

AFRICA RISK CONSULTING

Kenya Monthly Briefing May 2022

Kenya Summary 17 May 2022

The two frontrunners in the 9 August polls to elect the successor of President Uhuru Kenyatta (2013-present) have both selected running mates from the Mount Kenya region, which has one of the highest numbers of registered voters in the country. Azimio la Umoja One Kenya party flagbearer Raila Odinga names National Rainbow Coalition (NARC) leader Martha Karua as his running mate. Deputy president William Ruto, flag bearer for the Kenya Kwanza Alliance party, has selected first-time Mathira member of parliament Rigathi Gachagua as his running mate. The Kenya Revenue Authority (KRA) reports that it registered a 22% year-on-year increase in revenue collection in the ten months to April, on the back of an improving economy following easing of Covid-19-related restrictions. The Kenya National Bureau of Statistics (KNBS) releases its Economic Survey 2022, reporting an 11-year-high increase in economic growth in 2021 to 7.5%, following Covid-19-related contraction of 0.3% in 2020. The KNBS reports that inflation in Kenya hit a seven-month high in April, increasing to 6.47% from 5.56% recorded in March and 5.08% in February. Transport minister James Macharia officially commissions Kenya's Chinese-funded and built 27-kilometre Nairobi Expressway for public trials.

Top presidential candidates pick running mates ...

The two frontrunners in 9 August polls to elect the successor of President **Uhuru Kenyatta** (2013-present) have both selected running mates from the **Mount Kenya** region, which has one of the highest numbers of registered voters in the country.¹ Presidential candidates had until 16 May to submit the details of their running mates to the electoral commission. **Azimio la Umoja One Kenya** party flagbearer **Raila Odinga** named **National Rainbow Coalition (NARC)** leader **Martha Karua** as his running mate on 16 May.² Odinga praised Karua, who previously served as justice and constitutional affairs minister, for her passion and human rights record:

"I needed a true Joshua on my corner, one who will not be a turncoat. After a long search and reflection, together with consultation, I have arrived at the decision that the holder of this position must be a woman."³

Karua joined politics in 1992, serving as water resources management and development minister in the **Mwai Kibaki** (2002-2013) administration between 2003 and 2008. She was then appointed minister for justice, national cohesion and constitutional affairs, a position she held until 6 April 2009 when she resigned from government. In her acceptance speech, Karua said she and Odinga would do more in the area of social-economic rights:

"Together, we can finally bring to life the dreams deferred."⁴

Deputy president and **Kenya Kwanza Alliance** party flag bearer **William Ruto** selected first-time **Mathira** member of parliament **Rigathi Gachagua** as his running mate on 15 May.⁵ Ruto

¹ The Star, 16 May 2022

² All Africa, 16 May 2022

³ The East African, 16 May 2022

⁴ The East African, 16 May 2022

⁵ The Star, 15 May 2022

described Gachagua as “an astute debater” and “a principled, resilient and fearless fighter for the right cause”:

“Gachagua is my friend whom I’ve worked with, especially on that bottom-up economic model and we started that journey together. He understands people’s issues; he is passionate about ordinary people.”⁶

Gachagua previously served as the district officer in **Laikipia** and **Molo** during former president **Daniel arap Moi’s** (1978-2002) administration. He also served as personal assistant to Kenyatta and to **Philip Mbithi**, head of public service under Moi.⁷ Gachagua thanked Ruto for the confidence bestowed in him and noted that “*this is the biggest day in my life*”.⁸

An opinion poll published on 14 May by local publication **Nation Media Group** revealed that the 9 August presidential election is likely to be won in the first round, despite indicators showing that Ruto and Odinga were virtually tied.⁹ The Nation’s poll conducted on 8 and 9 May showed both frontrunners tied at 42% of the vote each, 10% were undecided, 5% declined to answer and 1% opted for ‘other’ candidates.¹⁰ The Nation analysts claimed that if the trend holds, the two frontrunners will emerge with 50% of the vote each; however, because an exact numerical tie “*would be almost impossible, the winner will be the one who gets the 50 per cent vote, plus a single additional vote.*”¹¹ The assumption that either candidate will emerge with 50% of the votes is based on the undecided votes once cast being shared equally.¹²

KRA revenue up 22% year-on-year...

Treasury secretary **Ukur Yatani** revealed on 13 May that the **Kenya Revenue Authority (KRA)** had registered a 22% year-on-year increase in revenue collection in the ten months to April, on the back of an improving economy following lifting of **Covid-19**-related restrictions.¹³ The KRA collected KSh1.45 trillion (\$12.4 billion) during the reporting period, up from KSh1.19 trillion (\$10.2 billion) collected during the ten months to April 2021.¹⁴ The increased revenue was driven by higher collections from excise duty, value added tax (VAT) and income tax supported by job creation, increased trade and higher consumption.¹⁵

In 2020, Kenya’s government announced tax relief measures to cushion businesses and individuals from the impacts of the Covid-19 pandemic, which affected revenue collection in the last quarter of the 2019/2020 financial year and the first half of the 2020/2021 financial year.¹⁶ Government’s fiscal stimulus package included the lowering of pay-as-you-earn (PAYE) tax, and reducing corporate tax from 30% to 20% and turnover tax on small businesses from 3% to 1%.¹⁷ Individuals earning less than KSh24,000 (\$206.38) also received a waiver on income taxes.

KRA’s performance is on course to meet the KSh1.74 trillion (\$14.9 billion) tax revenue target in the remaining months of May and June. However, it comes at a time of increased pressure on the tax authority after parliament raised this year’s budget through the supplementary budget.

⁶ The East African, 16 May 2022

⁷ The East African, 16 May 2022

⁸ All Africa, 16 May 2022

⁹ Nation, 14 May 2022

¹⁰ Nation, 14 May 2022

¹¹ Nation, 14 May 2022

¹² Nation, 14 May 2022

¹³ Nation, 14 May 2022

¹⁴ Nation, 14 May 2022

¹⁵ Nation, 14 May 2022

¹⁶ Nation, 14 May 2022

¹⁷ Nation, 14 May 2022

Members of parliament in March increased government spending by KSh12.5 billion (\$107m) to the estimates presented to parliament by the **National Treasury** in January.

... while economy grew 7.5% in 2021

According to the **Economic Survey 2022** released by the **Kenya National Bureau of Statistics (KNBS)** on 5 May, economic growth in Kenya saw an 11-year-high increase in 2021, recovering from the Covid-19-related contraction of 0.3% witnessed in 2020 to 7.5% last year.¹⁸ In 2018, gross domestic product (GDP) growth stood at 5.6% and dropped to 5.1% in 2019.¹⁹ Economic growth in 2021 was primarily driven by the recovery of key sectors from Covid-19 and sound macroeconomic environment.²⁰ The education sector saw a 214% rise, accommodation and food services 52.5%, and financial and insurance activities 12.5%.²¹ Other noted drivers of 2021's growth included manufacturing at 6.9%, wholesale and retail trade at 7.9% and transport and storage at 7.2%.²² Accommodation and food services in particular saw an impressive recovery after recording a -47.7% contraction at the height of the pandemic in 2020.²³

Speaking during the release of the survey on 5 May, KNBS director general **Mcdonald Obudho** noted that *"all economic activities registered positive growth other than agriculture"*.²⁴ The agriculture, forestry and fishing sector contracted to -0.2% from the 4.6% growth recorded in 2020.²⁵ According to KNBS' survey, the agricultural sector, which contributes close to a quarter of Kenya's GDP, is expected to underperform due to poor weather patterns.²⁶ The survey also noted that Kenya's macroeconomic environment is expected to remain stable despite the likelihood of a rise in inflation, weakening of the Kenyan shilling against its major trading currencies and a significant rise in energy prices.²⁷

KNBS noted that inflation eased in the first quarter of 2022, but will most likely rise in the second and third quarters of the year due to rising energy prices, as well as prices of commodities such as food.²⁸ Other sectors of the economy are expected to continue on a growth trajectory after the country's successful containment of the Covid-19 and expected peaceful 9 August general election.²⁹ Overall, the survey notes that the global economy is forecast to remain robust in 2022 as countries cope better with managing Covid-19:

*"Against this backdrop, the world trade is expected to remain strong and therefore supportive of external demand for Kenya's goods and services."*³⁰

Inflation hits seven-month high in April

According to KNBS data released on 28 April, inflation in Kenya hit a seven-month high in April, increasing to 6.47% from 5.56% recorded in March and 5.08% in February.³¹ The rise in inflation is primarily due to global factors such as high oil prices and disruptions in the global supply chain due to the **Russia-Ukraine** conflict, which has caused a shortage of commodities.³²

¹⁸ Economic Survey 2022, 5 May 2022

¹⁹ Economic Survey 2022, 5 May 2022

²⁰ The Star, 6 May 2022

²¹ Economic Survey 2022, 5 May 2022

²² Economic Survey 2022, 5 May 2022

²³ The Star, 5 May 2022

²⁴ The Star, 5 May 2022

²⁵ Economic Survey 2022, 5 May 2022

²⁶ Economic Survey 2022, 5 May 2022

²⁷ Economic Survey 2022, 5 May 2022

²⁸ The Star, 5 May 2022

²⁹ The Star, 5 May 2022

³⁰ Economic Survey 2022, 5 May 2022

³¹ Economic Survey 2022, 5 May 2022

³² The Star, 5 May 2022

National treasury cabinet secretary **Ukur Yatani** said on 5 May that Kenya's current high cost of living could worsen due to the Russia-Ukraine conflict.³³ Yatani expressed his sentiments during the launch of the Economic Survey 2022, an annual publication focusing on the socio-economic highlights of the economy for the last five years.

Freight costs in Kenya remain high with the Kenya shilling weak against the **United States (US)** dollar, further impacting import costs and leading manufacturers and traders to pass on the extra costs to consumers.³⁴ KNBS data reveal that the price increases were mainly due to an increase in the price of food and non-alcoholic beverages, which rose by 12.15%.³⁵ Commodities have seen a significant rise in prices in the last two months, with cooking oil doubling in price. In the past 30 days; the prices of potatoes, packet milk and wheat flour have increased by 10.18%, 6.29% and 6.12% respectively.³⁶ However, the price of sugar decreased by 1.12%. Furnishings, household equipment and routine household maintenance prices increased by 7.15%.³⁷ The prices of petrol and diesel rose by 7.30% and 8.50% respectively.³⁸

The Consumer Price Index (CPI), measuring the percentage change in the price of a basket of goods and services consumed by households, increased by 1.69% from an index of 120.139 in March to 122.173 in April.³⁹ The month-to-month food and non-alcoholic beverages index rose by 3.03% between March and April due to an increase in prices of most food items.⁴⁰ The price index for restaurant and accommodation services increased by 1.03% over the same period.⁴¹ KNBS noted that prices of food items in April 2022 were relatively higher compared with prices of food items recorded in April 2021.

China-funded Nairobi Expressway opens...

Transport minister **James Macharia** on 14 May officially commissioned the **Chinese**-funded and built 27-kilometre **Nairobi Expressway**, which opened for public trials.⁴² The expressway is seen as a critical test for the future of Chinese infrastructure finance in Africa, and is expected to ease the chronic traffic jams in the capital.⁴³ The intra-city highway, which cost roughly \$668m, was built by **China Road and Bridge Corporation (CRBC)** and funded by its parent company, **China Communications Construction Co.**⁴⁴ A subsidiary of the parent company, **Moja Expressway**, will operate the expressway for 27 years and collect toll fees to repay the costs.⁴⁵ Since the new expressway is a public-private partnership (PPP), it did not require the Kenyan government to take on additional debt.⁴⁶ The PPP in infrastructure projects signals a shift in China's **Belt and Road Initiative** projects away from loans, in response to debt distress in the Global South.⁴⁷

Over 11,000 cars have so far registered to use the new expressway, and 7,000 of them have been registered to use the electronic toll collection.⁴⁸ The CRBC is expected to collect around

³³ The Star, 5 May 2022

³⁴ The Star, 5 May 2022

³⁵ Economic Survey 2022, 5 May 2022

³⁶ Economic Survey 2022, 5 May 2022

³⁷ Economic Survey 2022, 5 May 2022

³⁸ Capital FM, 28 Apr 2022

³⁹ The Star, 28 Apr 2022

⁴⁰ The Star, 28 Apr 2022

⁴¹ The Star, 28 Apr 2022

⁴² The Star, 14 May 2022

⁴³ The China in Africa Project, 16 May 2022

⁴⁴ The China in Africa Project, 16 May 2022

⁴⁵ The China in Africa Project, 16 May 2022

⁴⁶ The China in Africa Project, 16 May 2022

⁴⁷ The China in Africa Project, 16 May 2022

⁴⁸ The Citizen, 14 May 2022

\$20m in toll fees this year.⁴⁹ CRBC was also awarded a \$77.6m tender to refurbish the older roads beneath the new expressway.⁵⁰

However, the new expressway has faced major criticism. Its toll-based financing model means that poorer Kenyans, many of whom use public minibuses and motorbikes, will not be able to access the road.⁵¹ A local source told **Africa Risk Consulting (ARC)** that many Nairobi residents see the expressway as a “*vanity project*” constructed to “*help a specific class of people*”:

“The money could have been used in other better ways. I wish the money was invested in dams to provide access to water and economic stimulus packages to get businesses back on their feet. We do have a water issue in some parts of the capital and we need the dams urgently.”⁵²

The new expressway has also faced criticism over design flaws, which see drainage water falling on the roads below. However, those design flaws will be addressed in the upcoming refurbishment, which will also see the introduction of a rapid bus service amid wider calls for Kenyan companies to have a larger stake in the refurbishment process.⁵³

⁴⁹ South China Morning Post, 14 May 2022

⁵⁰ Mwakilishi, 15 May 2022

⁵¹ The China in Africa Project, 16 May 2022

⁵² ARC Source, local resident

⁵³ The China in Africa Project, 16 May 2022

Planner

9 Aug 2022 **Nairobi (Kenya)** Presidential election;

Chronology

16 May 2022 **Nairobi (Kenya)** *The Star*. **Azimio la Umoja One Kenya** party flagbearer **Raila Odinga** names **National Rainbow Coalition (NARC)** leader **Martha Karua** as his running mate;

15 May 2022 **Nairobi (Kenya)** *Nation*. **William Ruto** names **Mathira** constituency member of parliament **Rigathi Gachagua** as his running mate in the August presidential elections;

15 May 2022 **Nairobi (Kenya)** *Business Day*. **United States (US)** chamber of commerce criticises the **Joseph Biden** administration for its delay in concluding a new trade deal with Kenya, which Biden's predecessor, **Donald Trump** initiated more than two years ago;

15 May 2022 **Nairobi (Kenya)** *Nation*. **Azimio La Umoja One Kenya** coalition party presidential campaign secretariat confirms that its flagbearer, **Raila Odinga**, will announce his running mate on 16 May;

15 May 2022 **Nairobi (Kenya)** *Nation*. Kenyan banks are yet to implement President **Uhuru Kenyatta's** instruction to raise the limit for reporting large cash transactions from KSh1m (\$8,598) to KSh5m (\$42,992), citing government failure to issue new guidelines;

15 May 2022 **Nairobi (Kenya)** *Nation*. **Energy and Petroleum Regulatory Authority (EPRA)** says it will raise fuel prices will rise by KSh5.50 (\$0.047) for the next month, with petrol rising to KSh150.12 (\$1.29), diesel KSh131.0 (\$1.13) and kerosene KSh118.94 (\$1.02) per litre in **Nairobi**;

14 May 2022 **Nairobi (Kenya)** *The Star*. **Kenya Kwanza Alliance (KKA)** supporters from **Mt. Kenya** region hold demonstrations to protest the delay in naming deputy president and KKA presidential candidate **William Ruto's** running mate;

14 May 2022 **Nairobi (Kenya)** *Nation*. **Kenya Revenue Authority (KRA)** reports a 22% year-on-year increase in revenue collection in the 10 months to April on the back of economic recovery following lifting of **Covid-19** restrictions;

13 May 2022 **Nairobi (Kenya)** *Xinhua*. **Agriculture and Food Authority (AFA)** horticultural crops director **Benjamin Tito** says the AFA has reviewed Kenya's avocado maturity indices and post-harvest handling process to safeguard the export market as global demand for the fruit surges;

14 May 2022 **Nairobi (Kenya)** *Nation*. Some 11 independent presidential candidates have united to unveil one presidential candidate and a running mate for the August polls;

14 May 2022 **Nairobi (Kenya)** *The Citizen*. Transport minister **James Macharia** launches trials for the **Nairobi Expressway**;

12 May 2022 **Nairobi (Kenya)** *Quartz*. Kenyans criticise the tax authority's decision to start mining data from digital devices in a bid to combat tax and financial fraud;

10 May 2022 **Nairobi (Kenya)** *Business Day*. Petroleum principal secretary **Andrew Kamau** says Kenya has shared a record of available stocks of diesel and super with **Uganda** in this month's allocation quotas, easing fears of a looming fuel shortage there;

7 May 2022 **Nairobi (Kenya)** *The Star*. **Purchasing Managers' Index (PMI)** survey data reveals lower customer demand in April, indicating renewed deterioration in company's business conditions in April;

5 May 2022 **Nairobi (Kenya)** *The Star*. **Economic Survey 2022** shows Kenya's tourism sector has recovered from the **Covid-19**-induced slump to record a 50.3% increase in international visitors in 2021, mainly driven by the easing of travel restrictions;

5 May 2022 **Nairobi (Kenya)** *Kenya National Bureau of Statistics*. **Kenya National Bureau of Statistics** reports that Kenya's economy grew by 7.5% in 2021, driven largely by recovery of key sectors from the **Covid-19** pandemic and sound macroeconomic environment;

2 May 2022 **Nairobi (Kenya)** *Business Insider Africa*. President **Uhuru Kenyatta** has issued a directive to increase workers' minimum monthly wage by 12%, effective immediately, raising the current minimum wage of KSh13,500 (\$116.68) to KSh15,201.64 (\$130.72);

30 Apr 2022 **Othaya (Kenya)** *The Star*. Former president **Mwai Kibaki** is laid to rest at his **Othaya** home following his death on 21 April at the age of 90;

30 Apr 2022 **Nairobi (Kenya)** *The Standard*. Government declares national holiday due to state funeral for former president **Mwai Kibaki** held at **Nyayo National Stadium in Nairobi** "with full military honours and protocols";

23 Apr 2022 **Nairobi (Kenya)** *The East African*. Kenya has revived the stalled subsidy scheme for affordable cooking gas, with KSh471m (\$4.28m) allocated for the new financial year starting July;

22 Apr 2022 **Nairobi (Kenya)** *The East African*. Transport ministry principal secretary for shipping and maritime **Nancy Karigithu** is appointed special envoy for maritime and blue economy affairs;

21 Apr 2022 **Nairobi (Kenya)** *Business Daily Africa*. National carrier **Kenya Airways** chief executive **Allan Kilavuka** says that two aircraft leasing firms were opposed to their new payment terms, a move that has seen them ground their planes at **Jomo Kenyatta International Airport (JKIA)** in Nairobi;

21 Apr 2022 **Nairobi (Kenya)** *The East African*. President **Uhuru Kenyatta** orders a period of national mourning on the death of former president **Mwai Kibaki**, aged 90;

20 Apr 2022 **Nairobi (Kenya)** *Africa News*. **United States (US)** technology company **Google** has chosen **Nairobi** for its first product development centre on the continent, saying it will hire more than 100 tech experts including software engineers, researchers and designers in the next two years to help solve any difficult and technical challenges;

15 Apr 2022 **Nairobi (Kenya)** *The East African*. Kenyan and **Ugandan** traders sign a memorandum of understanding (MoU) to help end continual rifts on non-tariff regulations, pledging to harmonise policies on agriculture to reduce delays and cut down on bureaucracies in doing business;

15 Apr 2022 **Nairobi (Kenya)** *Business Daily Africa*. The labour ministry is establishing an electronic platform to keep track of Kenyan migrant workers, amid a jump in the numbers moving abroad in search of greener pastures and abuse cases by employers in the **Middle East**;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)