

SECRET



REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

**2019 Medium Term Debt Management  
Strategy**

**February 2019**

SECRET

SECRET

# **2019 Medium Term Debt Management Strategy**

SECRET

SECRET

To obtain copies of the document, please contact:

**Public Relations Office**  
The National Treasury and Planning  
Treasury Building  
P. O. Box 30007-00100  
**NAIROBI, KENYA**

Tel: +254-20-2252-299  
ps@treasury.go.ke

The document is also available on the website at: [www.treasury.go.ke](http://www.treasury.go.ke)

*Information in this publication may be reproduced without restriction provided that due acknowledgement of the source is made.*

© Medium Term Debt Strategy (MTDS) 2019

SECRET

# SECRET

## TABLE OF CONTENTS

FOREWORD.....	iv
ACKNOWLEDGEMENT.....	v
ABBREVIATIONS AND ACRONYMS .....	vii
EXECUTIVE SUMMARY.....	viii
I. INTRODUCTION.....	1
II. BACKGROUND TO MEDIUM TERM DEBT STRATEGY.....	2
III. REVIEW OF 2017 MTDS AND 2018 MTDS.....	3
IV. MTDS: RATIONALE AND SCOPE .....	4
V. COST AND RISK ANALYSIS OF THE PUBLIC DEBT PORTFOLIO .....	7
VI. BASELINE MACROECONOMIC ASSUMPTIONS AND KEY RISKS.....	11
VII. POTENTIAL SOURCES OF FISCAL DEFICIT FINANCING .....	14
VIII. COST-RISK ANALYSIS OF ALTERNATIVE DEBT MANAGEMENT STRATEGIES.....	17
IX. DEBT SUSTAINABILITY.....	28
X. IMPLEMENTING 2019 MTDS .....	29
XI. CONCLUSION .....	29

SECRET

**FOREWORD**

The Medium Term Debt Management Strategy (MTDS) is published every year. As required by the Public Finance Management (PFM) Act, 2012 (33 (2)) this MTDS is consistent with the 2019 Budget Policy Statement.

The MTDS has evaluated the costs and risks of several alternative financing options under specific macroeconomic assumptions, and shock scenarios to determine a financing option that is feasible. The 2019 MTDS is prepared taking into account the terms of any anticipated borrowing, the type of borrowing and the attendant risks or shocks that may impact on the government's ability to meet its debt obligations, taking into account new developments in the market.

The objective of the 2019 MTDS is to raise the required financing at the lowest cost, with a prudent degree of risk as the government diversifies its sources of funding.

This MTDS takes cognizant of the fact that Kenya's public debt has to remain within sustainable levels. The government is committed to the fiscal consolidation efforts, which are aimed at containing the pace of borrowing and hence reduce the debt ratios.

To support the development of domestic debt market, the government will continue with the implementation of the financial reforms in the local debt market aimed at deepening it and improving efficiency.

Lastly, I wish to emphasize that the importance of preparing and publishing of the MTDS regularly promotes transparency in budget financing and public financial management.

  
HENRY K. BOTICH, EGH  
CABINET SECRETARY/ THE NATIONAL TREASURY & PLANNING

SECRET

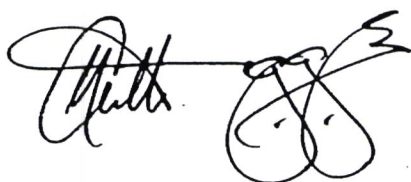
## ACKNOWLEDGEMENT

The MTDS 2019 is prepared as per the requirement of Public Finance Management (PFM) Act, 2012 and will be tabled in Parliament for approval. It will guide debt management operations and borrowing for the fiscal year 2019/20 based on evaluated costs and risks of various options of financing the budget deficit.

I thank the team at the Public Debt Management Office and staff from the collaborating departments in the National Treasury and the Central Bank of Kenya who have provided data inputs to the MTDS preparation for their effort in ensuring the report is finalized. Likewise, I wish to thank members of the public or public institutions who may have provided valuable comments and contributions to enrich the Medium Term Debt Management Strategy.

I thank members of development partner institutions who have been providing technical assistance to enhance technical capacity in the area of MTDS preparation.

The MTDS 2019 will be available in the National Treasury Website: [www.treasury.go.ke](http://www.treasury.go.ke) for reference by members of the public.

A handwritten signature in black ink, appearing to read 'K. Thugge', with a large, stylized flourish extending to the right.

**DR. KAMAU THUGGE, CBS**  
**PRINCIPAL SECRETARY/THE NATIONAL TREASURY**

SECRET

**Publication of the Debt Management Strategy**

Section 33 of the Public Finance Management Act, 2012.

- 1) On or before 15th February in each year, the Cabinet Secretary shall submit to Parliament a statement setting out the debt management strategy of the national government over the medium term with respect to its actual liability in respect of loans and guarantees and its plans for dealing with those liabilities.
- 2) The Cabinet Secretary shall ensure that the medium term debt management strategy is aligned to the broad strategic priorities and policy goals set out in the Budget Policy Statement.
- 3) The Cabinet Secretary shall include in the statement the following information:-
  - a) The total stock of debt as at the date of the statement;
  - b) The sources of loans made to the national government and the nature of guarantees given by the national government;
  - c) The principal risks associated with those loans and guarantees;
  - d) The assumptions underlying the debt management strategy; and
  - e) An analysis of the sustainability of the amount of debt, both actual and potential.
- 4) Within fourteen days after the debt strategy paper is submitted to Parliament under this section, the Cabinet Secretary shall submit the statement to the Commission on Revenue Allocation and the Intergovernmental Budget and Economic Council, publish, and publicize the statement.

## ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
ADF	African Development Fund
ATtM	Average Time to Maturity
ATR	Average Time to Re-fixing
BPS	Budget Policy Statement
CBK	Central Bank of Kenya
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment
DSA	Debt Sustainability Analysis
DSF	Debt Sustainability Framework
ECA	Export Credit Agencies
FX	Foreign currency denominated debt
FY	Financial Year
FCCL	Fiscal commitment and Contingent Liabilities
GDP	Gross Domestic Product
GoK	Government of Kenya
IDA	International Development Association
IFB	Infrastructure Bond
IRA	Insurance Regulatory Authority
IMF	International Monetary Fund
ISB	International Sovereign Bond
Kes	Kenya Shilling
KenGen	Kenya Electricity Generating Company
LMIC	Lower Middle Income Countries
MTDS	Medium Term Debt Strategy
NPV	Net Present Value
PFM	Public Finance Management
PPP	Public Private Partnerships
PPG	Public & Public Guaranteed Debt
PV	Present Value
US	United States
USD	United States Dollars
QEBR	Quarterly Economic and Budget Review



## EXECUTIVE SUMMARY

Kenya's macroeconomic stability has improved on account of sustained prudence in monetary and fiscal policies. The economy continues to experience steady growth as reflected by 5.8 percent, 6.2 percent and 6.0 percent GDP growth in the first, second and third quarters of 2018 respectively an improved growth rate compared to the 4.7 percent in 2017. Key macroeconomic indicators were relatively stable; Month-on-month overall inflation was within target and stood at 5.7 percent in December 2018 up from 4.5 percent in December 2017, largely on account of an increase in international oil prices.

The 2019 MTDS has a three (3) financial years horizon of the analysis from 2019/20-2021/22, consistent with the government's 2019 BPS. The start point for the analysis is the end December 2018 outstanding National government public and called-up publicly guaranteed debt stock and projections.

The 2019 MTDS analysis covers both national government public external, domestic and called-up guaranteed debt. Kenya's national government public and publicly guaranteed debt stood at Ksh 5,276.4 billion (US\$51.81 billion) as at end-December 2018, equivalent to 52.7 per cent of GDP in nominal terms. The scope of MTDS analysis comprises external debt component at 25.7 percent of GDP (US\$25.2 billion) and domestic debt equivalent to 24.7 percent of GDP (US\$ 24.3 billion).

The Medium Term Debt Strategy is based on the medium-term macroeconomic framework as provided in the 2019 Budget Policy Statement (BPS) which reaffirms the priority policies and strategies outlined in "The Big Four" Plan and as prioritized in the Third Medium Term Plan of the Vision 2030. As enablers to the achievement of the Big Four Agenda of food security, affordable housing, expanding manufacturing sector; and providing universal healthcare, the Government will continue pursuing prudent fiscal and monetary policies that support strong economic growth, ensures price stability and maintains public debt at sustainable levels.

The Government's main sources of financing will be issuance of domestic debt market fixed income securities and external debt, mainly from the official

creditors (Multilateral and Bilateral lenders) and commercial creditors. As a way of diversifying its sources, the Government will continue to explore non-traditional sources of financing such as private placement (in local and foreign currencies), local currency international issuance, targeted retail Treasury bonds and Treasury bills, the Islamic bonds, Green bonds and diaspora bonds over the medium term.

The MTDS analysis evaluates four alternative strategies for funding the fiscal deficit. The strategies are examined as follows:

- **Strategy 1 (S1).** The strategy assumes 38 per cent external borrowing and 62 per cent domestic borrowing to finance the government budget in gross terms over the medium-term. On the external debt, concessional is proposed at 26 per cent, semi-concessional 8 per cent and commercial 4 per cent. On the domestic side, it recommends issuance of medium term instruments (more borrowing through medium to long term bonds with treasury bills issued to only refinance maturing treasury bills).
- **Strategy 2 (S2):** The strategy assumes more commercial borrowing. External and domestic outstanding borrowing would amount to 26 per cent and 74 percent, respectively, over the medium term. There is more concentration to finance the budget through commercial borrowing.
- **Strategy 3 (S3):** This strategy maximizes domestic borrowing, assuming 70 per cent of gross financing needs are met through this source. The domestic gross financing is concentrated on medium to long-term debt securities. External gross financing would be 30 per cent of gross financing needs.
- **Strategy 4 (S4):** The proposed strategy envisages increased issuance of domestic debt in the primary debt market with reduced external financing over the medium term. On the external debt, concessional is proposed at 14 per cent and commercial 14 per cent.

SECRET

The trade-offs between costs and risk outcomes means that a better result cannot be achieved in either cost or risk without losing on either. In line with goal of lengthening the maturity profile, and the practicability of implementing the Strategy, 2019 MTDs proposes Strategy 1 (S1) as the optimal strategy. The strategy comprises:

- Gross external debt financing 38 per cent and 62 per cent gross domestic financing. On the external debt, concessional is proposed at 26 per cent, semi-concessional 8 per cent and commercial 4 per cent. Treasury-bonds will be the main source of net domestic financing, while Treasury-bills are used for cash management. In line with the objective lengthening the maturity profile, issuance of medium to long term benchmark bonds is recommended.

Execution of the 2019 MTDS (Strategy 1) will be through preparation and implementation of the borrowing plan that takes account of the Governments gross funding needs for the fiscal year 2019/20 as per the cash plan requirements. Implementation will be monitored closely throughout the fiscal year and any realized deviations from what is assumed in the MTDs analysis, will lead to revision of the strategy.

SECRET

## I. INTRODUCTION

1. The MTDS has continued to guide the Government in managing public debt in a sustainable manner. It provides a transparent framework for achieving a desired composition of the public debt portfolio that reflects the government's choice on cost and risk trade-offs. It involves making strategic decisions taking into account other public policies.
2. The MTDS is prepared following seven (7) steps that entail identification, review and analysis of:
  - i. Objectives and scope;
  - ii. costs and risks of existing debt;
  - iii. Potential sources of financing;
  - iv. Macroeconomic framework and medium-term projections and risks;
  - v. Key structural factors;
  - vi. The cost and risks of alternative debt management strategies;
  - vii. Preferred strategy
3. The MTDS report is organized as follows: Section II reviews the recent macro-economic development in Kenya including sovereign rating and Debt sustainability analysis; Section III reviews the performance of the 2017 and 2018 MTDS. Section IV documents the debt management objectives and the scope of the MTDS analysis. Section V presents the cost and risks of the existing debt portfolio as at end-December 2018. In Section VI, the baseline macroeconomic assumptions underlying the MTDS and key risk to the macroeconomic projections are discussed. Section VII deliberates the potential external and domestic sources of financing. Section VIII presents the cost and risk analysis of alternative debt management strategies; Section IX is on debt sustainability; Section X is on implementing the MTDS and lastly; Section XI provides a conclusion.

## II. BACKGROUND TO MEDIUM TERM DEBT STRATEGY

4. Kenya's macroeconomic stability has improved on account of sustained prudence in monetary and fiscal policies. The economy continues to experience steady growth as reflected by 5.8 percent 6.2 percent and 6.0 percent GDP growth in the first, second and third quarters of 2018 respectively an improved growth rate compared to the 4.7 percent in 2017. Key macroeconomic indicators were relatively stable; Month-on-month overall inflation was within target and stood at 5.7 percent in December 2018 up from 4.5 percent in December 2017, largely on account of an increase in international oil prices.
5. Kenya's attractiveness to investors anchored on the ease of doing business that continues to be favourable. In the 2019 World Bank's Doing Business Report, Kenya was ranked position 61 in 2018 moving 19 places from position 80 in 2017.
6. Further, Kenya's credit rating by the Standards and Poor's and Fitch Global ratings currently stands at 'B+ with a stable outlook. This supports Kenya's access to diversified sources of funding and gives investors the assurance of the credit worthiness of Kenya as they lend to the country.
7. Kenya's National government public debt, including publicly guaranteed debt, in nominal terms as at end-December 2018 amounted to Ksh 5,276.6 billion, estimated at 52.7 percent of GDP. The public debt level as at end December 2018 remained well within sustainable levels.
8. According to the latest Debt Sustainability Analysis (DSA, October 2018), the debt sustainability indicators show that Kenya faces a moderate risk of debt distress. Overall, the Kenya's public debt indicators continue to be sustainable.

### III. REVIEW OF 2017 MTDS AND 2018 MTDS

9. The 2017 MTDS sought to mobilize resources through borrowing 60 per cent from external sources and the rest internally. External borrowing was to comprise concessional, semi-concessional and commercial in the ratio of 20:30:10. In the case of domestic borrowing, it was to be through Treasury bills and Treasury bonds with a bias on benchmark bonds.

10. The fiscal deficit by the end of June 2018 was financed through net external financing equivalent to Ksh 355.0 billion against a target of Ksh 374.6 billion, net domestic financing of Ksh 273.7 billion against a target of Ksh 248.7 billion.

11. As at end June 2018, the actual proportion for Treasury bills and bonds stood at 37 percent and 63 per cent, respectively. Domestic debt maturity structure improved with the average time to maturity of existing domestic debt increasing slightly to 4 years and 2 months over the period under review. The actual proportions for concessional, semi concessional outstanding external debt stood at 64 per cent and commercial 36 percent.

12. The Average Time to Maturity for new external loans contracted was lower at 16.9 years as at end-June 2018 compared with 17.5 years in June 2017 but the Grace Period remained unchanged at 4.5 years during the period. The weighted average interest rate reduced to 2.5 per cent from 3.0 percent during the year.

**Table 1: Average Terms of New Loan Commitments**

Description	Jun-16	Jun-17	Jun-18
Average Maturity (years)	20.2	17.5	16.9
Grace Period (years)	6.2	4.5	4.5
Weighted Average Interest Rate (%)	2.6	3.0	2.5

Source: National Treasury

13. The 2018 MTDS was consistent with the previous years' strategy. The intentions of the strategy over the period were to lengthen the maturity structure of debt, lower interest rate costs and minimize refinancing risk.

14. In the first quarter of the FY2018/19, the government aimed at raising KSh 56.6 billion to finance its development projects. As at end September 2018, total financing was above target by Ksh 29.5 billion. However, the full fiscal year outturn will be reported in the next MTDS.

#### IV. MTDS: RATIONALE AND SCOPE

15. Kenya's debt management objectives are anchored in the Public Finance Management (PFM) Act, 2012. Section 62(3) of the Act specifies that the debt management objectives are to (a) minimize the cost of public debt management and borrowing over the long-term taking account of risk; (b) promote the development of the market institutions for Government debt securities; and (c) ensure the sharing of the benefits and costs of public debt between the current and future generations as provided for under the Constitution.

16. The MTDS is linked to cash flow projections of the Government to ensure liquidity management around targeted levels during the implementation of the borrowing strategy. This ensures that debt maturities are met as they fall due and new debt is raised to fund fiscal deficit.

17. The 2019 MTDS is forward looking covering three (3) financial years horizon of the analysis from 2019/20-2021/22, consistent with the Government's 2019 BPS. The start point for the analysis is the end December 2018 outstanding National Government public debt and called-up publicly guaranteed debt and borrowing projections.

#### NATIONAL GOVERNMENT'S PUBLIC AND PUBLICLY GUARANTEED DEBT

18. The 2019 MTDS analysis covers both National Government public external, domestic and called-up guaranteed debt.

19. Kenya's National Government public and publicly guaranteed debt stood at Ksh 5,276.4 billion (US\$51.81 billion) as at end-December 2018, equivalent to 52.7 per cent of GDP in nominal terms. The scope of MTDS analysis comprises external debt component equivalent to 25.7 percent of GDP (US\$25.2 billion) and domestic debt equivalent to 24.7 percent of GDP (US\$ 24.3 billion) with the rest being 2.3 per cent of GDP.<sup>1</sup>

20. External public debt stock comprises principally loans from multilateral, bilateral and commercial creditors. Multilateral debt accounted for 8.7 percent

---

<sup>1</sup> This amount excludes US\$718 million in CBK overdraft, bank advances and Tax Reserve Certificates.

SECRET

of GDP, out of which, IDA remains the largest multilateral creditor accounting for 5.4 percent of GDP. Outstanding external commercial debt and fixed coupon is equivalent to 8.7 per cent of GDP and debt from bilateral creditors is 8.2 percent of GDP as shown in Table 2.

**Table 2: Public and Publicly Guaranteed Debt in the MTDS, End-December 2018**

Instrument	Amount In millions of Kenyan Shilling	In millions of U.S. dollars Equivalent	In percent of GDP
<b>I. Domestic Debt (included in MTDS)</b>			
Treasury Bills	899,443	8,832	9.0
Treasury Bonds	1,552,676	15,245	15.5
Pre-1997 Government Debt	23,339	229	0.2
<b>Sub Total</b>	<b>2,475,458</b>	<b>24,306</b>	<b>24.7</b>
<b>II. External debt (included in MTDS)</b>			
International Development Association	537,203	5,275	5.4
African Development Fund	223,122	2,191	2.2
Bilateral	818,275	8,034	8.2
Multilateral	115,353	1,133	1.2
Commercial Banks	391,812	3,847	3.9
Fixed Coupon	483,769	4,750	4.8
Non Performing Guarantees	1,912	19	0.0
<b>Sub Total</b>	<b>2,571,446</b>	<b>25,249</b>	<b>25.7</b>
<b>III. Excluded from MTDS</b>			
Suppliers Credit	16,857	166	0.2
CBK Overdraft	64,824	636	0.6
Performing Guarantees	139,537	1,370	1.39
Bank advances	8,277	81	0.1
<b>Sub Total</b>	<b>229,495</b>	<b>2,253</b>	<b>2.3</b>
<b>TOTAL DEBT Included in MTDS (I+II)</b>	<b>5,046,904</b>	<b>49,555</b>	<b>50.4</b>
<b>TOTAL DEBT (I+II+III)</b>	<b>5,276,399</b>	<b>51,808</b>	<b>52.7</b>

Source: National Treasury and CBK.

21. Domestic debt comprises mainly of Treasury bills and bonds. The short term debt with maturities of 91, 182, and 364 days is US\$ 8.8 billion which account for 9.0 percent of GDP while the medium and longer term domestic debt, primarily Treasury bonds, is equivalent to 15.5 percent of GDP (or US\$ 15.2 billion). The Pre-1997 government debt from CBK stood at 0.2 per cent of GDP.

SECRET



22. The 2019 MTDS analysis exclude all government guaranteed debt portfolio amounting to US\$1.37 billion that is performing. The performing guaranteed debt relate to loans contracted by Kenya Railways, Kenya Airways, Kenya Ports Authority and KenGen while the nonperforming guarantees refer to loans to Kenya Broadcasting Corporation, Tana and Athi River Development Authority and East Africa Portland Cement. It further excludes CBK overdraft and supplier credits (see Table 3).

**Table 3: Outstanding Government Guaranteed Debt (End-December 2018)**  
(In millions of Kenya Shillings and U.S. Dollars)

<b>Beneficiary Entity</b>	<b>USD</b>	<b>Kes</b>
Kenya Broadcasting Corporation	68	6,950
Tana & Athi Rivers Dev. Authority	5	542
East Africa Portland Cement	7	674
<b>Sub Total -Non Performing</b>	<b>19</b>	<b>1,912</b>
Kenya Power	138	14,013
Kenya Electricity Generating Company (KenGen)	107	10,857
Kenya Railways(IDA Concessionaire)	45	4,583
Kenya Ports Authority	331	33,699
Kenya Airways	750	76,385
<b>Sub Total -Performing</b>	<b>1,370</b>	<b>139,537</b>
<b>Total</b>	<b>1,389</b>	<b>141,449</b>

Source: National Treasury.

## V. COST AND RISK ANALYSIS OF THE PUBLIC DEBT PORTFOLIO

23. Interest payment on public debt is projected at 3.9 per cent of GDP as at end June 2019, out of which over 72 per cent is interest on domestic debt. Over the same period, the weighted average interest rate on the total public debt portfolio is projected to rise to 7.7 percent of GDP, up from 7.5 percent. The weighted average interest rates on external and domestic debt portfolios are at 4.4 per cent and 11.3 percent, respectively. (Table 5)

24. Maturity of the domestic debt is projected to shorten with 43 percent of the debt maturing in less than a year (see Table 4), up from 38 percent the previous year. The increase in refinancing/rollover risk is inconsistent with the expected outcome of the 2017/18 MTDS that was anchored on a bias towards issuance of longer dated Treasury bonds but market conditions were not supportive.

**Table 4: Domestic debt by maturity**

Remaining Maturity in Years	In Percent of Total	In million US\$
< 1 Y	42.76	10,376
2 - 3 Y	9.97	2,419
4 - 5 Y	13.29	3,225
6 - 10 Y	21.09	5,118
> 11 Y	13.06	3,168
<b>Total</b>	<b>100</b>	<b>24,306</b>

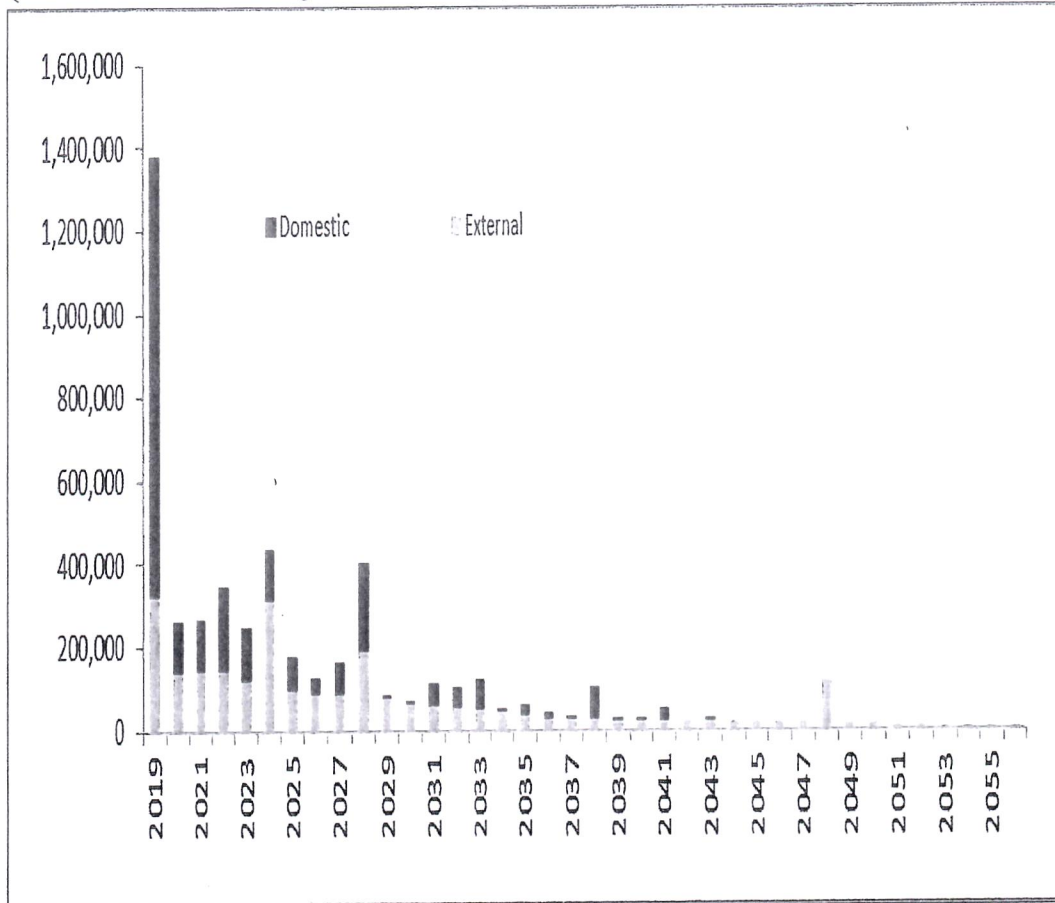
Source: National Treasury

25. Despite the increase in refinancing/roll-over risk, the average time to maturity (ATtM) for domestic debt portfolio stood at 4.7 years by end December 2018 up from 4.4 years as at end December 2017 while ATtM for external debt portfolio stands at 10.1 years as at end December 2018 compared to 9.7 years as at end December 2017. (Table 5). The ATtM for the total debt portfolio is 7.4 years as at end December, 2018 (Table 5) compared to 7.1 years as at end December 2017.

26. Whereas debt redemptions are large in 2019, it is projected that over the medium term and consistent with the 2018-19 MTDS the level of redemptions will decline as shown in Figure 1.

Figure 1: Projected Debt Redemption Profile over the medium to long term

(In millions of Kenyan Shillings)



Source: National Treasury and Central Bank of Kenya

27. The total portfolio has 91.9 per cent of debt at fixed interest rate debt while the total domestic debt is 100 percent fixed interest rate. Out of the total debt, 32.4 per cent will re-fix in FY2019/20. The average time to re-fixing (ATR) for external and domestic debt portfolio is 9.7 years and 4.7 years respectively.

**Table 5: Cost and Risk Indicators of Existing Debt, as at end- December 2018**

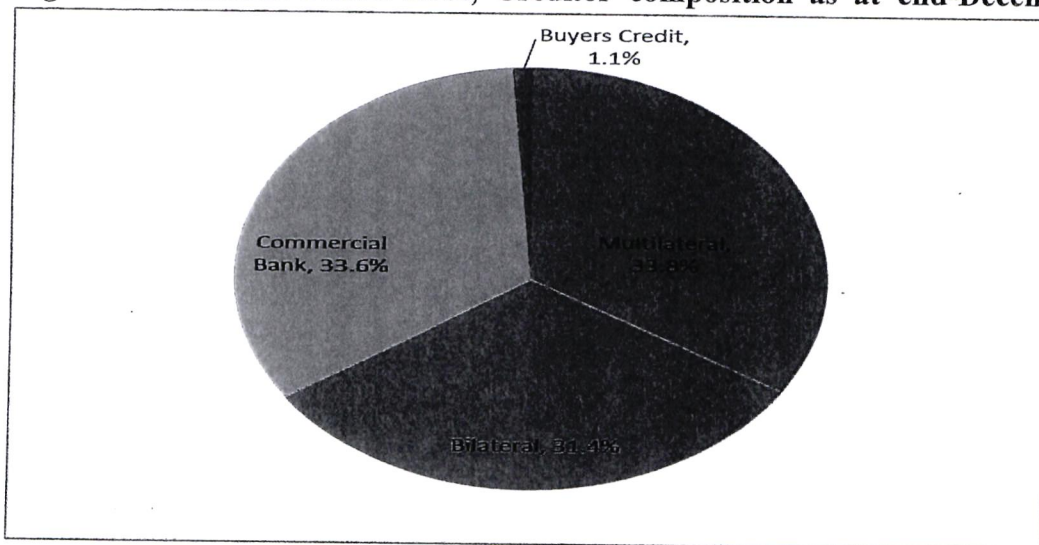
Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of Kes)		2,571,093.5	2,475,457.8	5,046,551.3
Amount (in millions of USD)		25,244.9	24,305.9	49,550.8
Nominal debt as % GDP		25.6	24.7	50.3
PV as % of GDP		21.7	24.7	46.4
Cost of debt	Interest payment as % GDP	1.1	2.8	3.9
	Interest payment as % Total Revenue	7.7	19.1	26.8
	Weighted Av. IR (%)	4.4	11.3	7.7
Refinancing risk	ATM (years)	10.1	4.7	7.4
	Debt maturing in 1yr (% of total)	12.6	42.7	27.4
	Debt maturing in 1yr (% of total revenue)	22.2	72.6	94.8
	Debt maturing in 1yr (% of GDP)	3.2	10.5	13.8
Interest rate risk	ATR (years)	9.7	4.7	7.3
	Debt refixing in 1yr (% of total)	22.5	42.7	32.4
	Fixed rate debt (% of total)	84.2	100.0	91.9
FX risk	FX debt (% of total debt)			50.9

Source: National Treasury

**STRUCTURE OF PUBLIC DEBT PORTFOLIO**

28. The Figure 2 shows that as at end December 2018, 34 percent of the debt is to multilateral institutions, while bilateral and commercial debts account for 31 and 34 percent respectively.

**Figure 2: External Public Debt, Creditor composition as at end-December 2018**

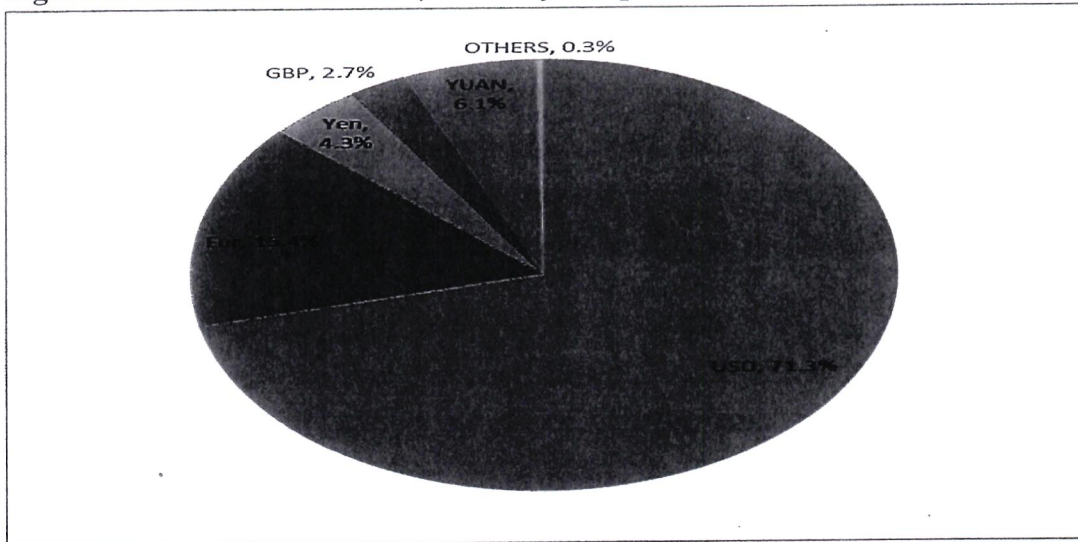


Source: National Treasury

29. The composition of Kenya's external debt is well diversified in terms of currency. The government is also working towards reducing its exposure to the US dollar through contracting new debt in other currencies, and also matching external liabilities with currency composition of Kenya's forex inflows and international reserves.

30. The total government debt portfolio exposed to exchange rate risk is 50.9 per cent all of which is external debt. The main exposure is to the U.S. dollar at 71.3 percent, followed by the Euro at 15.4 percent while Chinese Yuan and JPY at 6.1 percent and 4.3 percent respectively. (Figure 3)

**Figure 3: External Public Debt, currency composition as at end-December, 2018.**



Source: National Treasury

## VI. BASELINE MACROECONOMIC ASSUMPTIONS AND KEY RISKS

### A. Baseline Macroeconomic Assumptions

31. The Medium Term Debt Strategy is based on the medium-term macroeconomic framework as provided in the 2019 Budget Policy Statement (BPS) which reaffirms the priority policies and strategies outlined in “The Big Four” Plan and as prioritized in the Third Medium Term Plan of the Vision 2030. As enablers to the achievement of the Big Four Agenda of food security, affordable housing, expanding manufacturing sector; and providing universal healthcare, the Government will continue pursuing prudent fiscal and monetary policies that support strong economic growth, ensures price stability and maintains public debt at sustainable levels.

32. According to the 2019 BPS, the Government will continue implementing fiscal consolidation measures aimed at narrowing the budget deficit and stabilize public debt, prioritize development expenditures and protecting social spending and investments, in addition to implementing various measures to boost revenue mobilization.

33. The baseline assumptions as tabulated in the 2019 BPS are summarized below (See Table 6):

**Table 6: Kenya: Baseline Macroeconomic Assumptions**

	Unit	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Prel. Act	Prel. Act	Projected				
Real GDP	Per cent	5.4	5.4	6.1	6.2	6.4	6.7	7.0
GDP Deflator	Per cent	8.4	8.4	7.5	6.5	6.0	6.0	5.8
CPI (av.)	Per cent	8.1	5.2	4.8	5.0	5.0	5.0	5.0
Revenue	Per cent of GDP	18.6	17.3	18.3	18.3	18.5	18.8	18.8
Expenditure	Per cent of GDP	27.6	24.4	25.1	23.9	22.8	22.5	22.2
Overall Fiscal Balance	Per cent of GDP	-9.0	-7.1	-6.8	-5.6	-4.3	-3.7	-3.4

	Unit	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		Prel. Act	Prel. Act	Projected				
Primary budget balance	Per cent of GDP	-5.3	-3.1	-2.5	-1.3	-0.3	0.2	0.2
Revenue	Kes billion	1,422.5	1,522.5	1,831.5	2,080.9	2,369.6	2,718.0	3,079.4
Expenditure	Kes billion	2,110.0	2,146.7	2,514.4	2,710.8	2,922.3	3,251.5	3,641.5
Overall Fiscal Balance	Kes billion	-687.4	-624.2	-683.0	-629.9	-552.7	-533.4	-562.1
Primary budget balance	Kes billion	-403.4	-272.7	-249.5	-152.1	-39.4	28.6	26.6
GDP (current prices)	Kes billion	7,658.1	8,792.6	10,030.2	11,346.5	12,795.9	14,475.2	16,393.0

Source: National Treasury, Draft 2019 BPS

**34.** Over the medium term, real GDP growth is projected at 7.0 percent in FY 2022/23 while the primary deficit is projected at 1.3 percent of GDP in FY2019/20 and a surplus of 0.2 percent of GDP by FY2021/22. Inflation is expected to remain within the current target band of 5.0 per cent with an allowable margin of 2.5 percent on either side of the target band in the medium term.

### **B. Risks to the Baseline Macroeconomic Assumptions in the 2019 MTDS**

**35.** The major risks to the macroeconomic framework are highlighted in the BPS 2019 and it includes:

- i. Public expenditure pressures combined with revenue underperformance may make it difficult for the Government to actualize and sustain macroeconomic policies detailed in 2019 BPS. Other fiscal risks include shocks to exchange rates which could impact the size of debt servicing, the terms of trade and inflation; and the risks associated with the devolved system of governance.
- ii. The sustainability of Kenya's public debt depends on macroeconomic performance, fiscal deficits in particular and stability in general prices levels(exchange rate, inflation and interest rates). External financing on both concessional and non-concessional terms pose foreign exchange risk. The rising interest rate environment in the international debt capital markets may increase cost of refinancing existing maturing debt and overall cost of

borrowing. Contracting of new debt on short term maturities increases the refinancing risk. However, with the present fiscal consolidation efforts, the Government aims to contain the fiscal deficits and hence reduce the debt ratios. To reduce the refinancing risk, the Government's strategy is to actively restructure public loans by contracting external and domestic loans of longer-term maturities.

- iii. Under various enabling legislations establishing State Corporations, the Corporations are legal entities with the capacity to borrow or contract debts and other liabilities. The Government through the National Treasury on-lends to respective State Corporations and these may constitute a potential source of fiscal risk.
- iv. There exist implied fiscal risks from issuance of Letters of Support and explicit risk from other public sector's contributions to the "partnership" through the use of multiple instruments of support and credit enhancement measures to Public Private Partnerships (PPPs) by the government. To mitigate against these risks, the government has adopted a Fiscal Commitments and Contingent Liabilities (FCCL) Management Framework to ensure approval of, and fiscal accountability in, the management of financial and any other form of Government support granted in the implementation of the country's PPP programme.



## VII. POTENTIAL SOURCES OF FISCAL DEFICIT FINANCING

### A. External Sources

36. The Government's main sources of financing will be issuance of fixed income securities in the domestic debt market and external sources, mainly from the official creditors (Multilateral and Bilateral lenders) and commercial creditors. As a way of diversifying its sources, the Government will continue to explore non-traditional sources of financing such as private placement (in local and foreign currencies), local currency international issuance targeting retail Treasury bonds and Treasury bills, the Islamic bonds, Green bonds and diaspora bonds over the medium term.

37. In the fiscal year 2019/20, the Government will aim at maximizing the official external sources for loans on concessional terms even though this source is shrinking with Kenya's graduation to lower middle-income economy. For this reason, the Government will continue to access commercial windows of multilateral institutions, maintain its presence in the international capital markets as well as continue using Export Credit Agencies (ECAs) to finance its development expenditures and achievement of the big four Agenda.

### B. Domestic Sources

38. The domestic debt market has been a key source of funding for the Government deficit. Through financial reforms, the domestic market has deepened and has become more vibrant at both primary auction and secondary trading. The Government raises finances through issuance of Treasury Bills and Bonds and this is expected to continue in the fiscal year 2018/19.

39. The Government is committed to continue issuing retail securities including Treasury bonds and bills through M-Akiba platform with the aim of targeting the retail investors to build a saving culture, support financial inclusion and access while mobilizing debt. In addition, to increase efficiency and transparency in the domestic debt market, strategic financial sector reforms will be implemented. Some of these reforms include; over the counter trading of

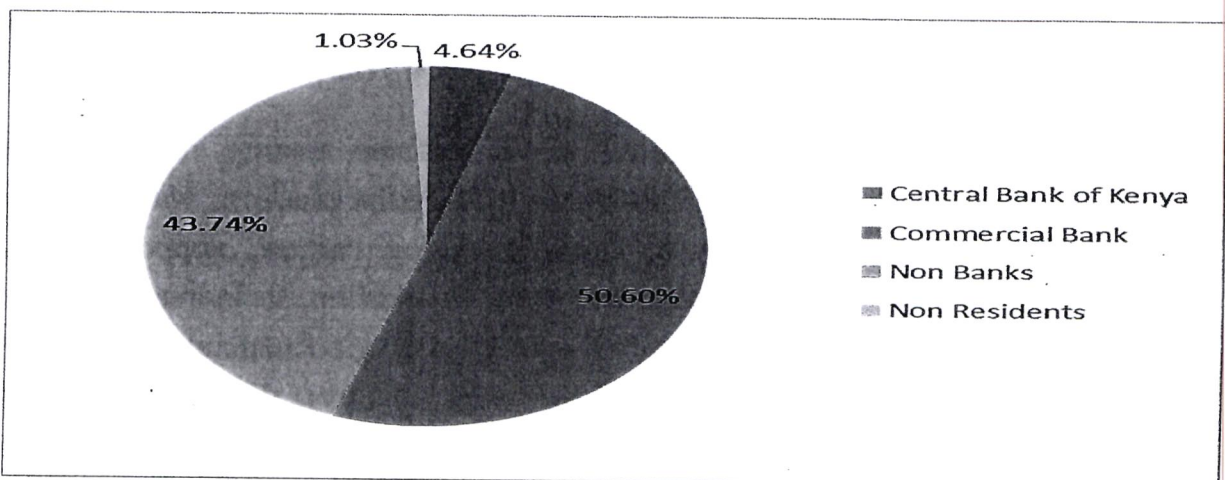
Government bonds, Repo market expansion, automation of primary auction and separating retail investors from institutional investors in the primary auction.

40. A deeper market facilitates pricing efficiency and transparency due to increased liquidity and hence reduces the subsequent cost of borrowing to the government. This will be supported by regular publication of issuance calendar. The government's strategy aims to deepen the domestic debt market as this will help increase mobilization of local currency funds and reduce its exposure to foreign currency risk. The Government's other objectives include lengthening the average maturity of the overall debt.

41. The issuance of medium to long dated benchmark large volumes instruments will continue with the aim of reducing the domestic debt rollover risk, increase liquidity which will foster secondary trading activities leading to a reference yield curve.

42. The domestic debt market is dominated by commercial banks as the main investors for government securities. As at end December 2018, commercial banks held 50.6 percent of total outstanding securities. Non-banks which comprises of pension funds, insurance companies, financial institutions and parastatals held 43.7 percent while the rest was held by non-residents and Central bank of Kenya at 4.6 per cent and 1.03 percent, respectively.

**Figure 4: Holders of Domestic Government Debt Securities as at end December 2018**



Source: Central Bank of Kenya

43. Nonresidents' holding remains at minimal levels. Nonresidents don't invest directly but through their nominee accounts under various commercial banks.

44. The commercial banks and other financial institutions are expected to remain the major buyers of government securities. Their dominance presents a concentration risk and a clear need on investor diversification.

45. Local Pension funds are a potential source of additional long term domestic financing. Over the medium term, the segment is expected to continue showing resilience with increased uptake of government securities of long tenors in the domestic debt market. In addition, the growth of new financial products such as post-retirement medical schemes and new asset classes like real estate investments trusts (REITs), private equity and venture capital is expected to see the industry grow in future and hence make the sector more vibrant.

46. Demand for government securities from the insurance sector continues to grow backed by increased capital requirements introduced by Insurance Regulatory Authority (IRA). Non-life insurance demand for securities is expected to be in the short and medium term bonds while the general insurance will be skewed to short term papers due to the nature of their liquidity requirements.

47. The Government is committed to providing the information to the market regularly by issuing the borrowing calendar, and is supportive of an electronic trading platform of Government securities and a vibrant over the counter (OTC) bond exchange to promote efficiency and transparency in securities trading.

48. The Government is also in the process of segmenting the securities market into retail and wholesale in order to develop a strong case for automation of Government securities auctions and aid in the pricing of financial instruments as well as improve efficiency.

## VIII. COST-RISK ANALYSIS OF ALTERNATIVE DEBT MANAGEMENT STRATEGIES

### A. Baseline-Pricing Assumptions and Description of Shock Scenarios

49. The pricing assumptions for interest rates and the exchange rate under the baseline pricing assumption are presented below.

- Concessional external loans are priced at a fixed rate of 1.75 percent, with a 20-year or 25 year tenor and a 5 year or 10-year grace period. The terms of concessional borrowing from IDA and ADB have hardened due to Kenya's graduation from low income to lower middle income country.
- Semi-concessional loans are assumed to be contracted at a fixed interest rate of approximately 2.0 percent, a maturity of 20 years including a grace period of up to 7 years.
- Commercial borrowings refer to the international syndicated loans market and the Export Credit Financing contracted at 6-month LIBOR<sup>2</sup> plus a margin.
- Access to the international capital markets is based on the underlying forward US Treasury yield curves plus an assumed credit spread and inflation differentials.

50. Future baseline interest rates are projected based on the observed U.S. Treasury interest rates as at end December, 2018.

- The future interest rates of market-based fixed-rate debt instruments in the international capital markets are based on the currently prevailing interest rates, which are derived by first adding a credit spread to the U.S. treasury rate.
- Under the baseline scenario for the exchange rate assumptions, the Kenya shilling is assumed to depreciate at 5 percent against the U.S. dollar from

---

<sup>2</sup> London Interbank Offered Rate.

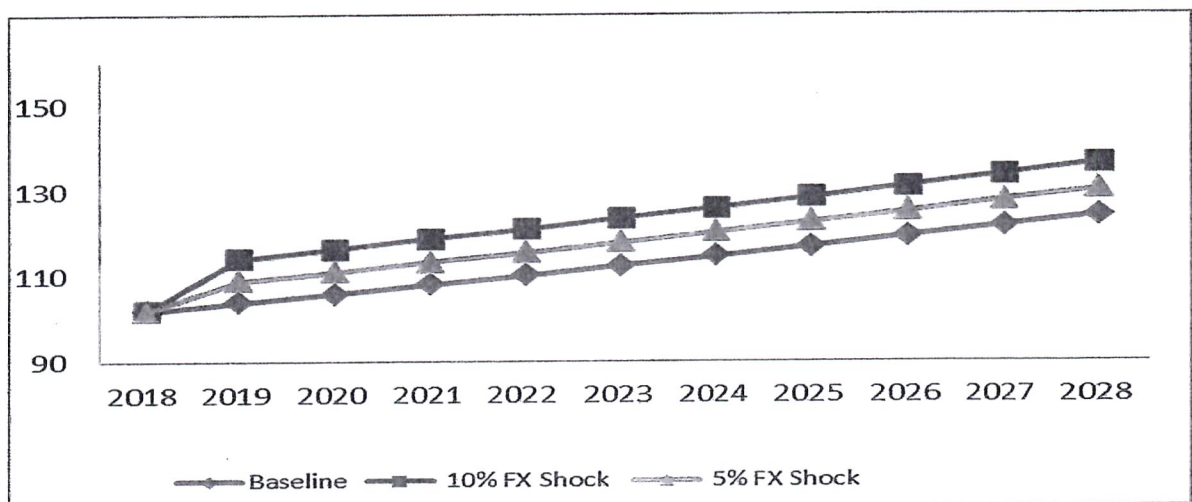
2019, 2020 and 2021; this is consistent with the need to ensure sustained international competitiveness to support Kenya's exports.

51. The interest rates are expected to remain around the baseline projections and Kenya's inflation to remain within the target band.

52. Three risk scenarios are evaluated as follows:

- The combined exchange-rate and interest-rate risk shock scenario assumes an increase in US Treasury rates by a moderate shock of 2 percent in the year 2020. This has the implication of increasing domestic interest rates as follows: (i) 5 percent for T-bills; (ii) 3 percent for 2-year; (iii) 2 percent for 5-year; and (iv) 2 per cent for 10-year and longer. The interest rate shock scenario is combined with the 5 percent exchange rate depreciation.
- The stand-alone risk scenario for interest rates assumes U.S. Treasury rates increases faster than expected by 2020, it increases by an extreme shock of 4 percent over the baseline projections and remains constant thereafter. This leads to an increase in domestic interest rate by; (i) 8 percent for T-bills; (ii) 5 percent for 2-year; and (iii) 5 percent for 5-year and longer bonds.
- A stand-alone exchange rate risk shock scenario is applied where by the Kes declines by an aggressive depreciation shock of 15 and 30 per cent against the US\$ in 2020 compared to the baseline exchange rate projections. (Chart 1)

**Chart 1: Kenyan Shilling Exchange Rate Projected Depreciation & Shock Scenarios**



Source: National Treasury

## B. Description of Alternative Debt Management Strategies

53. The 2019 MTDS considered four strategies. These strategies reflect alternative approaches to meet the borrowing requirement during FY2019/20-2021/22.
54. The strategies combine different mix of stylized borrowing instruments that reflect the potential sources of financing outlined in Section VII. The strategies are built first on the split between gross external and domestic financing then on the share of Treasury bills and Treasury bonds used for net domestic financing.
- **Strategy 1 (S1).** The strategy assumes 38 per cent external borrowing and 62 per cent domestic borrowing to finance the government budget in gross terms over the medium-term. On the external debt, concessional is proposed at 26 per cent, semi-concessional 8 per cent and commercial 4 per cent while on the domestic side, it recommends issuance of medium term instruments (more borrowing through medium term and treasury bills to refinance treasury bills maturities).
  - **Strategy 2 (S2):** The strategy assumes more commercial borrowing. External and domestic outstanding borrowing would amount to 26 per cent and 74 percent respectively over the medium term. There is more concentration to finance the budget through commercial borrowing.
  - **Strategy 3 (S3):** This strategy maximizes domestic borrowing, assuming 70 per cent of gross financing needs are met through this source. The domestic gross financing is concentrated on medium to long-term debt securities. External gross financing would be 30 per cent of gross financing needs.
  - **Strategy 4 (S4):** The proposed strategy envisages increased issuance of domestic debt (76 per cent) in the domestic debt market with reduced external financing over the medium term. On the external debt (24 per cent), concessional is proposed at 14 per cent and commercial 14 per cent.

### C. Cost-Risk Analysis of Alternative Debt Management Strategies

55. The analysis of baseline and shock scenarios for the alternative four strategies was evaluated based on several cost and risk indicators. Using the existing debt, baseline and projections for relevant macro-fiscal and market variables and applying the alternative financing strategies, the MTDS Analytical Tool generates future debt cash flow and provides information at the end of the chosen time horizon which in this analysis FY2021/22.

#### i. Baseline Projection (No shock)

56. The financing policies to be pursued during FY2019/20 will have an effect on the portfolio composition as at end FY2021/22 as presented in Table 7 which shows the final stock positions of National Government debt in the medium term.

**Table 7: Composition of Debt by Instrument under Alternative Strategies, (in percent of outstanding portfolio)**

	FY2017/18	As at end FY2021/22			
	Existing Debt	S1	S2	S3	S4
Instrument					
Concessional	22	35	23	23	27
Semi-Concessional	10	13	7	12	7
Commercial	9	4	6	5	7
Eurobond	10	7	18	15	12
T-Bills	18	12	19	16	20
T-Bonds (2,5,10)	31	29	27	28	26
<b>External</b>	<b>51</b>	<b>59</b>	<b>54</b>	<b>56</b>	<b>54</b>
<b>Domestic</b>	<b>49</b>	<b>41</b>	<b>46</b>	<b>44</b>	<b>46</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: National Treasury

57. The cost and risk indicators change as the portfolio composition changes under the alternative strategies. The results of each strategy are as shown in Table 8. The debt to GDP ratio varies as a result of macroeconomic assumptions as outlined in the BPS 2019. The baseline interest costs of alternative strategies reflects Kenya's credit risk premium in the domestic and external markets, and the expected path of depreciation for the local currency.

**Table 8: Cost and Risk Indicators under Alternative Strategies**

Risk Indicators		FY2017/18	As at end FY2021/22			
		Current	S1	S2	S3	S4
Nominal debt as % of GDP		50.3	48.7	49.4	49.3	49.3
Present value debt as % of GDP		46.4	40.7	43.0	43.2	44.0
Interest payment as % of GDP		3.9	2.9	3.4	3.3	3.4
Implied interest rate (%)		7.7	6.5	7.7	7.5	7.6
Refinancing risk	Debt maturing in 1yr (% of total)	27.4	19.3	25.6	22.4	23.0
	Debt maturing in 1yr (% of GDP)	13.8	9.4	12.6	11.0	11.4
	ATM External Portfolio (years)	10.1	12.2	11.6	11.0	10.4
	ATM Domestic Portfolio (years)	4.7	4.1	4.8	4.9	5.0
	ATM Total Portfolio (years)	7.4	9.4	8.7	8.5	8.1
Interest rate risk	ATR (years)	7.3	9.1	8.6	8.3	8.0
	Debt refixing in 1yr (% of total)	32.4	25.0	28.5	28.3	29.1
	Fixed rate debt (% of total)	91.9	93.2	96.0	92.9	92.4
FX risk	FX debt as % of total	50.9	62.2	54.2	56.1	54.2

Source: National Treasury

**58.** The trade-offs between costs and risk outcomes means that a better result cannot be achieved in either cost or risk without losing on either. To enable a more complete evaluation of costs and risks, the results are depicted in Table 8 and Figure 6 was used.

**59.** Under the alternative strategies, S1, S2, S3 and S4 results in a reduction of nominal debt to GDP which is in line with the government commitment to fiscal consolidation aimed at reducing debt to GDP levels over the medium term.

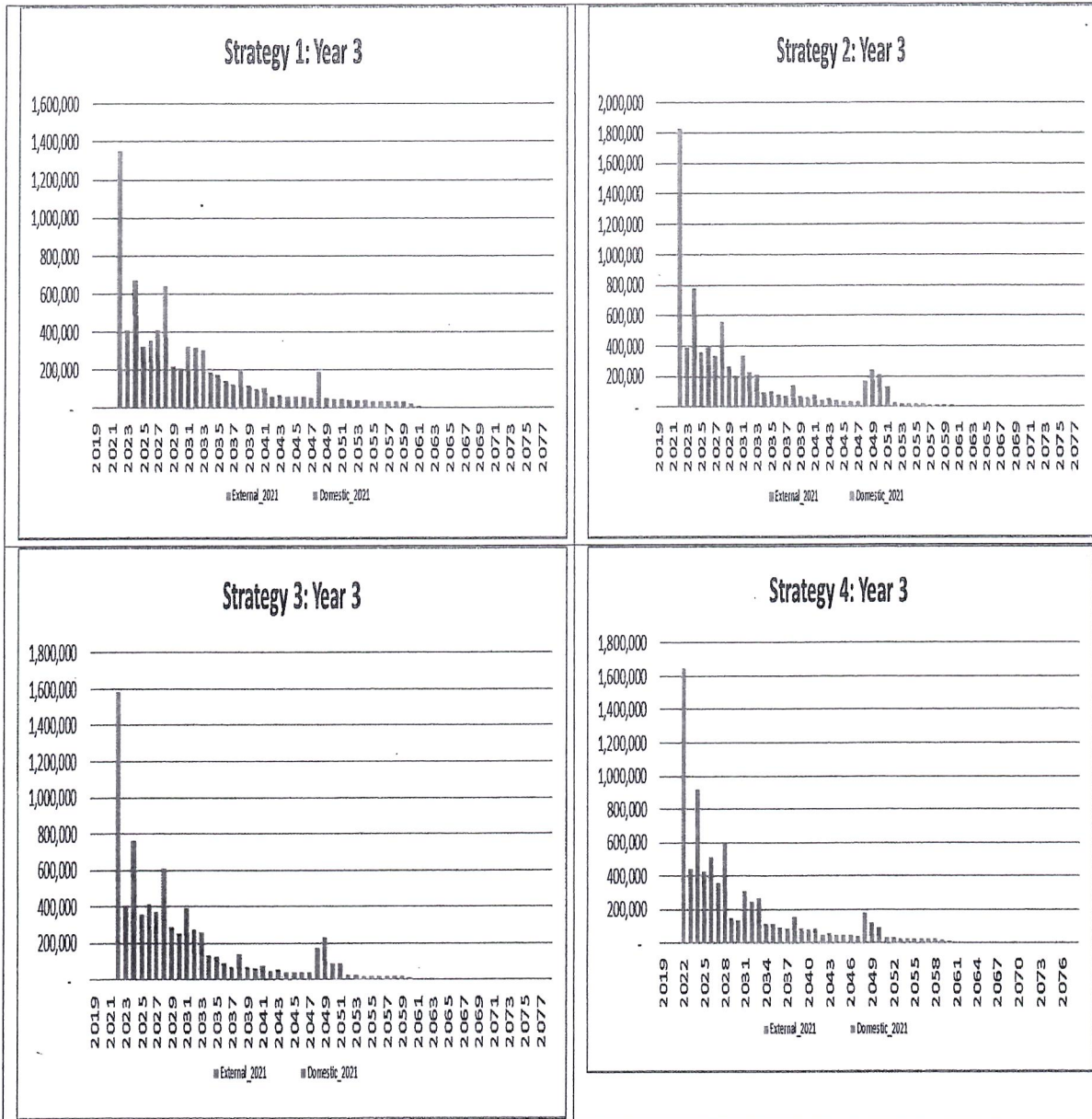
**60.** On the refinancing risk, Strategy 1 outperforms other strategies under debt maturing in one year as a per cent of total debt and GDP.

**61.** Interest rate risk is reflected by how much debt is re-fixed in one year, average time to re-fixing in years and the percentage of the overall debt with fixed interest rate.

**62.** The redemption profiles as illustrated in Figure 5, provides information on exposure to refinancing risk. Maturity spikes are noted in years FY2023/24, and FY 2027/2028 under all strategies relating to maturing Euro bonds issued in 2014, and 2018 in addition to domestic debt maturing in each year.



Figure 5: Redemption Profiles for Alternative Strategies (End-FY2021/22)



Source: National Treasury

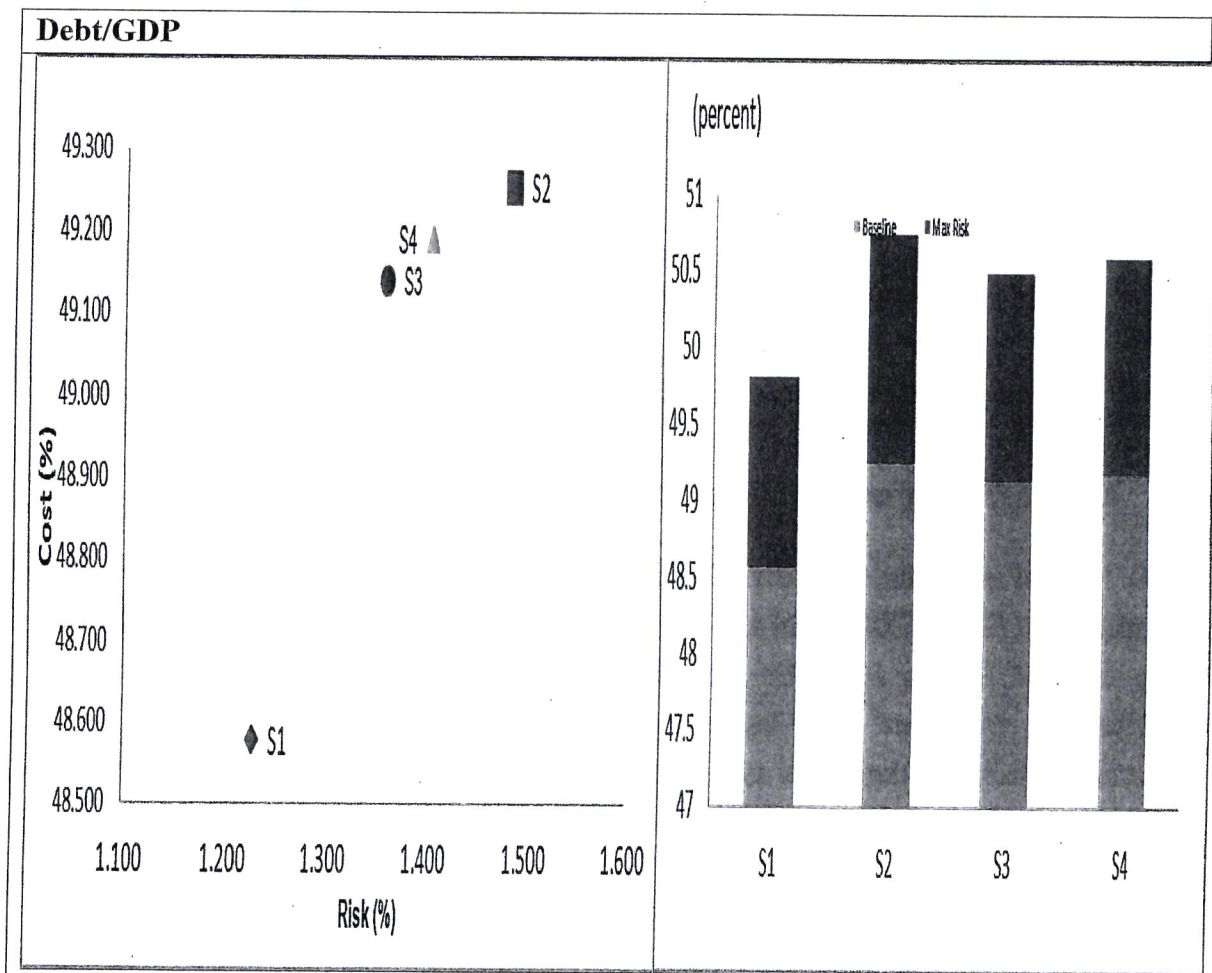
*ii. Effect of market shocks*

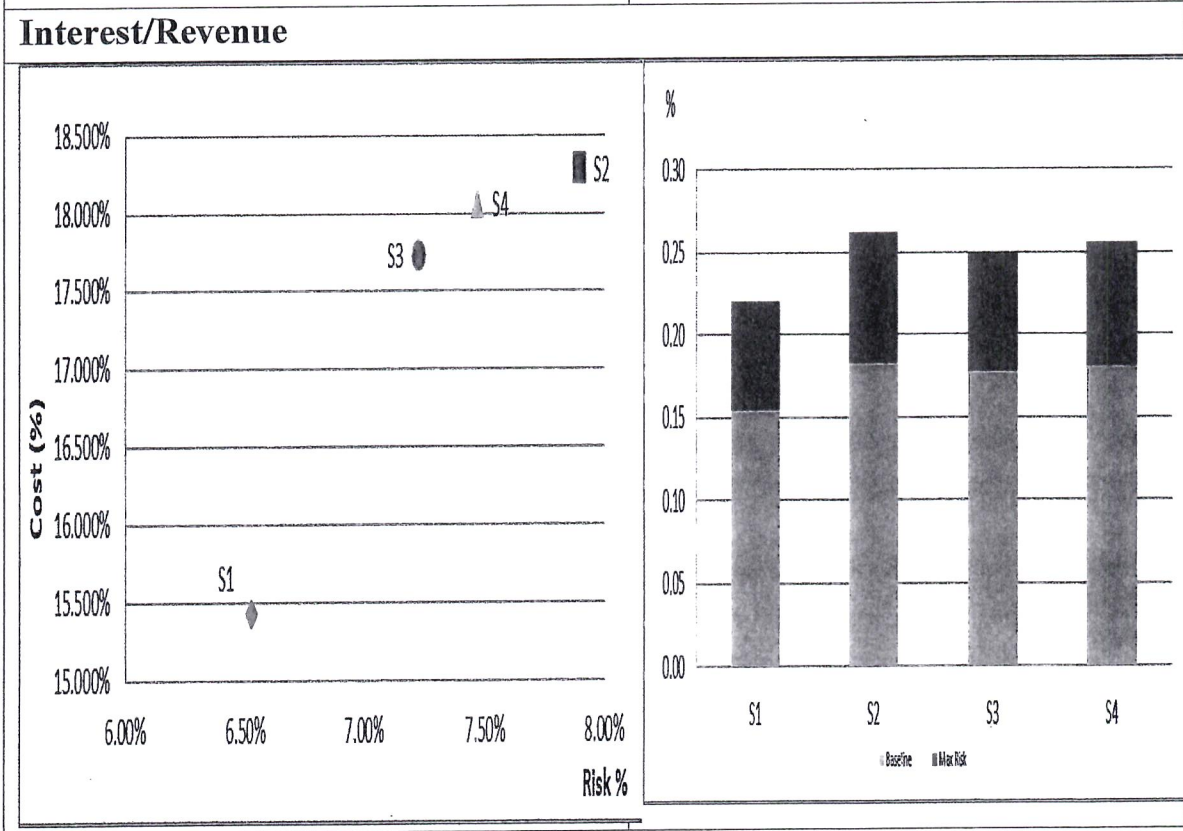
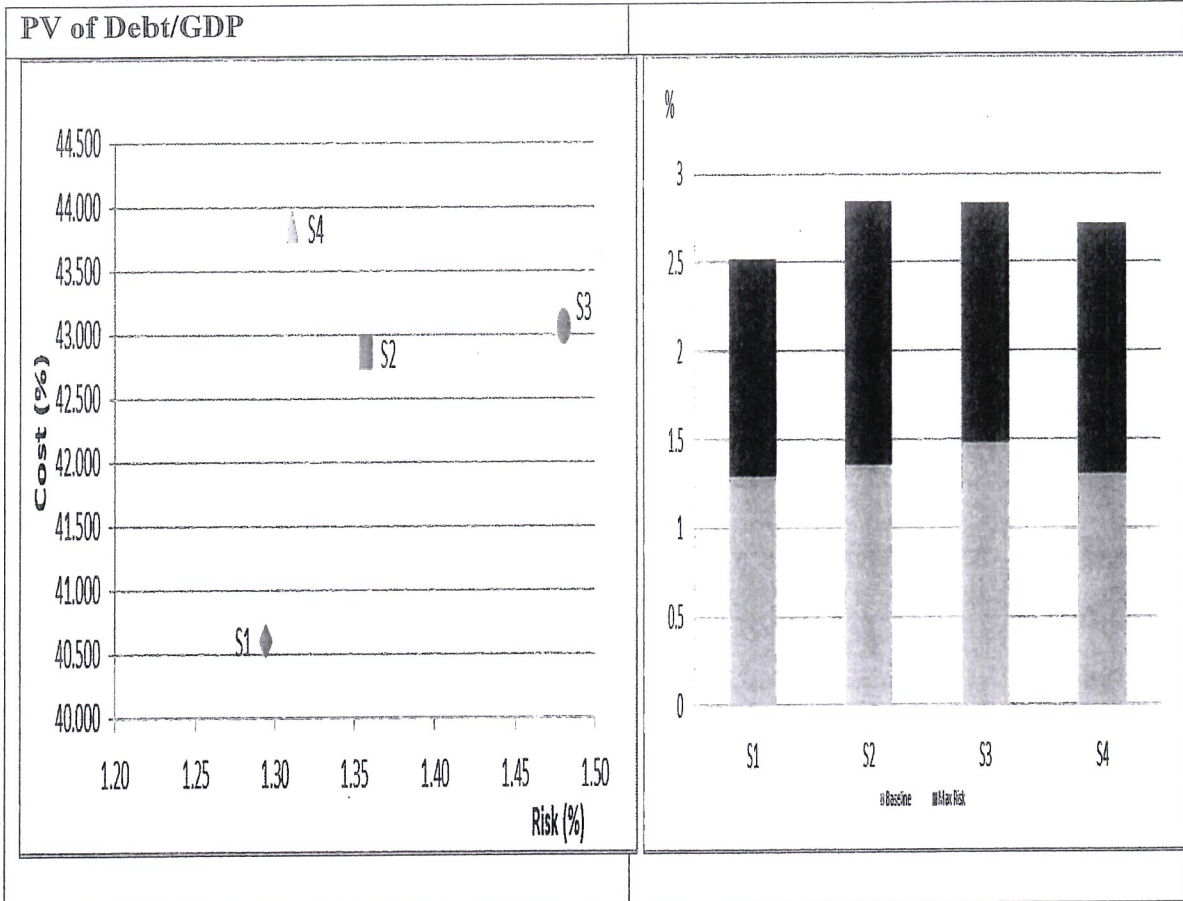
63. The analysis considered the following cost and risk indicators: Present Value of Debt/GDP, debt/GDP, interest payments/Revenues and interest payments/GDP for both the baseline pricing scenario and shock scenarios. The difference between cost outcome under the baseline scenario and a shock scenario indicate the risks associated to each strategy. The worst-case outcome

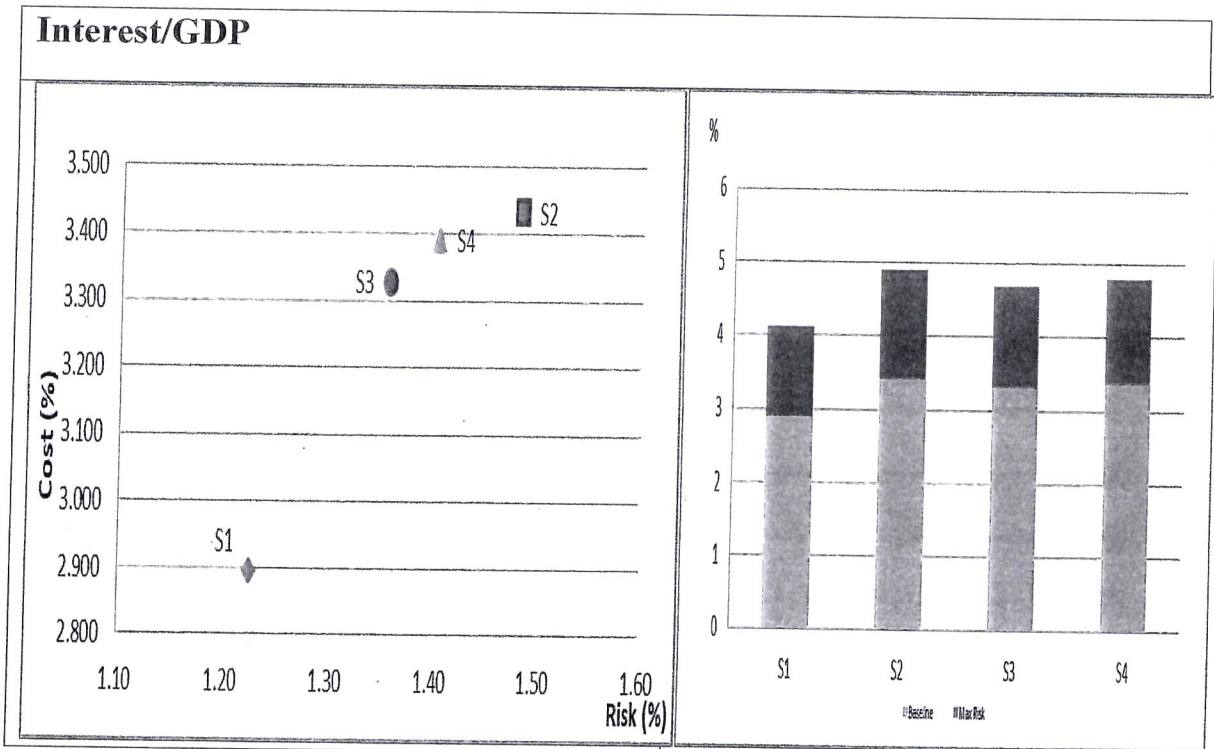
across the three stress scenarios described above is used to quantify the risk associated with each of the strategies.

64. In ranking all the strategies, S1 dominates all other strategies based on the above indicators. Strategy 1 involves gross external debt financing 38 per cent and 62 per cent gross domestic financing. On the external debt, concessional is proposed at 26 per cent, semi-concessional 8 per cent and commercial 4 per cent. In this strategy, T-bonds will be the main source of net domestic financing, while T-bills are used for cash management. In line with lengthening the maturity profile, issuance of medium to long term benchmark bonds is recommended. Other considerations taken into account in making the decision involved the practicability of implementing the Strategy.

Figure 6: Cost-Risk Representation of Alternative Borrowing Strategies







Source: National Treasury

65. In conclusion, taking into account both risk and cost trade-offs, the implied quantity of gross borrowing, the need to develop the domestic debt market, the need to diversify the funding sources and ability to implement the strategy, the 2019 MTDS proposes Strategy 1(S1) as the optimal strategy. The results of the cost and risk analysis (Tables 8, 9, 10 and 11; Figures 7, 8 and 9) reveal that Strategy 1 of the 2019 MTDS is the most favorable going forward in terms of all indicators.

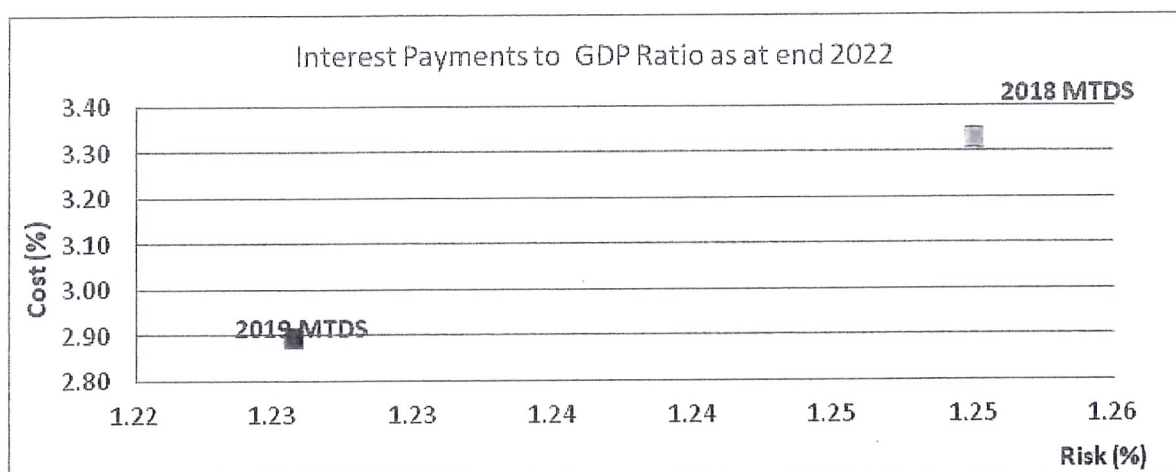
66. The analysis below gives the comparison on the recommended strategy in the FY 2018/19 (MTDS 2018) and the FY2019/20 (MTDS 2019).

**Table 9: Cost and Risk Analysis: MTDS 2018 vis-à-vis MTDS 2019: Interest to GDP as at 2021/2022**

Scenarios	MTDS 2018	MTDS 2019
	%	%
Baseline	3.33	2.90
Exchange rate shock (30%)	3.65	2.90
Interest rate shock 1 (Moderate Shock)	4.08	3.72
Interest rate shock 2 (Extreme Shock)	4.58	4.13
Combined shock (15% depreciation and interest rate shock 1)	4.27	3.72
Max Risk	1.25	1.2

Source: National Treasury

Figure 7: Interest Payments to GDP Ratio as at end FY2021/22



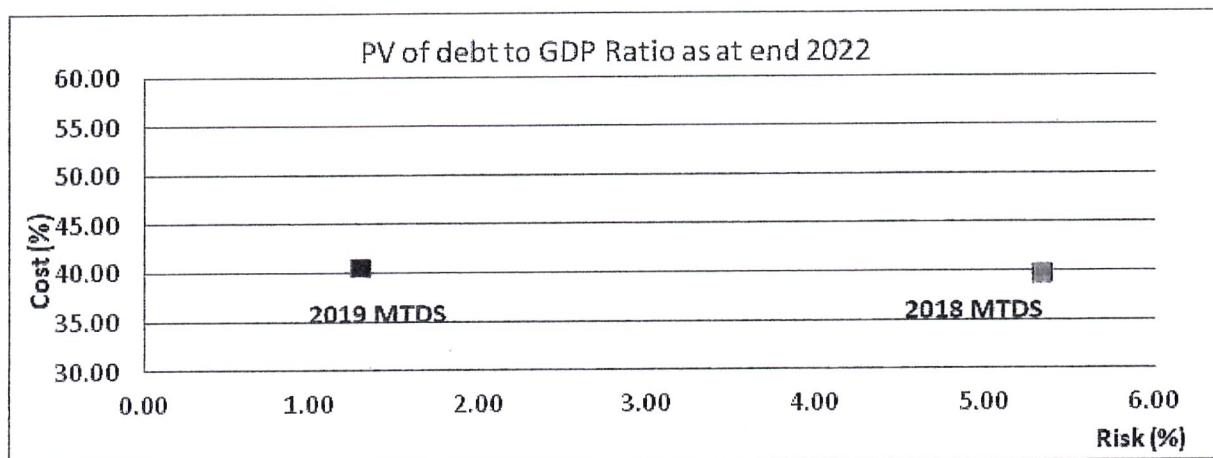
Source: National Treasury

Table 10: Cost and Risk Analysis: MTDS 2018 vis-à-vis MTDS 2019: PV of Debt to GDP as at 2021/22

Scenarios	MTDS 2018	MTDS 2019
	%	%
Baseline	39.75	40.71
Exchange rate shock (30%)	45.08	40.71
Interest rate shock 1 (Moderate Shock)	41.06	41.60
Interest rate shock 2 (Extreme Shock)	41.92	42.01
Combined shock (15% depreciation and interest rate shock 1)	43.81	41.60
Max Risk	5.34	1.3

Source: National Treasury

Figure 8: PV of Debt to GDP Ratio as at end FY2021/22



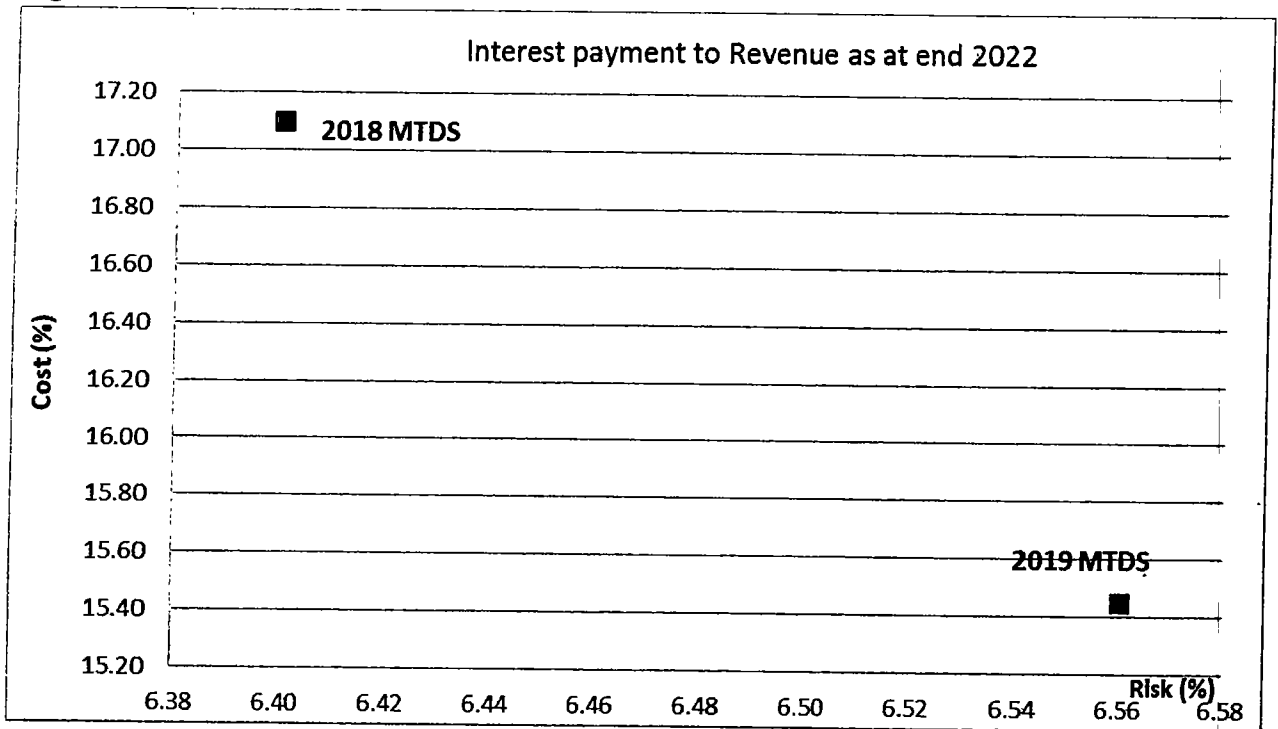
Source: National Treasury

**Table 11: Cost and Risk Analysis: MTDS 2018 vis-à-vis MTDS 2019: Interest to Revenue Ratio as at 2021/22**

Scenarios	MTDS 2018	MTDS 2019
	%	%
Baseline	17.10	15.45
Exchange rate shock (30%)	18.70	15.45
Interest rate shock 1 (Moderate Shock)	20.90	19.82
Interest rate shock 2 (Extreme Shock)	23.50	22.01
Combined shock (15% depreciation and interest rate shock 1)	21.90	19.82
Max Risk	6.40	6.56

Source: National Treasury

**Figure 9: Interest to Revenue Ratio as at 2022**



Source: National Treasury

## IX. DEBT SUSTAINABILITY

67. The Public debt sustainability is the ability of a country to service its debt obligations as they fall due without disrupting its budget implementation. The Kenya Government through the National Treasury endeavours to maintain public debt and obligations at sustainable levels in line with section 15 (2) (d) of the Public Finance Management (PFM) Act 2012.

68. In the Debt Sustainability Framework (DSF), Kenya is rated a strong policy performer using the World Bank's Country Policy and Institutional Assessment (CPIA) index and being a lower middle-income country its public debt sustainability is subjected to a threshold of **70 percent** PV of Debt/GDP.

### a. Kenya's External Debt

69. The baseline projection scenario of Kenya's external debt sustainability is within sustainable levels as a strong performer. The debt sustainability indicators show that Kenya faces a **moderate risk** of external debt distress due to breach of at least one of the three external debt indicators.

**Table 12: Kenya's External debt sustainability**

Indicators	Thresholds	2017	2018	2019	2020	2021
PV of debt-to-GDP ratio	<b>55</b>	25.9	31.4	32.3	29.1	25.6
PV of debt-to-exports ratio	<b>240</b>	165.4	191.1	191.4	168.5	146.9
PPG Debt service-to-exports ratio	<b>21</b>	16.5	19.9	26.2	25.6	24.9
PPG Debt service-to-revenue ratio	<b>23</b>	13.3	16.2	21.6	22.0	21.6

Source: IMF Country Report No. 18/295, October 2018

### b. Total Public Debt

Kenya's public debt sustainability threshold on PV of Debt/GDP as a strong performer and a low middle-income country is **70 percent**.

70. Analysis of Kenya's public debt sustainability indicates that total public debt as a proportion of GDP peaks in 2018 and gradually decreases over the medium term. Total public debt as a proportion of GDP remains well below the public debt benchmark of 70 percent in PV terms.

## **X. IMPLEMENTING 2019 MTDS**

71. Implementations of the 2019 MTDS (Strategy 2) will be through preparation and implementation of the annual borrowing plans that takes account of the Governments gross funding needs for the fiscal year 2019/20. The National Treasury will submit its cash plan requirements that projects its monthly cash requirements to CBK to facilitate preparation of an annual borrowing plan. Securities issuance will be structured to ensure that the desired composition as assumed in the MTDS analysis is taken into account. On external borrowing, borrowing will be timed to coincide with Government cash requirements and scheduled maturities.

72. The 2019 MTDS highlights the key assumptions and key risk parameters associated with the analysis and its implementation will be closely monitored throughout the fiscal year. Any realized deviations which may lead to changes from what is assumed in the MTDs analysis, will lead to revision of the strategy.

73. For accountability purposes the Government will ensure there is transparency on debt management and is committed to continue providing information on public debt through various publications.

## **XI. CONCLUSION**

74. 2019 MTDS provides a medium term framework to guide in decision making on the desired mix of domestic and external borrowing to finance the budget in the financial year 2019/20, taking into account the evaluated cost and risk.

75. The Government is committed to ensuring that public debt is managed prudently and remains within sustainable levels.

76. The 2019 MTDS recommended strategy is one that seeks to maximize utilization of the concessional debt already contracted, contract more of semi concessional external debt and minimize commercial borrowing combined with the issuance of medium to long term domestic debt.



SECRET

