REPUBLIC OF KENYA

THE NATIONAL TREASURY AND ECONOMIC PLANNING

ANNUAL PUBLIC DEBT MANAGEMENT REPORT

2023/2024

SEPTEMBER 2024

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FOREWORD

The Annual Public Debt Management Report is prepared in line with the Constitution, the Public Finance Management (PFM) Act 2012, and the Public Finance Management (National Government) Regulations, 2015.

While Kenya's public debt remains within sustainable levels, the Government is committed to fiscal consolidation program aimed at reducing the pace of debt accumulation. The National Treasury will continue to undertake reforms to reduce the cost and minimize the risk of public debt while also improving the institutional structure and policies to ensure efficient and effective debt management operations. The Government will also continue to implement reforms aimed at promoting development and deepening of the domestic debt market with the objective of reducing the cost of public debt. Measures aimed at addressing public debt vulnerabilities, including liability management operations, prioritizing concessional borrowing and continuation of fiscal consolidation will be pursued in the short to medium term.

In addition, the government will endeavour to provide accurate and timely public debt information to promote transparency and accountability in line with the legal framework and in accordance with international best practice.

HON. CPA JOHN MBADI NG'ONGO, EGH
CABINET SECRETARY/ THE NATIONAL TREASURY AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

The National Treasury prepares the Annual Public Debt Management Report not only to fulfil the legal requirements but also to promote transparency and accountability in the management of public and publicly guaranteed debt. The Report contains information that is very useful to the general public, oversight bodies such as Parliament, investors and other stakeholders. I trust that the Report will provide valuable insights on Kenya's public debt to all the stakeholders. The National Treasury welcomes comments and requests for any clarification.

I would like to appreciate the strategic leadership of the Cabinet Secretary for the National Treasury and Economic Planning in developing this Report. I also wish to sincerely thank the Director General Public Debt Management Office for providing technical guidance and officers from the National Treasury and the Central Bank of Kenya for their tireless efforts towards the preparation of the FY 2023/24 Annual Public Debt Management Report.

This Report and other public debt related reports and publications can be accessed on the NationalTreasury website: www.treasury.go.ke.

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

ABBREVIATIONS AND ACRONYMS

AFD- Agence Francaise de Development

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

CI - Composite Indicator

CMA - Capital Markets Authority

CRAs – Credit Rating Agencies

CSD - Central Securities Depositories

DEG – Development Effectiveness Group

DSA - Debt Sustainability Analysis

EDC – Effective Development Cooperation

ESG – Environment Social and Governance

EUR – Euro

EURIBOR - Euro Interbank Offered Rate

FX – Foreign Exchange

FY - Financial year

GBP - Sterling Pound

GDC – Geothermal Development Company

GDP - Gross Domestic Product

ICRA – International Credit Rating Agency

IDA - International Development Association

IIF – Institute of International Finance

IMF - International Monetary Fund

IRU - Investor Relations Unit

ISB - International Sovereign Bond

JPY – Japan Yen

KCB – Kenya Commercial Bank

KENGEN - Kenya Electricity Generating Company

KISIP – Kenya Informal Settlements Improvement Project

KNBS – Kenya National Bureau of Statistics

KPA – Kenya Ports Authority

KSh – Kenya Shilling

LIBOR – London Interbank Offered Rate

LMO – Liability Management Operation

MDAs – Ministries Departments and Agencies

MSMEs - Micro, Small and Medium Enterprises

MTDS - Medium Term Debt Management Strategy

NSSF - National Social Security Fund

OAFPs – Official Aid Funded Projects

OTC – Over The Counter

O/W – Of which

PDMO - Public Debt Management Office

PFM - Public Finance Management

PPG - Public and Publicly Guaranteed

PPP - Public Private Partnership

PV - Present Value

S&P – Standard & Poor’s

SDR – Special Drawing Rights

SGR - Standard Gauge Railway

SOEs - State Owned Enterprises

SOFR – Secured Overnight Financing Rate

T-Bills - Treasury Bills

TNT - The National Treasury

USD - United States Dollar

WAIR – Weighted Average Interest Rate

EXECUTIVE SUMMARY

The Annual Public Debt Management Report (APDMR) provides a review of Government's borrowing and public debt management activities in FY 2023/ 2024. The report covers all public and publicly guaranteed debt and aims at informing the public, oversight bodies, investors and other stakeholders about the Government's public debt portfolio, and the steps taken to manage the portfolio.

Governments borrowing in the FY2023/24 was guided by the 2023 Medium Term Debt Management Strategy (MTDS) whose objective was to minimize costs and risks through a net financing mix of 50 per cent from external and 50 per cent from domestic sources. The actual net domestic financing to external financing was 73:27, deviating from the optimal strategy. The deviation was partly on account of limited access to external financing. In nominal terms, the Government mobilised KSh 818.3 billion (5.1 percent of GDP) against the financing requirement of KSh 925.0 billion (5.7 percent of GDP). This comprised net external financing of KSh 222.7 billion (1.4 percent of GDP) and net domestic financing of KSh 595.6 billion (3.7 percent of GDP).

In terms of cost and risk characteristics of debt, refinancing and interest rate risks increased marginally due to tight monetary policies and high interest rates while the average time to maturity for overall debt decreased as investors were cautious about long-term instruments in a high-interest rate environment.

During the period under review, total public and publicly guaranteed debt service amounted to KSh. 1,563.3 billion, an increase of KSh. 363.9 billion from KSh. 1,199.4 billion in the FY 2022/2023. The increase was majorly on account of external debt service which increased by 87.9 percent. This increase is attributed to depreciation of the Kenya Shillings against major currencies in the first half of the FY 2023/24 and maturity of the USD 2 billion 2024 Euro bond. Domestic debt service remained relatively stable registering a growth of 0.5 per cent. Total debt service as a share of revenue was 68.3 percent, an increase from 58.8 percent in FY 2022/2023.

During the fiscal year 2023/2024, the stock of public and publicly guaranteed debt increased by KSh 303.2 billion (2.9 percent) to KSh 10,582.0 billion from KSh 10,278.9 billion in June, 2023. This comprised KSh. 5,171.7 billion (48.9 percent of total debt) in external debt while domestic debt amounted to KSh. 5,410.3 billion (51.1 percent of total debt). As a share of GDP, the debt stock declined to 65.7 percent in June 2024 from 72.0 percent in FY2022/2023 mainly on account of decreased external public debt due to appreciation of Kenya shilling against major foreign currencies.The stock of Government guaranteed debt decreased to KSh. 100.2 billion as at end June 2024 from KSh. 170.2 billion in June 2023 on account of novation of Kenya Airways debt and repayment of called-up guaranteed debt.

Non-guaranteed debt from twenty-one (21) SOEs amounted to KSh 78,207 million (0.5 percent of GDP) during the period under review. The largest stock of non-guaranteed debt was held by four key sectors including Energy and Petroleum (61percent), Roads and Transport (24 percent), Agriculture and Livestock development (7.2 percent) and Education (5.2 percent).

Over the medium term, total public debt as a share of GDP is projected to decline to 54.8 percent by June 2028 from 65.7 percent in FY2023/2024. In nominal terms however, debt is projected to rise from KSh. 10,582.0 billion in FY 2023/2024 to KSh. 13,488.3 billion in FY2027/2028.

This notwithstanding, Kenya's public debt remains sustainable but with high risk of debt distress. Despite public debt vulnerabilities and the recent downgrade by credit rating agencies, Kenya continues to be assessed as a medium performer in terms of Debt Carrying Capacity. To improve Kenya's debt-carrying capacity above 3.05 threshold required for an upgrade to a strong performer category with higher debt burden limits, strategies for enhancing debt sustainability are inevitable including public financial management reforms. These will require prudent fiscal management and strengthening revenue administration.

Credit rating also plays a crucial role in shaping the debt management strategy and economic prospects. Maintaining or improving credit rating can help support effective manage debt management more effectively and support overall macroeconomic stability. The Government is therefore addressing the issues that led to the recent downgrades plans to develop a comprehensive credit rating strategy in order to improve the credit rating score for the Country.

The Government has undertaken significant reforms to enhance the capacity and effectiveness of public debt management. Key among these initiatives include diversification of borrowing sources, Liability Management Operations (LMOs) and implementation of domestic debt reforms such as separation of retail and wholesale markets through launch of DhowCSD and Over the Counter market development among others.

CHAPTER ONE

INTRODUCTION

1.0 Background

This Annual Public Debt Management Report (APDMR) reviews Government borrowing and debt management activities for the Financial Year (FY) 2023/2024. APDMR is an account of Public and Publicly Guaranteed debt (herein after referred to as Public Debt) which provides highlights of financing arrangements undertaken by the Government during the period under review.

The objective of APDMR is to inform Parliament and other stakeholders including lenders and investors in Government securities; and the general public on actual borrowing, Government's public debt portfolio, as well as the steps taken to manage the public debt portfolio. APDMR ensures transparency and accountability regarding public debt management activities in line with the provision of Chapter 12 of the Constitution.

1.1 Legal Framework

Public debt management in Kenya is guided by provisions of the Constitution, Article 201 which enshrines the principles of public finance in which the Government is obligated to ensure there is responsible financial management and clear fiscal reporting; the Public Finance Management (PFM) Act, 2012; the PFM (National Government) Regulations, 2015 and the PFM (County Governments) Regulations, 2015.

The preparation of the APDMR is a legal requirement consistent with the provisions of Regulation 200 of the PFM (National Government) Regulations, 2015 which requires the Cabinet Secretary for the National Treasury and Economic Planning to prepare and submit to Parliament an annual report on outstanding public debt as well as debt service, performance and projections over the medium-term. This disclosure is an integral component of the National Treasury's commitment to uphold transparency and accountability in the management of public debt.

1.2 Institutional Framework

Parliament exercises a pivotal role in public debt management by ensuring that fiscal strategies are aligned with national policies and sustainability objectives. In addition, it has the Constitutional mandate to enact legislation guiding public debt management and monitor the total indebtedness. Further, Article 229 of the Constitution, entrusts the Auditor General with the mandate to audit and report on the accounts of all government entities, thereby reinforcing oversight and accountability in public debt management.

The PFM Act, 2012 provides for the establishment of the Public Debt Management Office (PDMO) and clearly states the roles of the Office and the Cabinet Secretary, in public debt management in Kenya. PDMO is organized into three departments namely: Resource Mobilization Department (Front Office) which mobilises resources; Debt Policy, Strategy and Risk Management Department (Middle Office) which provides financial analysis and reporting; and Debt Recording and Settlement Department (Back Office) which maintains the debt records and handles the settlement of debt service transactions. The functions of each department are distinct, but inter-related and therefore require collaboration in the execution of the overall mandate of the PDMO.

The PDMO also collaborates with other key stakeholders in executing its mandate including the Parliament, Central Bank of Kenya, Office of the Auditor General, and Credit Rating Agencies. This further improves transparency and reporting of public debt in Kenya.

The report is organized as follows: Chapter two of this Report provides a review of the 2023 Medium Term Debt Management Strategy; Chapter three highlights the borrowing and related financing activities; while Chapter four outlines the total public and publicly guaranteed debt stock. Chapter five provides highlights of domestic debt; Chapter six presents highlight on public external debt while Chapter Seven focuses on sovereign credit rating.

Chapter eight summarizes matters on investor relations; Chapter nine highlights public debt risk management; and Chapter ten presents public debt management reforms. Chapter eleven captures public debt sustainability; Chapter twelve provides the outlook for the medium term; and Chapter thirteen covers public debt reporting and dissemination. Chapter fourteen reports on contingent liabilities; and finally, Chapter fifteen is on public debt audit.

CHAPTER TWO

THE 2023 MEDIUM TERM DEBT MANAGEMENT STRATEGY REVIEW

2.0 Introduction

The 2023 Medium Term Debt Management Strategy (MTDS) was prepared in accordance with Section 33 of the Public Finance Management Act, 2012. The strategy guided borrowing for the financial year 2023/2024 and the medium term to finance the broad strategic priorities and policy goals set out in the 2023 Budget Policy Statement (BPS). MTDS was approved by Parliament and shared with Commission on Revenue Allocation (CRA) and the Intergovernmental Budget and Economic Council (IBEC) as provided by PFM Act, 2012.

2.1 Optimal Objective of the 2023 MTDS

MTDS was designed to minimize costs and risks through a net financing mix of 50 per cent each from both external and domestic sources. The Strategy aimed at maximizing concessional borrowing and rollover of commercial debt for external borrowing whereas on the domestic borrowing front, the focus was to lengthen the maturity and deepen the domestic debt market through issuance of medium to long term benchmark Treasury bonds.

2.2 Borrowing Outturn under the 2023 MTDS

The actual ratio of net domestic to external financing was 73:27, a deviation from the optimal strategy of 50:50. The change was attributed to limited access to external financing which resulted to more uptake of borrowing from domestic sources. The 2023 optimal strategy allowed for flexibility in financing the deficit from both external and domestic sources should one source be unsuccessful and depending on debt markets condition for both local and global. Thus, the shift was within the strategy as recommended and approved by Parliament.

2.3 Evaluation of Costs and Risks Characteristics

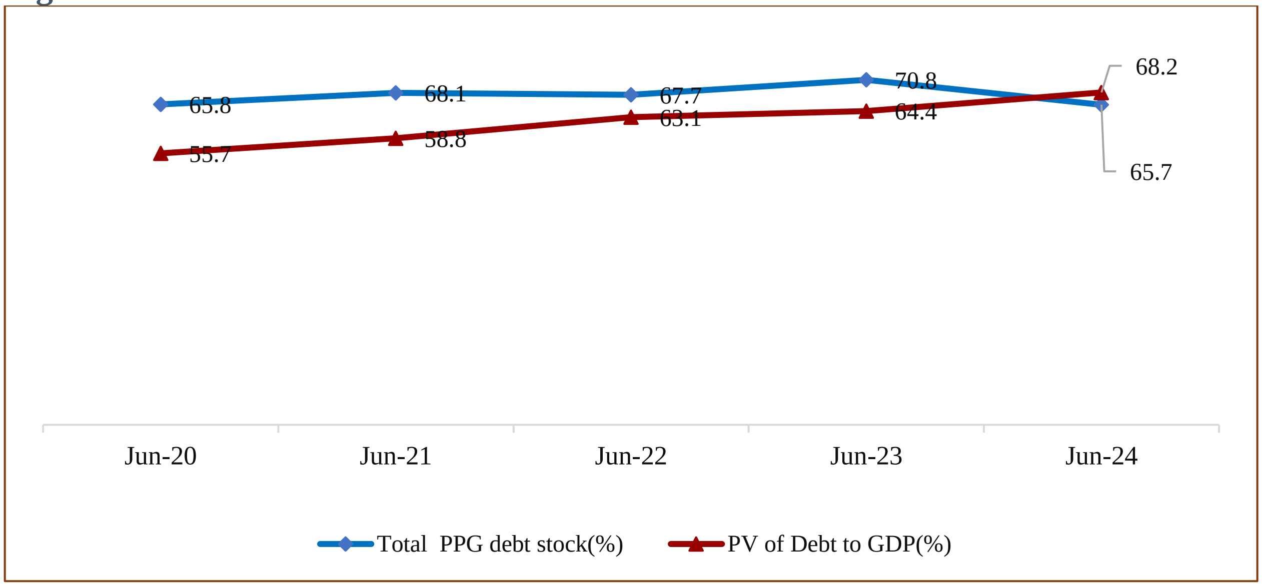
The 2023 MTDS aimed at lowering debt service cost and minimizing refinancing risk. Overall, refinancing and interest rate risk increased marginally on account of tight monetary policy across the domestic and international markets leading to high interest rates regime during the period under review. The increase in debt maturing in one (1) year as a percent of total public debt and GDP is mainly attributed to the bullet payment for the Eurobond of USD 2 billion and the rollover of short-term debt. The Average Time to Maturity (ATM) for overall debt reduced during the period as investors and lenders were cautious on up taking long term debt instruments with the prevailing high-interest rate regime. About 47.0 percent of total public debt was exposed to exchange rate risk as at end June 2024. The main exposure was to the external debt stock denominated in the United States Dollar (USD) accounting for 67.2 percent.

Table 2.3- 1: Evaluation of Costs and Risks Characteristics

Risk Indicators					
		2023 MTDS (1) Targets	**Actual (2)**	**Deviation (2-1)**	**Remark on deviation**
			June 2024		
Interest payment as % of GDP		4.4	5.2	0.8	Increased debt service costs due to increase in interest rates in the international and domestic debt market, and exchange rate depreciation in the first 3 quarters of the FY23/24
Refinancing risk	Debt maturing in 1yr (% of total debt)	10.5	12.1	1.6	Increased refinancing risk due to investor preference to short-term instruments.
	Debt maturing in 1yr (% of GDP)	6.3	7.7	1.4	
	ATM External Portfolio (years)	11.4	9.2	-2.2	
	ATM Domestic Portfolio (years)	8.5	6.5	-2.0	
	ATM Total Portfolio (years)	10.0	7.8	-2.2	
Interest rate risk	ATR (years)	9.6	7.4	-2.2	Worsening in interest rate risk indicators
	Debt refixing in 1yr (% of total)	20.	18.1	1.9	
	Fixed rate debt (% of total)	88.9	93.3	4.4	
	T-bills (percent of the total)	5.5	6.0	0.5	
Foreign exchange (FX) risk	FX debt as % of total debt	51.4	47.0	-4.4	Reduced exposure to foreign exchange rate risk

***Source**: National Treasury*

Figure 2.3- 1: Evaluation of Costs and Risks Characteristics



**Provisional*
Source: National Treasury

CHAPTER THREE

BORROWING AND RELATED FINANCING ACTIVITIES

3.0 Introduction

In the FY 2023/24, the fiscal policy was designed to support a fiscal consolidation plan aimed at reducing the fiscal deficit, to slow the growth of public debt and ensure effective implementation of debt management strategy while providing essential public services.

3.1 Macroeconomic Context

The global economy faced significant challenges due to disruptions in supply chains from geopolitical tensions and climate change shocks, elevated interest rates driven by inflation limiting credit access and increasing debt costs. As a result, the global growth is projected to moderately decline to 3.2 percent in 2024, compared to 3.3 percent in 2023.

The domestic macroeconomic environment is expected to remain stable in the medium term as the Government continues to implement its fiscal consolidation programme. The economy grew by 5.6 percent in 2023 supported by rebound in Agricultural and Service sectors. This growth momentum has continued in 2024 with the economy expanding by 5.0 percent in the first quarter 2024 supported by robust growth in the agriculture, forestry and fishing sub sector.

3.2 Deficit Financing

During the period under review, the Government mobilised KSh.818.3 billion (5.1 percent of GDP) against the financing requirements of KSh.925.0 billion (5.7 percent of GDP). This comprised net external financing of KSh 222.7 billion (1.4 percent of GDP) and net domestic financing of KSh 595.6 billion (3.7 percent of GDP).

3.3 Domestic Financing

In the FY 2023/2024, the net domestic financing was KSh.595.6 billion against a target of KSh.665.7 billion. This comprised KSh.596.6 billion from domestic borrowing and net repayment of KSh.1.0 billion on other domestic financing items.

3.4 External Financing

Net external financing in the FY 2023/2024 was KSh 222.7 billion, compared to a target of KSh 259.3 billion. The total disbursements were KSh.760.5 billion against principal repayments of KSh 537.8 billion. The disbursements mobilised during the fiscal year constituted KSh 155.8 billion in project loans, KSh 317.8 billion in programme loans, and KSh 286.9 billion in commercial loans.

It is important to note that, in February 2024, the National Treasury undertook a liability management operation to de-risk the June 2024 Eurobond maturity of USD 2,000 million. The

Government, completed a successful Eurobond issuance and buyback transaction. Kenya accessed international financial markets to refinance USD 1.5 billion or 75% of the 2024 Eurobond. The remaining portion of the 2024 Eurobond amounting to USD 500 million was repaid on maturity through a mix of Government's financing sources.

CHAPTER FOUR

TOTAL PUBLIC AND PUBLICLY GUARANTEED DEBT STOCK

4.0 Introduction

Kenya's total public debt stock increased by KSh 303.2 billion (2.9 percent) to KSh 10,582.0 billion in the FY 2023/24 from KSh 10,278.9 billion as at the end of FY 2022/23. This comprised KSh. 5,171.7 billion (48.9 percent of total debt) in external debt while domestic debt amounted to KSh. 5,410.3 billion (51.1 percent of total debt). (**Table 4.0-1 below**).

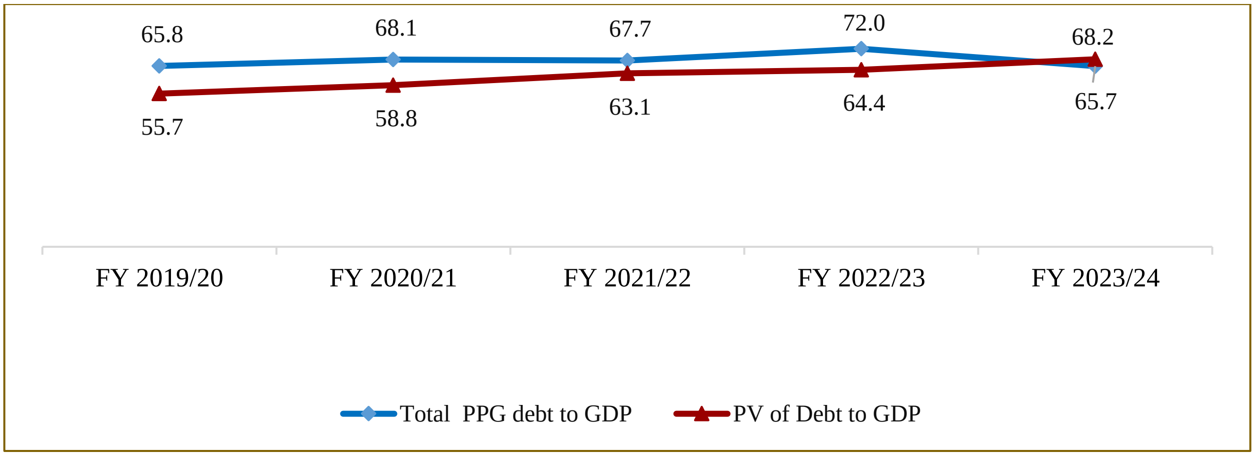
Table 4.0- 1: Trends in Kenya's Public and Publicly Guaranteed Debt (KSh Million)

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24*
Total PPG debt stock	**6,693,338**	**7,696,634**	**8,634,909**	**10,278,879**	**10,581,988**
O/w External	3,515,812	3,999,541	4,305,835	5,446,561	5,171,704
O/w Domestic	3,177,526	3,697,093	4,329,074	4,832,318	5,410,284
% share of External debt	52.5	52.0	49.9	53.0	48.9
% share of Domestic debt	47.5	48.0	50.1	47.0	51.1
Nominal GDP	**10,175,226**	**11,304,100**	**12,752,164**	**14,274,419**	**16,106,042**
As percentage of GDP					
Total PPG debt to GDP	**65.8**	**68.1**	**67.7**	**72.0**	**65.7**
O/w External	34.6	35.4	33.8	38.2	32.1
O/w Domestic	31.2	32.7	33.9	33.9	33.6
PV of Debt to GDP	55.7	58.8	63.1	64.4	68.2
Annual Growth rate					
Total PPG debt stock	15.2	15.0	12.2	19.0	2.9
O/w External	16.3	13.8	7.7	26.5	-5.0
O/w Domestic	14.1	16.4	17.1	11.6	12.0
Real GDP Growth	-0.3	7.6	4.8	5.3	5.6

**Provisional*
Source: *National Treasury and Central Bank of Kenya*

During FY 2023/2024, debt to GDP reduced to 65.7 percent from 72.0 percent as at end June 2023. The downward trend was attributed to appreciation of the Kenya Shilling against major foreign currencies. Total public debt in Present Value (PV) terms as a percentage of GDP was 68.2 percent as at end December 2023 and is projected to decline to 67.2 per cent in December, 2024.

Figure 4.0- 1: Evaluation of costs and risks characteristics



Source: *National Treasury*

The share of total public debt to GDP in nominal terms and the PV of debt to GDP spread narrowed due to change in the structure of public debt over the years. This was as a result of changes of terms of new borrowing due to Kenya`s graduation to lower middle income country.

4.1 Debt Service

During the period under review, the total public debt service increased by 30.0 percent to KSh. 1,563.3 billion from KSh 1,199.4 billion in FY 2022/23 (this includes domestic treasury bonds rollover). External debt service increased by 87.9 percent to KSh 755.9 billion due to the maturity of the 2024 Euro bond of USD 2,000 million during the financial year. The domestic debt service remained relatively stable from the previous period registering a growth of 0.5 per cent.

Table 4.1- 1: Total Public and Publicly Guaranteed Debt Service (KSh Million)

	FY2019/20	FY2020/21	FY2021/22	FY2022/23	FY2023/24*
Total Debt Service	**651,473**	**780,628**	**917,778**	**1,199,436**	**1,557,122**
Total interest	**437,293**	**495,142**	**577,979**	**689,005**	**840,732**
External Debt Service	**223,440**	**234,590**	**305,666**	**402,365**	**755,971**
External Principal	101,600	128,278	184,536	246,458	537,783
External Interest	121,840	106,312	121,130	155,907	218,188
Domestic Debt	**428,033**	**546,038**	**612,112**	**797,071**	**801,152**
Domestic Interest	315,453	388,830	456,849	533,098	622,544
Domestic Principal	112,580	157,208	155,263	263,973	178,608
Memorandum items					
As a percentage of Revenues					
Total debt services	41.4	50.0	47.9	58.8	68.0
Total interest	27.8	31.7	30.1	33.8	36.7
External interest	7.7	6.8	6.3	7.6	9.5
Domestic interest	20.0	24.9	23.8	26.1	27.2
Ordinary Revenue	1,573,732	1,562,015	1,917,911	2,041,119	2,288,921
As a percentage of Export					
External Debt Service	37.4	34.5	36.5	39.2	75.5
Export Earnings (Goods only)	596,677	680,731	838,024	1,026,479	1,007,919

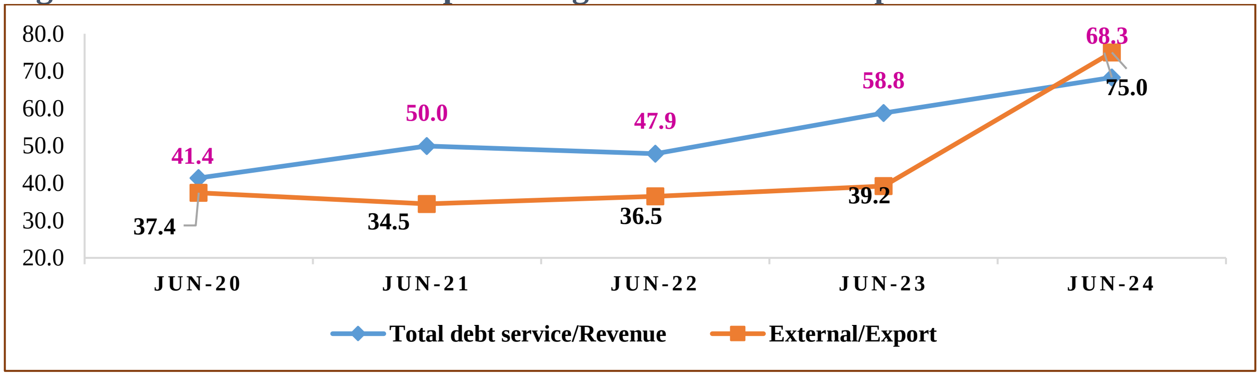
**Provisional*

Source: *National Treasury and Central Bank of Kenya*

The total debt service as a percentage of ordinary revenue rose to 68.3 percent in the FY 2023/2024 from 58.8 percent in the FY 2022/2023 as a result of the repayment of USD 2,000 million Eurobond, high interest rates environment, and depreciation of Kenya shilling in the first half of the FY 2023/24 (see (table 4.1-1) and figure 4.1-1)). The total interest payments as a ratio of revenue increased to 36.7 percent in the FY 2023/2024 from 33.8 percent in the FY 2022/2023. External and domestic interest payments increased to 9.5 per cent and 27.2 percent in the FY 2023/2024 from 7.6 percent and 26.1 percent in the FY 2022/2023 respectively. The total external debt service as a ratio of exports increased to 75.0 percent in FY 2023/24 up from 39.2 percent in FY 2022/23 on account of payment of USD 2,000 million Eurobond that matured during the fiscal year.

Out of the external interest payments of Ksh 218,188 million in FY 2023/24, the commitment fees payments on undisbursed external loans were Ksh 1,583 million, an increase from Ksh 1,359 million in the previous year.

Figure 4.1- 1: Debt service as percentage of revenue and export



Source: *National Treasury*

CHAPTER FIVE

DOMESTIC DEBT

5.0 Introduction

Domestic debt comprises Treasury bills and bonds, Central Bank of Kenya (CBK) overdraft advanced to Government, pre-1997 CBK debt, bank advances from Commercial Banks and CBK on lent loans to Government (IMF SDR allocations to Kenya).

5.1 Domestic Debt Stock

As at end June 2024, the domestic debt stock was KSh 5,410.3 billion, an increase of KSh 577,967 million (12.0 per cent) from KSh 4,832.3 billion as at end June 2023. The increase was attributed to the growth in the stock of Treasury bonds during the fiscal year to meet the Government's financing needs. The stock of Treasury bonds was KSh 4,627.1 billion in June 2024, up from KSh 4,013.9 billion in June 2023 while Treasury bills stock was KSh 615.9 billion in June 2024, up from KSh 614.7 billion in June 2023.

The pre-1997 CBK debt reduced to KSh 17.2 billion in June 2024 from KSh 17.8 billion in June 2023. The CBK overdraft to the Government decreased to KSh 61.0 billion in June 2024 from KSh 76.5 billion in June 2023 (***See Table 5.1-1 below).***

Tale 5.1- 1: Outstanding Domestic Debt (KSh Million)

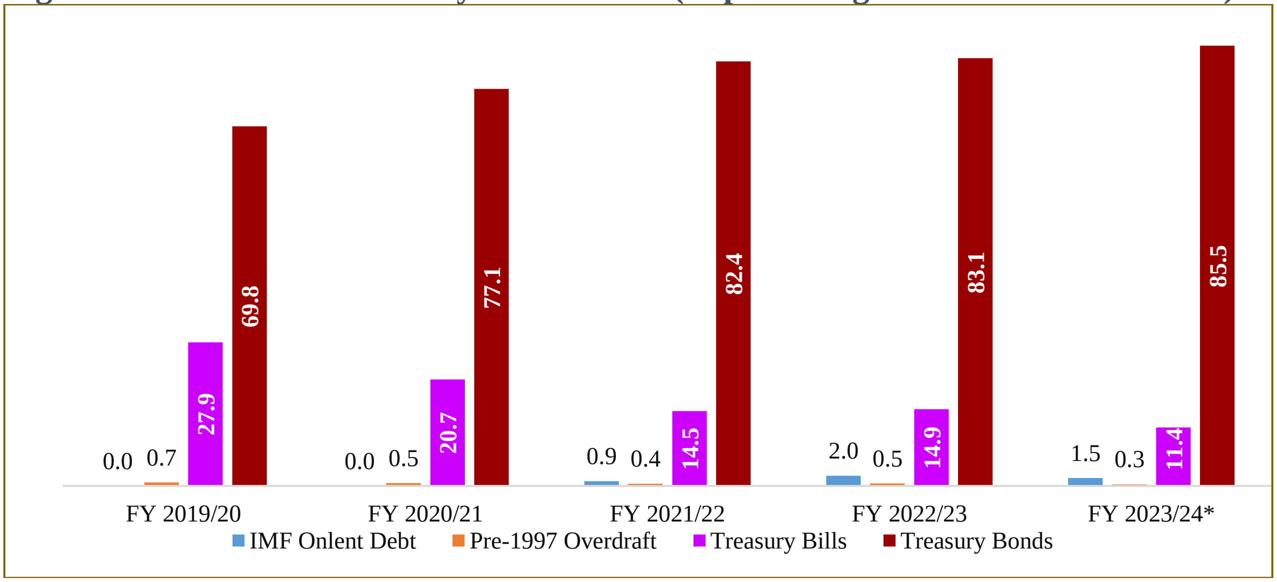
	Instrument/Holder	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY2023/24*
	Total Domestic Debt (A+B)	**3,177,527**	**3,697,093**	**4,329,099**	**4,832,318**	**5,410,284**
A	Government Securities (1+2+3)	3,128,260	3,635,319	4,216,745	4,646,405	5,260,246
1)	**Treasury Bills**	**887,142**	**765,375**	**628,754**	**614,726**	**615,890**
	Banking Institutions	587,684	452,891	287,684	263,082	208,105
	Others	299,458	312,484	341,070	351,644	407,785
2)	**Treasury Bonds**	**2,219,444**	**2,849,935**	**3,569,092**	**4,013,891**	**4,627,123**
	Banking Institutions	1,093,517	1,367,100	1,710,357	1,826,599	2,073,568
	Others	1,125,927	1,482,835	1,858,735	2,187,291	2,553,555
3)	**Pre-1997 Government Debt**	21,674	20,009	18,899	17,789	17,234
B.	**Others**	**49,267**	**61,774**	**112,354**	**185,912**	**150,038**
	O/w IMF funds on-lent to Government	0	0	40,766	95,516	83,541
	CBK Overdraft	47,150	59,279	58,502	76,457	61,021
	As a percentage of Total Domestci Debt					
	Government Securities	**98.4**	**98.3**	**97.4**	**96.2**	**97.2**
	o/w Treasury bills	27.9	20.7	14.5	12.7	11.4
	Treasury bonds	69.8	77.1	82.4	83.1	85.5
	Pre-1997 Government Debt	0.7	0.5	0.4	0.4	0.3
	Others	**1.6**	**1.7**	**2.6**	**3.8**	**2.8**
	O/w IMF funds on-lent to Government	0.0	0.0	0.9	2.0	1.5
	CBK Overdraft	1.5	1.6	1.4	1.6	1.1

Source: *Central Bank of Kenya*

5.2 Domestic Debt by Type of Instrument

Treasury bonds and Treasury bills accounted for 85.5 percent and 11.4 percent of the total domestic debt respectively as at end June 2024 while the IMF funds on-lent to Government and CBK Overdraft were 1.5 percent and 1.1 percent, respectively. The stock of Treasury bonds as a proportion of total domestic debt has grown gradually from 69.8 percent in June 2020 to 85.5 percent in June 2024. On the other hand, the proportion of Treasury bills has steadily declined from 27.9 percent in June 2020 to 11.4 percent in June 2024 indicating reduced refinancing risk as shown in Figure 5.2-1 below.

Figure 5.2- 1: Domestic Debt by Instruments (as percentage of total Domestic Debt)



Source: *Central Bank of Kenya*

5.3 Domestic Debt by Investor Category

In the FY 2023/24, the share of Government securities held by non-bank institutions increased to 53.1 percent from 52.6 percent in FY 2022/2023 while banks holdings decreased to 46.9 percent from 47.4 percent. The shift in securities holdings reflects an improved diversification of the investor base away from commercial banks dominance.

Table 5.3- 1: Domestic Debt by Investor Category (KSh Million)

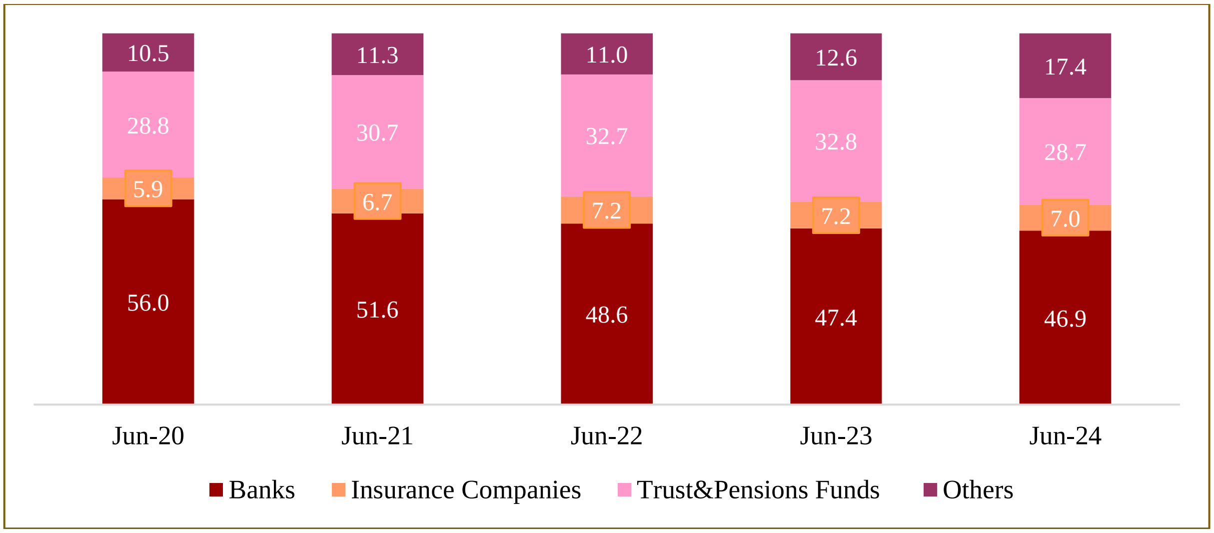
Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY2023/24
Banks	**1,780,079**	**1,907,566**	**2,083,182**	**2,289,416**	**2,535,232**
Central Bank of Kenya	98,878	87,575	85,141	198,108	170,109
Commercial Banks	1,638,944	1,813,301	2,018,546	2,096,223	2,365,123
Non-Banks	**1,397,447**	**1,789,527**	**2,205,151**	**2,542,696**	**2,875,053**
Insurance Companies	188,959	246,004	309,904	345,796	379,070
Trust & Pension funds	916,454	1,133,453	1,403,175	1,583,455	1,552,456
Other investors	332,671	416,558	472,442	608,678	943,527
Total	**3,177,526**	**3,697,093**	**4,288,333**	**4,832,112**	**5,410,284**
As a Percentage of the Domestic Debt					
Banks	**56.0**	**51.6**	**48.6**	**47.4**	**46.9**
Central Bank of Kenya	3.1	2.4	2.0	4.1	3.1
Commercial Banks	51.6	49.0	47.1	43.4	43.7
Non Banks	44.0	**48.4**	**51.4**	**52.6**	**53.1**
Insurance Companies	5.9	6.7	7.2	7.2	7.0
Trust & Pension funds	28.8	30.7	32.7	32.8	28.7
Other investors	10.5	11.3	11.0	12.6	17.4
Total	100.0	100.0	100.0	100.0	100.0

Source: *Central Bank of Kenya*

Domestic debt stock held by trust and pension funds decreased to 28.7 percent in June 2024 from 32.8 percent in June 2023 whereas that of insurance companies stood at 7 percent as at end June

2024. Notably, stock of domestic debt held by other investors, that is, households, parastatals and private companies grew to 17.4 percent from 12.6 per cent in June 2023, a reflection of a growing diversification in the investor base as shown in Figure 5.3-1.

Figure 5.3- 1: Outstanding Domestic Debt Stock by Holders as a percentage of Total Domestic Debt



Source: *Central Bank of Kenya*

5.4 Treasury Bills by Investor Category

The proportion of Treasury bills held by banks declined to 33.8 percent while trust and pension funds and insurance companies accounted for 29.6 percent and 7.2 percent, respectively. The proportion held by other investors (parastatals, savings and credit societies, retail investors and non-residents) stood at 56.2 percent.

Table 5.4- 1: Outstanding Stock of Treasury Bills by Investor Category (KSh Million)

Holder	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24*
Banks	598,071	587,684	452,891	287,684	263,082	208,105
Insurance companies	18,225	7,640	7,176	6,581	6,937	6,558
Trust and Pensions Funds	170,298	161,007	144,434	167,554	166,420	55,080
Other investors	167,657	130,811	160,874	166,936	178,286	346,145
Total	**954,251**	**887,142**	**765,375**	**628,755**	**614,725**	**615,889**
As a percentage of the Total Outstanding Domestic Debt						
Banks	62.7	66.2	59.2	45.8	42.8	33.8
Insurance companies	1.9	0.9	0.9	1.0	1.1	1.1
Trust and Pensions Funds	17.8	18.1	18.9	26.6	27.1	8.9
Other investors	17.6	14.7	21.0	26.6	29.0	56.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

*****Provisional

Source: *Central Bank of Kenya*

5.5 Treasury Bonds by Investor Category

The stock of outstanding Treasury bonds held by banks and pension funds decreased by 0.7 percent and 1.8 percent respectively. Other investor categories increased their holdings by 2.6 percent. However, the stock held by insurance companies decreased marginally by 0.1 percent.

Table 5.5- 1: Outstanding Stock of Treasury Bonds by Holder (KSh Million)

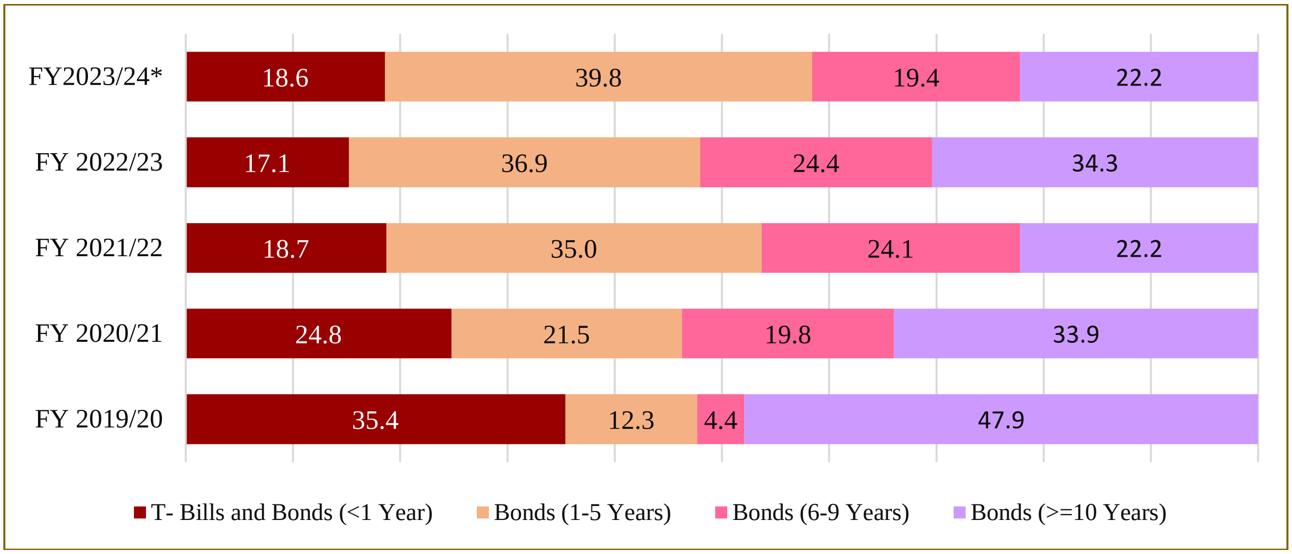
Holder	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY2023/24*
Banks	1,093,517	1,367,100	1,710,357	1,826,599	2,073,568
Insurance companies	184,576	239,174	301,265	338,657	384,451
Trust and Pensions Funds	762,088	990,615	1,224,108	1,416,117	1,547,940
Other investors	179,080	252,863	333,179	432,517	621,164
Total	**2,219,261**	**2,849,752**	**3,568,909**	**4,013,891**	**4,627,123**
	As percentage of Total				
Banks	49.3	48.0	47.9	45.5	44.8
Insurance companies	8.3	8.4	8.4	8.4	8.3
Trust and Pensions Funds	34.3	34.8	34.3	35.3	33.5
Other investors	8.1	8.9	9.3	10.8	13.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

**Provisional*
***Source:** Central Bank of Kenya*

5.6 Treasury Bills and Treasury Bonds by Remaining Time to Maturity

The Treasury bills and bonds maturing within one year increased from 17.1 percent in FY2022/2023 to 18.6 percent in FY2023/2024 indicating increased refinancing risk. In FY2023/2024, the proportion of Treasury bonds with remaining time to maturity of between 1-5 years increased to 39.8 percent from 36.9 percent, and those with more than 10 years decreased to 22.2 percent from 34.3 percent in FY2022/2023.

Figure 5.6- 1: Government Domestic Debt Securities by Remaining Time to Maturity

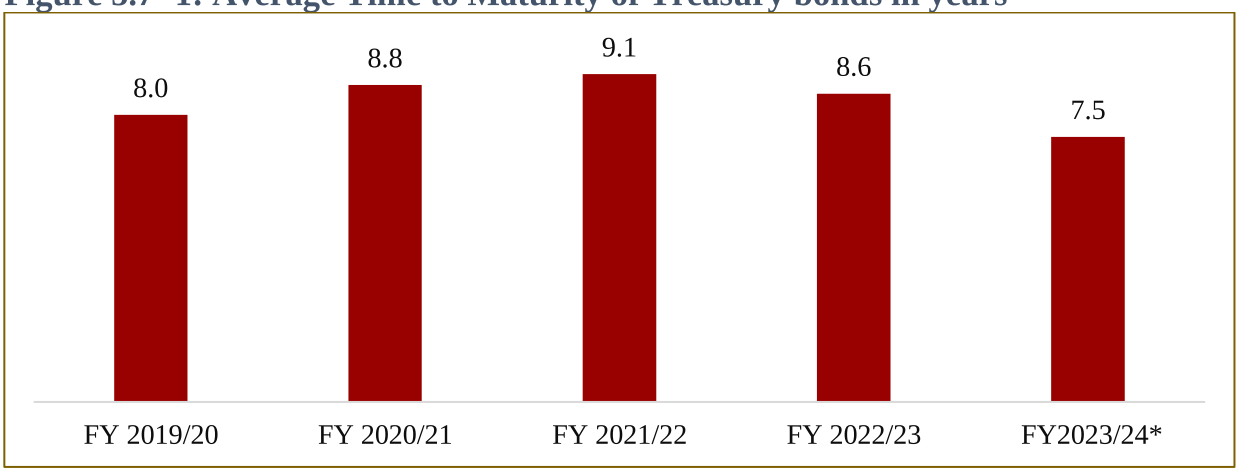


Source: *Central Bank of Kenya*

5.7 Treasury Bonds Maturity Profile

The Treasury Bonds' ATM declined to 7.5 years in June 2024 from 8.6 years in FY 2022/2023 as shown in Figure 5.7-1. This was driven by investor's preference for short to medium-term Treasury bonds amid a high interest rates environment during FY 2023/24.

Figure 5.7- 1: Average Time to Maturity of Treasury bonds in years



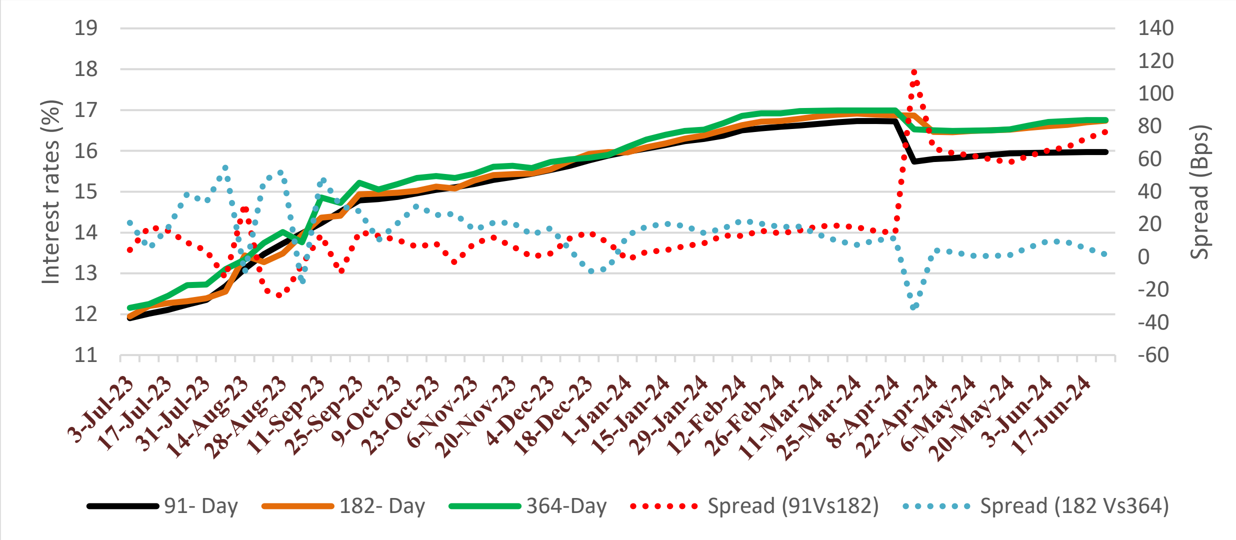
Source: *Central Bank of Kenya*

5.8 Average Interest Rates on Treasury Bills

The average interest rates had an upward trend but eased in the fourth quarter of the FY2023/24 aligned to the monetary policy stance. The spread between the 182- and 364-days tenors remained narrow during the period under review while the spread between the 91- and 182-days tenors widened (***See Figure 5.8-1***). The average interest rates for the 91 days, 182 days and 364 days

Treasury bills were 16 percent, 16.7 percent and 16.8 percent in June 2024 compared to 11.8 percent, 11.9 percent and 11.9 percent respectively in FY 2022/2023.

Figure 5.8- 1: Average Interest Rates and Spreads on Treasury Bills

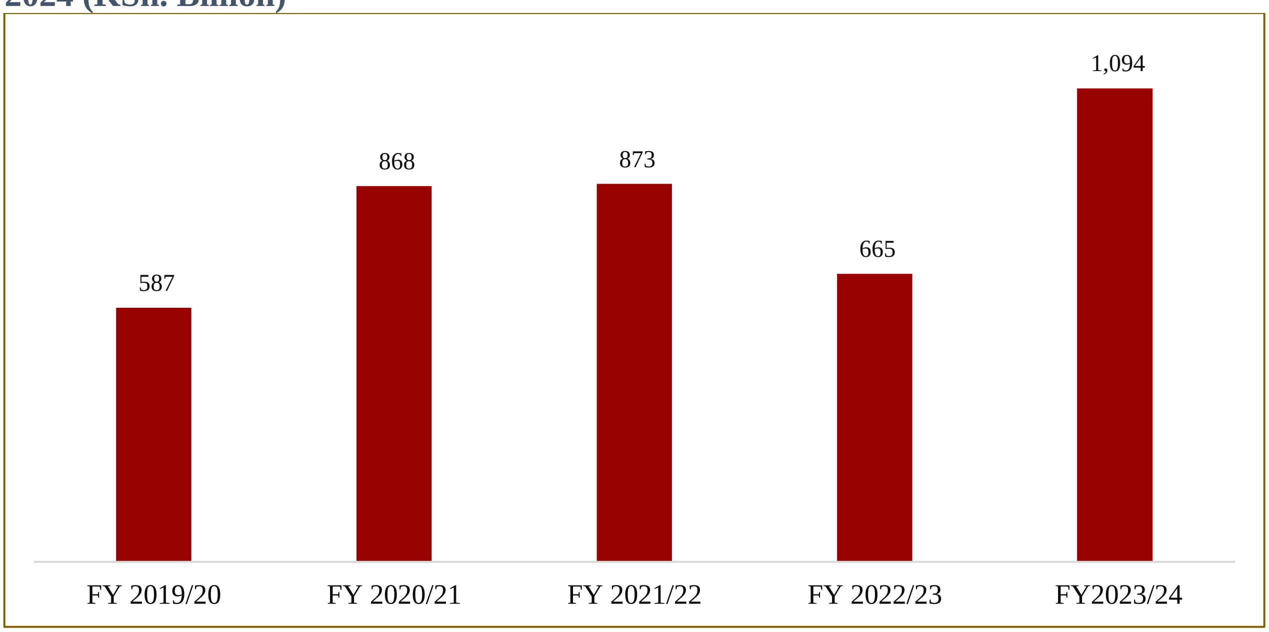


Source: *Central Bank of Kenya*

5.9 Secondary Market for Government Securities

The Treasury bonds secondary market turnover increased to KSh 1,093 billion in the FY 2023/24 compared to KSh 665 billion traded in the FY 2022/23. The improved secondary market turnover was partly attributed to increased issuance sizes thus creating adequate supply in the secondary market. (Figure 5.9-1).

Figure 5.9- 1: Secondary Market Turnover for Treasury Bonds, FY2019/2020- 2023/ 2024 (KSh. Billion)

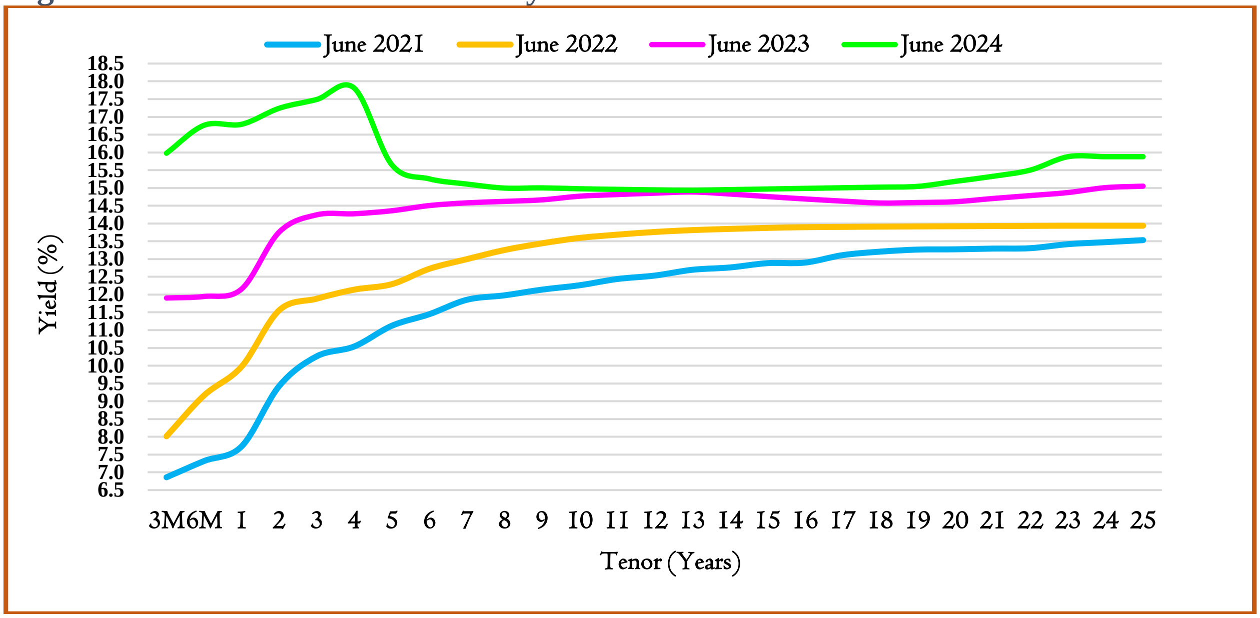


Source: *Nairobi Securities Exchange*

5.10 Government Securities Yield Curve

The yield curve was inverted during the FY 2023/24 and had an upward shift from previous years partly attributed to high interest rates environment, investor preference for short-term instruments and prevailing monetary policy stances in the local and international markets. The yield curve was steeper in the short end segment but remained relatively stable in the medium to long-term segments.

Figure 5.10- 1: Government of Kenya Securities Yield Curve



Source: *National Securities Exchange*

5.11 Interest Payments on Domestic Debt

The total interest payments and other charges on domestic debt was KSh 622.5 billion in FY 2023/ 2024, an increment of 16.8 percent from KSh 533.1 billion in FY 2022/2023. The discount cost on Treasury bills increased from KSh 58.9 billion to KSh 70.4 billion, while interest on Treasury bonds increased from KSh 466.4 billion in FY 2022/ 2023 to KSh 539.0 billion in FY 2023/ 2024. During the fiscal year under review, the ratios of domestic interest payments to total revenue increased to 27.2 percent from 26.1 percent in FY2022/2023 whereas the ratio of public domestic debt interest payments to GDP increased to 3.9 percent from 3.7 percent.

Table 5.11- 1: Interest Payments on Domestic Debt (KSh Million)

Type of Debt	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY2023/24
Treasury Bills	80,517	74,903	61,374	58,987	70,395
Treasury Bonds	228,028	308,412	389,819	466,396	539,016
CBK Commission	3,000	3,000	3,000	3,000	3,000
Pre - 1997 Debt	669	628	592	557	524
Others (Overdraft)	3,239	1,892	2,064	4,158	9,608
Total	**315,453**	**388,834**	**456,849**	**533,098**	**622,544**
Nominal GDP	10,175,226	11,304,100	12,752,164	14,274,419	16,131,502
Ordinary Revenue	1,573,732	1,562,015	1,917,911	2,041,119	2,288,921
Ratios					
Domestic Interest/Revenue	20.0	24.9	23.8	26.1	27.2
Domestic Interest/GDP	3.1	3.4	3.6	3.7	3.9

Source: *Central Bank of Kenya*

CHAPTER SIX

PUBLIC EXTERNAL DEBT

6.0 Introduction

The public and publicly guaranteed external debt decreased by KSh 274.9 billion (5.1 percent) to KSh 5,171.7 billion in FY 2023/ 2024 from KSh 5,446.6 billion in FY 2022/2023 (***Table 6.0-1***).

Table 6.0- 1: External Debt Stock by Creditor Type (KSh Million)

Creditor Type	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY2023/24*
Bilateral	993,696	1,064,272	1,105,737	1,257,498	1,092,689
Multilateral	1,316,835	1,659,411	1,923,444	2,654,934	2,786,948
Commercial	1,022,402	1,106,476	1,113,256	1,349,052	1,178,364
O/w ISB holders	649,787	766,445	836,610	997,717	854,878
Suppliers' Credit	17,631	12,162	12,154	14,848	13,537
Guaranteed External Debt					
Bilateral	80,562	76,257	67,532	82,005	71,026
Commercial	79,892	80,963	83,712	88,224	29,139
Multilateral	4,794	0	0	0	0
Total External Debt	**3,515,812**	**3,999,541**	**4,305,835**	**5,446,561**	**5,171,704**
In percentage of Total External Debt (%)					
Bilateral	30.6	28.5	27.2	24.6	22.5
Multilateral	37.6	41.5	44.7	48.7	53.9
Commercial	31.4	29.7	27.8	26.4	23.3
O/w ISB holders	18.5	19.2	19.4	18.3	16.5
Suppliers' Credit	0.5	0.3	0.3	0.3	0.3
Total	**100**	**100**	**100**	**100**	**100**

**Provisional*
Source: *National Treasury*

The decrease in external debt stock is attributed to appreciation of the Kenya shilling against major foreign currencies.

In the FY 2023/24, the Kenya Shilling appreciated against all the four major currencies in which, the largest portion of Kenya`s external debt is denominated as illustrated in Table 6.0-2 below.

Table 6.0- 2: Exchange rate movement against major currencies

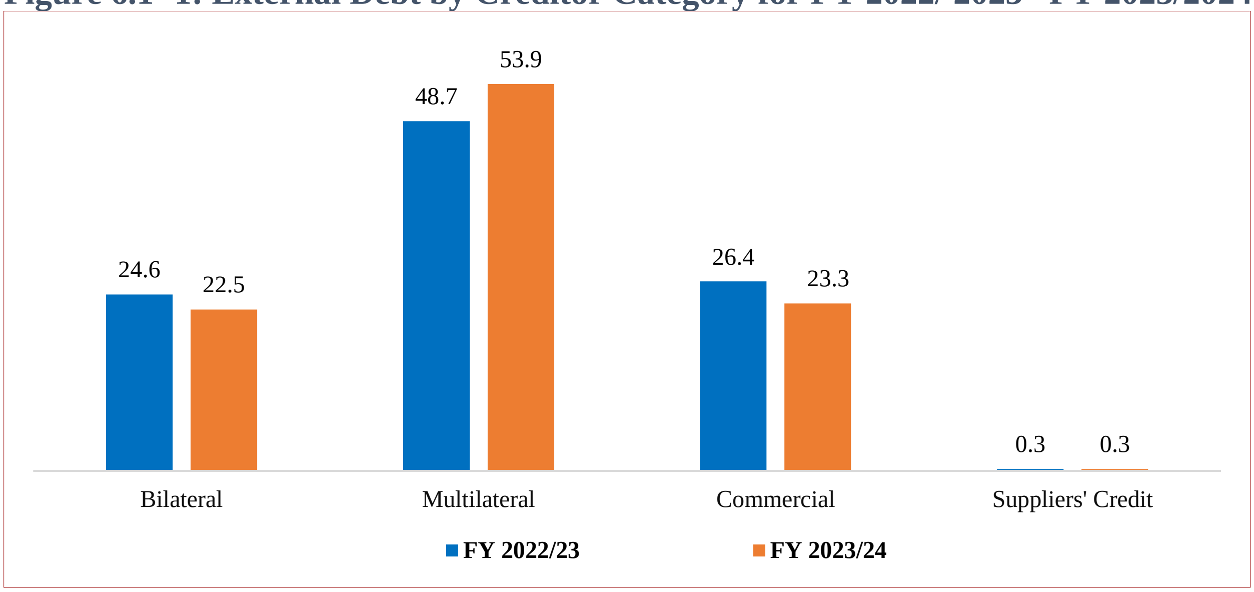
Major Currencies	Exchange rate		Percentage Change
	FY 2022/23	FY2023/24	
US Dollar (USD)	140.5	129.5	-7.83
Euro (EUR)	153.0	138.9	-9.22
Sterling Pound (GBP)	177.3	163.9	-7.56
Japanese Yen (JPY)	97.0	80.7	-16.8
Chinese Yuan	19.4	17.8	-8.25

Source: *National Treasury*

6.1 External Debt by Creditor Category

The share of multilateral debt increased to 53.9 percent in FY2023/24 from 48.7 percent of the total external debt stock in FY2022/23. The increase was due to Government's strategy to maximise on concessional financing and reduce refinancing risk. The share of external debt owed to bilateral and commercial creditors decreased from 24.6 percent and 26.4 percent to 22.5 percent and 23.3 percent, respectively, between FY2022/23 and FY2023/24.

Figure 6.1- 1: External Debt by Creditor Category for FY 2022/ 2023 –FY 2023/2024

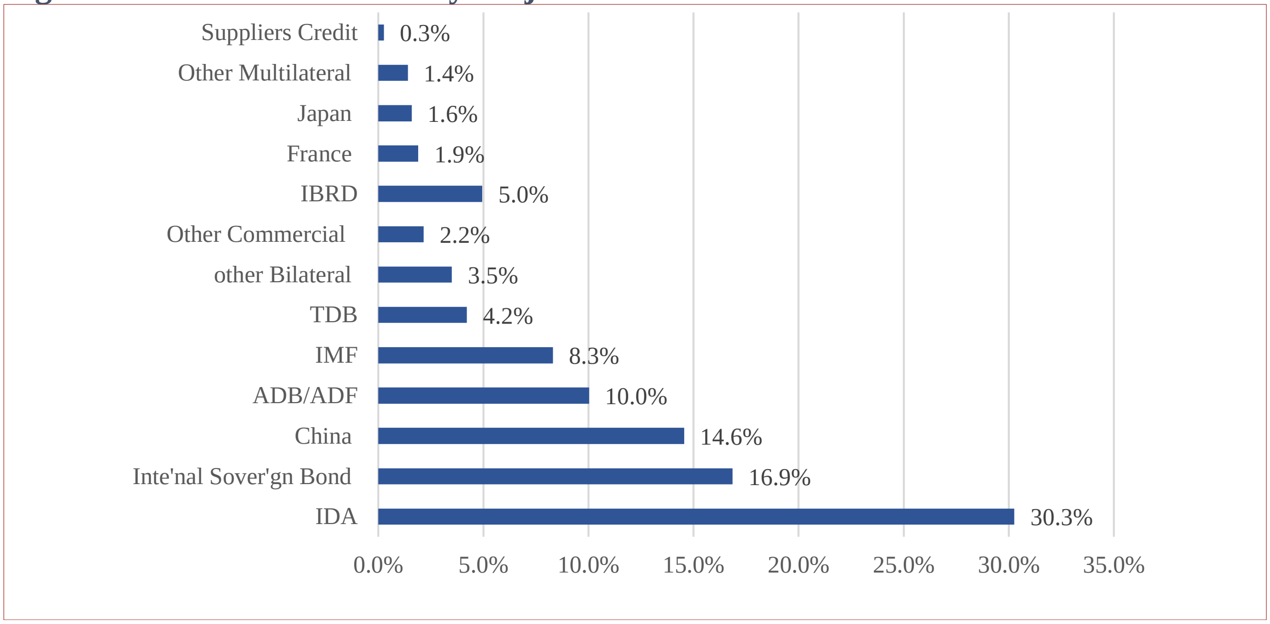


Source: *National Treasury*

6.2 External Debt by Major Creditors

The major external creditors to Kenya in FY 2023/2024 were the International Development Association (IDA), International Sovereign Bond holders (ISB) and the Government of China at 30.3 percent, 16.9 percent and 14.6 percent respectively of the total external debt (***See Figure 6.2-1 below***).

Figure 6.2- 1: External Debt by Major Creditors

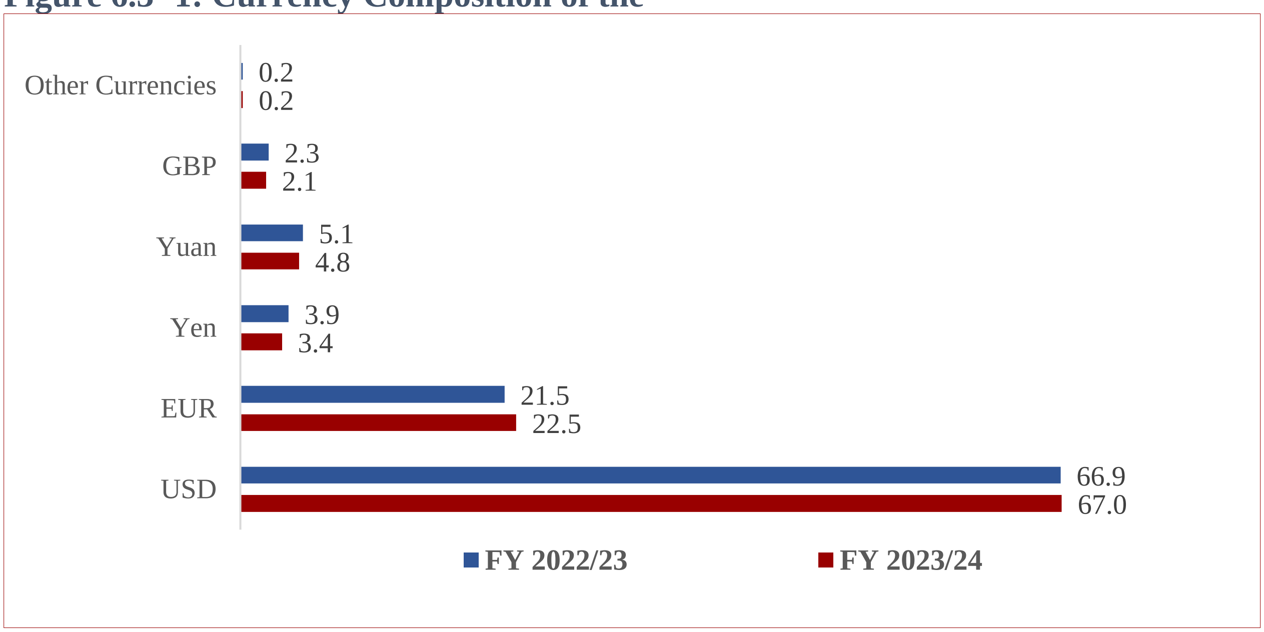


Source: *National Treasury*

6.3 Currency Composition of External Debt

The USD remained the most dominant foreign currency in Kenya's external public debt portfolio. The share of external debt held in USD increased from 66.9 percent in FY 2022/2023 to 67 percent in FY 2023/2024 (***See Figure 6.3-1***). Euro denominated debt increased to 22.5 percent from 21.5 percent while the portfolio held in Japanese Yen was 3.4 percent, Chinese Yuan at 4.8 percent and the Sterling Pound (GBP) at 2.1 percent. Other currencies accounted for 0.2 percent during the period under review.

Figure 6.3- 1: Currency Composition of the



Source: *National Treasury*

6.4 Maturity Structure of External Debt

During the FY2023/ 2024, the proportion of external debt with remaining maturity of more than 10 years increased to 64.4 percent of total external debt stock from 63.8 percent in the previous year. The share of total external debt stock with remaining maturity of between 0-1 years decreased from 5.6 percent to 0.3 percent, while between 2-5 and 6-10 years increased from 10.5 percent and 20.2 percent to 11.6 percent and 23.6 percent, respectively (See Table 6.4-1).

Table 6.4- 1: Outstanding External Debt by Remaining Maturity (Percentage)

Maturity Structure (Years)	FY 2020/21	FY 2021/22	FY2022/23	FY2023/24
0-1	0.3	0.8	5.6	0.3
2-5	8.0	11.0	10.5	11.6
6-10	22.6	23.1	20.2	23.6
Over 10 years	69.0	65.1	63.8	64.4

Source: *National Treasury*

6.5 External Debt Service

The multilateral debt component shows an upward trend, with the principal and interest payments increasing from FY2022/2023 to FY2023/2024. The multilateral debt service increased from KSh 75.2 billion in June 2023 to KSh 109.4 billion in FY 2023/2024. The percentage share of multilateral debt service decreased from 18.7 percent in FY2022/2023 to 14.0 percent in FY2023/2024, indicating rapid growth in other debt categories, particularly commercial debt.

Bilateral total debt service increased from KSh 152.5 billion in FY2022/2023 to KSh 206.1 billion in FY 2023/2024. The principal payment increased from KSh 115.8 billion in FY 2022/2023 to KSh 147.5 billion in FY 2023/2024 while interest payment increased from KSh 36.7 billion to KSh 58.6 billion.

However, the share of bilateral debt service decreased from 37.9 percent in FY2022/ 2023 to 27.0 percent in FY2023/2024, reflecting a shift towards other forms of borrowing, despite the increase in absolute terms.

Commercial debt increased notably in FY2023/2024, where the principal amount increased to KSh 337.7 billion, from KSh 86.4 billion in FY 2022/2023. The increase was due to payment of the Eurobond of USD 2,000 million. Consequently, the total commercial debt service rose from KSh 174.6 Billion to KSh 440.4 billion in FY/2023/2024 increasing its debt composition from 43.4 percent in FY 2022/2023 to 58.0 percent in FY/2023/2024.

Out of the external interest payments of KSh 218,187 million in FY 2023/24, the commitment fees payments on undisbursed external loans were KSh 1,583 million, an increased from KSh 1,359 million in the previous year.

Table 6.5- 1: External Debt Service by Creditor Category (KSh Million)

		FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY2023/24*
Multilateral	Principal	18,782	25,122	32,249	44,245	52,642
	Interest	9,788	15,324	19,074	30,945	56,801
	Sub Total	**28,570**	**40,446**	**51,323**	**75,190**	**109,443**
Bilateral	Principal	40,149	37,518	75,161	115,831	147,464
	Interest	34,344	18,475	27,356	36,720	58,624
	Sub Total	**74,493**	**55,993**	**102,517**	**152,551**	**206,088**
Commercial	Principal	42,669	65,638	77,125	86,382	337,676
	Interest	77,708	72,513	74,700	88,242	102,762
	Sub Total	**120,377**	**138,151**	**151,825**	**174,624**	**440,438**
Grand Total	Principal	101,600	128,278	184,535	246,458	537,782
	Interest	121,840	106,312	121,130	155,906	218,187
	Sub Total	**223,440**	**234,590**	**305,665**	**402,365**	**755,970**
	As as percentage	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24
Multilateral		12.8	17.2	16.8	18.7	14.0
Bilateral		33.3	23.9	33.5	37.9	27.0
Commercial		53.9	58.9	49.7	43.4	58.0
Total		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: *National Treasury*

6.6 External Loan Disbursements

During the period under review, external loan disbursed was KSh. 760.5 billion. These disbursements included KSh. 68.3 billion in Project Loans A.I.A, KSh. 317.8 billion in program loans, KSh. 87.4 billion in Project Cash Loans and KSh 286.9 billion in commercial loans.

Table 6.6- 1: External loans disbursements

Type of Disbursement	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY2023/24*
Project Cash Loans	47,798	77,492	58,601	61,975	87,444
Project Loans A-I-A	104,525	95,215	92,619	74,245	68,343
Projects Loans A-I-A, SGR	12,242	4,643	0	0	0
Project Loans A-I-A, SGR-Phase 2A	32,569	6,871	0	0	0
Commercial Financing	5,870	114,292	0	102,218	286,875
Programme Loans	239,399	168,644	175,840	266,885	317,837
Total	**442,403**	**467,157**	**327,060**	**505,323**	**760,499**
As percentage of Total					
Project Loans	44.6	39.4	46.2	27.0	11.5
Project Cash Loans	10.8	16.6	17.9	12.3	9.0
Project Loans A-I-A	23.6	20.4	28.3	14.7	0.0
Budget Support Loans	55.4	60.6	53.8	73.0	0.0
Commercial Financing	1.3	24.5	-00	20.2	37.7
Programme Loans	54.1	36.1	53.8	52.8	41.8

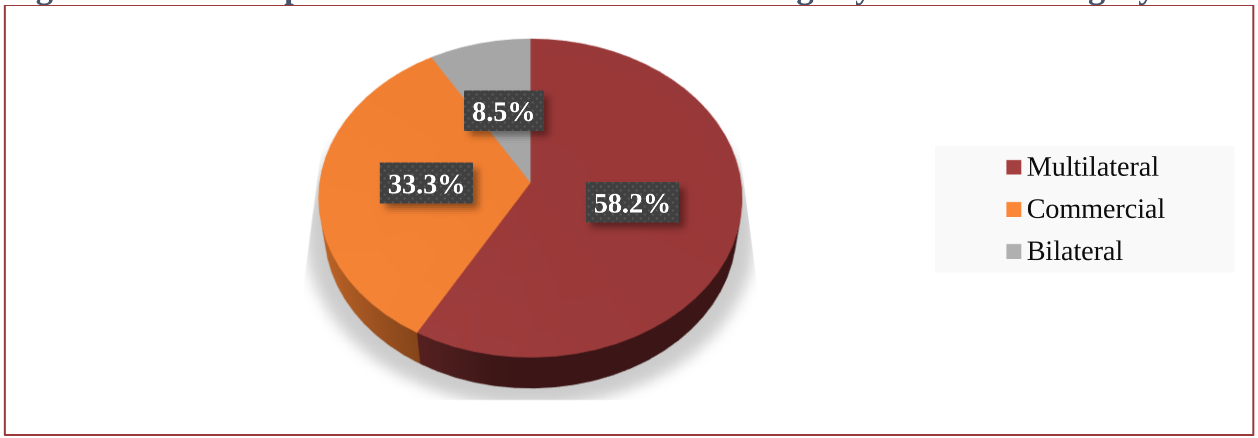
**Provisional*

Source: *National Treasury*

6.7 New Commitments

The Government contracted thirty-six (36) new external loans equivalent to KSh 897.9 billion out of which, twenty-seven (27) were from multilateral lenders, six (6) from commercial banks and three (3) from bilateral lenders during the FY 2023/24. This borrowing is consistent with the medium-term debt management strategy of contracting concessional financing to finance the budget deficit.

Figure 6.7- 1: Composition of new External Borrowings by Creditor Category



Source: *National Treasury*

CHAPTER SEVEN

SOVEREIGN CREDIT RATING

7.0 Introduction

A country's credit rating measures its financial reliability, highlighting the risks involved in lending to that nation. Assigned by credit rating agencies, this rating reflects the country's capacity and commitment to fulfil its debt obligations. It serves as a tool for investors to assess the risk of investing in the nation's financial instruments, such as bonds, and can affect the country's borrowing costs and ability to access global capital markets. A higher rating indicates lower risk, while a lower rating signals a greater chance of default.

The major global rating agencies are Fitch, Standard and Poor`s (S&P) and Moody`s. Credit rating levels determine the cost of credit to a borrower. The total cost of credit depends on several elements, including the interest rate and for variable/floating, (reference rates LIBOR/SOFR, EURIBOR) plus a margin is considered, fees associated with the loan, insurance premiums, and any other charges outlined in the credit agreement. This cost represents the complete financial burden a borrower faces, encompassing the repayment of the principal, interest payments, and all related expenses throughout the duration of the loan or credit arrangement, a credit spread and a country risk premium. Each of these items are in turn determined by the underlying category specific dynamics. For instance, the reference rates are determined by the general cost of credit obtained at any point in time and informed by the overnight cost of credit in a particular currency market. Credit spread also known as 'bond spread' or default spread' is the difference between US treasuries yields (risk free security) and yield of another security of the same tenor but of different credit quality. Credit spread allows comparison between a risk-free security and a corporate bond alternative. Table 7.0-1 shows the rating scale (various letter grades) used by the three major rating agencies that reflects the level of credit worthiness.

A country risk premium is the difference between the market interest rates of a benchmark country and that of the subject country or the additional return or premium demanded by investors to compensate them for the higher risk associated with investing in a foreign country, compared with investing in the domestic market. The country risk premium is generally higher for developing markets than for developed nations.

Table 7.0- 1: Rating Scales

Moody`s	S&P	Fitch	Description	Grade
Aaa	AAA	AAA	Highest credit quality, minimum credit risk	Investment Grade
Aa1, Aa2, Aa3	AAA+, AA, AA-	AAA+, AA, AA-	Very high credit quality, very low credit risk	
A1, A2, A3	A+, A, A-	A+, A, A-	High credit quality (upper-medium grade)	
Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-	Good credit quality, currently low credit risk	
Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-	Speculative elements, issuer faces major uncertainties and adverse conditions	Non-Investment Grade
B1, B2, B3	B+, B, B-	B+, B, B-	High credit risk, but issuer still able to meet its financial commitments	
Caa1, Caa1, Caa3	CCC+, CCC, CCC-	CCC	Issuer currently highly vulnerable, default likely	
Ca	CC	CC	Issuer currently highly vulnerable near default	
C	R, SD, D	C, RD, D	Lowest rating, typically in default on some (SD, RD) or all its financial obligations	

Source: *Credit Rating Institutions*

Kenya has a formal engagement with Fitch and S&P Global rating agencies to conduct credit rating assessments on the Country's credit worthiness to the global debt market while Moody`s issue unsolicited ratings for Kenya. Kenya is currently rated at B- with a negative outlook by both S&P Global and Fitch while Moody's recent rating is Caa1 with a negative outlook.

The investment grade rating reflects countries that are able to attract low-cost of borrowing due to their perceived low credit risk while the non-investment grade depicts those that incur higher cost of credit due to their perceived high credit risk.

Table 7.0- 2: Kenya's Credit Ratings in 2023 and 2024

Year	Agency	Date	Rating	Outlook
2024	Standard and Poor's	August 25	B-	Stable
		February 9	B	Negative
	Fitch	August 9	B-	Stable
	Mood's	July 8	Caal	Negative
2023	Standard and Poor's	February 28	B	Negative
	Fitch	July 20	B	Negative
	Moody's	July 28	B3	Negative

Source: *Credit Rating Institutions*

7.1 Impact of Sovereign Credit Rating Downgrades

Credit ratings have a direct influence on yields for sovereign debt. Once rating announcements are made, there are immediate effects on market pricing for non-investment-grade issues where Kenya falls. The yield spread, represents the difference between the yields of two different bonds. When comparing government bonds from different countries, the yield/credit spread provides crucial insights into the relative creditworthiness and economic stability of the issuing countries. Bonds issued by countries with higher credit ratings are generally considered lower risk and therefore offer lower yields. Equally, bonds from countries with lower credit ratings are perceived as higher risk and mostly offer higher yields to attract investors.

A positive spread indicates that the yield, or percentage yearly return, of one bond is higher than that of another. For example, if Country A's government bond yield is 7 percent and Country B's government bond yields 5 percent, the spread is 2 percent, or 200 basis points (bp). This suggests that investors will demand a higher return to compensate for the perceived higher risk associated with Country A compared to Country B.

Kenya's recent downgrade in credit rating has a significant impact on the financial terms of various credit sources especially the commercial as follows: Increased borrowing costs, hardening loan terms and conditions, limited access to credit, low investor confidence, currency depreciation, high inflation risks and debt sustainability risk.

Sovereign credit rating downgrades may also affect the private sector as observed where Moody's has also downgraded the long-term deposit rating of KCB, Equity Bank and Cooperative Bank of Kenya from B3 to Caa1 on the grounds of weakened Government credit profile and the banks' exposure as they hold a large portfolio of investment in Government securities.

Generally, Kenya's credit rating plays a crucial role in shaping the debt management strategy and economic prospects. Maintaining or improving the rating can help manage debt more effectively and support overall economic stability.

7.2 Kenya credit rating improvement strategy

Key interventions to improve Kenya's credit rating score have been classified as general recommendations involving broader and cross- cutting policy issues, and specifically involve narrow actions that will be implemented by the relevant Ministries, Departments and Agencies

(MDAs). The recommendation is to develop comprehensive national credit rating strategy which will be used to engage the different agencies to guide the government on specific focus areas to improve credit ratings. The strategy should have mechanisms for periodic monitoring, assessment of risk exposures and engage all stakeholders including MDAs on how to respond to issues raised by the International Credit Rating Agencies.

CHAPTER EIGHT

INVESTOR RELATIONS

8.0 Introduction

The Investor Relations plays an important role in creating a conducive environment for holders and potential holders of government securities, by providing timely relevant data on the public debt and other relevant information to facilitate decisions making as well as coordinating communication with credit rating agencies to facilitate informed rating assignment.

8.1 Investor Relations Microsite

The PDMOL has updated the Investor Relations webpage in the National Treasury Website including: Translation to local language (Swahili) by launching google translate; Activation of relevant links such as for Central Bank of Kenya (CBK) and Kenya National Bureau of Statistics (KNBS); Inclusion of the Environment Social and Governance (ESG) data; reorganization of how the public debt data is presented; inclusion of the Investor subscription template; and improvement on display of credit rating scores.

In order to align with international best practices, ensure ease of access to public debt information and enhance transparency of Kenyan public debt, in line with the right to access information the PDMO will seek to develop a stand-alone website. The PDMO website will provide data and information to both domestic and external debt investors, as well as the public at large. For more information, the link to the microsite is https://iru.treasury.go.ke/

8.2 Investor Relation Survey

A survey of Sovereign Investor Relations and Data Transparency Practices conducted by Institute of International Finance (IIF) in 2024 has shown an improvement in fiscal transparency from 36.54 points out 50 in 2023 to 36.92 out of 50 in 2024, which shows Kenya is performing better in improving fiscal transparency.

Table 8.2- 1: Scores since 2020

Year	Overall Scores (out of 50)
2020	13
2022	34
2023	36.54
2024	36.92

The IIF periodic updates of assessments provides a unique opportunity to convey to market participants the efforts governments are making to strengthen their dialogue with investors relative to other countries. The 2024 score indicates that Kenya has improved in its sovereign investor relations and data transparency practices which is important for investor confidence. The IIF periodic updates of assessments provides a unique opportunity to convey to market participants the efforts that borrowing Governments are making to strengthen their dialogue with investors relative to other countries.

8.3 Engagement with Credit Rating Agencies

One of the key roles in investor relations function is to actively manage the relationship with Credit Rating Agencies (CRAs) and ensure that the CRAs are able to conduct their due diligence from an informed perspective. In addition, it ensures that key economic, fiscal and financial statistics shared with CRAs are consistent with published information.

Following recent rampant rating downgrades for many African countries by the three major rating agencies, there have been increasing concerns on the objectivity of those ratings. This has led to agitations for establishment of alternative rating solutions. In early September 2024 with coordination and financial support from UNDP, the PDMO, KNBS and CBK participated in a regional development context credit rating induction seminar conducted by Credit Rating consultants. There will be further engagements in this area to find alternative rating solutions relevant to the development context of the African countries.

8.4 Investor Road Shows

During the year, the Government has coordinated several investor conference calls, deal and non-deal road shows with international investors to discuss macroeconomic policies, economic developments and public debt management. The investor calls and meetings organized targeted: JP Morgan Group; The Standard Chartered Group; Citi Bank Group; Jefferies Investor Group, Wellington, Ninety-one, Payden, Goldman Sachs Asset management, Prudential, Ashmore and Eaton Vance.

The National Treasury coordinated investor meetings on the margins of the 2023 Annual World Bank -IMF Spring Meetings both held in Washington DC and the 2023 African Development Bank Annual Meetings held in Sharm- E l-Sheikh, Egypt and in 2024 held in Nairobi, Kenya. In addition, the National Treasury coordinated International Development Association (IDA) summit in 2024. This has acted as a boost to Investor Confidence in the Government of Kenya.

8.5 Effective Development Cooperation Coordination in Kenya

Effective Development Cooperation (EDC) promotes a cordial working relationship with all development actors to maximize cooperation for the realization of sustainable development. The objective is to promote development effectiveness through improvements in harmonization, alignment and coordination in Kenya.

The Development Effectiveness Secretariat (DES) convened quarterly meetings of the Development Effectiveness Group (DEG) to discuss operational issues on implementation of the Official Aid Funded Projects (OAFPs). Further, the Development Partnership Forums (DPF) meetings were held to discuss issues of development cooperation and recommendations on improvement were agreed upon.

8.6 Stakeholder Engagement

Various stakeholders and institutions play key roles in borrowing and debt related transactions at the operational level. Individual functions and tasks related to debt management are dispersed across the Ministries, Counties, Departments and Agencies, Development Partners among other institutions. Key stakeholders include Parliament, Office of the Attorney General and Department of Justice, the Media, the public in general, investors, Capital Markets Authority, Office of the Auditor General, the Controller of Budget and Central Bank of Kenya.

CHAPTER NINE

PUBLIC DEBT RISK MANAGEMENT

9.0 Introduction

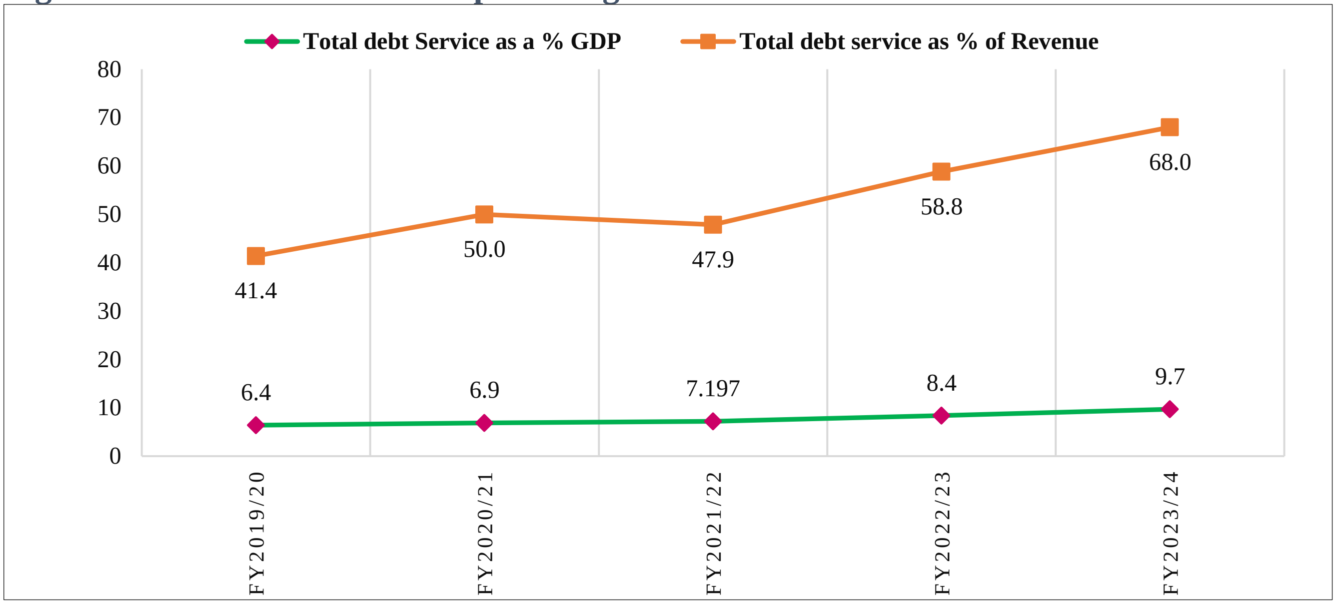
The Public Finance Management Act 2012, sections 15 (2) (e) require the National Treasury to manage fiscal risks prudently as a way of adhering to the fiscal responsibility principles. Section 33 (3) (c) of the PFM Act 2012 mandates the National Treasury to prepare the MTDS and include a statement on the principal risks associated with loans and guarantees.

The National Treasury manages, monitors and reports the risks associated with public debt and updates the MTDS annually. The major risks relating to the market include rollover and refinancing, interest and exchange rates, limited access to a variety of funding opportunities. The factors that influence the public debt costs include interest, principal amounts, exchange rate movements, other fees (commitment, upfront, insurance premium, management /arrangement) and obligations arising from guaranteed debt.

9.1 Debt Service as a Percentage of Revenue and GDP

The debt service costs as a share of revenue was 68.0 percent in FY2023/2024. This was an increase from 58.8 per cent in FY 2022/2023. The growth in the share of debt service to revenue is attributed mainly to the 2024 Eurobond bullet maturity, depreciation of the Kenya Shillings against major currencies related to external debt service payments in the first three quarters of the fiscal year and high interest rates for debt during the period under review. Over the years, the debt service costs as a share of GDP continue to gradually increase. The debt service increased to 9.7 percent in FY 2023/2024 from 8.4 percent in FY 2022/2023.

Figure 9.1- 1: Debt Service as a percentage of Revenue and GDP

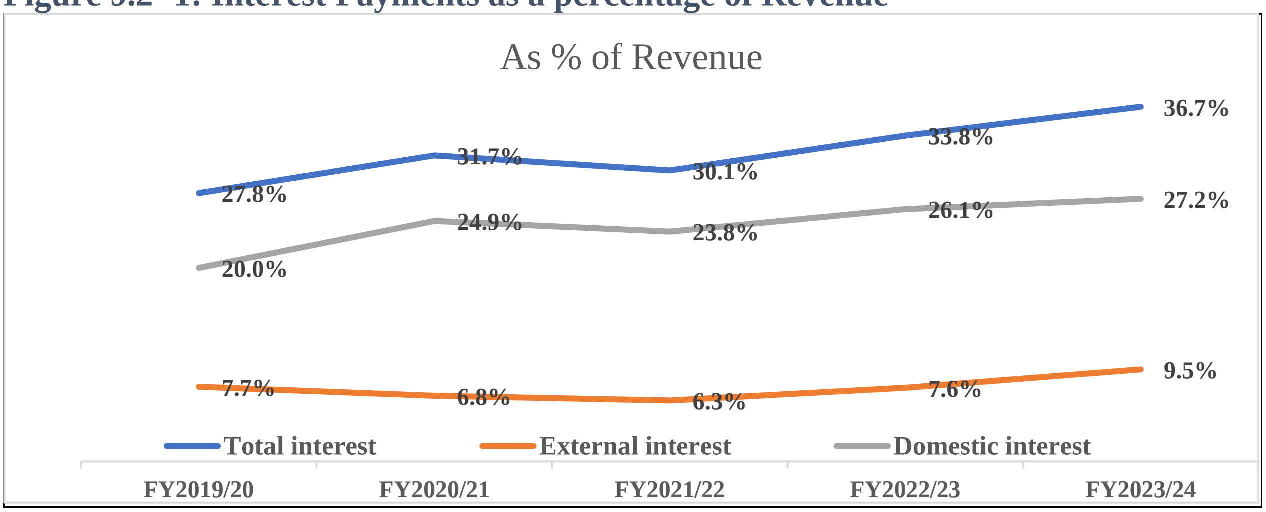


Source: National Treasury

9.2 Interest Payment as a percentage of Revenue

During FY 2023/2024, interest payments on the public debt as a percent of revenue increased to 36.7 percent from 33.8 percent in FY 2022/2023. Increased interest payments on overall debt was attributed to high interest rate for debt market instruments and depreciation of the Kenya Shilling for external debts during the year under review.

Figure 9.2- 1: Interest Payments as a percentage of Revenue

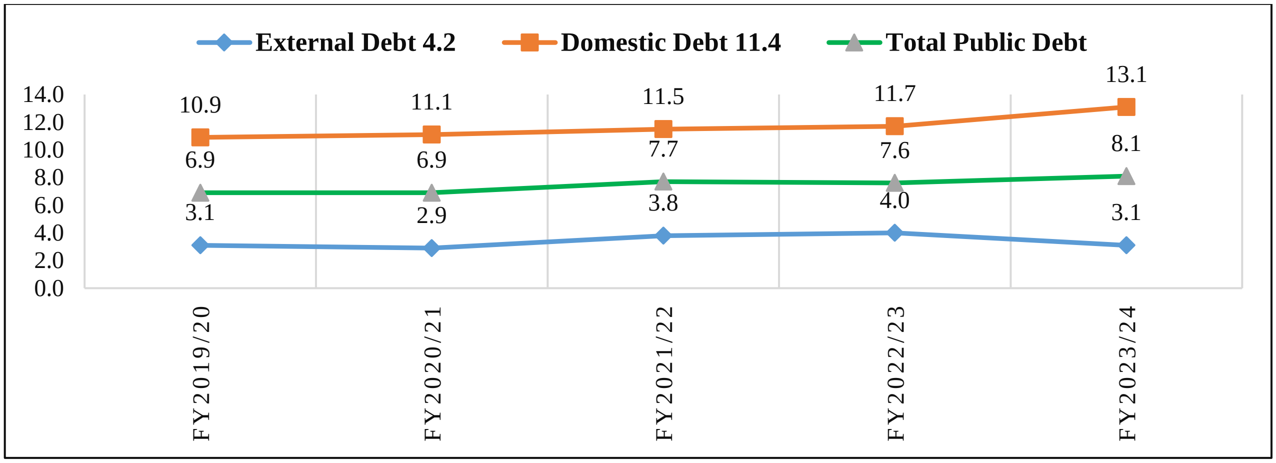


Source: National Treasury

9.3 Weighted Average Interest Rate

Overally, the Weighted Average Interest Rate (WAIR) of the total public debt has been increasing over the past few years. The WAIR for domestic debt increased by 1.4 percentage points while that of external debt declined by 0.9 percentage points to 13.1 percent and 3.1 percent from 11.7 percent and 4.0 percent respectively during the period under review.

Figure 9.3- 1: Trend on Weighted Average Interest Rate of Public Debt

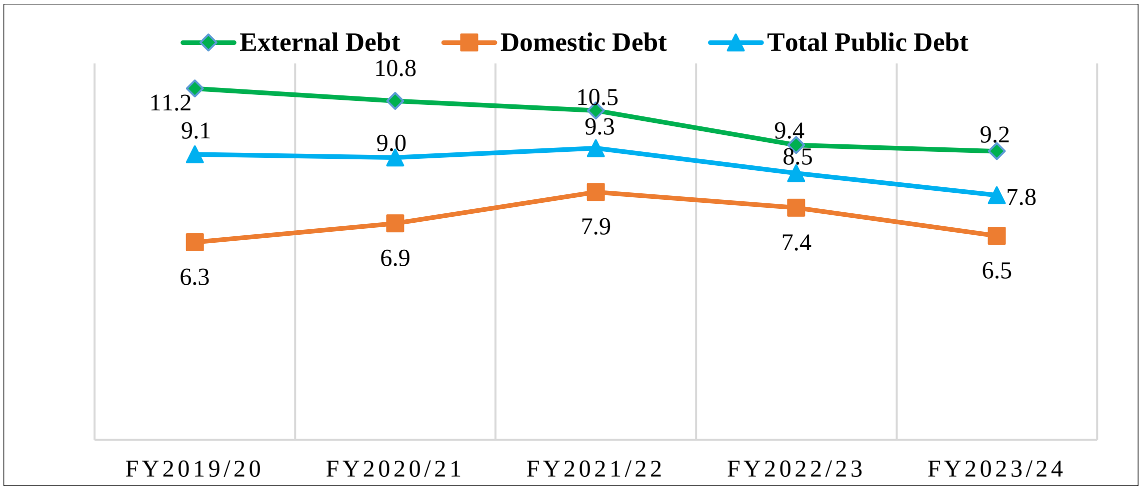


Source: National Treasury

9.4 Average Time to Maturity

During FY/2023/2024, the ATM of the total debt was 7.8 years down from 9.4 years in FY 2022/2023. The decline was occasioned by investor preferences for short-term tenor instruments for both domestic and external debt. The ATM for both domestic and external debt continue to decline though marginally for the past 3 years which may be attributed to risk exposure concerns among local and foreign investors and limited access to semi and concessional with longer maturities due to Kenya`s graduation to a lower middle income country.

Figure 9.4- 1: Average Time to Maturity

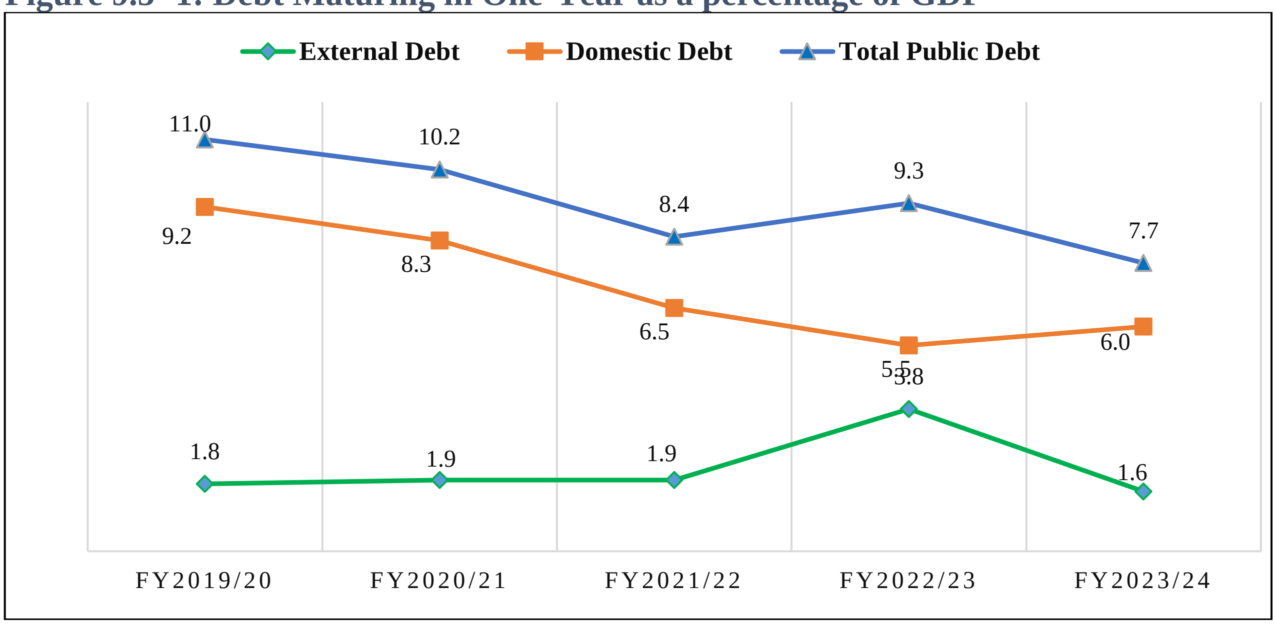


Source: National Treasury

9.5 Debt Maturing in One-Year as a percentage of GDP

The share of total external and domestic public debt maturing in one-year as a percentage of GDP reduced in the past year as a result of Government`s deliberate effort to lengthen maturity profile, to reduce the refinancing and rollover risks. This is exemplified by the refinancing of the USD 2,000 million Eurobond in February and FY 2023/2024.

Figure 9.5- 1: Debt Maturing in One-Year as a percentage of GDP

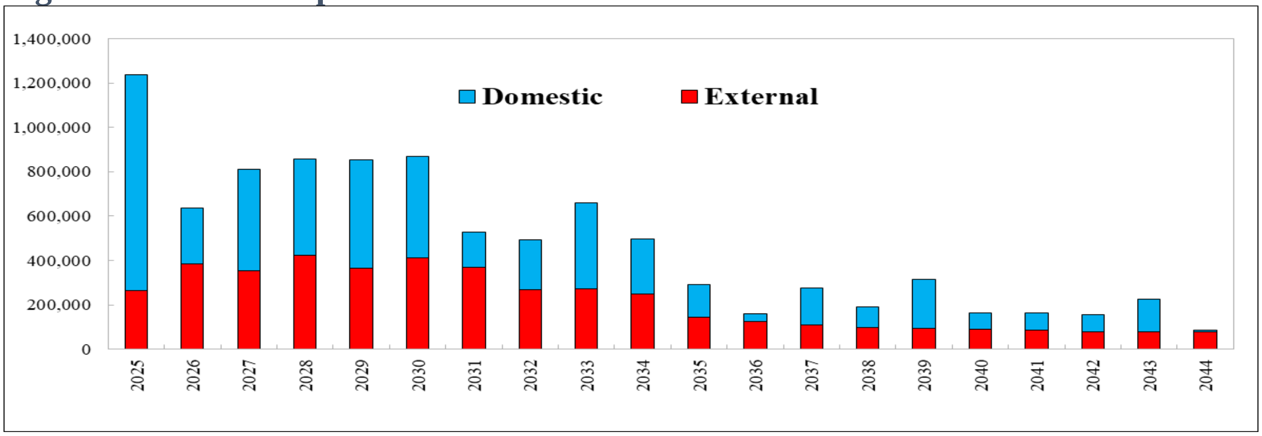


Source: National Treasury

9.6 Redemption Profile

The overall redemption profile remained relatively smooth except in the short- and medium-term period when the Government will be servicing commercial debt (Figure 9.6-1). Going forward, the domestic debt maturities remain high in 2025 and into the medium term but smoothens to the outer years as Government implements the benchmark programme and liability management operations.

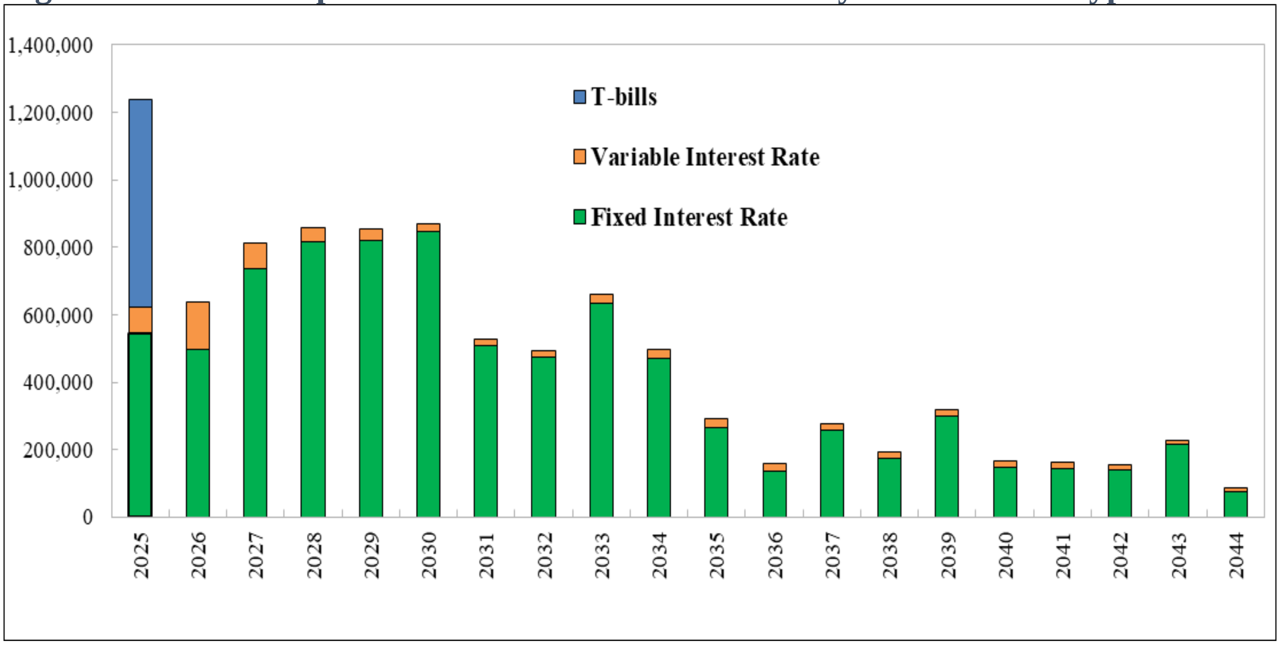
Figure 9.6- 1: Redemption Profile of Total Public Debt



Source: National Treasury

The largest proportion of total public debt is contracted on fixed rate terms. The share of fixed rate debt inclusive of Treasury bills as at end June 2024 was 93.3 percent of total debt while variable rate was 6.7 percent of total debt. The exposure to variable interest rates is projected to remain low and stable in the long-term Figure 9.6-2.

Figure 9.6- 2: Redemption Profile of Total Public Debt by Interest Rate Type

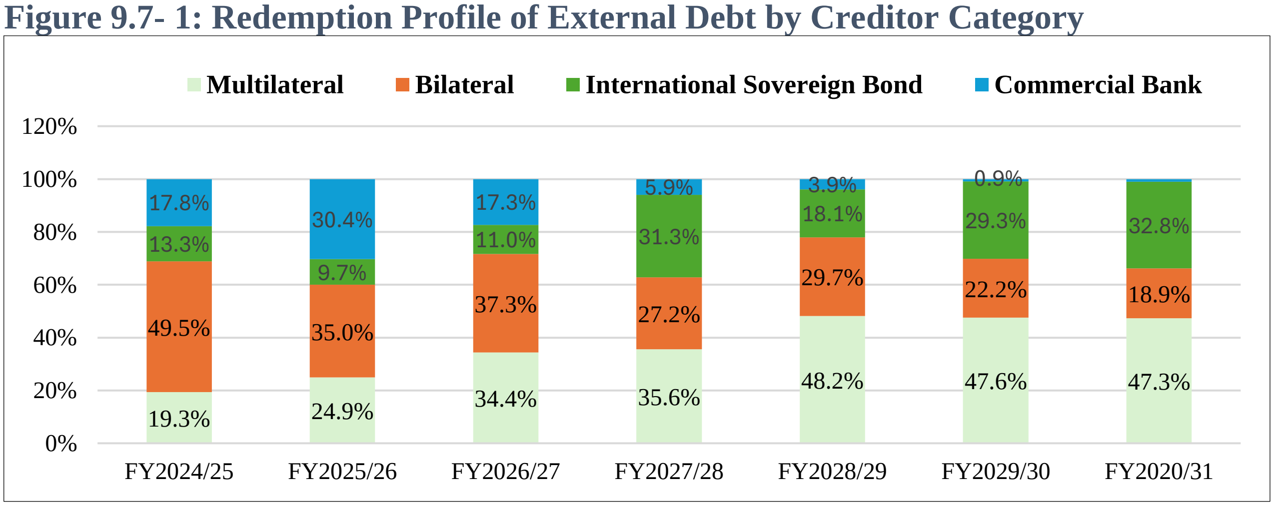


Source: National Treasury

9.7 Redemption Profile of External Debt by Creditor Category

The redemption profile of all public debt is projected to increase, including multilateral debt maturities while that of bilateral debt is projected to decrease reflecting reduced proportion of bilateral debt proportion. The International Sovereign debt redemption profile is projected to increase in the medium term with other commercial debt declining in the long term. (Figure 9.7-1). The Government is planning to remain active in liability management operations in the medium term provided market conditions allow as a strategy to manage the maturities going forward.

Figure 9.7- 1: Redemption Profile of External Debt by Creditor Category

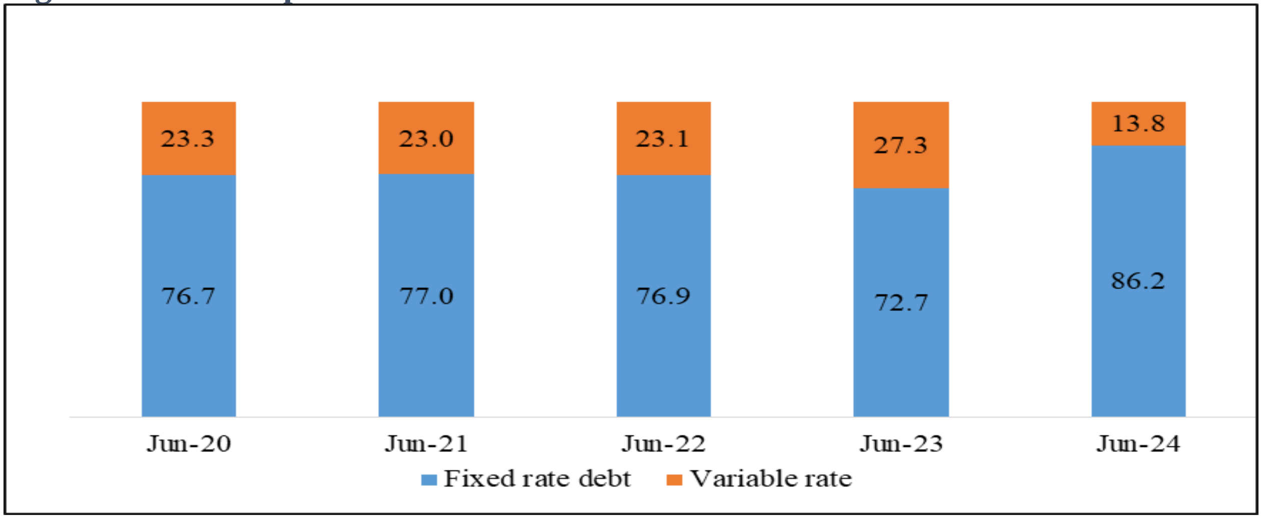


Source: National Treasury

9.8 Composition of Fixed and Variable Rate External Debt

During FY2023/2024, the percentage of fixed rate external debt increased by 13.5 percent to 86.2 percent from 72.7 percent while variable rate debt declined to 13.8 percent (Figure 9.8-1).

Figure 9.8- 1: Composition of Fixed and Variable Rate External Debt



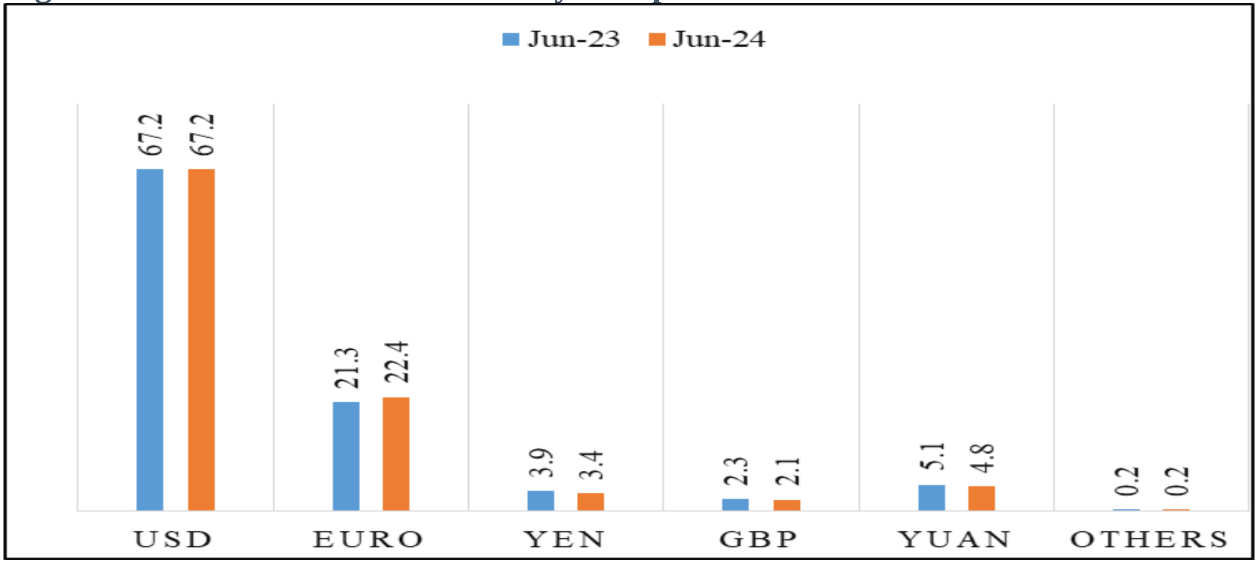
Source: National Treasury

9.9 Currency Composition

The total public debt portfolio exposure to foreign exchange risk was at 48.8 percent as at end June 2024. The main currencies of external debt remained USD, EURO, YEN, GBP and YUAN.

The share of debt contracted in USD (at 67.2 percent) remained the highest followed by EURO (22.4 percent), YUAN (4.8 percent), YEN (3.4 percent), GBP (2.1 percent) and other currencies (0.2 percent).

Figure 9.9- 1: External Debt Currency Composition



Source: National Treasury

CHAPTER TEN

PUBLIC DEBT MANAGEMENT REFORMS

10.0 Introduction

Effective public debt management is crucial in a country's economic stability and growth as it ensures the government's financing needs are met at the lowest possible cost and prudent risk levels while ensuring long-term sustainability. Recognizing its significance, the National Treasury has been implementing several reform initiatives to strengthen public debt management in Kenya. These reforms focus on developing a robust institutional structure, enhancing operational efficiency, diversifying borrowing sources, and increasing market transparency as detailed below.

10.1 Institutional Reforms

The PDMO has prepared Sinking Fund Regulations which will be subjected to public participation and submitted to the National Assembly for consideration and approval. This will create certainty of availability of liquidity to service public debts as they fall due.

These efforts are designed to ensure that the PDMO can effectively manage public debt through a structured approach that mitigates operational risks in line with the national ambition to make Kenya a regional financial hub.

10.2 Diversifying Borrowing Sources

Kenya aims to diversify its borrowing sources by introducing alternative instruments like Sukuk bonds, Sustainability-linked bonds, Samurai bonds, Panda bonds, and Diaspora bonds. These instruments offer more flexible and cost-effective financing solutions. For example, Sukuk bonds comply with Sharia law, while green bonds finance projects aligned with environmental sustainability.

10.3 Shifting the Debt Limit

The government has transitioned from setting a numerical debt limit to a debt threshold, which is aligned with Kenya's debt-carrying capacity. This change ensures that debt levels remain sustainable and within acceptable thresholds, thereby enhancing fiscal responsibility.

10.4 Expanding Public Debt Reporting

The scope of public debt reporting has been broadened to include non-guaranteed commercial debt and contingent liabilities, such as those posed by Public-Private Partnerships (PPPs). This promotes greater transparency and accountability, allowing stakeholders to assess the country's overall debt exposure more accurately.

10.5 Liability Management Operations

The government is actively committed to managing its liabilities by conducting operations like debt swaps, buybacks, and refinancing of commercial debt maturities. These operations aim at improving the debt profile, reduce costs, and mitigate refinancing risks. In February 2024, the government successfully completed the Eurobond issuance and buyback transaction, refinancing 75 percent of its June 2024 Eurobond. This supported the stabilization of the foreign exchange market and bolstered the Kenyan Shilling, demonstrating the effectiveness of proactive debt management strategies. By maintaining presence in the financial market, the government aims to continue taking advantage of favourable conditions in both domestic and external environments to perform liability management measures ahead of time.

10.6 Status of Implementation of Domestic Debt Reforms

i. **Issuance Calendar -**The National Treasury continues to prepare the Annual Borrowing Plan (ABP) that provides a regular publication of an issuance calendar for government securities to enhance predictability in the issuance process, supporting investor planning and market stability.

ii. **Separation of Retail and Wholesale Markets-**The launch of the Dhow Central Securities Depository (*Dhow*CSD) system in July 2023 has facilitated the separation of retail and wholesale markets. This system allows retail investors to access government securities online, eliminating the need for intermediaries and simplifying the investment process.

iii. **Over the Counter (OTC) Market Development-**The establishment of an OTC trading marks a great milestone in the Kenyan capital markets landscape. This is likely to enhance trading transparency and price discovery to enhance the integrity of the Kenya shillings yield curve for Treasury securities and will require development of a new set of secondary trading regulations to compliment the Securities Issuance Guidelines developed during the year. Treasury bills already trade on an inhouse OTC market platform which require to be externalized into a market-based platform, providing a foundation for further deepening of Kenyan domestic debt market.

iv. **Electronic Platform for Primary and Secondary Markets-**The automation of government securities trading, through the DhowCSD and Automated Trading System (ATS) platforms have enhanced efficiency in the primary and secondary markets. These systems provide secure and user-friendly platforms for both local and diaspora investors.

v. **Horizontal Repo Market and Securities Lending and Borrowing (SLB) -**The introduction of the true repo market and SLB transactions through the *Dhow*CSD system continues to strengthen liquidity distribution among market participants, increasing the uptake of government securities.

vi. **Promoting Fiscal Transparency and Market Engagement-**The National Treasury continues to provide fiscal transparency and active communication with stakeholders, including investors, credit rating agencies, and the media. Regular updates on public debt activities, alongside investor engagement through forums and conferences facilitated by the National Treasury and CBK, aims to foster trust and confidence in the government's debt management practices. The monthly bond market forums provide a platform for discussions between the government and domestic institutional investors, promoting a deeper understanding of market needs and expectations.

CHAPTER ELEVEN

PUBLIC DEBT SUSTAINABILITY

11.0 Introduction

Kenya's public debt remains sustainable albeit with high risk of debt distress according to the Debt Sustainability Analysis (DSA). The DSA covers both external and domestic obligations covering Central Government debt, Central Bank debt taken on behalf of the Government, Social Security Fund and Government guaranteed debt. This excludes non-guaranteed debt of the public sector and arrears disclosed in the regular reports.

11.1 Assumptions underlying the DSA

Over the medium-term, real GDP growth is projected to remain modest ranging from 5.6 percent in 2023 to 5.3 percent over the medium-term. This will be supported by the transformation in the agricultural and services sector, continued tourism recovery, improvement, increased credit to the private sector, MSME growth, and digital infrastructure. Fiscal consolidation remains a pre-requisite to public debt sustainability. Fiscal deficit was 5.7 percent of GDP in FY 2023/24 and is projected to decline to below 4.0 percent of GDP over the medium-term supported by revenue collection measures and expenditure rationalization..

The current account deficit is projected to stabilize around 4.0 percent over the medium-term down from 4.2 percent of GDP in 2023 largely driven by improvement in exports particularly agricultural commodities, rising tourism and remittances and declining goods imports.

As external debt liabilities increase there is need for faster expansion of foreign exchange inflows from the exports sector. While exports of goods and services is projected to reach 16 percent of GDP by 2029 supported by improving business environment, strengthened by existing trade and investment agreements, and the policies focused on increasing the share of manufacturing and a resilient service sector, it is fundamentally critical that credib le measures be implemented promptly to improve the liquidity and solvency indicators of external debt sustainability.

Measures to support a reduction of external debt-related vulnerabilities in the public sector include balancing and optimizing the mix of external and domestic financing. External borrowing will be targeted to concessional while commercial borrowing, such as Eurobonds, is expected to be utilized within an improved market environment as the government continues to explore alternative sources of funding.

11.2 Debt Carrying Capacity

The Kenya's debt carrying capacity estimated Composite Indicator (CI) is 3.01 as per the most recent assessment report (See Table 11:2-1).

Table 11.2- 1: Kenya's Debt Carrying Capacity Classification

	May-20	Mar-21	Dec-21	Dec-22	Jun-23	Dec-23
Debt carry capacity	Strong	Medium	Medium	Medium	Medium	Medium
Composite index (CI)	3.12	3.01	3.04	3.02	2.98	3.01

Source: *IMF Country Reports*

The CI captures the impact of several factors through a weighted average of an institutional indicator, real GDP growth, remittances, international reserves, and world economic growth. The indicators are calculated over 10-year averages across 5 years of historical data and 5 years of projection. The applicable thresholds for the PPG external and total public debt sustainability benchmarks for a medium performer are shown on Table 11.2-2 below.

Table 11.2- 2: Applicable thresholds and Benchmark for Medium Performer (To update)

	Debt Burden Indicators	Applicable thresholds
External Debt Thresholds	PV of debt in % of Exports	180
	PV of debt in % of GDP	40
	Debt service in % of Exports	15
	Debt service in % of Revenue	18
Total Public Debt Benchmark	PV of total public debt in % of GDP	55

Source: *Guidance Note on Bank-Fund Debt Sustainability Framework for Low Income Countries*

To improve Kenya's debt-carrying capacity above 3.05 threshold required for an upgrade to a stronger category with higher debt burden limits fiscal deficits must be restricted to rates below the growth of GDP and export sector needs to perform better than the case at the moment.

11.3 External Debt Sustainability Analysis

The External Debt Sustainability Analysis for Kenya indicates a high risk of debt distress. Two sustainability thresholds for external debt, namely exports and revenues have been breached. (See Table 11.3-1). The Present Value (PV) of external debt-to-exports remain above the 180 percent threshold until 2029 and the debt service-to-exports and revenues ratio exceeds the thresholds (15 and 18, respectively) through 2034, however, the external debt-to-GDP ratio remains below the threshold. External debt is more vulnerable to macro-economic shocks, with potential breaches in debt indicators under stress events.

Table 11.3- 1: Kenya's External Debt Sustainability Analysis

Indicators	Thresholds	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-33
		Actual	Projection					
PV of PPG external debt-to-GDP ratio	**40**	31.7	35.8	33.8	31.8	29.9	28.3	23.3
PV of PPG external debt-to-exports ratio	**180**	256.9	240.3	224	209.9	194.3	182.1	137.9
PPG debt service-to-exports ratio	**15**	24.9	36	25.1	24.9	21.1	23.3	15.5
PPG debt service-to-revenue ratio	**18**	17.3	28.5	19.8	19.6	16.9	18.8	13.6

Source: *IMF Country Report No. 24/13, January 2024*

11.4 Public Debt Sustainability Analysis

The Present Value (PV) of the total public debt-to-GDP ratio remains above the 55 percent benchmark, signalling a breach of sustainability threshold as shown in Table 11.4-1 below. The present value of public debt was 68.2 percent of GDP in December 2023 and is projected to decline to below 50 percent by 2033.

With the proposed fiscal consolidation, the PV of public debt-to-revenue ratio is projected to decrease from 380.3 percent in December 2023 to 247.3 percent by December 2033. The PV of debt-to-GDP is likely to remain above the benchmark over the projection period due to severe shocks involving primary balance.

Table 11.4- 1: Kenya's Public Debt Sustainability Analysis

Indicators	Benchmark	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-33
		Actual	Projections					
PV of debt–to-GDP ratio	55	68.2	67.2	64	61.4	59.1	56.9	48.1
PV of public debt-to-revenue and grants ratio		380.3	352	330.1	315.1	303.5	292.2	247.3
Debt service-to-revenue and grants ratio		55.2	68.9	58	55.5	50.5	50.9	43.6

Source: *IMF Country Report No. 24/13, January 2024*

11.5 Improving Debt Sustainability

Kenya's overall and external public debt is deemed sustainable in the medium term but carries a high risk of debt distress. To mitigate debt vulnerabilities, there is need to continue fiscal consolidation, promote exports growth and optimize the financing mix with preference to concessional borrowing.

CHAPTER TWELVE

OUTLOOK FOR THE MEDIUM TERM

12.0 Projected Public Debt Stock

Total public debt as a share of GDP is projected to decline in the medium term. In the FY 2027/28, total public debt as a share of GDP is projected to decline to 53.7 percent from 65.7 percent in the FY 2023/24 (Table 12.0-1). The projected decline will be supported by a stable macroeconomic environment, the ongoing fiscal consolidation efforts, implementation of strategies in the 2024 Medium Term Debt Management Strategy, liability management operations and other Public Debt reforms. This is in line with Government's commitment to reduce debt levels to 55 percent legal threshold. In nominal terms, debt is however projected to increase from KSh 10,582.0 billion in FY 2023/2024 to KSh 13,108.8 billion in FY 2027/2028.

Table 12.0- 1: Projected Public Debt Stock

	FY 2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28
External Debt	5,171,704	5,521,233	5,734,895	5,909,810	6,061,794
% of GDP	32.1	30.6	28.7	26.8	24.8
Domestic Debt	5,410,284	5,818,690	6,207,747	6,634,791	7,047,048
% of GDP	33.6	32.2	31.1	30.1	28.9
Total Public Debt	**10,581,988**	**11,339,923**	**11,942,642**	**12,544,601**	**13,108,842**
% of GDP	65.7	62.8	59.8	56.9	53.7
Fiscal Deficit % of GDP	5.1	4.3	3	2.8	2.3
Nominal GDP	16,106,042	18,054,009	19,971,686	22,049,607	24,393,985
Ordinary Revenue	2,288,921	2,631,418	3,099,898	3,455,607	3,911,948

Source: *National Treasury*

12.1 Debt Service

During the FY 2023/2024, total debt service for the fiscal year stood at KSh 1,557.12 billion, and it is projected to rise to KSh 2,341.0 billion in FY 2027/2028 (Table 12.1-1). Debt service as a share of revenue is projected to decline to 59.8 percent in the FY 2027/2028 from 68.3 percent in end June 2024. Debt service as a share of GDP is projected to be 9.6 percent in FY2027/2028.

Table 12.1- 1: Projected Public Debt Service

	FY 2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28
Domestic Interest	622,544	749,970	763,492	788,415	825,626
% of GDP	3.9	4.2	3.8	3.6	3.4
% of Revenue	27.2	28.5	24.6	22.8	21.1
External Interest	218,188	259,907	263,757	245,635	254,286
% of GDP	1.4	1.4	1.3	1.1	1.0
% of Revenue	9.5	9.9	8.5	7.1	6.5
Total Interest Payments	**840,732**	**1,009,877**	**1,027,249**	**1,034,051**	**1,079,912**
% of GDP	5.2	5.6	5.1	4.7	4.4
% of Revenue	36.7	38.4	33.1	29.9	27.6
Domestic Treasury Bond Redemption	178,608	358,783	448,367	549,208	633,334
% of GDP	1.1	2.0	2.2	2.5	2.6
% of Revenue	7.8	13.6	14.5	15.9	16.2
External Principal Repayments	537,783	330,711	500,204	487,374	627,761
% of GDP	3.3	1.8	2.5	2.2	2.6
% of Revenue	23.5	12.6	16.1	14.1	16.0
Total Debt Service	**1,557,122**	**1,699,371**	**1,975,820**	**2,070,633**	**2,341,008**
% of GDP	9.7	9.4	9.9	9.4	9.6
% of Revenue	68.0	64.6	63.7	59.9	59.8
Ordinary Revenue	2,288,921	2,631,418	3,099,898	3,455,607	3,911,948
Nominal GDP	16,106,042	18,054,009	19,971,686	22,049,607	24,393,985

Provisional

Source: *National Treasury*

In nominal terms, total interest payment is projected to increase to KSh 1,079.9 billion in the FY 2027/28 from KSh 840.7 billion in the FY 2023/24 majorly driven by domestic interest payments. As a share of GDP and Revenue, total interest payments are projected to decline to 4.4 percent and 27.6 percent as at end June 2028 from 5.2 percent and 36.7 percent in FY 2023/2024, respectively.

Over the medium term, domestic interest payments as a share of GDP is projected to remain above 3 percent while external interest payments is projected at about 1 percent. As a share of revenue, domestic interest payment is projected at about 21.1 percent while external interest payment is projected at 6.5 percent.

CHAPTER THIRTEEN

PUBLIC DEBT REPORTING AND DISSEMINATION

13.0 Introduction

The Constitution of Kenya and the PFM Act, 2012 and its attendant Regulations mandates the National Treasury to prepare, publish and publicize reports on matters related to public debt. Further, the PFMA, 2012 establishes the Public Debt Management Office and provides for its functions.

The PDMO ensures that information on public debt management and applicable policies are regularly published and publicized to ensure transparency, and accountability in public debt management in the Country.

The reports prepared and publicized by the PDMO include the following reports:

(a) Annual Public Debt Management Report;

(b)The Medium-Term Debt Management Strategy consistent with the Budget Policy Statement;

(c) The government borrowing plan for the approved Annual Budget;

(d) Statistical and analytical reports on debt and borrowing; and

(e) Annual performance reports of the Public Debt Management Office

13.1 Annual Public Debt Management Report (APDMR)

The PFMA, 2012 requires PDMO to prepare and publicize APDMR. The Report provides an analysis on developments in public debt and borrowing during the period under review. The National Treasury has been preparing and publicising the APDMRs annually in line with the law.

The Report highlights key aspects of debt including public debt reforms, the status of public and publicly guaranteed debt, non-guaranteed loans to SOEs, review of the implementation of MTDS, and Debt Sustainability Analysis. Annual public debt management reports can be accessed on the National Treasury website https://www.treasury.go.ke/annual-debt-management-reports.

13.2 Medium-Term Debt Management Strategy (MTDS)

The Medium-Term Debt Management Strategy (MTDS) is a policy document that guides government borrowing and public debt management. It guides the Government in pursuing the desired structure of public debt portfolio taking into consideration cost and risk trade-offs in the medium-term. Further, the strategy reflects on the Government's commitment to develop and implement viable strategies designed to maintain public debt at sustainable levels.

In the FY 2023/24, the National Treasury prepared, published and publicized the 2023 MTDS in line with the provisions of Sections 33 (1) and 62 (2)(b) of the PFM Act, 2012.

13.3 Statistical and analytical reports on debt and borrowing (Debt Bulletins)

During the period under review, twelve (12) public debt bulletins were prepared and published. The monthly debt bulletins show the public and publicly guaranteed debt movement, structure, debt service, and borrowing by the Government. The reports can be accessed in the National Treasury website through https://www.treasury.go.ke/monthly-bulletins/.

13.4 Annual Borrowing Plan

The National Treasury prepared and publicized its 2023 Annual Borrowing Plan (ABP) in line with the PFM Act, 2012 and the PFM Regulations, and the Public Debt and Borrowing Policy, 2020. It is a tool used to implement the Medium-Term Debt Management Strategy for each fiscal year. The Plan can be accessed on the National Treasury website https://www.treasury.go.ke/annual-debt-management-reports.

13.5 Report on New loans contracted by Government

During the period under review, the Government contracted thirty-six (36) new external loans equivalent to KSh 897,876 million out of which, twenty-seven (27) were from multilateral lenders, six (6) from commercial banks and three (3) from bilateral lenders. The report on new contracted loans is prepared in line with PFM Act, 2012 which requires the National Treasury to report to Parliament every four months.

13.6 External Resources Estimates Handbook

The External Resources Handbook provides a summary of all on-budget programmes and projects financed through external borrowing as sourced by the Government of Kenya to finance development agenda. It presents the details of the projects and programs as captured in development budget estimates for externally funded projects. The External Resources Estimate Handbook for FY 2023/24 was prepared and published by the National Treasury and posted on the website https://www.treasury.go.ke/kenya-external-resources-policy/.

13.7 External Public Debt Register

In the FY 2023/24, the National Treasury prepared and publicized the external public debt register. The register contains details of loans contracted by the Government and is prepared in line with the PFM Act 2012 and the Public Audit Act, 2003.

CHAPTER FOURTEEN

CONTINGENT LIABILITIES

14.0 Introduction

Contingent liabilities are obligations for governments to make payments only if particular events occur. During the period under review, the Government of Kenya had guaranteed the following State-owned Enterprises (SOEs): Kenya Electricity Generating Company PLC (KENGEN), Kenya Ports Authority (KPA) and Kenya Airways (KQ). In addition, twenty-one (21) SOEs had non-guaranteed debt.

14.1 Government Guaranteed Debt Stock

The stock of Government guaranteed debt as at end June 2024 stood at KSh. 100.2 billion, which was a decrease from KSh 170.2 billion in FY 2022/2023 due to novation of Kenya Airways debt and repayment of other guaranteed debt.

Table 14.1- 1: Stock of Public Guaranteed External Debt by Creditor Category (KSh. Million)

Debt Type	FY2019/20	FY2020/21	FY2020/22	FY2022/23	FY2023/24*
Guaranteed Debt					
Bilateral	80,562	76,257	67,532	82,005	71,026
Commercial	79,892	80,963	83,712	88,224	29,139
Multilateral	4,794	0	0	0	0
Total	**165,248**	**157,220**	**151,244**	**170,229**	**100,165**

**Provisional*

Source: National Treasury

The Government has provided guarantee to loans secured by KENGEN, KPA and Kenya Airways as indicated in Table 14.1-2 below.

Table 14.1- 2: List of Guaranteed Stock Balances in FY 20223/2024 (KSh Million)

Agency	Agreement Date/Year	Project	Creditor	Amount
Kenya Electricity Generating Company	1995	Mombasa Diesel Generating Power Plant	Government of Japan	343
	1997	Sondu Miriu Hydropower Project	Government of Japan	819
	2004	Sondu Miriu Hydro Power II	Government of Japan	5,589
	2007	Sondu - Miriu Hydropower Project Sangoro Power Plant	Government of Japan	2,630
	2010	Olkaria 1 Unit 4 and 5 Geothermal Power Project	Government of Japan	15,528
	2011	Rehabilitation and Upgrade of the Geothermal Plant Olkaria	Government of Fed. Republic of Germany - GTZ	1,449
	2021	DSSI Japan For KenGen Loans Phase I	Government of Japan	709
	2021	DSSI Japan For KenGen Loans Phase II	Government of Japan	824
Kenya Ports Authority	2007	Mombasa Port Development Programme (Mombasa Port A)	Government of Japan	15,422
	2007	Mombasa Port Development Programme (Mombasa Port)	Government of Japan	1,393
	2015	Kenya Port Development Project - Phase II (Principal I)	Government of Japan	23,271
	2015	Kenya Port Development Project - Phase II (Principal IIA)	Government of Japan	2,574
	2021	DSSI Japan-Kenya Ports Authority (KE-P25) -Phase I	Government of Japan	219
	2021	DSSI Japan-Kenya Ports Authority (KE-P25) -Phase II	Government of Japan	256
Kenya Airways	2017	Kenya Airways Guarantee (for Local Banks)	MTC Trust & Corporate Services Limited (Security Agent for Local Banks)	29,139
Total				**100,165**

Source: National Treasury

14.2 Called-up Kenya Airways Guaranteed Debt

During the FY 2023/24, the Government serviced guaranteed debt on behalf of Kenya Airways amounting to KSh 17.4 billion. This comprised principal repayment of KSh 14.3 billion and interest payment of KSh. 3.1 billion.

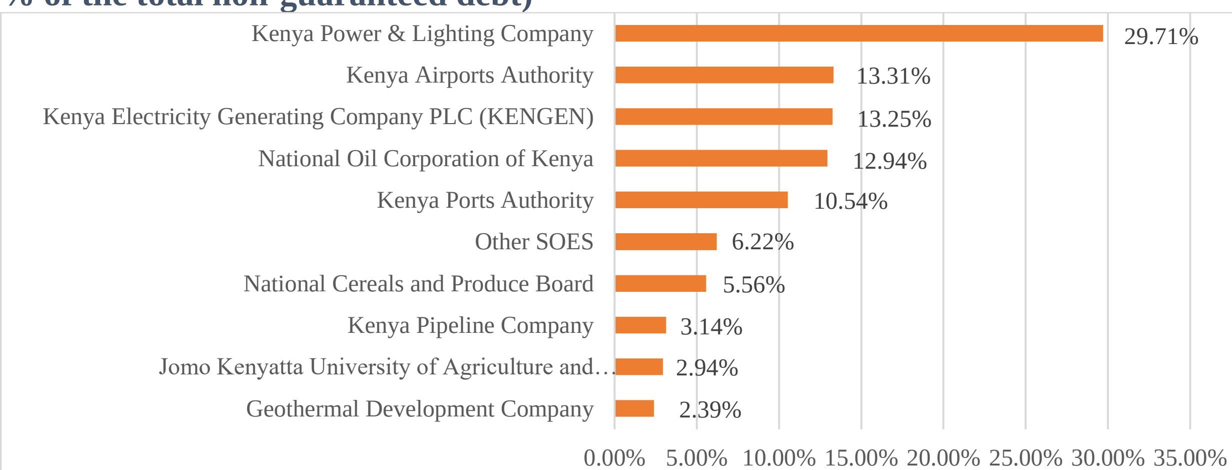
14.3 State-Owned Enterprises Non-Guaranteed Debt

State-Owned Enterprises (SOEs) are legal entities established by the Government under Section 3 of the State Corporations (SC) Act, Cap 446, or by an Act of Parliament, or under the Companies Act Cap 486 where the Government holds all or majority of shares. The entities are mandated to provide public goods, implement the government's development agenda, policies, and projects within the social, business, and commercial sectors of the economy. SOEs fund their budgets through Government transfers (recurrent grants), Appropriation-in-Aid (A-in-A) and loans.

As a reform initiative, the Government continues to expand reporting on public debt by including non-guaranteed debt held by SOEs to enhance accountability and transparency in public debt management. To this end, the Government is in the process of implementing a digital platform, Government Investment Management Information System (GIMIS), to digitize and ease the collection of these critical public finance statistics. Over the medium-term, the coverage and reporting of SOEs' outstanding debt is expected to improve significantly. In FY 2023/24 twenty-one (21) SOEs reported non-guaranteed debt amounting to KSh 78,207 million (0.5 percent of GDP). (***See Annex I***).

The distribution of State-Owned Enterprises Non-Guaranteed Debt as a percentage of the total non-guaranteed debt is as shown in Figure 14.3- 1. Kenya Power and Lighting Company had 29.71 percent representing the largest non-guaranteed debt followed by Kenya Airports Authority and KENGEN at 13.31 percent and 13.25 percent respectively.

Figure 14.3- 1: Distribution of State-Owned Enterprises Non-Guaranteed Debt (as a % of the total non-guaranteed debt)



Source: *National Treasury*

Sector analysis of non-guaranteed debt indicated that the largest stock of debt was held by four key sectors: The Energy and Petroleum at 61 percent amounting to KSh 48.0 billion, Roads and Transport at 24 percent representing KSh 18.6 billion, Agriculture and Livestock development at 7.2 percent representing KSh 5.6 Bllion and Education at 5.2 percent representing KSh 4.0 billion.

Table 14.3- 1: Outstanding Balance by Sector in FY 2023/2024 (KSh Million)

Sector	Outstanding balance	As a % of Total Non-Guaranteed Debt
Agriculture and Livestock Development	5,610.74	7.2
East African Community (EAC), the ASALS and Regional Development	173	0.2
Education	4,045.83	5.2
Energy and Petroleum	48,044.70	61.4
Information, Technology and Digital Economy	102.70	0.1
Roads and Transport	18,650.78	24
Co-operatives and Micro, Small and Medium Enterprises	1,579.86	2
Total	**78,207.61**	**100**

Source: *National Treasury*

14.4 On-Lent Loans

The cumulative stock of on-lent loans amounted to KSh 1,197.1 billion. This included loans to Kenya Railways Corporation amounting to KSh 737.5 billion which accounted for 61 percent of the total on-lent loans. The cumulative amounts of on-lent loans repaid during the period under review was KSh 64.6 billion which represented 7.0 percent of total on-lent loans. Additionally, on- lent loans amounting to KSh 2.3 billion for the Sugar Sector were written off. ***(See Annex II***).

14.5 On-Lent Loans (Arrears)

The on-lent loan arrears which include principal and accrued interest not paid in FY 2023/2024 amounted to KSh 266.5 billion. Out of this, KSh 167.5 billion relates to Kenya Railways Corporation (SGR) Project which is yet to be serviced accounting for 62 percent of the total arrears. Arrears in the water sector amounted to KSh 34.1 billion. The water Sector is facing financial challenges due to ongoing legal reforms given that water is a devolved function and some of the Water Companies owned by County Governments are not remitting the funds to Water Agencies.

CHAPTER FIFTEEN

PUBLIC DEBT AUDIT

15.0 Audit of public debt

Article 229 of the Constitution of Kenya and the Public Audit Act 2015 mandates the Auditor General to audit and report on the use of public resources by all entities funded from public funds. Over the last five years the OAG has conducted audit on the consolidated funds service and the audit opinion is as shown in table 15.0-1

Table 15.0- 1: Five Year Audit Opinion issued on Financial Statements on Public Debt

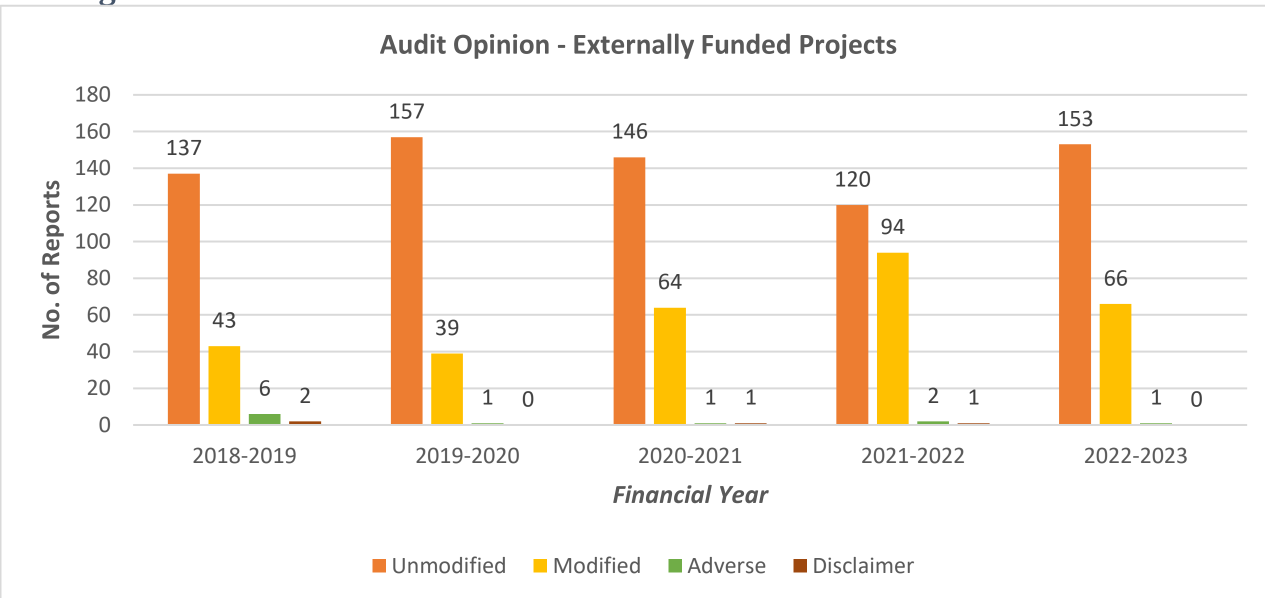
Audit Opinion	Financial Year				
Financial Statement	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**	**2022-2023**
Consolidated Fund Service - Public Debt	Adverse	Adverse	Unmodified	Unmodified	Unmodified
Receiver of Revenue - Development	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified

The Adverse Opinion issued for the FY 2018/19 and 2019/20 on the Consolidated Fund Service – Public Debt, relates to the maintenance of public debt records; unexplained variances between figures reflected in loan register and other supporting schedules; unsupported prior year adjustments and non-disclosure of public debt procured during the year. The issues were resolved as reflected by the Unmodified Opinion issued in the subsequent FY 2020/21, 2021/22 and 2022/23. This has been supported by the use of the Commonwealth debt management system.

15.1 Audit of projects implemented through external funds

The Office of the Auditor General additionally performs annual audit on the Financial Statements of projects implemented using external funding. The audit opinion issued over a five-year period is as tabulated below in the Figure 15.1-1.

Figure 15.1- 1: Five Year Audit Opinion on Projects implemented through external funding



15.2 Specialized Audit on Public Debt

There is a paradigm shift in the audit process of Public Debt where the audit focuses not only on the Financial Statements but also on the performance/process involved in executing the mandate as per the requisite procedure manuals, government circulars and the Kenyan laws. The Auditor General has recently undertaken the following specialized audits on Public Debt:

i. Performance Audit Report of the Auditor General on Deficit Financing Operation by the National Treasury
ii. Special Audit Report of the Auditor General on the Proceeds and utilisation of the Euro Bond
iii. Special Audit Report of the Auditor General on Utilisation of Commercial Loans in Kenya
iv. Performance Report of the Auditor General on Public Debt Servicing Activities
v. Performance Audit Report on the Effectiveness on Management of Public Debt in Kenya
vi. Auditor Generals Performance Audit Report on Contracting of External Loans for Public Development Projects

The aforementioned audit reports are publicly available on the website of the Office of the Auditor General. The audit findings for the year under review will appear in the next publications.

ANNEXES

Annex I: Kenya's Outstanding Non-Guaranteed Public Debt in FY2023/2024

No.	State Corporation/Agency	Lender	Borrowing Currency	Amount Borrowed (Original Currency Millions)	Amount Outstanding, June 2024 (In KSh. Million)
1	Agricultural Development Corporation	KCB Bank Kenya	KSH.	340	187.97
2	Geothermal Development Company	Co-operative Bank of Kenya	USD	29.1	1,870.80
3	Kenya Airports Authority	Agence française de développement (AFD)	USD	66	5,576.00
		Agence française de développement (AFD)	USD	93	4,832.00
4	Kenya Electricity Generating Company PLC (KENGEN)	ABSA Bank Kenya PLC	USD	80	10,362.16
5	Kenya Pipeline Company	Standard Chartered Bank	USD	348	2,456.29
6	Kenya Ports Authority	Stanbic Bank of Kenya	USD	63	6,434.78
		Stanbic Bank of Kenya	USD	40	1,808
7	Kenya Power & Lighting Company	NCBA Bank Kenya	KSH.	6,750.00	6,535.38
		Equity Bank - Medium Term Loan	USD	150	265.95
		Standard Chartered (Syndicated USD 350 M Loan)	USD	350	14,167.00
		Rand Merchant Bank	USD	70	2,266.72
8	Kenyatta University	Co-operative Bank of Kenya	KSH.	820	386
		Equity Bank	KSH.	450	289.36
9	Kerio Valley Development Authority	KCB Bank Kenya	KSH.	400	173
10	National Cereals and Produce Board	KCB Bank Kenya - Fertilizer Loan	KSH.	7,885.70	4,350.00
11	National Oil Corporation of Kenya	KCB Bank Kenya	KSH.	4,697.53	7,531.95
		Stanbic Bank of Kenya	KSH.	1,303.61	2,588.45
12	New Kenya Creameries Cooperative	Co-operative Bank of Kenya	KSH.	503.6	244
		Co-operative Bank of Kenya	KSH.	400	200
		Co-operative Bank of Kenya	KSH.	500	499.86
		Co-operative Bank of Kenya Ltd	KSH.	796	636
13	Maseno University	Equity Bank	KSH.	500.4	360.3
		Equity Bank	KSH.	216	87
14	Nyayo Tea Zones Development Corporation	Credit Bank Limited	USD	3.01	271.5
		UBA Kenya Bank Ltd	USD	1	66.57
15	Postal Corporation of Kenya	NCBA Bank Kenya	KSH.	230	102.7
16	Taita Taveta University	KCB Bank Kenya	KSH.	50	45.42
17	University of Kabianga	Co-operative Bank of Kenya	KSH.	300	133.75
18	University of Nairobi	ABSA Bank Kenya PLC	KSH.	950	422
19	Jomo Kenyatta University of Agriculture and	KCB Bank Kenya	KSH.	1,800	751

	Technology	KCB Bank Kenya	KSH.	750	297
		KCB Bank Kenya	KSH.	1,897	1,251
20	Jomo Kenyatta University of Agriculture and Technology Enterprises and Services Ltd	KCB Bank Kenya	KSH.	6.00	2.00
		KCB Bank Kenya	KSH.	10.00	4.00
		KCB Bank Kenya	KSH.	17.00	17.00
21	South Nyanza Sugar Company Limited	Commodities Fund	KSH.	335	85
		Co-operative Bank of Kenya	KSH.	599	649.7
	Total				**78,207.61**

Source: *National Treasury*

*Annex II: **Summary Schedule of Outstanding On-lent Loans in FY 2023/ 2024 (KSh Million)***

No	ON-LENDERS	AMOUNT DISBURSED	AMOUNT REPAID/	AMOUNT OUTSTANDING AS AT 30TH JUNE 2024
		Ksh	**Ksh**	**Ksh**
1	Agricultural Finance Corporation	823,095,985	16,188,226	806,907,759
2	Agricultural Settlement Fund and Central Land Board.	126,326,880	51,865,876	74,461,004
3	Agro-chemical & food Company Ltd	2,941,884,000	-	2,941,884,000
4	Athi Water Works Development Agency	55,616,256,151	507,217,885	55,109,038,266
5	Catering Levy Trustee/Kenya Utalii College	140,000,000	18,000,000	122,000,000
6	Central Rift Valley Water Works Development Agency	4,654,522,601	300,420,162	4,354,102,439
7	Coast Water Works Development Agency	20,610,674,651	-	20,610,674,651
8	Co-operative Bank of Kenya Ltd	339,251,907	71,844,560	267,407,347
9	East African Sugar Industries Limited, Muhoroni	104,242,235	-	-
10	Eldoret Municipal Council/ Eldoret Water & Sanitation Co. Ltd	1,058,673,824	825,340,490	233,333,334
11	Equity Bank Ltd	255,643,327	252,660,680	2,982,647
12	Halal Meat Products	27,701,420	-	27,701,420
13	Kenya Development Corporation (KDC)	850,000,000		850,000,000
14	KDC- IDB Capital Limited	531,394,015	-	531,394,015
15	KDC- Industrial and Commercial Dev. Corporation	891,848,560	157,282,853	731,633,635
16	KDC- Kenya Tourist Development Corporation	48,000,000	-	48,000,000
17	Kenya Airports Authority	2,994,920,728	1,697,904,426	1,297,016,302
18	Kenya Airways PLC	99,917,057,028	-	99,917,057,028
19	Kenya Civil Aviation Authority	2,725,676,018	1,243,624,127	1,482,051,891
20	Kenya Electricity Generating Co. Ltd.	123,679,001,402	45,061,654,302	78,617,347,100
21	Kenya Electricity Transmission Co. Ltd.	2,823,136,860	-	2,823,136,860
22	Kenya Meat Commission	940,241,100	-	940,241,100
23	Kenya Mortgage Refinance Company	20,929,441,095	-	20,929,441,095
24	Kenya Power and Lighting Co. Limited	84,663,928,497	13,347,157,364	71,316,771,133
25	Kenya Railways Corporation	737,537,455,891		737,537,455,891
26	Kenya Urban Transport Various Towns	40,706,140	-	40,706,140
27	Kenyatta University	10,774,498,010	-	10,774,498,010
28	Kilifi Mariakani Water & Sewerage Co. Ltd	924,381,780	-	924,381,780
29	Kwale Water & Sewerage Co. Ltd	1,372,770,642	-	1,372,770,642
30	Lake Basin Development Authority (LBDA)	2,000,000,000	-	2,000,000,000
31	Lake Victoria North Water Works	15,137,327,272	24,484,078	15,112,843,194

	Development Agency			
32	Lake Victoria South Water Works Development Agency	13,242,278,805	5,000,000	13,237,278,805
33	Local Government Loans Authority	7,688,792,480	94,518,760	7,594,273,720
34	Malindi Water, Sewerage & Sanitation Co. Ltd	1,127,324,454	-	1,127,324,454
35	Miwani Outgrowers Mills Limited	6,600,000	-	-
36	Miwani Sugar Company (1989) Limited	94,088,200	-	-
37	Moi University	250,000,000	18,750,000	231,250,000
38	Mombasa Pipeline Board	63,400,000	40,435,020	22,964,980
39	Mombasa Water & Sanitation Co. Ltd	1,163,071,155	-	1,163,071,155
40	Mumias Outgrowers Company Limited	43,208,440	26,691,040	16,517,400
41	Mumias Sugar Company Limited	3,000,000,000	-	3,000,000,000
42	Nairobi City Council	123,109,580	20,775,820	102,333,760
43	National Irrigation Board	1,128,486,779	-	1,128,486,779
44	National Water Conservation and Pipeline Corporation	2,460,874,897	-	2,460,874,897
45	Northern Water Works Development Agency	3,762,252,680	-	3,762,252,680
46	Nyeri Water and Sewerage Company	1,159,592,738	756,256,135	403,336,603
47	Nzoia Sugar Company Limited	1,836,802,811	23,629,260	-
48	Rural Electrification Authority	13,588,909,363	-	13,588,909,363
49	South Nyanza Sugar Company Limited	253,317,120	45,813,105	-
50	Tana Water Works Development Agency	8,362,071,512	-	8,362,071,512
51	Tanathi Water Works Development Agency	6,604,935,663	-	6,604,935,663
52	Tavevo Water & Sewerage Co. Ltd	963,550,417	-	963,550,417
53	Uchumi Supermarkets Limited	1,200,000,000	-	1,200,000,000
54	Water Resource Management Authority	362,607,995	-	362,607,995
		1,263,965,333,108	**64,607,514,169**	**1,197,129,278,867**

Source: *National Treasury*