Ministry of National Treasury
& Economic Planning
The National Treasury

REPUBLIC OF KENYA

FY 2024/25 ANNUAL PUBLIC DEBT MANAGEMENT REPORT

CITIZEN VERSION

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Every end of the financial year, the National Treasury, through the Public Debt Management Office, prepares an Annual Public Debt Management Report, pursuant to Section 64(2)(c) of the Public Finance Management Act, Cap. 412A, and Regulation 200 of the Public Finance Management (National Government) Regulations, 2015. The Report underscores the Government's commitment to transparency, accountability, and prudent management of public debt and serves as a valuable reference for policymakers, oversight institutions, investors, and the general public.

Key Messages for Citizens

- Kenya's public debt stood at KSh 11.8 trillion by June 2025, equal to about 68% of the economy (KSh 17.4 trillion).
- Over 70% of government revenue in FY 2024/25 was used to repay debt. This means for every KSh 10 collected by the government, KSh 7 is used as debt repayment. This has left limited funds for development.
- Domestic debt servicing is higher than external debt servicing and with more than half of the debt having been borrowed locally, interest costs have gone up.
- Kenya's debt is sustainable but at high risk, requiring careful management.
- Government reforms aim to reduce borrowing costs and manage repayment risks. These reforms include legal reforms, diversifying borrowing sources, shifting to a debt anchor, expanding public debt reporting and carrying out liability management operations.
- Responsible debt management protects public services and future generations by preventing debt distress that can force governments to cut spending on health, education, and social protection or shift today's borrowing costs onto future taxpayers.

1. How Much Debt Does Kenya Owe?

1.1 During the FY 2024/25, the government, through its budget estimates, anticipated a financing deficit of KSh. 1,012.3 billion (5.8 percent of GDP), to be financed through external and domestic financing. As at the end of the FY, a total of KSh 1.03 trillion was borrowed to cover this budget deficit, thus KSh 21.9 billion above the target. During this period, twenty-nine (29) new external loans were contracted, totaling KSh 457.0 billion, of which seventeen (17) were from commercial banks, nine (9) from multilateral lenders, and three (3) from bilateral lenders.

1.2 As of June 2025, Kenya's total public and publicly guaranteed debt stood at approximately KSh 11.8 trillion, equivalent to 67.8 percent of GDP. This is an increase of 1.2 trillion from the previous year. Kenya's debt consists of domestic debt (borrowed locally) and external debt (borrowed from foreign lenders). Domestic debt accounted for the largest share in FY 2024/25 (53.5%). As of June 2025, the total domestic debt was KSh 6.33 up from KSh. 5.41 trillion from the previous year while external debt was 5.48 trillion up from KSh 5.17 trillion in 2024. This shows that domestic debt has grown faster compared to external debt.

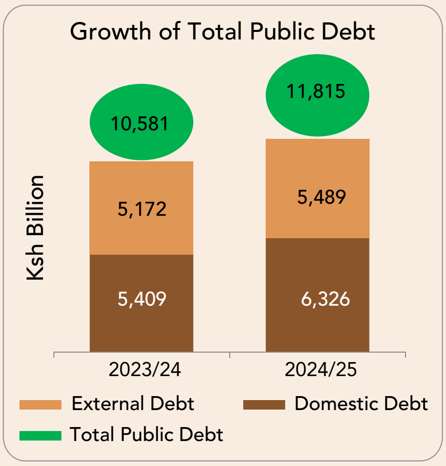


Figure 1:Growth of Kenya's Total Public Debt

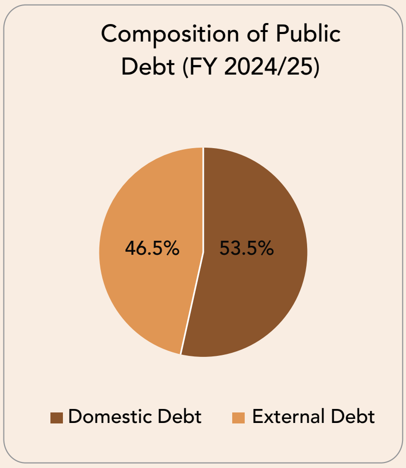


Figure 2: Composition of Kenya's Public Debt

1.3 The government also undertakes commitments/ guarantees for loans borrowed by government agencies, which could create obligations that require government payment only upon the occurrence of specific future events. During the FY 2024/25, the government did not issue new guarantees. However, previously issued guarantees were extended to Kenya Electricity Generating Company PLC (KenGen), Kenya Ports Authority (KPA), and Kenya Airways (KQ). As at end June 2025, the stock of Government guaranteed debt stood at KSh 83,241 million, reflecting a decline from KSh 100,165 million recorded in FY 2023/2024. This reduction is due to repayment of other guaranteed debt.

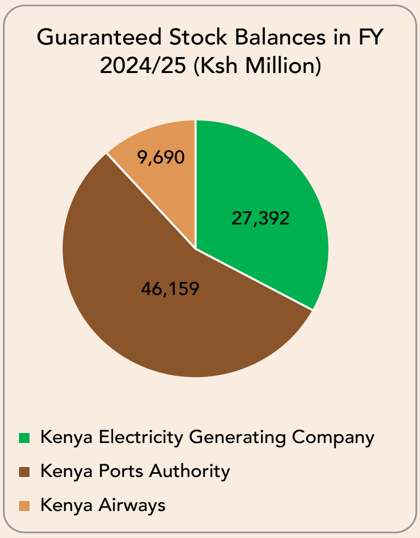


Figure 3: Publicly Guaranteed Debt Holders

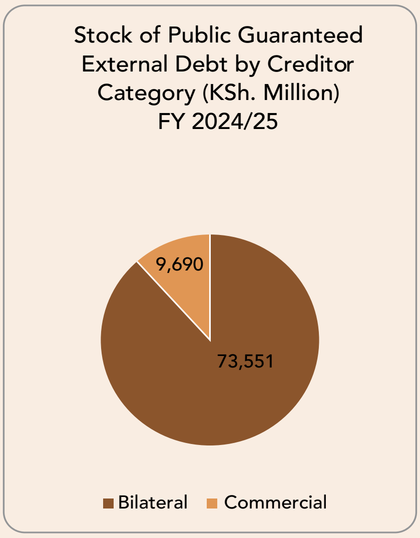


Figure 4: Publicly Guaranteed Debt Creditors

2. How did FY 2024/25 debt perform against the approved debt strategy and borrowing plan?

2.1 The 2024 Medium-Term Debt Management Strategy (MTDS) guided public borrowing for FY 2024/2025 and the medium term, aligned with the 2024 Budget Policy Statement. The MTDS was approved by Parliament in February 2024 and revised in August 2024 following the withdrawal of the 2024 Finance Bill to address the resulting financing gap. The Strategy focused on strengthening the domestic debt market, reducing portfolio risks by favoring medium- to long-term Treasury bonds over Treasury bills, and prioritizing concessional financing while minimizing commercial borrowing.

2.2 While the MTDS targeted a domestic-to-external financing mix of 55:45, actual financing reflected a significantly higher reliance on domestic borrowing at a ratio of 83:17, mainly due to delays in external disbursements. This led to a sharp increase in Treasury bill stock from KSh 615.9 billion in June 2024 to KSh 1,036.9 billion in June 2025, indicating greater dependence on short-term instruments, with plans to refinance these maturities through longer-term bonds.

MTDS-APDMR Scorecard

Metric	MTDS target / direction	APDMR actual performance	Why it matters
Borrowing mix	Net: 45% external / 55% domestic	FY2024/25 Net domestic ≈ 83%, External ≈17%	Higher domestic reliance can raise costs and crowd out private credit.
Refinancing risk	Debt maturing in 1yr trending toward ~12.4%	FY2024/25 ≈ 13.5%	Higher rollover exposure increases vulnerability to auction failure and rate spikes.
Maturity (ATM)	Lengthen ATM toward ~8.4 years	FY2024/25 ATM ≈ 7.9 years	Shorter maturity implies more frequent refinancing and higher risk.
Interest Payment % of GDP	5.4%	5.7%	Increased debt service costs due to high interest rates in the domestic debt market and increased domestic borrowing quantum.
Interest rate risk	T-bills (percent of the total) ≈ 4.5%	T-bills (percent of the total) ≈ 7.8%	Worsening in interest rate risk indicators due to market interest rate fluctuations and credit rating downgrade
Debt service pressure	Reduce cost pressures through consolidation and better mix	Debt service ≈ 71.2% of ordinary revenue	High debt service compresses service delivery and development spending.

Table 1: MTDS-APDMR Scorecard

3. Kenya's Public Debt Situation and Implications

3.1 Kenya's economy grew to KSh 17.4 trillion in FY 2024/25, but public debt grew faster than the economy. As a result, the debt-to-GDP ratio rose from 66.9% to 67.8%. Economic growth slowed to 4.9%, down from 5.6% the previous year. While the economy is still growing, rising debt at a faster pace means the government needs to reduce budget deficits to keep debt manageable. In real terms, the value of debt stood at 63.7% of GDP.

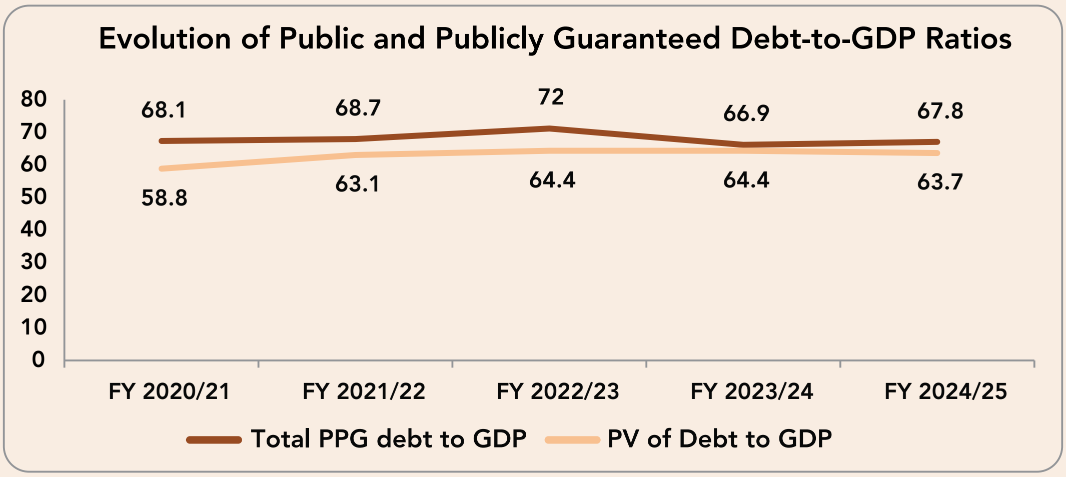


Figure 5: Evolution of Public Debt and Publicly Guaranteed Debt-to-GDP Ratio

3.2 In FY 2024/25, the government took steps to make domestic borrowing safer and more stable. It focused on longer-term Treasury bonds rather than short-term Treasury bills and costly commercial loans, which helped reduce refinancing risks. New and improved borrowing instruments were introduced, and debt was structured for longer-term repayment. Reforms also improved transparency, efficiency, and confidence in public debt management.

3.3 By June 2025, interest rates on short-term government loans fell sharply. Rates on Treasury bills dropped to 8-10%, down from about 16-17% a year earlier. This means the government is now borrowing at a much lower cost. The drop reflects increased cash availability in the economy, lower inflation, and supportive monetary policy during the year.

3.4 In FY 2024/25, Kenya spent about KSh 1.7 trillion on debt servicing, consumed more than 70 percent of government revenue, thus limiting resources for development and social services. Total interest payments as a percentage of revenue increased to 40.8 percent in FY 2024/25 from 36.9 percent in FY 2023/24. Higher interest payments on overall debt were attributed to prevailing high interest rates for debt market instruments, depreciation of the Kenya Shilling for external debt during the year under review, and an increase in debt stock.

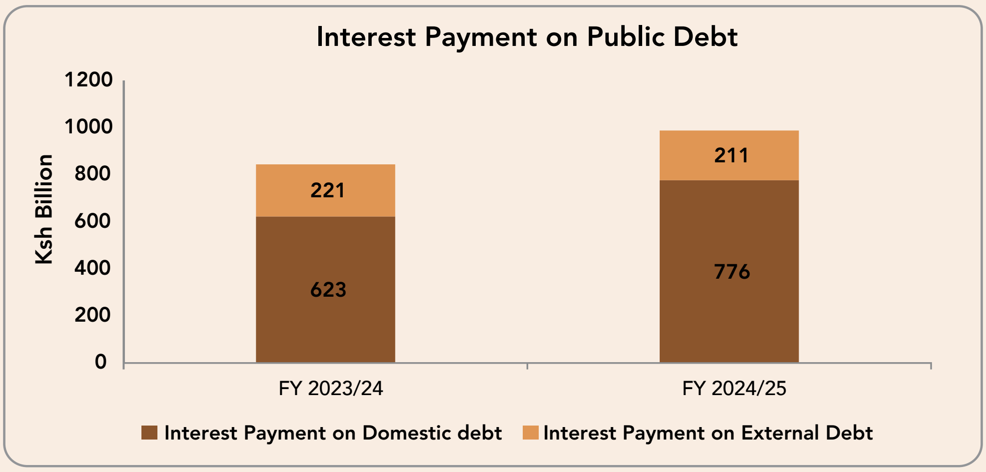


Figure 6: Interest Payments on Public Debt

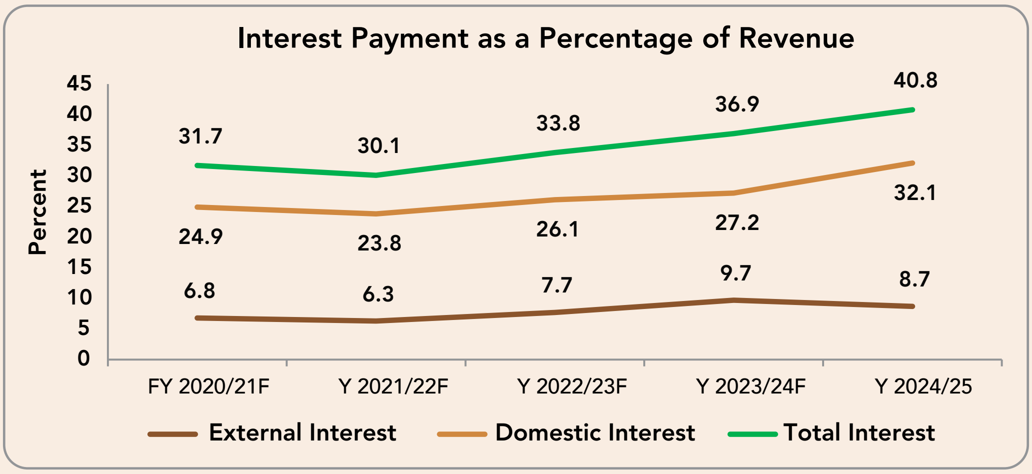


Figure 7: Interest Payment as a Percentage of Revenue

3.5 Debt servicing has grown faster than government revenue. This means more money is spent on loan repayment rather than on development and social services. The rising debt service burden has significantly narrowed fiscal space. Debt service costs as a share of revenue increased to 71.2 percent in FY 2024/25 from 69.1 percent in FY 2023/24. The rise was attributed to prevailing high interest rates and the depreciation of the Kenyan shilling against major currencies during the period under review. Over the years, debt service costs as a share of GDP have gradually increased.

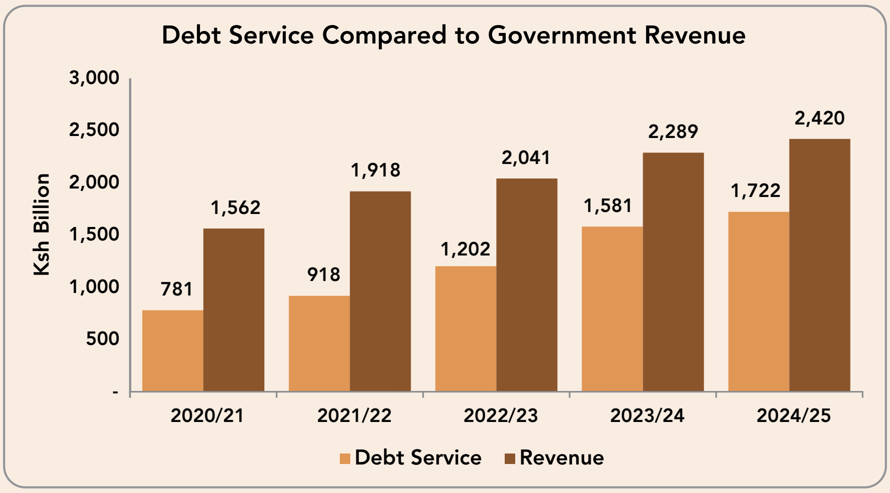


Figure 8: Debt Service compared to Government Revenue

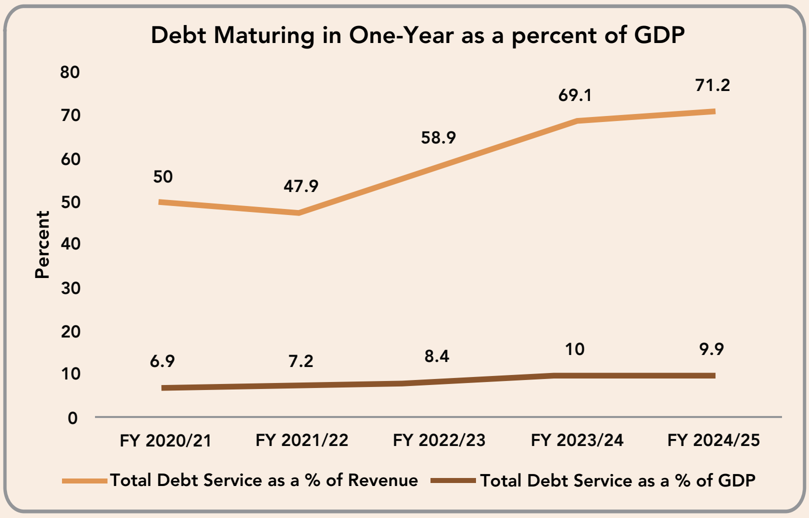


Figure 9: Debt Service as a % of Revenue and GDP

3.6 Domestic debt accounts for a larger share of debt servicing costs due to higher interest rates, even though external debt is almost half of total debt. The share of external and domestic public debt maturing within one year, as a share of GDP rose significantly in FY 2024/25 due to increased reliance on short-term borrowing, which heightens refinancing risk.

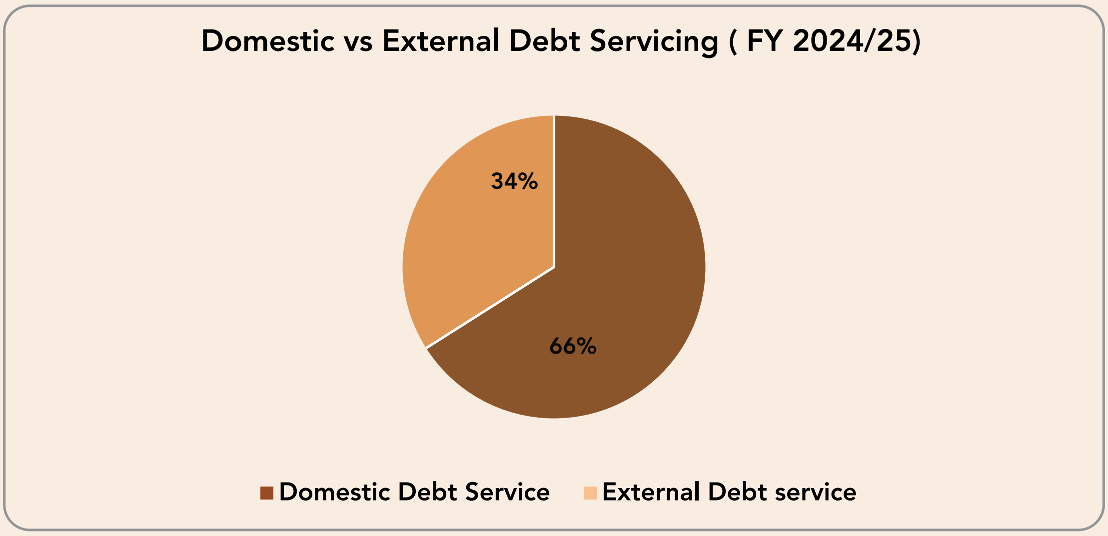


Figure 10: Domestic vs External Debt Servicing

3.7 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.

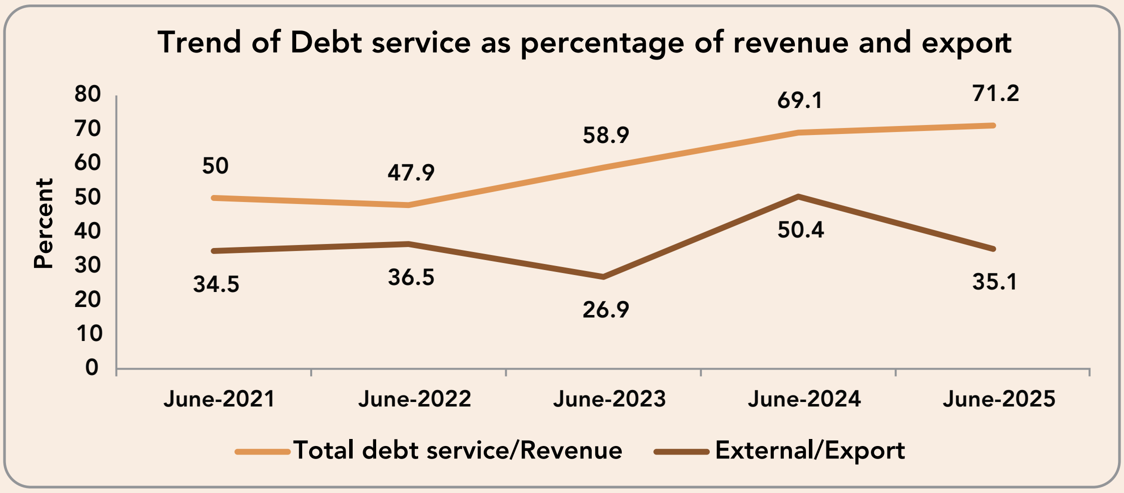


Figure 11: Debt Service as a % of Revenue and Exports

3.8 The debt Average Time to Maturity (ATM) declined across domestic, external, and overall debt, reflecting investors' preference for shorter-term debt instruments. This downward trend, sustained over the past two years, is linked to heightened risk perceptions among local and foreign investors amid global monetary policy and interest rate uncertainties.

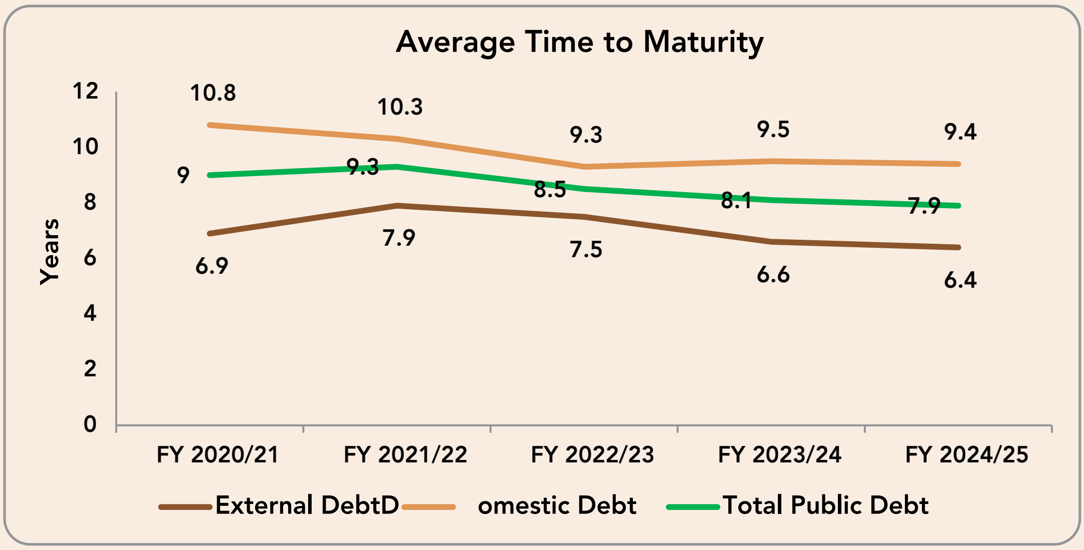


Figure 12: Debt Service as a % of Revenue and Exports

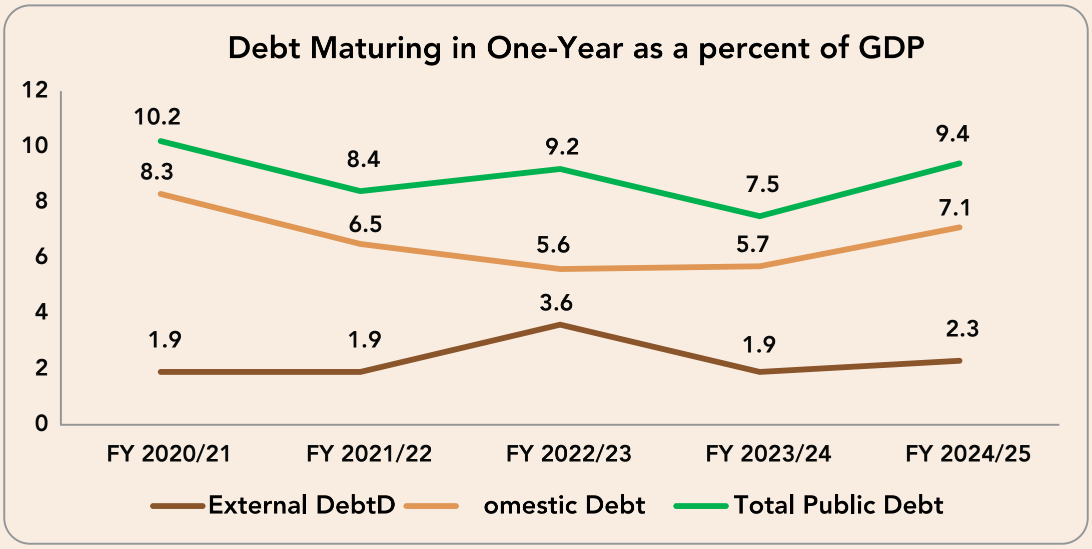


Figure 13: Debt Maturing in one year as a % of GDP

4. Kenya's credit rating, Debt Risks and Sustainability.

4.1 Kenya's long-term sovereign credit rating is currently classified at B with a stable outlook, and B for short-term sovereign credit rating by S&P Global Ratings, meaning lenders still trust the government's ability to repay its loans. This assessment is underpinned by improved external liquidity, strong foreign exchange reserve accumulation, sustained access to concessional financing, active liability management to smooth external debt maturities, and a deepening domestic debt market, complemented by relative macroeconomic stability, including low and stable inflation, exchange rate stability, declining fiscal deficits, and a diversified economic base. However, constraints to higher ratings remain, including exposure to global interest rate conditions, elevated risk premiums, relatively low per capita income, climate-related risks affecting agriculture, and high domestic interest rates.

4.2 Recent rating upgrades and outlook improvements signal renewed investor confidence in Kenya's fiscal management and reform trajectory, with expected benefits including lower external borrowing costs, improved market access, and positive spillovers to the private sector and financial system. The National Treasury continues to engage proactively with credit rating agencies, with support from development partners, to enhance transparency, technical capacity, and understanding of rating methodologies. Looking ahead, Kenya's credit rating improvement strategy centers on sustained fiscal consolidation, prudent debt management, reserve accumulation, and continued institutional reforms to place public debt on a sustainable path and secure future upgrades.

4.3 Debt sustainability management analysis by the PDMO indicates that Kenya's public debt remains sustainable but is at high risk of debt distress. The main market-related risks include rollover and refinancing pressures, interest rate volatility, exchange rate fluctuations, and limited access to diverse funding sources. Public debt costs are influenced by factors such as interest rates, principal repayments, exchange rate movements, and other charges (commitment, upfront, insurance premiums, and management/arrangement fees), as well as liabilities arising from guaranteed debt.

4.4 The government is strengthening revenue collection, controlling spending, and refinancing debt through liability-management operations, such as Eurobond buybacks, to reduce repayment pressure.

4.5 Kenya is strengthening public debt management by adopting a debt-to-GDP anchor, integrating debt systems with IFMIS for real-time tracking, and implementing a Treasury Single Account to improve cash management and reduce unnecessary borrowing.

5. Where can citizens get more information on Kenya's public debt?

5.1 Kenya's public debt information is disclosed in accordance with the Constitution and the Public Finance Management Act (PFMA), Cap. 412A, which mandate the National Treasury, through the Public Debt Management Office (PDMO), to regularly publish and publicize debt-related information. Citizens can access official public debt information through the following key sources:

Annual Public Debt Management Reports (APDMR) Provide comprehensive analysis of public and publicly guaranteed debt, including deficit financing, debt composition, sustainability, implementation of the MTDS, and the medium-term outlook. https://www.treasury.go.ke/annual-debt-management-reports

Medium-Term Debt Management Strategy (MTDS) Sets out the Government's medium-term borrowing policy, outlining the desired debt structure and cost–risk trade-offs to maintain debt sustainability. https://www.treasury.go.ke/annual-debt-management-reports

Annual Borrowing Plan (ABP) Operationalizes the MTDS each fiscal year by detailing borrowing instruments, markets, and timing for financing the approved budget. https://www.treasury.go.ke/annual-debt-management-reports

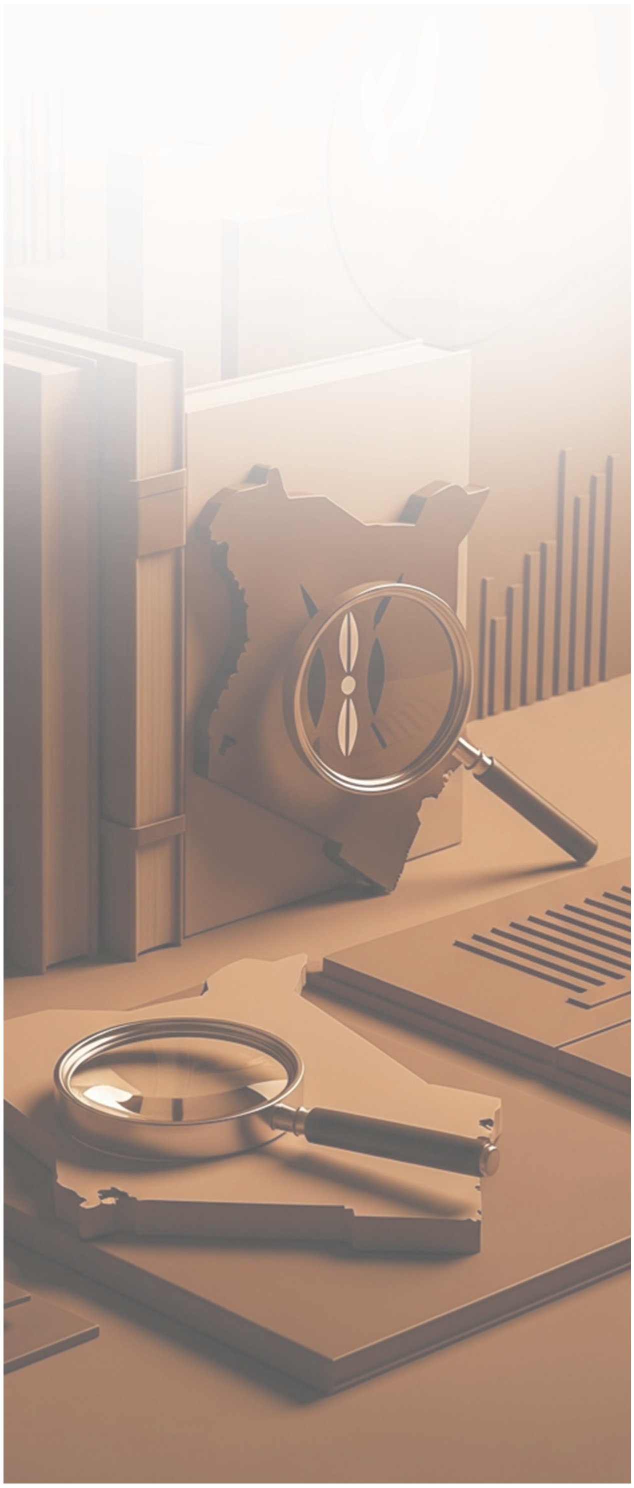
Monthly Debt Bulletins present regular statistical updates on debt stocks, borrowing, and debt service, enabling tracking of debt developments during the year. *Access:* https://www.treasury.go.ke/monthly-bulletins/

External Resources Estimates Handbook Summarizes externally financed, on-budget development projects, showing how external borrowing supports government programmes. https://www.treasury.go.ke/kenya-external-resources-policy/

Reports on New Loans Contracted Periodic disclosures to Parliament on newly contracted loans, enhancing oversight and transparency in public borrowing.

Public Debt Register An official record detailing all loans contracted by the Government in line with the PFMA and the Public Audit Act.https://www.treasury.go.ke/external-public-debt-register/

PDMO Annual Performance Reports Assess the performance of the Public Debt Management Office against its legal mandate and responsibilities.



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