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MEDIUM-TERM DEBT MANAGEMENT STRATEGY
(2027/28—2029/30)

PREPARED BY PUBLIC DEBT MANAGEMENT OFFICE
THE NATIONAL TREASURY

NOVEMBER 2026

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© Medium-Term Debt Management Strategy (MTDS) (2027/28—2029/30)

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FOREWORD

The Medium-Term Debt Management Strategy (MTDS) is a policy document that provides a framework for public borrowing and debt management for a given fiscal year and over the medium term. It guides the Government in meeting its financing needs while ensuring that public debt remains sustainable and that borrowing costs and associated risks are minimised. The MTDS also outlines the desired composition and structure of the public debt portfolio, taking into account cost and risk trade-offs.

The Strategy demonstrates the Government's commitment to implementing prudent, viable and innovative public debt management measures aimed at maintaining public debt at a sustainable level, consistent with the Government's medium-term fiscal framework and debt sustainability objectives. The Strategy also supports the Government's broader development agenda by ensuring that financing needs are met in a manner that promotes economic growth, macroeconomic stability and intergenerational equity.

The 2027 MTDS has been prepared pursuant to Section 33 of the Public Finance Management Act, Cap. 412A. The Strategy has been developed in alignment with the fiscal objectives outlined in the 2027 Budget Policy Statement (BPS) and the Government's medium-term fiscal consolidation programme. The Strategy recognises the importance of diversifying sources of borrowing and deepening the domestic debt market as key measures for mitigating vulnerabilities, particularly those arising from exchange rate fluctuations.

During the implementation period, the Government will continue to monitor macroeconomic and financial market developments, both domestically and globally, to identify opportunities for optimising the composition and sources of borrowing. The Government will also explore innovative financing instruments over the medium term, ensuring that such instruments remain consistent with prudent debt management principles. The Government will further assess opportunities for sustainable financing instruments that support climate resilience and sustainable development objectives, where these are aligned with debt sustainability objectives and value-for-money considerations.

The Government will continue implementing reforms in the domestic debt market. These reforms are aimed at reducing the cost of domestic borrowing and mitigating risks associated with the public debt portfolio. Reforms encompass strengthening the legal, policy, infrastructure and institutional framework governing public debt management. These reforms

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will also enhance the Government's capacity to mobilise predictable financing while supporting access, efficiency and stability of the domestic financial market. In particular, the Government will continue efforts to broaden the investor base, enhance market liquidity and support the issuance of longer-term domestic securities to improve market depth.

Measures to address public debt vulnerabilities will remain a priority over the short and medium term. These measures will include undertaking liability management operations including debt switches, buybacks and occasionally exchanges, where appropriate, to manage refinancing and maturity risks and smooth the maturity profile of public debt. In addition to prioritising concessional financing and continuing to implement the Government's fiscal consolidation programme, the Government will also continue to monitorfiscal risks arising from contingent liabilities and other potential obligations that may affect public debt sustainability. Collectively, these measures are intended to strengthen public debt sustainability, reduce exposure to debt-related risks and enhance fiscal space over the medium term.

The Government remains committed to transparency, accountability and regular disclosure of public debt information as part of ongoing efforts to strengthen public confidence in debt management and reinforce fiscal credibility. Overall, the 2027 MTDS provides a framework for strengthening public debt management by balancing the Government's financing requirements with the objectives of debt sustainability, cost minimization and risk management. The Strategy therefore provides a firm foundation for improving the structure and resilience of the public debt portfolio. It ensures adequate financing for the Government's budgetary requirements as outlined in the 2027 BPS, while maintaining debt sustainability, and strengthening investor confidence.

HON. FCPA JOHN MBADI NG'ONGO, EGH
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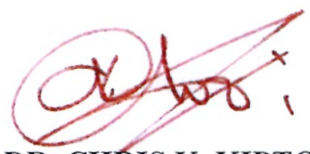
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ACKNOWLEDGEMENT

The preparation of the Medium-Term Debt Management Strategy (MTDS) was undertaken in compliance with Section 33 of the Public Finance Management (PFM) Act, CAP 412A. This strategy outlines the Government's public debt management objectives, focusing on minimising debt costs while maintaining an acceptable level of risk over the medium term.

The Strategy development was coordinated by the Debt Policy, Strategy and Risk Management Department in collaboration with the Resource Mobilisation Department, Debt Recording and Settlement Department and Macro and Fiscal Affairs Department. Their collective contribution provided the technical inputs necessary to assess the Government's financing requirements, debt portfolio, macro-fiscal outlook and associated costs and risks.

The National Treasury acknowledges the valuable contribution of the Macro Working Group and the public who participated through comments and submissions. Their views and feedback contributed to the strengthening of the Strategy and aligning it with the Government's medium-term fiscal priorities under the Bottom-Up Economic Transformation Agenda (BETA).



DR. CHRIS K. KIPTOO, CBS.

PRINCIPAL SECRETARY/ THE NATIONAL TREASURY

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ABBREVIATIONS AND ACRONYMS

ABP	Annual Borrowing Plan
ADF	African Development Fund
AfDB	African Development Bank
APDMR	Annual Public Debt Management Report
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
BETA	Bottom-Up Economic Transformation Agenda
BPS	Budget Policy Statement
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CMA	Capital Markets Authority
DMS	Deb Management Strategy
DSA	Debt Sustainability Analysis
DSSI	Debt Service Suspension Initiative
ESG	Environmental, Social and Governance
FX	Foreign Exchange
GDP	Gross Domestic product
IBRD	International Bank for Reconstruction & Development
IDA	Internatinoal Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
KenGen	Kenya Electricity Generation Company
KNBS	Kenya National Bureau of Statistics
KPA	Kenya Ports Authority
KPI	Key Perfomarnce Indicators
KQ	Kenya Airways
LMOs	Liability Management Operations
MFAD	Macro and Fiscal Affairs Department
MTDS	Medium-Term Debt Management Strategy
OTC	Over-the-Counter
PDMO	Public Debt Management Office
PFM	Public Finance Management
PMG	Paymaster General
PPG	Public & Publicly Guaranteed
PPPs	Public-Private Partnerships
PV	Present value
SDR	Special Drawing Rights
TNT	The National Treasury
USD	United States Dollar

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EXECUTIVE SUMMARY

The 2027 Medium-Term Debt Management Strategy (MTDS) has been prepared pursuant to Section 33 of the Public Finance Management Act (Cap. 412A). The Strategy provides a framework for the management of Kenya's public debt over the medium term, covering the financial years 2027/28 to 2029/30. It sets out the Government's borrowing and debt management strategies aimed at minimizing the cost of public debt while maintaining a prudent level of risk.

Kenya's public and publicly guaranteed debt stood at KSh 13,120.87 billion as at end June 2026, equivalent to 70.4 percent of GDP, or USD 101.32 billion at the end-June 2026 exchange rate of KSh 129.50 per US dollar. Of this, domestic debt amounted to KSh 7,327.20 billion (55.8 percent) and external debt to KSh 5,793.67 billion (44.2 percent).

The Debt Sustainability Analysis (DSA) jointly conducted by the National Treasury and the Central Bank of Kenya (CBK) indicates that Kenya's public debt remains sustainable, but with a high risk of debt distress. The analysis projects that the Present Value (PV) of public debt-to-GDP ratio will remain above the 55 percent benchmark through the projection period although it is expected to decline gradually from 65.6 percent of GDP in 2026 to 62.1 percent by 2030. This underscores the continued need for fiscal consolidation, prudent borrowing and effective debt management to mitigate public debt-related vulnerabilities.

The 2027 MTDS is anchored on the Government-approved Marco-economic framework set out in the 2027 Budget Policy Statement (BPS). Over the medium term, economic growth is projected to remain resilient, expanding by 5.1 percent in 2027/28. Domestic interest rates have declined in line with the easing of monetary policy by the Central Bank of Kenya (CBK), with the Central Bank Rate (CBR) reduced from 9.75 percent in June 2025 to 8.75 percent in June 2026 to support private sector credit growth and overall economic activity. The lower interest rate environment is expected to ease the cost of domestic government borrowing and influence the evolution of the public debt portfolio over the medium term.

The 2027 MTDS seeks to minimise the cost and risk of public debt through a borrowing mix that targets 22 percent of gross financing from external sources and 78 percent from domestic sources over the medium term. In net terms (after accounting for refinancing of maturing debt),

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the fiscal deficit will be financed through a mix of approximately 73 percent domestic and 27 percent external borrowing over the medium term. Consistent with the objective of enhancing debt sustainability and mitigating refinancing risk, the domestic borrowing strategy aims to gradually reduce the stock of Treasury bills and increase the issuance of medium- to long-term Treasury bonds, thereby extending the maturity structure of the domestic debt portfolio. On the external front, the Strategy prioritises concessional financing and limits commercial borrowing. The expected composition of public debt at the end of the Strategy period is 42 percent external and 58 percent domestic.

Interest payments to GDP ratio are projected to decline from 6.2 percent in 2026 to 5.8 percent by 2030 due to GDP growth not withstanding marginal rise in the implied interest rate from 9.0 percent to 9.3 percent. The share of debt maturing within one year is expected to decrease from 12.7 percent to 8.9 percent of total public debt over the same period, indicating lower refinancing risk. Similarly, the proportion of foreign currency-denominated debt is projected to decline from 44.6 percent to 41.6 percent of total public debt by June 2030, thereby reducing exposure to exchange rate risk.

Efficient public debt management requires continuous legal, operational, institutional, infrastructural and governance reforms to support debt sustainability, fiscal resilience and market credibility. In this regard, the 2027 MTDS envisages a number of reforms aimed at strengthening the public debt management framework and developing the domestic debt market. Key reforms include the full operationalisation of the Registrar of National Government Securities and the establishment of an Over-the-Counter (OTC) trading platform for government securities, among others.

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I. INTRODUCTION

1. The Medium-Term Debt Management Strategy (MTDS) guides the Government's borrowing to meet its financing needs at the lowest cost, with prudent risk, that supports debt sustainability and macroeconomic stability.

2. The objectives of the MTDS are to:

   a) Minimise the cost of public debt over the medium term, subject to a prudent level of risk;
   b) Maintain and safeguard public debt sustainability;
   c) Identify, monitor and mitigate key risks in the public debt portfolio, including refinancing, interest rate and exchange rate risks;
   d) Support the development of an efficient and sustainable domestic debt market; and
   e) Ensure that public debt management remains consistent with the Government's fiscal, monetary and broader macroeconomic policy objectives.

3. The 2027 MTDS was prepared in accordance with the Public Finance Management (PFM) Act, Cap. 412A, which mandates the National Treasury to manage the levels and composition of public debt, including guarantees and other financial obligations. The Strategy is aligned with the fiscal objectives and financing requirements set out in the 2027 Budget Policy Statement (BPS) and provides a basis for assessing alternative financing strategies in terms of their cost and risk implications.

4. Against this backdrop, the Government remains committed to safeguarding debt sustainability while financing the fiscal deficit, emphasising prudent borrowing, active portfolio management, and domestic debt market development.

5. The succeeding sections of this Strategy comprise: Review of the Existing Public Debt Stock; Cost and Risks of the Existing Public Debt Portfolio; Review of Performance of the 2025 MTDS; Kenya's Debt Sustainability; Macroeconomic Assumptions and Key Risks; Assessment of Potential Sources of Financing; the Debt Management Strategy; Implementation of the Strategy; Public Debt Management Reform Initiatives; and Annexes.

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II. REVIEW OF THE EXISTING PUBLIC DEBT STOCK

1. As at end June 2026, the total stock of public and publicly guaranteed debt stood at KSh 13,120.87 billion (equivalent to US$ 101.32 billion), representing 70.4 percent of Gross Domestic Product (GDP). Of this amount, domestic debt accounted for KSh 7,327.20 billion, while external debt amounted to KSh 5,793.67 billion (**Table 1**).

Table 1: Public and Publicly Guaranteed Debt in the MTDS end June 2026

Description	KSh (Billions)	USD (Billions)*
A. Domestic Debt (included in MTDS)		
Treasury bills	1,118.15	8.63
Treasury bonds	6,021.15	46.5
Pre-1997 Government Debt	15.01	0.12
Sub Total	**7,154.31**	**55.25**
B. External debt (included in MTDS)		
IDA/IBRD	2,072.97	16.01
ADF/AfDB	565.29	4.37
Bilateral	990.07	7.65
Multilateral	542.15	4.19
Commercial Banks	177.23	1.37
International Sovereign Bond	1,361.43	10.51
Sub Total	**5,709.14**	**44.10**
C. Excluded from MTDS		
Suppliers Credit (external)	14.14	0.11
CBK Overdraft (domestic)	90.99	0.7
IMF SDR Allocation (domestic)	78.32	0.6
Performing Guarantees (external)	70.4	0.54
Bank advances (domestic)	3.56	0.03
Uncleared Items awaiting transfer to PMG (Domestic)	0.01	0
Sub Total	**257.42**	**1.98**
TOTAL DEBT Included in MTDS (A+B)	**12,863.45**	**99.35**
TOTAL DEBT (A+B+C)	**13,120.87**	**101.33**
External	5,793.67	44.74
Domestic	7,327.20	56.58

Source: *The National Treasury and Central Bank of Kenya*
*Exchange Rate (USD/KSh) is 129.50

2. The 2027 MTDS analysis is based on a debt stock of KSh 12,863.45 billion, equivalent to USD 99.35 billion. This figure excludes KSh 257.42 billion comprised of KSh 70.40 billion

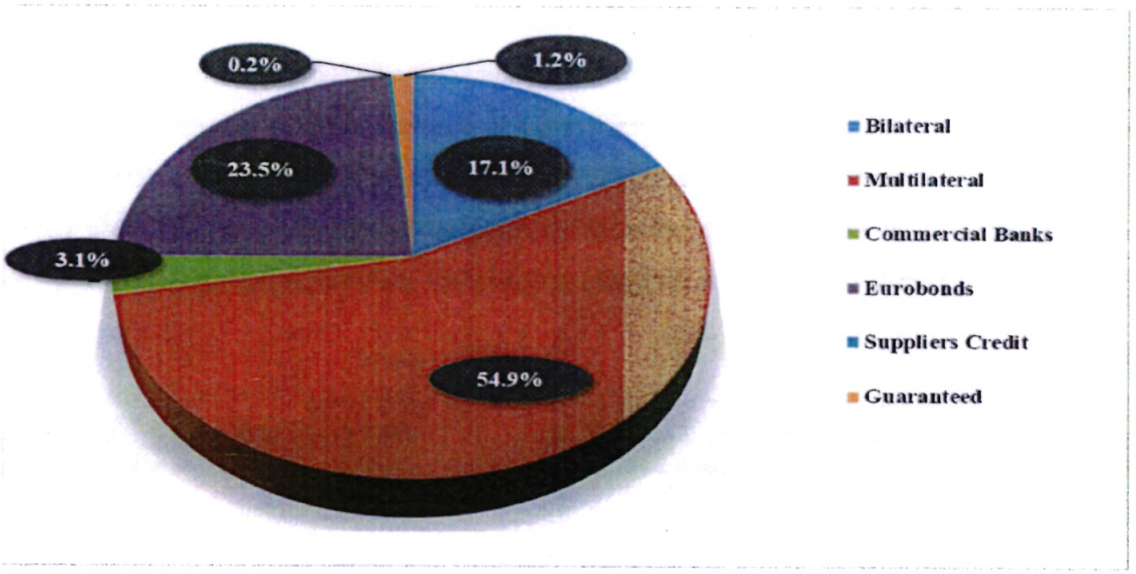
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in performing (uncalled) guaranteed debt, KSh 90.99 billion in Government overdraft at the Central Bank of Kenya, KSh 14.14 billion in suppliers' credit, KSh 78.32 billion in IMF Special Drawing Rights (SDR) allocation, KSh 3.56 billion in bank advances and KSh 0.01 billion in uncleared items awaiting transfer to the Paymaster General (PMG).

3. External public debt is composed of multilateral, bilateral, and commercial creditors. Within the total external debt, multilateral creditors accounted for 54.9 percent **(Figure 1).** The predominance of multilateral and bilateral debt underscores the Government's deliberate policy of prioritising concessional financing while limiting reliance on commercial borrowing.

Figure 1: Composition of External Debt as at end June 2026

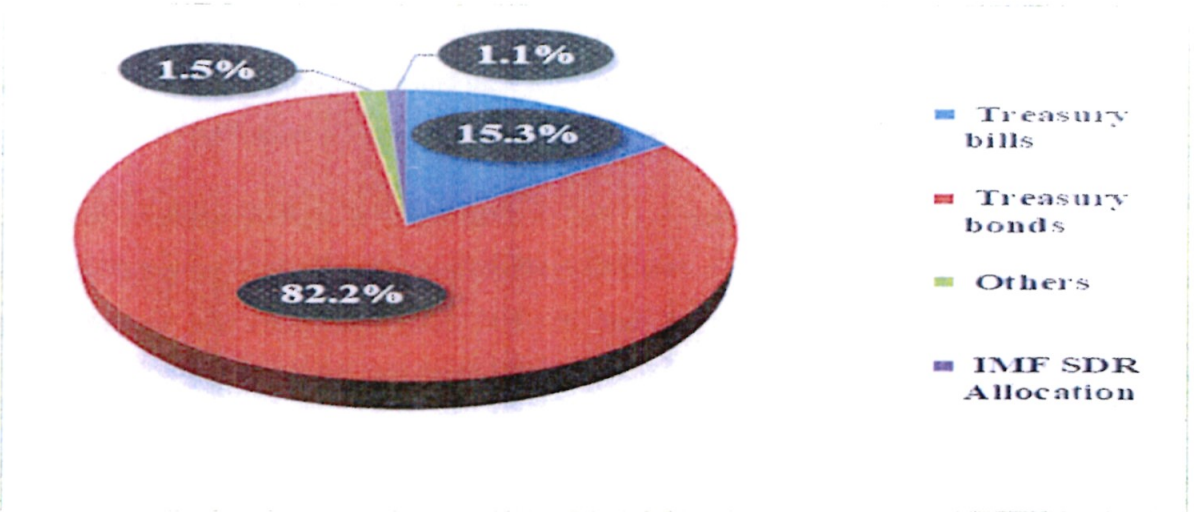


Source: *The National Treasury*

4. As at end-June 2026, domestic debt consisted mainly of Treasury bonds and Treasury bills. Treasury bonds constituted 82.2 percent of total domestic debt, while Treasury bills accounted for 15.3 percent. The International Monetary Fund (IMF) Special Drawing Rights (SDR) represented 1.1 percent, with other domestic debt categories accounting for 1.5 percent of total domestic debt **(Figure 2).**

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Figure 2: Composition of Domestic Debt as at end June 2026



Source: *The National Treasury*

5. As of end June 2026, Government-guaranteed debt amounted to KSh 70.4 billion, comprising obligations held by the Kenya Ports Authority (KPA), the Kenya Electricity Generation Company (KenGen), and Kenya Airways (KQ) (Table 2). The Government of Japan is the principal creditor for all guaranteed loans owed by KenGen and KPA, while the Kenya Airways guarantee is backed by local banks through MTC Trust & Corporate Services Limited as Security Agent.

Table 2: Outstanding Government Guaranteed Debt (End June 2026)

Agency	Agreement (Year)	Project	(KSh Million)
Kenya Electricity Generating Company	1997	Sondu Miriu Hydropower Project	2,372.8
	2004	Sondu Miriu Hydro Power II	9,709.5
	2007	Sondu - Miriu Hydropower Project Sangoro Power Plant	108.3
	2010	Olkaria 1 Unit 4 and 5 Geothermal Power Project	72.2
	2021	DSSI Japan for KenGen Loans Phase I	13,349.2
	2021	DSSI Japan for KenGen Loans Phase II	4,971.0
Kenya Ports Authority	2007	Mombasa Port Development Programme (Mombasa Port A)	233.7
	2007	Mombasa Port Development Programme (Mombasa Port)	13,159.6
	2015	Kenya Port Development Project - Phase II (Principal IIA)	348.9
	2015	Kenya Port Development Project - Phase II (Principal I)	269.9
	2021	DSSI Japan-Kenya Ports Authority (KE-P25) -Phase I	21,888.4
	2021	DSSI Japan-Kenya Ports Authority (KE-P25) -Phase II	1,459.6
Kenya Airways	2017	Kenya Airways Guarantee	2,453.9
Total			**70,397.1**

Source: *The National Treasury*

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III. COST AND RISKS OF THE EXISTING PUBLIC DEBT PORTFOLIO

1. This section highlights the costs and risk characteristics of the existing public debt portfolio as at the end of June 2026.

2. Interest payments increased from 5.9 percent to 6.2 percent of GDP between June 2025 and June 2026 indicating rising debt service cost. Weighted average interest rate rose from 8.8 percent to 9.0 percent over the same period as indicated in **Table 3 below**.

Table 3: Cost and Risk Indicators of Existing Public Debt

Cost and Risk Indicators		External Debt		Domestic Debt		Total Debt		Remarks
		2025	2026	2025	2026	2025	2026	
Cost of debt	Interest payment as percentage of GDP	1.3	1.4	4.6	4.8	5.9	6.2	Rising debt service cost reflecting the larger debt stock and higher interest rates on external debt.
	Weighted Av. IR (percentage)	4.0	4.5	13.0	12.6	8.8	9.0	
Refinancing risk	ATM (years)	10.0	10.0	6.4	7.0	8.3	8.5	Reduced refinancing risk due to issuance of more medium- and long-term debt instruments
	Debt maturing in 1yr (percentage of total)	6.9	4.6	20.5	20.9	13.3	12.7	
	Debt maturing in 1yr (percentage of GDP)	2.8	1.7	7.3	8.0	10.0	9.7	
Interest rate risk	ATR (years)	8.4	8.2	6.4	7.0	7.4	7.6	Overall, the interest rate risk has reduced
	Debt re-fixing in 1yr (percentage of total)	28.8	27.5	20.5	20.9	24.9	24.2	
	Fixed rate debt incl T-bills (percentage of total)	74.8	75.1	100.0	100.0	86.6	87.5	
	T-bills (percentage of total)	0.0	0.0	15.6	15.3	7.3	7.3	
FX risk	FX debt (percentage of total debt)					47.0	44.6	Reduced foreign exchange rate risk

Source: *The National Treasury*

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3. Refinancing risk decreased with the Average Time to Maturity (ATM) increasing from 8.3 years in June 2025 to 8.5 years in June 2026, reflecting a shift toward medium and long-term borrowing instruments.

4. The Average Time to Re-fixing (ATR) increased from 7.4 years to 7.6 years and the share of debt re-fixing within one year declined from 24.9 percent to 24.2 percent. Additionally, the proportion of fixed-rate debt increased from 86.6 percent to 87.5 percent, reducing the portfolio's exposure to interest rate fluctuations.

5. The share of foreign currency-denominated debt reduced from 47.0 percent to 44.6 percent of total public debt. The decline lowered the portfolio's exposure to exchange rate fluctuations and reduced vulnerability to adverse currency depreciation.

6. The debt maturity profile indicated that total domestic securities debt increased from USD 47.6 billion as at end June 2025 to USD 54.6 billion as at end June 2026, representing growth of 14.7 percent. The proportion of debt maturing within one year remained broadly stable, declining slightly from 21.6 percent to 21.0 percent, while the share maturing within two to three years also decreased from 23.1 percent to 21.0 percent. This indicates an improvement in the maturity structure of the public debt portfolio, thereby reducing refinancing risk **(Table 4).**

Table 4: Domestic Debt Securities by Maturity Profile, in USD Equivalent

Remaining Maturity in Years	End June 2025 in Million USD	As Percent of Total	End June 2026 in Million USD	As Percent of Total
Less than one year	10,306	21.6	11,440	21.0
1.1 to 3.9 years	10,966	23.1	11,468	21.0
4.0 to 5.9 years	5,222	11.0	3,754	6.9
6.0 to 10.9 years	11,015	23.2	14,569	26.7
Above 11 years	10,055	21.1	13,319	24.4
Total	**47,564**	**100.0**	**54,550**	**100.0**

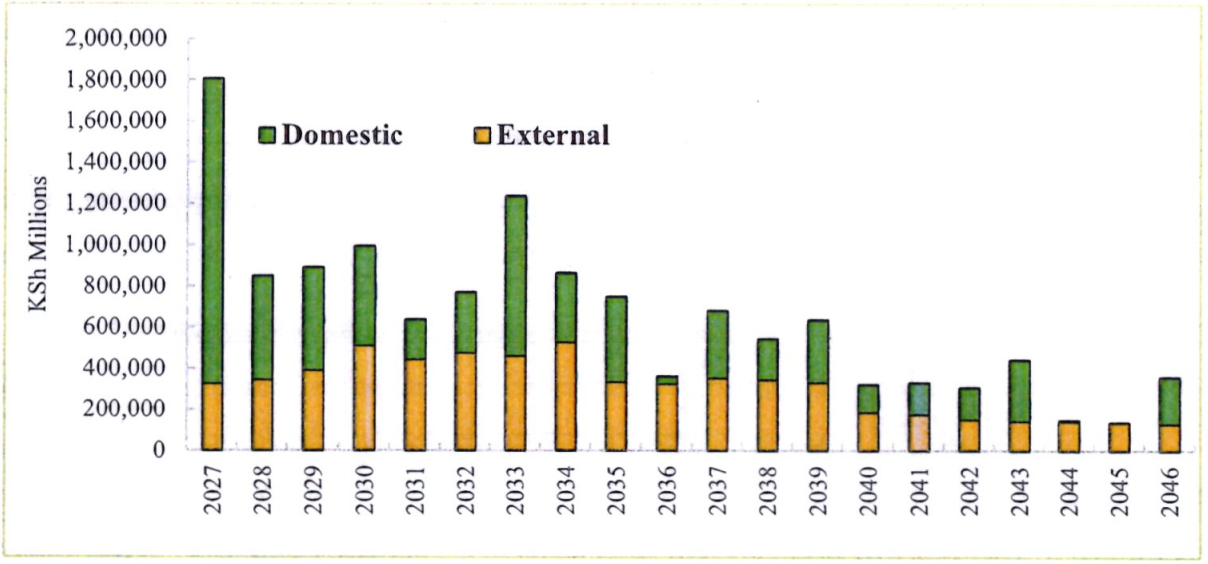
Source: *The National Treasury*

7. Domestic debt securities with a remaining maturity of 4 to 5.9 years declined significantly from 11.0 percent to 6.9 percent of the portfolio, while debt maturing in 6 to 10.9 years increased from 23.2 percent to 26.7 percent. In addition, the proportion of debt maturing in more than eleven years rose from 21.1 percent to 24.4 percent over the same period, indicating lengthening of the debt maturity profile and a shift towards longer-tenor instruments.

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8. The redemption profile indicates that the existing public debt portfolio faces moderate refinancing risk in the short to medium-term due to the concentration of domestic debt maturities within the first decade. However, the declining redemption obligations beyond 2040 and the significant share of long-term debt demonstrate ongoing efforts to lengthen maturities and smooth the repayment schedule, thereby reducing rollover risk and enhancing debt sustainability over the long term. The public debt repayment schedule as of June 2026, is shown in **Figure 3** below.

Figure 3: Redemption Profile as at end June 2026 (2027-2046)



Source: *The National Treasury*

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IV. REVIEW OF PERFORMANCE OF THE 2025 MTDS

1. The revised 2025 MTDS guided borrowing in FY 2025/26 and over the medium term. The Strategy sought to extend the maturity profile of public debt, reduce reliance on short-term Treasury bills and enhance the use of concessional financing.

2. The actual net domestic-to-net external financing ratio of 79:21 was marginally different from the revised target ratio of 80:20 **(Table 5).** This variance reflects minor adjustments in the financing mix during implementation driven by financing requirements, market conditions, and the availability of borrowing sources. Nonetheless, the financing outcome remained broadly consistent with the strategic objective of prioritising domestic borrowing while maintaining prudent access to external financing.

Table 5: 2025 MTDS Targets Against Net Financing Outturn

Borrowing source		FY2021/22	FY2022/23	FY2023/24	FY2024/25	FY2025/26
External	MTDS	27	25	50	45	20
	Actual	15	22	27	17	21
	Deviation	**-12**	**-3**	**-23**	**-28**	**1**
Domestic	MTDS	73	75	50	55	80
	Actual	85	78	73	83	79
	Deviation	**12**	**3**	**23**	**28**	**-1**

Source: *National Treasury*

3. The revised 2025 Strategy envisaged a gross borrowing mix of 75 percent domestic borrowing and 25 percent external borrowing. However, actual borrowing outturn reflected a slightly higher reliance on domestic financing, resulting in a gross borrowing composition of 77 percent domestic and 23 percent external, as shown in **Table 6** below:

Table 6: Gross Borrowing (2025/2026)

Description	2025 MTDS (FY2025-2026) Targets (%)	FY2025-2026 Actual (%)	FY2025-2026 (KSh Millions)
Gross domestic borrowing	75.0	77.0	2,620,188
Gross external borrowing	25.0	23.0	771,691

Source: *National Treasury*

4. An assessment of public debt cost and risk indicators showed that the revised 2025 MTDS largely achieved its intended financing objectives. However, moderate deviations were observed in selected cost and risk indicators, reflecting changing financing requirements, prevailing market conditions, and public debt portfolio management considerations.

5. Interest payments as a share of GDP stood at 6.2 percent, compared to the revised 2025 MTDS target of 5.1 percent, resulting in a deviation of 1.1 percentage points. This indicates that the cost of servicing public debt was higher than anticipated under the revised Strategy **(Table 7).**

Table 7 :Evaluation of Costs and Risks Characteristics (2025/2026)

	Cost and Risk Indicators				
		Revised 2025 MTDS (1) Targets	Actual (2) June 2026	Deviation (2-1)	Remark on deviation
Interest payment as % of GDP		5.1	6.2	1.1	Increased debt service costs due to elevated domestic interest rates and increased domestic borrowing quantum.
Refinancing risk	Debt maturing in 1yr (% of total debt)	11.9	12.7	0.8	Increased refinancing risks due to higher issuance of short-term domestic securities.
	Debt maturing in 1yr (% of GDP)	7.5	9.7	2.2	
	ATM External Portfolio (years)	10.0	10.0	0.0	
	ATM Domestic Portfolio (years)	8.3	7.0	-1.3	
	ATM Total Portfolio (years)	9.0	8.5	-0.5	
Interest rate risk	ATR (years)	8.7	7.6	-1.1	Interest rate risk indicators below target, reflecting a Treasury bill stock above target and a lower share of fixed-rate debt.
	Debt refixing in 1yr (% of total)	17.9	24.2	6.3	
	Fixed rate debt (% of total)	92.9	87.5	-5.4	
	T-bills (percent of the total)	3.4	7.3	3.9	
Foreign exchange (FX) risk	FX debt as % of total debt	43.4	44.6	1.2	Moderate exposure to foreign exchange rate risk

Source: *The National Treasury*

6. Debt maturing within one year as a share of GDP stood at 9.7 percent, compared to a target of 7.5 percent, a deviation of 2.2 percentage points. The deviation indicates that a larger portion of the public debt portfolio was due for repayment within the short term, creating liquidity pressure. This was driven by higher issuance of short-term domestic securities, especially Treasury bills which will have to be rolled over as maturing obligations during the fiscal year.

7. Interest rate risk indicators were higher than envisaged under the revised 2025 MTDS. The Average Time to Re-fixing (ATR) stood at 7.6 years against a target of 8.7 years,

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representing a deviation of 1.1 years. In addition, the proportion of debt subject to interest rate re-fixing within one year reached 24.2 percent of total debt, exceeding the target of 17.9 percent by 6.3 percentage points. This outcome indicates that a larger share of the debt portfolio was maturing and exposed to interest rate adjustments within the next twelve months. The deviation from the target largely reflects a Treasury bill stock that remained above the targeted level, accounting for 7.3 percent of total debt against a target of 3.4 percent, and a lower-than-targeted share of fixed-rate debt at 87.5 percent compared to 92.9 Percent target.

8. Foreign exchange risk exceeded the revised 2025 MTDS target by a small margin. Foreign currency denominated debt accounted for 44.6 percent of total public debt compared to the target of 43.4 percent, resulting in a variance of 1.2 percentage points. The higher than targeted exposure reflected an increased use of external financing to support the Government's funding needs during the period.

9. The deterioration in global financing conditions, driven by geopolitical tensions and tighter monetary policies in major economies, contributed to tougher external borrowing terms. As a result, the average maturity of newly contracted external debt shortened to 9.5 years as at end June 2026 from 15.6 years in June 2025, while the weighted average interest rate rose to 5.2 percent from 4.3 percent. However, these less favourable borrowing terms were partially offset by an increase in the average grace period from 3.7 years to 7.4 years over the same period. **(Table 8).**

Table 8 :Average Terms of New External Debt (2019-2026)

Terms	2019	2020	2021	2022	2023	2024	2025	2026
Average Maturity (years)	15.3	26.1	23.3	25.9	15.7	20.5	15.6	9.5
Grace Period (years)	5.6	7.4	7.4	4.2	4.8	4.4	3.7	7.4
Average Interest Rate (%)	3.9	0.5	2.1	0.8	3.2	4.6	4.3	5.2

Source: *The National Treasury*

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V. KENYA'S DEBT SUSTAINABILITY

1. Kenya's public debt remains sustainable but with a high risk of debt distress. The country's key debt sustainability indicators point to a gradual improvement in the medium term. The present value (PV) of public and publicly guaranteed (PPG) external debt stood at 27.5 percent of GDP, below the 40 percent threshold.

2. Significant vulnerabilities remain, particularly in relation to the country's export earnings and domestic revenue capacity. The PV of external debt relative to exports is projected to be 145.1 percent by 2030, which is below the 180 percent sustainability threshold. However, the external debt service-to-exports ratio is projected to remain above the 15 percent threshold throughout the projection period, reaching 18.3 percent in both 2026 and 2028 before easing to 15.9 percent by 2030. Similarly, the debt service-to-revenue ratio is projected to breach the 18 percent threshold in 2028 (18.3 percent) before improving to 16.2 percent by 2030. These temporary breaches largely reflect the concentration of external debt service obligations, including maturities of commercial external debt, within the projection period.

3. To mitigate these pressures, the Government will continue to undertake liability management operations and pursue refinancing opportunities aimed at smoothing the debt redemption profile and reducing refinancing risks. The expected improvement after 2028 reflects continued fiscal consolidation, greater reliance on concessional borrowing, and anticipated growth in export earnings.

Table 9:Kenya's External Debt Sustainability Analysis (2024-2030)

	Thresholds	2024	2025	2026	2027	2028	2029	2030
		Actual	Actual	Projection				
PV of PPG external debt-to-GDP ratio	40	30.8	28.3	27.5	26.8	25.5	24.4	24.6
PV of PPG external debt-to-exports ratio	180	180.3	182.2	167.5	158.7	147.9	141.6	145.1
PPG debt service-to-exports ratio	15	26.3	22.5	18.3	15.9	18.3	15.9	15.9
PPG debt service-to-revenue ratio	18	27.0	20.6	17.6	15.5	18.3	16.1	16.2

Source: *The National Treasury*

4. The present value of Kenya's total public debt relative to GDP is projected to remain above the 55 percent benchmark over the medium term.

5. To mitigate debt-related vulnerabilities, the National Treasury is implementing fiscal reforms focused on strengthening domestic revenue mobilisation, rationalising public

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expenditure and narrowing fiscal deficits. The Government continues to prioritise export diversification to increase foreign exchange earnings and maintain adequate international reserves, thereby cushioning the economy against external shocks. These measures are expected to improve the debt service-to-exports ratio, strengthen resilience to external shocks, and reduce the overall risk of debt distress.

6. To strengthen debt sustainability, the Government continues to implement fiscal consolidation measures over the medium term while prioritising concessional financing and extending the maturity profile of public debt through the issuance of medium- and long-term instruments. These measures are expected to reduce borrowing costs and near-term debt service pressures, create fiscal space, and enhance resilience to future financing and economic shocks.

Table 10:Public Debt Sustainability Analysis (2024-2030)

Indicators	Benchmark	2024	2025	2026	2027	2028	2029	2030
		Actual	Actual	Projections				
PV of debt–to-GDP ratio	55	65.7	65.3	65.6	65.0	64.2	63.1	62.1
PV of public debt-to-revenue and grants ratio		391.5	379.8	379.0	369.5	365.0	367.1	365.1

Source: *The National Treasury*

7. The National Treasury will continue to undertake liability management operations to extend debt maturities, ease refinancing pressures, and minimise rollover risks, while responding to evolving market conditions. Similarly, the Government will continue promoting sustained export growth and diversification to strengthen foreign exchange earnings and improve external debt sustainability. Together, these measures are expected to reduce refinancing risks and external vulnerabilities while supporting long-term fiscal stability.
8. To keep public debt on a sustainable path, the Government shall reduce fiscal deficits and limit borrowing requirements. This is expected to moderate debt accumulation, create fiscal space, strengthen investor confidence, and enhance resilience to future fiscal and external shocks.

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VI. MACROECONOMIC ASSUMPTIONS AND KEY RISKS

A. Baseline Macroeconomic Assumptions

1. The baseline macroeconomic assumptions provide the basis for determining the financing requirements and evaluating the cost and risk characteristics of the public debt portfolio. In particular, the MTDS takes into account developments in economic growth, inflation, domestic and international interest rates, exchange rates, revenue performance and the fiscal deficit, as these variables directly influence the cost and risks associated with the debt portfolio.

2. The 2027 MTDS is anchored on the macroeconomic and fiscal framework underpinning the Government's medium-term development and fiscal consolidation objectives. The baseline assumptions are informed by the Government-approved macroeconomic framework contained in the 2027 BPS, which provides projections for FY2026/27–FY2029/30.

3. The global economic outlook remains broadly resilient, although subject to heightened uncertainty and downside risks. Global growth is projected at 3.1 percent in 2026 and 3.2 percent in 2027. Growth in advanced economies is expected to remain relatively subdued, whereas in Sub-Saharan Africa, it is projected to grow by 4.3 percent in 2026 and 4.4 percent in 2027. The growth in Sub-Saharan Africa is expected to be supported by easing inflationary pressures, strengthening domestic demand and continued structural reforms. However, geopolitical tensions, elevated energy prices, trade policy uncertainty and tighter global financial conditions remain key risks to the global and domestic economic outlook.

4. The Kenyan economy's growth is projected to remain resilient over the medium term. The Government's baseline framework projects sustained real economic growth, supported by improved agricultural productivity, continued resilience in the services sector, recovery in productive sectors of the economy and sustained implementation of priority programmes under the Bottom-Up Economic Transformation Agenda (BETA). Recent economic performance remains supportive of the medium-term outlook, notwithstanding emerging domestic and external risks to growth.

5. Inflation is expected to moderate gradually toward the Government's medium-term target of 5 percent, as domestic supply conditions improve and monetary policy remains appropriately calibrated. Following elevated near-term pressures, headline inflation is

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projected to average approximately 6 to7 percent in the near term, before declining to around 5 percent over the medium term. However, inflationary pressures are expected to remain sensitive to developments in food, transport, housing, water, electricity, gas and other fuel prices, which could temporarily push inflation 1 to 2 percentage points above the target.

6. Domestic financial conditions have continued to ease, reflecting the transmission of monetary policy measures and improved macroeconomic stability. The Central Bank of Kenya (CBK) has maintained an accommodative monetary policy stance aimed at anchoring inflation expectations while supporting economic activity. Consequently, money market yields have moderated, commercial bank lending rates have declined, and credit to the private sector has continued to expand. These developments are supportive of private sector credit, economic activity and the gradual reduction in domestic financing costs, although domestic interest rates remain an important consideration for the Government's debt-servicing and refinancing profile.

7. As at 24th September 2026, the foreign exchange reserves stood at USD 15.02 billion, equivalent to 6.2 months of import cover, providing an adequate buffer against short-term external shocks. The foreign exchange market is assumed to remain broadly stable over the medium term, supported by improved macroeconomic fundamentals, adequate foreign exchange reserves and prudent monetary and fiscal policy. Nevertheless, exchange rate movements remain a material consideration for the cost of servicing external debt and the overall debt portfolio.

B. Key Risks to the Macroeconomic Assumptions

9. Notwithstanding the relatively favourable baseline outlook, the implementation of the 2027 MTDS remains subject to domestic and external risks that could affect the cost and availability of financing, the fiscal position and the sustainability of public debt. The principal risks include:

i. Global geopolitical and commodity price shocks.

Escalation or prolongation of geopolitical conflicts, especially in the Middle East, could result in higher international energy, food and other commodity prices, increase transport and production costs, intensify inflationary pressures and adversely affect

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global economic activity and financial market conditions. The current global outlook remains exposed to such risks.

ii. **Climate and weather-related shocks.**

Adverse weather conditions, including droughts and floods, could affect agricultural production, food prices, household incomes and overall economic activity. Such shocks could also increase expenditure pressures associated with climate-related interventions and disaster response.

iii. **Revenue underperformance and fiscal pressures.**

Shortfalls in domestic revenue mobilisation relative to the targets, arising from weaker economic activity, changes in the tax base or policy and administrative constraints, could worsen the fiscal deficit and consequently the borrowing requirements.

iv. **Domestic interest rate and refinancing risk.**

Although domestic interest rates have moderated, a reversal in monetary and financial conditions could increase the cost of domestic borrowing and refinancing risk. Concentration of maturities within particular periods could amplify rollover requirements and expose the Government to refinancing risks.

v. **Exchange rate risk.**

Heightened volatility of the Kenya Shilling against hard currencies could increase the domestic currency value of foreign-currency-denominated debt and associated debt-service obligations. Exchange rate movements may therefore affect both the cost of external debt servicing and the overall composition of the debt portfolio.

vi. **Tighter international financial conditions.**

Higher global interest rates, increased risk premia or reduced investor appetite for emerging and frontier market assets could constrain access to international capital markets or increase the cost of external non-concessional borrowing.

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vii. **External financing and project implementation risks.**

Delays in the disbursement of committed external project financing, including where implementation and absorption capacity constraints persist, could create temporary financing gaps and increase reliance on domestic borrowing. Strengthening project preparation, implementation and absorption capacity will therefore remain important for ensuring that contracted external resources are utilised efficiently and in a timely manner.

viii. **Domestic government securities market risks.**

Weak demand or reduced liquidity in the domestic government securities market could result in higher yields, increased borrowing costs and refinancing pressures. The risk can be mitigated through predictable issuance, broadening the investor base, developing the secondary market, managing the maturity profile and maintaining fiscal credibility.

ix. **Contingent liabilities.**

The materialisation of contingent liabilities arising from State-Owned Enterprises, public-private partnerships, guarantees and other Government-supported obligations could increase financing requirements and place additional pressure on the fiscal position.

x. **Credit rating and investor confidence risks.**

Changes in sovereign credit assessments, investor perceptions or global risk appetite could affect the pricing and availability of external financing.

xi. **Growth and macroeconomic policy risks.**

A weaker-than-projected economic growth trajectory could adversely affect revenue mobilisation, increase the debt-to-GDP ratio and weaken the capacity to service public debt. Conversely, sustained growth supported by productivity-enhancing reforms, private sector investment and improved economic activity would strengthen revenue performance and support the Government's fiscal consolidation objectives.

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C. Overall Assessment of Macroeconomic Risks

9. Overall, the baseline macroeconomic framework provides a supportive environment for implementation of the 2027 MTDS, characterised by resilient economic growth, improving domestic financial conditions, adequate foreign exchange reserves and a gradual fiscal consolidation path. Nevertheless, the balance of risks remains tilted towards the downside, particularly in view of geopolitical developments, international commodity price volatility, climate-related shocks, revenue performance and global financial market conditions.

10. The MTDS is expected to maintain an appropriate balance between cost and risk, with particular emphasis on containing refinancing and interest rate risks, managing exposure to foreign currency movements, lengthening the maturity profile of debt, and maintaining adequate access to both domestic and external financing.

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VII. ASSESSMENT OF POTENTIAL SOURCES OF FINANCING

1. The assessment of potential sources of financing is an integral part of development of the MTDS and provides an evaluation of the financing instruments available to meet the Government's borrowing requirements over the medium term. The assessment considers the cost and risk characteristics of available financing sources, their contribution to debt sustainability objectives, market access considerations, and their suitability in supporting the Government's financing needs.

2. The domestic market is expected to remain a key source of financing owing to its relatively stable investor base and its role in supporting the development of the domestic capital market. Available instruments include Treasury bills and Treasury bonds. Treasury Bonds, including benchmark bonds, contribute to market liquidity and price discovery and facilitate the development of an efficient government securities market. Infrastructure bonds and other thematic instruments also provide opportunities to mobilise resources for eligible priority investments. Treasury bills remain an important instrument for cash-flow management.

3. The continued development of the domestic market presents opportunities to broaden the investor base through enhanced retail participation and diaspora-focused instruments, including consideration of a locally issued foreign-currency bond.

4. Concessional and semi-concessional financing from multilateral and bilateral development partners remains an important source of funding due to its favourable terms, including longer maturities and lower borrowing costs. Such financing supports priority development programmes while moderating debt-servicing pressures.

5. Commercial external financing may provide an additional source of funding where concessional resources are insufficient. Available instruments include syndicated loans, private placements and international capital market issuances. While these instruments can provide access to significant volumes of financing and support liability management operations, they are generally associated with higher costs and greater refinancing and market risks.

6. Debt swaps, including debt-for-climate, debt-for-nature and debt-for-development arrangements, represent potential financing and debt management instruments that may

contribute to fiscal space creation while advancing environmental, climate and development objectives. The applicability of such instruments depends on creditor participation, transaction costs and the overall benefits relative to alternative financing options.

7. To diversify sources of external financing and broaden access to international capital markets, the Government will consider issuing bonds in alternative markets and currencies, including Samurai Bonds, Panda Bonds and other offshore or local currency denominated instruments, subject to prevailing market conditions, cost-benefit considerations and appropriate measures to manage foreign-exchange and refinancing risks.

8. Public-Private Partnerships (PPPs) and other private capital mobilisation mechanisms provide opportunities to leverage private-sector financing and expertise in the delivery of infrastructure and public services. While these arrangements can reduce immediate budgetary financing requirements, they may also give rise to contingent fiscal obligations that require careful assessment and management.

9. The Government will also consider sustainability-linked bonds and loans over the 2027 MTDS period to diversify financing while embedding accountability for climate and development goals. Borrowing costs would be tied to clear Key Performance Indicators (KPIs) such as emissions reduction and renewable energy uptake, attracting ESG-focused investors and reinforcing fiscal discipline

10. The suitability of each financing source and instrument is assessed against a range of factors, including borrowing cost, maturity structure, concessionality, foreign-exchange exposure, refinancing risk, contingent liability implications, market access considerations and consistency with debt sustainability objectives. The assessment informs the identification of an optimal financing mix capable of meeting the Government's funding requirements while supporting the MTDS objective of minimizing borrowing costs over the medium to long term, subject to a prudent level of risk.

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VIII. DEBT MANAGEMENT STRATEGY

a) 2027 Debt Management Strategy Objective

1. Analysis of various borrowing strategies has been undertaken to identify a strategy that minimises public debt costs and reduces risks to overall public debt.

2. The 2027 Debt Management Strategy (DMS) seeks to minimise debt-related costs and risks by maintaining a gross borrowing mix of 22 Percent from external and 78 Percent from domestic sources over the medium term. Consistent with enhancing debt sustainability and mitigating refinancing risks, from the domestic side, the strategy aims to gradually reduce the stock of Treasury bills and increase issuance of medium- to long-term Treasury bonds, thereby extending the maturity structure of the domestic debt portfolio.

3. Externally, the strategy prioritizes maximizing concessional financing and limiting commercial borrowing. Gross external borrowing of 22 percent consists of 12.1 percent concessional borrowing, 3.0 percent semi-concessional borrowing, and 6.9 percent commercial borrowing. The expected composition of the public debt portfolio at the end of the Strategy period is projected at 42 percent external debt and 58 percent domestic debt, as shown in **Annex 2.**

4. The 2027 MTDS is anchored on the fiscal framework projections set out in the 2027 BPS.

b) Cost and Risk Indicators of the Debt Management Strategy

5. **Table 11** summarizes the key cost and risk indicators of the debt management strategy and benchmarks them against the prevailing public debt portfolio indicators as at end June 2026.

6. The DMS aims to strengthen debt sustainability while maintaining an acceptable balance between cost and risk. By the end of June 2030, the Strategy is expected to improve most of the key debt portfolio indicators relative to their levels at the end of June 2026.

Table 11: Expected Cost and Risk Indicators of the DMS by end June 2030

Risk Indicator		Current (June 2026)	Debt Management Strategy (June 2030)
[1]Nominal debt as percent of GDP		68.7	66.6
Present value debt as percent of GDP		64.1	62.4
Interest payment as percent of GDP		6.2	5.8
Implied interest rate (percent)		9.0	9.3
Refinancing risk	Debt maturing in 1yr (percent of total)	12.7	8.9
	Debt maturing in 1yr (% of GDP)	9.7	5.9
	ATM External Portfolio (years)	10.0	8.7
	ATM Domestic Portfolio (years)	7.0	7.9
	ATM Total Portfolio (years)	8.5	8.3
Interest rate risk	ATR (years)	7.6	7.9
	Debt refixing in 1yr (percent of total)	24.2	14.7
	Fixed rate debt incl T-bills (percent of total)	87.5	93.3
	T-bills (percent of total)	7.3	3.9
FX risk	FX debt as % of total	44.6	41.6
	ST FX debt as % of reserves	25.5	28.5

Source: The National Treasury

c) Cost Indicators

7. The strategy is projected to reduce the overall debt burden. Nominal public debt is expected to decline from 68.7 percent of GDP in June 2026 to 66.6 percent by June 2030, while the present value of debt-to-GDP ratio is projected to decrease from 64.1 percent to 62.4 percent. This reflects the combined effect of fiscal consolidation and sustained economic growth.

8. Similarly, interest payments as a percentage of GDP are expected to decline from 6.2 percent to 5.8 percent over the medium term. This improvement is aimed at creating additional fiscal space for priority government expenditure.

9. The implied interest rate is projected to increase marginally from 9.0 percent to 9.3 percent. This reflects the anticipated shift towards medium and long-term borrowing instruments which typically carry higher coupon rates than short-term

[1] The MTDS excludes KSh 257.42 billion comprising KSh 70.40 billion in performing (uncalled) guaranteed debt, KSh 90.99 billion in Government overdraft at CBK, KSh 14.14 billion in supplier credits, KSh 78.32 billion in IMF SDR allocation, KSh 3.56 billion in bank advances, and KSh 0.01 billion in uncleared items awaiting transfer to PMG.

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debt but provide significant benefits through reduced refinancing risk and enhanced debt sustainability over the medium term.

d) Refinancing Risk Indicators

10. The Strategy aims to substantially reduce refinancing risk by lengthening the maturity structure of the debt portfolio. The proportion of debt maturing within one year is projected to decline from 12.7 percent to 8.9 percent of total debt, while debt maturing within one year as a share of GDP is expected to decrease from 9.7 percent to 5.9 percent. This reduction implies a lower volume of debt rollover, thereby reducing exposure to market and liquidity pressures.

11. The Average Time to Maturity (ATM) of the domestic debt portfolio is expected to increase from 7.0 years to 7.9 years, reflecting the strategy's focus on issuing medium- and long-term Treasury bonds and reducing the stock of Treasury bills. Although the ATM of the external debt portfolio is projected to moderate from 10.0 years to 8.7 years, it remains relatively long, supported by the continued prioritisation of concessional financing.

12. Overall, the ATM of the total debt portfolio is expected to decline marginally to 8.3 years in 2030 from 8.5 years recorded in June 2026. The modest shortening reflects the lower external ATM arising from shorter maturities on new external borrowing amid tighter market conditions.

e) Interest Rate Risk Indicators

13. Interest rate risk is expected to improve under the Strategy. The Average Time to Refixing (ATR) is projected to increase from 7.6 years to 7.9 years, indicating that debt servicing costs will be less vulnerable to changes in market interest rates.

14. The proportion of debt subject to interest rate resetting within one year is expected to decline from 24.2 percent to 14.7 percent, considerably reducing vulnerability to interest rate shocks.

15. In addition, the share of fixed-rate debt is projected to increase from 87.5 percent to 93.3 percent of the total portfolio. The stock of Treasury bills, which constitute a key source of refinancing and interest rate risk, is expected to decline from 7.3 percent to 3.9 percent of total debt over the medium term.

f) Foreign Exchange Risk Indicators

16. The Strategy also seeks to moderate foreign exchange risk through increased reliance on domestic financing. The share of foreign currency-denominated debt is projected to decline from 44.6 percent to 41.6 percent of total public debt. This reduction lowers the exposure of the debt portfolio to exchange rate fluctuations and strengthens resilience against external shocks.

g) Overall Assessment

17. Collectively, the debt management strategy is expected to achieve a more resilient debt portfolio by reducing refinancing, interest rate, and foreign exchange risks thus improving key debt sustainability indicators. Although the implied interest rate increases slightly due to the greater use of medium- and long-term financing instruments, this trade-off is justified by the reduction in rollover risk and the improvement in the overall risk profile of the public debt portfolio. The strategy therefore supports the Government's objective of meeting its financing needs at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk.

h) Deficit Financing Strategy (FY 2027/28-2029/30)

18. A net borrowing mix of 73 percent and 27 percent from domestic and external sources over the medium term respectively will optimise costs and risks of financing the fiscal deficits for the MTDS period 2027/28-2029/30.

i) Risks to the Strategy

19. Factors that could lead to the debt management strategy not being fully implemented may include:

    i. Undersubscription of government securities;
    ii. Widening of the fiscal deficit due to deviation from projected fiscal and financing requirements, including changes in revenue performance and expenditure needs;
    iii. Limited access to external funding which could shift the financing plan;
    iv. Materialisation of contingent liabilities; and
    v. Delay in planned external disbursements due to failure to meet conditions precedent.

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IX. IMPLEMENTATION OF THE STRATEGY

A. Institutional Framework

1. Implementation of the MTDS will be led by the National Treasury through the Public Debt Management Office (PDMO) in collaboration with the CBK, which serves as the Government's fiscal agent, and other relevant Government institutions. The PDMO will provide technical and analytical leadership for implementation, including preparation of the Annual Borrowing Plan (ABP), monitoring debt portfolio performance, assessing cost and risk indicators and coordinating liability management operations.

Operationalisation of the Strategy

2. The DMS will be operationalised through the Annual Borrowing Plan (ABP). The ABP will translate the medium-term strategic objectives into an annual financing programme specifying the expected borrowing requirements, financing sources, instruments, maturities, currencies and indicative timing of borrowing operations.

3. The ABP will be reviewed periodically during the financial year to take account of changes in financing requirements, market conditions, revenue performance, external financing disbursements, debt-service obligations and other emerging fiscal and macroeconomic developments.

B. Domestic Debt Market Development

4. The Government will continue to prioritise the development of a deep, liquid, efficient and resilient domestic government securities market. Domestic financing will remain an important component of the debt management strategy, while efforts will be made to reduce excessive reliance on Treasury bills and increase the use of medium- and long-term Treasury bonds. The National Treasury, in collaboration with other market stakeholders, will continue to deepen and strengthen the domestic government securities market by strengthening the benchmark yield curve and improving secondary-market liquidity and transparency.

C. Monitoring of Costs and Risks of Public Debt Portfolio

5. The debt portfolio will be monitored on a semi-annual basis against established cost and risk indicators to ensure consistency with the objectives of the 2027 MTDS and

overall debt sustainability. The monitoring framework will provide an early-warning mechanism for identifying deviations from the preferred strategy and facilitate timely corrective action. Furthermore, the Government will continue to undertake liability management operations to smooth the redemption profile, reduce refinancing concentrations and manage the overall cost and risk characteristics of the debt portfolio.

D. Review of the Debt Management Strategy

6. The DMS will be reviewed annually and more frequently where necessary to take into account developments in macroeconomic conditions, fiscal performance, financing requirements, domestic and international financial markets, debt sustainability assessments, and debt portfolio risks.

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X. PUBLIC DEBT MANAGEMENT REFORMS INITIATIVES

1. Kenya's macroeconomic stability and long-term prosperity depend on effective public debt management. Efficient public debt management requires continuous legal, operational, institutional, infrastructural and governance reforms necessary to support public debt sustainability, fiscal resilience, and market credibility.
2. Table 12 below provides a summary of priority reforms in respect to Kenya's public debt management practices and domestic debt market development over the short to medium- term: -

Table 12:Public Debt Management Reforms

S/No.	AREA	ACTIVITY	TIMELINE	STATUS	LEAD
PUBLIC DEBT MANAGEMENT					
1	Debt Management Strategy Implementation	Prepare and publish a short and concise (5-8 pages) Debt Management Strategy	FY 2027/28	Ongoing	PDMO
		Publish domestic issuance calendar containing indicative volumes with a monthly or quarterly time-horizon	FY 2027/28	Ongoing	PDMO CBK
2	PDMO Operations	Establish and operationalise an Investor Relations unit reporting to the DG/PDMO	FY 2027/28	Ongoing	TNT
		Establish a Risk Compliance unit reporting to the DG/PDMO	FY 2027/28	Ongoing	TNT
3	Debt Sustainability Analysis (DSA)	Transfer the DSA-lead role to Macro-Fiscal Department	FY 2027/28	Ongoing	TNT
		Establish a DSA Working Group led by Macro-Fiscal, with CBK and PDMO as participants	FY 2027/28	Ongoing	TNT
		Strengthen data sharing and reconciliation arrangements: Consider formalizing a protocol for data sharing and reconciliation among the PDMO, Macro & Fiscal Affairs Department, CBK, and KNBS for outturn and projection data used in DSA	FY 2027/28	Ongoing	TNT
		Conduct regular DSAs: at least annually, prior to large borrowings and publish the results.	FY 2027/28	Ongoing	MFAD
4	Registrar of National Government Securities	Fully operationalise the office of the Registrar of National Government Securities in line with the provisions of Section 55 of the PFM Act, Cap.412A	FY 2027/28	Ongoing	PDMO
DOMESTIC DEBT MARKET DEVELOPMENT					
5	Establishment of Over the Counter (OTC) Market	Establish a dealer-driven OTC market to enhance market liquidity and develop a regulatory/supervisory framework.	FY 2027/28	Ongoing	TNT CMA CBK
6	Primary Market	Align auction of benchmark bonds with secondary-market liquidity objectives	FY 2027/28	Ongoing	PDMO CBK
7	Secondary Market	Conduct a market-making pilot for a limited set of benchmark bonds after establishment of the OTC market.	FY 2027/28	Ongoing	PDMO CBK CMA

ANNEXES

Annex 1: Average New Borrowing by Instrument for the Debt Management Strategy (in percent of gross borrowing by end of FY 2029/30)

Average percentage of gross borrowing over simulation period		
New debt % of Total Gross Borrowing		Debt Management Strategy (2030)
ADF	FX	0.4
IDA/IFAD	FX	5.0
Concessional	FX	6.7
Semi-Concessional	FX	3.0
Commercial/International Sovereign Bonds	FX	6.9
Treasury bills	DX	27.7
Treasury bond 2-3 Years	DX	6.7
Treasury bond 4-7 Years	DX	9.9
Treasury bond 8-12 Years	DX	14.4
Treasury bond 13-17 Years	DX	11.8
Treasury bond 18-22 Years	DX	6.1
Treasury bond 23-30 Years	DX	1.4
External		22.0
Domestic		78.0
		100

Annex 2: Composition of Debt Portfolio by Instrument for the Debt Management Strategy, (in Percent of Outstanding Portfolio as at End of FY 2029/30)

In percent of Total	2025/26	As at end FY2030
Outstanding by instrument	Current	Debt Management Strategy
ADF	2	2.0
IDA/IFAD	11	10.5
Concessional	1	5.3
Semi-Concessional	8	6.1
Commercial/International Sovereign Bond	23	17.7
Treasury bills	8	3.9
Treasury bond 2-3 Years	1	3.2
Treasury bond 4-7 Years	5	6.7
Treasury bond 8-12 Years	9	12.1
Treasury bond 13-17 Years	15	16.1
Treasury bond 18-22 Years	11	11.2
Treasury bond 23-30 Years	6	5.3
External	45	42
Domestic	55	58
Total	100	100

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Annex 3: Redemption Profile for the Debt Management Strategy (End FY2029/30)



Annex 4: Publication of the Debt Management Strategy

A. Section 33 of the Public Finance Management Act, Cap. 412A provides;

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

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

iii. The Cabinet Secretary shall include in the statement the following information:

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

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

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

d) The assumptions underlying the debt management strategy; and

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

iv. Within fourteen days after the debt strategy paper is submitted to Parliament under this section, the Cabinet Secretary shall submit the statement to the

Commission on Revenue Allocation and the Intergovernmental Budget and Economic Council, publish, and publicize the statement.

B. Section 12 of the PFM Act, Cap. 412A

Subject to the Constitution and this Act, the National Treasury shall (b) manage the level and composition of national public debt, national guarantees and other financial obligations of national government within the framework of this Act and develop a framework for sustainable debt control.

SECRET