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A Closer Look into the Public Debt in the EAC Region

A food market with traders and clients in Kampala. Source (World Bank Monitoring Report)

The East African Community shows stable inflation, appreciation and depreciation of currencies against the dollar in Uganda, Kenya and Rwanda, to mention, are grappling with an upward movement in public debt. This growth, averaging 17% for the years June 2024 and June 2025, has pushed debt-to-GDP ratios beyond international thresholds and raised the risk of debt distress. The trend underscores the existing fiscal susceptibilities that require prudent fiscal management to ensure sustainable economic development.

EAC Exchange Rates

The Ugandan Shilling appreciated most at 1.8% among its EAC counterparts, with 1% appreciation in the Tanzanian Shilling, against the US Dollar in September 2025. These gains were largely supported by increased offshore investor participation and sustained foreign exchange inflows from coffee and mineral exports. In contrast, the Rwandan Franc depreciated by 0.2% against the US Dollar in September 2025, largely due to stronger dollar demand outpacing available supply in the foreign exchange market. The Kenyan Shilling remained unchanged at Shs 129.24/USD during September.

Inflation Rate.

Annual headline inflation across the states generally experienced minimal price increases, with some remaining stable between August and September 2025, all within 5%, aligning with the EAC convergence criteria. Kenya and Uganda showed slight changes in inflation, rising from 4.5% and 3.8% to 4.6% and 4.0% respectively, with foods and non-alcoholic beverages being the main contributors, increasing by 0.5% and 1.5% respectively.

In Rwanda, annual headline inflation slowed to 6.2% in August from 6.4% in September, due to decreases in food, non-alcoholic beverages, as well as housing, water, and other utilities, among other categories. Conversely, annual headline inflation in Uganda remained steady at 3.4% during this period.

Public Debt

The public debt landscape within the East African Community (EAC) reveals challenging scenarios for member states, particularly Kenya, Rwanda, Uganda, and Tanzania. A deeper look into this, you discover a troubling trend: a pronounced increase in public debt levels could lead to a generational burden where they pay high taxes to offset the debt currently acquired.

The public debt for the aforementioned states increased by an average of 17% between June 2024 and June 2025. Uganda experienced the largest increase, rising 36% from $25.3 billion to $32.3 billion. Tanzania and Rwanda saw moderate growth of 17% and 13%, respectively, with debt levels increasing from $9.6 billion to $11.2 billion and from $36.7 billion to $41.6 billion.

Kenya's debt increased by 12%, now totalling $91.4 billion, the highest among the four countries.

While domestic debt predominates in Kenya, external debt remains significant in the others, although there is a noticeable shift towards more domestic borrowing across these nations.

EAC Debt-to-GDP Ratios: June 2024 – 2025

This analysis presents the debt levels of East African countries in U.S. dollars, drawing data from the Office of the Auditor General (OAG) reports, Debt Statistics, and Debt Sustainability Bulletins

EAC Public Debt and Debt-to-GDP Ratios: June 2024-June 2025

	Jun-24	Jun-25	Growth rate	Growth rate	Growth rate
Rwanda	9.6	11.2	17%	17%	17%
Uganda	25.6	32.3	26%	26%	26%
Tanzania	36.7	41.6	13%	13%	13%
Kenya	81.7	91.4	12%	12%	12%

The surge in domestic borrowing poses a risk of crowding out the private sector, though there is a need for long-term financing, especially for development projects in local currency. This trend mirrors that of Uganda and Tanzania. During the same period, debt levels as a percentage of GDP for Uganda, Kenya, and Rwanda surpassed the threshold of 55% set by the IMF's Debt Sustainability Criteria, with Kenya's at 67.8% and Rwanda's at 74.8% of GDP.

This growth in public debt places these countries at heightened risk of debt distress[1]. In particular, Kenya is experiencing high risk, whereas Rwanda, Uganda and Tanzania face a moderate risk of debt distress. Projections indicate that Rwanda's debt-to-GDP ratio could approach 78% by the end of 2025, largely due to proposed new borrowing for significant investments in infrastructure like Bugesera Airport ($2 billion) and Uganda's ratio now at 51.3% key driven investment in projects as the EACOP pipeline worth $5 billion & the UMEME buyout $190million loan to mention but a few.

Similarly, the increasing costs of debt service continue to reduce government spending on essential sectors such as education and health, vital to improve human capital, as the budget allocations remain short of 5.4% of government expenditure on Education, the UNESCO recommendation and 15% of the budget allocation to health budget as per commitment in the Abuja declaration, respectively.

According to the latest World Economic Outlook, the debt-to-GDP ratios in EAC countries may not signal an immediate crisis but expose underlying fiscal risks that require proactive management. Rising trade uncertainty, geopolitical tensions, widening deficits, and a volatile global economy call for prudent fiscal policies and well-coordinated responses to sustain growth

While public debt helps governments bridge budget deficits, fund development projects, and stabilize the economy, it is vital that borrowed funds are used prudently to promote sustainable growth and improve citizens' well-being

References

- *Annual and Monthly Debt Statistical Bulletins (2024,2025)*
- *Country Medium Term Debt Sustainability Reports*
- *Office of the Auditor General Reports*
- *MOFPED-UG-Performance of the Economy Report- September 2025*

[1] *When compared to the 55% by DSA for lower & Middle-Income countries by the IMF-WB*