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Campaigning for the 8 August general election begins. While President Uhuru Kenyatta (2013-present) and opposition National Super Alliance (NASA) candidate Raila Odinga are two likely winners of the presidential election, national assembly and county-level elections are harder to call. Kenyatta attends the Chinese government's launch of its flagship Belt and Road infrastructure initiative. The United States (US) suspends direct aid to the health ministry over concerns about corruption. The Chinese-financed \$3.8 billion standard gauge railway carries its first passengers between Mombasa and Nairobi.

Campaigning begins ahead of general election

Campaigning for the 8 August general election officially began on 28 May.¹ While there are currently 19 presidential candidates, only two have a realistic possibility of winning the presidency: ruling **Jubilee Party** candidate and incumbent, President **Uhuru Kenyatta** (2013-present), and opposition **National Super Alliance (NASA)** candidate **Raila Odinga**.² The elections for the national assembly, senate and county governors and county legislatures are harder to call as local constituencies will tend to vote on local issues.

The **Nairobi County** governorship election is particularly indicative of the interaction between local and national issues, and internal party dynamics, that make such contests difficult to predict.³ There are especially pronounced rifts within the ruling Jubilee Party. **Nairobi** senator **Mike Mbuvi Kioko** (known as **Sonko**, Kiswahili for 'moneybags') secured the party nomination to run for governor on 28 April.⁴ The other candidates who stood in the Jubilee Party Nairobi County primaries were **Peter Kenneth**, a former presidential candidate and assistant minister under President **Mwai Kibaki** (2002-2013), **Dennis Waweru** and **Johnson Sakaja**.⁵ Kenneth's decision to announce his candidacy for the Jubilee Party was especially surprising. Kenneth is a member of Kenyatta's ethnic **Kikuyu** group and contested the 2013 presidential election against him on the **Kenya National Congress** ticket. There was concern at the time that Kenneth would split the Kikuyu bloc and increase the likelihood that then **Orange Democratic Movement (ODM)** candidate Odinga would defeat Kenyatta.⁶ While Kenyatta secured the majority of Kikuyu votes to defeat Odinga, senior members of the Kikuyu have never forgiven Kenneth.⁷

"The announcement that Kenneth would vie to be Nairobi's next governor on a Jubilee Party ticket was not welcomed by a section of party stalwarts who considered him an interloper. Suspicion was also rife that there was a hidden hand at play from senior party and government officials whose main aim was to offer Nairobi residents an alternative to Sonko."⁸

¹ Daily Nation, 28 May 2017.

² Daily Nation, 28 May 2017.

³ Source, journalist, Nairobi

⁴ Daily Nation, 4 May 2017.

⁵ Daily Nation, 4 May 2017.

⁶ Source, journalist, Nairobi

⁷ Source, journalist, Nairobi

⁸ Source, journalist, Nairobi

Since becoming senator in 2013, Sonko has become extremely popular in Nairobi, mainly due to his record of largesse and standing up for Nairobi's poorest communities.⁹

*"He has huge support in the slums largely because he stands up for slum dwellers every time the government tries to demolish their homes. Sonko came to prominence as a key ally of Kenyatta having led public attacks against the **International Criminal Court (ICC)**."*¹⁰

Despite his popularity, senior Jubilee Party officials do not back Sonko's candidacy.

*"Despite his colourful political career and meteoric rise, he is plagued by a chequered past."*¹¹

Notably, Sonko has a fraud conviction.¹² There is still uncertainty whether Sonko escaped prison in 1998 or whether he served his full term.¹³ The uncertainty over Sonko's criminal record is due in part to numerous name changes.¹⁴ In 2010, a **United States (US)** embassy report named Sonko amongst government officials suspected of active involvement in the drug trade.¹⁵ Sonko has faced other allegations including that he purchased the university qualification required to stand for governor.¹⁶

*"These are some of the reasons the party's top brass is not giddy on giving the governorship party ticket to Sonko and hence the need to look for an alternative candidate. Those party leaders that do back Sonko tend to do so out of opposition to Kenneth rather than because they want Sonko."*¹⁷

Those Jubilee Party officials backing Kenneth have put a number of obstacles in Sonko's way. Notably, they prevented him initially from securing a good conduct certificate from the **Kenya Police Service**.¹⁸ A good conduct certificate states that an individual has not been involved in criminal activity during the past six months and is a prerequisite for candidates running for office. Education officials also "frustrated" Sonko's efforts to have his academic record authenticated.¹⁹ In April, Kenyatta asked a rally in **Murang'a County** to "pray" for one of their own to be the next Nairobi governor.²⁰ Political analysts interpreted this as an endorsement of Kenneth, despite Kenyatta's previously close ties to Sonko. Murang'a County is dominated by Kikuyus and is Kenneth's ancestral home; Sonko is an ethnic **Kamba**. Sonko has, however, resisted all pressure to step aside for Kenneth. He will face incumbent governor **Evans Kidero**, who secured a direct nomination from the ODM, in the August election.²¹

Kenneth plans to stand in Nairobi as an independent candidate. Kenneth is one of 4,950 candidates who have applied to the **Registrar of Political Parties** to stand as independents.²² This is 10 times as many independent candidates as during the 2013 general election.²³ Many of the independent candidates are incumbent members of the national assembly and senate.²⁴ The **Election Laws (Amendment) Act 2016** restricted the ability of candidates to join rival parties, encouraging them to stand as independents instead. However, the main reason for the increase is the merger of the **Jubilee**

⁹ Source, journalist, Nairobi

¹⁰ Source, political analyst, Nairobi

¹¹ Source, journalist, Nairobi

¹² The Standard, 29 Nov 2010.

¹³ www.capitalfm.co.ke

¹⁴ www.capitalfm.co.ke

¹⁵ Source, journalist, Nairobi

¹⁶ Source, journalist, Nairobi

¹⁷ Source, journalist, Nairobi

¹⁸ Source, journalist, Nairobi

¹⁹ Source, journalist, Nairobi

²⁰ Daily Nation, 22 May 2017.

²¹ Daily Nation, 22 May 2017.

²² The Standard, 22 May 2017.

²³ The Standard, 22 May 2017.

²⁴ The Standard, 22 May 2017.

Alliance coalition into the Jubilee Party.²⁵ Constituent members of the former Jubilee Alliance contested the same seats in 2013. However, the Jubilee Party has put forward only one candidate for each seat. Candidates defeated during the Jubilee Party primaries have resorted to standing as independents. Independent candidates have founded the **Kenya Alliance of Independent Candidates (KAIC)** to act as a unified political bloc.²⁶ While technically independent, KAIC is backing Kenyatta and his running mate, deputy president **William Ruto**.²⁷ Analysts have said there are two main consequences to the increased number of independents.²⁸ During the election, it will increase the administrative burden and logistical challenge facing the IEBC.²⁹ Following the election, it will negatively impact the next government's policy agenda as it will need to build parliamentary alliances to pass legislation.³⁰

The key election campaign dates include the publication of a final official candidate list on 17 June, and three live television debates between the presidential candidates on 10, 17 and 24 July. Kenyatta is the early favourite to win the presidential election. However, headline developments with regard to his record of curbing government corruption and addressing concerns about living costs may boost Odinga over the next few weeks. It is likely that no party will win an outright majority in the national assembly leading to the sort of post-election alliances seen since 2013. Local elections are harder to call, and will be determined as much by local personalities as local politics.

Kenyatta attends launch of Chinese Belt and Road initiative

Kenyatta was one of only two **African** heads of state to attend the **Chinese** government's launch of its flagship **Belt and Road** infrastructure initiative in **Beijing** on 14 and 15 May.³¹ Kenyatta has continued his predecessor Kibaki's 'Look East' policy, which has come at the expense of US influence in Kenya. Commercial and political ties between China and **Kenya** have deepened in recent years, though Kenya's international debt burden is increasingly politically sensitive. The Belt and Road initiative is a central plank of President **Xi Jinping's** (2012-present) foreign policy, involving the financing of \$150 billion of infrastructure investment in countries to China's south and west.³² It aims to create new markets for China-based companies and increase China's spheres of influence.³³ Xi and Kenyatta met on the sidelines of the Belt and Road launch. Xi described Kenya as a leading model of "*China-Africa cooperation*"³⁴ and called for both parties to upgrade their relationship to a "*comprehensive strategic cooperative partnership*".³⁵ Xi called for both parties to contribute to the construction of an industrial corridor integrating the **Mombasa** to Nairobi standard gauge railway (see below), the **Mombasa Port** and the Mombasa special economic zone.³⁶ Xi also called for increased bilateral cooperation on security and international issues.³⁷ Kenyatta said in turn that Kenya is willing to actively participate in Belt and Road projects, and increase cooperating in trade, investment, energy, tourism and infrastructure.³⁸ Kenyatta witnessed the signing of an agreement with China-based **Huawei Technologies** for cloud infrastructure for all government data and service applications.³⁹

²⁵ The Standard, 22 May 2017.

²⁶ The Standard, 22 May 2017.

²⁷ Daily Nation, 22 May 2017.

²⁸ East African, 22 May 2017.

²⁹ East African, 22 May 2017.

³⁰ East African, 22 May 2017.

³¹ KBTv, 16 May 2017.

³² The Economist, 6 May 2017.

³³ The Economist, 6 May 2017.

³⁴ www.ecns.cn

³⁵ www.ecns.cn

³⁶ www.ecns.cn

³⁷ www.ecns.cn

³⁸ www.ecns.cn

³⁹ www.ecns.cn

Kenyatta praised the Belt and Road initiative as a development model for Africa, claiming its infrastructure development will open up trade and investment opportunities while facilitating regional integration.⁴⁰ Kenyatta, however, called on China to do more to address its trade deficit with Africa.⁴¹ Kenya, in 2015, imported \$5.9 billion worth of Chinese goods but exported only \$99m worth of goods.⁴² Africa as a whole, in 2015, recorded a \$34 billion deficit with China and total trade of \$172 billion.⁴³ Kenyatta said,

“[The] trade deficit is an issue of concern and we will be pushing to see how we can increase opportunities for Kenyan goods to penetrate the Chinese market. The [Chinese government] is beginning to appreciate that, if their win-win strategy is going to work, it must mean that, just as Africa opens up to China, China must also open up to Africa.”⁴⁴

Kenyatta has looked to China as a less-burdensome source of financing than the US which often imposes conditions on its lending. The US government, for instance, suspended direct aid to the health ministry over concerns about corruption and financial mismanagement on 10 May.⁴⁵ The suspended financing is worth \$21m.⁴⁶ US ambassador **Robert Godec** said the suspended funds covered money for salaries and wages, operations, and domestic and international travel.⁴⁷ Godec confirmed that the US will continue to support health programmes outside the remit of the health ministry. Total US funding for the Kenyan health sector is approximately \$650m.⁴⁸ The US embassy in Kenya cited unspecified concerns about corruption and weak accounting procedures and controls for the suspension.⁴⁹ In October, a leaked treasury audit report claimed that the health ministry could not account for 5 billion Kenyan shillings (KSh) (\$49m).⁵⁰ The audit also alleged that unnamed politically exposed persons had benefited from winning inflated contracts from the health ministry.⁵¹ Health ministry cabinet secretary **Cleopa Mailu** has said the government is working with its US counterparts to improve financial management in the ministry.⁵² The health sector has become increasingly politicised in recent months as doctors in public hospitals went on strike between December and March demanding a pay increase and improved working conditions.⁵³

The increased dependence on China has impacted the make-up of Kenya’s debt burden. The **Central Bank of Kenya (CBK)** published quarterly economic data on 14 May showing the denomination of the government’s external debt at the end of the second quarter of the 2016/2017 financial year.⁵⁴ The sustainability or otherwise of Kenya’s external debt is politically sensitive ahead of the general election. According to the CBK, total external debt stood at KSh1.83 trillion (\$17.7 billion) at the end of 2016.⁵⁵ The yuan-denominated portion of Kenya’s external debt doubled during the second quarter from 3.9% to 6.6%.⁵⁶ This was due to the disbursement of a \$200m yuan-denominated semi-concessional loan during this period.⁵⁷ Total debt to China amounted to KSh 361.6 billion (\$3.5 billion) or 19.4% of total external debt.⁵⁸ US dollar-denominated debt increased as a proportion of

⁴⁰ www.ecns.cn

⁴¹ Financial Times, 15 May 2017.

⁴² Financial Times, 15 May 2017.

⁴³ Financial Times, 15 May 2017.

⁴⁴ Financial Times, 15 May 2017.

⁴⁵ Standard, 10 May 2017.

⁴⁶ Standard, 10 May 2017.

⁴⁷ Daily Nation, 10 May 2017.

⁴⁸ Daily Nation, 10 May 2017.

⁴⁹ Standard, 10 May 2017.

⁵⁰ Standard, 10 May 2017.

⁵¹ Standard, 10 May 2017.

⁵² Standard, 10 May 2017.

⁵³ Standard, 10 May 2017.

⁵⁴ www.businessdailyafrica.com

⁵⁵ www.businessdailyafrica.com

⁵⁶ www.businessdailyafrica.com

⁵⁷ www.businessdailyafrica.com

⁵⁸ www.businessdailyafrica.com

total debt from 59.9% to 63.1%.⁵⁹ All other hard currencies decreased as a proportion of total debt. Yen-denominated debt decreased from 8.4% of the total at the start of the quarter to 7.7%, **British** pound-denominated debt decreased from 5.1% to 3.5%, and euro-denominated debt from 22.2% to 18.8%.⁶⁰

An exact cost-benefit analysis of Kenya's participation in the Belt and Road initiative is not currently possible. China's strategy under the initiative is unclear. However, it appears that it will prioritise projects in **Central Asia** with Africa very much a secondary priority. The commercial terms of its projects are equally uncertain.

Mombasa to Nairobi standard gauge railway carries first passengers

The \$3.8 billion standard gauge railway carried its first passengers between Mombasa and Nairobi on 31 May.⁶¹ While the standard gauge railway will facilitate the movement of passengers, freight services may not start until December, curbing the immediate economic impact of the railway. Currently passenger journey times are nine hours by bus – along an especially dangerous road – and 12 hours by the dilapidated **Rift Valley Railway (RVR)** narrow gauge railway.⁶² The railway passenger service along the 480 km route will take only five hours.⁶³ During the first six months of operation, the government will offer a discounted one-way fare of KSh600 (\$5.80).⁶⁴ However, the Chinese government, who financed **China Road and Bridge Corp's** construction of the standard gauge railway through commercial and concessional loans from the **Export-Import Bank of China (China Exim)**, has recommended fares of KSh4,500 (\$43.50).⁶⁵ The Kenyan government is concerned that setting tariffs too low will provide unfair competition to bus companies and road hauliers, and potentially require the government to extend fiscal subsidies.⁶⁶ Setting tariffs too high could result in underutilisation of the standard gauge railway.⁶⁷ The government hopes that once operational, the standard gauge railway will handle 40% of cargo from Mombasa Port compared to the 3% currently handled by the RVR.⁶⁸ Work on the second leg of the railway between Nairobi and **Naivasha** is due to begin in July or August. In May, the Kenyan government requested \$3.6 billion from China Exim for the third phase to **Kisumu**.⁶⁹

During the election campaign, Kenyatta will hold up the standard gauge railway as an example of his government's record of delivering flagship infrastructure projects. Its longer-term success will, however, depend on appropriate tariff-setting and the capacity of the current and future administrations to manage it safely and efficiently.

⁵⁹ www.businessdailyafrica.com

⁶⁰ www.businessdailyafrica.com

⁶¹ Daily Nation, 31 May 2017.

⁶² Daily Nation, 31 May 2017.

⁶³ Daily Nation, 31 May 2017.

⁶⁴ EIU, 28 May 2017.

⁶⁵ EIU, 28 May 2017.

⁶⁶ EIU, 28 May 2017.

⁶⁷ EIU, 28 May 2017.

⁶⁸ EIU, 28 May 2017.

⁶⁹ Daily Nation, 31 May 2017.

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