REPUBLIC OF KENYA



# THE NATIONAL TREASURY AND ECONOMIC PLANNING

## PUBLIC DEBT MANAGEMENT OFFICE

# 2025 MTDS PUBLIC PARTICIPATION REPORT

FEBRUARY 2025

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# CHAPTER ONE

## 1.0. INTRODUCTION

Articles 10 and 201 of the Constitution of Kenya emphasizes the importance of Public participation in the development of National policy documents through engagement of the public and other stakeholders. Further, section 207 of the Public Finance Management Act (PFMA), Cap 412A and the attendant regulations underscores the importance of public participation.

Section 33 (1) of the PFM Act, Cap 412A requires the National Treasury to prepare the Medium Term Debt Management Strategy (MTDS) for submission to Parliament on or before15th February every year. In addition, the report by the National Assembly Committee on Public Debt and Privatization dated 9th March 2023 made a resolution that henceforth the National Treasury should be undertaking public participation on the MTDS in line with the provisions of the law.

It is against this background that the National Treasury undertook country-wide public participation on the 2025 MTDS from 27th to 31st January, 2025 clustered into seven regions.

## 1.1. OVERVIEW OF PUBLIC PARTICIPATION

The National Treasury recognizes that Public Participation in budgeting process is a fundamental constitutional principle that enhance citizen and Government relations, ownership of programs, prioritization as well as empowerment of Citizens. It encourages innovative approaches and strategies to development issues leading to efficiency and effectiveness in development process.

The National Treasury used various platforms and media to invite the public to the scheduled public fora. The public notice was placed in the Daily Nation of Monday, 20th January, 2025; the National Treasury Website (https://www.treasury.go.ke/medium-term-debt-management-strategy/) and facebook page (https://www.facebook.com/share/14rNFoD7aC/ ).

The participants were accorded the opportunity to appear in person and contribute to the draft MTDS through written submissions via pdmo@treasury.go.ke and oral submissions during the plenary and focus group discussions. Every region attracted high turnout. A total of 2000 participants attended the forums representing a 200 percent attendance from the targeted 1000 participants.

# CHAPTER TWO

## 2.0. COMMENTS ON SPECIFIC SECTIONS OF THE MTDS

| S/NO. | MTDS SECTION | PROPOSED AMENDMENT BY THE PUBLIC | RATIONALE FOR THE AMENDMENT BY THE PUBLIC | NATIONAL TREASURY COMMENTS |
|---|---|---|---|---|
| 1. | Introduction | To involve parliament when borrowing | To ensure that the public is represented not only when paying but also when borrowing | The National Treasury borrows with the approval of the National assembly, which is done annually during the budget process in line with the provisions of the law. |
| 2. | Section II.<br><br>Review of the existing public debt stock | Provide a more detailed breakdown of debt by creditors and purpose emphasizing utilization of external debt for specific projects e.g. infrastructure and social services | Currently the section aggregates domestic and external debt without sufficient details on utilization Greater transparency will enhance accountability and show alignment of debt with national development priorities | The National Treasury publishes External Debt Register and External Resources Estimates Handbook at the end of every financial year, which provides details of each loan and the project being financed. In addition, public debt statistics are also published in the Annual Public Debt Report and in the Quarterly Economic and Budget Review report. |
| 3. | Section II.<br><br>Review of the existing public debt stock | Explore other financing instruments like diaspora bonds and green bonds | To broaden investor base and potentially reduce borrowing costs | Part VIII of the 2025 MTDS states that the Government will explore emerging funding instruments such as Debt Swaps, Diaspora Bond, Green Bond etc |
| 4. | Part II: Review of the existing public debt | Include contigent liabilities in guaranteed and a recognition of the pending bills as part of the domestic debt | Recognition of pending bills as part of domestic debt elevates them for consideration and deployment of | The government appointed a pending bills verification committee to scrutinize and analyze the existing national government pending bills that have accumulated between |

| S/NO. | MTDS SECTION | PROPOSED AMENDMENT BY THE PUBLIC | RATIONALE FOR THE AMENDMENT BY THE PUBLIC | NATIONAL TREASURY COMMENTS |
|---|---|---|---|---|
| | | | measures to address them. Pending bills remains a critical constraint to lending to SMEs. | June 2005 and June 2022 and make recommendations for action |
| 5. | Section III.<br><br>Analysis of costs and risks of existing public debt | Address high cost of domestic borrowing. | Increased debt burden. | In developing the MTDS The National Treasury analyses alternative strategies and proposes the optimal strategy aimed at minimizing the risks and costs of borrowing. |
| 6. | Part Iv: Review of performance of the 2023 MTDS. | Include revenue performance to indicate potential additional borrowing requirements should revenue underperformances recur (warranting supplementary budgeting in the strategy period) | The strategy assumes that the actual revenue performance will be on target. Any deviations would have implications on deficits and its financing options | One of the assumptions in development of MTDS is that revenues will perform. However, if revenues fail to perform, the National Treasury is mandated by law to prepare revised MTDS to reflect the new changes. This also applies to when the conditions in external market does not allow for government to borrow. |
| 7. | Section V.<br><br>Debt Sustainability | Minimize accumulation of public debt caused by endless cycle of borrowing | To reduce debt burden | The National Treasury has continuously engaged the public during the budget making process, which determines the borrowing levels.<br>The government has been undertaking fiscal consolidation aimed at reducing government borrowing by reducing non-essential expenditures and expanding revenue base. |

| S/NO. | MTDS SECTION | PROPOSED AMENDMENT BY THE PUBLIC | RATIONALE FOR THE AMENDMENT BY THE PUBLIC | NATIONAL TREASURY COMMENTS |
|---|---|---|---|---|
| | | Investing government revenues in long-term income generating projects. | Sustainable projects can be able to service debts and stop further borrowing. | The core mandate of the government is to provide services to its citizens from the revenues raised at minimal cost. However, the government through the state-owned enterprises has been investing in projects and programmes whose benefits are long term in nature i.e., infrastructure, energy among other sectors. |
| 8. | Section VI.<br><br>Challenges to debt management | Prioritize addressing duplicate legal frameworks e.g. PFM and CBK acts and include timelines for implementing necessary reforms | Lacks prioritization or timelines for resolving legal and institutional challenges | Internal consultations are ongoing to harmonize legal and institution challenges facing the debt management. |
| 9. | Section VI Challenges to debt management | The Government to improve credit rating scores. | The cost of government borrowing will reduce significantly. | The government is engaging with credit rating agencies by providing timely responses on aspects affecting the credit scores. |
| 10. | Section VIII Potential sources of financing | Create awareness to diaspora people to maximize the success and appeal of diaspora bond | To enhance diaspora bond attractiveness by promoting inclusivity, strengthening investor confidence and ensuring broad base participation. | The state department of diaspora affairs has drafted proposals for the issuance of diaspora bond |
| 11. | Section IX.<br><br>Debt management | Focus on domestic debt market development High reliance on external debt | Increase participation of local investors, such as pension funds and | Part VIII of the MTDS report provides an analysis of potential sources of financing which include |

| S/NO. | MTDS SECTION | PROPOSED AMENDMENT BY THE PUBLIC | RATIONALE FOR THE AMENDMENT BY THE PUBLIC | NATIONAL TREASURY COMMENTS |
|---|---|---|---|---|
| | | exposes the country to currency exchange risks | cooperatives by introducing diversified and accessible debt instruments tailored to small and medium investors. | spearheading key reforms that deepen the market and diversify the investor base among others. |
| 12. | Section IX.<br><br>Debt Management Strategy | Reduction of domestic borrowing to 60 percent | This is because of heavy domestic borrowing by the Government crowds out the private sector. | The government has been undertaking fiscal consolidation aimed at reducing government borrowing by reducing non-essential expenditures and expanding revenue base. |
| 13. | Section X<br><br>Review of borrowing plan | Highlight the projects benefiting from loan proceeds. | This will promote transparency and accountability. | The National Treasury publishes External Debt Register and External Resources Estimate Handbook on annual basis, which provides information on projects benefiting from loan proceeds. |
| 14. | Section X<br><br>Review of borrowing plan | Prioritize borrowing at reasonable repayment period. | Minimize long term borrowing which is likely to over burden future generations. | We borrow long term for liability management operations and to address intergenerational equity |
| 15. | Part (f), Clause 68; Page 20. | The strategy proposes an OTC exchange to promote trading. Consideration should be given to market driven | This proposal will be streamlined by the EABX | Internal consultations are ongoing to harmonize legal and institution challenges facing the debt management |
| 16. | Paragraph 31. Of the MTDS | Inadequacy of public debt legal framework to guarantee PDMO autonomy | Lack of full autonomy compromises the capacity of PDMO to deliver on its mandate | Internal consultations are ongoing to for full autonomy of PDMO to deliver on its mandate. |

# CHAPTER THREE

## 3.0. GENERAL COMMENTS

| No. | Issue raised | Proposed intervention | National Treasury Response |
|---|---|---|---|
| 1. | Conduct civic education on MTDS | To enable the public better understand the MTDS. | The government will continue to create more awareness to the public through the local NGAO on MTDS. |
| | | Provide popular version of MTDS in both English and Kiswahili. | The National Treasury will endeavor to provide MTDS popular version in both English and Kiswahili. |
| 2. | Reduction of public debt as percentage of GDP from 65.7 percent to 30 percent | The public debt as at end June 2024 was 65.7 percent of GDP. This rate is not desirable. We proposed to reduce it to 30% of GDP. | The government through BETA is making deliberate efforts to spur economic growth. An increase in economic growth will translate into reduction of public debt as a percentage of GDP. Further, the government is implementing fiscal consolidation aimed at reducing the budget deficit. |
| 3. | Expand the tax base | Increase the government revenue by expanding the tax base. | Expansion of tax base is a government priority in MTP IV. Further, the government is implementing measures to enhance tax administration. |
| 4. | Projects funded through debt should be self-sustaining. | Projects should be able to generate revenue upon completion. | Most of the projects and programmes implemented by government are public goods. However, the government is exploring implementation of capital intensive projects through PPP |
| 5. | Embrace use of Public Private Partnership model | Enhance public private partnership to reduce over reliance on borrowing and tax revenue. The government to embrace openness and accountability on PPPs arrangements/contracts. | The government is currently implementing PPP model as a form of project financing. |
| 6. | Draft realistic budgets that will require minimal borrowing | To minimize the cost of borrowing and live within our means. | The government is implementing fiscal consolidation aimed at reducing the budget deficit. |
| 7. | The national debt documents should be made | To ensure transparency and accountability of public debt. | The National Treasury has enhanced transparency and accountability by availing policy documents both in print and |

| No. | Issue raised | Proposed intervention | National Treasury Response |
|---|---|---|---|
| | known to Kenyans. | | electronic forms (https://www.treasury.go.ke/public-debt-management/ ) to the public and engaging the public when developing these documents. |
| 8. | Add a section on MTDS report for analysis of debt reduction | To ensure continuous debt reduction | Part V of MTDS provides an analysis of Debt sustainability which gives projections of debt over time. |
| 9. | Improve governance, reduce corruption and Mismanagement of borrowed funds. | Improve transparency in use of loan proceeds and involve public in project monitoring and evaluation. | The National Treasury publishes External Debt Register and External Resources Estimate Handbook on annual basis, which provides information on projects benefiting from loan proceeds. |
| 10. | Public Debt Management Office to be independent. | To give it autonomy in management of public debt. | Discussions are ongoing between the National Treasury and necessary stakeholders to ensure PDMO has sufficient autonomy to manage public debt. |
| 11. | Encourage more diaspora remittances through increased awareness campaigns | This will improve our foreign exchange reserves | The Government through the Ministry of Foreign and Diaspora Affairs has put in place incentive framework for Diaspora remittances. |
| 12. | Strongly vet SOEs seeking for publicly guaranteed loans to avoid default | To make SOEs more accountable and transparent in the utilization of borrowed money | The National Treasury vets SOEs before providing any guarantee as enshrined in the law. |
| 13. | Digitization of Government Services | To enhance efficiency and effectiveness in delivery of government services. | The government is committed to enhance efficiency in service delivery through various interventions such as onboarding of government services to E-citizen platform among others |

# CHAPTER FOUR

## 4.0. COMMENTS NOT DIRECTLY RELATED TO MTDS

| No. | Issue raised | Proposed intervention | National Treasury Response |
|---|---|---|---|
| 1. | High level of Corruption | Implement measures to curb corruption<br><br>Enforce money laundering laws and regulations | The National Treasury continues to make tremendous strides in the fight against corruption including collaboration with relevant authorities. |
| 2. | The political parties' manifestos should be within the long-term development plans. | Align the political manifestos to the Country's long-term development plan. | The Government development agenda (BETA) is aligned to MTP IV and Vision 2030, which is the Country's long-term development plan. |
| 3. | Youth unemployment | The Government to introduce stimulus programmes targeting the youths to create employment | The Government has invested in programmes for youth inclusion such as Youth Fund, hustler fund, women fund among others. Further the Government has set up a Digital Superhighway and Creative Economy under The Bottom-up Economic Transformation Agenda (BETA) to ensure the youth are well equipped technologically to meet the demands of the global economy on matters ICT. |
| 4. | Value addition | Invest in value addition to spur economic growth and job creation. | The Government development agenda (BETA) focuses on investing in value chain addition aimed at promoting the manufacturing sector that will create more employment opportunities. |
| 5. | Investment in smart Agriculture | Government should invest in smart agriculture to increase productivity. | The Government development agenda (BETA) focuses on investing in programmes aimed at mitigating effects of climate change and promote agricultural productivity. |
| 6. | Auditing of Consolidated Fund | Improve transparency and accountability | All government funds are audited by the Office of the Auditor General as per the provisions of the law and submitted to Parliament, published and publicized on website. |

| | | | |
|---|---|---|---|
| 7. | Prioritize completion of projects that are implemented through public borrowing | To ensure borrowed money goes to the intended purpose only | The government prioritizes ongoing projects for resource allocation before considering new projects. |
| 8. | Government should merge some parastatals with related functions. | To reduce duplication of government services and associated government expenditures. | The cabinet meeting held on 21st of January 2025, approved reforms including merging, dissolutions, restructuring and declassification of state corporations to reduce government expenditures and improve service delivery. |
| 9. | Rationalization of compensation to state officers. | The government to consider Salary cuts of state officers. e.g President, MPs | The compensation of state and other public officers is reviewed regularly by SRC to ensure sustainability of the wage bill. |
| 10. | Prioritization of pending bills | All pending bills to be audited and make them a first charge in payments | The government appointed a pending bills verification committee to scrutinize and analyze the existing national government pending bills that have accumulated between June 2005 and June 2022 and make recommendations for action. |
| 11. | Procurement of Government of goods and services | The cost attached to procurement of government goods and services is higher than the market price. | Procurement of government goods and services is guided by Public Procurement and Disposal Act, 2015 |

# CHAPTER FIVE

## 5.0. CHALLENGES AND LESSONS LEARNT

1) Debt is highly technical and should be allocated more time during public participation
2) Budgetary constraints to hold public participation in each and every county
3) Low public awareness on matters public debt
4) Majority of the people did not differentiate between the MTDS and Budget Policy Statement
5) There is low public trust on government commitment to act on their input.

# CHAPTER SIX

## 6.0. RECOMMENDATIONS

1) Allocate more time during public participation for the public to interact and internalize the MTDS
2) Enhance budgetary allocation for MTDS public participation exercise
3) The government to consider conducting regular civic education on public debt to ensure meaningful public participation.
4) The government will enhance feedback mechanisms system

## ANNEXES

a. Newspaper notice
b. Public participation photos
c. Written memorandum

REPUBLIC OF KENYA

# THE NATIONAL TREASURY & ECONOMIC PLANNING

## PUBLIC NOTICE

### THE NATIONAL TREASURY AND ECONOMIC PLANNING PUBLIC PARTICIPATION FOR THE 2025 MEDIUM TERM DEBT MANAGEMENT STRATEGY (MTDS)

The National Treasury and Economic Planning is required to prepare and submit to parliament Medium Term Debt Management Strategy (MTDS) on or before 15th February of every year and the MTDS should be aligned to the broad strategic priorities and policy goals set out in the Budget Policy Statement (BPS). The draft 2025 MTDS is available at the National Treasury website (https://www.treasury.go.ke/medium-term-debt-management-strategy/).

The National Treasury therefore, invites interested members of the general public to attend public consultations fora on the draft 2025 MTDS in line with Article 201 of the constitution as per the schedule below.

| Date | Counties | Venue |
|---|---|---|
| 27/01/25 | Nyeri, Embu, and Kirinyaga, Laikipia, Nyandarua, Samburu, Kiambu and Murang'a | Nyeri |
| 28/01/25 | Mombasa, Kwale, Tana River, Lamu, Kilifi and Taita Taveta. | Mombasa City |
| 28/01/25 | Kitui, Makueni, Machakos and Kajiado | Machakos |
| 28/01/25 | Kisii, Migori, Homabay, Nyamira, Kericho, Bomet, Kisumu, Vihiga, Bungoma, Busia, Siaya and Kakamega | Kisumu City |
| 28/01/25 | Uasin Gishu, West Pokot, Trans Nzoia, Nandi, Baringo, Elgeyo Marakwet and Turkana, Nakuru and Narok | Eldoret |
| 29/01/25 | Isiolo, Wajir, Mandera, Marsabit, Garissa, Tharaka Nithi, and Meru | Isiolo |
| 31/01/25 | Nairobi City | KICC |

Comments can also be submitted to the National Treasury and Economic Planning by close of business, Friday, 31st January, 2025 through the email address: pdmo@treasury.go.ke

**HON. FCPA JOHN MBADI NG'ONGO, EGH**
**CABINET SECRETARY**

KENYA BANKERS

DIRECTOR
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NATIONAL TREASURY
P.D.M.O
DEBT POLICY STRATEGY & RISK MANAGEMENT

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4th February 2025

Hon. FCPA John Mbadi Ng'ongo, EGH
The Cabinet Secretary
National Treasury and Economic Planning
P. O. Box 30007-00100
NAIROBI.

Sent via email to pdmo@treasury.go.ke

*Dear Mbadi,*

SUBMISSIONS ON THE 2025 MEDIUM TERM DEBT MANAGEMENT STRATEGY

We refer to your public notice inviting the public and stakeholders to make submissions for consideration in the preparation of the 2025 medium term debt management strategy.

The Kenya Bankers Association hereby submits on behalf of the Banking Industry proposals for your consideration.

We are available to provide additional information or clarification as appropriate and we would appreciate an opportunity to appear before the Cabinet Secretary, National Treasury and Economic Planning, to further deliberate the proposals.

Yours faithfully

Raimond Molenje
CHIEF EXECUTIVE OFFICER 839

Kenya Bankers Association, International House, 13th Floor Mama
Telephone: (+254 20) 22221704/2217757/2224014/2224015 Mobile: (
Website: www.kba.co.ke.

KBA COMMENTS ON THE DRAFT 2025 MEDIUM TERM DEBT MANAGEMENT STRATEGY

| Focus area | Comment | Justification |
|---|---|---|
| Part II: Review of the existing public debt stock.<br><br>Table 1: Public and Publicly guaranteed Debt in the MTDS (end June 2024)<br><br>[pg.4]. | Include contingent liabilities in guarantees and a recognition of the pending bills as part of domestic debt (under part II: review of debt stock). | Recognition of pending bills as part of the domestic debt elevates them for consideration and deployment of measures to address. Pending bills remains a critical constraint to lending to SMEs, a key agenda item under BETA agenda and of great interest to the banking sector. |
| Part III: Analysis of Costs and Risks of existing Public debt,<br><br>[Pg. 7] | Consider the impact of new US government policies following the return Trump administration on 'rebuilding US economy' and its impact on frontier economies. It may introduce new financing costs pressures as the Kenya plans to secure some commercial loans. | President Trump announced a raft of measures to refocus US policy on developing US economy with little focus on frontier economies (e.g. on suspension of USAID funds). This would potentially affect budget allocations and put a strain on the current stretched liquidity. Kenya would have to increase yields on external commercial bonds to attract foreign investors out of global markets. |
| Part IV: Review of performance of the 2023 MTDS)<br><br>[pg.9] | Include revenue performance (risks) to indicate potential additional borrowing requirements should revenue underperformances recur (warranting supplementary budgeting in the strategy period). | The strategy assumes that the actual revenue performance will be on target. Any deviations (as has been the case in the last five years) would have implications on deficits and it's financing options/costs going forward. |
| Part V: Kenya's Debt Sustainability Analysis<br><br>[pg.11] | There are currently evident breaches on Present Value of external debt to exports; debt service to revenue ratio and total public debt to GDP through 2029. It is not clear how the strategies to mitigate further breaches will be addressed. There is a need to elaborate more (say, on how to diversify export base, enhance Foreign Exchange Reserves, how to limit fiscal deficits given ongoing expenditure pressures, etc.). | As it is, the strategies to be deployed to deal with the breaches are not well elaborated to give comfort to investors that the projected sustainability of debt is grounded on solid and sustainable measures. |
| Part IX: Debt Management Strategy (*part (e) on 'Risks to the Strategy'*)<br><br>[pg. 19] | The risks are well identified but the strategy /reforms to be undertaken to mitigate the risks are not well explained. | Give clarity on what reforms are to be undertaken to mitigate the possibility of say, auction failures, revenue underperformance leading to widening deficits, defaults on guarantees, etc. This gives comfort to investors and minimizes any perceptions of risks of debt unsustainability, going forward. |

**Kenya Bankers Association, International House, 13th Floor Mama Ngina Street, P.O. Box 73100-00200, Nairobi, Kenya**
**Telephone: (+254 20) 2221704/2217757/2224014/2224015 Mobile: (+254 02) 0733812770/0711562910 Email: info@kba.co.ke**
**Website: www.kba.co.ke.**

| | | |
|---|---|---|
| Part (f). Approaches to deal with debt management challenges (Clause 60)<br>(pg.19) | The Strategy proposes to introduce market making of government securities spearheaded by Central banks in the EAC region. It is important to expound on this, particularly to explain how it supports better price discovery (as indicated in clause 59). | It is important to ensure that all proposals are complementary, particularly in supporting an effective and sustainable price discovery mechanism. Any incidences of mispricing may trigger auction failures (if the market made prices are misaligned) |
| Part (f) ...<br>(Clause 64)<br>(pg.20) | The Strategy proposes to enforce fiscal agency agreement with the CBK and eliminate commissions charged by third parties on primary auction transactions | It is important to explain whether there are any proposed modifications on the existing Infrastructure (such as the Dhow System (launched in 2023 by the President) to achieve this objective. In addition, it may be exploring the value addition and conveniences to investors that third parties introduce in the primary auction processes, without which challenges in the auctions can be introduced (including auction underperformances / failures). |
| Part (f) ...<br>Clause 67:<br>(pg.20) | The Strategy proposes to sustain the implementation of fiscal consolidation based on deficit to GDP ratios. This should be strengthened by adding deficit limits to ensure there is limited debt accumulation. | The fiscal consolidation path currently implemented relies heavily on GDP performance but does not provide a path for debt accumulation (in value terms), going forward. |
| Part (f) ...<br>Clause 68:<br>(pg.20) | The Strategy proposes an OTC exchange to promote trading. Consideration should be given to market driven innovations to perfect price discovery. | This proposal would be streamlined by the EABX innovation. |
| Part (f) ...<br>Clause 75:<br>(pg.20) | Legal amendments to strengthen PDMO are welcome. However, other necessary measures need to be taken to ensure effective coordination between monetary and fiscal policy operations. | The legal amendments are important to ensure clarity and separate mandates of monetary policy from those of fiscal policy management. |
| Part X: Strategy Implementation, Monitoring and Evaluation, Table 13:<br>(pg.22-23) | The Strategy proposes a review of the calendar on a quarterly basis. This is a welcome idea, but there is a need to add that the borrowing plan calendar should be published on a quarterly basis. | The publication of the borrowing plan calendar on a quarterly basis gives investors information necessary for planning thereby minimizing incidence of auction failures/underperformances. |
| Annex 5: Baseline Pricing Assumptions and description of shock scenarios | The assumptions – particularly those on exchange rate annual depreciation rate (b(i)) and pricing of domestic debt instruments based on the US forward rates, credit spread, and inflation differential are not well motivated. | All the assumptions should be well explained (justified) to instill confidence in the projections made. For instance, it is not clear how the domestic debt instruments are benchmarked / based on the US forward rates? |

OKOA UCHUMI!

31 JAN 2025

Hon. FCPA John Mbadi Ng'ongo, EGH
Cabinet Secretary
The National Treasury and Economic Planning
The National Treasury Building
P.0 Box 30007-00100
Nairobi.

Dear Sir,

**RE: SUBMISSION ON THE MEDIUM-TERM DEBT STRATEGY (MTDS) 2025**

**Greetings from The Institute for Social Accountability (TISA),**

TISA is a non-profit organization established in 2008 that is committed towards the achievement of sound policy and good governance in local development in Kenya and to uplift livelihoods of, especially, the poor and marginalized. TISA exists to promote citizen empowerment and government accountability according to Articles 10 (2) (c) and 201 (a) of the Constitution of Kenya, 2010. TISA's mission is to help Kenyans find their voice and agency to claim their rights to services; make the Kenyan government accountable for its duties and promises; and make the constitution a lived experience. TISA convenes the Okoa Uchumi Campaign (OUC)[1], a civil society platform committed to working with stakeholders to redress Kenya's public debt crisis. The coalition pushes for political accountability and bolsters constitutional safeguards in public debt management for debt sustainability through a balanced and equitable budget.

We refer to the public notice released by the National Treasury on the 25th of January 2025 requesting submissions on the 2025 Medium Term Debt Management Strategy. Among other things, we have prepared a submission proposing the sinking fund alternative from the ever-rising interest payment rates, acceleration of the fiscal consolidation through ordinary revenue and rationalization of expenditure, realistic GDP growth projections, and the independence of the Public Debt Management Office from the National Treasury and Economic Planning.

For more information, contact **Alexander Riithi** on **0723249554** or via email at alexander.riithi@tisa.or.ke. TISA and Okoa Uchumi campaign are looking forward to a

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[1] Coalition Members: Oxfam in Kenya, The Institute for Social Accountability, Institute for Public Finance, International Budget Partnership Kenya, Interreligious Council Kenya, Kenya Human Rights Commission, National Taxpayers Association Kenya, Okoa Mombasa, Transparency International Kenya, National Democratic Institute, Mzalendo, Crawn Trust Kenya, Diakonia Sweden, Diocese of Lodwar, PAWA 254, Fight Inequality Kenya, Social Justice Centers, Kenya Tuitakayo Movement, ICJ – Kenya, Christian Aid Kenya, Katiba Institute, Tax Justice Network Africa, Access Coalition, Inuka Kenya, Amnesty International, Center for Fiscal Affairs, Center for Economic Governance, EACHRights, Econews Africa, East Africa Tax and Governance Network, Muslims for Human Rights, Kenya Tobacco Control Alliance, Twaweza Kenya, African Forum and Network on Debt and Development, Uraia Trust

meaningful engagement on the public debt discourse to redefine the national financial architecture and prudent public finance management.

Yours Sincerely,

**Diana Gichengo,**
**Executive Director,**
**The Institute for Social Accountability (TISA)**
Email: diana.gichengo@tisa.or.ke

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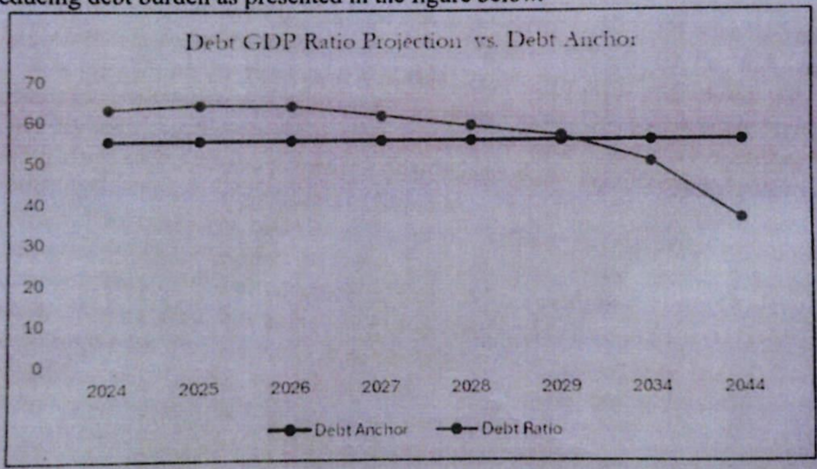
## Detailed and Specific Proposals on the MTDS 2025

1. We observe in Table 3 under paragraph 13 that interest payments as a percentage of GDP have risen from 5.2% in 2023 to 5.4% in 2024 due to reliance on costly domestic debt. The concern is that high-interest costs are straining fiscal resources, leaving less room for essential development projects. We recommend that the government prioritize concessional and semi-concessional financing to reduce interest costs that come with domestic borrowing. We also recommend the government constitutionalize the Sinking Fund to manage repayments of short-term debt more effectively.
2. In Table 3 under paragraph 13, we note that foreign currency debt constitutes 49.3% of Kenya's public debt stock. This exposes Kenya's foreign debt portfolio to significant exchange rate risks. The concern is that the depreciation of the Kenya Shilling as seen in certain periods of FY 2023/24 to January 2024 increases debt servicing costs, exposing the country to fiscal vulnerabilities. We propose diversifying external borrowing through instruments like local currency-denominated diaspora bonds targeting Kenyans operating abroad. This will provide an investment vehicle for Kenyans in diaspora and could be used as means of securing their retirement when they return to Kenya. Our proposal is based on World Bank data reporting that Kenya led other East Africa Community partners in diaspora remittances by KSh.537.6 billion ($4.8 billion) in 2024[2]. Currently, the national remittance-to-GDP ratio stands at 4.6%, reflecting steady growth from Ksh.6.6 billion in 2001. Also, we propose growing foreign exchange reserves to cushion against currency fluctuations.
3. It is observed that Kenya's public debt to GDP ratio stood at 65.7% as at the end of June 2024, significantly above the recommended 55% debt anchor. This high ratio, as provided in paragraph 25, is projected to persist until 2029, reflecting slow progress in reducing debt burden as presented in the figure below.




[2] https://www.youtube.com/watch?v=OqMcfSdvLvg

Sustained high debt levels beyond the debt anchor is concerning since it elevates the probability of debt distress and default and reduces available resources for delivering essential services to citizens. We recommend accelerating fiscal consolidation through enhanced transparency and accountability in ordinary revenue and rationalizing expenditures. The proposed deficit level of 3.9% of GDP in the draft BPS in our view does not exude confidence in the possibility of convergence of the debt-to-GDP ratio with the debt anchor in the year 2029; unless we reduce proposed expenditures in FY 2025/26 and the medium-term leading to a reduction of the fiscal deficit. However, the situation could be exacerbated by the prevalence of overly optimistic revenue projections, which leads to an increase in the deficit during the supplementary budget preparation as well as increasing pending bills.

4. In paragraph 31, the MTDS raises concerns about the inadequacy of the public debt legal framework, stating that the framework neither empowers enough nor provides the Public Debt Management Office (PDMO) with the requisite autonomy to manage public debt. We agree with this position and are aware that PDMO's lack of full autonomy compromises its capacity to execute debt management strategies. However, we disagree with the proposal the National Treasury is giving in paragraph 75(d) of elevating PDMO status to a State Department within the National Treasury's mandate. We recommend that this should be considered with the view to separate PDMO from the National Treasury to make it operate on its own without influence from the Treasury.
5. In paragraph 39, there is a clear concurrence with the National Treasury's assertion that there is limited understanding of public debt management amongst major stakeholders, given that despite public debt being both a highly technical and emotive subject in the political arena, it also affects citizen welfare. We welcome the National Treasury's recommendation for a need for sustained capacity building of all key stakeholders, including civil society actors in the fiscal space, on public debt management.
6. Paragraph 41 provides that GDP growth is projected to be 5.4% over the medium term. We deem this an unrealistic projection given that the GDP growth for 2024 was revised to 4.6% by the World Bank and the IMF. Over-optimistic projections risk leading to budgetary shortfalls and increased borrowing needs. We recommend revising growth assumptions to reflect realistic and conservative trends, alongside enhanced monitoring of global and domestic economic conditions (given that Kenya's economy is highly informal) for timely adjustments to forecasts.
7. Section VIII, potential sources of financing, outlines various financing sources that the government will consider over the medium term. This includes Treasury bills for domestic borrowing and concessional loans from multilateral, bilateral, and commercial loans. The concern, however, arises with concessional loans that are accompanied by conditionalities that prioritize debt repayment over spending on essential sectors like education and health. We recommend that the government explore these sources, including emerging funding instruments (outlined in paragraph 47) while upholding the constitutional provisions prioritizing human rights during debt acquisition and budgeting. Conversely, the Government should lower the appetite for domestic borrowing that crowds out the private sector due to increased interest rates which provides motivation

for banks to invest in government papers instead of lending to the private sector. Further, Government should develop a strategy of retiring domestic debt to reduce expenditure on interest payments.

8. Paragraph 81 of the MTDS outlines the commitment from the National Treasury to monitor and report the progress of implementation of this MTDS through monthly reports and the Annual Public Debt Management Report. While we welcome this proposal, the only concern is whether this monthly report will be timely or if it will be released to the public after several months. There is a need for clarity on the timelines under which the monthly report will be released, given that there has been a delay in timely monthly reporting from the National Treasury even with Public Debt Monthly Bulletins.

Received at KSG on 31/1/25

**DAVID GITAU NJAU**
**P.O. BOX 38-00208**
**NGONG HILLS**
**Mobile No. 0721-969429**
**Email: dnjau255@gmail.com**

**30th January, 2025**

**TO NATIONAL TREASURY & ECONOMIC PLANNING**
**PUBLIC PARTICIPATION FOR THE YEAR 2025 MEDIUM TERM DEBT MANAGEMENT STRATEGY (MTDS)**
**NAIROBI**

Dear Sir,

**REF: FAILURE TO PROVIDE FOR PENDING BILLS IN JUDGMENT DEBTS OF KSHS. 407,658,819.**

1. We present this memorandum on behalf of 39 former officers of Kenya Air Force whose judgment creditors of decrees of the High Court issues against Hon. Attorney General on behalf of the Ministry of Defence (MOD) in the following cases amounting to Kshs. 407,658,819.

    (a) High Court (Nairobi) Petition No. 1656 of 2005.
    James Mwangi Wanyoike & 9 others VS AG amounting to
    Kshs. 70,192,311.00

    (b) High Court (Nairobi) Petition No. 340 of 2012
    David Gitau Njau & 9 others VS AG amounting to
    Kshs. 137,496,640.00

    (c) High Court (Nairobi) Petition No. 587 of 2012
    Gerald Juma Gichohi & 9 others VS AG amounting to
    Kshs. 43,234,315.00

    (d) High Court (Nairobi) Petition No. 49 of 2012
    Estate of Capt. Kingaru & 8 others VS AG amounting to
    Kshs. 156,735,413.00

2. Appeals against judgments in all the four petitions were dismissed by the court of Appeal and no other appeals were taken by the Ministry of Defence.

3. Judgment debts haven been pending payment from 2013 and 2015.

4. Between 2016 and 2019 the High Court issued order of MANDAMUS compelling the PS Ministry of Defence to pay the judgment debt in all four petitions.

5. In 2018 we presented a petition to the Senate complaining of delay in settlement of the judgment debts. The petition was heard by the Senate Committee on National Security, Defence and Foreign Relations and the committee report was tabled in the floor of the house on 19th June, 2018 and unanimously adopted the Report on 3rd December, 2019.

   The committee Report recommended that the Government through the Ministry of Defence settles the court awards within 2 months of the adoption of the Report and the Ministry of Defence report back to the Senate within 3 months. This has never been done.

6. In June, 2021, we petitioned the National Assembly and the Speaker of the National Assembly Committed the petition to the Budget and Appropriation Committee report dated 22nd March, 2022 on Supplementary Budget of MOD for the year 2021/2022.
   The money has never been factored in the budget to date.

7. Despite the old age of these judgments debts and the actions taken by Parliament to facilitate settlement none of the budget estimates of MOD have ever been factored.

8. But in curt affidavits the PS Defence keep saying that it is Parliament that has refused to appropriate funds for payment of these judgment debts and he himself doesn't request for funds.

9. Continued delay to settle the said judgment debts by the Ministry of Defence is a failure to implement the Kenya Kwanza manifesto (the plan) that promised to a Government that obeys court orders and observers the rule of law.

10. Continued delay to settle the said judgment debts in its budget estimates and falsely and unfairly blaming Parliament offends numerous constitutional legal and fiscal principles.

    a. National values of the rule of law by fragrant disobedience of court orders. Failure to honour the judgment debts is in contempt of court and undermines the rule of law under article 10 of the constitution and respect for the doctrine of separation of power which are cornerstones of our democracy as it is the current PS Defence Hon. Patrick Mariru has already been found in contempt of Court.

    b. Contempt of Parliament: As earlier stated the Senate resolved that the subject judgment debts be paid within 2 months from 3rd December, 2019 in failing to implement the resolutions of Parliament MOD is in contempt of Parliament. Again this undermines constitution democracy.

    c. Prudent Management of fiscal risks by unreasonably delaying payment of due debts/bills offends the fiscal responsibility principles under article 20 of the constitution section is of the Public Finance Management Act 2012 (PFMA). Indeed section 94(1)(c) of PFMA provides that "failure to make any payments as and when due by state organ or public entity may be an indicator of serious material breach or a persistent material for breach of measures established under the act".

11. It is thus prudent fiscal responsibility that during finalizing of the budget estimates for 2025/26 for Ministry of Defence, the National Treasury should take into account our judgment as pending bills and ensure that they are provided for.

12. Finally it is important to note that we always participate in public participation every year and no consideration has been made to us.

We have already lost 10 petitioners and others are ailing and have no money to pay for medical expenses.

**Yours faithfully,**

**DAVID GITAU NJAU**
**LEAD PETITIONER**

REPUBLIC OF KENYA

# LAKE BASIN DEVELOPMENT AUTHORITY

Kanyakwar, Off Kakamega Rd. | P. O. BOX 1516 - 40100, KISUMU
Landline: 254-020-2023414 | E-mail: info@lbda.go.ke

Our Ref: LBDA/FIN/CR/6

Your Ref: ______

Date: 16th, January, 2025

Hon FCPA. John Mbandi Ng'ongo, EGH
Cabinet Secretary,
The National Treasury and Economic Planning,
PO Box 30007-00100,
*bps@treasury.go.ke*
NAIROBI

Dear Sir/Madam

**RE: COMMENTS ON THE DRAFT 2025 BUDGET POLICY STATEMENT FOR THE MTEF FY 2025/26-2027/28 BUDGET**

Above Subject matter refers.

I wish to kindly raise a concern regarding the proposed budget allocation for our state department under **Integrated Regional Development Code: 1013000** in the upcoming financial year **2025/26**. The allocated figures appear to be lower than the current budget, despite our programs aligning closely with the **Criteria for Resource Allocation** and the **9 identified key value chains**, including **Rice** and the **Blue Economy**.

As the **Lake Basin Development Authority (LBDA)**, our mandate is to spearhead integrated regional development within our coverage area, which spans multiple counties and includes programs critical to the socio-economic transformation of communities. Our initiatives are central to achieving **food security, climate resilience, and sustainable livelihoods.**

However, the proposed allocations fall short of supporting our ongoing efforts and the completion of critical projects. To address this, I humbly request the following additional funding:

1. **Ksh 300M under the recurrent vote to support paddy rice mopping:**

This funding will ensure the smooth implementation of our rice value chain programs, particularly under the KOSFIP project in Homabay, Ahero irrigation scheme in Kisumu and Budalangi irrigation scheme covering Siaya and Busia counties which enhances food security and supports the livelihoods of farmers in our region.

2. **Ksh 200M under the recurrent vote to modernize fingerlings hatchery production:**

Upgrading our hatchery facilities, including the ongoing construction of the modern hatchery plant in Kisumu, will bolster aquaculture, align with the goals of the Blue Economy, and create sustainable income opportunities for communities.

3. **Ksh 100M under development for the construction of dykes in Kisumu County:**

This funding will address perennial flooding, protect lives and property, and create a conducive environment for agricultural and economic activities in the region.

Complaints: 0731 482 388 | complaints@lbda.go.ke | Website: www.lbda.go.ke

ISO 9001 : 2015 Certified

4. Ksh 300M under development for community water projects:

Expanding access to clean and reliable water will improve community resilience, support agricultural productivity, and contribute to climate change adaptation efforts in schools and communities.

LBDA remains committed to delivering impactful programs that align with the Bottom-Up Economic Transformation Agenda (BETA) and other national priorities. I kindly request your consideration of these proposals and a review of the current budget allocation to ensure our mandate is fully supported.

Yours Sincerely,

CPA Wycliffe Ochiaga, EBS
**MANAGING DIRECTOR.**

**INTERFACE COMMUNITY HELP DESK (CBO)**

Email: interfacecommunityhelpdeskcbo1@gmail.com
Web: www.interfacecommunityhelpdeskcbo.go.ke
Address: P.O Box 484-40300, Homa Bay
Tel: 0757797979/0724073148


REF: ICHD/S/VOL. 4/2024 (783) DATE: 27TH JANUARY, 2025

ATT:

TO:

The Cabinet Secretary,
National Treasury and Economic Planning,
P.O. Box 30007-00100,
Nairobi, Kenya.

Dear Sir/ Madam,

**RE: MEMORANDUM ON THE CANCELLATION AND RE-ADVERTISEMENT OF THE PUBLIC PARTICIPATION NOTICE FOR THE 2025 MEDIUM-TERM DEBT MANAGEMENT STRATEGY (MTDS)**

We, the Interface Community Help Desk Organization, a human rights organization operating within Homa Bay County and across Kenya, write to formally object to the manner in which the National Treasury and Economic Planning has advertised the public participation forums for the 2025 Medium-Term Debt Management Strategy (MTDS), scheduled for January 27–31, 2025.

Your public notice, as currently published, fails to meet the legal and constitutional threshold required for meaningful public participation. Specifically, the notice:

a) **Lacks Clarity on Venues** – The advertisement merely lists the names of towns across Kenya without specifying the exact locations where the forums will be held. This omission creates uncertainty and confusion among members of the public who wish to participate.

b) **Fails to Indicate the Time** – The notice does not provide specific times for the scheduled meetings, making it impossible for interested stakeholders to plan accordingly.

c) **Omits Contact Information** – There is no mention of official contacts where the public can seek clarification or obtain additional information regarding the forums.

d) **Deliberate Misleading of the Public** – Given the critical nature of public participation in shaping Kenya's debt management strategy, we strongly believe that the failure to provide these essential details is a deliberate attempt to mislead and exclude the public from contributing meaningfully to the discussions.

REF: ICHD/S/VOL. 4/2024 (788) DATE: 23RD JANUARY 2025

Legal Violations

The failure to provide adequate information regarding public participation forums violates several provisions of the Constitution of Kenya and other statutory laws, including:

a) **Article 10 of the Constitution of Kenya (2010) – National Values and Principles of Governance:**
The National Treasury's failure to provide specific details undermines public participation, transparency, accountability, and good governance.

b) **Article 201(a) of the Constitution – Principles of Public Finance:**
The Constitution requires that public finance matters, including debt management, be conducted in an open and transparent manner with public participation. The current notice does not meet this requirement.

c) **Article 232(1)(d) of the Constitution – Values and Principles of Public Service:**
The principle of public participation in policymaking is an obligation for all state organs and must be conducted in a manner that is accessible and inclusive.

d) **The Public Finance Management Act, 2012:**
Section 33(1)(d) requires that debt management strategies be prepared with adequate stakeholder engagement and transparency. The ambiguous notice violates this provision.

e) **The Fair Administrative Action Act, 2015 (Section 4):**
The Act mandates that any administrative action affecting the public must be expeditious, efficient, lawful, reasonable, and procedurally fair. The failure to provide clear venues and times denies citizens their right to fair administrative action.

**Relevant Case Laws and Court Authorities**

a) **Matatiele Municipality & Others v. President of the Republic of South Africa & Others (2006) ZACC 12**
The Constitutional Court of South Africa ruled that public participation must be real and not illusory. It must involve active and informed engagement, and the state must take reasonable steps to ensure the public is properly informed.

b) **Robert N. Gakuru & Others v. Governor of Kiambu County & 3 Others [2014] eKLR**
The High Court of Kenya emphasized that public participation is not a mere formality but a constitutional duty that must be met with sufficient information, time, and opportunities for engagement.

c) **Republic v. County Government of Kiambu Ex Parte Robert Gakuru & Others [2016] eKLR**
The court held that a failure to conduct proper public participation renders government actions null and void. The government must ensure full compliance with public participation requirements.

d) **Kenya Human Rights Commission v. Attorney General & Another [2018] eKLR**
The court ruled that public participation should be conducted transparently, in good faith, and with proper disclosure of material information to the public.

e) **Doctors for Life International v. Speaker of the National Assembly & Others (2006) ZACC 11**
The South African Constitutional Court held that public participation is a fundamental aspect of democracy and state organs must create enabling conditions for meaningful engagement.

f) **International Covenant on Civil and Political Rights (ICCPR), Article 25:**
Ensures that citizens have the right to participate in public affairs, including economic and financial matters.

g) **African Charter on Human and Peoples' Rights (ACHPR), Article 13:**
Guarantees every citizen's right to participate in public governance and economic decisions affecting them.

**Our Demands**

As human rights defenders advocating for transparency, accountability, and inclusive governance, we demand that:

a) The current public notice be immediately revoked, and a new, properly detailed advertisement be issued.

b) The re-advertised notice should clearly state the exact venues, dates, and times for the forums in each town.

c) The National Treasury should provide official contact details for public inquiries and clarifications.

d) Adequate time be given for public awareness before the new participation dates.

**Conclusion**

Failure to address these concerns will render the entire public participation process irregular and unconstitutional, violating Article 10 and Article 201 of the Constitution of Kenya. Furthermore, the courts have consistently ruled that failure to conduct meaningful public participation renders government actions invalid.

We urge your office to take immediate corrective action and uphold the principles of open governance and citizen engagement in national economic planning. Should you fail to act on this matter, we reserve the right to seek legal redress.

We look forward to your swift response and are prepared to escalate this matter further if necessary.

**Attachment: Copy of the Public Notice**

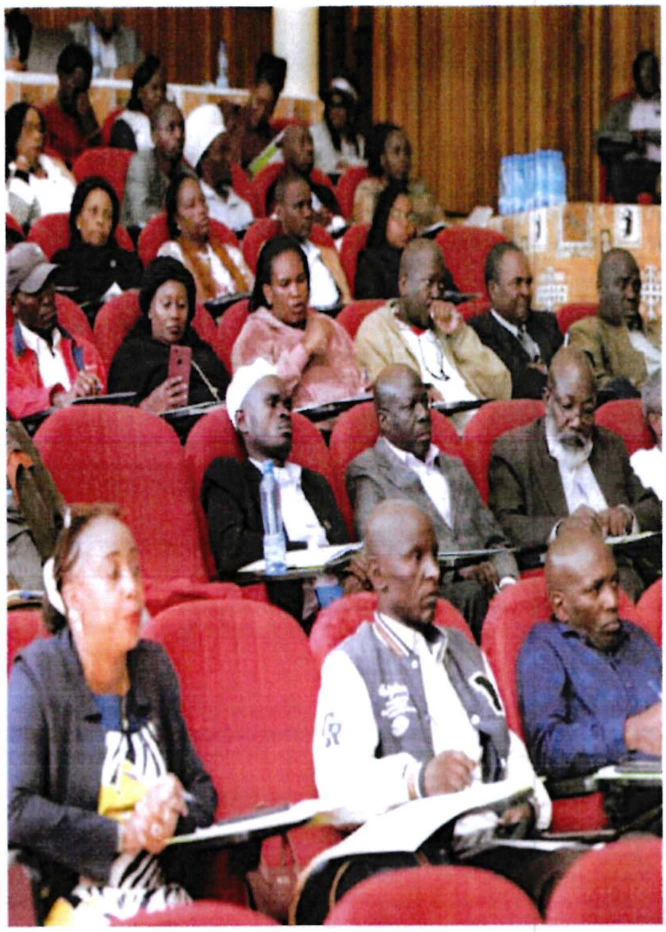
REF: ICHDS/VOL 4/2024 (756) DATE: 23RD JANUARY 2025

Yours faithfully,

EVANCE OTIENO OLOO GOR.
Chairperson; Interface Community
Help Desk Organization.

EUGINE O. OBISA.
Member; Interface Community
Help Desk Organization.


KENYA
OF
GOVE



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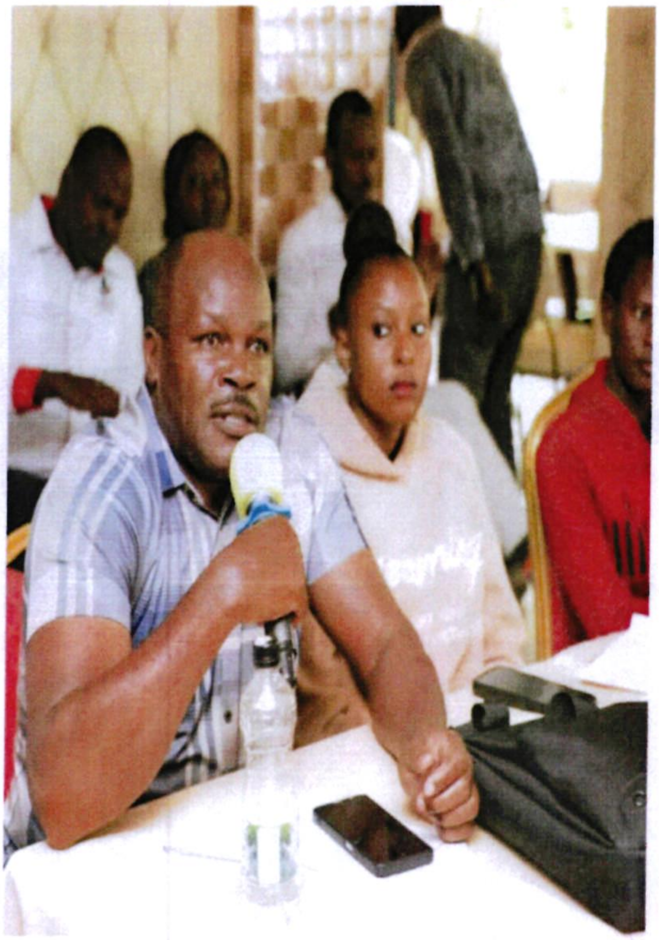
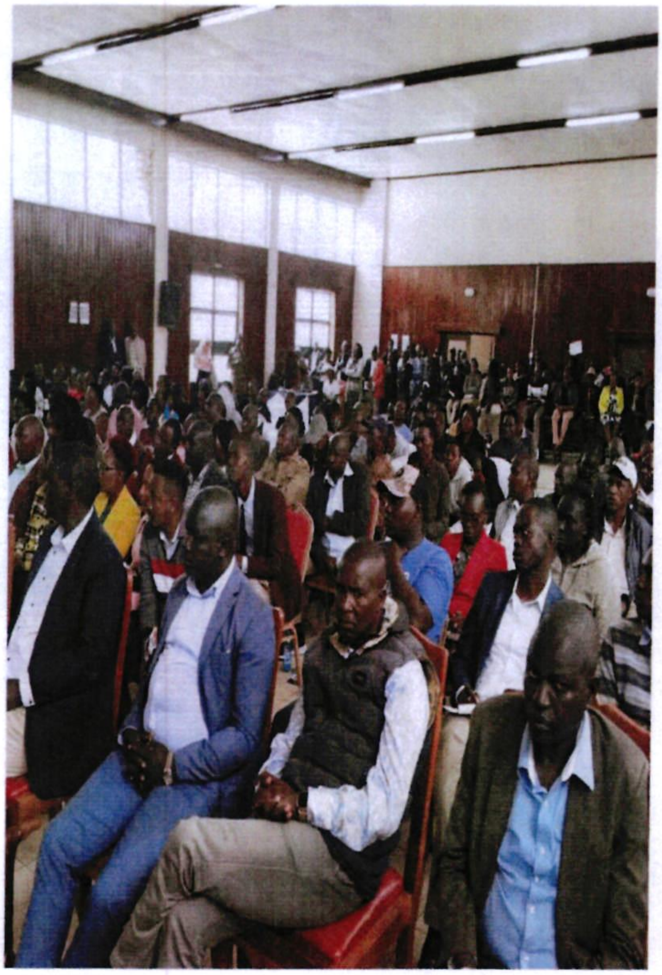
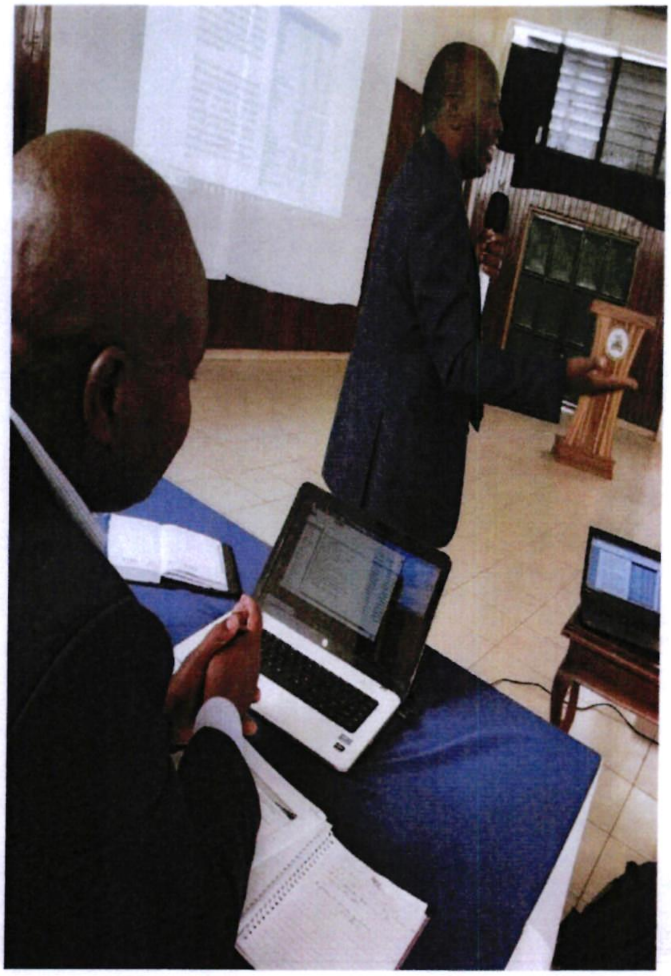
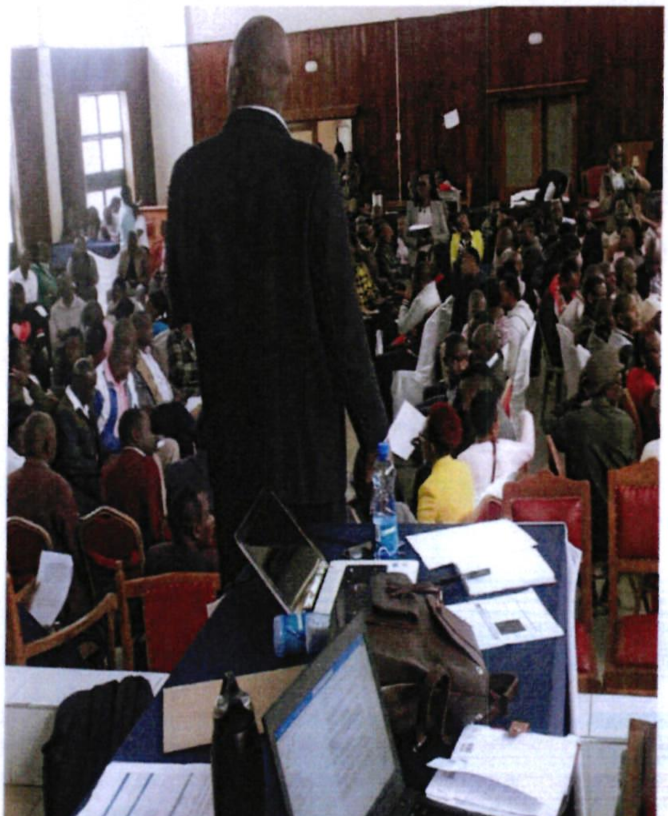


KISUMU CITY







MOMBASACITY