

ECONOMIC DEVELOPMENTS IN EAST AFRICA

MONTHLY BRIEFING
SEPTEMBER 2020

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CONTENTS

SUMMARY	I
I. MACRO ISSUES	I
I.1. AFRICA	1
I.2. EAST AFRICAN COMMUNITY (EAC).....	2
I.3. KENYA.....	2
I.4. TANZANIA.....	3
I.5. RWANDA	4
I.6. UGANDA.....	4
2. SECTOR UPDATES	4
2.1. AGRICULTURAL INPUTS (KENYA)	4
2.2. AQUACULTURE (EAST AFRICA).....	4
2.3. COTTON & TEXTILES (TANZANIA & EAST AFRICA).....	4
2.4. FORESTRY (EAST AFRICA).....	5
2.5. LIVESTOCK (KENYA).....	5
2.6. TEA (EAST AFRICA).....	5
2.7. WATER (KENYA).....	5
3. DONOR UPDATES	5
3.1. BILATERAL DONORS	5
3.2. MULTILATERALS.....	5
3.3. PRIVATE FOUNDATIONS / INDIVIDUALS.....	5

SUMMARY

<i>Macro issues</i>	Doctors working with the WHO have argued that Africa's comparatively low death rate due to COVID-19 likely stems from a young population, effective response measures, a rurally dispersed population, and relatively poor connectivity with the rest of the world. The World Bank has set ambitious green growth targets for Africa, including increasing renewable energy generation capacity from 28GW to 38GW across the continent. Uganda and Tanzania have just signed an agreement for the East Africa Crude Oil Pipeline, which is facing criticism from environmental groups. Kenya's top judge has called for the dissolution of parliament after the government failed to enact laws on a gender parity rule set forth in the 2010 constitution. Tanzanian presidential election campaigning is heating up with a scheduled election date of October 28 th . The Rwandan government has arrested Paul Rusesabagina – a Hutu hotel owner who garnered international recognition for harbouring Tutsi refugees throughout the 1994 genocide – on terrorism charges, sparking an international outcry.
<i>Sector updates</i>	The International Cotton Advisory Committee (ICAC)'s latest cotton price projections assume that prices will remain low. Timber trade has seen a revival in East Africa in recent years. Kenya's tea sector is in turmoil, with farmers threatening a boycott of KTDA factories after prices have decreased for the second straight year. The dispute comes quickly off the heels of thwarted efforts from The Ministry of Agriculture to reform the sector.
<i>Donor community</i>	The World Bank has appointed Keith Hansen as the new Country Director for Kenya, Rwanda, Somalia, and Uganda. They have also made two significant funding announcements for road infrastructure in Northern Kenya (\$700 million) and improving public service delivery in Uganda (\$300 million).

I. MACRO ISSUES

I.1. AFRICA

COVID-19

- According to health professionals working with the [WHO](#), Africa's comparatively low death rate due to COVID-19 likely stems from four potential causes: a young population, effective response measures, a rurally dispersed population, and relatively poor connectivity with the rest of the world.
- Related, [The Washington Post](#) has argued that previous responses to ebola mean countries in sub-Saharan Africa have put in place the right infrastructure to deal with these types of pandemics, and that the continent's relative success in combatting COVID-19 should not be a surprise as a result.
- A recent opinion piece in [Africa is a Country](#) highlights the myriad ways in which datasets are missing the spill-over impacts of COVID-19 on issues like domestic violence, informal employment, as well as data on morbidity and mortality from non-COVID causes, but due to COVID lockdowns.
- According to an opinion piece written by [TradeMark East Africa](#), COVID-19 has highlighted the 'interconnectivity' of our food supply chains and the importance of investing in food safety and animal/plant health capacity as a global public good.
- The [International Institute for Environment and Development \(IIED\)](#) has argued that housing needs to be at the top of the development agenda, especially in the context of COVID-19, with adequate housing providing spill-over benefits in terms of ability to socially distance, access to safe piped water, as well as toilet facilities.
- According to [The New York Times](#), food security across the globe continues to be a major concern as incomes contract and food prices have risen due to the economic fall-out of COVID-19.

URBANISATION

- Related, a piece in [The Conversation](#) argues that COVID-19 has offered an opportunity to better plan African cities in terms of integrating informal settlements, dealing with economic and geographic imbalances between urban areas, and creating more room for open, public spaces.

RESILIENCE

- According to the [International Institute for Environment and Development \(IIED\)](#), cities in the Global South will continue to face new and more frequent shocks and stresses related to multiple crises unfolding at once. To respond, they require new kinds of data, modes of collaboration, financial mechanisms, innovation models and decision-making approaches to bring a vision of 'disruptive resilience' to life.

FINANCE

- According to a new [UNCTAD](#) report, the African continent loses close to \$89 billion a year due to illicit financial flows out of the continent, with the biggest proportion being attributed to the export of precious minerals such as gold, platinum and diamonds.

POLITICS

- According to [The Republic](#), Russia's engagement with the African continent is not likely to represent a 'new imperialism', as has been often claimed, but is rather driven more by pragmatic geo-political considerations than by ambitions of imperial domination.

ENVIRONMENT & CLIMATE CHANGE

- According to [Yale Environment 360](#), electricity demand for air conditioning across the African continent will increase 10x by 2040, putting severe strain on limited energy grids and hampering efforts to combat climate change.
- The [World Bank](#) has set new targets for green and resilient growth across the continent, including training 10 million farmers on climate-smart agricultural approaches, expanding integrated landscape management over 60 million hectares, increasing renewable energy generation capacity from 28GW to 38GW, and supporting at least 30 cities with low carbon urban planning approaches.
- The [African Development Bank \(AfDB\)](#) has planned to commit \$25 billion to climate financing by 2025.

AGRICULTURE

- According to former British Prime Minister [Tony Blair](#), COVID-19 has exposed key vulnerabilities in African food systems. The pandemic has highlighted the need for fundamental reforms, which he argues should be both a moral and a pragmatic imperative.

1.2. EAST AFRICAN COMMUNITY (EAC)

BUDGET

- The [EAC](#) has proposed a budget of \$97.6 million for 2020/21 to the East African Legislative Assembly. Entitled "*Stimulating the economy to safeguard livelihoods, jobs, businesses and industrial recovery*", the budget aims to support regional industrial development, building on a new EAC Industrial Policy Strategy and Action Plan (2021-2026) that is under preparation.

ENVIRONMENT & CLIMATE CHANGE

- [Uganda and Tanzania](#) have recently signed an agreement for the East African Crude Oil Pipeline, to traverse from Murchison Falls in Uganda all the way to the Tanzanian coast. [The New Yorker](#) recently offered a critical take on the proposed pipeline, citing its potential disruption to wildlife and conservation areas as well as its likely contribution to global fossil fuel emissions.
- According to [DevDiscourse](#), flooding has now impacted over 1 million people living across the East Africa region. [African Is a Country](#) has recently explored this theme in the context of broader debates on climate change in the Rift Valley.

1.3. KENYA

COVID-19

- According to [The New York Times](#), comedian Elsa Majimbo is gaining international attention for her humorous videos on how she is coping with the pandemic.
- The [WHO](#) has warned Kenya against easing lockdown restrictions, offering a public statement arguing that a decline in the number of total confirmed cases in the last several weeks is not an indication that there is a national decline of the disease.
- A recent survey from the [Ministry of Health](#) indicates that the vast majority of Kenyans are practising social distancing (94% of respondents) as well as avoiding handshakes (92%).

TRADE

- [United Nations Conference on Trade and Development \(UNCTAD\) Undersecretary Mukhisa Kituyi](#) warned Kenya against signing an unfavourable Kenya-US bilateral trade deal, urging Kenya to join negotiations as part of the African Continental Free Trade Area (AfCFTA).

GROWTH

- The [IMF](#) has announced that there will be an upward revision of its June forecast for the Kenyan economy. Its previous June estimate had warned that COVID-19 would see the Kenyan economy shrink by 0.3% in 2020.
- According to [Treasury Secretary](#) Ukur Yattani, the Kenyan economy is expected to grow by just under 2.5% for FY2020.

PUBLIC FINANCE

- According to [The New Kenyan](#), Kenya borrowed an average of KSH 4.5 billion every day between March and June this year. An opinion piece in [Business Daily](#) has argued that Kenya's public debt burden will hinder its growth potential, as close to 60% of every tax dollar is projected to be eaten up by debt repayments.
- Kenya is in talks with the World Bank over a \$1B loan for additional budgetary support related to COVID-19. The loan is likely to be approved in their fiscal year, according to [Treasury Secretary Ukur Yattani](#).

POLITICS

- Kenya's top judge has recommended the dissolution of parliament after the government has failed to enact laws on a gender parity rule set forth in the 2010 constitution, prompting a 'constitutional crisis' according to [The Africa Report](#).
- New research published in [Governance](#) highlights the ways in which devolution has confused Kenyan citizens' understanding of which branches of government are meant to provide which services, and focuses on how they come to understand how government works through engagement with various service providers.

WORK & JOBS

- According to a recent survey from [Standard Chartered Bank](#), 65% of Kenyan workers have seen their incomes reduce due to COVID-19, with most expecting the situation to worsen. Related, data from the [Ministry of Labour & Social Protection](#) show that 604 companies have let go of some of their employees due to COVID-19.
- Speaking to the inhabitants of the Kibera informal settlement in Nairobi, the [BBC](#) has noted that COVID-19 continues to have a devastating impact on the lives and livelihoods of individual workers, particularly in the informal sector.
- The popular South-African owned grocery chain Shoprite has announced its plans to close all of its Kenyan locations, according to [Business Daily](#).

SECURITY

- According to [Nation](#), in the seven years since the attack on Nairobi's Westgate Mall, the country has made significant strides in improving security.

ENVIRONMENT & CLIMATE CHANGE

- As part of trade negotiations with Kenya, oil lobbyists in the United States have pushed for easing of Kenya's nation-wide ban on plastics, according to [The New York Times](#).

URBANISATION

- A recent report from [UN-HABITAT](#) analyses the challenges related to public space management in Nairobi, arguing that the COVID-19 pandemic has "exposed critical gaps in the accessibility, flexibility, design, management and maintenance, connectivity and equitable distribution of public space in Nairobi."
- Related, [Nation](#) has reported that the government's plan to demolish the popular Lunar Park has led to tensions with local business owners and community representatives in the city. According to an opinion piece in [Business Daily](#), a recent spate of demolitions and evictions across the city have highlighted the ways in which failures in city planning are impacting poor residents in the city the hardest.

MANUFACTURING & INDUSTRIALISATION

- In an interview with [The Star](#), Kenyan Association of Manufacturer's CEO Phyllis Wakiaga highlights the impact of COVID-19 on the country's manufacturing sector and makes a case for increased resilience moving forward.

AGRICULTURE

- As the Kenya Defence Forces (KDF) seeks to bolster its presence against Islamist insurgency in the north of the country, [farmers are complaining](#) that their land has been acquisitioned without compensation.

1.4. TANZANIA

TRADE & INVESTMENT

- According to [The Citizen](#), Uganda has accused Tanzania of placing unfair charges on truck drivers entering the country, where Ugandan truck drivers are charged \$500, compared to \$152 for Rwandan truck drivers. An opinion piece in [The Star](#) has explored the dispute in the broader context of Tanzania's trade relationships with its regional neighbours.
- In a more positive development in Uganda-Tanzania relations, Uganda Airlines is the latest airline to resume regularly scheduled flights to Dar es Salaam, according to [The Citizen](#).

- [Tanzanian Ambassador to China, Mbelwa Kairuki](#), welcomed Chinese investors to Tanzania, particularly in the manufacturing sector (including cotton, textiles and edible oils production), at the 2020 Xiamen International Investment and Trade Symposium. He highlighted stability, a significant domestic market, reliable logistics and local sourcing of raw materials as key attraction factors.
- [Deputy Minister of Agriculture, Omar Mgumba](#), also highlighted agro-industrialisation investment opportunities in Tanzania at African Green Revolution Forum (AGRF) 2020.

POLITICS

- As the presidential election is fast approaching, [The Conversation](#) took a look at the two leading candidates – incumbent John Magufuli and his opponent Tundu Lissu – as well as the key issues set to define the election. They also looked at the legacy of [Julius Nyerere](#) and how that plays out in the public discourse leading up to the election.
- In a piece for [Medium](#), Roskilde research fellow Thabit Jacob has analysed CHADEMA’s election proposals, particularly as they relate to state-owned enterprises and the mining sector.

AGRICULTURE

- Speaking at a recent rally in Shinyanga, [Prime Minister Kassim Majaliwa](#) acknowledged that COVID-19 had impacted on the price of key agricultural commodities such as cotton, cashew nuts, and tobacco over the first half of 2020.

1.5. RWANDA

POLITICS

- The Rwandan government has arrested [Paul Rusesabagina](#) – a Hutu hotel owner who garnered international recognition for harbouring Tutsi refugees throughout the 1994 genocide – on terrorism charges. [Human Rights Watch](#) claims Rusesabagina was ‘forcibly disappeared’ while [President Paul Kagame](#) claims he was merely tricked into returning home.

1.6. UGANDA

ENVIRONMENT & CLIMATE CHANGE

- [World Climate Centres International \(WCCI\)](#) has established a women-led climate adaptation centre in Tororo.
- According to [The Guardian](#), the Ugandan government has rejected a proposed hydroelectric dam project in Murchison Falls national park, citing its impact on natural resources and tourist revenue.

2. SECTOR UPDATES

2.1. AGRICULTURAL INPUTS (KENYA)

- The [Co-operative Bank of Kenya](#) has signed a five year, KHS 500 million, deal with Yara East Africa, an agro-supplier, aimed at raising fertiliser distribution to boost soil fertility and crop output across Kenya.

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)

- [U.S. Customs and Border Protection Agency](#) “Withhold Release Orders” will require it to detain shipments of cotton and other imports from companies in Xinjiang Province in China, due to risk of forced labour of Uighur Muslims in textiles supply chains. [There are concerns](#) about major disruptions to global supply chains. [USDA analysis](#) estimates that 20% of global cotton production in 2019/20 came from Xinjiang Province.
- [The International Cotton Advisory Committee \(ICAC\)](#)’s latest cotton price projections assume that prices will remain low, owing to large stocks and economic uncertainty dampening demand. Its projection is for a year-end 2020/21 A index average of \$0.67 per lb.
- The [Tanzania Agricultural Development Bank \(TADB\)](#) has lent over TSH 11 billion to Kahama and Chato Cooperative Unions, enabling them to purchase tractors and other inputs for cotton production.
- As part of its cotton revitalisation agenda in Kenya, [the Kenyan Government](#) will finance a KSH 200 million ginnery in Embu county, and expects to process 1,400 metric tonnes of cotton from the surrounding area.
- The [AGOA Action Coalition](#) has written to the U.S. House Ways and Means Subcommittee on Trade, challenging US apparel importer lobbyists for the extension of AGOA duty-free tariffs to all Generalized System of Preferences (GSP) countries, such as Pakistan, Cambodia, Indonesia and the Philippines, which would undermine the competitiveness of many African firms.

- Major brands and garment retailers are reporting earlier than expected return to profits. According to [Just-Style](#), H&M expect a return to profits in Q3, PVH Corp saw revenues down 33% in Q2, and The Children's Place's net sales are down 12.3% on a year earlier.

2.4. FORESTRY (EAST AFRICA)

- According to [Expogroup](#), the region's timber trade has seen a revival, especially for sawn wood, in recent years.

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](#), the implementation of tea trade regulations recommended by Agriculture Cabinet Secretary Peter Munya has been suspended until a petition filed by East African Tea Trade Association (EATTA) is determined. The regulations were expected to bring in major changes in how tea is traded in Kenya.
- Providing context on the history of Kenya's tea sector, an opinion piece in [Nation](#) has argued that the Ministry of Agriculture's current efforts to reform Kenya's tea sector will be futile unless they compel management at the Kenya Tea Development Authority to innovate and create more wealth for farmers.
- According to [The New Kenyan](#), as prices decrease for the second year in a row, farmers are threatening a plucking boycott for KTDA-supplied factories in Kenya. [Nation](#) reports that, in response, KTDA has offered farmers an increased tea bonus totalling KSH 51.8 billion (compared to KSH 46.4 billion).

2.7. WATER (KENYA)

- According to an opinion piece in [The Conversation](#), Kenyans living in informal settlements continue to rely on informal water vendors – despite cost and hygiene issues – as this is often their only option.
- According to [Reuters](#), Makueni county in Kenya has developed the Makueni County Climate Change Fund back in 2015, which has been focused on funding projects that mitigate against climate change and specifically address issues of water scarcity in the county.
- The [Agence Française de Développement \(AFD\)](#) and [European Investment Bank Group \(EIBG\)](#) have contributed EUR 20 million and EUR 35 million concessional loans respectively for the Lake Victoria Water and Sanitation Project (LVWATSAN). The project is meant to expand the water and sanitation distribution network in Kisumu. The Kenyan government has contributed EUR 10 million worth of counterpart financing, with an additional EUR 5 million grant from the European Union, for the scheme.

3. DONOR ANNOUNCEMENTS

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

- The [European Union and the Intergovernmental Authority on Development \(IGAD\)](#) have announced a EURO 60 million programme to help all eight IGAD member states – Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda – tackle the impacts of the COVID-19 pandemic, with emphasis on ensuring safe trade and promoting digital solutions to support with health responses.
- [The World Bank](#) has appointed Keith Hansen as the new Country Director for Kenya, Rwanda, Somalia, and Uganda. He will replace Carlos Felipe Jaramillo, who has been appointed as the Vice President for Latin America and the Caribbean region.
- [The World Bank](#) has announced \$750 million for a road infrastructure project in the northern part of Kenya. The funding will support the upgrade of 365 km of the Isiolo-Mandera Regional Road Corridor, a major transport route linking to the country's northeast.
- [The World Bank](#) has committed \$300 million to improving local service delivery in Uganda, with funds earmarked for health, education, sanitation, and irrigation.

3.3. PRIVATE FOUNDATIONS / INDIVIDUALS

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