

AFRICA RISK CONSULTING

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Kenya Summary 14 February 2022

The lead up to the August elections intensifies with devolution cabinet secretary Charles Keter and cabinet secretary for petroleum John Munyes resigning as they announce plans to run for elected office. The monetary policy committee of the Central Bank of Kenya decides to maintain interest rates at 7% for the 12th consecutive time at its 26 January meeting. The treasury presents the supplementary budget to parliament, with estimates of \$944.1m more in expenditure, driven largely by the government bailout of partially state-owned Kenya Airways, as well as fuel subsidies and the cost of Covid-19 vaccines. The health ministry's vaccine rollout continues with 25.5% of Kenyans now fully vaccinated, as positivity rates continue to fall among those tested. The French and German embassies issue a warning about potential attacks in Kenya on citizens of western countries.

Election year heats up...

Kenya's political climate continues to heat up in the run up to the August national elections. Devolution cabinet secretary **Charles Keter** and cabinet secretary for petroleum **John Munyes** have both resigned from their positions as they seek to pursue elected office.¹ It is likely that more resignations will occur in the coming weeks. The **Independent Electoral and Boundaries Commission (IEBC)** announced on 21 January that parties planning to field candidates in the August election must submit the names of candidates running in the primaries by 9 April.² Key candidates to become Kenya's new president are main opposition **Orange Democratic Movement (ODM)** leader **Raila Odinga** and current deputy president **William Ruto**, representing the **Jubilee Party**.

President **Uhuru Kenyatta** (2013-present) signed the contentious **Political Parties Amendment Bill** into law on 27 January. The law changes the way in which political parties are governed and is therefore critical in the run-up to the 2022 elections (see *ARC Briefing Kenya Jan 2022*). Opposition parties argue that the new legislation favours Kenyatta's preferred successor, current leader of the opposition ODM, Raila Odinga. The amendments were designed, in large part, to frustrate Ruto's presidential aspirations, with a possibility that Kenyatta and Odinga could use the provisions of the amended legislation to form a coalition before the election and attempt to block Ruto and his supporters.

The supplementary budget presented to parliament by the treasury on 5 February is a further signal that this is an election year. The supplementary budget flagged \$944.1m more in expenditure, driven largely by the government bailout of partially state-owned **Kenya Airways**, as well as fuel subsidies and covering the cost of **Covid-19** vaccines.³ Politicking and political interference will intensify as August nears, with ramifications for the handling of the country's economy and security situation.

CBK holds interest rates at 7% amid rising economic confidence ...

The **Monetary Policy Committee (MPC)** of the **Central Bank of Kenya (CBK)** decided at its 26 January meeting to maintain interest rates at 7% for the 12th consecutive time.⁴ CBK governor **Patrick Njoroge** noted that inflation expectations remain anchored within the CBK's target range,

¹ The East African, 8 Feb 2022

² The Nation, 21 Jan 2022

³ The East African, 5 Feb 2022

⁴ Central Bank of Kenya, 26 Jan 2022

while leading economic indicators show “*continued robust performance*”. However, it also noted the elevated global risks, and their potential impact on the domestic economy, concluding that the current accommodative monetary policy stance remains appropriate.

Although overall inflation decreased from 5.8% in November to 5.7% in December, concerns remain around fuel inflation, which stood at 10.5% in December, following an increase in international fuel prices.⁵ Gross domestic product (GDP) data for the third quarter of 2021 confirm that the Kenyan economy has been rebounding following the loosening of Covid-19-related restrictions, with real GDP growth at 9.9%, compared to just 2.1% during the third quarter of 2020.

Due in part to easing of restrictions in Kenya and a global normalisation of trade, exports of goods saw growth of 11.1% in 2021, a significant jump from 3.2% in 2020. Key exports included manufactured goods and horticultural products. Imports increased by 25.4% in 2021, compared to a drop of 12.4% in 2020. The monetary policy committee noted that much of this increase was due to imports of oil and other necessities. Remittances from Kenyans living in the diaspora stood at a record high in 2021, more than 20% higher than in 2020. Foreign exchange reserves were also viewed as stable, with cover for over five months of imports.⁶

Optimism was also evident in the market perceptions survey report from January conducted prior to the MPC meeting. The survey asked respondents to reflect on economic activity in November and December 2021 and discuss how they anticipate their sectors and the economy to fare in January and February 2022.⁷ Respondents said they expect economic activity to slow during January and February but improve throughout 2022. The banking sector expressed optimism about an increase in private sector credit growth throughout the year. Overall, respondents expressed “*sustained optimism in the country’s economic prospects in the next 12 months*”.⁸ The majority of respondents, close to 60%, thought there would be a continuing global trend of loosening Covid-19 restrictions and increasing rates of vaccination. In the backdrop to this optimism, however, 35% of respondents noted that they were planning to push their businesses in the first few months of the year due to concern regarding disruptions relating to the August 2022 elections.⁹ Concern about election-related disruptions to business and society are likely to be front of mind throughout the rest of 2022.

The next MPC meeting is scheduled for March. However, Njoroge noted that the committee remains ready to reconvene earlier or take additional measures if necessary, as it closely monitors the impact of its policy measures and developments in the global and domestic economy.¹⁰

... as Covid-19 case numbers abate

Optimism around normalisation of travel will be buoyed by the 27 January announcement that the **United Arab Emirates (UAE)** has lifted its ban on travellers from Kenya travelling to and through the UAE.¹¹ The UAE announced on 24 December that passengers from Kenya, **Tanzania, Nigeria** and **Ethiopia** would not be able to travel to the UAE or even transit through the UAE, in response to rising case numbers and anecdotal concerns about falsified negative Covid-19 test results (see *ARC Briefing Kenya Jan 2022*). The ban came into force on 25 December, significantly impacting travel over the holiday period.¹²

Although the pandemic continues to have health and economic repercussions in Kenya, case numbers appear to be easing. Confirmed cases of Covid-19 are currently 322,000, 25.5% of Kenyans are fully vaccinated and positivity rates have dropped as low as 0.9%, down from double digits at the start of

⁵ Central Bank of Kenya, 26 Jan 2022

⁶ Central Bank of Kenya, 26 Jan 2022

⁷ Market Perception Survey, Jan 2022

⁸ Market Perception Survey, Jan 2022

⁹ Market Perception Survey, Jan 2022

¹⁰ Central Bank of Kenya, 26 Jan 2022

¹¹ The East African, 27 Jan 2022

¹² Arab News, 24 Dec 2021

2022.¹³ The vaccine rollout and booster programme continue, and there is no sign that restrictions such as lockdowns and curfews are likely to be re-imposed.

Security concerns persist

The **French** embassy issued a warning to its citizens on 28 January about a heightened risk of attacks on western nationals in Kenya.¹⁴ The embassy alert warned against a "*risk of attack in the coming days*" in **Nairobi**, advising citizens to "*avoid places frequented by foreign nationals*". The **German** embassy subsequently issued a similar warning. Kenyan police forces spokesman **Bruno Shioso** issued a response following the alert:

"With regard to the French terrorist alert, we assure the public that the security of Kenyans, including critical infrastructure, is being tightened throughout the country, especially in the cities ... We urge Kenyans to remain calm and share any information on suspicious activities with the police."¹⁵

Attacks have taken place throughout Kenya during the past month. On 23 January, suspected members of **Islamic**-jihadist group **Al Shabaab** set fire to industrial material belonging to **China Communications Construction Company** in **Lamu**.¹⁶ On 31 January, an improvised explosives device killed several people in **Mandera**.¹⁷

Insecurity is an ongoing concern in Kenya, particularly before, during and after elections. With election campaigning heating up, it is anticipated that key candidates, current vice president William Ruto and opposition party ODM leader Raila Odinga, will focus during the campaign period on how they would deal with security threats within Kenya should they become the country's next president.

¹³ Nation, 13 Feb 2022

¹⁴ The East African, 28 Jan 2022

¹⁵ African News, 28 Jan 2022

¹⁶ The Nation, 23 Jan 2022

¹⁷ The East African, 31 Jan 2022

Planner

Mar 2022 (TBA) **Nairobi (Kenya) Central Bank of Kenya** Monetary Policy Committee meets

9 Apr 2022 **(Kenya)** Deadline for parties planning to field candidates in the August election to submit the names of those running in the primaries;

9 Aug 2022 **(Kenya)** General elections

Chronology

11 Feb 2022 **Dar es Salaam (Tanzania) The Citizen**. Bilateral trade between **Tanzania** and **Kenya** hit \$905.5m in the first eleven months of 2021 amid improving trade relations;

9 Feb 2022 **Nairobi (Kenya) The East African**. A 40MW solar project in **Eldoret** receives a \$35m loan from the **Emerging Africa Infrastructure Fund (EAIF)**;

8 Feb 2022 **Nairobi (Kenya) The East African**. Devolution cabinet secretary **Charles Keter** and cabinet secretary for petroleum **John Munyes** resign from their positions as they seek to pursue elected office in the August elections;

7 Feb 2022 **Nairobi (Kenya) The East African**. **Kenya** and **Ethiopia** reach a new agreement in a bid to further expedite purchase of cheap hydro-processed power from **Addis Ababa**;

7 Feb 2022 **Eldoret (Kenya) Engineering News**. **Ninety One**-managed **Emerging Africa Infrastructure Fund** provides a \$35m loan to **Alten Kenya Solarfarms**, the Kenyan business of **French** multinational technology consulting and engineering company **Alten Group**, for the \$87m 40 MW **Kesses** solar generation facility to be built near **Eldoret**;

5 Feb 2022 **Nairobi (Kenya) The East African**. Treasury presents supplementary budget estimate to parliament flagging \$944.1m more in expenditure, driven largely by the government bailout of partially state owned **Kenya Airways**, as well as fuel subsidies and **Covid-19** vaccines;

3 Feb 2022 **Nairobi (Kenya) The East African**. **The 2021 FinAccess Household Survey** compiled by the **Kenya National Bureau of Statistics** finds that increasing numbers of **Kenyans** are relying on loans to sustain their day to day lives;

3 Feb 2022 **Nairobi (Kenya) The East African**. President **Uhuru Kenyatta** and **Rwanda's** President **Paul Kagame** meet in **Nairobi** to discuss trade and transport links between their countries;

29 Jan 2022 **Nairobi (Kenya) The East African**. **Kenya** and the **European Union (EU)** are looking at ways to strengthen relations beyond aid;

31 Jan 2022 **Nairobi (Kenya) The East African**. An improvised explosive device kills seven people in **Mandera**;

28 Jan 2022 **Nairobi (Kenya) The East African**. The **French** embassy warns about heightened risk of attacks against western nationals in **Kenya**;

27 Jan 2022 **Nairobi (Kenya) The Nation**. President **Uhuru Kenyatta** signs the contentious **Political Parties Amendment Bill** into law;

27 Jan 2022 **Nairobi (Kenya) The East African**. The **United Arab Emirates (UAE)** lifts its ban on passengers from **Kenya** travelling and transiting through the country;

23 Jan 2022 **Nairobi (Kenya) The Nation**. Suspected members of **Islamic-jihadist** group **Al Shabaab** set fire to industrial material belonging to **China Communications Construction Company** in **Lamu**;

21 Jan 2022 **Nairobi (Kenya)** *The Nation*. The deadline for transitioning from old passports to the new generation of passports has been extended from 31 December 2021 to November 2022;

21 Jan 2022 **Nairobi (Kenya)** *The Nation*. The **Independent Electoral and Boundaries Commission (IEBC)** announces that parties planning to field candidates in the August election must submit the names of candidates running in the primaries by 9 April;

20 Jan 2022 **Nairobi (Kenya)** *Business Daily*. The government retains **Citi Bank** and **JP Morgan** to arrange its Ksh 250 billion (\$2.2 billion) **Eurobond**;

20 Jan 2022 **Nairobi (Kenya)** *Quartz Africa*. **Kenya** declines to make public the loan contracts for its **Chinese**-built railway in response to a court petition by two activists, saying they have non-disclosure clauses and that releasing them would amount to breaching a bilateral agreement;

18 Jan 2022 **Nairobi (Kenya)** *Business Daily*. The **Standard Chartered Wealth Expectancy Report** finds that 59% of wealthy **Kenyans** now feel less confident about their finances since before the pandemic, while 29% say they feel more confident;

14 Jan 2022 **Nairobi (Kenya)** *The East African*. **Kenyan** conservationist **Dr Paula Kahumbu** is appointed to the board of trustees at the **National Geographic Society**;

About Africa Risk Consulting:

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