Sovereign Debt News Update No. 147: The Promises and Transparency Pitfalls of Kenya's $1 Billion Debt-for-Food Swap

By:

The African Sovereign Debt Justice Network

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Introduction

According to Reuters, Kenya is preparing to finalise a landmark debt-for-food swap valued at approximately $1 billion with the World Food Program (WFP) by March 2026, according to its Annual Borrowing Plan for 2025/2026. It was reported that resources released through the proposed debt-for-food swap could be strategically invested in agricultural development, including irrigation infrastructure, food storage systems, and targeted nutrition programs, initiatives aimed at reducing food insecurity across Kenya. This financing mechanism is expected to allow the country to convert a portion of its existing debt into food resources, thereby avoiding additional borrowing while addressing urgent food insecurity challenges. In particular, the WFP has

advocated for increased use of debt-for-food swaps in particular as a mechanism to address debt distress in developing countries and promote investment in Sustainable Development Goal 2 (Zero Hunger), which aims to ensure zero hunger by 2030.

Kenya's initiative mirrors the recent debt-for-nature swaps carried out by countries such as Egypt, Mozambique, and Cote d'Ivoire, among others, where reduced interest rates were granted in return for commitments to advance specific developmental objectives. This update will examine the proposed debt-for-food security swap, outlining its anticipated contributions to enhancing food security as well as alleviating Kenya's debt burden. It will also assess the feasibility and its ramifications for transparency in Kenya's sovereign financing governance.

Background

Debt-for-food swaps such as in Kenya's case fall under a broad group of 'debt for development swaps', which may be defined as agreements between a government and one or more of its creditors to replace existing sovereign debt with one or more liabilities that include a spending commitment towards a specific development goal. Debt-for-food swaps focus on projects promoting food security and improving nutrition, which includes swaps conducted by the WFP. According to a WFP report, the February 2025 Short Rains Assessment states that approximately 2.15 million Kenyans are currently grappling with acute food insecurity—a notable rise compared to mid-2024 levels. Malnutrition continues to pose a significant public health challenge, with 800,202 children aged 6 to 59 months and 120,732 pregnant and breastfeeding women in urgent need of nutritional treatment.

Hence, these initiatives aim to prioritise the delivery of direct food and nutritional support while also tackling the root causes of malnutrition, such as encouraging school enrollment and strengthening healthcare systems. Through a debt-for-food swap, it is expected that a country could potentially restructure expensive debt into more affordable financing, provided that the resulting savings are committed to programmes aimed at enhancing food security. Additionally, it has been posited by a United Nations article on the subject, that a debt-for-food swap designed to build and reinforce national systems when

anchored by strong legal and regulatory frameworks could play a critical role in curbing resource mismanagement and ensuring more accountable, transparent use of funds, especially when coupled with robust domestic resource mobilisation frameworks.

The debt-for-food swap is designed to redirect Kenya's debt obligations into targeted investments in food security programmes. These include agricultural development, irrigation infrastructure, food storage systems, and nutrition initiatives—critical areas for a country where over 3.4 million people face acute food insecurity, according to the UN Food and Agriculture Organization (FAO). Climate change, rapid population growth, and limited access to modern farming practices have exacerbated the crisis, making this swap a timely intervention.

From a fiscal standpoint, the arrangement offers potential relief for Kenya's debt burden. The International Monetary Fund (IMF) currently classifies Kenya as being at high risk of debt distress. Hence, the lower interest rates have been considered pertinent for Kenya for two reasons. Firstly, according to Reuters, Kenya, which is East Africa's biggest economy, had a total public debt equivalent to 67.8% of its GDP at the end of June 2025, according to the annual borrowing plan. Secondly, the Government of Kenya (GOK) allocates approximately one-third of its total revenue to servicing interest payments—a proportion that ranks among the highest globally—and is actively seeking measures to reduce its debt-related expenditure. According to Business Daily, the National Treasury is expected to spend KSh 1.09 trillion (USD $8.42 billion) between 2025 and 2026, reflecting a KSh 94.2 billion (USD$ 727.77 million) rise, compared to the KSh 995.76 billion (USD $7.7 billion) estimated to be spent on debt service in FY2025. According to the Annual Borrowing Plan, GOK indicated this initiative as one of the non-market-based instruments it would give precedence to as an approach to managing external debt. It was stated that it would enable the restructuring of existing obligations without incurring additional debt, thereby contributing to the alleviation of fiscal pressures over the medium term.

This unfortunately is not Kenya's first experience with debt swaps which have unproven provenance to resolve debt crisis. In 2024, Germany supported a €60 million debt conversion initiative tied to climate investments. Globally, countries such as Ecuador, Belize, and Gabon have also implemented debt-for-

nature deals, while Ivory Coast pioneered a debt-for-education swap backed by a World Bank credit guarantee—an approach that helped lower borrowing costs by reassuring creditors. Kenya's broader borrowing strategy also reflects a shift toward sustainability-linked instruments as the government plans to raise $500 million through sustainability-linked bonds by March 2026. While officials at the Finance Ministry have not publicly commented on the WFP negotiations, Finance Minister John Mbadi confirmed in a televised interview that discussions were at an advanced stage. The swap, if finalized, could serve as a model for other nations seeking to align debt relief with food security and climate resilience.

Transparency on Trial: The Wanjiru Gikonyo v The Attorney General of the Republic of Kenya (Reference No 19 of 2024) In Context

Wanjiru Gikonyo v The Attorney General of the Republic of Kenya (Reference No 19 of 2024), Afronomicslaw's ongoing case before the East African Court of Justice (EACJ) challenges the Kenyan government's secrecy surrounding debt swap negotiations. The case argues that the mere mention of debt swaps in policy documents does not satisfy the constitutional and legal requirements for transparency, accountability, and public participation. Indeed, the Medium-Term Debt Strategies (MTDMS) from 2023 to 2025 reference debt swaps only in passing, without substantive detail or public engagement. The 2026 Annual Borrowing Plan states the amount of the WFP debt for food security swap, it is clearly lacking in more comprehensive detail. This opacity is not just a procedural flaw, but a governance risk. Without full disclosure, citizens cannot assess the merits or risks of these deals, nor can they hold decision-makers accountable.

Conclusion

Kenya's proposed debt-for-food swap represents a strategic convergence of fiscal reform and humanitarian need, offering a potentially transformative pathway to ease macroeconomic pressure while addressing food insecurity.

However, the promise of such innovative instruments cannot be realized without robust transparency and public accountability. The government's vague references to "advanced stages" of negotiation, coupled with the absence of clear details on the structure, costs, and stakeholders involved, undermine

public trust and violate the principles of good governance. As Afronomicslaw's case before the EACJ highlights, transparency is not a procedural formality, it is a democratic imperative. Without full disclosure and meaningful public participation, the true benefits of debt swaps cannot be assessed, and the risk of mismanagement or corruption remains high. Sustainable financing must be matched by sustainable governance where citizens are informed, engaged, and empowered to shape the decisions that affect their future.

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