayment may come at the expense of essential services, especially with challenges in revenue-raising strategies currently facing the country.

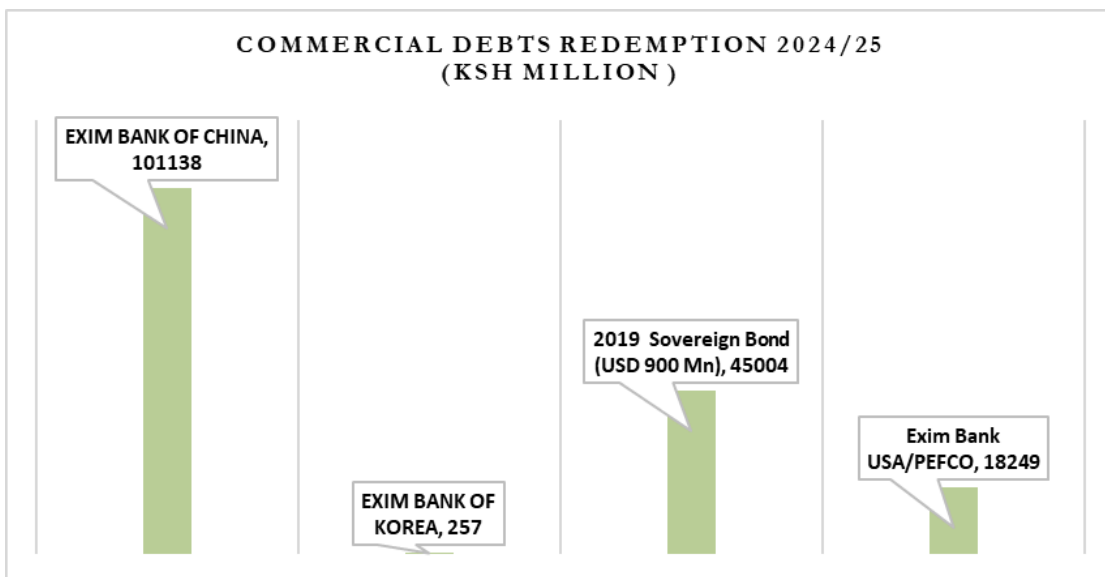


Trade and Development Bank (TDB) SYND and International Development Association (IDA) are set to receive the greatest share of redemption at Ksh 60 billion and Ksh 45 billion each respectively. Notably the International Monetary Fund (IMF) is not scheduled to receive any payment during the year.

Source: The National Treasury of Kenya

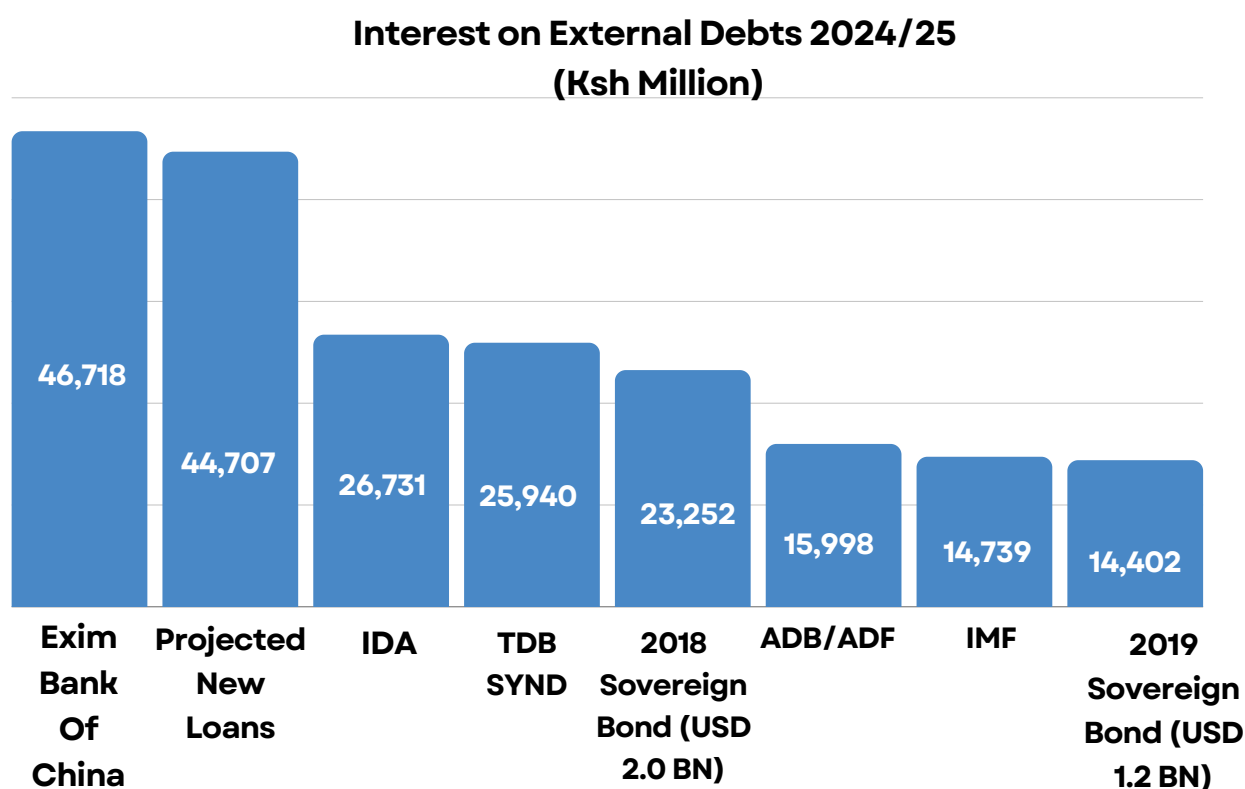
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Half of Kenya's **External Debt** is Owed to Commercial Lenders



Exim Bank of China will receive the largest share of Ksh 101 billion followed by the 2019 International Sovereign Bond which will receive Ksh 45 billion.

Debt Interest to China Amounts to **18 percent** of Total External Debt Interest Obligations



- Exim Bank of China is Kenya's largest lender, holding Ksh 880 billion in debt as of June 2023. In FY 2024/25, Kenya is expected to pay Ksh 46.7 billion in interest to Exim Bank, representing 18% of the country's total external debt interest.
- From the external debts interest payment allocation for FY 2024/25, Ksh 44.7 billion is set as interest for new loans. However, there is no specific information provided on the source or purpose of these loans.

Recommendation

With Ksh 44.7 billion allocated as the second highest payment for interest on new loans, the government should provide a clear breakdown of these loans, including their sources and intended purposes.