

ECONOMIC DEVELOPMENTS IN EAST AFRICA

MONTHLY BRIEFING
MARCH 2021

Image: Samia Suluhu Hassan is sworn in as Tanzanian president

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CONTENTS

SUMMARY	1
1. MACRO ISSUES	1
1.1. AFRICA	1
1.2. EAST AFRICAN COMMUNITY (EAC).....	2
1.3. KENYA	2
1.4. TANZANIA.....	3
1.5. RWANDA	3
1.6. UGANDA.....	3
2. SECTOR UPDATES.....	4
2.1. AGRICULTURAL INPUTS (KENYA)	3
2.2. AQUACULTURE (EAST AFRICA).....	4
2.3. COTTON & TEXTILES (TANZANIA & EAST AFRICA).....	4
2.4. FORESTRY (EAST AFRICA).....	4
2.5. LIVESTOCK (KENYA)	4
2.6. TEA (EAST AFRICA)	4
2.7. WATER (KENYA).....	4
3. DONOR UPDATES	4
3.1. BILATERAL DONORS	4
3.2. MULTILATERALS.....	5
3.3. PRIVATE FOUNDATIONS / INDIVIDUALS	5

SUMMARY

Macro issues

- According to the African Development Bank's 2021 African Economic Outlook report, Africa's GDP contracted by 2.1% in 2021 but was expected to grow by 3.4% in 2021.
- This month marks the successful ratification of the Kenya-UK Free Trade Agreement
- Tanzanian president John Pombe Magufuli has died, after experiencing chest complications and apparent heart failure. He is rumoured to have been suffering from COVID-19. Magufuli has been replaced by vice president Samia Suluhu Hassan, who was sworn in on March 19th.

Sector updates

- Major reforms in Kenya's tea sector come into effect this month, with farmers now voting for KTDA-leadership on a 'one person, one vote' system.
- Tanzania's construction sector, a major driver of demand for forestry products in the country, continues to perform well, with growth expected at 14% for 2021.

Donor community

- Uganda has benefitted from a 230 million USD loan from the African Development Bank (AfDB) for the construction of a major expressway connecting Kampala along an important trade corridor to Jinja.

I.1. AFRICA

COVID-19

- Most East African states have stuck to the AstraZeneca vaccine in spite of a growing list of states, which include the [Republic of Ireland, Netherlands and Denmark](#), stopping the use of the vaccine due to concerns about its side effects. On February 10th 2021, the [African CDC](#) issued a statement which supported the continued use of the AstraZeneca vaccine for those countries without the South African variant of COVID-19.

TRADE

- The African Continental Free Trade Area (ACFTA) marks its second anniversary since the adoption of the agreement, with 36 countries having ratified participation in the agreement as well as 38 having fulfilled the domestic requirements for ratification [as Tralac reports](#).

FINANCE

- On March 12th the [African Development Bank](#) released the 2021 African Economic Outlook report From Debt Resolution to Growth: The Road Ahead for Africa, which examines Africa's growth performance and outlook and presents the socio-economic impact of the COVID-19 pandemic. According to the report, Africa's GDP contracted by 2.1% in 2021 but was expected to grow by 3.4% in 2021. Its release was marked by an emphasis on the centrality of debt restructuring for future growth on the continent.
- Two new members of the Advisory Board of the [Arise Integrated Industrial Platforms \(Arise IIP\)](#) have championed the need to leverage more on African sourced financing in industrialisation as well as the need to champion the role and functioning of industrial parks in Africa.
- The [African Development Bank President Dr. Akinwumi A. Adesina](#) has proposed establishment of an AfDB managed African Stability Financial Mechanism that would be used to cushion African countries from drastic contractions in economic activity in case of future crises.

POLITICS

- According to [Reuters](#), the US has announced its withdrawal of security aid to Ethiopia. [Foreign Policy](#) reports that Biden has also dispatched a Senate ally to Ethiopia to address the crisis, a clear signal of more active intervention in African nations matters of peace and security.
- This [opinion piece from the Foreign Affairs](#) magazine situates Africa in at the centre of the great powers and gives an insight of the thinking in Washington on development of Biden's Africa Strategy.

ENVIRONMENT & CLIMATE CHANGE

- [Quartz Africa](#) presents a nuanced picture of the debate on fossil fuel subsidies in Africa, arguing it is likely too soon for a blanket departure from fossil fuels, arguing that this may lead to a focus on worse alternatives such as coal.

FOOD SECURITY

- A recent study from the [United Nations Conference on Trade and Development \(UNCTAD\)](#) shows that all African regions, except Southern Africa, are net food importers and that the net deficit/surplus in food export/imports has been deteriorating compared to the situation in 1995.

I.2. EAST AFRICAN COMMUNITY (EAC)

TRADE

- Following the successful ratification of the Kenya-UK Free trade Agreement, there is news about the EU trying to complete its own Economic partnership Agreement (EPA) with the East African States. Only Kenya and Rwanda have signed and ratified their EPA [agreements](#).
- [Kenya banned importation of maize from Tanzania and Uganda](#), with immediate effect, on 8th March with Kenya's Agricultural and Food Authority citing presence of dangerous levels of mycotoxins in maize from both countries. This is expected to complicate already frosty trading relations in the region. [According to one report](#), this has led to major backlogs at the Uganda-Kenya border.

ENVIRONMENT & CLIMATE CHANGE

- In its latest release on East Africa Sustainable Forests programme, the [World Wildlife Fund \(WWF\)](#) has reported about the alarming extent forest loss due to unsustainable use emanating from population pressures. The report details the extent of loss by each of the Five East African States with Tanzania leading in loss of forest cover.

NEW EAC SECRETARY GENERAL

- On February 27th, following the 21st Ordinary Summit of the EAC heads of State, [Dr. Peter Mathuki was appointed by Kenya to become the new EAC Secretary General](#) to replace the outgoing Burundian, Liberat Mfumeko. Dr. Mathuki was a long-term Director the East Africa Business Council, a former EAC parliament member and received strong backing from Kenya's private sector community.
- In a development that is seen as key in insulating Kenya from blame in stoking disintegration of the East African Community common external trade policy, the other [East African states have been granted an open-ended invitation to join the Kenya-UK Free Trade Agreement at a time of their choosing](#).
- As [Charles Onyango Obbo outlines here](#), its highly expected that the Democratic Republic of Congo (DRC) will be welcomed into EAC, possibly by 2022 with immediate prospects for greater wood trade within the region.

FOOD SECURITY

- [The Global Food Security Index](#) was recently released, showing that among sub-Saharan African countries, South Africa and West African states were the most food secure states in Africa. In East Africa, Kenya leads followed by Tanzania, Uganda and Rwanda.

I.3. KENYA

COVID-19

- The first [batch of 1.02 million doses of the AstraZeneca vaccine arrived in Kenya](#) on 2nd March 2021 and the vaccination was to begin two days later. The doses were made available through the COVAX facility.

TRADE

- Approval of Kenya's recently negotiated Free Trade Agreement with the United Kingdom has hit [setbacks following Kenya's Parliament taking issue with its powerlessness](#), as per the current text, to amend the trade deal. Approval of the deal has also been opposed by the [Kenya Small Scale farmer Forum](#) that claim the deal flouted Article 35 of the Constitution which requires transparency from government [on important information](#).
- The [Kenyan parliament ratified the Kenya-UK Free Trade Agreement](#) on March 9th 2021, paving the way for its implementation.

FINANCE

- According to [The Star](#), China may take over the revenues of Kenya's Mombasa port if Kenya defaults on Chinese loans given for construction of the Standard Gauge Railway.

POLITICS

- The Kenyan opposition leader Raila Odinga contracted COVID-19, was hospitalised and was sent home after a few days. [He posted a video of himself exercising at his home](#), saying he felt wonderful.

INDUSTRIALISATION & MANUFACTURING

- Kenya could lose substantial mining income if an agreement is not reached to give mining licenses for Australian Company [Titanium Base](#) whose special mining lease expires in October 2022. The company has other prospective mining areas around Kwale but mining licenses have not been issued.

AGRICULTURE

- As the [Kenya News Agency reports](#), the Kenya Agricultural Livestock and Research organization (KARLO) has unveiled a bio-control solution that combats the nefarious striga weed in Kenya's west region. It is the first of its kind in the world.

- As the [Kenya News Agency reports](#), the Kenya Horticultural Directorate is seeking to include a mark of origin to Kenyan horticulture exports as a way of branding the value of Kenyan exports. Part of the idea is to stop re-export of Kenyan horticultural products as Dutch.

I.4. TANZANIA

TRADE

- The Tanzania Port of Dar es Salaam announced recently that they would be expanding the range of cargo cleared to offload at the port. This announcement has precipitated the reversal of proposed new charges at the Kenyan port in Mombasa, as [The East African](#) reports.

POLITICS

- The death of Tanzania's President John Magufuli has thrust his vice president [Samia Suluhu Hassan](#) to the presidency, with questions about her hold and authority of the country. Suluhu becomes [the 9th woman](#) to be President in an African state.
- As [Africa News](#) reports, a Tanzanian agri-food start-up called OBRI has won the runner up prize at the 8th Edition of the Sankalp Africa Summit Awards, a platform that recognises impact investment in Africa.

I.5. RWANDA

COVID-19

- Rwanda received its first batch of [800,000 doses of the AstraZeneca vaccine](#) and would be receiving another 240,000 of the Pfizer BioNTech. Vaccination roll-out should commence immediately with Rwanda having earlier procured the syringes and safety boxes.

ECONOMIC GROWTH

- Rwanda has embarked on a measured program of stimulus packages to its transport industry and tourism as revealed by its [Finance Minister Uzziel Ndagijimana](#), who said the government was injecting up to USD100 million to shore up the private sector, which has been hit by the pandemic. Some of the beneficiaries of this money are Rwanda Air and major hotels.

TRADE

- Rwanda and China have signed a protocol allowing for exports of unprocessed dried chili to China, as reported by the [New Times of Rwanda](#) adding dried chili to other chili-based exports such as paste and oil.

POLITICS

- A cabinet reshuffle was made in Rwanda in mid-March, introducing among others [Ms. Beata Habyarimana](#) as the new Minister of Trade and Industry. Before her new position, Ms. Habyarimana was the Deputy Managing Director Bank of Africa.

ENVIRONMENT & CLIMATE CHANGE

- According to [New Times](#), Rwanda will set up a conservation fund to deal with persistent flooding.

I.6. UGANDA

COVID-19

- Uganda rolls out its first phase of vaccinations on March 10th having received [864,000 doses of AstraZeneca](#) vaccine through the COVAX facility.

INDUSTRIALISATION & MANUFACTURING

- The Government of Uganda has given manufacturers of cement and sugar up to the end of May 31st to comply with a requirement for their products to have Digital Tax Stamps, [The Independent](#) reports.

AGRICULTURE

- Uganda has developed a new kiln for its fishing industry to end reliance on firewood for smoking fish which as [Kilimo News reports](#) will increase the value of smoked fish while reducing emissions caused by the current practice of using firewood.

- [The Independent](#) reports that a Danish-based biochemical company, Eye-Grain ApS has developed a solution that is aimed at removing aflatoxins and related toxins from maize and other grain in Uganda.

NEWS FROM OTHER SECTORS IN THE ECONOMY

- [Uganda Airlines is gearing up to start flights](#) from Kampala to London and Dubai in May after securing landing slots in the two locations.

2. SECTOR UPDATES

2.1. AGRICULTURAL INPUTS (KENYA)

- [One Acre Fund](#) reports that they will soon be launching online/digital extension services for farmers thus keeping farmers connected to inputs and markets while avoiding physical contacts and exchange of physical cash which could endanger their health due to the pandemic.

2.2. AQUACULTURE (EAST AFRICA)

No specific updates to report this month. See previous briefings at <https://www.gatsby.org.uk/africa/latest> for more information.

2.3. COTTON & TEXTILES (TANZANIA & EAST AFRICA)

- According to a report by [the Institute of Economic Affairs \(IEA Kenya\)](#), the second-hand clothes industry forms an important contributor to the Kenyan economy and should be seen as an independent and separate market to Kenya's textile export market..

2.4. FORESTRY (EAST AFRICA)

- According to [Fitch](#), Tanzania's construction sector, a key demand driver for the country's forestry sector, has been much more resilient than regional peers in the face of the COVID-19 pandemic, with the sector likely to grow by 14% in 2021 on the back of major infrastructure investments.

2.5. LIVESTOCK (KENYA)

No specific updates to report this month. See previous briefings at <https://www.gatsby.org.uk/africa/latest> for more information.

2.6. TEA (EAST AFRICA)

- According to [The Star](#), crucial reforms come into effect in Kenya's tea sector this month, with farmers now voting on a one-person-one vote system for new KTDA directors. Elections are to be conducted on March 31st.

2.7. WATER (KENYA)

- [Sicily Kariuki](#), Cabinet Secretary for Water, Sanitation and Irrigation has recently written an Op-Ed in Nation to commemorate World Water Day, highlighting her ministry's achievements but also arguing for greater investment in the sector going forward.
- To better understand where future pressure points for East Africa's water supply will emerge, [the International Institute for Applied Systems Analysis \(IIASA\)](#) has undertaken quantitative modelling analysis for the transboundary headwaters of the Nile – the extended Lake Victoria Basin, which incorporates parts of seven countries and the basins of all inflows into Lake Victoria, as well as the basins of the Victoria and Albert Niles. They argue that the ongoing regional integration of East Africa requires that harmonisation of water policy at the regional level to be a priority in the urgently needed development of water infrastructure.

3. DONOR UPDATES

3.1. BILATERAL DONORS

No specific updates to report this month. See previous briefings at <https://www.gatsby.org.uk/africa/latest> for more information.

3.2. MULTILATERALS

- Major loans and grants in the past one month [from the African Development Bank](#) have been offered to Ethiopia, Egypt, Rwanda, Zambia and Ghana. Uganda has benefitted from [a 230 million USD loan from the bank](#) for the construction of a major expressway connecting Kampala along an important trade corridor to Jinja.

3.3. PRIVATE FOUNDATIONS / INDIVIDUALS

- As outlined [here](#), the Global Innovation Lab for Climate Finance (the Lab) has selected six new climate finance ideas for its 2021 acceleration programme.