



Kenya's Annual Public Debt Management Report Fy 2024/25

An analytical View



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ABSTRACT

Kenya's **Annual Public Debt Management Report FY 2024/25** reflects a Treasury navigating a complex debt environment under challenging global and domestic conditions. Treasury has strengthened confidence in Kenya's debt management framework, as evidenced by the successful Eurobond refinancing and an improved sovereign credit outlook.

Crucially, the Report marks an important analytical shift from headline debt-to-GDP ratios toward the **debt-service-to-revenue ratio**, recognising that revenues and cashflows are the true determinants of debt sustainability. With debt service now absorbing 71.2 percent of ordinary revenue, the policy focus is appropriately shifting toward revenue performance, efficiency, and growth. In this context, restoring fiscal headroom is less about additional borrowing or higher tax rates, and more about sealing structural revenue leakages, strengthening governance, and supporting export- and productivity-led growth that sustainably expands the economic base.

KENYA'S DEBT SITUATION IN CONTEXT

INDICATOR	Latest Position (FY 2024/25)
Total Public & Publicly Guaranteed Debt	KSh 11.81 trillion
Debt-to-GDP Ratio	67.8% of GDP
Debt Service-to-Revenue Ratio (DSR)	71.2% of ordinary revenue
Domestic Debt Share	53.5% of total debt

Kenya's Annual Public Debt Management Report FY 2024/25 shows the government's efforts to manage its cashflows and debt payments. The debt office has leaned into **liability management operations**, lengthened maturities where possible, upgraded market infrastructure, and restored a measure of investor confidence evidenced by the **successful Eurobond refinancing** and the **S&P outlook upgrade**.

The Eurobond refinancing has materially reduced near-term refinancing pressure, smoothing the external maturity profile and creating critical breathing space for orderly fiscal adjustment. Together with the improved sovereign rating outlook, this has lowered Kenya's perceived risk at a time of heightened global uncertainty.

THE CHALLENGE ABOUT DEBT SERVICE RATIO (DSR) VIZ A VIZ REVENUES

Despite these positive developments, Kenya's debt challenge is now defined less by access to markets and more by **cash-flow pressure within the budget**. Kenya's public debt has surged rapidly, outpacing sluggish revenue growth and creating a high debt service burden relative to fiscal inflows.



In FY 2024/25, debt service reached 71.2% of ordinary revenue, sharply constraining fiscal space and limiting room for discretionary and development spending. This elevated debt-service burden changes the nature of fiscal risk:

- **Reduced fiscal flexibility:** With more than two-thirds of revenue pre-committed, the budget becomes highly sensitive to revenue shortfalls or expenditure shocks.
- **Heightened rollover exposure:** High debt service coinciding with short-term domestic maturities increases reliance on frequent refinancing, amplifying interest-rate and liquidity risk.
- **Crowding out of growth-supporting spending:** Development expenditure and social investment are compressed as debt obligations take precedence.
- **Increased vulnerability to shocks:** Delays in external disbursements, weaker revenue performance, or tighter domestic liquidity can rapidly translate into financing stress.

REVENUES AS AN ADJUSTMENT LEVER

The current DSR poses the challenge of how to restore cash-flow headroom and reduce rollover stress. The policy response must focus on both debt management and **strengthening the denominator-revenues**. Increasing revenues can be done in the short term via **sealing leakages** and in the medium term by working with economic planning to **build eco-systems** with incentives which are linked to outcomes and not intent.

SEALING OF REVENUE LEAKAGES	REVENUE ENHANCEMENT STRATEGIES
VAT chain leakages , particularly in retail, construction, hospitality, and rentals, where under-invoicing and weak invoice matching remain prevalent.	Production linked incentives- Tie fiscal incentives to verified output, not project approvals
Customs and trade leakages , which erode both revenue and foreign exchange, compounding fiscal and external pressures.	Industrial ecosystems- Prioritise the development of integrated industrial ecosystems rather than standalone factory units, to drive scale efficiencies, productivity gains, and faster value-chain integration.
Tax expenditures and exemptions , where discretion, weak oversight, and poor performance monitoring silently undermine the revenue base.	Value chains- Focus on value chains that Kenya has a unique Geographic Value Proposition and prioritise the development of complete value chains rather than isolated activities,



GOVERNANCE AND INSTITUTIONAL INTEGRITY

Beyond sealing revenue leakages and enhancing revenue growth, strengthening governance and institutional integrity is now central to Kenya's fiscal and debt sustainability agenda. Elevated public debt and governance weaknesses reinforce each other in a cycle that heightens fiscal vulnerability: gaps in transparency, procurement oversight, and accountability have increased exposure to illicit financial flows, while rising debt burdens have strained public trust in fiscal institutions. These weaknesses were highlighted by the Financial Action Task Force (FATF) in its decision to **grey-list Kenya in February 2024**, citing deficiencies in areas such as beneficial ownership transparency, enforcement effectiveness, and controls over high-risk sectors.

Grey listing has tangible economic consequences raising transaction and compliance costs, intensifying due diligence by lenders and investors, and ultimately increasing the cost of borrowing at a time when debt-service pressures are already elevated. Exiting the grey list necessitates strengthening governance in a way that is not only a compliance exercise.

CONCLUSION

Ultimately, for the Kenyan government, the challenge now lies in execution: improving revenue efficiency, expanding the economic base, and strengthening governance so that growth translates into durable cashflows. Addressing revenue leakages, aligning incentives to measurable economic outcomes, supporting export- and productivity-led expansion, and exiting the FATF grey list are not isolated reforms, they are mutually reinforcing pillars of a credible debt strategy.



Asante Sana
Thank You

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