



Sovereign Debt News Update No. 152: The Risks and Rewards of Kenya's Debt Buyback Strategy

By:

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Kenya's latest move to [repurchase part of its 2028 Eurobond](#) has reignited debate about the country's approach to managing its mounting debt. The government recently completed a tender offer to buy back a portion of its outstanding notes, presenting the operation as a step toward improving its debt profile and strengthening market confidence. However, because the buyback was financed through a new \$1.5 billion Eurobond, the transaction raises critical questions about whether Kenya is genuinely reducing its debt vulnerabilities or simply exchanging one set of costly obligations for another. This update unpacks the strategy's potential benefits and risks, situating it within Kenya's broader efforts to navigate a challenging fiscal and debt landscape.

Background

On October 14 2025, it was [reported](#) that Kenya successfully concluded a tender offer for the repurchase of its outstanding 7.250% Notes due 2028. According to a [press release](#) issued Friday, the government bought back \$628.44 million worth of these bonds, paying a premium of 3.75% above par value. Specifically, bondholders [received \\$1,037.50 for every \\$1,000 in principal](#), along with accrued interest. This tender offer, announced on October 2 2025, drew strong participation from bondholders. All valid tenders were accepted without the need for proration, indicating widespread support for the initiative. The repurchased notes will be [reportedly](#) cancelled and will not be reissued, with a view to effectively reducing Kenya's outstanding debt under this issuance. This update will assess the effectiveness of the buyback as a fiscal management strategy and explore its potential impact on Kenya's public debt profile.

Kenya funded the bond repurchase through proceeds from its recent [\\$1.5 billion dual-tranche Eurobond issuance](#). The new offering [includes](#) 7-year and 12-year maturities, both priced at blended yields below those of the existing 2028 notes, signaling stronger investor demand and at the same time, presenting more advantageous borrowing conditions for the country.

Overall, this tender offer reflects Kenya's ongoing efforts to optimize its external debt profile. By retiring a significant portion of its 2028 notes and replacing them with new issuances, the country aims to reduce refinancing risks and improve the sustainability of its public finances. It comes as part of a wider comprehensive liability management strategy [announced](#) by the country's National Treasury designed to reduce the government's exposure to expensive short-term loans and foreign exchange volatility. As [reported](#) by All Africa, Treasury Cabinet Secretary John Mbadi outlined the key pillars of the strategy, which include refinancing high-cost debt obligations, extending the maturity periods of existing loans, and increasing the proportion of concessional borrowing. These measures are intended to ease the burden of debt servicing and improve the overall structure of Kenya's public debt portfolio. As of June 2025, Kenya's public debt stood at [KSh11.81 trillion \(US\\$ 91.4 billion\)](#), representing 67.8 percent of the country's GDP, with the bulk owed to multilateral institutions such as the [World Bank, the African Development Bank, China, and Eurobond investors](#).

These buyback efforts also align with recommendations from recent [International Monetary Fund \(IMF\) programme](#) reviews, which have consistently urged Kenya to enhance its debt management framework and mitigate refinancing risks amid tightening global financial conditions. Notably, the IMF [concluded its staff visit](#) to the country on 10 October 2025, noting that policy priorities include *measures to enhance fiscal policy credibility, ensure sustainability of public finances and debt, and minimize fiscal, financial, and external sector risks as well as ways to enhance governance, transparency, and efficiency in the public sector.*

Looking ahead, the [2025 Medium-Term Debt Management Strategy](#) sets out a roadmap to lengthen the maturity profile of public debt, reduce exposure to interest rate and currency fluctuations, and promote intergenerational equity. Notably, the strategy anticipates that 75 percent of new borrowing will be sourced from the domestic market, reflecting a shift toward more stable and predictable financing channels.

Analysis

Kenya's decision to fund its bond repurchase using proceeds from a fresh \$1.5 billion Eurobond issuance may appear to reflect savvy financial engineering, but it also invites scrutiny. In particular, because this is a strategy often resorted to by the government as reported in the [One Hundred and Ninth Sovereign Debt News Update](#) which from all indications has not done much for Kenya's debt, at least in the long-term. While the new bonds were priced at blended yields [below those of the 2028 notes](#), suggesting improved investor confidence and more favorable borrowing terms, the move essentially replaces one form of commercial debt with another. This does little to reduce the country's overall debt burden and instead perpetuates reliance on external market-based financing, which remains vulnerable to global interest rate shifts and currency volatility.

The tender offer is framed as part of a broader liability management strategy aimed at reducing refinancing risks and improving debt sustainability. However, the reliance on Eurobond markets raises questions about the long-term prudence of this approach. Kenya's Treasury has emphasized goals like extending maturities and increasing concessional borrowing, yet this

transaction seems to contradict those aims by deepening exposure to costly commercial debt.

It is also important to note that the country has additionally invited development institutions, including China Exim Bank and the European Investment Bank to finance a USD \$2 billion expansion of the Jomo Kenyatta airport in Nairobi. According to [Reuters](#), Transport Minister Davis Chirchir stated that the country had invited these agencies, on the grounds that there was an opportunity to “build the airport through the Jomo Kenyatta International Airport, borrowing on its balance sheet”. This forms one of the country’s attempts at seeking more ‘creative’ approaches to infrastructure financing amidst a challenging financing environment and worrying debt fundamentals. Chirchir also stated that the country will issue a securitized bond of KSh175 billion shillings (USD\$1.36 billion) locally and abroad in December 2025 for road construction.

Hence, it is apparent that the optics of a successful buyback may mask underlying fiscal stress. Kenya’s public debt stood at 67.8% of GDP as of June 2025, with debt service payments reaching [Sh1.72 trillion \(US\\$13.1 billion\)](#) in the 2024/25 fiscal year, including [Sh579 billion \(US\\$4.5 billion\)](#) to external creditors. These figures underscore the scale of the challenge. Swapping old debt for new may ease short-term pressures, but without structural reforms to boost revenue and curb spending, such manoeuvres risk becoming temporary fixes rather than sustainable solutions.

Conclusion

In conclusion, while Kenya’s bond buyback may offer short-term relief from refinancing pressures and signal tactical agility in managing its debt portfolio, it does not fundamentally alter the country’s debt trajectory. By relying on fresh Eurobond proceeds to retire existing obligations, Kenya risks deepening its exposure to commercial debt markets and global financial volatility. Without a decisive pivot toward concessional financing, stronger revenue mobilization, and disciplined fiscal reforms, such liability management exercises may serve more as temporary optics than enduring solutions to the country’s debt sustainability challenges.

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