

Likely Economic Consequences of Prolonged Social Unrest in Kenya

By Jared Ariemba, PhD

jared.ariemba@gmail.com

Senior Lecturer and Head of Department of Accounting and Finance, Technical University of Kenya

Introduction

Kenya emerged from the August 2022 elections deeply fractured, informed by the fact that the margin of loss by the opposition leader, Raila Odinga was less than 200,000 votes. While the Supreme Court affirmed the win by President William Ruto, the embers of the elections still seem to be burning, given the call by the opposition for mass action twice every week. Already, it has been observed that Nairobi City comes to a standstill any day there is a call for protests. Things seem to have escalated with the protests of 27th March 2023 when goons with the tacit support of the government invaded, vandalized and stole from Northlands Farm owned by former President Uhuru Kenyatta's family. The invasion happened concurrently with another attack on the leading gas cylinder manufacturer, East Africa Spectre, owned by the family of the opposition leader Raila Odinga. The president called for a bipartisan dialogues to address any issues that the opposition coalition could be raising.

The initial bipartisan discussions collapsed as the opposition accused the government side of not being serious. This led to a second round of social unrest through the months on June and July, the climax being in the second week of July when the opposition sustained the unrest for one full week. Worth noting is also the fact that the protests were now spreading across the country with unrest reported in more than half of the forty seven counties. A second round of bipartisan talks began in the month of August, with the understanding that they will be anchored in the law so that either party is bound by the outcome of the talks. As a result, the opposition has called off the protests, with a caveat that if the talks fail, they will resume the weekly protests. The bipartisan talks are so far progressing well with the committee having secured a one-month extension by both the National Assembly and the Senate. The committee has reported consensus on several areas, among them the anchoring of the offices of the Opposition Leader and the Prime Cabinet Secretary in the law. The thorny issue of the cost of living has been included in the agenda with the committee having agreed to involve experts for proposals on how to tackle the skyrocketing cost of living.

At a time when the cost of living is at an all-time high, the shilling having depreciated for more than 12 continuous months and the government having limited fiscal space, it may be important to examine the likely triggers and consequences of prolonged social unrest on the economy and what are the options of the government. Social unrest here can be seen as protests, riots, and other forms of civil disorder and conflict.

Root Causes of Current Social Unrest in Kenya.

Trigger events that evoke strong feels are normally the major causes of social unrest. Rohwerder (2015) provides one of the most comprehensive analysis of the underlying factors for conflict in Kenya, which analyzed critically can also explain the root causes of

social unrest. The fact that it is easy to mobilize protestors on an ordinary working day and bring a major city like Nairobi to a standstill is a pointer to several underlying issues that need to be addressed. Perhaps on top of the list is the status of the economy. Shrinking opportunities, coupled with a high cost of living makes people susceptible to radical ideas and can therefore easily join in protests and social unrest. The worsening economic conditions due to government actions and inactions has led to the cost of living has skyrocketing in the past one year with many Kenyans struggling to afford basic commodities, especially food. The government has in the process sought to ramp up tax collection through more enforcement of the law and compliance and increasing some taxes.

Besides the economy, the country has several other underlying issues which if not addressed will mean that it is still on a precipice and a small trigger can lead to social unrest or even a full-blown political conflict. Chief among these is the feeling of discrimination and marginalization by several groups in the society. It is common knowledge that access to opportunities is closely tied to ethnicity and communities that have produced presidents have benefited from government opportunities more than those who have not produced presidents.

For example a report by the National Cohesion and Integration Commission (2020) found that the Kikuyu occupy 22.3% of the public service and the Kalenjin occupy 16.7% while they are 17.7% and 13.3% of the national population respectively. On the other hand, the Luo, Kamba and Luhya ethnic groups have 9%, 9.7% and 11.3% of the employees in the public service while they are 10.8%, 14.4%, 10.2% of the national population. They are therefore clearly underrepresented with the Kikuyu and Kalenjin ethnic communities are overrepresented. In a recent recruitment of revenue officers by the Kenya Revenue Authority, the Kikuyu and Kalenjin communities, where the Deputy President and the President come from respectively got 57% of the opportunities. This creates feelings of marginalization and exclusion by some communities.

Secondly is the social fragmentation and politicized ethnicity. A lot of political mobilization happens along ethnic lines so that people of one community will most likely vote in a particular way, either for their ethnic kingpin or for a person as directed by their ethnic kingpin. The ethnic grievances, for example the exclusion and marginalization will be manipulated so that people vote in a particular way to enable political entrepreneurs gain power and control over resources. Given that positions of power are limited, those who are unsuccessful will feel left out and will continue mobilizing against the government and their communities can easily engage in social unrest when called upon by their ethnic kingpins. Political leaders may deliberately re-tell about historical injustices to strengthen ethnic identity in the competition for power and resources.

Probably, corruption and impunity are the least appreciated root causes of social unrest. When citizens have to bribe to obtain government services, it creates a lot of disaffection to the government and the levels of patriotism go down. When citizens know that their leaders are corrupt and government resources are several times used to line private pockets, they can easily engage in social unrest because their taxes are being misused. Transparency

International (2023) ranks Kenya at number 123 out of 180 with 67% of the respondents in the survey thinking that corruption has increased in the past five years. 45% of the respondents had paid a bribe in the past twelve months to access public services.

Lastly, inequalities in income, wealth and development projects by the government cause widespread grievances which can lead to social unrest. It can be seen that the unrest is normally concentrated on the low income areas of the city such as Kibera and Mathare. These are areas of extreme deprivation with lack of basic infrastructure like roads, water supply, sanitation facilities among others. As a result, residents of such areas have limited opportunities and always have a grievance to pick with the government. They are therefore easily mobilised into anti-government demonstrations. The fact that it is easy to mobilize supporters on an ordinary working day shows the extent to which we have a shortage of opportunities for gainful economic activity for people. Idleness makes it easy to mobilize thousands of young people for picketing and political demonstrations.

Likely Consequences of Prolonged Social Unrest

While the data for 2023 is yet to be produced, the Economic Survey by the Kenya National Bureau of Statistics (2023), shows slightly suppressed economic performance in 2022 compared to 2021. Real Gross Domestic Product (GDP) expanded by 4.8 per cent in 2022 compared to a revised growth of 7.6 per cent in 2021. While the growth was largely supported by Financial and Insurance (12.8%), Information and Communication (9.9%), and Transportation and Storage (5.6%), other sectors like Agriculture, Forestry and Fishing sector was sector contracted by 1.6 per cent in 2022 compared to a contraction of 0.4 per cent in 2021. The real value added of the manufacturing sector grew by 2.7 per cent in 2022 compared to 7.3 percent recorded in the previous year.

The private sector created 94, 500 jobs in 2022 compared to 125,000 thousand jobs created in 2021. In 2022, the leading industries providing wage employment in the private sector were manufacturing, agriculture, forestry and fishing, and wholesale and retail trade and repair of motor vehicles accounting for 15.9, 14.4 and 12.8 per cent of the total private sector employment, respectively. These sectors have largely experienced a decline in 2022 compared to 2021. Stress factors like prolonged riots are likely to lead to further contractions in 2023 due to reduced economic output.

In a national level, social unrest seems to arouse government to increase the allocation of resources to areas that are protesting due to the feelings of marginalization. Belinda, Moerenhout & Osabuohien (2022) examined if citizen-led protests can lead to meaningful economic redistribution and nudge governments to increase redistributive efforts of fiscal resources. Examining 26 years of data from 1988 to 2016 in Nigeria, they found an increase transfers to protesting regions, but only in areas that are politically aligned with disbursing governments.

However, Samer, Michael & Simon (2021) note regime crises accompanied by mass civil protest cause an immediate drop in output, which, on average, is not recovered in the

following five years. In the absence of mass civil protest, by contrast, regime crises tend to have negligible adverse effects on the path of output. Christos & Panayiotis found a strong bidirectional nexus between civil unrest and economic growth. They therefore argue that civil strife adversely affects economic performance and economic downturns can trigger discontent and unrest.

However, social unrest the way it is normally practiced in Kenya can have serious disastrous consequences. Because it normally ends up in riots, there is often destruction of property and disruption of economic activity. When shops and business premises are set on fire, others broken into and items stolen, it has direct economic costs. The ones rioting are not engaged in economic activity and those who could wish to continue working are not able to due to the riots. The Deputy President put the economic losses sustained by the city of Nairobi in the demonstrations of 20th March 2023 at over USD 15 million. At a time when the economy is still recovers from the prolonged election season and the COVID-19 lockdowns, any disruption of social order is likely to have negative economic consequences. The government will be unable to collect projected revenues due to business disruptions, levels of employment are likely to go down due to the prolonged closures and the confidence of both local and foreign investors will be affected.

Social unrest leads to disruption of normal order because the protesters normally want to use the disruption to bring attention to their issue. Organizations may not be the target of the protesters but through the disruptions, economic activity will be curtailed. In the previous protests, there has been widespread transportation disruptions due to roadblocks and excessive crowds. As a result, many businesses remained closed, employees did not report to work, deliveries were not made and response to emergency situations either did not happen or was delayed.

Besides, protests have not always been innocent in Kenya. Either the protesters have sometimes targeted some organizations or the protests have been infiltrated by criminals who use the opportunity to loot and steal from businesses along the protest routes. The attacks on a farm owned by the family of the former president and a factory owned by the family of the former Prime Minister and leader of opposition is perhaps an indicator of the gravity of the political risk faced by businesses as a result of social unrest. This is worsened when police use force to disburse the protesters leading to more chaos and loss of not only life but also property. Therefore, the social unrest is likely to be a disincentive for business owners to locate their businesses in riot-prone areas. Cities like Nairobi and Kisumu that have experienced the riots are likely to be unattractive and within the cities, particular locations may be shunned by investors. Where properties have been destroyed, the owners may be reluctant to rebuild them if the political risk remains and therefore the social unrest becomes bad for the property market.

The tourism sector which is an important source of foreign exchange is very sensitive to riots and other forms of social unrest. Already, the USA government has issued a travel caution to their citizens which is likely to have a hit on the tourist numbers if the unrest persists. Tourists

will obviously not want to arrive in the middle of a riot and will normally keep off areas with a recent memory of these troubles.

Conclusions

In the light of the above arguments, the government of the day cannot ignore the social unrest and the calls for electoral justice, lowering the cost of living and any other grievances. It is difficult to implement any economic policy successfully in an environment of social unrest unless such a policy is tailored towards addressing the social unrest itself. Such a policy must never address the social unrest on a superficial level otherwise they will keep festering underneath the national fabric. President William Ruto has passionately spoken about the economic programs he wants to pursue in the first five years of his term. However, to create an environment that will enable his government implement its programs successfully, his government must be magnanimous even in ruling, address issues of historical injustices on access to resources and national development, address inequalities and economic marginalization, tackle corruption among others. Poverty and political, social, and economic inequalities between groups predispose to conflict; policies to tackle them will reduce this risk. The government should implement policies in education, employment and public projects that are tailored towards reducing imbalances and inequalities. Such however need to be introduced with a lot of caution since action to correct social inequalities can cause unrest by the groups that were initially privileged.

References

1. Belinda A., Tom M. & Evans O. (2022) Protest Matters: The Effects of Protests on Economic Redistribution. Brookings Global Working Paper 172.
2. Christos K. & Panayiotis T. (2022). *The nexus between social unrest and economic growth in Middle East and Central Asia countries*. Review of Economics and Political Science. Emerald.
3. GoK (2023) Kenya National Bureau of Statistics Economic Survey for 2022.
4. <https://www.transparency.org/en/countries/kenya>; accessed on 29th March 2023.
5. National Cohesion and Integration Commission (2020). Ethnic Diversity and Audit of the of the Civil Service.
6. Rohwerder, B. (2015). Conflict analysis of Kenya. Birmingham, UK: GSDRC, University of Birmingham.
7. Samer M., Michael B. & Simon A. (2021). *The economic impact of political instability and mass civil protest*. Economy and Politics. Wiley.