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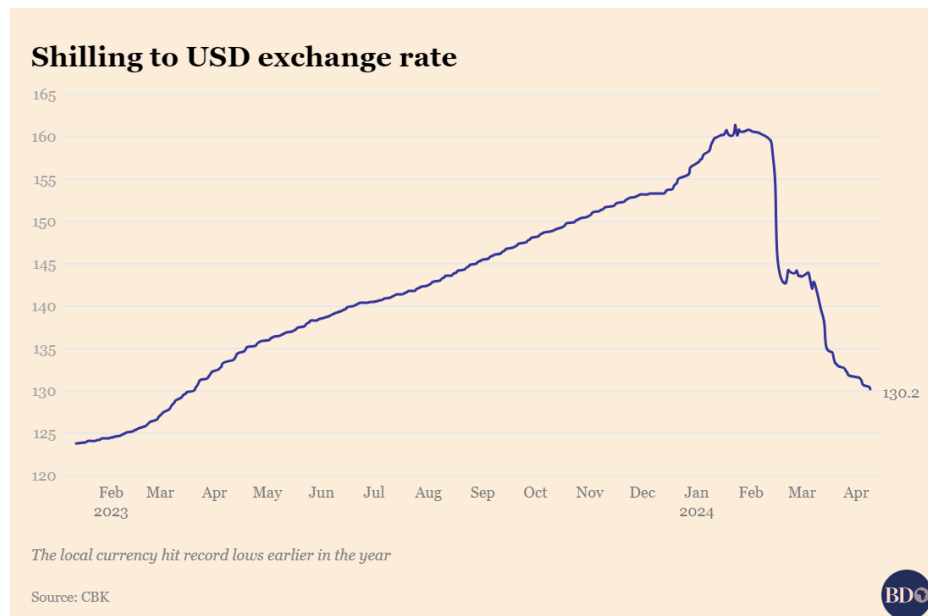
Kenya Monthly Briefing April 2024

Kenya Summary 25 April 2024

Annual inflation drops from 6.3% in February to 5.7% in March, with the Central Bank of Kenya (CBK) Monetary Policy Committee (MPC) opting on 3 April to hold the benchmark lending rate at 13%, helping the shilling to continue its rally. Uganda's energy ministry confirms on 28 March that Kenya's government has agreed to allow Uganda National Oil Company (UNOC) to import petroleum products through the Mombasa Port, ending several months of tensions between the two countries. Heavy flooding through April has disrupted business, caused damage to infrastructure and displaced thousands of Kenyans, with the meteorological department forecasting more heavy rainfall in the coming months.

Inflation falls as benchmark lending rate held at 13%, helping shilling recover

Kenya National Bureau of Statistics (KNBS) reported on 29 March that annual inflation dropped from 6.3% in February to 5.7% in March, moving closer towards the Central Bank of Kenya's (CBK) mid-point of the target range – 5%. Following this, CBK's Monetary Policy Committee (MPC) opted on 3 April to hold the benchmark lending rate at 13%, citing a need to allow rate hikes in December and February more time to stabilise the shilling and cool inflation.¹



The shilling has continued to rally in 2024, appreciating by 16% this year and making it the strongest gainer among currencies in the sub-region on a year-to-date basis, alongside Zambia's kwacha.² CBK governor Dr **Kamau Thugge** has said the depreciation of the shilling was due to speculation over how the government was going to pay its ten-year \$2 billion **Eurobond** that is maturing in June.³ However,

¹ The East Africa, 4 Apr 2024

² Reuters, 14 Apr 2024

³ Business Daily, 28 Mar 2024

Kenya raised \$1.5 billion after issuing a new Eurobond in February to help meet the maturity of its \$2 billion Eurobond in June. The **World Bank** said in its latest regional outlook, published on 8 April, that the CBK's monetary stance, in conjunction with the partial settlement of Kenya's Eurobond, has helped the shilling to recover to a point where it is the best-performing currency in **Sub-Saharan Africa**.⁴ The World Bank has forecast economic growth of 5% for Kenya this year, which, in combination with falling inflation and increased foreign portfolio flows, will help the shilling to appreciate further.⁵ Thugge has also confirmed that the CBK will allow the shilling to float but is ready to intervene if there is excessive volatility.

Despite this positive news, Kenya still needs to settle more of its Eurobond payment and remains in debt distress. Thugge told local media on 12 April that the government is hoping to use \$500m from its \$1 billion World Bank loan to settle the outstanding debt.⁶ The loan, which was approved by the World Bank board of directors in May 2023, was issued under the guise of the **Development Policy Operations (DPO)**, which provides for low-cost budget financing and support for key policy and institutional reforms. A disbursement from the World Bank was expected in March/April, but at the time of writing, has not happened yet. In a bid to further cushion the Kenyan economy, finance minister **Njuguna Ndung'u** asked **United States (US)** treasury secretary **Janet Yellen**, on the sidelines of the World Bank Group's annual spring meetings between 15 and 20 April in the US, for a government loan guarantee that would allow Kenya to access financing in the international capital market at lower rates.⁷

Looking ahead, President **William Ruto** (2022-present) said on 3 April that Kenya will reduce spending in the upcoming financial year by 12% to KSh 3.7 trillion (\$27.5 billion) in a bid to balance its budget and narrow its fiscal deficit.

Kenya and Uganda reach agreement on oil imports

Uganda's energy ministry confirmed on 28 March that Kenya's government has agreed to allow **Uganda National Oil Company (UNOC)** to import petroleum products through the **Mombasa Port**, ending several months of tensions between the two countries. In November, Kenya deliberated whether to grant user rights to UNOC for the use of the **Kenya Pipeline Company (KPC)** following the Ugandan parliamentary passing of the **Petroleum Supply (Amendment) Bill 2023** on 14 November (see *ARC Briefing Kenya Nov 2023*). The bill gives UNOC exclusive rights to import and supply all petroleum products to the Ugandan market.⁸

Uganda's President **Yoweri Museveni** (1986-present) was increasingly unhappy with the current Kenyan import structure and blamed "*profit-seeking middlemen*" for inflating petrol and kerosene prices and "*cheating their country*".⁹ **Bank of Uganda** (central bank) data from 2022 shows that Uganda imported petroleum products worth \$1.6 billion, with Museveni stating it would be more cost-effective for Uganda to conduct its purchases from refineries abroad and transport the product to Uganda via Kenya and **Tanzania**.¹⁰ Uganda imports over 90% of its petroleum products via Mombasa Port through licensed Ugandan oil marketing companies (OMCs) under Kenyan importation structures and while Uganda has historically been very reliant on Kenya, Kenya's fuel sector depends almost as much on re-exporting the commodity to its neighbours as it does on domestic consumption with 40% of its fuel imports heading through Uganda to the **Democratic Republic of Congo (DRC)** and **South Sudan**.¹¹ Breaking this chain would have negatively impacted local employment and collection of tax revenue.

⁴ Reuters, 14 Apr 2024

⁵ Business Daily, 28 Mar 2024

⁶ The East African, 13 Apr 2024

⁷ Nation, 23 Apr 2024

⁸ Parliament of Uganda, parliament.go.ug, 15 Nov 2023

⁹ Citizen Digital, 5 Nov 2023

¹⁰ Reuters, 1 Nov 2023

¹¹ The East African, 6 Nov 2023

In December, Uganda exacerbated tensions when it filed a case with the **East African Court of Justice** for the user rights to use KPC. In January, the **Energy and Petroleum Regulatory Authority (Epra)** chose not to license UNOC because it did not comply with the law.¹² Ruto met with Museveni in Uganda in February, where the two discussed the issue and seemingly came to an agreement.¹³ However, it was the withdrawal of a case filed with the **Machakos** high court to block the licensing of UNOC that allowed the government to move forward and license UNOC.¹⁴ Energy cabinet secretary **Davis Chirchir** confirmed on 28 March that UNOC will use KPC's infrastructure and transportation, allowing maximum value-add for Kenya.

Heavy flooding causes chaos

Heavy flooding through April has disrupted business, caused damage to infrastructure and displaced thousands of Kenyans, with the meteorological department forecasting more heavy rainfall in the coming months. It is estimated that flooding has impacted over 100,000 nationwide with the **United Nations (UN)** reporting that since mid-March, at least 35 people have died.¹⁵ As of 22 April, at least 40,265 people have been displaced.¹⁶ The government has been overwhelmed with requests for help, with the **Kenya Red Cross** stepping in to lead several search and rescue operations across the country over the last month, including in **Nairobi** on 23 April after reports of floods sweeping six individuals away.¹⁷ In another notable event on 9 April, emergency services rescued a bus with 50 passengers swept away by floods while travelling to Nairobi from northern Kenya.¹⁸

The **Athi River** in **Syokimau Machakos** country burst its banks on 23 April with reports of **Lake Turkana** in **Turkana** county also bursting and water levels in these bodies rising to exceptional levels. Kenya Red Cross manager for **North Rift, Oscar Okumu** warned on 24 April that dams and rivers in the region around Lake Turkana are also likely to burst.¹⁹ Authorities have also warned residents near **Muthiga Dam** of imminent overflow while those living along the **Nairobi River** have been asked to move to higher ground.

Farmlands across the country have also been impacted, but Kenya's cash-strapped position means it will not be able to offer assistance to citizens. Higher than usual rains are expected until June, driven by the **El-Nino** weather phenomenon. The government's ill-preparedness for such events have exacerbated the impacts of the flooding, as evidenced by its reliance on organisations such as the Red Cross. Climate change could increase the frequency of extreme weather events. In September 2023, the country hosted the inaugural **African Climate Summit 2023 (ACS2023)** which had the mission to unite African views into a continental climate agenda, but Ruto also used it as an opportunity to raise funding for Kenya's climate agenda. Kenya was praised during the summit for being a global leader in clean energy, however, plans for climate resilience to shock events such as this flooding do not appear to have been at the forefront. This is despite interior cabinet secretary (CS) **Kithure Kindik** acknowledging in December 2023 that climate change remains one of Kenya's top challenges in 2024.

¹² Africanews, 28 Mar 2024

¹³ Reuters, 28 Mar 2024

¹⁴ Business Daily, 28 Mar 2024

¹⁵ Africanews, 23 Apr 2024

¹⁶ Africanews 22 Apr 2024

¹⁷ Standard Media, 24 Apr 2024

¹⁸ BBC, 9 Apr 2024

¹⁹ The East African, 24 Apr 2024

Planner

24-25 Apr 2024 **Nairobi (Kenya) American Chamber of Commerce (AmCham)** business summit;

21-23 May 2024 **Nairobi (Kenya) International Energy Agency (IEA)** 9th annual global conference on energy efficiency;

27-31 May 2024 **Nairobi (Kenya) African Development Bank Group** annual meeting;

16-21 Jul 2024 **Nairobi (Kenya) Kenya Geothermal Congress 2024**;

2025 **Lamu (Kenya)** Expected commencement of **LAPSSET Corridor Programme** construction of standard gauge railway (SGR) linking Lamu port to **Ethiopia** and **South Sudan**;

Chronology

23 Apr 2024 **Nairobi (Kenya) Business Daily**. Government establishes a multi-agency technical working group in a bid to tighten regulation of operations of cryptocurrencies;

23 Apr 2024 **Nairobi (Kenya) IMF. International Monetary Fund (IMF)** forecasts that Kenya will overtake **Angola** to become the fourth largest economy in **sub-Saharan Africa** this year;

21 Apr 2024 **Nairobi (Kenya) The Herald**. The 4th **Zimbabwe-Kenya Joint Permanent Commission on Cooperation** begins ahead of a state visit by President **William Ruto** to **Zimbabwe** on Friday;

21 Apr 2024 **Nairobi (Kenya) The East African**. **National Risk Assessment On Money Laundering and Terrorism Financing of Legal Persons and Legal Arrangements** reveals the construction sector is Kenya's top money laundering sector, with more than half of private companies reported for money laundering operating in construction;

18 Apr 2024 **Nairobi (Kenya) Al Jazeera**. President **William Ruto** says that military chief General **Francis Ogolla** is among ten people killed in a helicopter crash;

17 Apr 2024 **Nairobi (Kenya) Bloomberg**. **World Bank** says it is helping Kenya in its bid to issue **Africa's** first sustainability-linked bond by the end of 2024;

14 Apr 2024 **Nairobi (Kenya) The East African**. Mining principal secretary **Elijah Mwangi** says the government has deployed the **Mining Police Unit** to tackle illegal mining across the country;

11 Apr 2024 **Nairobi (Kenya) The East African**. Kenya proposes a regional maritime treaty in a bid to calm tensions between **Ethiopia** and **Somalia** over the **Somaliland** port deal;

11 Apr 2024 **Nairobi (Kenya) Africanews**. **United States**-headquartered pharmaceutical company **Moderna** suspends plans to build an mRNA manufacturing facility in Kenya as the demand for **Covid-19** vaccines declines;

10 Apr 2024 **Nairobi (Kenya) The Star**. **Central Bank of Kenya** conducts a survey which indicates that business leaders are optimistic about a stronger economic performance in 2024 following the strengthening of the shilling;

8 Apr 2024 **Nairobi (Kenya) Africanews**. President **William Ruto** makes a 24-hour visit to **Central African Republic (CAR)**, meeting his counterpart, **Faustin-Archange Touadera** and marking the first time a Kenyan head of state has visited CAR;

7 Apr 2024 **Luanda (Angola) Standard Media**. Ambassador to **Kenya**, **Sianga Abilio**, says Angola will support the bid of Kenya's former prime minister, **Raila Odinga**, for the **African Union Commission** chairperson position;

6 Apr 2024 **Nairobi (Kenya) France24**. **France's** foreign affairs minister, **Stephane Sejourne**, arrives in Kenya as part of an **Africa** tour aimed at renewing ties with Africa;

4 Apr 2024 **Nairobi (Kenya)** *The Africa Report*. **Kenya Airways** CEO **Allan Kilavuka** says the airline will expand its fleet in 2024 in an effort to counter regional competition;

3 Apr 2024 **Nairobi (Kenya)** *The East African*. **Central Bank of Kenya (CBK)** holds its benchmark lending rate at 13% to allow it to lower inflation levels further;

2 Apr 2024 **Nairobi (Kenya)** *The Star*. President **William Ruto** departs Kenya for a three-day state visit to **Ghana**;

2 Apr 2024 **Nairobi (Kenya)** *Bloomberg*. The **World Bank** is set to approve \$1.2 billion in budget financing for Kenya before the end of April;

2 Apr 2024 **Nairobi (Kenya)** *Africanews*. The **Medical Practitioners, Pharmacists and Dentists Union** holds a protest in **Kisumu** and convenes a general assembly in Nairobi as talks between the government and union continue after three weeks;

28 Mar 2024 **Nairobi (Kenya)** *Reuters*. Kenya and **Uganda** agree to import petroleum products through the **Port of Mombasa**, ending a months-long stalemate between the countries over the issue;

26 Mar 2024 **Nairobi (Kenya)** *Reuters*. **Kenya Airways** says it generated an operating profit of \$80.83m in 2023, its first operating profit since 2017;

25 Mar 2024 **Nairobi (Kenya)** *Anadolu Agency*. A bomb explosion kills three people in **Mandera** town, with authorities saying they suspect **al-Shabaab** carried out the attack;

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