

AFRICA RISK CONSULTING

Kenya Monthly Briefing November 2022

Kenya Summary 22 November 2022

President William Ruto's (2022-present) 24-member cabinet is sworn in on 27 October at State House following approval by parliament and vetting by a parliamentary committee, which, together with members of civil society, raised integrity concerns regarding eight of the nominated officials. Kenya and the International Monetary Fund (IMF) reach a pact to pave the way for financing of roughly \$433m for the country. The lender notes that Kenya is taking measures to reduce its fiscal deficit but points out that the country needs to move ahead with structural and governance reforms. Kenyan government officials say the government is reducing its borrowing rate, seeking to address a looming debt crisis and reduce expenditure by \$2.47 billion as it aims for a recurrent surplus in three years. The Energy and Petroleum Regulatory Authority (EPRA) announces a slight reduction in Kenya's fuel prices nearly two months after the government removed subsidies, causing fuel prices to reach a record high.

Ruto's cabinet sworn in

President **William Ruto's** (2022-present) 24-member cabinet was sworn in on 27 October at **State House** after being approved by parliament on 26 October, following a vetting process by a parliamentary committee. Ruto nominated his cabinet on 27 September, introducing a mix of veteran bureaucrats and loyalist politicians. He also largely severed ties with former cabinet ministers who served under former president **Uhuru Kenyatta** (2013-2022), retaining only former labour secretary **Simon Chelugui** and former chief administrative secretary at the foreign affairs ministry, **Ababu Namwamba**, in the new administration (*see ARC Briefing Kenya Oct 2022*).

The committee had unanimously rejected the appointment of **Penina Malonza** as tourism minister; however, parliament, which is dominated by Ruto's party, overruled this, and approved her appointment.¹ Eight of the 21 committee members also raised integrity concerns regarding the public service and gender minister, **Aisha Jumwa**, and agriculture minister **Mithika Linturi**, but these appointments also went ahead.

Civil society members also filed 23 affidavits with the committee, raising integrity questions on seven of the cabinet members prior to their appointment. The **Kenya Human Rights Commission (KHRC)** and **Transparency International** voiced concerns over:

- **Njuguna Ndung'u** (treasury);
- **Davis Chirchir** (energy);
- **Moses Kuria** (trade);
- **Alice Wahome** (water and sanitation);
- **Ababu Namwamba** (sports and youth);
- Mithika Linturi;
- Aisha Jumwa.²

The KHRC claims that Ndung'u is facing abuse of office charges for the irregular award of a tender while serving as governor of the **Central Bank of Kenya (CBK)** in 2014 and that he has been adversely mentioned in the irregular sale of the **Grand Regency Hotel** in 2008, referring to the

¹ Africanews, 27 Oct 2022

² Business Daily, 27 Oct 2022

commission of inquiry on the matter.³ The KHRC further mentioned that Alice Wahome was caught on video assaulting a member of the **Independent Electoral and Boundaries Commission (IEBC)**. Jumwa has been charged with murder and misappropriation of the **National Government Constituency Development Fund (NG-CDF)**, while Kuria is accused of embezzlement and Namwamba was adversely mentioned in a bribery scandal while he was chairperson of the **Public Accounts Committee** in 2014.⁴ Workers from **Ngou Yeto Limited** also submitted a memorandum noting that Kuria did not pay them salaries in June, July and August 2021 while he was chairman of the company. The memorandum was thrown out as it was not filed by the deadline of 14 October at 5pm.⁵

Transparency International Kenya executive director **Sheila Masinde** mentioned in her affidavit that Chirchir was adversely mentioned in connection with a scandal where IEBC officials received kickbacks, and that Linturi has been accused of and charged with attempted rape.⁶

The abovementioned nominees denied the allegations against them during the parliamentary committee's vetting process. The committee requested that director of public prosecution **Noordin Haji** confirm whether the nominees had any pending criminal proceedings against them; however, Haji reportedly did not respond to the committee in time.⁷

Despite the allegations against his nominees, Ruto was not expected to struggle to push them through the vetting process. His party controls both houses of parliament, which would influence the makeup of the parliamentary committee that vetted them. Ruto's cabinet now consists of:

Sworn in cabinet secretaries	
Prime cabinet secretary	Musalia Mudavadi
Interior	Kithure Kindiki
National treasury and planning	Njuguna Ndung'u
Water, sanitation and irrigation	Alice Wahome
Defence	Aden Duale
East African Community	Rebecca Miano
Foreign and diaspora affairs	Alfred Mutua
Public service, gender and affirmative action	Aisha Jumwa
Trade, investment and industry	Moses Kuria
Environment and forestry	Soipan Tuya
Roads, transport and public works	Kipchumba Murkomen
Tourism, wildlife and heritage	Penina Malonza
Lands, housing and urban development	Zachariah Mwangi Njeru
Health	Susan Wafula
Agriculture and Livestock	Mithika Linturi
ICT and digital economy	Eliud Owalo

³ Business Daily, 27 Oct 2022

⁴ Business Daily, 27 Oct 2022

⁵ The Nation, 27 Oct 2022

⁶ Business Daily, 27 Oct 2022

⁷ Business Daily, 27 Oct 2022

Education	Ezekiel Machogu
Energy and petroleum	Davis Chirchir
Youth affairs, sports and the arts	Ababu Namwamba
Cooperatives and MSME development	Simon Chelugui
Mining, blue economy and maritime affairs	Salim Mvurya
Labour and social protection	Florence Bore
Attorney general	Justin Muturi
Secretary to the cabinet	Mercy Wanjau

Ruto reminded his cabinet secretaries during the swearing in ceremony that they serve the people of **Kenya**:

*“You have sworn that you will serve Kenyans, not your family or community.”*⁸

The cabinet will be in charge of tackling Kenya’s cost of living crisis and mounting public debt (see below), while delivering on Ruto’s election promises. Vice-president **Rigathi Gachagua** asked Kenyans to have patience with the new cabinet, noting that only he and Ruto have officially begun work as the new administration. Until now they have had to work with the old cabinet, which does not support the economic policies that Ruto is hoping to implement.⁹

IMF and Kenya reach agreement for financing

Kenya and the **International Monetary Fund (IMF)** have reached a pact that could pave the way for financing of approximately \$433m upon review by the IMF executive board.¹⁰ An IMF staff team visited **Nairobi** from 25 October to 8 November to discuss progress on reforms and the authorities’ policy priorities in the context of reviews of Kenya’s economic programme supported by the IMF’s **Extended Fund Facility (EFF)** and **Extended Credit Facility (ECF)**.¹¹

Once the IMF’s executive board completes the review, Kenya will have access to about \$433 m in financing.¹² The funds are part of a \$2.34 billion programme lasting 38 months that the IMF approved in April 2021 (*see ARC Briefing Kenya Apr 2021*).¹³ The IMF noted that Kenya’s gross domestic product (GDP) grew by 6% year-on-year in the first half of 2022 but that food insecurity has increased on account of the severe drought in parts of the country. Higher food and energy prices have pushed up inflation, pressuring Kenya’s external position. However, the peaceful completion of elections has lifted uncertainty and credit to the private sector is expanding.¹⁴

The IMF noted its optimism for Kenya, saying the country is taking measures to reduce its fiscal deficit through eliminating fuel subsidies and reinstating variable cost adjustments in electricity prices. The IMF says Kenya’s medium-term outlook remains favourable thanks to proactive reforms by the new government.¹⁵ The IMF projects Kenya’s growth to reach 5.3% in 2022 amid domestic policy tightening but says a global economic slowdown will weigh on growth in 2023.

The government is also in the process of formulating a supplementary budget for the 2022/23 financial year, which will institute significant spending cuts with a view to modestly reducing the

⁸ The Nation, 27 Oct 2022

⁹ The Nation, 26 Oct 2022

¹⁰ Bloomberg, 8 Nov 2022

¹¹ International Monetary Fund, 8 Nov 2022

¹² Bloomberg, 8 Nov 2022

¹³ Bloomberg, 8 Nov 2022

¹⁴ International Monetary Fund, 8 Nov 2022

¹⁵ International Monetary Fund, 8 Nov 2022

deficit from the previously programmed level of 5.9% of GDP while increasing allocations for drought interventions.¹⁶

Despite its optimistic outlook, the IMF said Kenya needs to do more, especially on structural and governance reforms related to transparency, accountability and state-owned enterprises. It also needs to complete its plans to publish beneficial ownership information when awarding government contracts, which will promote transparency, and to reform its financially troubled **Kenya Airways** and **Kenya Power and Lighting Company**.¹⁷

... as Kenya reduces its rate of borrowing

Kenyan government officials announced on 10 November that the government is reducing its borrowing rate in an effort to reduce expenditure by \$2.47 billion as it aims for a recurrent budget surplus in three years.¹⁸ A reduction in its borrowing rate will help address a looming debt crisis: Kenya's public debt tripled to \$68 billion under the administration of Uhuru Kenyatta, accounting for 67.4% of GDP.¹⁹

The finance ministry also noted that Ruto's new administration is targeting a narrower budget deficit target of 4.3% of GDP for the 2023/24 financial year.²⁰ The revision of this financial year's budget is expected to reduce the projected budget deficit to 5.8% of GDP from the initial 6.2%.²¹ **Ndindi Nyoro**, chair of parliament's budget panel, said that government must "*cut its appetite for borrowing*".²²

United States (US)-based credit ratings agency **Moody's Investors Service (Moody's)** has noted that Kenya will face difficulty refinancing loans as its bonds mature over the next decade.²³ Kenya lacks access to financing markets and has bonds worth more than \$500m that mature in 2024. Moody's further advised that a US **Federal Reserve** rate increase, stronger US dollar and high inflation will make financial conditions more difficult for Kenya.²⁴ Kenya is reportedly spending almost 30% of its income on interest payments. 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, 70% of which are dollar-denominated.²⁵

Fuel prices fall slightly

The **Energy and Petroleum Regulatory Authority (EPRA)** announced on 14 November that Kenya's fuel prices had reduced slightly.²⁶ The EPRA's review came nearly two months after the government removed subsidies, causing fuel prices to reach record highs.²⁷ In a statement on 14 November, the EPRA said retail price of super-grade petrol would, effective 15 November, reduce from KSh178.3 (\$1.46) to KSh177.3 (\$1.45) per litre in Nairobi. Diesel would go down from KSh163 (\$1.33) to KSh162 (\$1.33) per litre, and kerosene from KSh146.94 (\$1.20) to KSh145.94 (\$1.20).²⁸

In September, Kenya experienced record-high fuel prices as newly sworn-in Ruto removed subsidies that had been cushioning customers but were blamed for depleting the state's coffers.²⁹ The move was

¹⁶ International Monetary Fund, 8 Nov 2022

¹⁷ International Monetary Fund, 8 Nov 2022

¹⁸ Reuters, 10 Nov 2022

¹⁹ Reuters, 10 Nov 2022

²⁰ Reuters, 10 Nov 2022

²¹ Reuters, 10 Nov 2022

²² Reuters, 10 Nov 2022

²³ Moody's Investors Service, 28 Jun 2022

²⁴ Moody's Investors Service, 28 Jun 2022

²⁵ Kenyans, 16 Jul 2022

²⁶ EPRA, 14 Nov 2022

²⁷ Bloomberg, 15 Sep 2022

²⁸ EPRA, 14 Nov

²⁹ This Day Live, 18 Sep 2022

part of a loan condition by the IMF that required the country to drop the fuel subsidy programme by October, under the under the 38-month budget support scheme for \$2.34 billion.³⁰

The EPRA eliminated the fuel subsidy on gasoline on 14 September, sending energy prices surging by about 13% and inflicting more pain on citizens who were already struggling with the high cost of living.³¹ Ruto now faces the difficult task of controlling the cost of living and balancing government finances.

Planner

Dec 2022 **Nairobi (Kenya) Central Bank of Kenya** releases Monthly Economic Indicators publication.

Chronology

21 Nov 2022 **Nairobi (Kenya) The EastAfrican**. **Kenya** has injected the first dispatch of cheaper hydropower imported from **Ethiopia** into its national grid;

21 Nov 2022 **Nairobi (Kenya) Business Daily**. **Kenya's** bilateral debt repayments to **China** for the first quarter of 2022 has surpassed remittances to foreign commercial lenders for the first time;

21 Nov 2022 **Nairobi (Kenya) Business Daily**. A delegation of more than 80 **Swedish** and **Norwegian** companies will accompany the crown princess of Sweden, **Victoria Désirée**, and the Prince of Norway, **Haakon Magnus**, on their official trip to **Kenya** this week to explore investment opportunities;

19 Nov 2022 **Nairobi (Kenya) Reuters**. Former president **Uhuru Kenyatta** and **Rwanda's** President **Paul Kagame** agree on the need for **M23** rebels to cease fire and withdraw from captured territories in the eastern part of the **Democratic Republic of the Congo**;

19 Nov 2022 **Nairobi (Kenya) East African**. President **William Ruto** launches the construction of the **Mtwapa-Kwa Kadzengo-Kilifi (A7)** road which will link **Kenya** and **Tanzania** as part of the \$61.4m multinational **East African** coastal road corridor;

18 Nov 2022 **Nairobi (Kenya) The Standard**. The government will allow the importation of duty-free genetically modified maize in a renewed effort to curb runaway inflation.

18 Nov 2022 **Nairobi (Kenya) Business Daily**. Domestic electricity bills have dropped 3.6% in November due to a decrease in variable charges including fuel cost charge (FCC) and foreign exchange fluctuation adjustment;

17 Nov 2022 **Nairobi (Kenya) Business Daily**. The **Central Bank of Kenya (CBK)** will seek \$40.9m from a 14-year infrastructure bond that was oversubscribed;

17 Nov 2022 **Nairobi (Kenya) The East African**. President **William Ruto** announces plans for pan-**African** multilateral lender **African Export-Import (Afrexim) Bank** to establish a regional office in Nairobi in 2023;

16 Nov 2022 **Nairobi (Kenya) Anadolu Agency**. President **William Ruto** reprimands parliamentarians seeking to lift presidential term limits and replace them with an age cap of 75 years;

10 Nov 2022 **Nairobi (Kenya) The Star**. President **William Ruto** chairs the first cabinet meeting of his administration;

10 Nov 2022 **Nairobi (Kenya) Daily Nation**. Parliament approves the deployment of nearly 1,000 soldiers for a new regional force in the **Democratic Republic of the Congo** amid questions about the \$37m cost for the first six months of the mission;

³⁰ Business Daily, 22 July

³¹ The East African, 17 Sep 2022

10 Nov 2022 **Nairobi (Kenya)** *Soko Directory*. **Kenya's** avocado exports to **China** reach \$57.2m between July and October, exceeding the earnings that were realised in the first seven months of the year;

10 Nov 2022 **Nairobi (Kenya)** *DW*. President **William Ruto** and his **South African** counterpart, President **Cyril Ramaphosa**, announce the signing of a visa-free travel deal following talks in **Nairobi**;

10 Nov 2022 **Nairobi (Kenya)** *Business Daily*. **Kenya Revenue Authority's** collections from consumption and income taxes for the first quarter of 2022 have fallen short of the target by \$113.7m;

9 Nov 2022 **Nairobi (Kenya)** *Daily Nation*. **Kenya** has secured investment deals worth more than \$30 billion at the **2022 United Nations Climate Change Conference (COP27)** in **Egypt**;

8 Nov 2022 **Nairobi (Kenya)** *African Markets*. Small companies listing on the **Nairobi Securities Exchange's Growth and Enterprise Markets** segment will finally be able to raise funds through the capital markets under updated listing rules by the market's regulator.

8 Nov 2022 **Nairobi (Kenya)** *Think Geothermal*. President **William Ruto** and **United Kingdom** prime minister **Rishi Sunak** meet at the **COP27** climate summit and agree to fast-track six green energy projects in **Kenya** worth KES 500 billion (\$4.1 billion);

8 Nov 2022 **Nairobi (Kenya)** *The Star*. Fresh produce farmers warn over looming job losses in the sector due to a strike by **Kenya Airways** pilots impacting exports;

7 Nov 2022 **Nairobi (Kenya)** *The Star*. Parliament has summoned **Salaries and Remuneration Commission (SRC)** chairperson **Lyn Mengich** over her decision to slash legislators' travel perks;

7 Nov 2022 **Nairobi (Kenya)** *AFP*. **Ethiopian** government officials meet with representatives of the **Tigrayan** rebels in **Kenya** to discuss plans around disarming the rebels following a peace deal signed last week between the warring sides;

5 Nov 2022 **Nairobi (Kenya)** *Reuters*. **Kenya Airways** warns its striking pilots that it could dismiss them if they do not return to work immediately, as industrial action leads to the cancellation of dozens of flights and leaves thousands of passengers stranded;

4 Nov 2022 **Nairobi (Kenya)** *Business Daily*. President **William Ruto's** deal with **Ethiopia's** prime minister, **Abiy Ahmed**, to have **Kenya** import cheaper wheat from **Addis Ababa** has suffered a setback after Ethiopia lists the grain on the commodity exchange, locking out local traders from direct purchases;

4 Nov 2022 **Nairobi (Kenya)** *Daily Nation*. Government deploys 350 police officers to guard key electricity production and distribution installations to curb vandalism, which has in the past caused national power outages;

3 Nov 2022 **Nairobi (Kenya)** *Tuko*. Public universities are seeking a KSh2.4 billion (\$19.6m) bailout from the **World Bank** to alleviate an acute cash crisis that is threatening to ground their operations;

2 Nov 2022 **Nairobi (Kenya)** *Reuters*. President **William Ruto** deploys troops to eastern **Democratic Republic of the Congo (DRC)** to join an **East African** regional force aiming to end decades of rebel violence;

2 Nov 2022 **Nairobi (Kenya)** *Daily Nation*. Pilot union **KALPA** says **Kenya Airways** risks losing an estimated 300m shillings (\$2.5m) per day if a planned strike by pilots at Kenyan Airways takes place;

1 Nov 2022 **Nairobi (Kenya)** *The Standard*. **Central Bank of Kenya** will get a second deputy governor in order to meet a legal requirement that has been breached for more than five years;

28 Oct 2022 **Nairobi (Kenya)** *Daily Nation*. **Pakistan's** spy chief and military spokesman demands an independent investigation into the mysterious killing of journalist **Arshad Sharif** in **Nairobi**;

27 Oct 2022 **Nairobi (Kenya)** *Daily Nation*. President **William Ruto**'s 22-member cabinet is sworn in, and tasked with tackling the cost of living crisis and other economic issues;

26 Oct 2022 **Nairobi (Kenya)** *Daily Nation*. President **William Ruto** hails economic ties and voices common ground on the war in **Ukraine** and security issues during a visit from **Spanish** prime minister **Pedro Sánchez**, the first-ever visit by a Spanish premier to **Kenya**;

24 Oct 2022 **Nairobi (Kenya)** *Daily Nation*. President **William Ruto** disbands the **Special Service Unit** of the **Directorate of Criminal Investigations**, which was alleged to have been behind several cases of extrajudicial killings and enforced disappearances of both citizens and foreign nationals;

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)