

AFRICA RISK CONSULTING

Kenya Monthly Briefing August 2022

Kenya Summary 18 August 2022

Vice president William Ruto wins the 9 August presidential election securing 50.5% of the vote. The former prime minister and favourite to win the election, Raila Odinga, narrowly loses after securing 48.8% of the vote. Odinga plans to challenge the results in the Supreme Court. There are concerns that the voting dispute poses a risk to political stability in Kenya, where controversial elections in the past were marred in violence. The International Monetary Fund (IMF) on 19 July approves a loan of \$235.6m to Kenya. Kenya met the institution's targets and made progress in addressing debt vulnerabilities, allowing it access to the loan. The Energy and Petroleum Regulatory Authority (EPRA) announce on 14 August that Kenya's fuel prices will remain unchanged for a second consecutive month.

Ruto wins the presidency as Odinga plans legal challenge...

Vice president **William Ruto** won the 9 August presidential election, with the former prime minister and favourite to win the election, **Raila Odinga**, narrowly losing, setting the stage for a legal battle for control of **East Africa's** largest economy.¹ Ruto, contesting for the first time, was declared the president-elect with 50.5% of the valid votes cast.² Odinga, contesting his fifth unsuccessful presidential election, secured 48.8% of the valid votes cast.

The results were announced on 15 August by the **Independent Electoral and Boundaries Commission (IEBC)** chairman **Wafula Chebukati**. The two other presidential candidates, **George Wajackoyah** and **David Mwaure** won a combined 0.6% of the final tally, attaining 0.4% and 0.2% respectively. To win the presidential election and succeed President **Uhuru Kenyatta** (2013-present), candidates needed to obtain more than 50% of the national vote and at least 25% of the ballots in half of Kenya's 47 counties.³

Odinga, addressing the nation in a television briefing said that "*we [his party] reject the presidential results*" which are a "*travesty and a blatant disregard of the constitution*" and therefore are "*null and void and must be quashed by a court of law*".⁴ Under Kenya's constitution, a legal challenge of the election results must be lodged within seven days of their announcement, and the **Supreme Court** must make a ruling within 14 days of the filing.⁵ If the Supreme Court annuls the election results, as it did in 2017, fresh elections must be held within 60 days.

Odinga's briefing took place shortly after four of the IEBC's seven electoral commissioners held a separate media conference at which they rejected the electoral results for the second time in 24 hours, citing a lack of transparency over the process.⁶ Representing the group, IEBC deputy chairperson, **Juliana Cherera**, said that when the four presidential candidates' share of the votes is added, it equates to 100.1% which is a "*mathematical absurdity that defies logic*".⁷ Cherera added that the 0.01% represents approximately 142,000 votes which the group argued would make a significant

¹ Bloomberg, 16 Aug 2022

² Bloomberg, 16 Aug 2022

³ Bloomberg, 11 Jul 2022

⁴ NTV Kenya, 16 Aug 2022

⁵ NTV Kenya, 16 Aug 2022

⁶ KTN News Kenya, 16 Aug 2022

⁷ KTN News Kenya, 16 Aug 2022

difference to the results.⁸ However, the commissioners were widely ridiculed for their grave miscalculations as **African** correspondent, **Geoffrey York** noted:

“Kenya’s four dissident election commissioners have made a basic mathematical error. They claimed that 0.01% of the vote (the rounding error) would represent 142,000 votes -- a large number of ‘missing’ votes. But in fact, it only represents 1,420 votes.”⁹

Many of Odinga’s supporters in his base of **Kisumu** took to the streets in protest late on 15 August, the situation in the country has largely remained calm and there have been no reports of clashes between the two candidates’ backers.¹⁰

Earlier on 16 August, the independent **Electoral Observer Group (ELOG)** announced that the IEBC’s official results are in line with its projections. Its projections were based on data from over 5,000 observers deployed across 290 constituencies.¹¹ Following claims by the four dissenting commissioners that Chebukati needed consensus from all seven commissioners to announce the results, in his televised speech, Odinga also said that the “*chairperson and a tiny minority of commissioners*” had no right to declare the results.¹² ELOG, however, added that the constitution gave Chebukati the right to declare them.¹³

In Ruto’s acceptance speech at the IEBC centre following the result announcement, he said that the IEBC “*bent over backwards to accommodate everybody*” and the “*people of Kenya have spoken and we need to respect what they have said*”.¹⁴

A local source told **Africa Risk Consulting (ARC)** that Ruto succeeded in framing the contest as one between hustlers and dynasties:

“Odinga let down many of us by joining with Kenyatta. He lost the election the day he did that handshake with Kenyatta. Everyone wanted to do away with dynasties. He betrayed us through the handshake as well as not getting a candidate from the region. Odinga should just concede, they really don’t have any tangible evidence given the transparency of the tallying and verification process.”¹⁵

Odinga’s father, **Jaramogi Odinga**, served as the first vice president of Kenya under President **Jomo Kenyatta** (1964-1978), incumbent President Kenyatta’s father. In the past five years, Odinga has moved from President Kenyatta’s bitter rival to his preferred successor.¹⁶ Ruto, once Kenyatta’s close political ally and anointed successor, fell out with the president around March 2018, when Kenyatta entered a pact with Odinga, giving Kenyatta firm control of parliament and effectively removing opposition in the final two years of his term (*see ARC Briefing Kenya April 2018*).¹⁷

Since early 2018, Kenyatta and Ruto’s relationship has been marked by accusations and counteraccusations, with the president accusing his deputy of early campaigning to succeed him instead of focusing on their legacy projects.¹⁸ Ruto saw moves to limit his planned succession as a betrayal of a pre-2013 pact made while both he and Kenyatta were facing criminal charges at the **International Criminal Court (ICC)**. Ruto was contesting the presidency as an agent of change, “*an outsider in solidarity with Kenya’s working class*,” despite his current role as deputy president, decades in parliament and cabinet, and vast wealth.¹⁹

⁸ KTN News Kenya, 16 Aug 2022

⁹ Geoffrey York Twitter Account, 16 Aug 2022

¹⁰ The Citizen, 17 Aug 2022; Bloomberg, 16 Aug 2022

¹¹ Electoral Observer Group, 16 Aug 2022

¹² KTN News Kenya, 16 Aug 2022

¹³ Bloomberg, 16 Aug 2022

¹⁴ Bloomberg, 16 Aug 2022

¹⁵ ARC Source, local resident

¹⁶ Council on Foreign Relations, 9 Feb 2022

¹⁷ Africa Report, 10 Jun 2020

¹⁸ Africa Report, 10 Jun 2020

¹⁹ Council on Foreign Relations, 9 Feb 2022

Ruto's **Kenya Kwanza** party is not expected to struggle to pass legislation in parliament after securing the majority in both chambers. Odinga's **Azimio la Umoja One Kenya** party secured the majority in the national assembly with 162 out of 337 seats. Kenya Kwanza which won 159 aligned itself with 10 of the 12 independent candidates bringing its controlling total to 169 seats.²⁰ Four seats are still undeclared. Ruto's Kenya Kwanza also won the majority in the Senate, albeit only by one seat. Kenya Kwanza won 24 of the 47 available seats, and Azimio la Umoja One Kenya won 23.²¹

There are major concerns that the voting dispute and delay in the swearing-in of a new president pose a risk to political stability in Kenya, where controversial elections in the past were marred in violence.²² Following the controversial 2007 presidential elections where both candidates claimed they had won the polls, former president **Mwai Kibaki** (2002-2013) and Odinga had to sign a power-sharing agreement ending two months of violence.²³ The post-election violence left over 1,400 people dead and more than 600,000 displaced.²⁴

IMF agrees to \$236 Million for Kenya as debt remains an issue...

The **International Monetary Fund (IMF)** on 19 July approved a loan of \$235.6m to Kenya as the country met the institution's targets and made progress in addressing debt vulnerabilities.²⁵ The IMF said on 18 July that the loan approval brings its total disbursements to Kenya to \$1.21 billion, out of a total of almost \$2.34 billion **Extended Credit Facility (ECF)** and **Extended Fund Facility (EFF)** for budget support available under a 38-month program agreed in April 2021 (*see ARC Briefing Kenya 2021*).²⁶ The loan was approved after the IMF completed its latest review in July 2022.

Kenya had included the IMF loan in its net external financing requirement of KSh 280.7 billion (\$2.37 billion) for the fiscal year ending 30 June. The delay placed pressure on the government to source budget funding in July to fund its budget due to the delay (*see ARC Briefing Kenya July 2022*).²⁷ The government was counting on the loan after cancelling plans to borrow \$1 billion from commercial banks in the past financial year, having also earlier scrapped a Eurobond issue of a similar size due to unfavourable pricing.²⁸

The loan, which was disbursed after the period ending 30 June, needed board approval after a staff-level agreement with the lender was reached in April. Without giving reasons for the delay, an unnamed spokesman for the lender said the board was only expected to meet in the "*coming weeks*" to give final approval.²⁹ The IMF official said, "*the modest delay in the timing of the anticipated IMF financing could be mitigated by securing alternative sources of financing.*"

In its statement following the loan approval, the IMF warned that despite Kenya's resilient economic recovery, the loan program is subject to downside risks, specifically noting:

*"Deeper disruptions from the war in Ukraine, unsettled global market conditions, and an increase of food insecurity. Continued steadfast commitment to prudent policies and advancing structural reforms remains essential to maintain macroeconomic stability and safeguard Kenya's positive medium-term prospects."*³⁰

Kenya met all the IMF's performance targets for the period until December 2021, however, requested waivers due to "*the timing of the review*" as the end-June 2022 quantitative criteria were not available

²⁰ NTV Kenya, 16 Aug 2022

²¹ NTV Kenya, 16 Aug 2022

²² Bloomberg, 16 Aug 2022

²³ Aljazeera, 3 Mar 2013

²⁴ Aljazeera, 3 Mar 2013

²⁵ Bloomberg, 19 Jul 2022

²⁶ International Monetary Fund, 18 Jul 2022

²⁷ Bloomberg, 27 Jun 2022

²⁸ Bloomberg, 19 Jul 2022

²⁹ Bloomberg, 27 Jun 2022

³⁰ International Monetary Fund, 18 Jul 2022

yet.³¹ The IMF said those benchmarks will be accessed in the next review. In its statement, the IMF said that delays in the program goals include tackling financial weakness at state-owned businesses **Kenya Airways Plc** and **Kenya Power and Lighting Co**. The financial institution also noted that Kenya's government must still complete an audit of its **Covid-19**-related spending and publication of ownership of businesses awarded public contracts, a step the IMF highlighted is necessary to enhance transparency in governance.³²

Kenya also remains at high risk of debt distress and reducing vulnerabilities is a key goal of the IMF's program. Government plans to replace its current 10 trillion shillings (\$84.4 billion) debt ceiling with an anchor based on the gross domestic product (GDP).³³ The IMF forecast that Kenya's economic growth will slow to 5.7% this year after expanding to 7.5% in 2021.³⁴ Inflation has also reached an average of 7.3% fuelled by Russia's conflict in Ukraine and the worst drought in four decades.³⁵

A report published by **United States**-based bond credit rating house **Moody's Investors Service** on 28 June, states that Kenya is among several African countries that will face problems refinancing loans as bonds mature over the next decade (see *ARC Briefing Kenya July 2022*).³⁶ Moody's vice president and senior analyst **David Rogovic** warns that a "wall" of bond maturities and deteriorating financial conditions will accelerate financial pressure in Kenya, **Ghana**, **Egypt** and **Tunisia** as they push to roll over debt repayments due between 2022 and 2026.³⁷ Rogovic said the quantity of debt owed compared to reserves and fiscal difficulties in managing debt loads make these countries vulnerable:

*"These countries are the most vulnerable just because of the amount of debt coming due relative to reserves, and the fiscal challenges in terms of stabilising debt burdens."*³⁸

Kenya lacks access to financing markets and has bonds worth over \$500m that mature in 2024.³⁹ Moody's also added that a US **Federal Reserve** rate increase, strong dollar and high inflation will make financial conditions more difficult. Currency devaluation has seen the shilling decline by 3.6% against the dollar and could put additional strain on Kenya's ability to repay its debts, given that dollar payments comprise 70% of Kenya's external debt.⁴⁰ Kenya is reportedly spending almost 30% of its income on interest payments.⁴¹

Fuel prices remain unchanged for another month...

The **Energy and Petroleum Regulatory Authority (EPRA)** announced on 14 August that Kenya's fuel prices will remain unchanged for a second consecutive month.⁴² EPRA's price review announcement came as the country awaited voting results from the 9 August presidential elections which saw the cost of living, driven by increasing food and energy prices as major campaign issues.⁴³ EPRA's statement noted the retail price of super-grade petrol will remain at KSh 159.12 (\$1.33) per litre in the capital. Diesel remains at KSh 140 (\$1.17) and kerosene at KSh 127.94 (\$1.07).⁴⁴ The price rate is effective until 14 September.

In July, the EPRA was also expected to further raise fuel prices to a new record high after the treasury announced that it would gradually withdraw the fuel subsidy to ease pressure on government coffers

³¹ International Monetary Fund, 18 Jul 2022

³² Bloomberg, 19 Jul 2022

³³ International Monetary Fund, 18 Jul 2022

³⁴ Bloomberg, 19 Jul 2022

³⁵ Bloomberg, 19 Jul 2022

³⁶ Moody's Investors Service, 28 Jun 2022

³⁷ African Business, 30 Jun 2022

³⁸ Moody's Investors Service, 28 Jun 2022

³⁹ Kenyans, 16 Jul 2022

⁴⁰ Kenyans, 16 Jul 2022

⁴¹ Kenyans, 16 Jul 2022

⁴² Financial Post, 14 Aug 2022

⁴³ Bloomberg, 14 Aug 2022

⁴⁴ Financial Post, 14 Aug 2022

(see *ARC Briefing Kenya July 2022*).⁴⁵ However, President Kenyatta announced on 14 July a fresh round of subsidies in a bid to prevent rises in prices at the pump.⁴⁶

This round of subsidies included KSh 16.68 billion (\$139.85m) allocated to subsidise petrol prices from 15 July to 14 August.⁴⁷ A litre of super-grade petrol has been subsidised by KSh 50.66 (\$0.43), diesel by KSh 53.70 (\$0.45) and kerosene by KSh 53.22 (\$0.45). **World Bank** country director **Keith Hansen** said on 7 June that:

*“While Kenya's economy has been resilient, the multiple recent shocks show the urgency of improving social protection mechanisms to cushion the most vulnerable households.”*⁴⁸

Planner

Aug 2022 **Nairobi (Kenya)** Expected Supreme Court challenge of election results;

Chronology

17 Aug 2022 **Nairobi (Kenya)**. *The Star*. **Independent Electoral and Boundaries Commission (IEBC)** chairman **Wafula Chebukati** says shortly before announcing the presidential election results, the four dissenting commissioners asked him to amend the results. Chebukati says they asked him to moderate the results so that the country can have a repeat presidential election;

17 Aug 2022 **Nairobi (Kenya)**. *The Citizen*. President-elect **William Ruto's Kenya Kwanza** party holds its inaugural caucus of the elected coalition of governors, senators, and members of parliament. The caucus was chaired by Ruto;

17 Aug 2022 **Nairobi (Kenya)**. *Elections Observer Group*. A parallel vote tabulation (PVT) by an independent the **Elections Observer Group (ELOG)** has produced almost similar results to that announced by Kenya's **Independent Electoral and Boundaries Commission (IEBC)** on 15 August;

17 Aug 2022 **Nairobi (Kenya)**. *Bloomberg*. The **World Health Organization (WHO)** states a humanitarian disaster is unfolding in **East Africa**, which is in the grip of its worst drought in at least four decades. More than 80 million people across **Somalia, Ethiopia, Kenya, Sudan, South Sudan, Uganda, and Djibouti** are food insecure, and almost half of them are having to sell their possessions to eat;

16 Aug 2022 **Nairobi (Kenya)**. *NTV News Kenya*. **Azimio la Umoja One Kenya** party flagbearer **Raila Odinga** rejects the declaration of deputy president **William Ruto** as president-elect. Odinga says his coalition is pursuing all available constitutional options to challenge the results;

16 Aug 2022 **Nairobi (Kenya)**. *The Star*. **Rwandan** President **Paul Kagame**, **Ethiopian** Prime Minister **Abiy Ahmed**, and **Tanzanian** President **Samia Suluhu** join other African leaders in congratulating President-elect **William Ruto** on winning the presidential election;

15 Aug 2022 **Nairobi (Kenya)**. *The East African*. According to official statistics, more women ran for office and won in the 9 August presidential election compared to the previous ones;

15 Aug 2022 **Nairobi (Kenya)**. *The East African*. **Uganda's** President **Yoweri Museveni** congratulates president-elect **William Ruto** and affirms **Kampala's** commitment to continue working with **Nairobi** and strengthening the relationship between the two nations;

⁴⁵ Africa News, 14 Jul 2022

⁴⁶ Africa News, 14 Jul 2022

⁴⁷ Africa News, 14 Jul 2022

⁴⁸ Bloomberg, 30 May 2022

15 Aug 2022 **Nairobi (Kenya)**. *All Africa*. Nigerian President **Muhammadu Buhari** congratulates the President-elect, **William Ruto**, on his victory in the 9 August elections. **South African** president **Cyril Ramaphosa** also extends his “*warm congratulations*” to president-elect **William Ruto**;

15 Aug 2022 **Nairobi (Kenya)**. *The Citizen*. The **Independent Electoral and Boundaries Commission (IEBC)** chairman **Wafula Chebukati** announces that deputy president **William Ruto** has won the presidential election;

15 Aug 2022 **Nairobi (Kenya)**. *KTN Live*. A fight breaks out between **Kwanza Kenya** and **Azimio La Umoja One Kenya** members moments before the **Independent Electoral and Boundaries Commission (IEBC)** announces the result of the presidential election. The IEBC Chairman, **Wafula Chebukati**, is rushed out by security personnel as the violence continued;

15 Aug 2022 **Nairobi (Kenya)**. *KTN Live*. Four commissioners of the **Independent Electoral and Boundaries Commission (IEBC)** hold a media briefing at **Serena** hotel in **Nairobi**, disputing the presidential results minutes before they were announced by IEBC Chairman, **Wafula Chebukati**;

14 Aug 2022 **Nairobi (Kenya)**. *The East African*. Experts note that Kenyans mainly voted according to their socioeconomic interests and social justice;

13 Aug 2022 **Nairobi (Kenya)**. *The East African*. The **Kenya Conference of Catholic Bishops (KCCB)** and the **National Council of Churches of Kenya (NCCK)** urge political leaders to give the **Independent Electoral and Boundaries Commission (IEBC)** time and space to carry out its constitutional mandate;

12 Aug 2022 **Nairobi (Kenya)**. *The Star*. The **Assumption of Office of the President Committee** holds its inaugural meeting on preparations for the handover and swearing-in of Kenya’s next president. The committee chair, **Joseph Kinyua**, said they would be making periodic updates on the process;

12 Aug 2022 **Nairobi (Kenya)**. *The East African*. Wealthy individuals and companies in Kenya banked a record \$527.8m more in dollar accounts in June ahead of the general election;

11 Aug 2022 **Nairobi (Kenya)**. *The Citizen*. The **East Africa Community (EAC) Observer Mission** in Kenya lauds the **Independent Electoral and Boundaries Commission (IEBC)** for the successful use of technology in the election;

11 Aug 2022 **Nairobi (Kenya)**. *International Organisation for Migration*. The **International Organisation for Migration** says human trafficking in the **East** and **Horn of Africa** region has taken a worrying dimension, with most victims exposed to violence, sexual abuse and forced labour;

10 Aug 2022 **Nairobi (Kenya)**. *The East African*. The secretary-general of the **United Nations (UN)**, **Antonio Guterres**, congratulates the people of Kenya for the peaceful voting during the general elections on 9 August, urging Kenyan parties to use the available legal channels to address any grievances;

9 Aug 2022 **Nairobi (Kenya)**. *Xinhua*. Tanzanian President **Samia Suluhu** encourages Kenyans to focus on maintaining peace, unity, love and solidarity as it conducts its general elections;

9 Aug 2022 **Nairobi (Kenya)**. *The Star*. Polls in Kenya open in what is expected to be a tightly contested presidential election between frontrunners deputy president **William Ruto** and veteran opposition politician **Raila Odinga**;

8 Aug 2022 **Nairobi (Kenya)**. *Independent Electoral and Boundaries Commission*. The **Independent Electoral and Boundaries Commission (IEBC)** fires seven officials for committing election offences;

8 Aug 2022 **Nairobi (Kenya)**. *Business Daily Africa*. The **Supreme Court** declares the **Constituency Development Fund** unconstitutional;

6 Aug 2022 **Nairobi (Kenya)**. *The East African*. Ugandan authorities have asked businesses to brace for a “*tough week*” as Kenya, its main import route holds elections. While there has been no credible evidence of a security threat that could disrupt operations on the **Northern Corridor**, traders are being advised to take precautions, either by delaying their imports or choosing the alternative **Central Corridor**;

3 Aug 2022 **Nairobi (Kenya)**. *Retail Banker International*. Kenyan financial services company, **KCB Group**, signs a definitive agreement to buy a majority stake in the **Democratic Republic of Congo (DRC)**-based **Trust Merchant Bank (TMB)**. The agreement will see KCB acquire an 85% stake in the bank;

1 Aug 2022 **Nairobi (Kenya)**. *Kenyan Wall Street*. The new **United States (US)** ambassador to Kenya, **Margaret Whitman**, arrives in **Nairobi**;

30 Jul 2022 **Nairobi (Kenya)**. *The East African*. The **East Africa Community (EAC)** council of ministers fail to agree on a report handing **Tanzania** the onus to host the regional central bank, saying the process was flawed;

29 Jul 2022 **Nairobi (Kenya)**. *Techcrunch*. Kenya threatens to shut down **United States (US)** social media giant **Facebook** over its failure to improve content moderation on hate speech in the run-up to the presidential election;

26 Jul 2022 **Nairobi (Kenya)**. *United States Agency for International Development*. The administrator of the **United States Agency for International Development (USAID)**, **Samantha Power** arrives in **Nairobi**, the first stop on a multi-day trip to **East Africa** where she will meet with government, civil society, humanitarian, and private sector representatives to discuss the region’s unprecedented drought and the resulting hunger crisis made worse by the conflict in **Ukraine**;

21 Jul 2022 **Nairobi (Kenya)**. *The East African*. **East African Community (EAC)** leaders bid farewell to President **Uhuru Kenyatta** as chairman of the bloc, lauding him for his role in expanding infrastructure that has helped improve trade and connectivity in the region. Kenyatta had earlier handed over the EAC chairmanship to **Burundi’s** President **Evariste Ndayishimiye**;

19 Jul 2022 **Nairobi (Kenya)**. *Bloomberg*. The **International Monetary Fund (IMF)** approves the disbursement of a \$235.6m loan to Kenya as the East African nation meets the lender’s targets and made progress in addressing debt vulnerabilities;

19 Jul 2022 **Nairobi (Kenya)**. *The East African*. Supplies to **United Nations (UN)** agencies by Kenyan businesses dropped by \$67m last year edging out the country from the top ten list of suppliers.

About Africa Risk Consulting:

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