

## AFRICA RISK CONSULTING

### Kenya Monthly Briefing December 2021

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#### Kenya Summary 13 December 2021

*President Uhuru Kenyatta (2013-present) and his administration continue to encourage citizens to get vaccinated against Covid-19. As of 21 December, proof of Covid-19 vaccination is required for admission to hotels, bars, restaurants, national parks and game reserves. The monetary policy committee of the Central Bank of Kenya keeps interest rates at 7% for the 11<sup>th</sup> consecutive meeting. Kenyatta visits Tanzania, Ethiopia and South Africa, and receives United States (US) secretary of state Antony Blinken. Kenya's 9 August elections will be the focus of 2022 and are likely to be a battle between deputy president William Ruto and opposition Orange Democratic Movement (ODM) leader Raila Odinga.*

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#### Covid-19 restrictions ease as vaccination rate rises ...

Kenya's government continues to encourage vaccination against **Covid-19** while turning its attention to stabilising the country's economy in the lead up to elections in August 2022. Following the 20 October announcement that the nationwide curfew was lifted (see *ARC Briefing Kenya October 2021*), case numbers and deaths attributed to **SARS-Cov-2** continue to rise, with confirmed cases surpassing 256,000 and confirmed Covid-19-related deaths exceeding 5,340.<sup>1</sup> Vaccination rates continue to increase, with 11.9% of adults now fully vaccinated across the country.<sup>2</sup> Health cabinet secretary **Mutahi Kagwe** announced on 22 November that as of 21 December, proof of Covid-19 vaccination is required for admission to hotels, bars and restaurants, national parks and game reserves.<sup>3</sup>

In response to the detection of the **omicron** variant, Kenya has implemented additional measures to curb the spread of the virus. The health ministry announced on 26 November that arrivals from **South Africa, Namibia, Lesotho, Botswana, Eswatini** and **Zimbabwe** must take a rapid Covid-19 test on arrival in Kenya.<sup>4</sup> The variant has not led to increased measures to contain the virus within the country, but instead health authorities are attempting to limit its importation into the country. The health ministry stated on 29 November that Kenya had no plans to ban international flights because of the latest variant.<sup>5</sup>

#### ... amid focus on the economy ...

Amid the ongoing health crisis, the government continues to work to stabilise the economy. The monetary policy committee of the **Central Bank of Kenya** decided at its meeting on 29 November to keep interest rates at 7% for the 11<sup>th</sup> consecutive meeting.<sup>6</sup> During the meeting it also resolved that the current \$9.35 billion in foreign exchange reserves, providing 5.72 months of import cover, continues to be adequate to protect the country for any changes in the foreign exchange market. Debt servicing continues to be front of mind with debt service costs expected to surge by 22% this fiscal year, hampered by the Kenya shilling having depreciated by over 7% in 2021. Any further decline in

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<sup>1</sup> Nation, 12 Dec 2021

<sup>2</sup> Nation, 12 Dec 2021

<sup>3</sup> The East African, 22 Nov 2021

<sup>4</sup> Nation, 26 Nov 2021

<sup>5</sup> The East African, 29 Nov 2021

<sup>6</sup> Nation, 29 Nov 2021

the value of the shilling against the **United States (US)** dollar will place additional pressure on the country.<sup>7</sup>

The banking sector continues its efforts to support customers impacted by the pandemic. On 26 November, **Kenya's Co-operative Bank** received a \$56m soft loan from the **European Investment Bank** for lending to their customers who are attempting to recover from the pandemic.<sup>8</sup> Moves to stabilise the financial fortunes of businesses will assist economic recovery and ensure that unemployment does not continue to rise. Borrowing at state level, however, continues to remain cause for concern. As general elections in 2022 approach, it is anticipated that short-term thinking will prevail; borrowing is likely to continue while President Kenyatta's successor will face the challenge of repaying the mounting debt.

### ... and steps to strengthen regional relations

President Kenyatta continues to court his neighbours in his final year in office. On 14 November he met **Ethiopia's** prime minister, **Abiy Ahmed** (2018-present), in **Addis Ababa** to discuss the ongoing conflict in Ethiopia. Regional security, as well as any spillover of refugees and asylum seekers into Kenya, would have been front of mind for Kenyatta during his conversation with Ethiopia's leader.<sup>9</sup> In early December, Kenyatta and other **East African** leaders travelled to **Tanzania** to celebrate the country's 60<sup>th</sup> year of independence. Kenyatta used the trip as an opportunity to sign several bilateral agreements in areas including immigration, investment, health, housing and development, prisons and veterinary control at the two countries' border.<sup>10</sup> Relations with **Uganda**, however, remain strained. On 16 November a Kenyan delegation delayed its trade mission to Uganda until matters pertaining to sugar and milk imports are resolved.<sup>11</sup>

President Kenyatta travelled to **South Africa** on 22 November to meet with President **Cyril Ramaphosa** (2018-present) as part of a state visit. The two presidents used the visit to call for peace in Ethiopia. President Kenyatta also visited **Aspen Pharmicare's** factory in **Port Elizabeth (Eastern Cape)**, which is producing **Johnson & Johnson** vaccines.<sup>12</sup>

Kenyatta also received US secretary of state **Antony Blinken** on 14 November. Blinken visited Kenya to discuss a number of matters including climate change and the pandemic.<sup>13</sup> Just three weeks after the high-level visit, President **Joseph Biden** (2021-present) nominated former **Hewlett-Packard** chief executive officer **Margaret Cushing Whitman** as the US ambassador to Kenya.<sup>14</sup> The nomination of a former senior business executive is viewed as a sign that the bilateral relationship will focus on trade and investment opportunities between the two countries.

### 2021 and beyond ...

The past year has been dominated by the impact of the Covid-19 pandemic. Kenya, like neighbouring **Rwanda** and Uganda, took a hard-line approach to the pandemic. This saw the government impose restrictions on movement and social activity, including curfews, travel restrictions (both international and between counties) and lockdowns. The focus for the past few months has been on increasing the rate of vaccination against Covid-19, and throughout 2022 it will turn to encouraging those Kenyans who are vaccinated to receive their booster injections when available.

Increased levels of debt, exacerbated by the pandemic, have been cause for concern throughout the year. Concern revolves around the ability of the government to pay its debt and around the risk of misappropriation of funds. The **International Monetary Fund** currently assesses Kenya's debt

<sup>7</sup> Bloomberg, 16 Nov 2021

<sup>8</sup> The East African, 26 Nov 2021

<sup>9</sup> The East African, 14 Nov 2021

<sup>10</sup> The Citizen, 11 Dec 2021

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

<sup>12</sup> Africa News, 24 Nov 2021

<sup>13</sup> The East African, 14 Nov 2021

<sup>14</sup> Nation, 9 Dec 2021

situation as sustainable, but with a high risk of debt-related distress. With ongoing borrowing likely, particularly in the lead up to the 2022 elections, it is realistic to suggest that short-term political wins will prevail over long-term repayment concerns.

As Kenya looks towards 2022, the focal point is the 9 August elections where voters will elect a new president, members of the **National Assembly** and **Senate**, as well as governors and members of the county assemblies. Voter registration commenced in October with the **Independent Electoral and Boundaries Commission (IEBC)** working to register new voters. With President Kenyatta required to stand down having completed his two five-year terms in office as per the constitution, a competitive campaign and election is likely to dominate 2022. Politicking has already begun, with the 10 December announcement by **Orange Democratic Movement (ODM)** leader **Raila Odinga** that he will be running as a presidential candidate. This will be Odinga's fifth attempt at the presidency. Other key politicians expected to throw their hat in the ring include current deputy president **William Ruto**, who like Odinga is a long-time politician. Polling conducted in November 2021 by **Nairobi**-based polling firm **TIFA** notes that Ruto has a significant lead over Odinga, leading him 38% to 23% among those surveyed.<sup>15</sup>

The impact of the election on business is likely to be significant. In Kenya it is common to see investors either scale back or delay their investments in the six months leading up to the election. Depending on the outcome of the election, this slowdown can continue for months following the election, particularly if there is any dispute over the results. Investors and citizens alike are all too aware of the violence that surrounded the 2017 elections; with no incumbent running, politicking is going to be fierce. The business community will also be hit with a slowdown in government business when campaigning heats up. Although the bureaucracy is supposed to maintain the running of government, with parliament not sitting and key political decision makers distracted, key decisions are more than likely to be delayed until a new administration is sworn in.

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<sup>15</sup> Bloomberg, 19 Nov 2021

## Planner

Jan 2022 (TBA) **Nairobi (Kenya) Central Bank of Kenya** Monetary Policy Committee meets  
 9 August 2022 **(Kenya)** General elections

## Chronology

12 Dec 2021 **Nairobi (Kenya) Nation**. Confirmed cases of **coronavirus** surpass 256,00 and confirmed deaths exceed 5,340, with 11.9% of adults now fully vaccinated against Covid-19;

11 Dec 2021 **Dar es Salaam (Tanzania) The Citizen**. President **Uhuru Kenyatta** uses his trip to **Tanzania** as an opportunity to sign a number of bilateral agreements in areas including immigration, investment, health, housing and development, prisons and veterinary control at the two countries' border;

10 Dec 2021 **Nairobi (Kenya) Nation**. **Ken Osinde**, chief of staff to deputy president **William Ruto**, dies at **Nairobi Hospital**;

10 Dec 2021 **Nairobi (Kenya) Nation**. Opposition **Orange Democratic Movement (ODM)** leader **Raila Odinga** officially announces his bid for the presidency in the 2022 elections at the **Kasarani Azimio la Umoja** convention;

9 Dec 2021 **Nairobi (Kenya) Nation**. President **Joseph Biden** nominates former **Hewlett-Packard** chief executive officer **Margaret Cushing Whitman** as ambassador to **Kenya**;

9 Dec 2021 **Nairobi (Kenya) The Standard**. **Central Bank of Kenya** says the remainder of Kenya-based commercial bank **Imperial Bank** will be liquidated following an external audit that found it was the only feasible choice given the bank's weak financial position;

4 Dec 2021 **Nairobi (Kenya) Nation**. At least 20 people die after a school bus veers into the **River Enziu**;

30 Nov 2021 **Nairobi (Kenya) Nation**. President **Uhuru Kenyatta** delivers his state of the union address to a joint sitting of parliament;

29 Nov 2021 **Nairobi (Kenya) Nation**. The **Central Bank of Kenya** keeps interest rates at 7% for the 11<sup>th</sup> consecutive meeting;

29 Nov 2021 **Nairobi (Kenya) The East African**. The ministry for health announces that there are no plans to ban international flights as a result of the **Omicron** variant of the **coronavirus**;

26 Nov 2021 **Nairobi (Kenya) Nation**. The ministry of health announces that arrivals from **South Africa, Namibia, Lesotho, Botswana, Eswatini** and **Zimbabwe** must take a **Covid-19** test upon arrival in **Kenya**;

26 Nov 2021 **Nairobi (Kenya) The East African**. **Kenya's Co-operative Bank** has received \$56m from the **European Investment Bank** for lending to those attempting to recover from the economic impact of the Covid-19 pandemic;

22 Nov 2021 **Nairobi (Kenya) The East African**. President **Uhuru Kenyatta** undertakes a state visit to meet with **South Africa's** President **Cyril Ramaphosa**;

22 Nov 2021 **Nairobi (Kenya) The East African**. Health cabinet secretary **Mutahi Kagwe** announces that proof of **Covid-19** vaccination will be required for admission into hotels, bars and restaurants, national parks and game reserves by 21 December;

19 Nov 2021 **Nairobi (Kenya) The East African**. Dual nationals are now banned from serving in **Kenya's** foreign service;

16 Nov 2021 **Nairobi (Kenya)** *Bloomberg*. Debt service costs, which are expected to surge by 22% this fiscal year, are set to rise even further as the **Kenyan shilling** sinks to all-time lows against the **United States (US)** dollar;

16 Nov 2021 **Nairobi (Kenya)** *The East African*. The **Kenyan** delegation has delayed its trade mission to **Uganda** until matters pertaining to sugar and milk imports are resolved;

14 Nov 2021 **Nairobi (Kenya)** *The East African*. President **Uhuru Kenyatta** and **Ethiopia's** prime minister, **Abiy Ahmed**, meet in **Addis Ababa** to discuss the ongoing conflict in **Ethiopia**;

12 Nov 2021 **Nairobi (Kenya)** *The East African*. **United States** secretary of state **Antony Blinken** will visit **Kenya** to discuss climate change and the ongoing **Covid-19** pandemic.

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

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