

AFRICA RISK CONSULTING

Kenya Monthly Briefing January 2021

Kenya Summary 11 January 2021

President Uhuru Kenyatta (2013-present) continues to grapple with the Covid-19 crisis, keeping social restrictions in place whilst removing some of the economic subsidies that were enacted in April 2020 to help protect Kenyans and Kenyan businesses against the economic impact of the pandemic. Kenya commences trading under the rules of the African Continental Free Trade Area (AfCFTA) Agreement but neighbouring countries question Kenya's push for bilateral trade arrangements with the United States (US) and United Kingdom (UK). Kenya commences a two-year term as a non-permanent member of the United Nations Security Council.

Kenyatta maintains restrictions to curb Covid-19

President **Uhuru Kenyatta** (2013-present) announced on 3 January that restrictions to curb the spread of **Covid-19** would largely be extended.¹ Specifically, Kenyatta announced that the evening curfew, which runs from 10pm until 4am, will stay in place until 12 March. A ban on political gatherings was extended for an additional 60 days, as was a ban on events and vigils. Although Kenyatta confirmed that schools would re-open as planned on 4 January, he put in place a 90-day ban on any extracurricular activities, including school sporting events.

The announcement comes at a time when confirmed cases of Covid-19 surpassed 95,000 in **Kenya's** population of roughly 54 million people.² Although it was rumoured that Kenya would consider banning passengers travelling from the **United Kingdom (UK)** due to the outbreak of a new strain of coronavirus, the country decided against it. Health secretary **Mutahi Kagwe** said Kenya would not ban arriving passengers, but would instead conduct enhanced screening of passengers arriving from high-risk countries. The UK is one of Kenya's largest trading partners and Kenya received over 181,000 visitors from the UK in 2019, the fourth largest group of arrivals.³ Trade relations are particularly important at this point in time, with the two countries having just signed a new free trade agreement (see below).⁴

There is, however, cause for hope with the health ministry announcing on 17 December that the first batch of vaccines would be available for high-risk individuals in January.⁵ Kagwe announced on 24 December that the vaccine would be administered free of charge, incorporated into the country's existing immunisation programme.⁶

Positive news regarding a vaccine came in the same month that Kenyatta signed into law the **Tax Laws (Amendment) Bill 2020**.⁷ The bill removes many of the key stimulus measures that were put in place in April at the outbreak of the pandemic. Value-added tax (VAT) reverts to 16% from its reduced amount of 14%, while corporate tax and income tax for the country's highest earners revert to 30% from the temporary revision to 25%.⁸ However, Kenya's poorest workers will remain protected, as the income tax exemption for Kenyans earning less than KSh24,000 (\$220) per month remains in place. The stimulus measures put in place in April are estimated to have cost the country

¹ The Nation, 3 Jan 2021

² Business Day, 4 Jan 2021

³ Business Daily, 30 Dec 2020

⁴ Gov.uk, 8 Dec 2020

⁵ The East African, 17 Dec 2020

⁶ The East African, 24 Dec 2020

⁷ The Nation, 23 Dec 2020

⁸ The East African, 5 Dec 2020

KSh65 billion (\$595m) in lost revenue, a number that is likely not sustainable for a protracted period.⁹ Additionally, the **Central Bank of Kenya** announced that charges on mobile money transfers, a popular way of moving money within Kenya for all citizens regardless of economic status, would be reinstated on 1 January.¹⁰

The rolling back of stimulus measures comes as Kenya's economy is starting to see positive signs. In the third quarter of 2020, 1.8 million jobs were created compared to the second quarter.¹¹ The president and his advisors are currently grappling with the balancing act between supporting citizens and sectors adversely impacted by the pandemic and ensuring that the country stops borrowing at alarming rates. The emergence of a new and more contagious strain of the coronavirus will only increase pressure on the availability of vaccines in Kenya, and scrutiny on how they are rolled out.

African Continental Free Trade Area agreement rolls out

Countries across **Africa** commenced trading on 1 January under the preferences of the **African Continental Free Trade Area (AfCFTA)**. The concept was first discussed at a heads of state meeting in January 2012 in **Addis Ababa (Ethiopia)**.¹² The agreement, signed in **Rwanda** on 21 March 2018, progressively removes barriers to free trade across the continent, with the first milestone being the removal of tariffs from 90% of goods traded within the continent. In discussing the commencement of trading, AfCFTA secretary general **Wamkele Mene** noted:

"Today is a day we take Africa a step closer to a vision of an integrated continent, a vision of an integrated market on the African continent."¹³

The AfCFTA is the largest trading bloc to be established since the formation of the **World Trade Organization**. 54 African countries have signed onto the agreement while 33 countries, including Kenya, have ratified it. However, although Kenya's neighbours, Rwanda, **Uganda**, and **Ethiopia**, have ratified the agreement, neighbouring **Tanzania** has not.¹⁴

Kenya has also been working to secure a UK–Kenya free trade agreement¹⁵ and is currently negotiating a **United States (US)**-Kenya free trade agreement.¹⁶ If the agreement with the US is signed, it will make Kenya the first **sub-Saharan African** country to have such a bilateral agreement with the US.

Some analysts have criticised Kenya's decision to negotiate bilateral agreements with countries such as the UK and the US, arguing that they undermine initiatives such as AfCFTA and the **East African Community (EAC)**. AfCFTA, for example, strongly discourages its members from forming bilateral trade agreements with third parties.¹⁷ However unlike its neighbours, Kenya is not covered by the **Least Developed Countries Framework**, which allows for preferential trading status, including additional duty-free access to the US market.

Kenya and the other **East African** countries currently trade under the **African Growth and Opportunity Act (AGOA)**, which provides all participating countries including Kenya preferential status. However, the agreement is only in effect until 2025. Without a new deal with the US, even if it contravenes the principles of the AfCFTA, Kenya would be at a disadvantage compared to its neighbours. Kenya is therefore trying to fulfill its obligations to AfCFTA, a trade deal to which it was one of the first signatories, while simultaneously protecting its interests with powerful bilateral trading partners such as the UK and the US. This is likely to cause friction among the EAC countries.

⁹ Reuters, 22 Dec 2020

¹⁰ The East African, 19 Dec 2020

¹¹ Business Daily, 23 Dec 2020

¹² Business Daily, 5 Jan 2021

¹³ African Union, 1 Jan 2021

¹⁴ AfCFTA, 2019

¹⁵ Gov.uk, 8 Dec 2020

¹⁶ Washington Post, 7 Feb 2020

¹⁷ Africa Portal, 19 Jun 2020

Kenya gets a seat at the UN table

Kenya commenced a two-year term as a non-permanent member of the **United Nations (UN) Security Council (UNSC)** on 11 January.¹⁸ The UNSC is largely driven by the wants of the five permanent members, which each have veto power. Kenya's role as a non-permanent member will increase its prominence in the UN, as it will carry the voice of many African countries. However, it will increase Kenya's influence in global politics.

The main role of the Security Council is to take the lead in determining the existence of a threat to the peace or act of aggression:

*"[The Security Council] calls upon the parties to a dispute to settle it by peaceful means and recommends methods of adjustment or terms of settlement. In some cases, the Security Council can resort to imposing sanctions or even authorize the use of force to maintain or restore international peace and security."*¹⁹

Kenya won the Africa seat in June 2020 in a race against **Djibouti**, with 129 votes against Djibouti's 62, giving Kenya the two-thirds majority required to take the seat.²⁰ Kenya's ambassador and permanent representative to the UN, **Martin Kimani**, will represent the country. **India, Mexico, Ireland and Norway** join Kenya as the other incoming non-permanent members of the Security Council. They will sit alongside the five permanent members: **Russia**, the UK, the US, **China** and **France**, and the other existing five non-permanent members, **Estonia, Niger, Saint Vincent and the Grenadines, Tunisia and Vietnam**. As part of the rotational presidency, Kenya will chair the council for the month of October in 2021.

During a virtual meeting of the Security Council on 6 January, President Kenyatta stated that:

*"If we are to be true to the founding charter of the UN, it follows, therefore, that we should invest more in building more effective approaches or revitalizing existing mechanisms, that maintain peace and anchor stability in Africa ...If fragile countries do not get prompt access to the vaccine, their economic problems will likely turn into political and security challenges."*²¹

The Security Council's agenda is often reactive, passing resolutions in response to crises as they occur. However, it is fair to say that equitable access to Covid-19 vaccines, curtailing the rise of potential nuclear powers such as **Iran** and **North Korea** and multiple conflicts throughout the **Middle East** and Africa are likely to dominate Kenya's time on the council. Key focus areas on the African continent are currently the escalating conflict in **Ethiopia** and the ongoing instability in northern **Nigeria** and **Somalia**.

¹⁸ The East African, 4 Jan 2021

¹⁹ United Nations Security Council

²⁰ The East African, 18 Jun 2020

²¹ News Ghana, 8 Jan 2021

Planner

1 Jan 2021 **(Africa)** Scheduled launch of the **African Continental Free Trade Area (AfCFTA)**;
 Jan 2021 **Nairobi (Kenya)** **Central Bank of Kenya** Monetary Policy Committee meeting (TBA);
 2022 **(Kenya)** General elections to be held.

Chronology

7 Jan 2021 **Nairobi (Kenya)** *Business Daily*. **French**-supermarket chain **Carrefour** is suing the **Kenyan** government for KSh523m (\$4.7m) over delays in value added tax refunds;

7 Jan 2021 **Nairobi (Kenya)** *Business Daily*. Upgrades to the **Jomo Kenyatta International Airport** budgeted at KSh963m (\$8.7m) have commenced in **Nairobi**;

4 Jan 2021 **Nairobi (Kenya)** *The East African*. **Kenya** set to commence its two-year term as a non-permanent member of the **United Nations Security Council** on 11 January;

3 Jan 2021 **Nairobi (Kenya)** *The Nation*. President **Uhuru Kenyatta** extends the nationwide curfew and bans extracurricular school activities for 90 days due to the **Covid-19** pandemic;

2 Jan 2021 **Nairobi (Kenya)** *The East African*. Schools in **Kenya** will reopen on 4 January after being closed by the government for nine months during the pandemic;

27 Dec 2020 **Nairobi (Kenya)** *The Standard*. The **Media Council of Kenya** has criticised ongoing attacks and harassment of journalists in **Kenya** over the past week that included harassment of journalists **Simon Ben** from **Kenya Broadcasting Corporation** and **Muraya Kariuki** of **Royal Media Services** in **Nairobi**;

24 Dec 2020 **Nairobi (Kenya)** *The East African*. Health cabinet secretary **Mutahi Kagwe** announces that **Kenyans** will receive the **Covid-19** vaccine free of charge, as it will be incorporated into the country's immunisation programme;

23 Dec 2020 **Nairobi (Kenya)** *The Nation*. President **Uhuru Kenyatta** signs into law the **Tax Laws (Amendment) Bill 2020** that rolls back many of the stimulus measures put in place to help the Kenyan economy during the **Covid-19** pandemic;

23 Dec 2020 **Nairobi (Kenya)** *Business Daily*. The **Kenya National Bureau of Statistics (KNBS)** reports that 1.8 million jobs were created in the third quarter of the calendar year compared to Q2;

22 Dec 2020 **Nairobi (Kenya)** *Business Daily*. **Somalia** has failed to have **Kenya** reprimanded by the **Intergovernmental Authority on Development (IGAD)** over allegations that **Kenya** was aiding **Somali** militia;

21 Dec 2020 **Nairobi (Kenya)** *Business Daily*. **Kenya**-headquartered **Safaricom** secures an agreement with the **US International Development Finance Corporation** to borrow up to \$500m to help fund the company's expansion into the **Ethiopian** telecommunications market;

19 Dec 2020 **Nairobi (Kenya)** *The East African*. The **Central Bank of Kenya** announces that charges on mobile money transfers will be reinstated on 1 January, after they were suspended due to **Covid-19**;

17 Dec 2020 **Nairobi (Kenya)** *Business Daily*. The **Central Bank of Kenya** announced that **Kenya's** export earnings for the first 10 months of 2020 grew the fastest in 10 years, at a rate of 6.4% to KSh532.91 billion (\$4.7 billion) from KSh500.79 billion (\$4.5 billion) during the same period in 2019;

17 Dec 2020 **Nairobi (Kenya)** *The East African*. The ministry of health announces that the first batch of **Covid-19** vaccines will be available for high-risk individuals in January;

16 Dec 2020 **Nairobi (Kenya)** *The East African*. **United Kingdom**-headquartered **Tullow Oil** and **Canada**-headquartered **Africa Oil** confirm they have received licence extensions to continue exploration and production activities in **South Lokichar**;

15 Dec 2020 **Nairobi (Kenya)** *Business Daily*. **France** agrees to lend **Kenya** KSh14 billion (\$125m) to build a railway linking **Jomo Kenyatta International Airport** and the **Nairobi** city centre;

15 Dec 2020 **Nairobi (Kenya)** *The Nation*. **Somalia** cuts all diplomatic ties with **Kenya** after claiming that the country violated its sovereignty and orders all diplomats to leave;

14 Dec 2020 **Nairobi (Kenya)** *The Africa Report*. Chief Justice **David Maraga** is set to retire in January 2021 and has announced that he will be on leave from mid-December;

14 Dec 2020 **Nairobi (Kenya)** *Business Daily*. **Kenya** has agreed to progressively remove taxes on **United Kingdom (UK)** imports as part of the signing of the **Economic Partnership Agreement** between the two countries;

13 Dec 2020 **Nairobi (Kenya)** *The Nation*. **Somaliland** leader **Muse Bihi** arrives in **Kenya** to discuss areas of mutual interest with the Kenyan government;

10 Dec 2020 **Nairobi (Kenya)** *The Nation*. The **High Court** determines that allowances to members of parliament (MPs) are illegal and orders that the funds be repaid;

10 Dec 2020 **Nairobi (Kenya)** *The Nation*. Confirmed cases of **Covid-19** surpass 90,000 in **Kenya**;

10 Dec 2020 **Nairobi (Kenya)** *The Nation*. **East African Breweries Limited (EABL)** announces that **Jane Karuku** will replace **John Musunga** as managing director at **Kenya Breweries Limited (KBL)** as of 1 January.

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