

## AFRICA RISK CONSULTING

### Kenya Monthly Briefing April 2021

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#### Kenya Summary 12 April 2021

*Confirmed cases of Covid-19 continue to rise at a higher rate and further restrictions are put in place in an attempt to ensure that hospitals are not overrun. The International Monetary Fund (IMF) confirms that it will lend Kenya \$2.4 billion to help the country's economy during the pandemic. The announcement meets frustration from many Kenyans who fear that their politicians are squandering funds meant to help the economy. The swearing in of Samia Suluhu Hassan (2021–present) as Tanzania's new president raises hopes that relations between Tanzania and Kenya will begin to improve.*

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#### Curfews and travel restrictions tighten as Covid-19 cases surge

President **Uhuru Kenyatta** (2013-present) continues to face an uphill battle as cases of **Covid-19** surge in **Kenya**. Health secretary **Mutahi Kagwe** announced on 1 April that confirmed cases of Covid-19 surpassed 135,000 and Covid-19-related deaths exceed 2,000.<sup>1</sup> Kagwe also noted that 17% of those tested for Covid-19 were testing positive, an alarmingly high percentage.<sup>2</sup> Reports circulated during the week of 22 March that the country's intensive care units were at capacity.<sup>3</sup> Rising case numbers saw the president act swiftly, and on 12 March Kenyatta announced that he was extending the ban on social and political gatherings for an additional 30 days, whilst simultaneously extending the country's 10pm – 4am curfew for an additional 60 days.<sup>4</sup> That same day, it was confirmed that opposition **Orange Democratic Movement (ODM)** leader **Raila Odinga** had tested positive for Covid-19.<sup>5</sup>

Continuing increases in case numbers saw Kenyatta announce on 26 March that there would be no more movement in and out of the capital city, **Nairobi**, and the counties of **Kajiado**, **Machakos**, **Kiambu** and **Nakuru**. These five counties are now also under a stricter curfew of 8pm – 4am.<sup>6</sup> The announcement, just before the Easter weekend, caused further havoc in the country's tourism sector, as residents and tourists located in Nairobi were unable to travel to popular regions on the coast and the country's game parks.

Travel out of Kenya is also becoming more difficult, particularly with the **United Kingdom (UK)** announcing that as of 9 April Kenya is being added to its "red list". Being on the red list means that only citizens or residents of the UK can travel from Kenya to the UK, and that upon arrival they will have to undergo hotel quarantine at their own expense.<sup>7</sup> Following this announcement, partially state-owned **Kenya Airways** announced that it would suspend flights between the UK and Kenya, effective 9 April, until further notice.<sup>8</sup>

There was some reprieve for Kenyans as health secretary Mutahi Kagwe announced that the Covid-19 vaccine rollout had commenced, with 200,000 people receiving the vaccine during the week of 8 March.<sup>9</sup> Kenyatta ordered that all of his cabinet and executive team were to receive vaccines, no doubt

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<sup>1</sup> Nation, 1 Apr 2021

<sup>2</sup> Nation, 17 Mar 2021

<sup>3</sup> The Star, 22 Mar 2021

<sup>4</sup> The East African, 12 Mar 2021

<sup>5</sup> The East African, 12 Mar 2021

<sup>6</sup> Nation, 26 Mar 2021

<sup>7</sup> The East African, 2 Apr 2021

<sup>8</sup> The East African, 6 Apr 2021

<sup>9</sup> Nation, 17 Mar 2021

in part to boost vaccine uptake and help to sway the opinions of those who remain sceptical about the need for a vaccine or its safety and effectiveness.<sup>10</sup> However, confusion around access to vaccines continues. Health secretary Mutahi Kagwe announced on 2 April that the government had banned the sale of vaccines via private clinics<sup>11</sup> but on 9 April the government announced that Kenyans will be able to access Covid-19 vaccines from private hospitals from July.<sup>12</sup>

### How much borrowing is too much?

Kenya's economy continues to suffer during the pandemic. Kenyans are becoming increasingly frustrated at allegations of misappropriation of funds that were intended to provide relief for the economy and citizens. There have been multiple claims that government authorities have misused funds that were meant to help the country fight the Covid-19 pandemic. Solicitor general **Kennedy Ogeto** released a report on 4 February confirming that the **Kenya Medical Supplies Authority (Kemsa)** had illegally procured KSh7.6 billion (\$69.3m) worth of goods during the pandemic.<sup>13</sup>

In recent months Kenyans have turned their anger towards the amount of money the government is borrowing. Discontent escalated on 1 April when the **International Monetary Fund (IMF)** approved a loan worth \$2.4 m to help Kenya fund its Covid-19 response.<sup>14</sup> The announcement that Kenya would be taking on more debt has seen many Kenyans take to social media to urge the IMF not to disburse the funds for fear that the government will squander the money. In response, Kenya's treasury announce on 9 April that it would release an audit of where and how the government has spent Covid-19-related funds, with treasury secretary **Ukur Yatani** noting that:

*"A comprehensive audit by the Auditor-General of all Covid -related spending in FY2019/20 is underway and the results will be published by end-May 2021."*<sup>15</sup>

Kenya is also considering a more formal process to ensure that public money is accounted for. Parliament continues to debate the **Public Debt Management Authority Bill (2020)**, which, if passed, will establish an independent authority to scrutinise government borrowing.<sup>16</sup> Nevertheless the outcry in Kenya continues as citizens express frustration at how much the country has borrowed and where that money is being spent.

The recent IMF loan is just one in a series of large loans the government has taken on during the pandemic. The \$2.4 billion loan from the IMF is in addition to the KSh79.3 billion (\$733 m) the government borrowed in 2020.<sup>17</sup> The treasury has also secured loans of KSh108 billion (\$1 billion), KSh79.8 billion (\$739 m) and KSh24.06 billion (\$226 m) from the **African Development Bank**.<sup>18</sup> Kenya borrowed \$750m from the **World Bank** in 2019 prior to the pandemic and has since borrowed \$50m from it for pandemic relief funds, \$43m to battle locusts and \$1 billion for general budget support during 2020. The government has announced plans to borrow a further \$1.5 billion from the World Bank in 2021.<sup>19</sup>

Kenya's **Public Finance Management Act, 2012** sets the country's debt ceiling at KSh9 trillion (\$84 billion). However, at the current rate of borrowing, it will reach this ceiling by the end of the next financial year.<sup>20</sup> **United States (US)**-based ratings agency **Moody's Investor Service** has already

<sup>10</sup> Nation, 26 Mar 2021

<sup>11</sup> Nation, 2 Apr 2021

<sup>12</sup> Business Daily, 9 Apr 2021

<sup>13</sup> The Standard, 4 Feb 2021

<sup>14</sup> Nation, 1 Apr 2021

<sup>15</sup> Business Daily, 9 Apr 2021

<sup>16</sup> The East African, 11 Jan 2021

<sup>17</sup> The East African, 8 Apr 2021

<sup>18</sup> Business Daily, 9 Apr 2021

<sup>19</sup> The East African, 8 Apr 2021

<sup>20</sup> Business Daily, 7 Apr 2021

flagged Kenya's excessive borrowing, noting in December that the country could face a downgrade due to its high exposure to debt.<sup>21</sup>

The rate of borrowing and ensuring that money is being spent properly will continue to dominate politics and public opinion of Kenyatta's administration.

### **A reset in relations with Tanzania?**

**Samia Suluhu Hassan** was sworn in as **Tanzania's** sixth president and first female president on 19 March, following the death on 17 March of President **John Magufuli** (2015- 2021).<sup>22</sup> Suluhu announced on live television that Magufuli had died from complications relating to a pre-existing heart condition.<sup>23</sup> Kenyatta announced seven days of national mourning following the announcement of Magufuli's passing.<sup>24</sup> Tanzania's new presidency raises questions of how relations will progress between the neighbouring countries.

Relations between Kenya and Tanzania were often strained during Magufuli's time in office. Magufuli's close friendship with opposition ODM leader Raila Odinga ensured that relations between the leaders of **East Africa's** two largest countries were not particularly warm. Kenya decided on 17 May 2020 to close its land border with Tanzania, which resulted in the temporary halting of flights between the two countries.<sup>25</sup> Multiple opposition members fled Tanzania for Kenya following the October general elections, and Kenyatta failed to attend the inauguration of Magufuli's second term in 2020.<sup>26</sup> Recent flare-ups include a decision by Kenya to ban the importation of Tanzanian maize.

There is a hope on both sides of the border that relations will be more cordial and predictable now that Suluhu is in charge. Kenya's sports secretary, **Amina Mohammed**, went to Tanzania on 10 April to meet with Suluhu, delivering a message from President Kenyatta in which he invited Suluhu to visit Kenya. Suluhu and Mohammed reportedly discussed the need to promote cooperation in a number of fields including economic and social issues. Suluhu directed the joint permanent commission between the two countries, which has not met since 2016, to meet and start working on strengthening relations between the two countries.<sup>27</sup>

There is growing sentiment in Kenya and Tanzania that Suluhu's presidency will not only improve Kenya's relations with Tanzania, but also Tanzania's relations with all members of the **East African Community (EAC)** following a period of decreased international engagement during Magufuli's five and a half years in office.

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<sup>21</sup> The East African, 7 Dec 2020

<sup>22</sup> The Daily News, 19 Mar 2021

<sup>23</sup> Reuters, 17 Mar 2021

<sup>24</sup> The East African, 18 Mar 2021

<sup>25</sup> Anadolu, 17 May 2020

<sup>26</sup> The East African, 9 Nov 2020

<sup>27</sup> The Citizen, 10 Apr 2021

## Planner

1 May 2021 **(Kenya)** National holiday, **Labour Day**;  
 May 2021 **Nairobi (Kenya)** **Central Bank of Kenya** Monetary Policy Committee meeting (TBA);  
 1 May 2021 **(Kenya)** National holiday, **Madaraka Day**  
 2022 **(Kenya)** General elections

## Chronology

9 Apr 2021 **Nairobi (Kenya)** *Business Daily*. **Kenya's** treasury has committed to releasing an audit outlining where **Covid-19**-related funds have been mobilised;

9 Apr 2021 **Nairobi (Kenya)** *Business Daily*. **Kenyans** will be able to access **Covid-19** vaccines from private hospitals from July;

1 April 2021 **Nairobi (Kenya)** *Nation*. The **International Monetary Fund (IMF)** announces that it has approved a loan worth \$2.4 billion to help **Kenya** fund its **Covid-19** response;

1 April 2021 **Nairobi (Kenya)** *Nation*. Confirmed cases of **Covid-19** surpass 135,000;

1 Apr 2021 **Nairobi (Kenya)** *Business Daily*. The **Kenyan** government has given **United Kingdom**-headquartered oil company **Tullow Oil** until December to present an investment plan for its existing wells or the company will risk losing its concessions due to inactivity;

26 Mar 2021 **Nairobi (Kenya)** *Nation*. President **Uhuru Kenyatta** has stopped all movement in and out of capital city of **Nairobi** and the counties of **Kajiado, Machakos, Kiambu** and **Nakuru** as cases of **Covid-19** surge;

26 Mar 2021 **Nairobi (Kenya)** *Nation*. President **Uhuru Kenyatta** orders all members of his cabinet and executive to receive a **Covid-19** vaccine;

26 Mar 2021 **Nairobi (Kenya)** *Business Daily*. Data from the **Central Bank of Kenya** indicates that **Kenyan** exports to other **African** markets has risen by 9% over the past year;

25 Mar 2021 **Nairobi (Kenya)** *Business Daily*. **Nairobi**-stock exchange listed **Safaricom** launches 5G mobile internet services in major urban areas in **Kenya**;

23 Mar 2021 **Nairobi (Kenya)** *Moneyweb*. **Absa Bank Kenya**, a subsidiary of **South Africa**-based **Absa Group Limited**, reports a 47% drop in 2020 pretax profit, reflecting higher impairments due to effects of the pandemic;

23 Mar 2021 **Nairobi (Kenya)** *The Star*. **Kenya's** flag carrier airline and public-private partnership **Kenya Airways** announces pretax losses for 2020 of KSh 36.57 billion (\$333.2m) – close to triple the sum from the previous year;

18 Mar 2021 **Nairobi (Kenya)** *The East African*. President **Uhuru Kenyatta** announces seven days of national mourning following the death of **Tanzania's** president, **John Magufuli**;

17 Mar 2021 **Nairobi (Kenya)** *Nation*. Health secretary **Mutahi Kagwe** announces that the rate of those testing positive in **Kenya** has risen to 17%;

17 Mar 2021 **Nairobi (Kenya)** *Nation*. Health secretary **Mutahi Kagwe** announces that 200,000 people have received a vaccine in the past week;

12 Mar 2021 **Nairobi (Kenya)** *The East African*. President **Uhuru Kenyatta** extends the ban on social and political gatherings for an additional 30 days, while the country's 10pm – 4am curfew has been extended by 60 days;

12 Mar 2021 **Nairobi (Kenya)** *The East African*. Opposition **Orange Democratic Movement** leader **Raila Odinga** has tested positive for **Covid-19** but is said to be recovering;

12 Mar 2021 **Nairobi (Kenya) Business Daily**. **Kenya** will commence exporting mangoes to the **European Union (EU)** following an eight-year ban following an outbreak of fruit flies.

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