Centre for Multiparty Democracy Kenya

Rethinking Debt in Economic, Social and Cultural Rights

Policy Brief

Centre for Multiparty Democracy Kenya

Economic and Social Rights Centre - Hakijamii
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EXECUTIVE SUMMARY

This policy brief examines the impact of public debt, fiscal policies, and governance decisions on the realization of Economic, Social, and Cultural Rights (ESCR) in Kenya, drawing on insights from People Dialogue Forum (PDF) Kenya 2026 convened by the Centre for Multiparty Democracy Kenya (CMD-Kenya). This issue is significant because it highlights the disconnect between policy decisions and human rights outcomes. Without clear accountability, transparent budgeting, and inclusive participation, policies may undermine the rights they are intended to support. Addressing these challenges requires a shift in priorities and systems toward people-centred governance to ensure that economic decisions foster social justice and equitable development.

Key Points

- Kenya's public debt has surged to over 70% of GDP, which is beyond the approved 55% debt anchor, limiting the government's capacity to provide essential services and jeopardizing the realization of Economic, Social, and Cultural Rights (ESCR) for millions of citizens.
- Kenya has a strong domestic and international policy framework on debt management; however, it lacks in capacity, proper coordination and technical expertise.
- Kenya has a legal obligation to provide for Economic, Social, and Cultural Rights, ensuring that public finance decisions address the needs of all citizens. However, it is consistently servicing its debt while neglecting essential services.
- The most effective pathway to addressing the challenges of public debt and human rights involves implementing a people-centred governance model, incorporating transparency, accountability, and collaboration across all levels of government and stakeholders.

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RECOMMENDATIONS

Fiscal Strategy & Debt Management: Renegotiating and Rationalizing Public Debt

The National Treasury should spearhead negotiations with international creditors to secure more favourable loan terms, including reduced interest rates and extended repayment periods, and present a debt renegotiation strategy to Parliament by the end of FY 2026/27. The National Treasury should also link borrowing to measurable development outcomes, as guided by the Public Finance Management Act (PFMA) Section 54(4), Articles 214(2) and 228(2) of the Constitution of Kenya, 2010, ensuring that loans support growth-enhancing sectors such as health and education. Parliament should review and oversee the renegotiation framework, ensuring alignment with a comprehensive long-term fiscal strategy for sustainable development.

Strengthening Public Finance Transparency - Governance & Accountability

The National Treasury and Economic Planning should closely coordinate with independent committees and various stakeholders, such as the Kenya National Commission on Human Rights (KNCHR), civil society, advocacy groups, and researchers. This collaboration will facilitate the integration of independent data, analysis, and expertise into the process. The National Treasury must prioritize the clear, accessible, and timely disclosure of public debt, borrowing terms, and lender obligations, ensuring that these decisions align with national development priorities and the overarching goals of fiscal sustainability.

Strengthening Oversight Institutions-Improving Communication and Enforcement

The Executive and Parliament must allocate adequate funding to the Office of the Auditor General to support its functions. The Parliament must enforce a stricter compliance framework for audit findings, requiring ministries and agencies to

submit detailed time-bound action plans to address any identified issues. The government should strengthen legal protections for these institutions against political interference and expand their enforcement powers, enabling the Auditor General to take decisive action against the misuse of public resources.

INTRODUCTION

Kenya's rising debt and current public spending patterns are limiting the government's ability to fund essential services, creating a gap between constitutional promises and people's daily realities. Approximately KES 1.4 trillion, about 56% of the country's revenue, is being spent on debt, leaving limited resources for essential services. Weak oversight, poor prioritization, and inefficient use of scarce resources have worsened the situation.

Kenya is currently facing major challenges in managing public finances and providing essential services to its citizens. As a result, the realization of Economic, Social, and Cultural Rights (ESCR) is becoming increasingly uneven and limited. It is crucial to analyze the state's obligations, policies, programs, and institutional mechanisms related to these rights, as well as the processes involved in their implementation.

The ESCRs are crucial for understanding public debt because they focus on people's basic needs and dignity, which heavily rely on government resources. Healthcare, education, housing, and social protection require sustained public investment to be fulfilled. When the government prioritizes debt repayment, it can reduce funding for essential services, impacting citizens' well-being[1]. This situation raises important questions about how debt is acquired, managed, and whether it aligns with constitutional principles.

If debt practices limit access to basic services or violate constitutional obligations, they risk undermining both the legitimacy of the debt and the rights of the people it is intended to benefit

To successfully shift from debt prioritization to human rights prioritization, the government must implement robust debt management strategies that promote transparency and accountability, ensuring that resources are redirected towards achieving Sustainable Development Goals (SDGs)[2]. The current situation calls for decentralizing power, authority, and responsibility from the central government to regional and local authorities. This approach aims to bring the government closer to the people, with the hope of enhancing the efficiency, accountability, and responsiveness of public services to meet the specific needs of local communities.

Kenya's Debt Management Framework

At the national level, the government has established fiscal rules, borrowing controls, and institutional mechanisms under the Public Finance Management framework. This framework is supported by instruments such as the Medium-Term Debt Management Strategy and recent reforms like the Treasury Single Account[3]. New measures, including limiting non-concessional external borrowing to US$1.9 billion for FY 2025/26 and enhancing the publication of the Monthly Debt Bulletin, demonstrate efforts to strengthen debt management, transparency, and fiscal discipline.[4] Despite these updates, public debt has increased significantly to approximately 65.7% of GDP, with persistent implementation weaknesses resulting in poorly structured debt, high servicing costs, and ongoing fiscal pressure.

The framework encounters challenges due to capacity constraints, coordination issues, and insufficient technical expertise in crucial institutions such as the National Treasury, Parliament, and the Debt Management Office. Limitations hinder debt analysis, fiscal rule enforcement, and monitoring of borrowing decisions. Although transparency initiatives and oversight structures are in place, their effectiveness is undermined by weak enforcement and insufficient integration with the budgeting process. Consequently, despite a strong design, the framework's practical effectiveness is limited by gaps in fiscal surveillance and risk management, impacting debt sustainability outcomes.

Kenya's debt policy is closely aligned with frameworks established by institutions like the International Monetary Fund (IMF) and the World Bank. Recently, the World Bank has voiced concerns about Kenya's risk of debt distress, cautioning that high debt levels could threaten economic stability. They emphasize the critical need for prudent fiscal management, debt transparency, and investments that support long-term growth and sustainable development goals.[5]

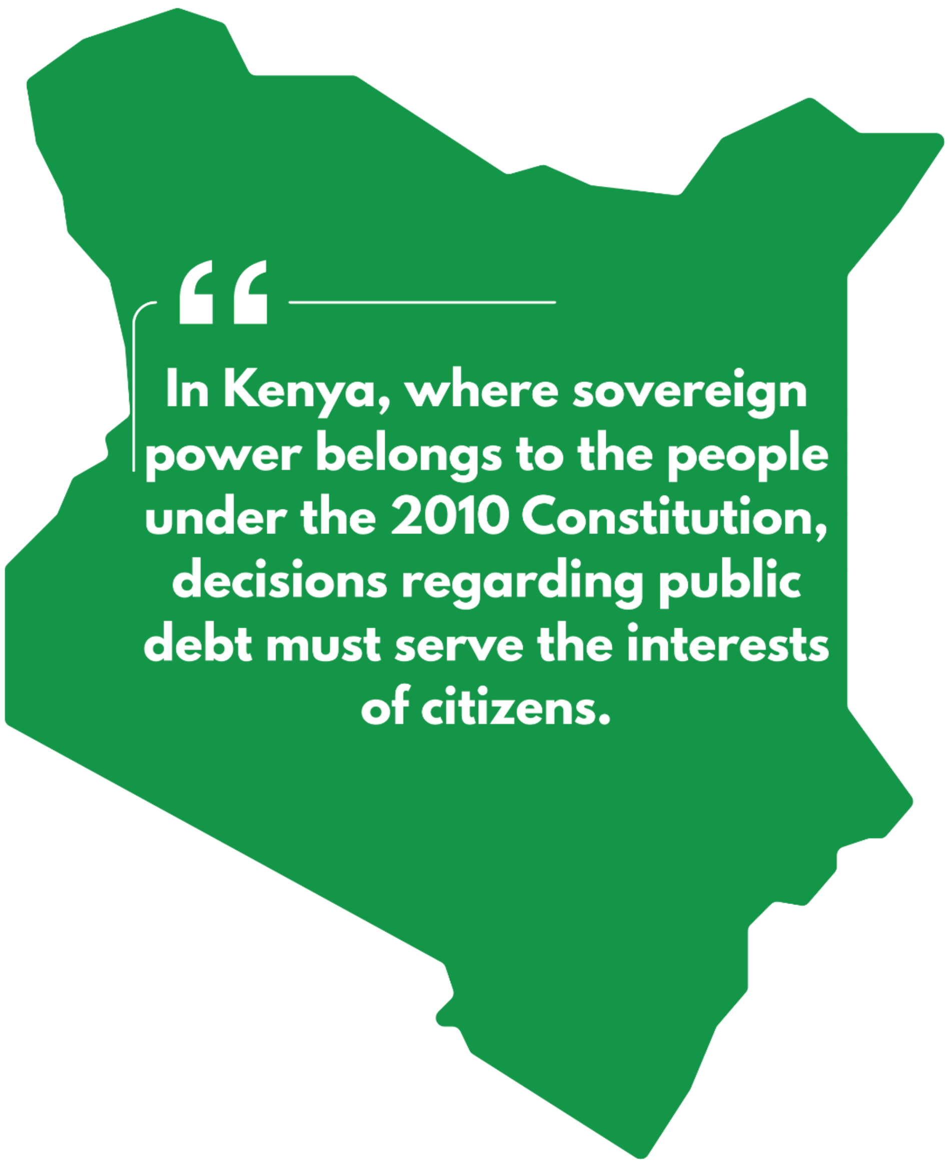
The influence of these organizations extends to borrowing limits, fiscal consolidation measures, and debt sustainability assessments. Through their partnerships, they provide vital financial support, technical guidance, and policy discipline, enabling Kenya to maintain access to international credit markets while pursuing necessary reforms. However, these partnerships come with constraints, including external conditions and program requirements that can restrict domestic policy flexibility. These partnerships often prioritize short to medium-term stabilization over long-term structural transformation.

The influence of partners has triggered significant public backlash, exemplified by the 2024 Gen Z protests, during which a coordinated cyber-attack targeted the IMF and World Bank.[6] These actions reflect deep-seated frustrations among the youth regarding perceived limitations on national sovereignty and the prioritization of external interests over local needs. This growing discontent highlights the delicate balance that must be struck between benefiting from international support and preserving domestic policy autonomy.

Policy consequences of high debt burden

As debt increases, the costs for servicing that debt rise, consuming a substantial portion of government revenue reducing available funds for essential services that enhance people's well-being. Hence, key social services are underfunded, undermining citizens' rights and access to basic services. Underinvestment in water and sanitation increases disease transmission and household costs, threatening water affordability for vulnerable communities.[7] The declining health sector leads to inadequate access, highlighted by a severe shortage of hospitals for the population, resulting in higher death rates.[8] Poor infrastructure contributes to accidents, while rising health insurance costs burden families. Marginalized communities face the greatest challenges amid growing social and economic inequalities.

Table 1 shows how poor fiscal discipline and weak accountability frameworks and can worsen debt outcomes driving the challenges mentioned above. Kenya, Zimbabwe and South Africa are spending more on debt servicing than on fulfilling constitutional obligations, and borrowing decisions are not aligned with the constitution and national development priorities, raising concerns about sustainability and long-term impact.[9]



Comparative Public Debt Analysis – Table 1

Country	Debt Level (Approx.)	Debt-to-GDP Ratio	Key Causes of Debt	Key Effects on Economy & Society	Policy Insight
Kenya	KES 12.5 trillion	70% (est.)	Rapid borrowing, fiscal deficits, weak public finance management, corruption, and supplementary budgets.	High debt servicing (KES 1.4 trillion) crowds out health, education, and other underfunded sectors (KES 400 billion gap); high out-of-pocket health costs.	The debt level is reaching an unsustainable level if it continues to grow, and the debt repayment is competing directly with social spending
South Africa	ZAR 5.5 trillion	73–75%	Slow growth, high public wage bill, state-owned enterprise bailouts, historical debt legacy (apartheid era)	Rising debt service costs reduce social spending; unemployment remains high; and fiscal space is limited.	State-owned enterprises benefiting at the expense of society; wage control; high taxes; poor governance
Zimbabwe	US$17–18 billion	87%	Persistent borrowing, corruption, weak institutions, unbudgeted expenditures, and a lack of transparency	Slow economic growth, reduced investment, debt overhang, loss of creditworthiness, and crowding out of the private sector	Lack of transparency; high levels of corruption; lack of borrowing controls; reduced investor confidence.
United Kingdom	£2.6 trillion	95.5%	High public spending, COVID-19 recovery costs, inflation-linked debt, and welfare obligations	High borrowing (£140B annually); rising interest payments (£9B/month); pressure on public services, but still stable due to strong institutions	Balancing taxation and spending; managing inflation-linked debt; balancing and justified borrowing for development,
Canada(federal)	CAD 1.2 trillion	42–45%	Pandemic spending, social welfare programs, and infrastructure investment	Moderate debt burden; manageable due to strong revenue base; rising interest costs may constrain future spending	Maintaining tax base; invest in productivity growth; manage deficits sustainably

Effects of Kenya's recent debt buildup

Kenya's debt has been steadily increasing, currently reaching approximately KES 12.5 trillion. The government allocates around KES 1.4 trillion of its KES 2.5 trillion annual revenue to servicing this debt.[10] As a result, a significant portion of government revenue is diverted from critical investments in social services and public welfare. For the fiscal year 2025/26, the allocations for these essential areas are alarmingly low: health receives KES 132 million, education is allocated KES 659 million, and Social Protection, Affirmative Action and Equity, Poverty Reduction, and Women and Youth Empowerment are given just KES 150 million. For the fiscal year 2025/26, the funding allocations for critical areas are concerningly insufficient. Health receives only KES 132 million, education is allocated KES 659 million, and Social Protection, Affirmative Action and Equity, Poverty Reduction, and Women and Youth Empowerment are collectively granted just KES 150 million.[11]

Public hospitals are experiencing medicine shortages and inadequate staffing, while the education sector struggles with overcrowded classrooms and insufficient funding[12]. Rising costs due to higher taxes on essentials are further straining low-income households, forcing families to cut back on healthcare and education, which erodes their standard of living.

Lack of access to basic services disproportionately affects ordinary citizens, widening the gap between the political elite and the poor. The political elite can access private services, while poorer communities are left relying on underfunded public systems, undermining social cohesion and limiting equal opportunities. This growing disparity erodes social cohesion and restricts equal access to opportunities for all.

Article 43 of the 2010 Constitution of Kenya obligates the government to provide for Economic, Social and Cultural Rights, including the right to a clean environment, health, adequate food, clean and safe water, education, and social security.

[13] However, in practice, many Kenyans still struggle to access these basic services partly due to the misalignment between fiscal policy and constitutional rights, leading to poor infrastructure development and a decline in government trust.[14]

The continuous rise in public debt and fiscal consolidation measures limits the government's capacity to invest in essential services. As more resources are allocated to debt repayment, fewer funds are available for services that directly enhance citizens' well-being.[15] This creates a gap between the government's constitutional commitments and the lived experiences of communities, raising important questions about transparency and accountability.

CONCLUSION

Kenya’s public finances are not well-balanced. Even though the country is borrowing more, there are no improvements in services or infrastructure, indicating inefficiencies and misallocation of funds. This raises questions about the quality-of-service delivery.

The gap between public debt and the government's duty to deliver socio-economic rights reflects a governance crisis marked by poor accountability and resource mismanagement. To resolve these issues, a shift towards prioritizing human rights in public finance management is essential, emphasizing transparency, accountability, and public participation in budgeting. Empowering local authorities through decentralization can create a responsive governance framework that meets community needs. Ultimately, a re-evaluation of fiscal priorities is needed to ensure economic policies promote social justice and equitable development, especially for marginalized communities facing significant economic challenge. A multi-stakeholder economic and social dialogue raised important questions about the conflict between the state's responsibility to service its sovereign debt and its duty to fulfill socio-economic rights.

This policy brief was drafted from deliberations at the People Dialogue Forum Kenya 2026 (Nairobi, March 2026), and session notes from the Gumzo Discussion: *Closer to the People: Rethinking Debt, Devolution and Accountability in Economic, Social and Cultural Rights* convened by Hakijamii on the 6th of March 2026

Notes

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The Economic and Social Rights Centre (Hakijamii) is a national human rights organization that supports marginalized communities to claim and realize their Economic and Social Rights and live in dignity through Human Rights-Based Approaches (HRBA). Read more on:
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