ABSTRACT

It has become widely accepted that the heavily indebted countries, particularly in Sub-saharan Africa (SSA), require debt relief initiatives to have a turn around in their economic performance and fight against poverty and Kenya is no exception. Kenya, just like many heavily indebted poor countries (HIPC's), has continued to experience difficulties in trying to settle its external debts. This indebtedness which has mainly been contributed through multi-lateral borrowing has continued to put pressure on economic growth and development. This paper examines Kenya’s external debt problem. The findings of the study indicate that Kenya’s external debt is mainly official, of which a bigger proportion is from multi-lateral sources. External debt accumulation has been rising over the years with debt burden indicators increasing steadily in the early 1990s. Using time series data for the period (1980-2010), the empirical results indicated that government excess spending against the income has a negative impact as it leads to an increase in external debt accumulation. Due to In view of the current economic situation, the results obtained from this study support the need for Kenya to be considered for comprehensive debt relief measures. There are prospects that had there been availability of the resource flows of the 90s and current ones, growth can be stimulated if used productively. On the other hand, the government should create credibility including commitment and political will to reform implementation which is required to spur sustainable growth and development.

Keywords: Kenya, debt, growth.