



KENYANS HEAD TO THE POLLS IN A TIGHT RACE

AUGUST 4, 2017

SUMMARY

- Kenyans will head to the polls on August 8 to vote for the East African democracy's next president, in addition to governors in 47 counties and members of parliament. Incumbent President Uhuru Kenyatta will go head-to-head against Raila Odinga, who is running for President for the fourth time with promises to revamp Kenya's economy and reduce corruption.
- On July 29, a senior official with the Independent Election and Boundaries Commission (IEBC) was tortured and brutally murdered just days before he was set to publicly test the country's electronic voting system. While both the ruling Jubilee Party and the opposition National Super Alliance (NASA) have called for calm, fears of violence remain, recalling the traumatic election in 2007-2008 that saw significant post-election violence.
- Scrutiny over the election process will be intense, as allegations of vote rigging and fraud have characterized the country's past elections. Kenya is an important anchor in the region, and the international community will be closely watching the vote; both former U.S. Secretary of State John Kerry and former South African President Thabo Mbeki are among the international observers expected in Kenya next week.
- Corruption and the economy are voters' highest concerns going into the election, and recent spikes in food prices and rising national debt are dominant campaign themes. Kenya is the continent's fifth largest economy, but recent economic growth has been uneven and inequality persists.
- The election appears too close to call. Regardless of the outcome, investors can expect pro-business policies going forward, though election-related instability may present challenges in the short-run.

ABOUT ASG

Albright Stonebridge Group (ASG) is the premier global strategy and commercial diplomacy firm. We help clients understand and successfully navigate the intersection of public, private and social sectors in international markets. ASG's worldwide team has served clients in more than 110 countries.

ALBRIGHTSTONEBRIDGE.COM

TENSIONS ARE HIGH AS NASA MAKES GAINS AGAINST JUBILEE

Kenyatta and Odinga are both mainstays of Kenyan national politics, and this will be their second time facing off against each other for the Presidency. Kenyatta is the son of Kenya's first President, Jomo Kenyatta, and Odinga is the son of the country's first Vice President, Jaramogi Odinga. Polling, which six months ago showed Kenyatta with a commanding 20-point lead, now shows a much tighter contest. While both candidates are focused on doing what they can to ensure an outright victory, analysts predict that a run-off is possible. To avoid a run-off, Kenya's constitution dictates that the winner must secure over 50 percent of the total vote in addition to a minimum of 25 percent of the vote in at least 24 of Kenya's 47 counties.

Observers suggest that an outright victory could help avoid post-election violence. Historically, Kenya's elections have sparked high levels of violence across the country. In the 2007 elections, more than 1,000 people were killed and thousands more displaced in unrest following a hotly contested election that many election observers, as well as the Odinga-led opposition, suggested was rigged. While the last election was peaceful, resentment around the fairness of the results still lingers and may boil over if results are once again perceived to be unfair. Against this backdrop, questions surrounding the credibility of this year's election and the potential for associated violence have dominated headlines in recent weeks. There has been speculation of foul play in the July death of Kenya's Secretary for Internal Security and Coordination, Joseph Nkaissery, responsible for overseeing the entire election process and a lead figure in combatting the rising Al-Shabaab threat in coastal regions, a NASA stronghold. Most recently, the IEBC announced the murder of Chris Msando, an electoral commission IT manager in charge of Kenya's computerized voting system. Msando's body was discovered having been tortured and murdered shortly before he was due to oversee a public test of the voting system meant to eliminate any irregularities in advance of the official vote. While reports remain unconfirmed, critics suggest that Msando's death may be related to his perceived leanings towards Odinga and the NASA party, while the murder of a key bureaucrat overseeing the elections was almost certainly intended to put further pressure on IEBC.

A close watch over election day

With such a wrought history of alleged election tampering and violence, scrutiny surrounding the vote on August 8 will be particularly high. More than 1,000 international observers are expected to be in Kenya for the vote. Notably, former South African President Thabo Mbeki will lead the African Union's election observation while former U.S. Secretary of State John Kerry will lead a delegation from the Carter Center. U.S. Representative Karen Bass will join Professor Attihira Jega, former head of Nigeria's electoral commission, and others as part of a delegation of observers sent by the National Democratic Institute. Local civil society organizations are also planning to send observers to polling stations across the country. Kenya is known as Africa's "Silicon Savannah" and tech industry watchers have suggested that this election could be called on Twitter as groups around the country encourage Kenyans to tweet results from individual polling stations to promote transparency and credibility.

AN OPPORTUNITY FOR VINDICATION OR A REFERENDUM?

As the election approaches, the economy and corruption have emerged as two of the leading issues in the campaign. Under President Kenyatta, Kenya has experienced relatively strong economic growth of 5.9 percent last year, a figure which is expected to slow slightly to 5.5 percent in 2017. The slowdown can be attributed to a decline in agricultural productivity, the rise of food and energy prices, and high rates of inflation, which reached a record 10.3 percent in March. But while growth has been strong, it has also been uneven, with many Kenyans feeling left out of the country's recent expansion. Indeed, Kenya's unemployment rate is a staggering 39.1 percent, the highest in East Africa. Many attribute unequal growth to favoritism by the Kenyatta administration, with suspicions that the government has repeatedly funneled business and government opportunities to members of Kenyatta's Kikuyu tribe, leaving others left out of positions of power and influence in Kenya.

Nonetheless, Kenyatta points to significant accomplishments made by his administration, including the new standard gauge railway linking Nairobi to Mombasa, a revamped national airport, and upgrades at Kenya's major ports. Kenyatta has sought to position the Jubilee Party as the pro-business choice, with promises to reduce the corporate tax rate from 30 percent to 25 percent for newly listed companies. Additionally, motor vehicle assemblers in Kenya would enjoy a reduced corporate tax rate of 15 percent,



down from the standard 30 percent for the first five years of operations. Touting himself as critical to achieving the continuation of Kenya's economic growth, Kenyatta has promised to continue to drive private sector development in the country and make key investments in infrastructure.

Differences and similarities in the NASA party platform

NASA, meanwhile, has cast the election as a referendum on the Jubilee administration's failures in office, pointing to high levels of corruption and public frustration over rising costs of staple foods. Since his last defeat in the 2013 election against Kenyatta, Odinga has worked hard to build a broad coalition across the Luo, Kamba, and Kalenjin ethnic groups. He has sought to build his image as an incorruptible and fiscally responsible candidate, and his campaign platform highlights his commitment to rooting out corruption, addressing the recent increases in food prices, and reducing the country's national debt which has risen 3.5 percentage points to 52.7 percent of GDP, partly a result of the Kenyatta administration's heavy investments in infrastructure. Kenya continues to be plagued by some of the worst corruption in the world; the country ranks 145 out of 176 countries in Transparency International's Corruption Perception Index. Critics have repeatedly blamed Kenya's ranking on the ineffectiveness of its anti-corruption agencies and Kenyatta's refusal to go after individuals perceived to be close to him. Longtime followers of Odinga say that, while the Jubilee Party may suggest otherwise, the candidate supports free-market economics, and close observers note that there are few real differences between the parties in terms of promoting investment. NASA has proposed reforms to the economy through curbing government inefficiencies and leakages, lowering the unemployment rate, and incentivizing private sector investment in the agriculture and housing sectors.

THE WINNER'S PRIZE

For both candidates, August 8 is likely to be their last run for political office. At 74 years of age, this may be Odinga's last shot at the presidency, and it is also a chance to make up for what the candidate views as robbed victories in his last two presidential contests. For Kenyatta, meanwhile, a victory would be an affirmation of his administration's successes in supporting the country's development and growing the economy.

Regardless of who the winner is, the election and its aftermath will be a critical turning point for Kenya with serious implications for regional stability and the country's near-term growth outlook. These elections matter for the United States as well, since Kenya is not only a strategic and economic partner but also a symbolic one as a major African economy and regional leader. International leaders have repeatedly called upon both parties to maintain peace regardless of the results, and the best outcome will be one that demonstrates credibility and transparency. The ultimate winner of Kenya's 2017 election will be rewarded with stewardship of East Africa's second largest economy and tasked with repairing Kenya's political cleavages and deep mistrust of government institutions.

ASG's Africa's Practice has extensive experience helping clients navigate markets across sub-Saharan Africa. For questions or to arrange a follow-up conversation please contact William Kabagambe wkabagambe@albrightstonebridge.com.

