

CITY DEMONSTRATIONS SURVEY

August 2016

A Report by KEPSA and TIFA Research

CITY PROTESTS: BUSINESSES COUNT THE COSTS

Preamble: Global Perspective

Demonstrations* are considered as a means of bringing about social change but in reality they take a toll on the society especially when they turn violent. Cities around the world continue to face the challenge of protests with the worst ones reported in India, USA, UK and Argentina. The post-election demonstrations in Nairobi in December 2007 makes it the only African city in the top ten list of worst ever protests in the world. Protests can have serious long-term consequences as investors and businesses steer clear of areas where the safety of their capital, their employees and their customers is at risk.

Top 10 City Protests Ever in the World (2011)

1. Bombay Protests, India (1992)
2. Tulsa Race Protests, United States of America (1921)
3. Gujarat Protests, India (2002)
4. **Nairobi Protests, Kenya (2007)**
5. Brixton, England (1981)
6. LA Protests, United States of America (1992)
7. Argentina Protests (2001)
8. Detroit Protests, United States of America (1967)
9. Chicago Protests, United States of America (1968)
10. England Protests, United Kingdom (2011)

<http://listverse.com/2011/09/04/top-10-worst-protests/>

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The economic impact of protests is even larger than that of natural disasters, because businesses are more likely to see natural disasters as a one-time occurrence as opposed to an ongoing safety issue.”

Victor A. Matheson
Professor of Economics

Nairobi City Demonstrations: The Context

In May 2016, opposition leaders and their supporters turned up for protests seeking to remove Independent Electoral and Boundaries Commission (IEBC) commissioners from office. In response the government ensured that there was heavy presence of police officers to guard the electoral body's offices in the Central Business District in Nairobi City. In addition, the police sought to prevent the demonstrators from looting and damaging property. The city demonstrations were done once a week (Mondays) with a threat of escalating them twice a week if the government did not heed the opposition call for dialogue.

**Demonstrations are usually peaceful and they do not destroy the properties. Protests can be defined as a civil action where people behave violently and are out of order.*

Initially the demonstrations were peaceful but later acts of violence and looting were witnessed with demonstrators engaging the police in running battles. The business community bore the brunt of these protests.

Since June 2016, a select committee consisting of representatives from the opposition and government have been meeting to see how the stalemate can be resolved. In the unlikely event that the select committee fails to chart the way forward the demonstrations could resume.

This report gives an overview of the opinions of the Nairobi business community concerning the city demonstrations that took place between May and June 2016.

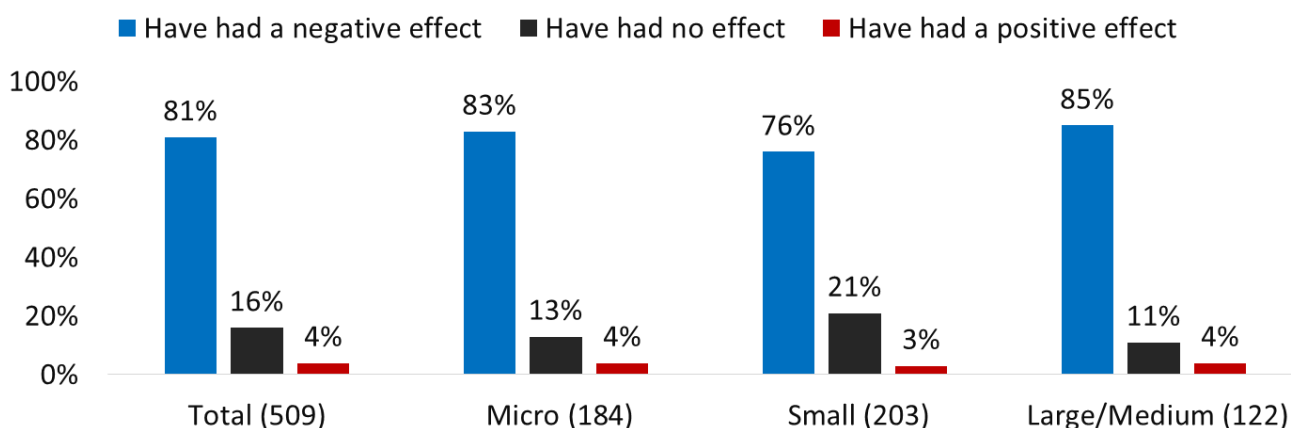


Adverse Effects on the Business Environment

The findings of this study indicate that the business community feels that the demonstrations are having a negative impact on the business environment. These sentiment is shared by majority of the businesses regardless of their size.

There is a small proportion of businesses (4% of total) that have benefitted from the protests. These include transportation, security and welding companies. Those in transportation have either increased their fares or rescued those caught in the protests within the Central Business District (CBD). Security and welding companies have been called upon to secure premises.

Effect on business environment



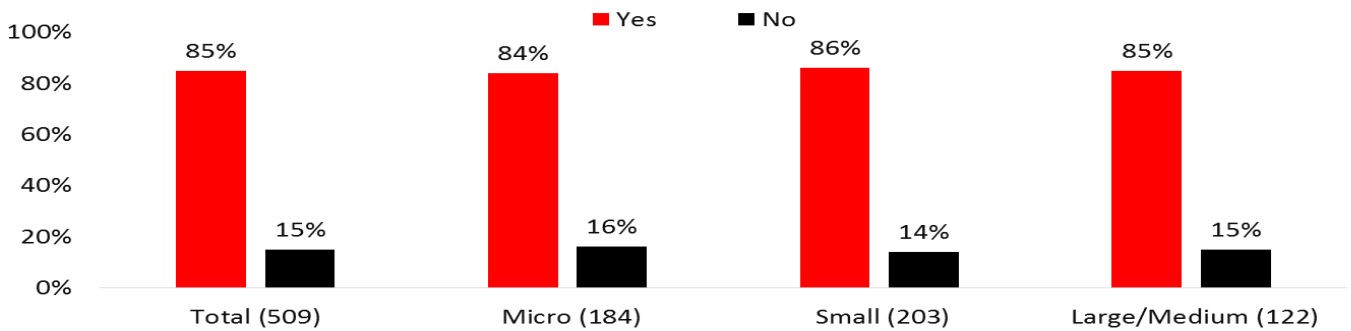
Q. Have the IEBC demonstrations had a positive, negative or no effect at all on the business environment?

Majority of Businesses Affected Negatively

In addition to having an effect on the businesses environment, the study findings shows that the demonstrations had a direct negative impact on 85% of the individual businesses that participated in the study.

This negative impact is felt equally across businesses regardless of their size. It should be noted that small businesses are more vulnerable and more likely to close down, when impacted adversely by Protests. This is because they lack preparedness, have limited resources, and such events have a personal impact on the owner.

Effect on own business

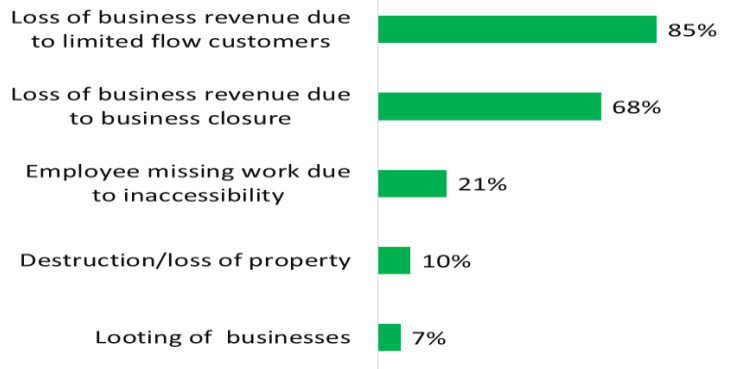


Q. Looking at the impact on your business, do you think the IEBC demonstrations negatively affected your business?

Business Closure, Less Customers, Less Revenue

Across the world, business owners are immediately affected by protests and those in Nairobi are not exempt from this. The study findings show that businesses experienced immediate effects, such as loss of business revenue due to limited flow of customers - this was the experienced by a majority (85%) of the businesses. The study also found out that 68% lost revenue due to closure. The employees missed work due to inaccessibility and there was destruction of property and looting.

Effect on your business



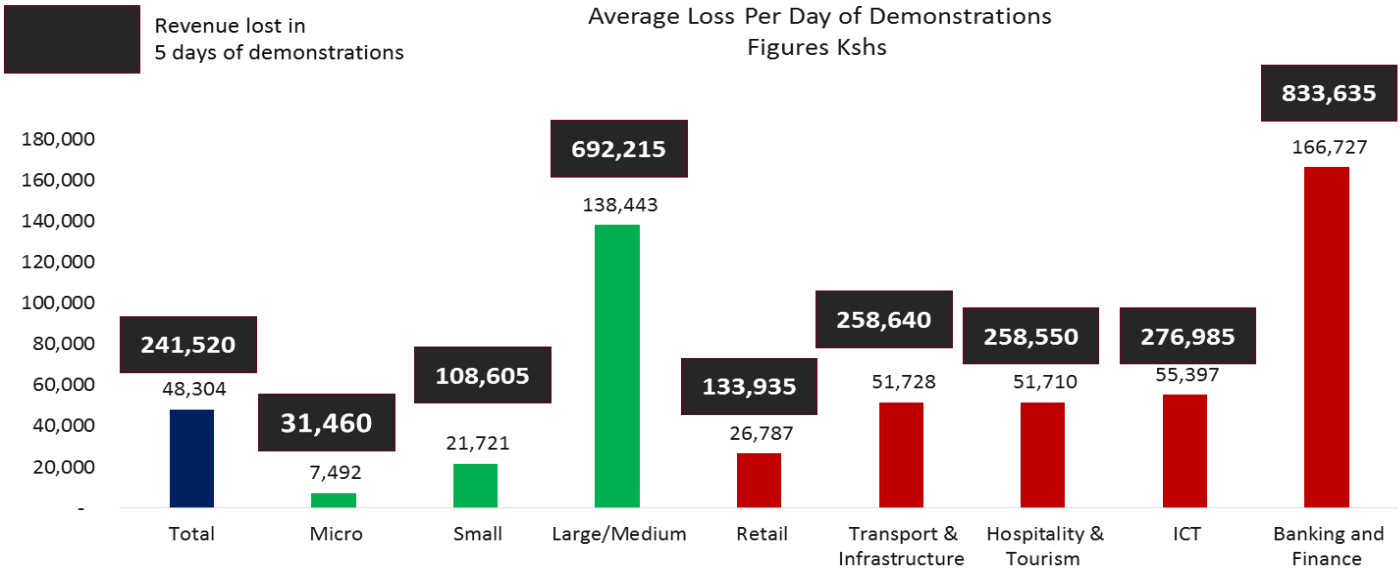
Q What was the effect of the demonstrations on your business?

Counting the Costs of City Protests

The Nairobi City demonstrations have left a financial toll on the business community. For every day there was a demonstration, businesses registered reduced sales as they remained closed or experienced a reduction in the number - customers.

The average revenue lost per business per day of demonstrations is estimated to be Kshs 48,304. The businesses experiencing higher revenue losses are from banking and finance sector that is losing an average of Kshs. 166,727 per day. There has been five anti-IEBC demonstrations and the figures highlighted in black provide an indication of the total loss of revenue across the five days.

Key:



Q. What is the estimated revenue loss *per day* every time there is a demonstration?

Micro Enterprises: Revenue Lost Per Day

The study found out that losses were experienced by nearly every business in the CBD. The highest loss figure mentioned by boda-boda rider was Ksh 5,000. Newspaper vendors and hawkers mentioned Ksh 10,000 and Ksh 3,000 respectively as the highest losses in revenue per day.



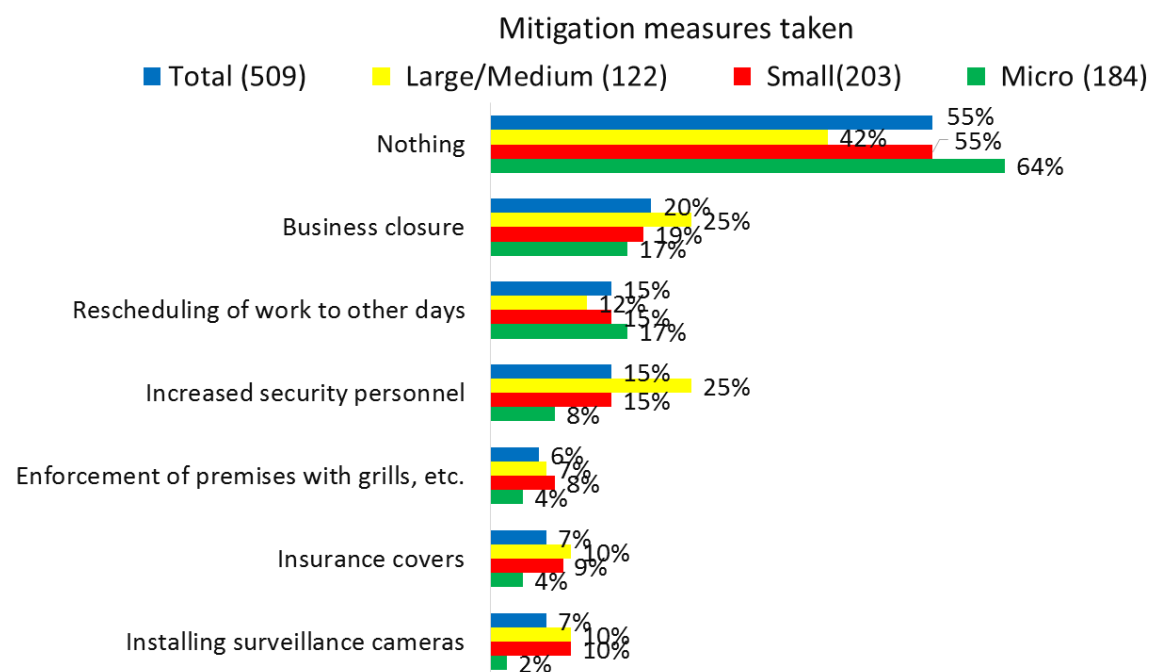
Large & Medium Enterprises: Revenue Lost Per Day

In addition the highest loss recorded by a restaurants in the CBD was Ksh 150,000 while the lowest loss was Ksh 5,000.



Businesses Lack Mitigation Mechanisms

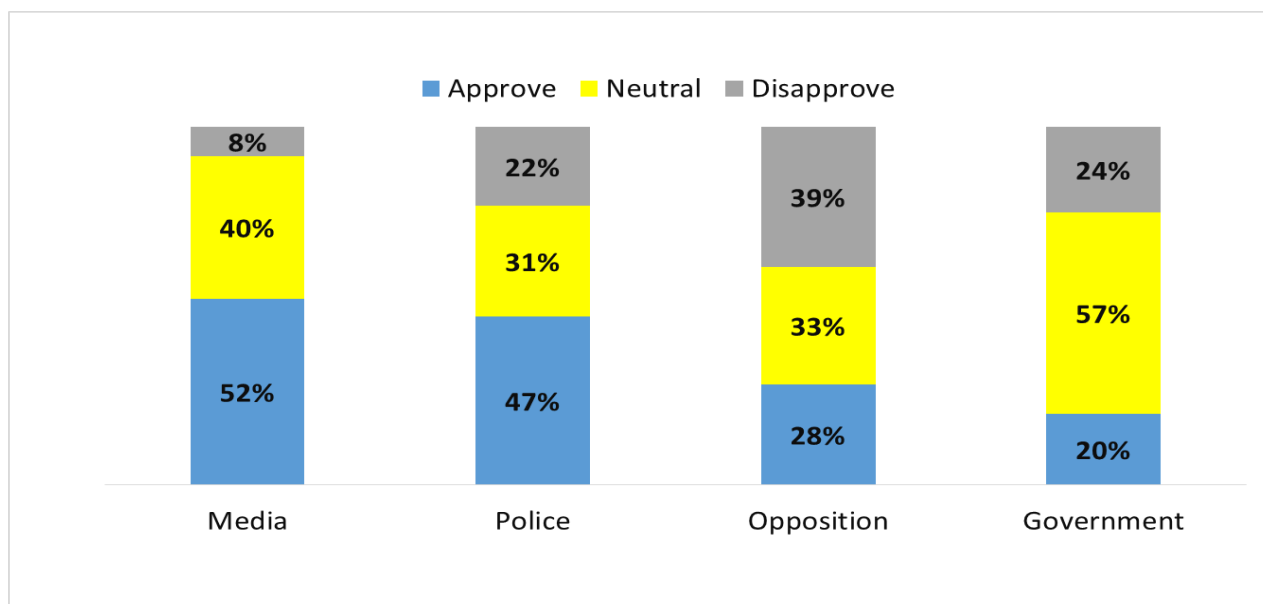
More than half of the business in the CBD are not taking measures to mitigate their businesses from losses occasioned by the demonstrations. Taking no action or business closure makes more sense against the backdrop of business mitigation costs. The proportion of micro business that take no action is higher than the small, medium and large enterprises. The micro business are more likely to feel the brunt of protests as compared to large business as they have lower coping mechanisms.



Q In relation to IEBC demonstrations, what measures have your business taken to mitigate against any losses?

Business Community Commend Police and Media

The police is commended for policing violent protestors and the media for keeping the business community informed on the parts of the city with protests. C



Q. To what extent do you approve each of the following institutions in their role in the IEBC demonstrations?

The Media garnered the highest approval rating of 52% from the business community. This was mainly because they kept the business community informed of what was taking place in various streets in the CBD. Most of the respondent felt that the media gave fair coverage of the whole situation as it unfolded. It is only 8% that disapproved the media as they felt that the reported sensationally and this was affecting the business environment.

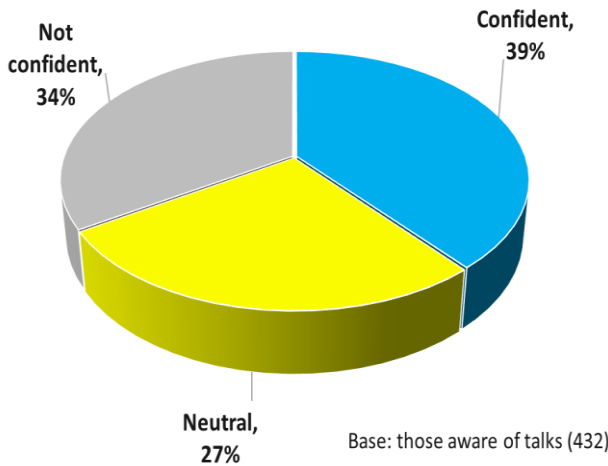
The Police have second highest approval rating amongst the business community at 47%. This is because they have been instrumental in managing the crowds and preventing them from looting. In spite of this, there is 22% of business that disapprove the police and this is due to their brutality when dealing with demonstrators.

The Opposition have a 28% approval rating by the business community. Most the respondents that approved opposition's action argued that it was their constitutional right to demonstrate. On the other hand the study found that 39% disapproved, as the felt there were better ways of engaging with the government and expressing their grievances.

The Government had a 20% approval rating, the respondents felt that the government did its part in handling the whole situation. On the contrary 24% of the respondents disapproved the government's response and argue that the government should have engaged with the opposition earlier or even find better means of addressing the oppositions' demands.

Dialogue: Business Community Not Optimistic

Q. How confident are you that the talks will resolve the IEBC stalemate?



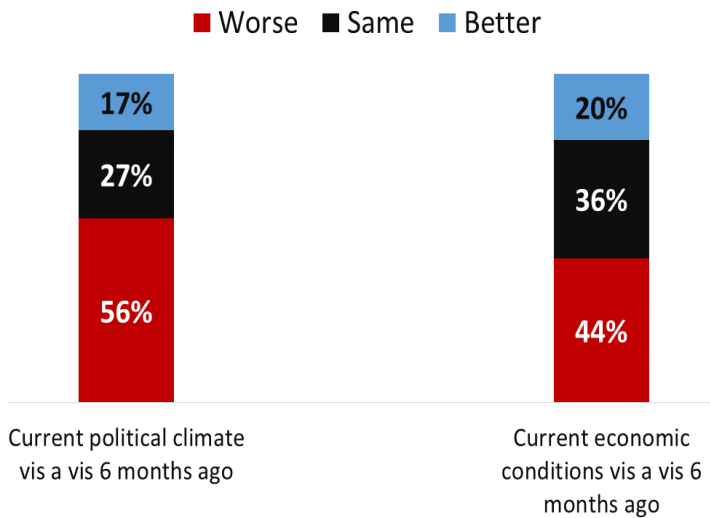
The government and the opposition formed a joint committee to look into the demands raised by both parties and come up with a sustainable solution to the stalemate.

Only 39% of the respondents are confident that the IEBC talks will result to resolving the stalemate.

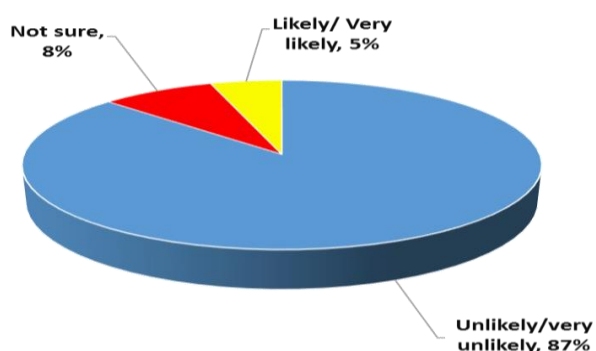
34% are not confident that the talks will resolve the stalemate. 27% are not sure whether anything will be borne out of the talks.

Political and Economic Conditions Worsened

In comparison to six months ago, 44% of the businesses feel that the current economic conditions has worsened. In addition 56% feel that the current political climate has worsened. There is a high likelihood that the politics is affecting various economic variables.



Business Premises Relocation Unlikely



Q. In relation to your business, how likely are businesses relocate another part of the city?

Relocation of businesses from the CBD is not in an option for majority of the respondents that were interviewed the study.

A majority (87%) of the business community stated that they were unlikely to relocate despite them experiencing the demonstrations. Only 5% have intentions to relocate while 8% are not sure.

This is evidence that the Nairobi business community is a resilient lot despite their lukewarm confidence in the political environment.

Nairobi City Protests: What Long-Term Impacts Could They Have?

Long-term impacts

- Damaged reputation for City
- Nervous Investors
- Nervous Tourists
- Property devaluation
- Higher unemployment
- Reduced taxable income for government

Given the potential impact on business, protests make investors nervous. Therefore, in the long-term Nairobi's reputation as an ideal place to do business could be damaged by the recent demonstrations.

In Conclusion

Business regardless of size are adversely affected by the protests. It should also be noted these adverse effects can cripple micro enterprises more (as compared to larger firms) resulting to business closure.

There are short term effects and long-term impacts of city protests and the latter have a larger impact on the economy. It is therefore important that law and order is maintained during such protests – both the opposition and the government have a role to play.

About the Study

The target population for this study was the business community operating from the central business district. A total of 509 respondents participated in this study including 13 industry association heads. Field work was conducted between 21st and 23rd July 2016. For further information on this report, please contact;

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