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"Franco Fontana"

GEOPOLITICAL RISK OBSERVATORY

Kenya

An overview

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GRO Country Profile: Kenya

GRO Country Profiles are neither extensive analyses nor news updates. Rather, they provide a general perspective on selected areas and issues, identifying a set of factors and variables that organizations should monitor in order to anticipate risks.

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Summary

- Kenya is a competitive, presidential democracy with a significant degree of power devolved to 47 counties. Executive dominance and political patronage tend to undermine economic governance, fostering corruption. The country suffers from relatively high public debt, which constrains investment in infrastructure and public services.
- Kenya is the largest economy in East Africa. It has substantial involvement in regional peacekeeping (notably in Somalia) and strong strategic ties with Western partners. High wealth inequality, ethnic-regional disparities, and high youth unemployment coexist with pervasive corruption.
- Kenya poses business challenges with respect to volatile, if heavy, regulation, the prevalence of the informal economic sector, state fiscal constraints, and a weak rule of law. All of this undermines predictability and raises compliance costs.

Basic Parameters

Indicator	2020	Latest value
GDP (PPP, USD bn)	250.3	403.6 (2025)
Population (mn)	52.2	57.5 (2025)
Population under 25 (%)	60.2	58.2 (2024)
Population over 65 (%)	2.8	3.0 (2024)
Urban population (%)	28.7	31.9 (2025)
Unemployment rate (%)	5.6	5.5 (2024)
Youth unemployment, ages 15-24 (%)	13.6	15.5 (2024)
CPI inflation (% annual average)	5.3	4.1 (2025)
General government debt (% of GDP)	68.0	69.3 (2025)
FDI inward flows (USD mn)	717	1,502 (2024)

Sources: World Bank – World Development Indicators (GDP PPP, population, population over 65, modeled ILO unemployment and youth unemployment estimates); United Nations DESA – World Population Prospects 2024; IMF – World Economic Outlook, October 2025 and April 2026 (CPI inflation, general government debt); UNCTAD – World Investment Report 2025 (FDI inflows).

Historical context

On December 12, 1963, Kenya gained independence from the United Kingdom. Jomo Kenyatta became the country's first president the following year, and power increasingly concentrated in the presidency, exercised through the Kenya African National Union (KANU) and sustained by personal loyalty and ethnic patronage networks rather than institutional checks.

Daniel arap Moi succeeded Kenyatta in 1978 and led the country for over two decades. In 1982 Kenya formally became a one-party state, and elections through the 1990s were marred by manipulation, intimidation, and the politicization of ethnic divisions.

Kenya's contested December 2007 presidential election triggered a major crisis: allegations of fraud sparked protests and ethnic clashes that killed more than 1,000 people and displaced over

600,000. Mediation led by former UN Secretary-General Kofi Annan produced a power-sharing agreement in February 2008. A new constitution, adopted by referendum in August 2010, devolved government to 47 counties, strengthened judicial independence, and imposed new checks on executive power. Electoral cycles have nonetheless continued to generate tension, including around the disputed 2017 and 2022 elections.

Since its 2011 military intervention in Somalia against the jihadist group Al-Shabaab, Kenya has become a major regional security actor and deepened defence cooperation with Western partners, while facing increased exposure to retaliatory attacks on its own territory, particularly in Nairobi, Mombasa, and the northeastern counties.

President William Ruto, in office since September 2022 on a populist platform targeting working-class voters, has pursued a fiscal consolidation and tax-reform program under IMF supervision. The Finance Bill 2024, which proposed roughly USD 2.7 billion in new taxes, triggered nationwide youth-led protests that culminated on June 25, 2024, when demonstrators stormed and partly burned the parliament building; Ruto withdrew the bill and dissolved his cabinet. The protest movement resurfaced on its first anniversary: according to the Kenya National Commission on Human Rights (KNCHR), around 20 people were killed on June 25, 2025, and more than 30 during the Saba Saba protests of July 7, 2025. In March 2026, Ruto announced a KSh 2 billion (about USD 15.5 million) reparations fund for victims of protest-related violence between 2017 and 2025, managed by a panel chaired by Makau Mutua, with payments starting in 2026; victims' families have called the sum inadequate. Kenya and the IMF abandoned the ninth review of their Extended Credit Facility and Extended Fund Facility arrangements in March 2025 after reform slippage linked to the 2024 protests. Negotiations on a new programme stalled in April 2026, with the IMF awaiting the government's comments on its governance and corruption diagnostic, and by October 2026 a deal was considered unlikely before the August 2027 elections, leaving Nairobi to rely on World Bank concessional financing against a public debt burden that reached roughly 67.6% of GDP in January 2026. The next general election, scheduled for August 2027, is already shaping political alignments. The death of Raila Odinga on October 15, 2025, and the entry of his Orange Democratic Movement (ODM) into Ruto's "broad-based" government have reshaped the landscape: ODM leader Oburu Oginga announced on July 31, 2026, that the party would back Ruto's re-election bid, while opposition leaders – including Fred Matiang'i, Kalonzo Musyoka, Martha Karua, and former deputy president Rigathi Gachagua – are working toward fielding a single candidate against him.

Institutional Set-Up and Structural Challenges

Kenya is a presidential republic in which the president serves as both head of state and head of government, while legislative authority rests with a bicameral parliament. The 2010 constitution

devolved substantial fiscal and administrative powers to 47 county governments, formally strengthening checks on executive and judicial independence.

Political competition remains highly personalized and organized along ethnic-regional coalitions rather than programmatic party platforms, and executive authority continues to dominate the political system despite the constitution's formal checks and balances.

Government stability rests primarily on the electoral calendar, but political polarization and periodic protests are common, and electoral disputes often move into the courts or the streets, reflecting limited trust in electoral institutions. The judiciary has nonetheless demonstrated a degree of independence, as shown by the Supreme Court's annulment of the 2017 presidential election, even if the broader rule of law remains uneven.

Corruption remains widespread across public administration and procurement. Kenya scores poorly on governance and state-capacity indicators because of political patronage, limited transparency in public spending, and weak enforcement of anti-corruption legislation; businesses with political connections often enjoy privileged access to procurement and administrative decisions, which undermines public trust and raises risks for investors.

The economy is relatively diversified, resting on services, agriculture, transport, tourism, and an increasingly dynamic digital and financial sector; Nairobi has become a major regional hub for fintech and digital innovation.
Economic performance is nonetheless constrained by high public debt-service costs, fiscal pressure, and a large informal sector that accounts for the majority of employment. Kenya's young and rapidly growing population creates significant pressure for job creation, and persistent youth unemployment and underemployment, combined with uneven access to education, healthcare, and formal employment across regions, have repeatedly fed into social frustration.
Alongside close ties with the United States and the European Union, Kenya has deepened engagement with China on trade, financing, and large-scale infrastructure projects linked to Beijing's global infrastructure push, a diversification that broadens access to capital but increases exposure to external debt-service obligations and to the wider contest for influence over regional ports, railways, and digital networks.

Kenya's government also faces a persistent security challenge from Al-Shabaab, the Somalia-based jihadist group affiliated with Al-Qaeda. Since Kenya's 2011 military intervention in Somalia, the group has periodically targeted civilian areas, transport infrastructure, hotels, shopping centers, and business districts, with attacks on Kenyan security personnel near the Somali border, including in Mandera and Garissa counties, continuing through 2025 and 2026.
Since June 2024, Kenya has also experienced recurring waves of youth-led ('Gen Z') protests against tax increases, the cost of living, and alleged police abuses; the KNCHR counted 115 deaths between

June 2024 and July 2025, and further unrest recurred around the second anniversary in June 2026; human-rights organizations have documented dozens of abductions of government critics in 2024 and 2025, with accountability for protest-related deaths remaining limited.

These security and political-stability concerns pose a tangible risk to civilians and international business operations: possible consequences include disruption of transport routes, higher insurance premiums, safety and security planning for expatriate staff, and interruption of business and economic activities. The risk of a complete breakdown of government and law enforcement remains low, while the risk of localized violence, protests, and economic disruption is moderately high.

Despite these pressures, Kenya retains significant regional weight in East Africa through its leading role in the East African Community (EAC) and its substantial troop contribution to the African Union Support and Stabilization Mission in Somalia (AUSSOM), although this role remains conditioned by domestic fiscal constraints and the need to manage recurring episodes of social unrest.

Business implications

Opportunities

Kenya remains one of the most attractive investment destinations in East Africa owing to its diversified economy, comparatively advanced banking system, and strategic role as a regional logistics and transport hub: through the port of Mombasa and the transport corridors linking Nairobi to neighboring states, the country provides access to inland markets such as Uganda, Rwanda, and South Sudan.

Fintech and digital payments stand out among the most promising sectors, underpinned by Kenya's advanced mobile-money ecosystem, which has made the country one of the continent's most innovative markets and continues to attract significant investment in startups, digital finance, and e-commerce platforms.

Renewable energy, particularly geothermal and solar, offers further growth potential to meet rising domestic demand, while transport and logistics infrastructure investment is becoming increasingly important to consolidate Kenya's role as a regional trade hub. Agribusiness and food processing benefit from abundant agricultural resources and an expanding domestic market, and telecommunications and digital services continue to expand on the back of rapid mobile-technology diffusion.

Regional economic integration further strengthens Kenya's attractiveness: the country participates in the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), and the African Continental Free Trade Area (AfCFTA), giving companies access to a broader regional market, while partnerships with international financial institutions and multilateral development banks provide financing frameworks that help mitigate risk in large infrastructure and development projects.

Challenges

- *Security challenges:* Kenya continues to face security risks linked primarily to Al-Shabaab, the Somalia-based jihadist group affiliated with Al-Qaeda. Since Kenya's 2011 military intervention in Somalia, the group has periodically targeted civilian areas, transport infrastructure, hotels, shopping centers, and business districts, and attacks on Kenyan security personnel near the Somali border, including in Mandera and Garissa counties, have continued through 2025 and 2026. Security risks remain particularly elevated near the border with Somalia, in parts of the coastal region, and in major urban centers such as Nairobi and Mombasa.

  Political and social tensions add a further dimension to the security landscape: the youth-led protest movement that emerged in June 2024 over tax increases and the cost of living has recurred on each anniversary, with the KNCHR recording around 20 deaths on June 25, 2025, and more than 30 on July 7, 2025 (Saba Saba), and renewed demonstrations around the second anniversary in June 2026. Human-rights organizations have documented dozens of abductions of government critics in 2024 and 2025, and accountability for protest-related deaths remains limited, with only a handful of cases reaching court and no officer convicted to date. For companies, this translates into periodic operational disruptions, transport and logistics interruptions, and elevated security costs, particularly during election periods and protest anniversaries.

  Kenya's security risk is assessed as Band 4 (high challenges).

- *Regulatory challenges:* Kenya's regulatory environment is often characterized by frequent policy adjustments, bureaucratic complexity, and inconsistent enforcement. Businesses regularly report administrative delays in licensing procedures, taxation disputes, and uncertainty in regulatory interpretation.

  Fiscal pressure linked to debt-service obligations and the pending IMF financing programme has driven repeated attempts to introduce new taxation measures, including the Finance Bill 2024 and the Finance Bill 2026, generating recurring tension between policymakers, the private sector, and the public. Evolving global trade dynamics and potential tariff adjustments by major trading partners add a further layer of uncertainty for Kenya's export-oriented sectors.

  Kenya's regulatory risk is assessed as Band 4 (high challenges).

- *Governance challenges:* Despite anti-corruption initiatives, institutional weaknesses continue to facilitate favoritism and political interference in public procurement and

administrative processes; companies lacking political connections may face disadvantages in accessing public contracts and navigating regulatory procedures.

Judicial inefficiencies and lengthy court procedures complicate contract enforcement and dispute resolution, while uneven enforcement of regulations increases uncertainty for businesses and weakens confidence in institutional reliability. These challenges are particularly acute in infrastructure projects, mining, healthcare procurement, and public tenders, where limited regulatory transparency and inconsistent oversight make it harder to ensure compliance with international standards for transparency and integrity.

Kenya's governance risk is assessed as Band 4 (high challenges).

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