



 KCS Country Risk & Threat Advisory

KCS Group Europe
Risk & Threat Advisory Paper

Political Risk Advisory Briefing: Kenya
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Corruption

According to the Corruption Perceptions Index (CPI) from Transparency International, Kenya's score is 28/100, with a place of 137th. While its position is definitely better than what it was a decade ago (154th), corruption is still a pervasive problem in all aspects of Kenyan society.

Specific to Kenya, the most prevalent forms of corruption are bribery, favouritism, nepotism, and embezzlement of funds, a survey by the Ethics and Anti-Corruption Commission (EACC) shows. Procurement irregularities, abuse of office, conflict of interest and poor implementation of projects are other forms of corruption being perpetuated in the country. The survey by the EACC also shows that procurement, finance, public service board, roads and public works are the government departments that are most prone to corruption.

However, Kenya's corruption is not just located in government departments. The extent of this endemic problem extends to the highest echelons of Kenya's political elite. In July 2019, Kenya's Finance Minister Henry Rotich and 27 other top officials were arrested on corruption and fraud charges related to a multimillion-dollar project to build two massive dams. Rotich is the first sitting Kenyan minister that has been arrested on corruption charges.

More recently, in August 2020, activists in Kenya embarked on countrywide protests to demand full accountability of all the COVID-19 funds from the government, following media reports of misappropriation of the funds. There have been calls for the President and his government to provide full disclosure and accountability of the Covid-19 funds and equipment from all sources including loans, grants, donations, and support both locally and internationally.

Economy

Kenya is the largest economy in east Africa and the third largest in Sub-Saharan Africa, after Nigeria and South Africa. Its largest sector is agriculture, comprising of a third of Kenya's economy.

While its infrastructure is better than those of its neighbours, Kenya's underdeveloped infrastructure still hampers Kenya's efforts to improve its annual growth. As a result, they have outsourced their infrastructure projects to international infrastructure firms. So, in terms of construction and infrastructure companies, there is a huge market in Kenya and opportunity to win large government contracts.

Government Instability

Compared to other African nations, Kenya's politics have remained relatively stable since its independence in 1963, despite minor spurts of instability. According to the Global Economy site, since 1996 Kenya has scored below zero, with their lowest score being -1.4 in 2009 (the lowest score possible is -2.5).

The most recent spout of instability was during the presidential elections in 2017, when the Supreme Court declared the election null and void due to irregularities, in which Uhuru Kenyatta (the incumbent President) was re-elected. He was also declared the winner of the re-run in October, but that was boycotted by the opposition. At the moment, the political climate in Kenya seems to be relatively stable, despite the Covid-19 pandemic.

Terrorism

According to the FCO website, "Terrorists are very likely to try to carry out attacks in Kenya." Unfortunately, Kenya has experienced much terrorist activity over the past decade.

The main terrorism threat is from extremists linked to Al Shabaab, a militant group in Somalia opposed to the Somali government. Al Shabaab has issued public threats against Kenya due to Kenya's military intervention in Somalia. Their major attacks this decade in Kenya have been the Westgate shopping mall attack in 2013 where over 60 people were killed, and the attack on Garissa University College where 148 people were killed. Most terrorist attacks that have occurred this decade in Kenya have been in the counties of Garissa, Lamu and Mandera and areas close to the Somali border.

Kenyan Culture

An important consideration regarding Kenyan business culture and culture in general is the idea of *Harambee*. Harambee is a concept involving mutual assistance,

responsibility, and community. This sense of community should be stressed here, as the idea of community and collective responsibility permeates through all Kenyan society and through all Kenyan tribes. Therefore, Western firms seeking to enter the Kenyan market need to be aware of Harambee, because if they are not seen as providing this mutual assistance or responsibility to Kenya, then they may find it difficult to operate in the market.

Conclusion

There is a great deal of opportunity here, especially for infrastructure companies, as Kenya has an underdeveloped infrastructure, and is willing to improve and set aside big budgets for projects. However, the downside is it comes with a great deal of risk. The high amounts of corruption within the government and little improvement being made over the last few years to tackle it, means companies would face numerous challenges and risks when entering the market. While companies would undoubtedly experience issues entering and operating in Kenya, the amount of business potential for infrastructure companies is too good an opportunity to miss. As a result, KCS recommends that if one were to venture into these new markets, one should do so with the support and the assistance of a company like KCS. We can navigate through the various grey areas of these difficult markets to ensure the client has as few issues as possible.