

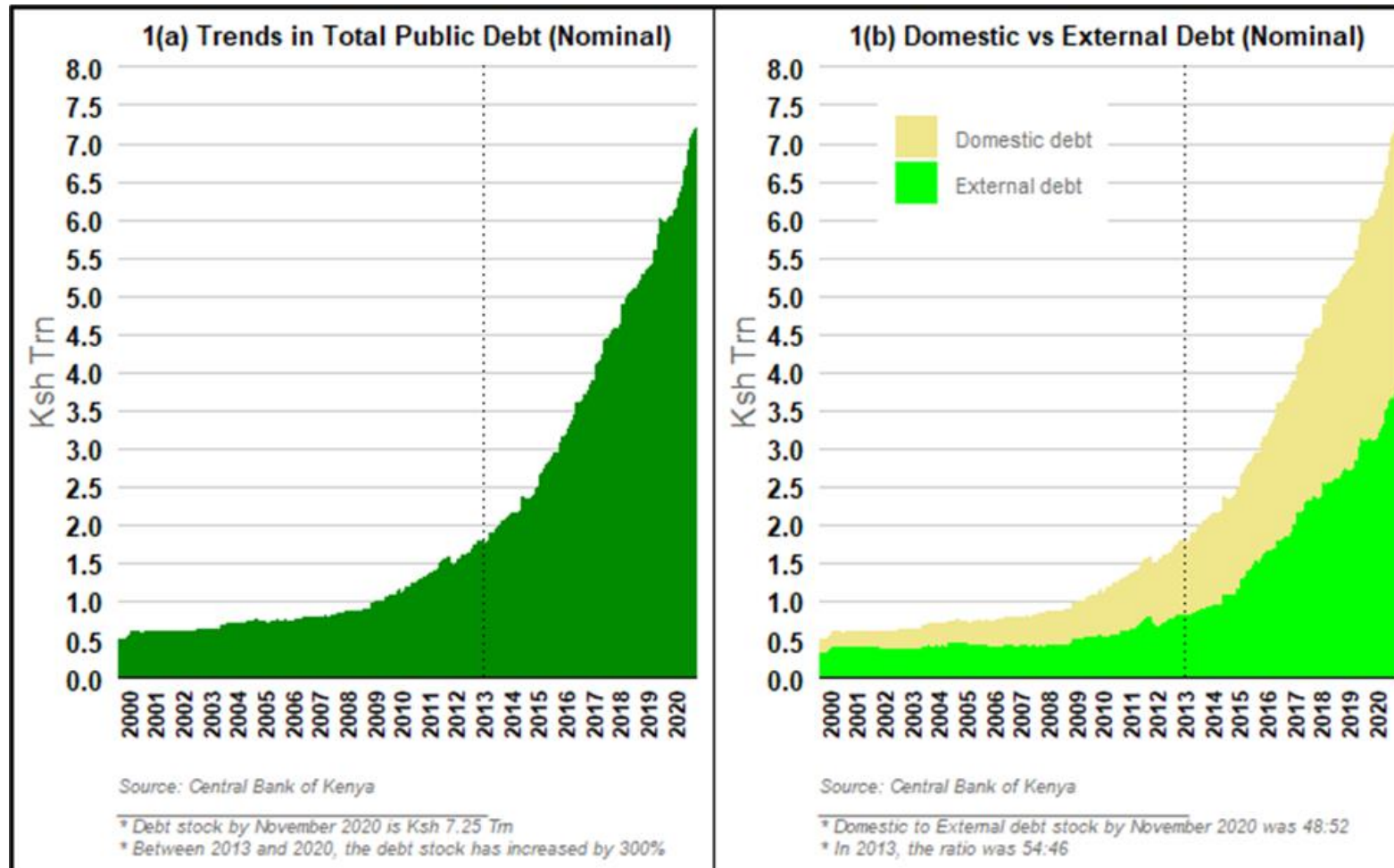


# Public debt conundrum – which way for Kenya

Kwame Owino, Maureen Barasa & Annah-Grace

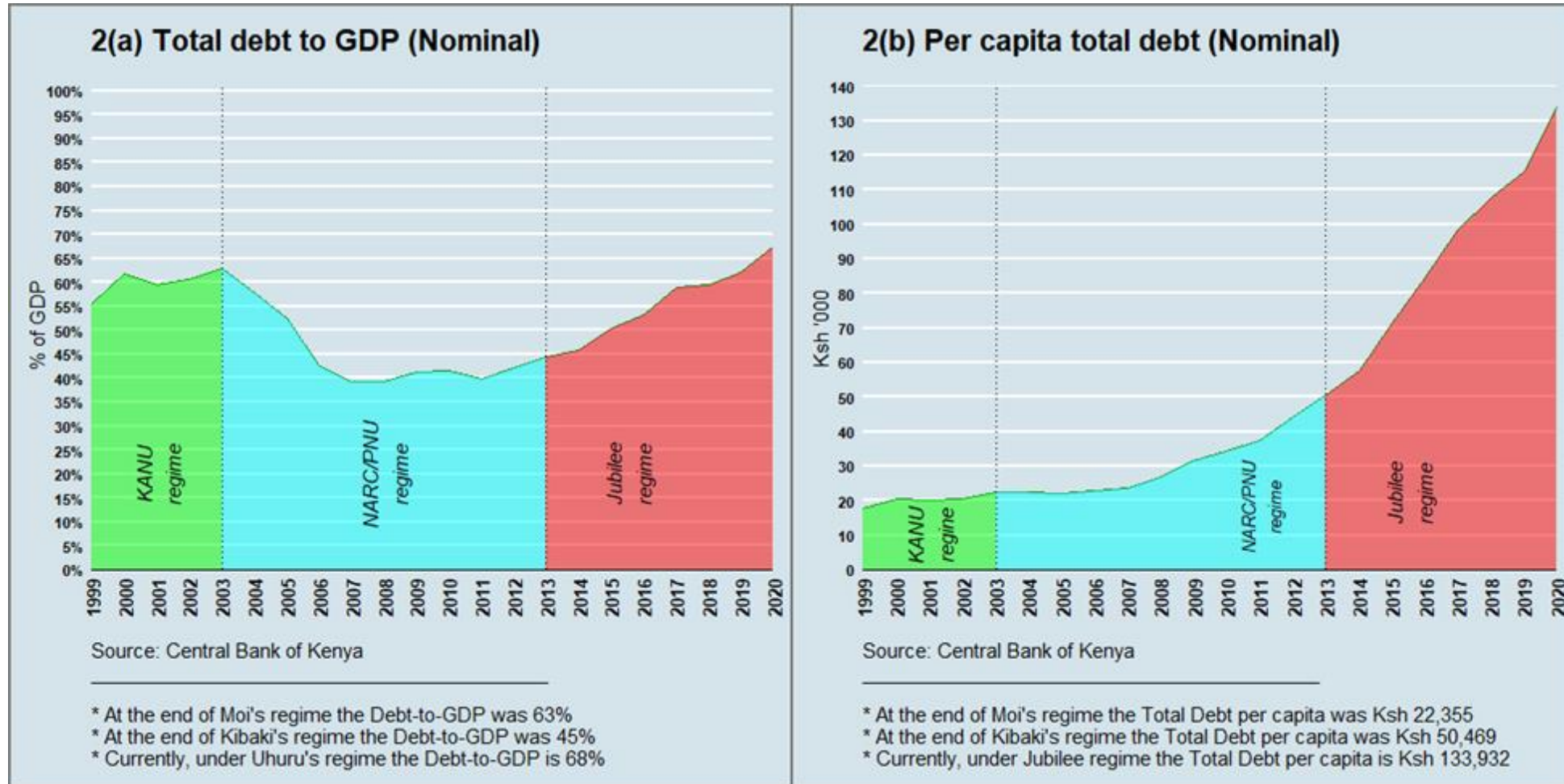


# State of Play





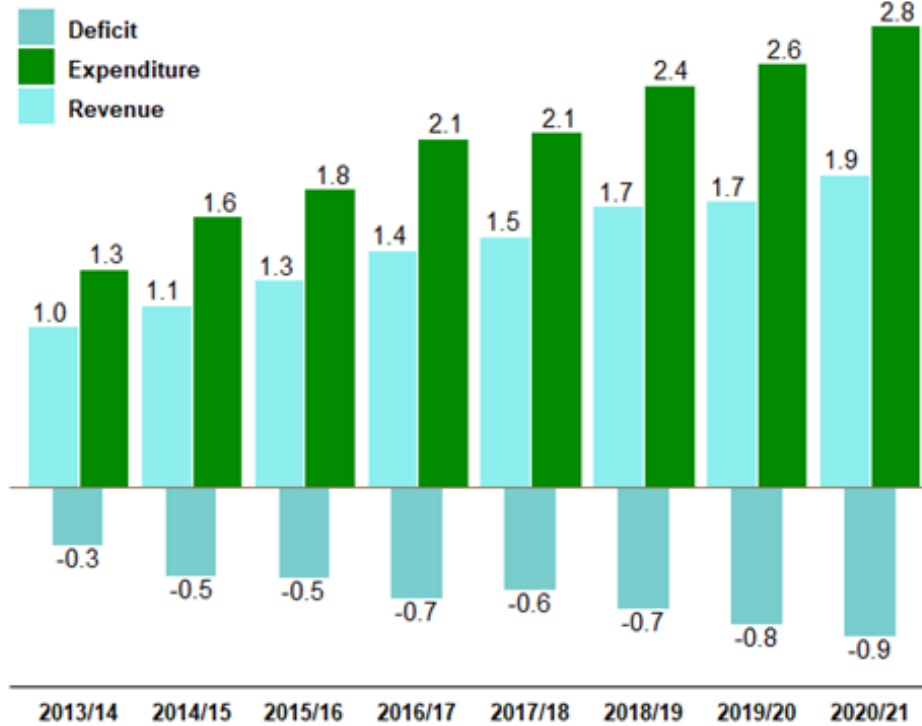
# State of Play





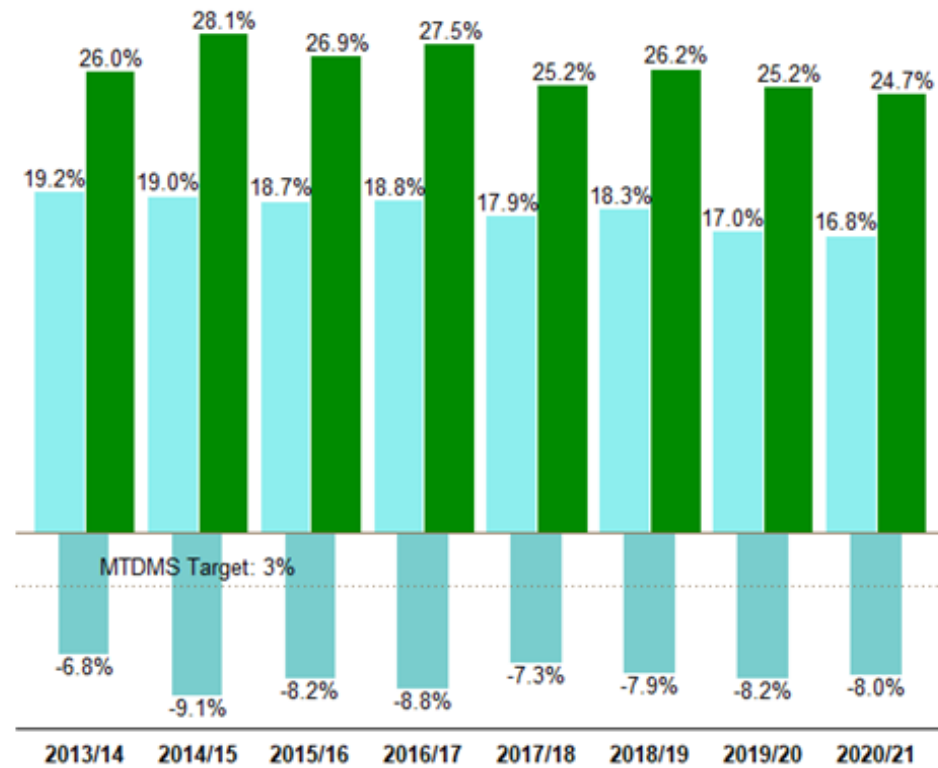
# Debt Distress

3(a) Budget trends, nominal value (Ksh Trn)



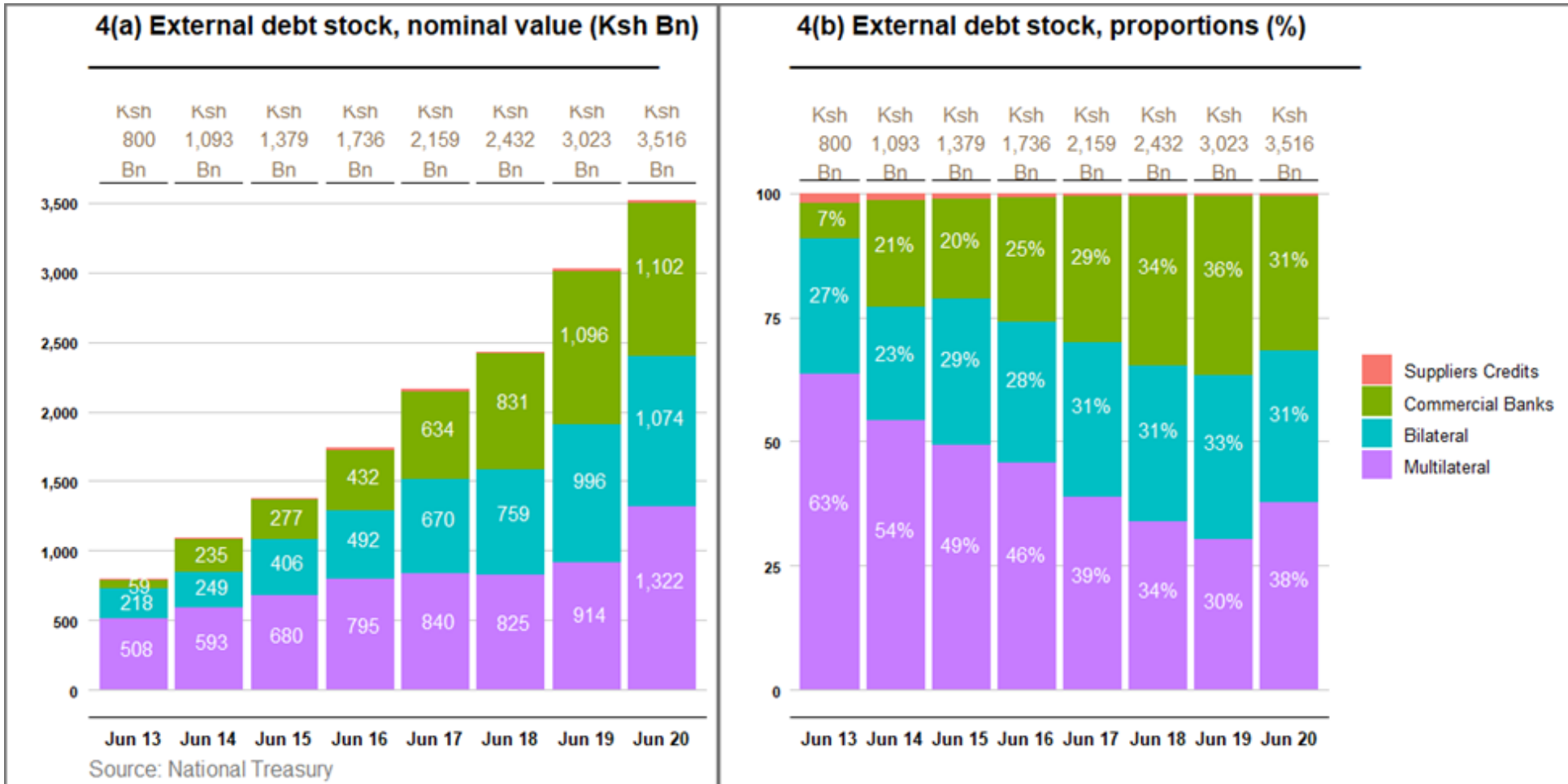
Source: National Treasury

3(b) Budget trends (% of GDP)



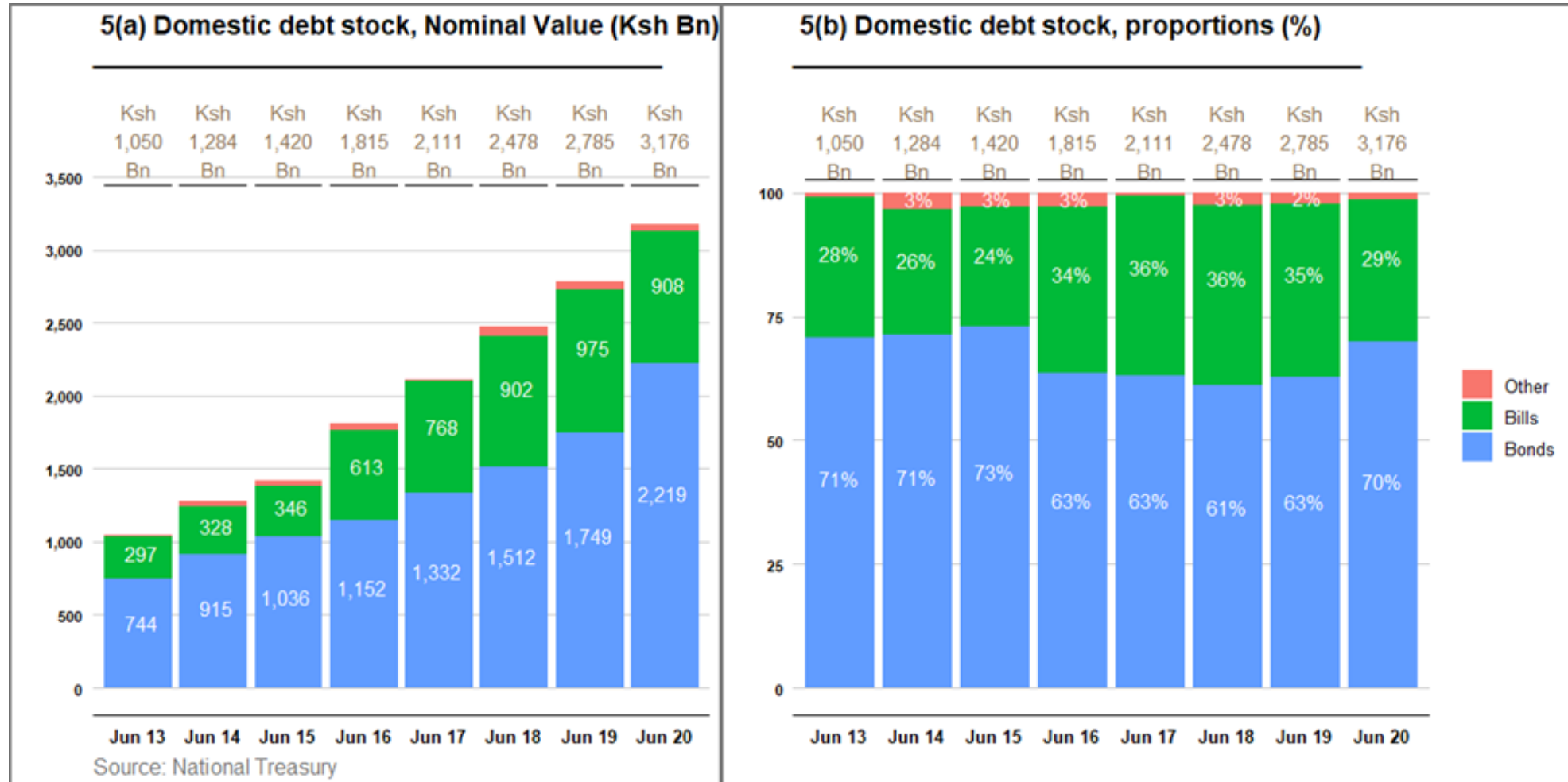


# Debt Distress



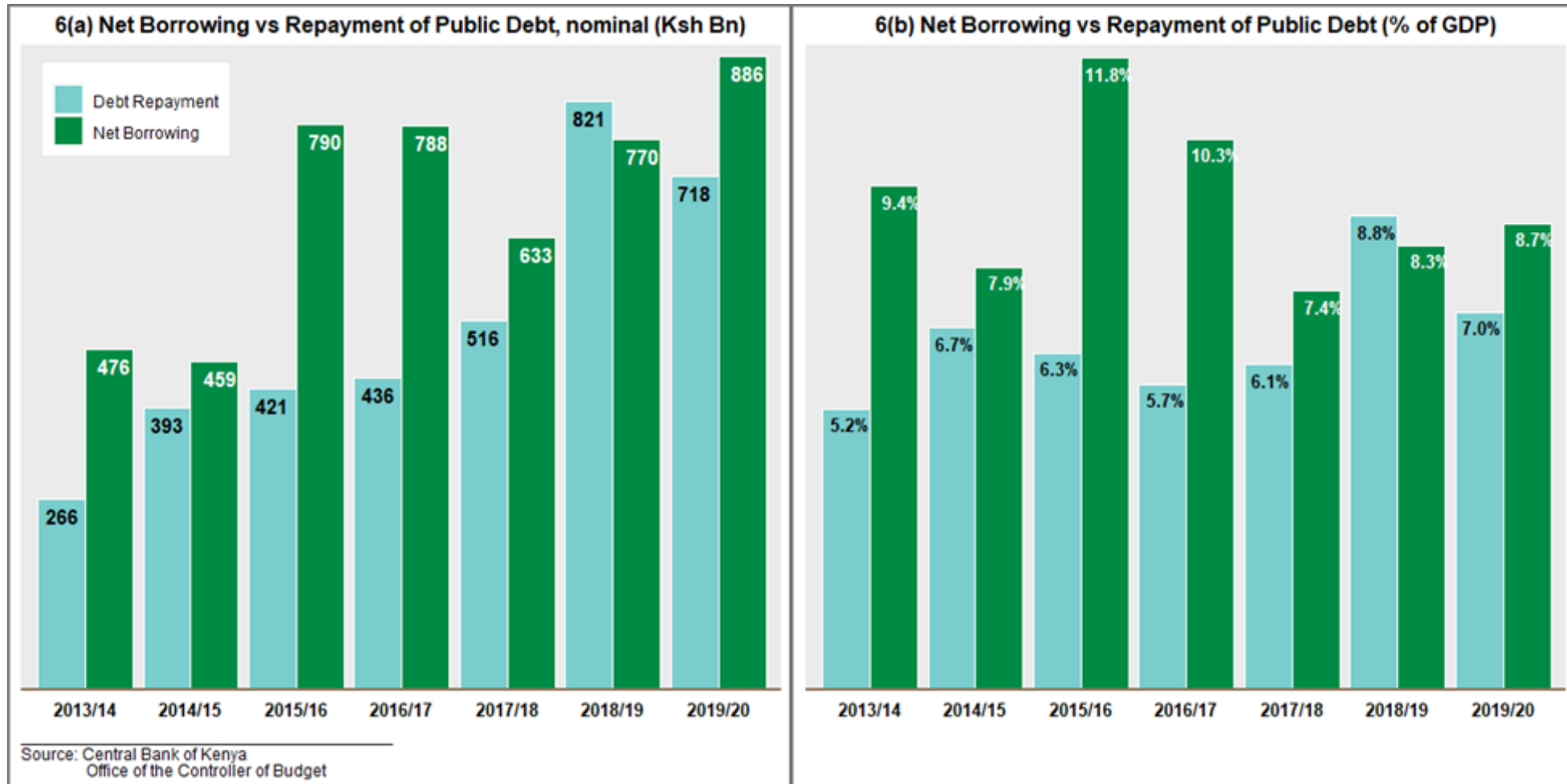


# Debt Distress



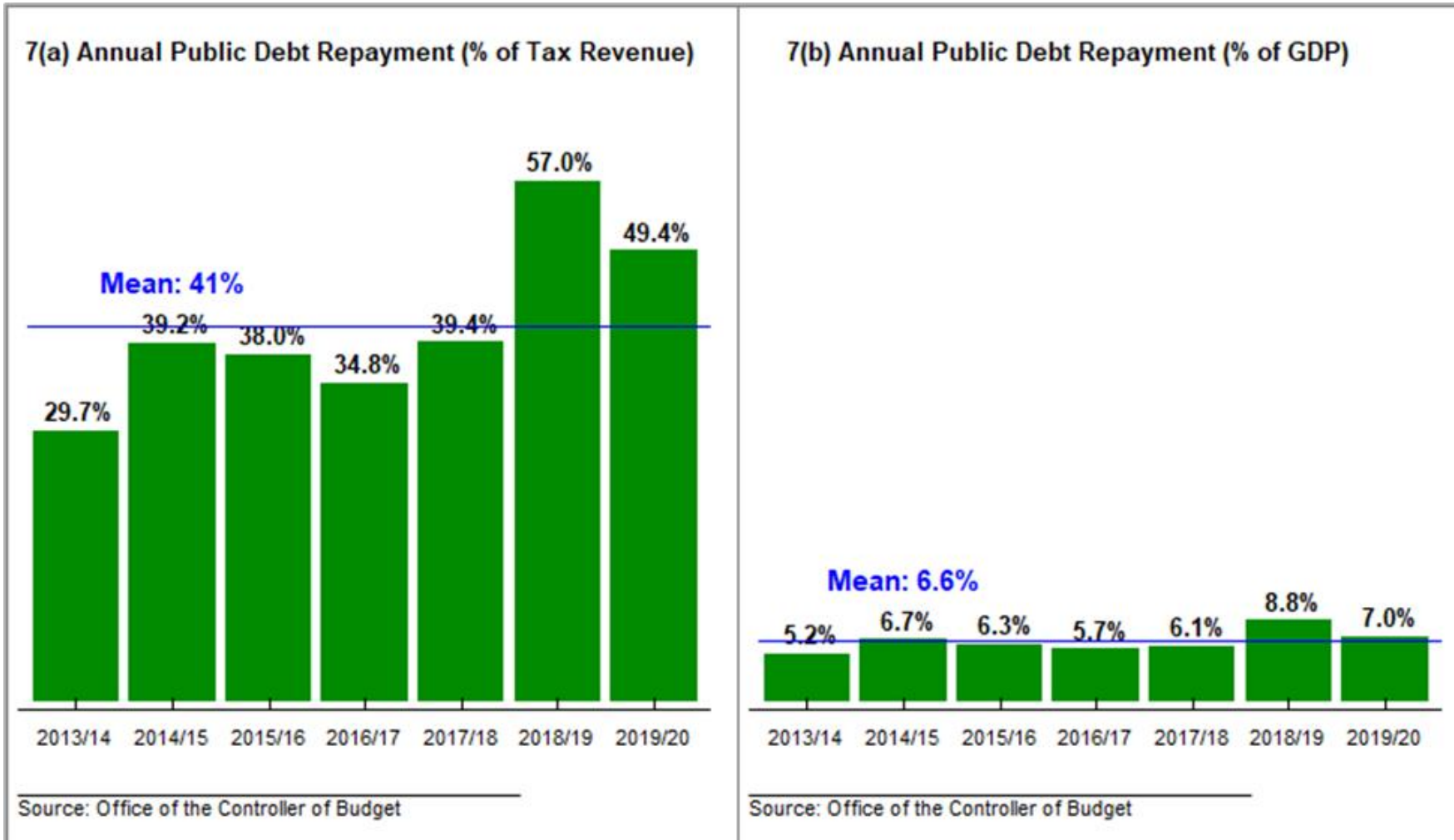


# Debt Distress





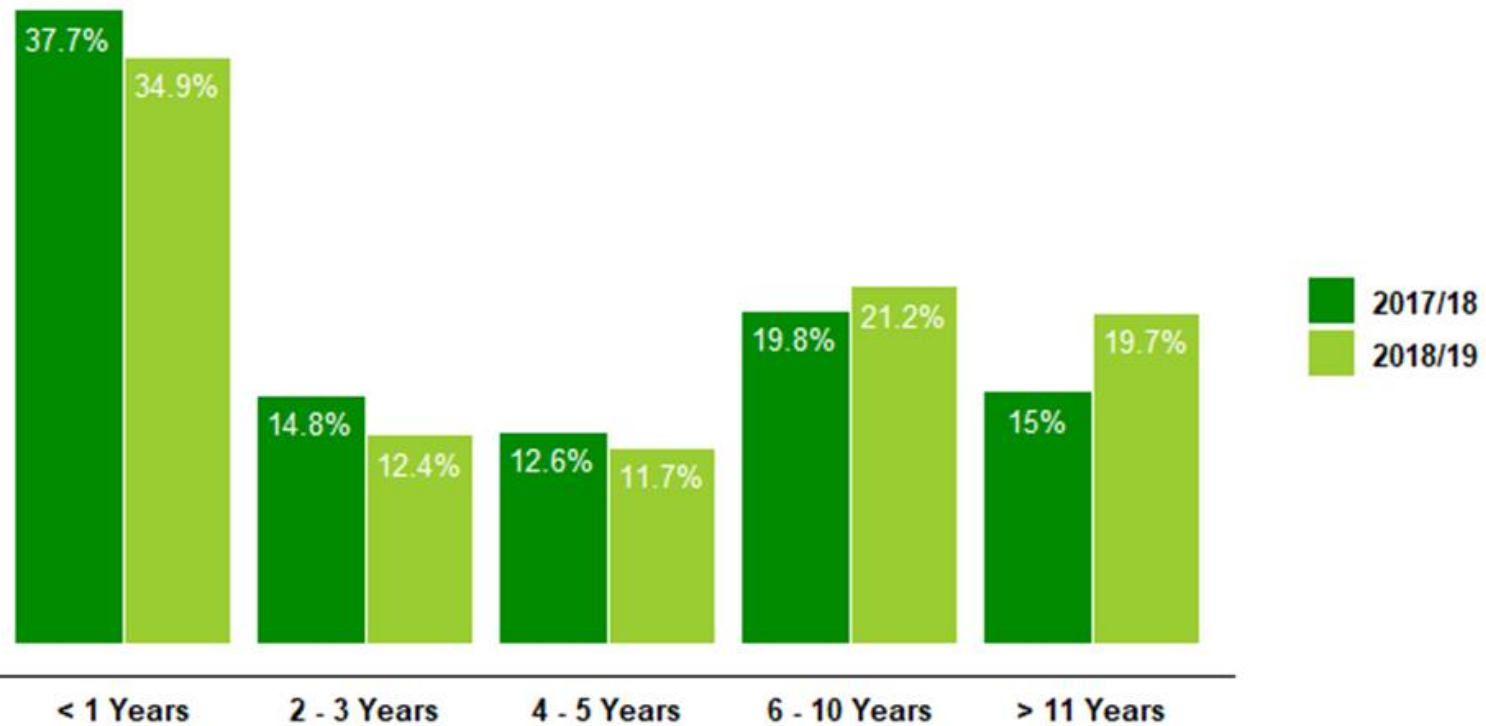
# Debt Distress





# Debt Distress

(8) Domestic Debt by Maturity Comparatives (%)

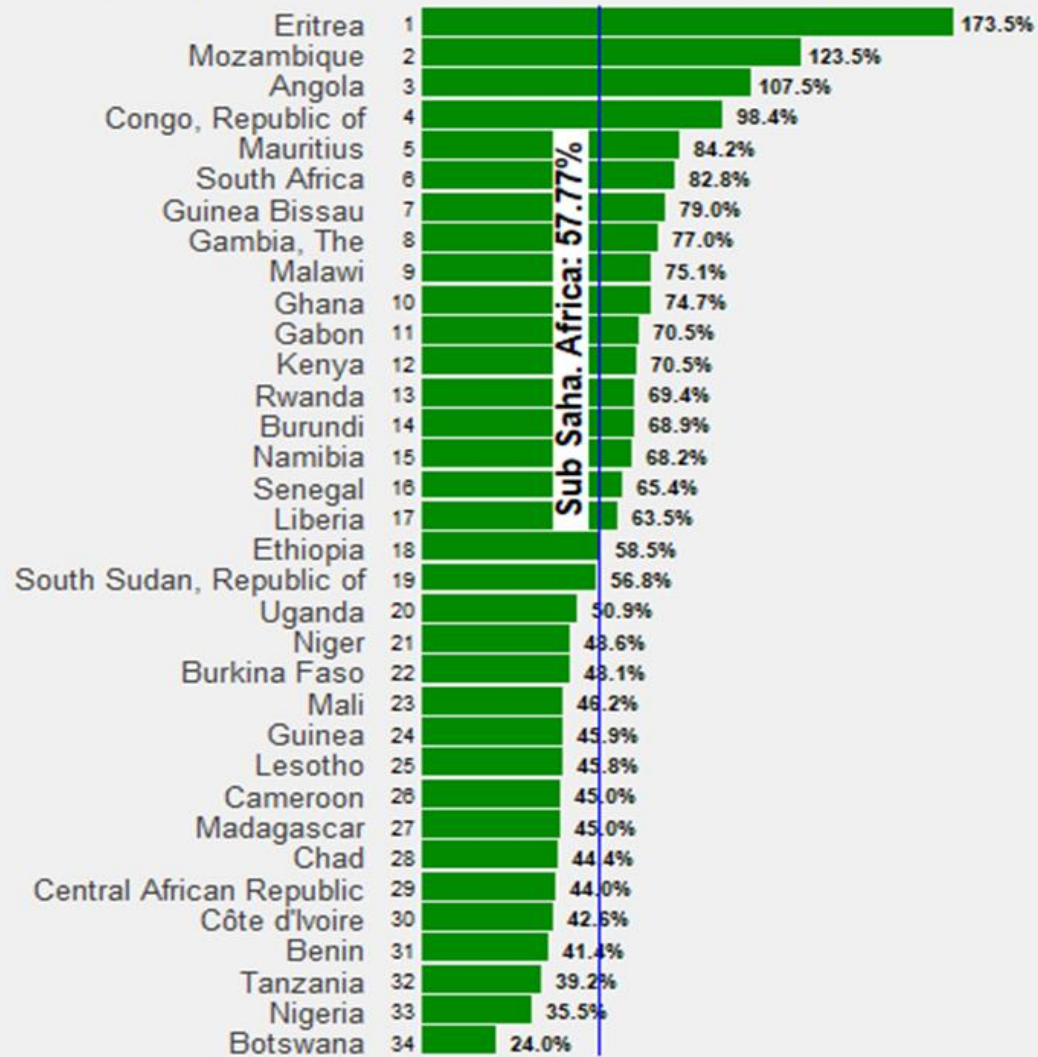


Source: National Treasury

# Debt Distress



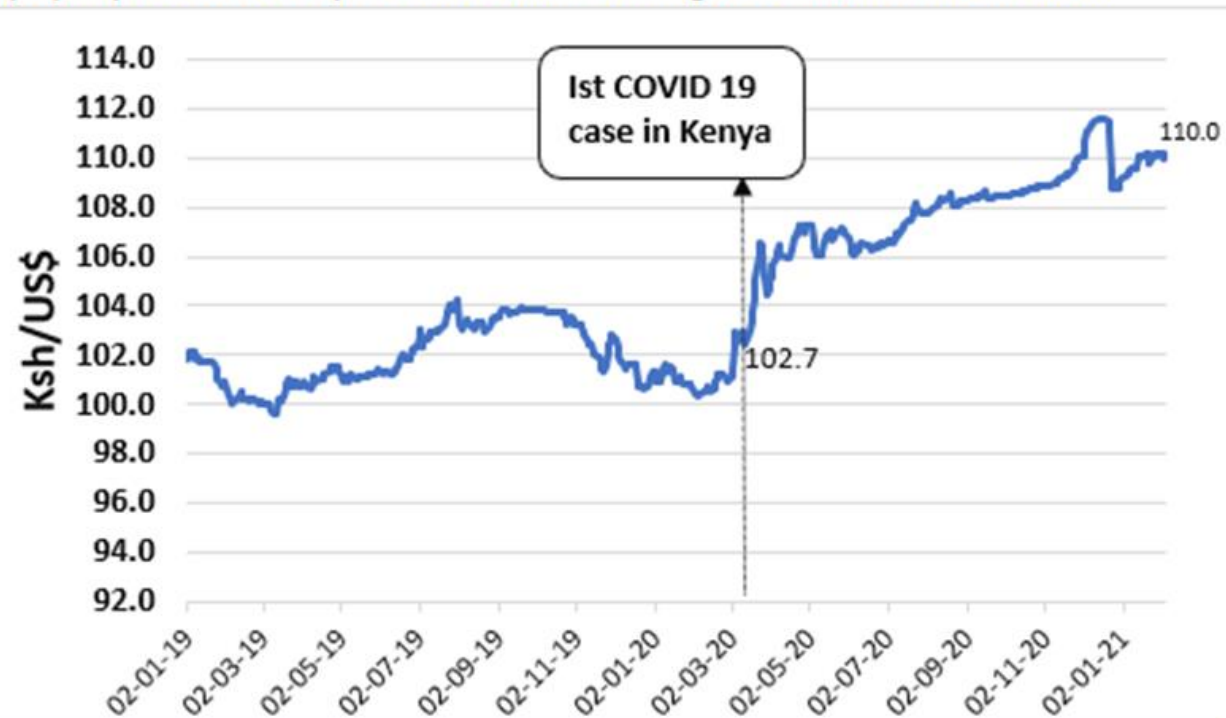
(9) Comparison of public debt by select countries (% of GDP), 2021



Source: IMF

# Debt Distress

(10) Implication of depreciation of the shilling to the External Debt Stock





- \* The US dollar is the main denomination of the Kenyan External Debt, over 70%
- \* The overall external debt has increased from Ksh 3.1 Trn in Jan 2020 to Ksh 3.8 Trn in Nov 2020
- \* Over the period the shilling has depreciated from Ksh 101 to Ksh 110
- \* This implies that between Jan 2020 and Nov 2020, external debt expanded by approximately Ksh 6.3 Bn on the account of the depreciation of the shilling

Source: Central Bank of Kenya



# Manifestations of debt distress

1. Delayed payments
2.  debt to revenue ratios
3.  debt servicing costs (interest)
4. Requests for debt rescheduling or forgiveness (DSSI)



# Solutions

1. Fiscal consolidation
2. Seal revenue loopholes
3. Raise tax rates (?)
4. Expand debt tenure



# Conclusion

- Unique convergence between public debt distress and COVID-19 emergency
- The convergence = Recession (Q2&3 2020)
- Convergence constrains policy choices (textbook responses)



# Thank You

[www.ieakenya.or.ke](http://www.ieakenya.or.ke)

[admin@ieakenya.or.ke](mailto:admin@ieakenya.or.ke)