



AFROBAROMETER SURVEYS

Public Debt, Sustainability, and Citizens in Kenya

Paul Kamau

IDS_AB Seminar Series

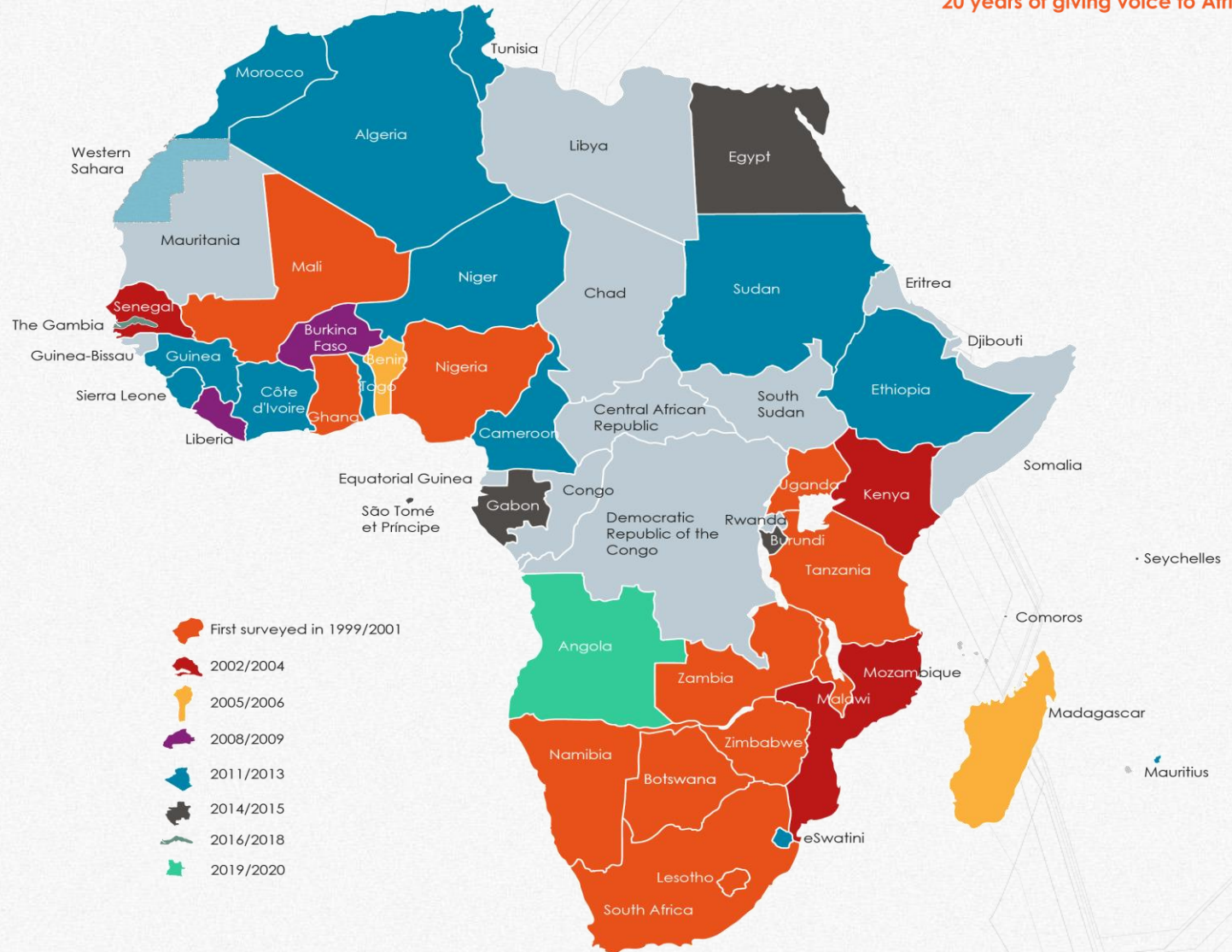
April 6, 2023

What is Afrobarometer?



- A pan-African, non-partisan, non-profit survey research network
 - Africans' experiences/evaluations of democracy, governance, and quality of life.
- **AB** - gives the public a voice in policy making by providing:
 - high-quality public opinion data to policy makers, policy advocates, CSOs, academicians, investors, donors and ordinary citizens
- 39 African countries have been completed since 1999 (8 rounds)
 - **Round 9 surveys are (2021_2022) being finalized**
- A national partner in each country conducts the survey
- IDS, University of Nairobi – is the national partner in Kenya

Where Afrobarometer works





KEY FINDINGS

1. Kenya's public debt is growing at a very high rate
2. Both domestic & external debts
3. Public Debts leads to economic hardships
4. Minimal evidence that public debt goes to productive sectors
5. Kenyans disapprove use of loans in financing infrastructure
6. Need for strategic management of public debt in Kenya – sustainability issues



Introduction to Public Debt Debate

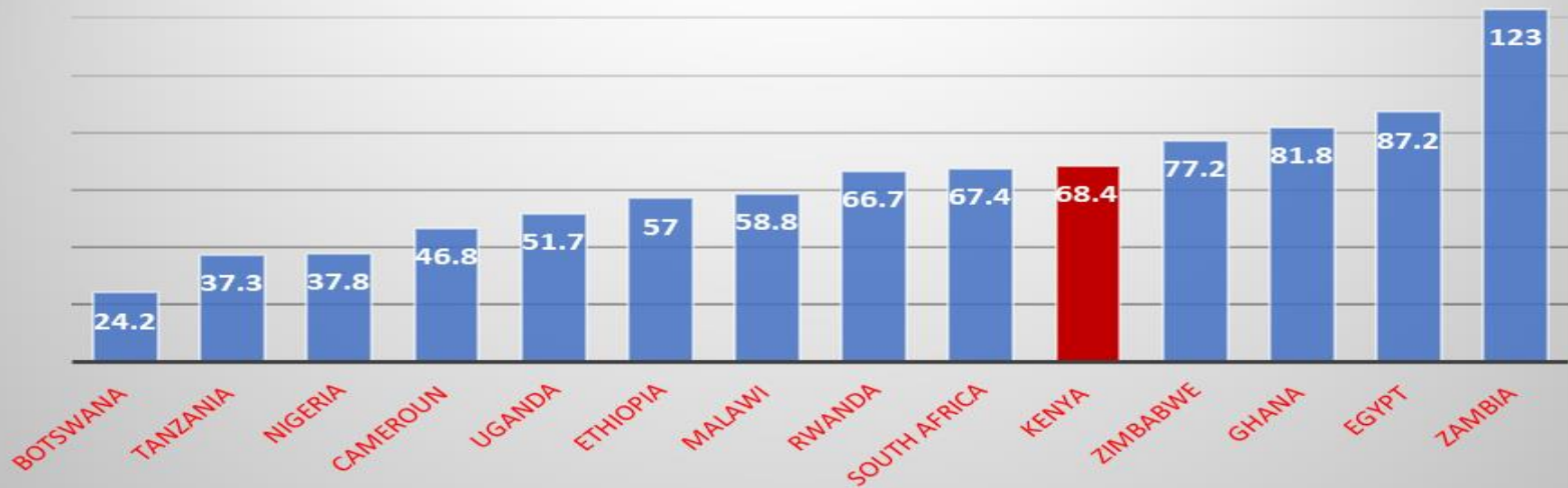
- **Defining Public Debt**
- Public debt debate is of interest to development studies due to its implication on livelihoods – incomes, savings, taxation, risk of fiscal crisis/distress, employment, transfers, etc
- Kenya Public debt portfolio reached an all time high in 2022
- Why Public Debts? - financing budget deficits
- Sources – Domestic vs Foreign
- Public debts – productive sectors can lead to better economic outcomes – Infrastructure financing
- Do Kenyans approve the rising public debts? Amidst economic challenges?

Is Kenya Unique?

(source World Bank 2023)



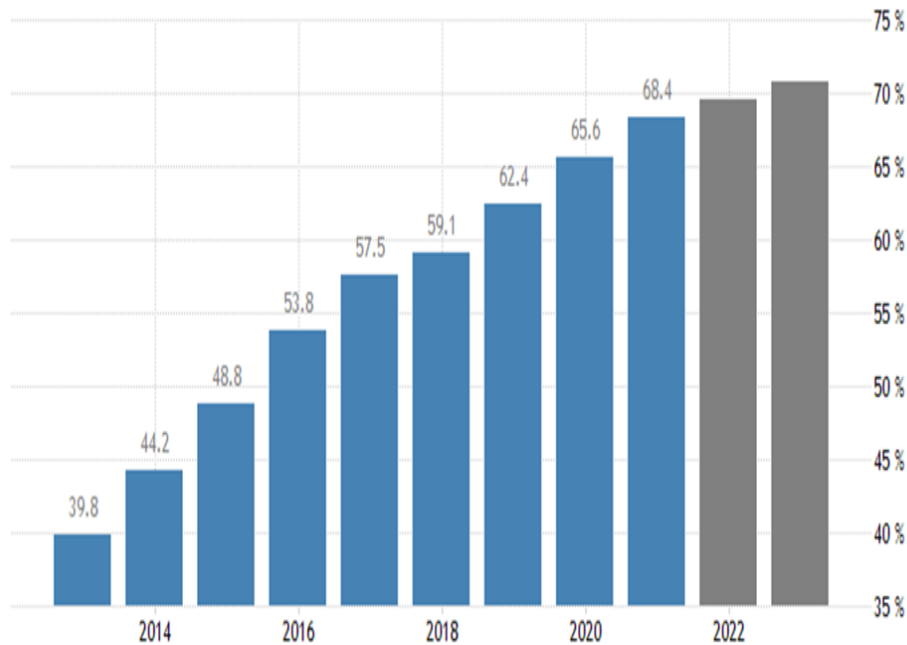
African Countries Public Debt GDP Ratio (% 2022)



- At **68.4%** it is **high** – Zambia, Egypt Botswana & Nigeria
- Debt-GDP Ratio is the most used measure – economic structure matters
- Ability to repay debts determines –sustainability
- Best scenario if to keep it low..
- Economic management, governance are key in this process

Kenya Debt GDP Ratio 2013 – 2022

68.9



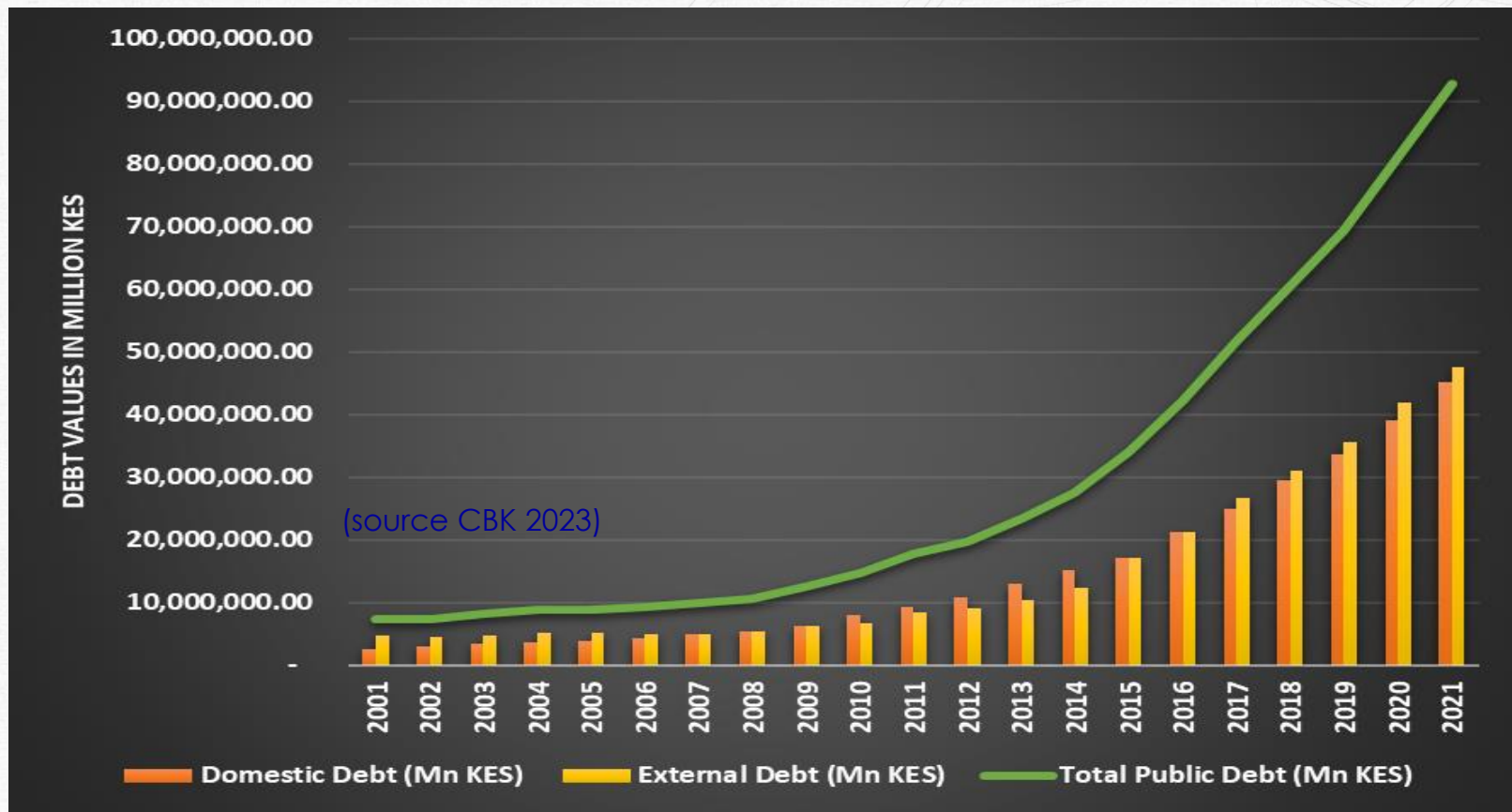
TRADINGECONOMICS.COM | CENTRAL BANK OF KENYA

According to 2023 MTDMS Kenya

1. Covid 19 Pandemic
2. Global inflation caused by supply chain disruptions – Russia Ukraine War
3. Monetary tightening in the US
4. Expansionary Fiscal policies in Kenya
5. Devolution implementation
6. Economic mismanagement??

Kenya Public Debt by Types - 2001 – 2021

(source CBK 2023)



- Increased drastically from 2013
- Domestic and external debts post 2010 are similar compared to the period 2001 -2010
- Crowding out private sector investments in the country

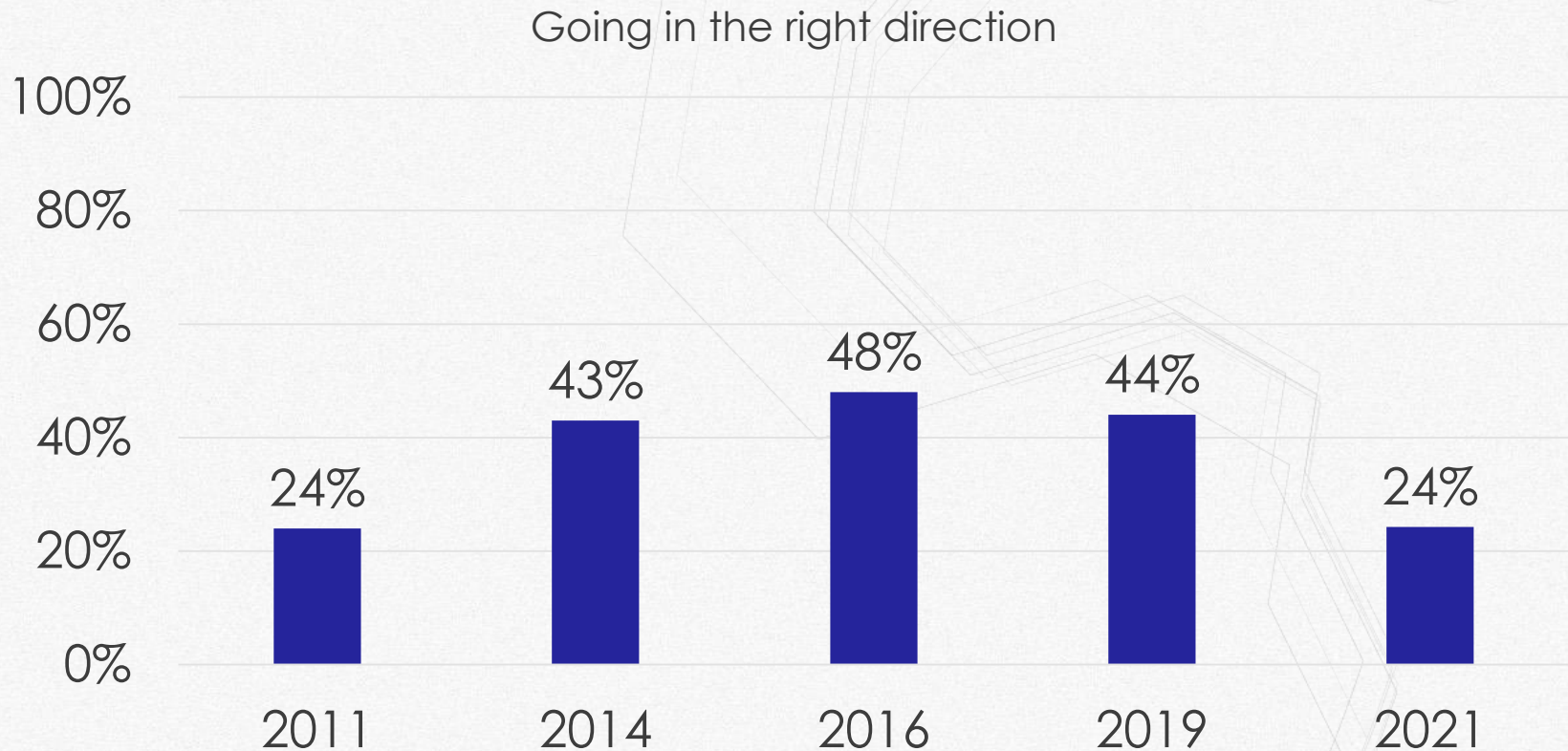
Kenya Public Debt by Types - 2018 – 2022

Debt Type	Jun-18	Jun-19	Jun-20	Jun-21	Jun-2022*
DOMESTIC DEBT					
Central Bank	110,782	109,607	98,878	87,575	85,141
Commercial Banks	1,266,457	1,414,275	1,653,194	1,814,199	2,003,387
Sub-total: Banks	1,377,239	1,523,882	1,752,072	1,901,774	2,088,528
Non-Banks	1,101,596	1,261,601	1,425,454	1,795,319	2,199,805
Total Gross Domestic	2,478,835	2,785,483	3,177,526	3,697,093	4,288,333
As a % of GDP	29.2	29.7	31.2	32.7	33.6
As a % of total debt	49.1	48	47.5	48	49.9
EXTERNAL DEBT					
Bilateral	759,017	917,980	993,696	1,064,272	1,105,737
Multilateral	825,299	909,791	1,316,835	1,659,411	1,923,444
Commercial Banks	830,652	1,019,030	1,022,402	1,106,476	1,113,256
Suppliers Credits	16,725	16,932	17,631	12,162	12,154
Sub-Total	2,431,693	2,863,734	3,350,564	3,842,322	4,154,591
GUARANTEE DEBT					
Bilateral	56,371	78,079	80,562	76,257	67,533
Commercial	75,788	76,724	79,892	80,963	77,824
Sub-Total	136,706	159,406	165,248	157,220	145,357
Total External debt	2,568,399	3,023,139	3,515,812	3,999,542	4,299,948
As a % of GDP	30.2	32.3	34.6	35.4	33.7
As a % of total debt	50.9	52	52.5	52	50.1
GRAND TOTAL	5,047,234	5,809,076	6,693,338	7,696,635	8,588,281
Total debt as a % of GDP	59.4	62	65.8	68.1	67.3
Memorandum item					
Nominal GDP at Market Price (in Ksh million)	8,500,582	9,367,317	10,175,226	11,304,100	12,752,164

**Provisional*

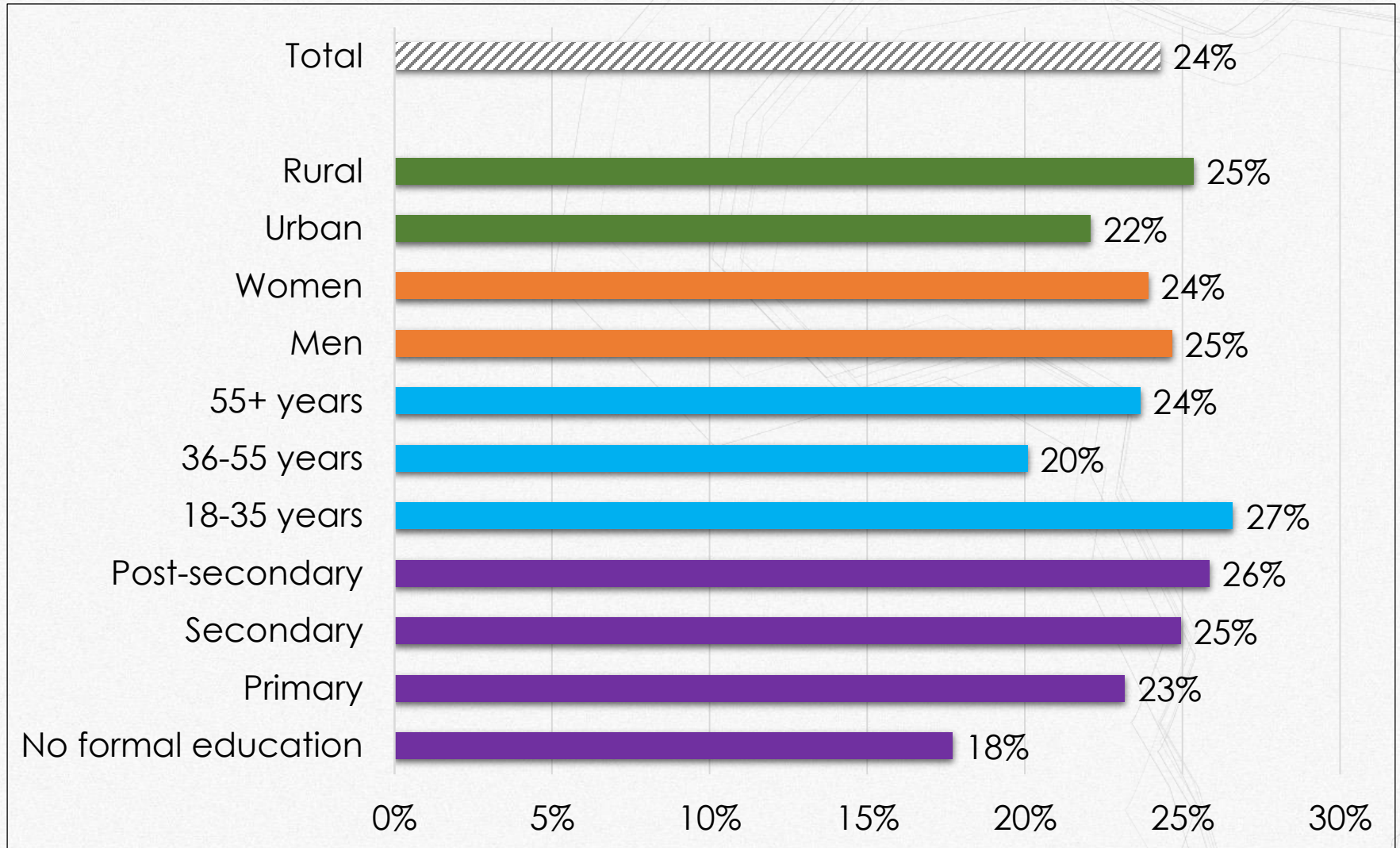
Source: National Treasury and Central Bank of Kenya

Country going in the right direction | Kenya | 2011-2021



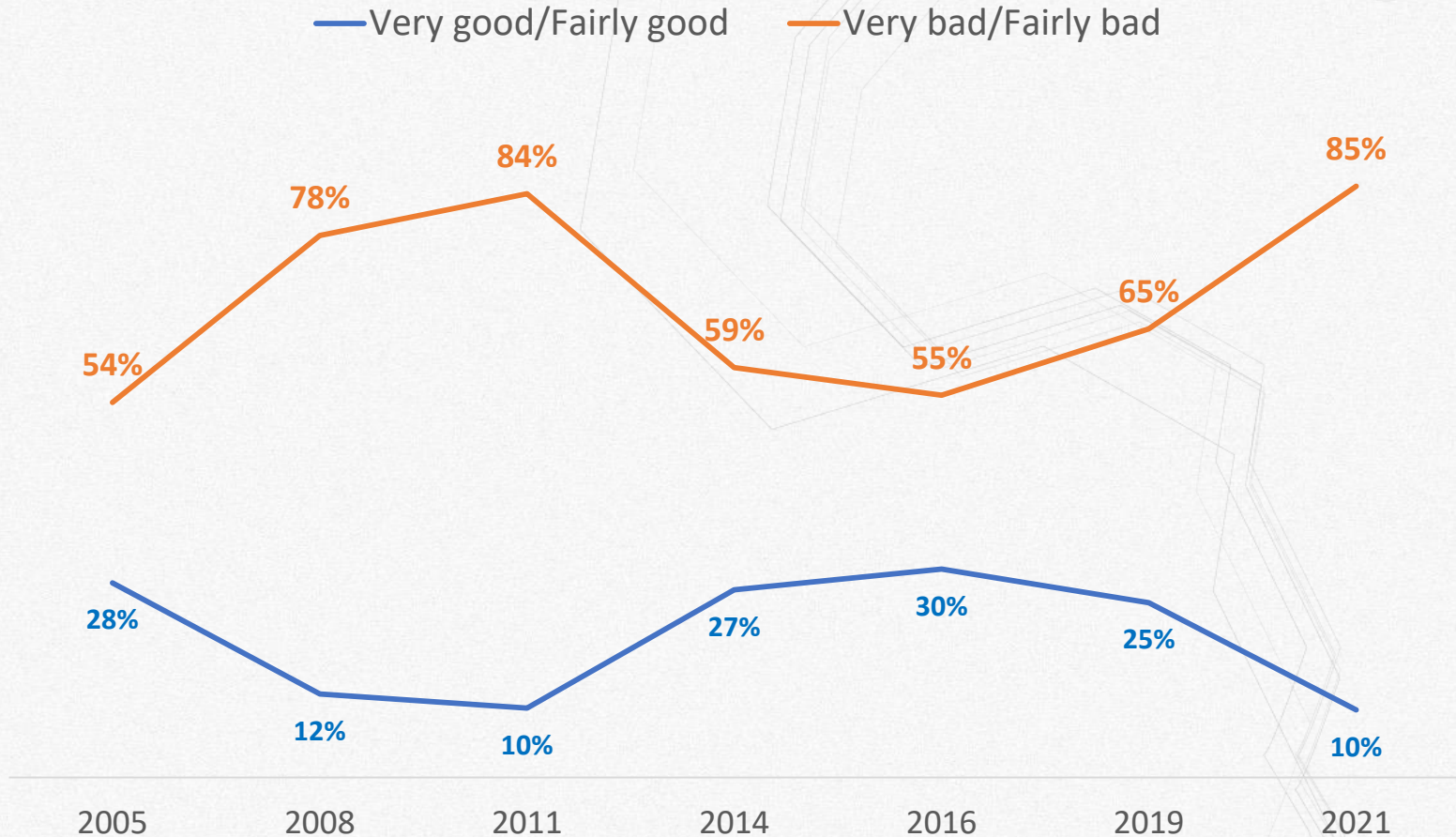
Respondents were asked: Let's start with your general view about the current direction of our country. Some people might think the country is going in the wrong direction. Others may feel it is going in the right direction. So let me ask YOU about the overall direction of the country: Would you say that the country is going in the wrong direction or going in the right direction? (% who say "right direction")

Country going in the right direction | by age, gender, and rural-urban location Kenya | 2021



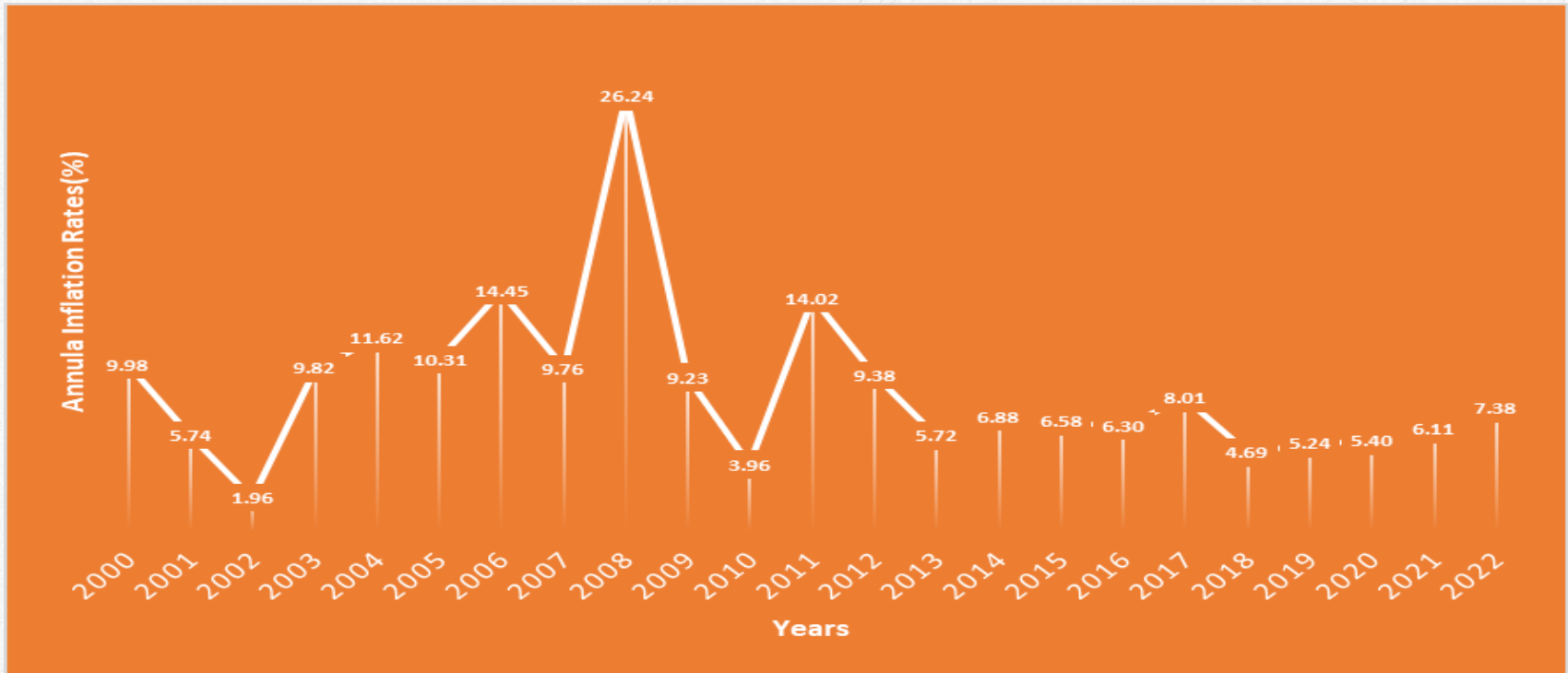
Respondents were asked: Economic direction of the country? (% who say "right direction")

Country's present economic condition | Kenya | 2005-2021



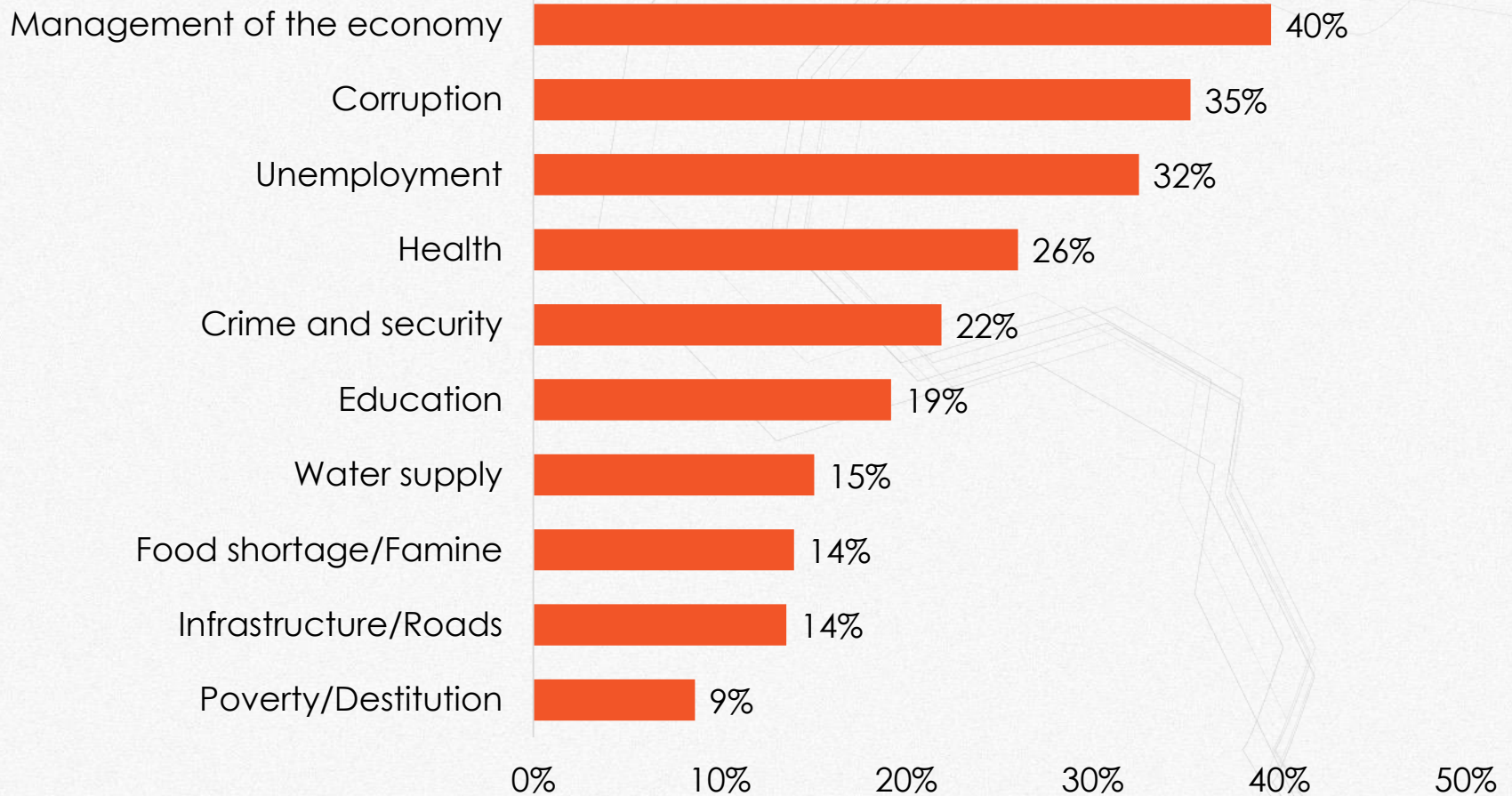
Respondents were asked: *In general, how would you describe the present condition of this country?*

Annual Inflation Rates for Kenya, 2000-2022 (source World Bank 2022, CBK 2023)



- Close links between economic perceptions challenges and inflation
- Check 2008, 2012, 2017 & 2022
-

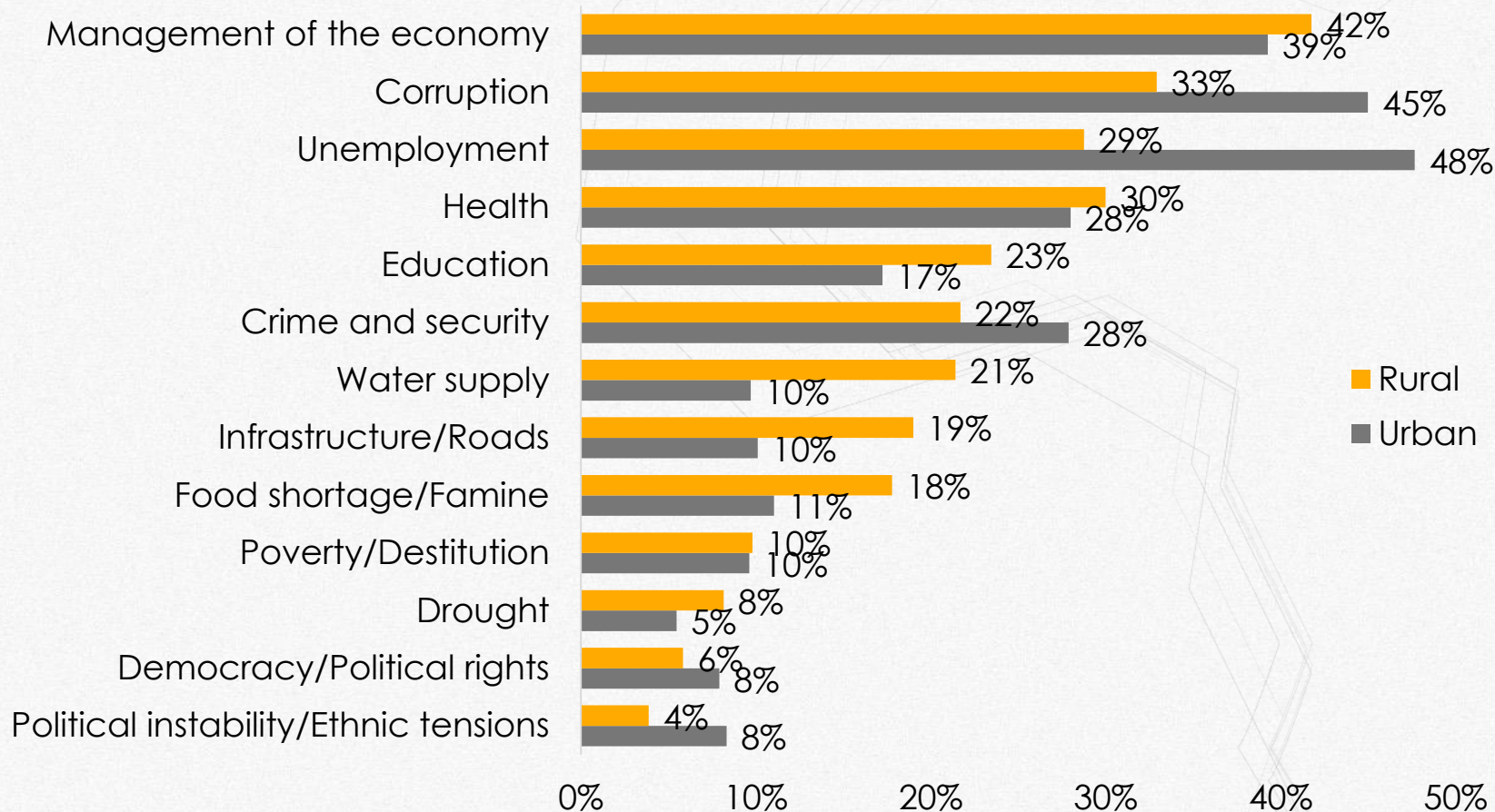
Most important problems facing the country | Kenya | 2021



Respondents were asked: In your opinion, what are the most important problems facing this country that government should address? (Respondents could give up to three responses. Chart shows % of respondents who identified each issue as one of Kenya's three most important problems.)

Most important problems | by rural/urban residency

| Kenya | 2021



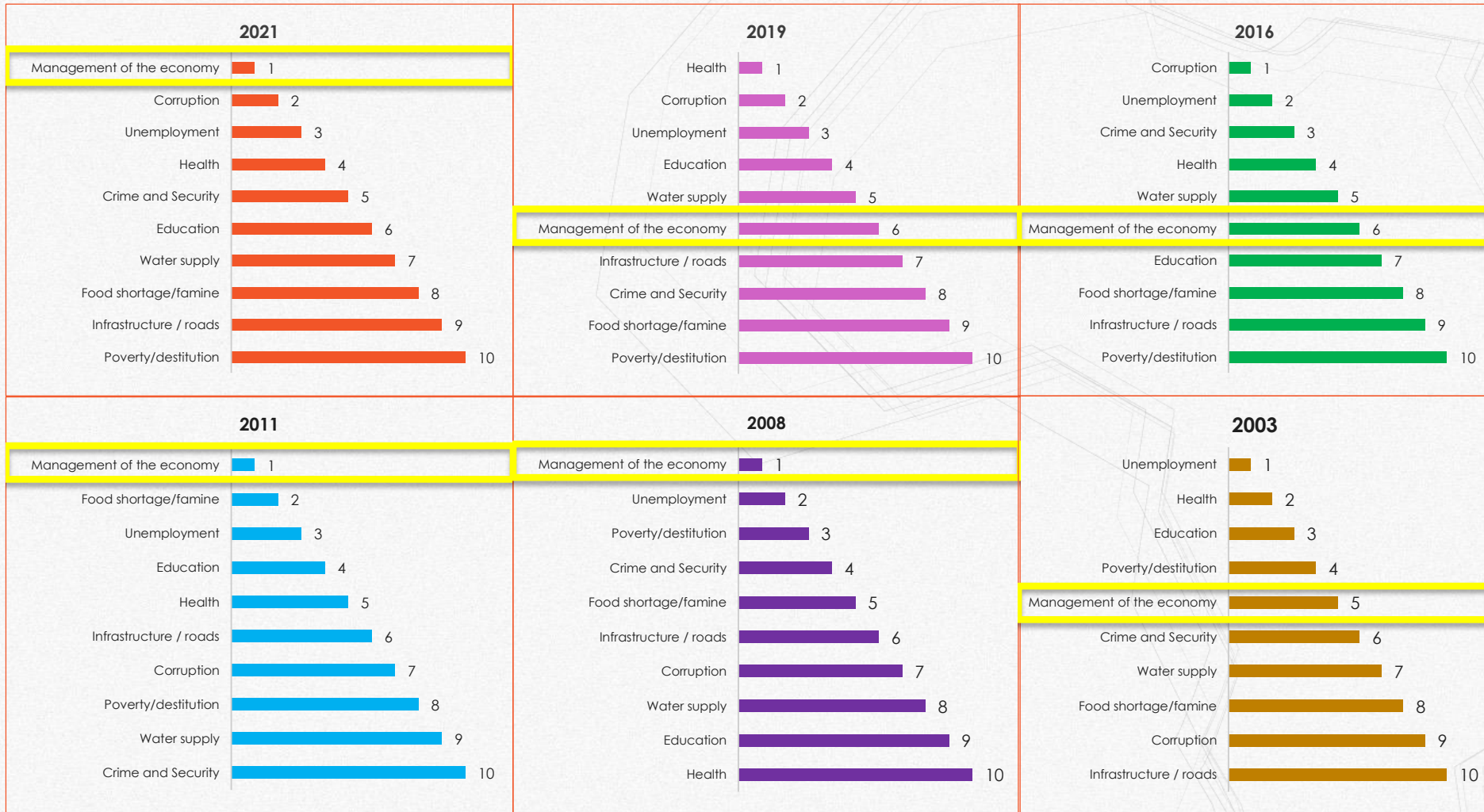
Respondents were asked: In your opinion, what are the most important problems facing this country that government should address? (Respondents could give up to three responses. Chart shows % of respondents who identified each issue as one of Kenya's three most important problems.)

Most important problems over time | Kenya | 2003-2021

	2003	2005	2008	2011	2014	2016	2019	2021
Management of the economy	23%	18%	37%	30%	20%	23%	20%	40%
Corruption	11%	13%	16%	17%	15%	34%	34%	35%
Unemployment	52%	38%	31%	29%	31%	28%	29%	32%
Health	29%	25%	15%	21%	22%	25%	35%	24%
Crime and Security	16%	20%	22%	15%	40%	26%	19%	22%
Education	26%	23%	15%	21%	25%	20%	26%	19%
Water supply	13%	22%	16%	16%	20%	25%	21%	15%
Food shortage/famine	12%	18%	19%	30%	20%	16%	19%	14%
Infrastructure / roads	-	19%	18%	19%	23%	15%	20%	14%
Poverty/destitution	25%	23%	23%	17%	15%	14%	10%	9%

Respondents were asked: In your opinion, what are the most important problems facing this country that government should address? (Respondents could give up to three responses. Table shows % of respondents who identified each issue as one of Kenya's three most important problems.)

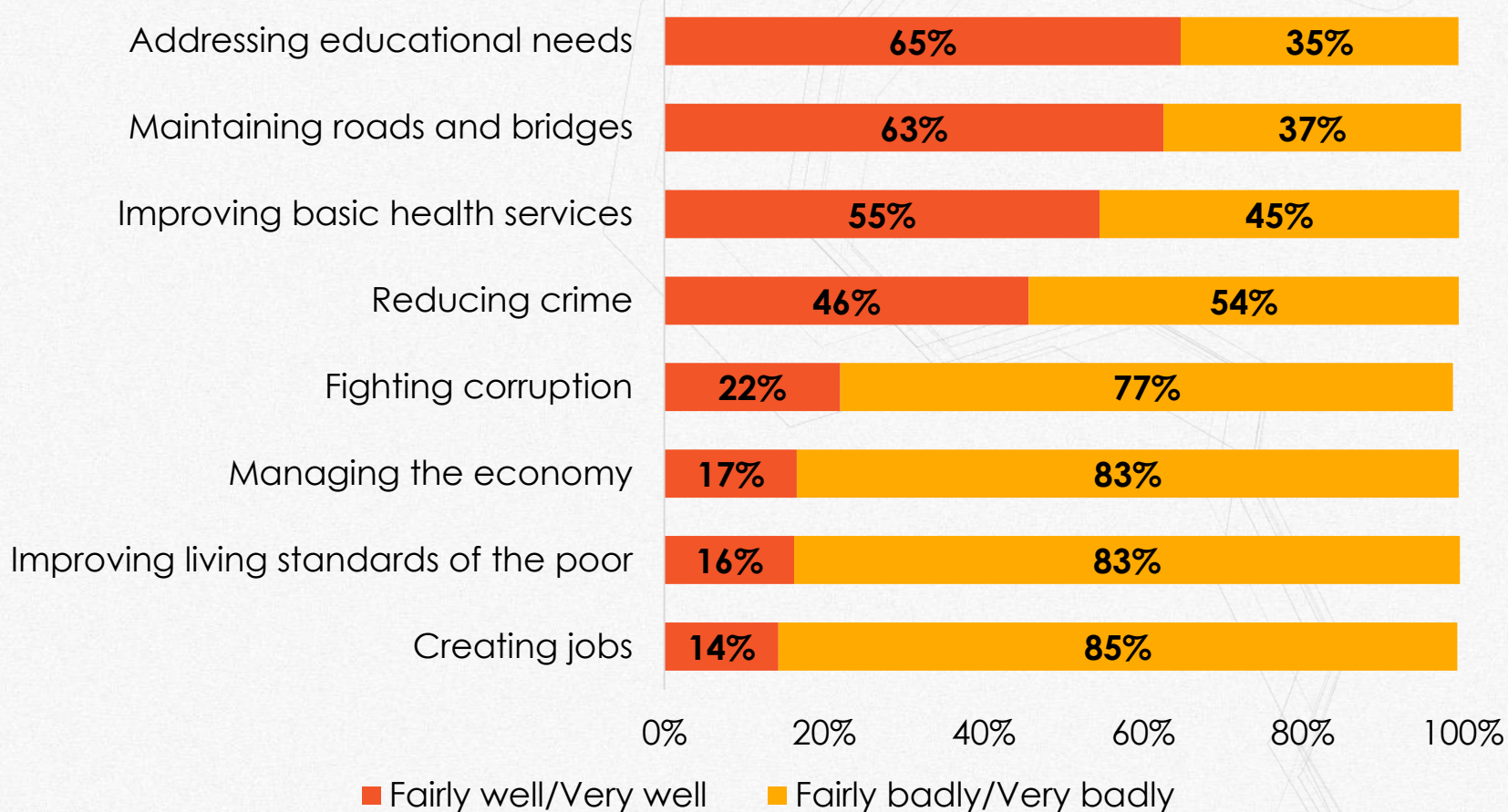
Most important problems: Rank 1 - 10 | Kenya | 2003-2021



Respondents were asked: *In your opinion, what are the most important problems facing this country that government should address? (Respondents could give up to three responses. Table shows % of respondents who identified each issue as one of Kenya's three most important problems.)*

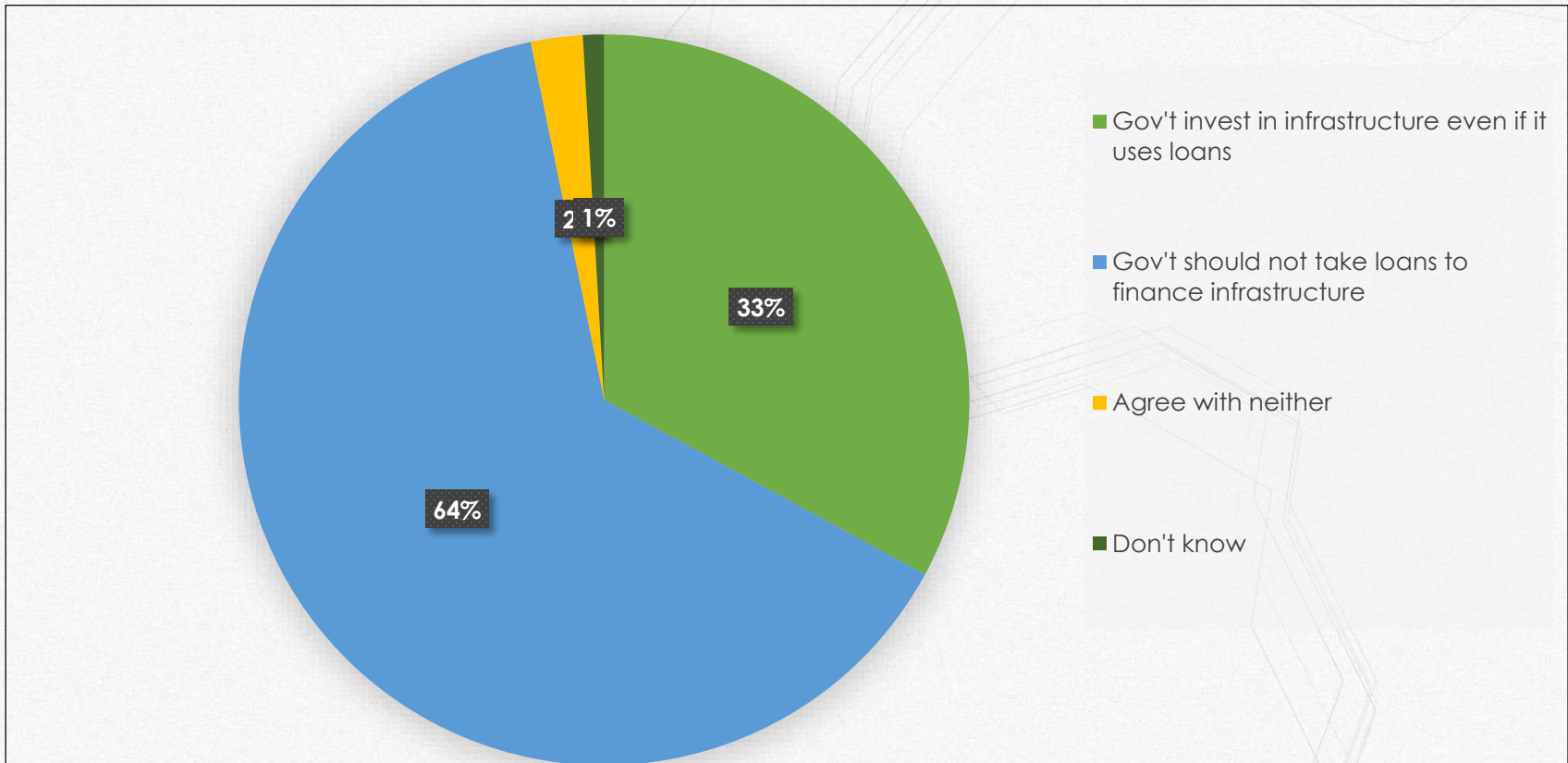
Government performance on issues important to Kenyans

| Kenya | 2021



Respondents were asked: How well or badly would you say the current government is handling the following matters, or haven't you heard enough to say?

Infrastructure Financing vs. Public Debt | Kenya | 2021



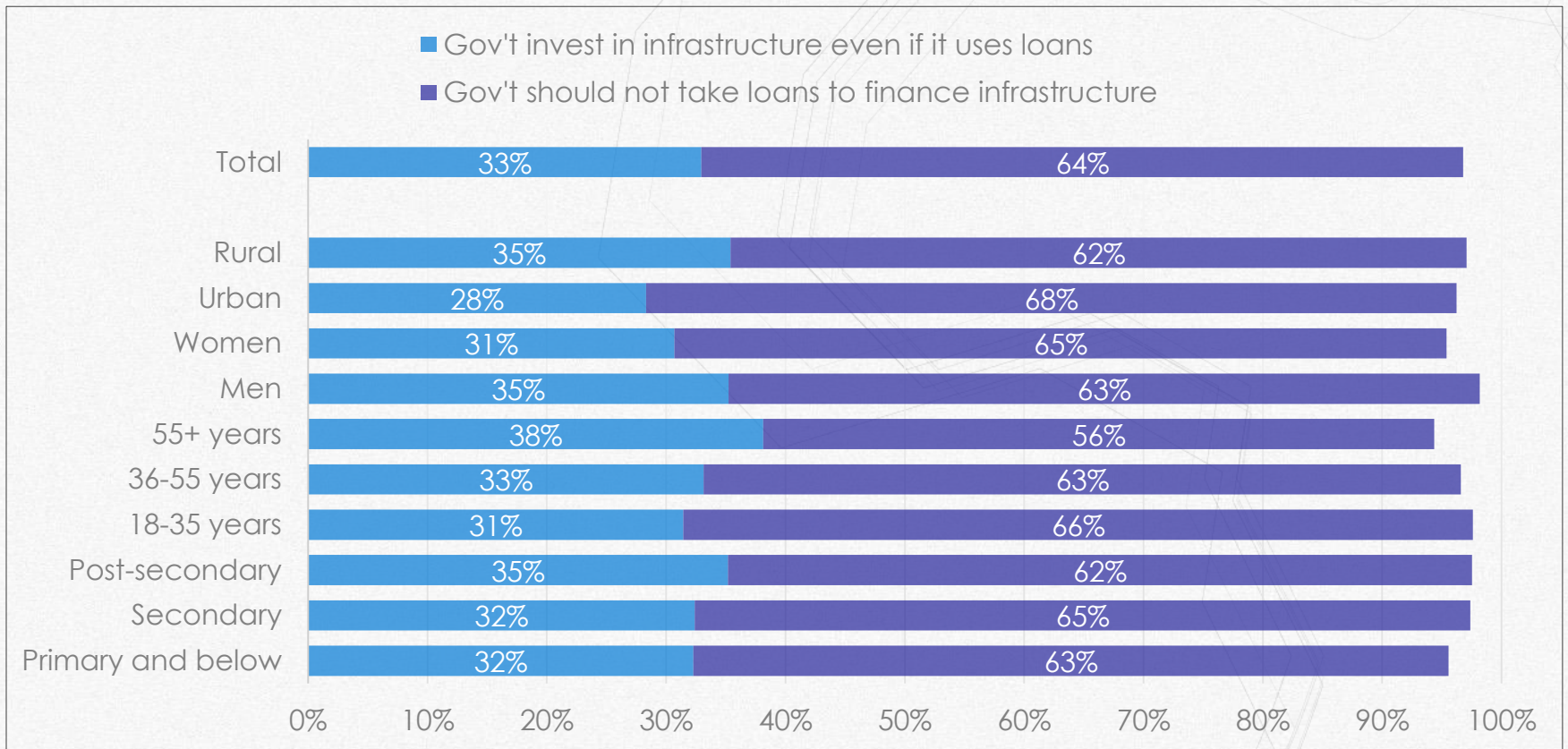
Respondents were asked: Which of the following statements is closest to your view?

Statement 1: It is more important for government to invest in good infrastructure such as roads and railways even if this means taking loans to finance the projects.

Statement 2: Government should not take loans to finance new infrastructural projects to avoid bequeathing future generations a large debt burden.

(% who "agree" or "strongly agree" with each statement)

Infrastructure Financing vs Public Debt by Demographics | Kenya | 2021



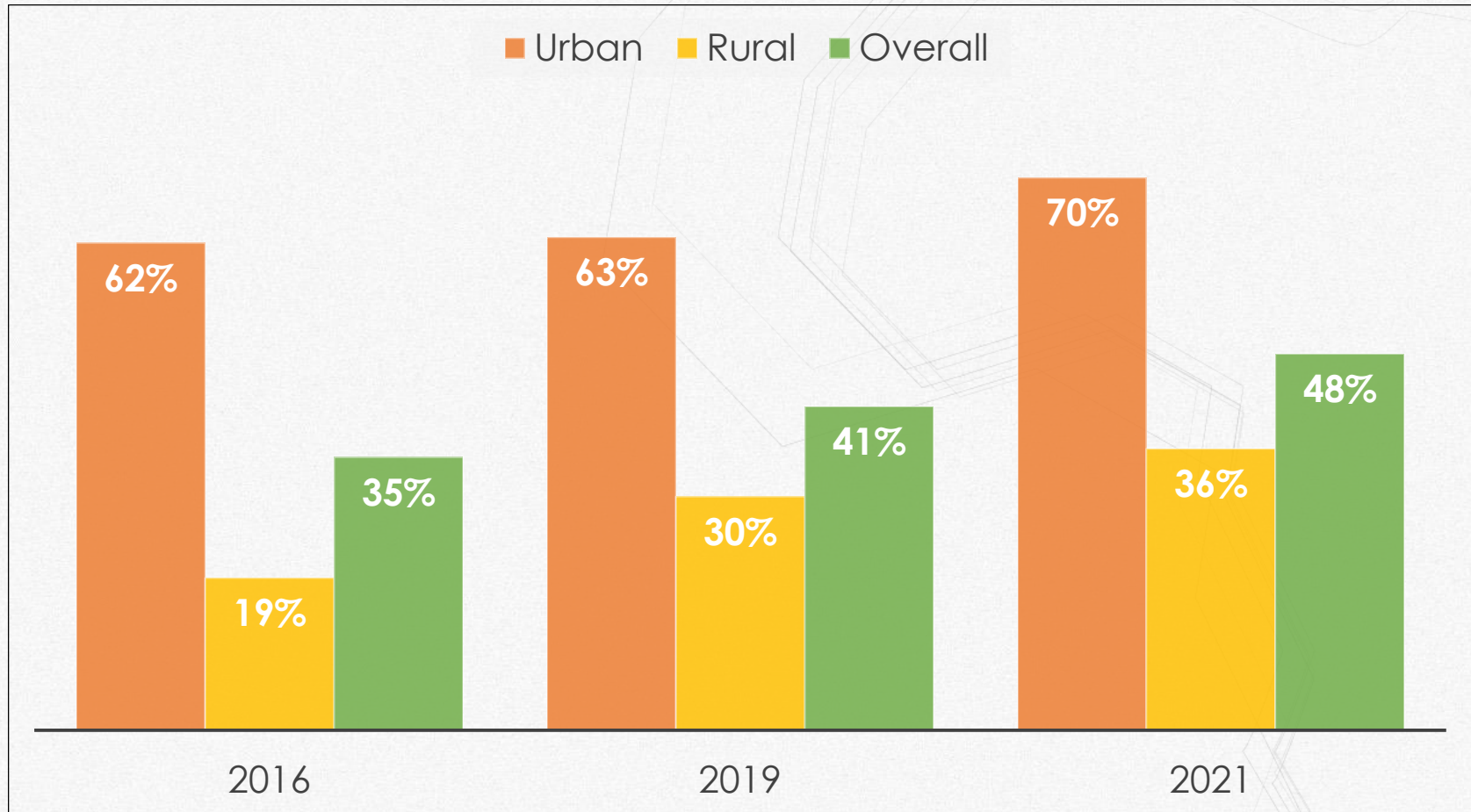
Respondents were asked: Which of the following statements is closest to your view?

Statement 1: It is more important for government to invest in good infrastructure such as roads and railways even if this means taking loans to finance the projects.

Statement 2: Government should not take loans to finance new infrastructural projects to avoid bequeathing future generations a large debt burden.

(% who "agree" or "strongly agree" with each statement)

Correlation Btn State of Road & Public Debt | Kenya 2003 - 2021



Interviewers were asked to record: What was the condition of the road in the last 5 km before reaching the start point of the PSU / EA?. (% of 'good' or 'very good')

Sustainability of Public Debt in Kenya



- Ability to meet current and future payment obligations without exceptional financial assistance or going into default
- Rated as medium performer in terms of Debt Carrying Capacity (DCC) with a high Risk of debt distress
- 2017 – 2022 DCC has declined from strong to medium while the risk has risen from low to high (GoK 2023 MTDMS p. 15 – 17)
- Lower external debt and total public debt threshold (IMF 2023)
- DCC & RDD expected to improve from 2026
- Concessional funding, lengthening maturity profile and deepening domestic markets

Conclusions

Conclusion

1. Kenya's Public Debt has grown to levels that calls for serious interventions
2. Both Domestic & foreign debts are derailing economic gains realized in the past decade
3. Kenya among the high ranking countries in Africa with huge public debts
4. High public debt results in economic challenges
5. Kenyans hold views that government should not loans to finance infrastructure - Debts as sign of economic mismanagement
6. Sustainability of public debt in Kenya is questionable – expansionary Fiscal policies
7. Urgent actions and strategies to address this matter; **Governance**

Thank you

Follow our releases
on #VoicesAfrica on
Twitter and
Facebook.

Do your own analysis of Afrobarometer data – on any question, for any country and survey round. It's easy and free at www.afrobarometer.org/online-data-analysis.