

AFRICA RISK CONSULTING

Kenya Monthly Briefing August 2021

Kenya Summary 12 August 2021

President Uhuru Kenyatta (2013-present) continues to grapple with the Covid-19 pandemic by extending curfews and procuring additional Covid-19 vaccines. International travel in and out of Kenya remains under some restrictions with Kenya's continued inclusion in the United Kingdom's (UK) "red list" causing frustration to many. The Central Bank of Kenya (CBK) Monetary Policy Committee (MPC) keeps the interest rate stable at 7%. Opportunities to invest in Kenya's mining sector remain; however, the moratorium on the issuance of new prospecting licences in place since November 2019 continues to slow the development of the sector.

Lockdown continues amid the search for additional vaccine doses ...

President **Uhuru Kenyatta** (2013-present) and his administration continue to fight a challenging battle against the **Covid-19** pandemic. Confirmed deaths associated with the pandemic have surpassed 4,200 in **Kenya's** population of roughly 55 million¹ and rates of positive Covid tests exceeded 17% in early August.² With cases still rising and Covid vaccination levels low, the **United Kingdom (UK)** has kept Kenya on its "red list" of countries from which travellers are banned from entering the UK.³ There is no indication at this point that Kenya has sufficient control over the spread of the virus to warrant removal from the red list in the foreseeable future.

However, Kenya is putting in place measures to limit the importation of the coronavirus from other countries. Partially state-owned **Kenya Airways** announced on 2 August that it would wait another 30 days before re-considering re-starting scheduled flights to **India**.⁴ Health cabinet secretary **Mutahi Kagwe** announced on 30 July the extension of the nationwide 10pm-4am curfew.⁵ Additionally, more stringent county-specific curfews and restrictions are being imposed, with **Elgeyo Marakwet** now under a 6pm-6am curfew and all public gatherings banned.⁶

While social restrictions aim to slow the spread of the virus, the government is also working to procure additional doses of Covid-19 vaccines. To this end, Kenya received 410,000 doses of **AstraZeneca** Covid-19 vaccine from the UK on 31 July⁷ and 182,000 doses of AstraZeneca from **Greece** on 5 August.⁸ As part of the government's vaccination programme, it is actively encouraging citizens to be vaccinated. Public service head **Joseph Kinyua** announced on 10 August that civil service workers who refuse to be vaccinated before 23 August risk disciplinary action.⁹ Barring unvaccinated employees from their place of work is not commonplace globally, and it is unclear how people will react in a country where levels of vaccine hesitancy were, initially at least, believed to be quite high. On the upside, however, the government has announced that salaried employees who lose their jobs will now be eligible to access funds from the yet to be established government-backed

¹ Nation, 10 Aug 2021

² Nation, 4 Aug 2021

³ Business Daily, 19 Jul 2021

⁴ Business Daily, 2 Aug 2021

⁵ The East African, 30 Jul 2021

⁶ Nation, 6 Aug 2021

⁷ Nation, 31 Jul 2021

⁸ Nation, 5 Aug 2021

⁹ Nation, 10 Aug 2021

Unemployment Insurance Fund.¹⁰ In a country with high unemployment rates, both official and unofficial, it remains to be seen how such an initiative will be viewed once implemented.

Social restrictions have been commonplace in Kenya for close to 18 months and now appear to be accepted as a part of life. Hotels, restaurants and businesses have all adapted their working conditions where possible, to minimise the spread of the virus. However, the economic impact of the pandemic, which has seen the country take on substantial debt, will continue for many years.

Central Bank holds rate at 7% ... again

The **Central Bank of Kenya (CBK) Monetary Policy Committee (MPC)** decided at its bi-monthly meeting on 28 July to keep the central bank's interest rate at 7%, having held the rate at this mark for over a year. The MPC focused heavily on the mid- to long-term impact of the coronavirus pandemic, noting the global economy is expected to rebound strongly in 2021, largely supported by the deployment of Covid-19 vaccines and relaxation of Covid-19 containment measures:

*"Nevertheless, the pace of recovery of the global economy remains uneven across countries, and is dependent on the evolution of the pandemic particularly following a resurgence of new variants."*¹¹

The MPC expressed optimism that Kenya's economic reform would be boosted by recoveries in its manufacturing sector and the re-opening of key services sectors. Economic indicators also remained relatively consistent; inflation increased from 5.9% in May to 6.3% in June, with the majority of the increase attributed to fuel and food price increases. Export of goods grew by 11.1% in the first half of 2021 compared to the first six months of 2020. Reassuringly, foreign exchange reserves are sufficient to cover 5.72 months of imports. Businesses continued to steady with the ratio of non-performing loans standing at 14% compared to 14.2% in April, and private sector credit continues to increase.¹²

Leading up to the bi-monthly MPC meetings, the CBK undertakes a **Market Perceptions Survey** of private sector respondents and as of March also undertakes a survey of chief executive officers (CEO). Respondents in the latest survey broadly expressed higher degrees of optimism compared to the May survey, particularly around growth in the global economy, the Kenyan economy, their own sector and their own business. Specifically, 58% of CEOs surveyed expected higher growth prospects for their own company in the next 12 months, while 50% anticipated higher growth for their sector more broadly, 45% expected growth for the country and 68% expected higher growth for the global economy. This was largely spurred by the continued global rollout of Covid-19 vaccines. Key concerns expressed by respondents focused on how the pandemic impacted cash flow, and increased politicking in Kenya in the lead up to the election campaign period. The CEOs surveyed also expressed concern relating to consumer demand.¹³

The Market Perceptions Survey noted that respondents were expecting economic activities to increase in July and August, compared to May and June, with economic growth across all key sectors. However, the rising price of oil was flagged as a key concern to business. Interestingly, respondents said they had revised their economic growth projections upwards for the rest of 2021, showing sustained optimism for the country's economy. Banks expected private sector credit growth to continue to increase in 2021 when compared to 2020, and there was optimism that economic growth opportunities in the country remained high.

Despite signs of optimism around the short to midterm outlook for the Kenyan economy, the pandemic continues to cause uncertainty. The speed and efficacy of vaccine rollouts will be a key determinant in the normalisation of the global and Kenyan economies throughout 2021 and 2022.

¹⁰ Business Daily, 16 Jul 2021

¹¹ Central Bank of Kenya, 28 Jul 2021

¹² Central Bank of Kenya, 28 Jul 2021

¹³ Monetary Policy Committee CEO Survey, July 2021

Mining in Kenya on the rise?

Increased interest from abroad in Kenya's mining sector prospects came with the 22 July announcement that Kenya is one of the countries that will benefit from the **European Union's** power fund, which is providing funds for **East African** countries to develop their geothermal sectors.¹⁴ Kenya's mining sector is largely underdeveloped, with the sector estimated to currently contribute less than 1% of gross domestic product (GDP).¹⁵ The largest investor in the sector is **Australian** stock exchange listed **Base Titanium**, which operates a heavy mineral sands mine in **Kwale**. The company announced on 24 July that it had won a legal battle with **Mombasa** county over the imposition of cess fees on its trucks.¹⁶ Further interest in Kenya's mining sector was demonstrated by gold mining company **Mayflower Gold's** announcement on 29 July that it plans to list on both the **Nairobi** and **London** (UK) stock exchanges.¹⁷ Although geothermal is gas, it is classified in most countries as mining, rather than as part of the oil and gas sector.

Despite the recent uptick in interest in Kenya's mining sector, the petroleum and mining ministry has yet to remove the moratorium on issuing new prospecting licences it imposed in November 2019.¹⁸ Although the moratorium was intended to give the government time to verify existing licence holders, it continues to act as a deterrent to new investment in the sector and has slowed down expansion plans for operating mines. Bodies such as the **Kenya Chamber of Mines (KCM)** continue to lobby the government to end the moratorium. KCM chief executive officer **Moses Njeru** noted in August 2020:

*"The confidence of foreign investors with Kenya as a prospective mining destination is extremely low because of challenges with licensing and laws that are not conducive for large scale investments."*¹⁹

Kenya has not issued a new mining licence (giving companies the ability to construct and ultimately mine) since 2015. All new mining activities since that time have been issued under gazette notice. With a recent uptick in appetite for the country's mining sector, the government now has an opportunity to amend some of these regulatory hurdles if it wants to develop the country's mining sector.

¹⁴ The East African, 22 Jul 2021

¹⁵ Ventures Africa, 17 Aug 2020

¹⁶ The East African, 24 Jul 2021

¹⁷ Business Daily, 29 Jul 2021

¹⁸ Business Daily, 16 Aug 2020

¹⁹ Ventures Africa, 17 Aug 2020

Planner

September 2021 Nairobi (**Kenya**) **Central Bank of Kenya** Monetary Policy Committee meeting (TBA);

2022 (**Kenya**) General elections

Chronology

11 Aug 2021 **Nairobi (Kenya)** *Business Daily*. Delays in connecting the **Lake Turkana Wind Power** facility to the national grid have cost taxpayers KSh 18 billion (\$164m);

10 Aug 2021 **Nairobi (Kenya)** *The East African*. **Somalia's** prime minister, **Hussein Roble**, arrives in **Mombasa** ahead of a meeting with President **Uhuru Kenyatta**;

10 Aug 2021 **Nairobi (Kenya)** *Nation*. Confirmed deaths linked to **Covid-19** surpass 4,200 as the head of the public service **Joseph Kinyua** announces that civil service workers who refuse to be vaccinated before 23 August risk disciplinary action;

9 Aug 2021 **Nairobi (Kenya)** *Business Daily*. Cabinet secretary for trade **Betty Maina** announces that **Kenya** will target exporting avocados to **South Korea** from March 2022 as part of Kenya's horticulture expansion plans;

6 Aug 2021 **Nairobi (Kenya)** *The East African*. **Tanzanian** maize imports to **Kenya** increased six-fold in May following the visit by Tanzania's President **Samia Suluhu**;

6 Aug 2021 **Nairobi (Kenya)** *Nation*. The government imposes a 6pm – 6am curfew in **Elgeyo Marakwet** and bans public gatherings;

5 Aug 2021 **Nairobi (Kenya)** *Nation*. **Kenya** receives 182,000 doses of **AstraZeneca Covid-19** vaccine from **Greece**;

5 Aug 2021 **Nairobi (Kenya)** *Nation*. Confirmed deaths linked to **Covid-19** surpass 4,000 in **Kenya**;

4 Aug 2021 **Nairobi (Kenya)** *Nation*. The percentage of those tested for **Covid-19** showing a positive result has increased to 17.5%;

2 Aug 2021 **Nairobi (Kenya)** *Business Daily*. **Nairobi**-headquartered **East African Breweries Limited** has acquired an additional 30% stake in its **Tanzanian** subsidiary, **Serengeti Breweries**, increasing the company's ownership stake from 55% to 85%;

6 Aug 2021 **Nairobi (Kenya)** *Nation*. Deputy president **William Ruto** is barred from flying to **Uganda** due to government protocols associated with foreign travel;

2 Aug 2021 **Nairobi (Kenya)** *Business Daily*. Partially state-owned **Kenya Airways** will wait another 30 days before re-considering re-starting scheduled flights to **India**;

31 Jul 2021 **Nairobi (Kenya)** *Nation*. **Kenya** receives 410,000 doses of **AstraZeneca Covid-19** vaccine from the **United Kingdom (UK)**;

30 Jul 2021 **Nairobi (Kenya)** *The East African*. Health cabinet secretary **Mutahi Kagwe** announces that the nationwide 10pm – 4am curfew is extended again;

29 Jul 2021 **Nairobi (Kenya)** *The East African*. The monetary policy committee of the **Central Bank of Kenya** has again held interest rates steady at 7%;

29 Jul 2021 **Nairobi (Kenya)** *Business Daily*. Gold mining company **Mayflower Gold** announces plans to list on the **Nairobi** and **London** stock exchanges;

28 Jul 2021 **Nairobi (Kenya)** *The East African*. **Kenya** and the **United Kingdom (UK)** sign a five-year **Defence Cooperation Agreement** to help tackle insecurity across east Africa;

28 Jul 2021 **Nairobi (Kenya)** *Business Daily*. **United Kingdom (UK)**-based insurance

underwriter **Prudential Plc** has announced that **Nairobi** will be the company's new **Africa** headquarters as part of its commitment to the **Nairobi International Financial Centre**;

27 Jul 2021 **Nairobi (Kenya)** *Business Daily*. Shoe manufacture **Nairobi Business Ventures** is planning to set up a KSh 15 billion (\$137m) cement factory in **Machakos** following its announcement that it plans to diversify its investments;

27 Jul 2021 **Nairobi (Kenya)** *Nation*. President **Uhuru Kenyatta** meets with **United Kingdom (UK)** prime minister **Boris Johnson** as part of a state visit to the UK and announces that the UK will invest KSh 8.7 billion (\$79m) into **Big Four** projects in **Kenya**;

26 Jul 2021 **Nairobi (Kenya)** *Business Daily*. **Nairobi's Fairview Hotel, Town Lodge and City Lodge Two Rivers** have been sold to **United Kingdom (UK)**-headquartered private equity fund **Actis** for KSh 1 billion (\$9.15m)

24 Jul 2021 **Nairobi (Kenya)** *The East African*. **Australian** stock exchange-listed **Base Titanium**, which operates a heavy mineral sands mine in **Kwale**, wins its legal battle with **Mombasa** county over the imposition of cess fees on its trucks;

23 Jul 2021 **Nairobi (Kenya)** *Business Daily*. President **Uhuru Kenyatta** announces several changes in the country's military leadership;

22 Jul 2021 **Nairobi (Kenya)** *The East African*. **Kenya** is one of the countries that will benefit from the **European Union's** power fund, which is providing funds for **East African** countries to develop their geothermal sectors;

19 Jul 2021 **Nairobi (Kenya)** *Business Daily*. The **United Kingdom (UK)** announces that **Kenya** will remain on the "red list" of countries from which travellers are banned from entering the UK to curb the spread of **Covid-19**;

16 Jul 2021 **Nairobi (Kenya)** *Business Daily*. Salaried employees who lose their jobs will now be eligible to access money from the soon to be established government backed **Unemployment Insurance Fund**;

15 Jul 2021 **Nairobi (Kenya)** *Business Daily*. Foreign direct investment into **Kenya** decreased by \$381m in 2020 due in large part to the **Covid-19** pandemic.

About Africa Risk Consulting:

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Getting in touch

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

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