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## 2025 MEDIUM TERM DEBT MANAGEMENT STRATEGY

PREPARED BY PUBLIC DEBT MANAGEMENT OFFICE  
THE NATIONAL TREASURY AND ECONOMIC PLANNING

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© 2025 Medium-Term Debt Management Strategy (MTDS)

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## FOREWORD

The Medium-Term Debt Management Strategy (MTDS) is an annual publication that informs the Government decisions regarding public borrowing and public debt management as well as the desired structure of public debt portfolio in pursuit of cost minimization and risk management while ensuring debt remains sustainable over the medium-term.

The 2025 MTDS has been prepared pursuant to Section 33 of the Public Finance Management Act, 2012. The Strategy recognizes that a diversified public debt structure and deepening of the domestic debt market is necessary to mitigate against exchange rate risks on Kenya's external public debt.

Public and publicly guaranteed debt stock increased to Ksh. 10,581.98 billion as of the end of June 2024 up from Ksh. 10,278.88 billion as of the end of June 2023. The Kshs. 10,581.98 billion comprises of external debt stock of Ksh. 5,171.70 billion and domestic debt stock of Ksh. 5,410.28 billion.

The 2025 MTDS has been prepared on the background of successful debt maturity management operation which involved prepaying USD 1.50 billion in February 2024 of the USD 2.00 billion 2024 Eurobond.

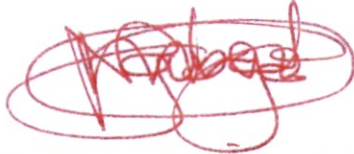
The National Treasury will continue to monitor and assess the macroeconomic and market developments to explore opportunities for diversifying sources of external borrowing in particular targeting Diaspora Bond, and Environmental, Social and Governance (ESG) debt instruments.

Additionally, the National Treasury will continue to undertake domestic debt market developments reforms to reduce the costs and minimize risks inherent in public debt while also improving the institutional structure and policies to ensure efficient public debt management operations. Measures aimed at addressing public debt vulnerabilities, including liability management operations, prioritizing concessional borrowing and

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continuation of fiscal consolidation path will be pursued in the short and over medium term with the aim of fostering public debt sustainability by reducing the pace of public debt accumulation.

The 2025 MTDS will provide a firm foundation to enhance public debt management alongside funding the budget as stated in the Budget Policy Statement.



**HON. FCPA JOHN MBADI NG'ONGO, EGH**  
**CABINET SECRETARY/THE NATIONAL TREASURY & ECONOMIC PLANNING**

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## **ACKNOWLEDGEMENT**

The 2025 Medium-Term Debt Management Strategy (MTDS) has been developed to guide public debt management over the period 2025-2028. Analyses of costs and risks on both the domestic and external environments have been undertaken in line with the objectives of the Public Debt and Borrowing Policy and the Public Finance Management Act, 2012.

The projected borrowing is aligned with the objectives of the 2025 Budget Policy Statement including meeting maturities as they fall due and raising resources to fund the fiscal deficits. Emphasis will be on promoting the development of a sustainable domestic debt market and intergenerational equity.

The 2025 MTDS preparation has been subjected to public participation across all counties in Kenya. The 2025 MTDS contents were disseminated to members of the public during these public participation fora.

The National Treasury received invaluable inputs and comments from members of the public which helped shape the final version of the 2025 MTDS. I thank members of public for turning up in large numbers at the various public participation venues across the country and for the inputs and comments during these forums. I am also thankful for the inputs received in form of written memoranda on the 2025 MTDS.

The National Treasury will submit to Parliament a report on the public participation activities and inputs received from members of the public regarding the 2025 MTDS.

Additionally, the National treasury will continue to engage members of the public on matters of public finance management, including budget making and public debt management, so that the views of the citizens are taken on board in the design of public finance management policies and strategies.

The preparation of the 2025 MTDS, was collaborative efforts involving various Departments within the National Treasury. I thank all the officers from the various departments and directorates for their intensive efforts towards preparation of the 2025

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MTDS. Moreover, I recognize the efforts of the Public Debt Management Office for providing the technical inputs towards developing this Strategy.

I appreciate the invaluable leadership and guidance provided by the Cabinet Secretary, the National Treasury and Economic Planning, towards the development of this Strategy.

The 2025 MTDS and previous years' versions of the Medium-Term Debt Management Strategies are available for reference and information on the National Treasury website:

[www.treasury.go.ke](http://www.treasury.go.ke).



**DR. CHRIS K. KIPTOO, CBS**  
**PRINCIPAL SECRETARY/ THE NATIONAL TREASURY**

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**ABBREVIATION AND ACRONYMS**

|        |   |
|--------|---|
| ABP    | Annual Borrowing Plan                               |
| APDMR  | Annual Public Debt Management Report                |
| BETA   | Bottom-Up Economic Transformation Agenda            |
| CBK    | Central Bank of Kenya                               |
| CFS    | Consolidated Fund Services                          |
| DSA    | Debt Sustainability Analysis                        |
| EAC    | East Africa Community                               |
| ESG    | Environmental, Social and Governance                |
| FCCL   | Fiscal Commitments and Contingencies Liabilities    |
| GDP    | Gross Domestic product                              |
| IDA    | Internatinoal Development Association               |
| IBRD   | International Bank for Reconstruction & Development |
| IMF    | International Monetary Fund                         |
| KQ     | Kenya Airways                                       |
| KenGen | Kenya Electricity Generation Company                |
| KPA    | Kenya Ports Authority                               |
| LMOs   | Liability Management Operations                     |
| MTDS   | Medium-Term Debt Management Strategy                |
| NSE    | Nairobi Securities Exchange                         |
| ODA    | Official Development Assistance                     |
| OTC    | Over the Conter                                     |
| PPG    | Public & Publicly Guaranteed                        |
| PDMO   | Public Debt Management Office                       |
| PFM    | Public Finance Management                           |
| SDR    | Special Drawing Rights                              |
| S&P    | Standard and Poor's                                 |
| PV     | The present value                                   |
| USD    | United State Dollar                                 |

## **EXECUTIVE SUMMARY**

The 2025 Medium-Term Debt Management Strategy (MTDS) has been prepared in accordance with Section 33 (2) of the Public Finance Management (PFM) Act, 2012. It serves as a roadmap for the management of the country's public debt for the period FY 2025/26-2027/28. It outlines the strategies and initiatives aimed at minimizing costs and management of risks of debt over the medium term.

Public and publicly guaranteed debt stock increased to Ksh 10,581.98 billion as of the end of June 2024 from Ksh 10,278.88 billion as of the end of June 2023. This comprises an external debt stock of Ksh 5,171.70 billion and a domestic debt stock of Ksh 5,410.28 billion.

The recent Debt Sustainability Analysis (DSA) reports Kenya's public debt to be sustainable but with a high risk of debt distress. The present value (PV) of public debt was 63.0 percent of GDP against the benchmark debt threshold of 55 percent of debt to GDP. The National Treasury has until 1<sup>st</sup> November 2029 to bring the present value of public debt within the threshold to comply with the law.

The MTDS has been prepared in an environment of improved domestic macroeconomic environment but uncertain financial markets globally. The domestic economy grew by 5.0 percent in the first quarter and 4.6 percent in the second quarter of 2024. Inflation has fallen from a recent peak of 9.6 percent in October 2022 to a low of 3 percent in December 2024. The Kenya shilling exchange rate has remained stable since February 2024, thereby improving external debt indicators. Kenya's economic performance is projected to remain stable over the medium term. Growth will be mainly driven by broad-based private sector activities and ongoing government interventions and strategies under the Bottom-Up Economic Transformation Agenda (BETA).

The 2025 debt management strategy seeks to gradually reduce the stock of Treasury bills in the medium term while lengthening maturity of public debt instruments and deepening the domestic debt market through issuance of medium to long term debt securities accompanied by debt market reforms. From the external sources, the strategy targets a mix of concessional and commercial borrowing.

The strategy aims at 25 percent and 75 percent gross borrowing from external and domestic sources over the medium term, respectively. Net borrowing to finance fiscal deficits is structured into 65 percent and 35 percent from external and domestic sources over the medium term, respectively.

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## I. INTRODUCTION

1. The Medium-Term Debt Management Strategy (MTDS) is the policy framework that guides government borrowing and public debt management in Kenya. The framework guides the Government in pursuing a desired structure of the public debt portfolio which reflects costs and risks trade-off, to support the fiscal deficit path outlined in the Budget Policy Statement (BPS).
2. The preparation and submission of the 2025 MTDS to Parliament for the period FY 2025/26 to 2027/28 is in accordance with sections 33(2) and 63(c) of Public Finance Management Act, 2012.
3. The National Treasury is mandated to manage the levels and composition of public debt, including guarantees and other financial obligations as provided for in sections 12 (1) (b) and 62(b) of the Public Finance Management (PFM) Act, 2012.

### a) Objectives of the 2025 Medium-Term Debt Management Strategy

4. The 2025 Medium Term Debt Management Strategy aims at:
  - a) Reducing refinancing risks by reducing short maturities debt while lengthening the total portfolio Average Time to Maturity (ATM) by deepening the domestic bond market through issuance of more medium to long term instruments as the main source of domestic financing;
  - b) Reducing the interest rate risk by increasing the Average Time to Refixing and reducing the amount of debt with variable interest rates;
  - c) Reducing the foreign exchange risk through currency diversification; and
  - d) Promoting intergenerational equity.

### b) Scope of the MTDS

5. The MTDS analysis takes into account outstanding public debt and projected borrowing and debt service in the context of current and future macroeconomic environment and the conditions in the international and domestic capital markets. Performing guaranteed debt and other local debts and overdraft are excluded from the proposed debt management strategies. Debts excluded amounts to Ksh 263.74 billion which includes Ksh100.17 billion uncalled guaranteed debts, Ksh 61.03 billion Government overdraft at CBK, Ksh.13.54 billion Suppliers credit, Ksh 83.54 billion IMF SDR Allocation and Ksh 5.47 billion Bank advances.

**c) Organisation of the document**

6. The succeeding sections comprise: Review of the Existing Public Debt Portfolio; Analysis of Costs and Risks of Existing Public Debt; Review of Performance of the 2023 MTDS; Kenya's Debt Sustainability; Challenges to Debt Management; Macroeconomic Assumptions and Key Risks; Potential Sources of Financing; Debt Management Strategy; Strategy Implementation, Monitoring and Evaluation; and Annexes.