

ECONOMIC DEVELOPMENTS IN EAST AFRICA

MONTHLY BRIEFING
DECEMBER 2020

 **KENYA
MARKETS
TRUST**
Better Markets, Better Lives

MSINGI
BUILDING EAST AFRICA'S INDUSTRIES
OF THE FUTURE

 **GATSBY
AFRICA**

Image: Bobi Wine, aka Robert Kyagulanyi, speaks during a rally in Hoima.

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SUMMARY

Macro issues

- The region faces increasing unrest, which is threatening regional stability:
 - In Uganda, a number of protesters died in clashes with security forces in November. They were protesting the arrest of opposition leader Bobi Wine, who has argued that a number of attempts have been made on his life in subsequent weeks.
 - Ethiopia has devolved into civil war between the government and the Tigray People's Liberation Front (TPLF) who ran the country for decades following their defeat of the communist Derg in 1987.
 - The US has announced plans to withdraw troops from Somalia, which will have implications on the rest of the region, particularly Kenya. Kenya recently experience a brief period of normalised relations with Somalia, with the latter's embassy re-opening in Nairobi. This deteriorated quickly, however, as Somalia accused Nairobi of interfering in its domestic politics.
- African leaders and commentators are celebrating the election of Joe Biden, likely signalling renewed opportunities for trade and investment in the continent following 4 years of the Trump Administration's isolationist bent.
- Coronavirus cases are on a sharp rise in Kenya, putting pressure on vulnerable populations in rural areas and informal settlements.

Sector updates

- Kenya's major processors and retailers of meat products have recently signed a collaboration agreement to apply and promote safe handling and consumption of meat in the country.
- Kenya's Cabinet Secretary for Agriculture, Peter Munya, continues to face an uphill battle over proposed reform efforts in the tea sector.
- Rwanda exports of textiles and apparel have grown by 83% between 2018 and 2020 YTD despite its suspension of AGOA status.
- Global fashion sales are expected to have fallen by 15-30% year on year for 2020, with the greatest declines in Europe.

Donor community

- The World Bank has announced \$100 million partnership with the government of Kenya to support the country's efforts to invest in the 'blue economy'.
- The Commercial Bank of Ethiopia and Financial Sector Deepening (FSD) Africa have partnered to administer a \$6.5 million wage subsidy fund for industrial park workers.

I. MACRO ISSUES

I.1. AFRICA

COVID-19

- According to [Monique Wasunna](#), Director of the Drugs for Neglected Disease Initiative Africa regional office in Nairobi, combating coronavirus on the African continent will require an increased focus on research going forward, especially as it relates to how effective the current range of vaccines in development may be for African populations and to develop policy around treatment of mild to moderate cases.

TRADE

- A recent piece in [The Africa Report](#) explores Alibaba founder Jack Ma's philanthropic work and ambitions across the continent of Africa, arguing that he is trying to establish a "pan-African eco-system based on the Alibaba model."
- Related, Gyude Moore, a senior policy fellow at the [Centre for Global Development](#), has recently published an article on what China's growing influence in Africa will mean for the continent.
- In an opinion for [Nation](#), Wycliffe Osabwa argues that the African continent must be more responsive to 'global supply shifts' and specifically re-shoring in countries like the US. To do this, countries like Kenya and Uganda need to look to each other as marketplaces for their exports.

POLITICS

- As part of their 'Africa Reacts' series, [The Centre for Strategic and International Studies](#) has captured thoughts from prominent African journalists, civil society activists, and thought leaders to share their analysis on the U.S. presidential election process and what a Biden presidency could mean for US relations with the continent.

ENVIRONMENT & CLIMATE CHANGE

- Kaddu Sebunya, [Chief Executive Officer of the African Wildlife Foundation \(AWF\)](#), has recently argued that the continent of Africa needs to increase its focus on conservation, promoting a healthier relationship between humans and nature.

INDUSTRIALISATION & MANUFACTURING

- The [Institute for Security Studies](#) has argued that African development models must change, with greater emphasis on models that accommodate the realities of informality and weak land management, as well as the proliferation of organised crime and criminal networks in the private sector, legal markets and many states.
- In a post written for African Industrialisation week, economists at the [International Growth Centre](#) highlight how the industrialisation has progressed on the continent in recent years and the impact that COVID-19 has had.

1.2. EAST AFRICAN COMMUNITY (EAC)

COVID-19

- A new [UNECA](#) report looks at the impact of COVID-19 across the EAC region, estimating that the pandemic has caused the loss of 38 million jobs in the region.

POLITICS

- [Ethiopia](#) now finds itself in the midst of a civil war between the Ethiopian government and the Tigray People's Liberation Front (TPLF). While fighting is concentrated in the north of the country, instability in the country threatens to spill-over into the rest of the region.
- Related, [the US has announced](#) plans to pull troops out of Somalia, which is likely to have implications for regional stability ahead of elections planned for February 2021.

ENVIRONMENT & CLIMATE CHANGE

- According to Henrik Maihack, resident director of [Friedrich-Ebert-Stiftung's](#) Kenya office, climate security will be an underlying prerequisite for regional peace moving forward.
- According to the [Cornell Alliance for Science](#), the East Africa region is too reliant on biomass for its fuel consumption needs, which is both a hinderance to human health and the environment.

TRADE

- [The East African](#) reports that EAC member states should optimistic about a Joe Biden's presidency for trade prospects in the region, which will likely signal a shift from Trump Administration's approach of negotiating with the region on a bilateral basis.

1.3. KENYA

COVID-19

- As cases continue to rise in Kenya, a recent piece in [Nation](#) highlights how those living in informal settlements are most at risk.
- [Kenya and the UK signed an Economic Partnership Agreement on 3 November 2020](#), that mirrors the EU-EAC EPA. It is expected to promote both trade and investment with Kenya's largest foreign investor.
- According to [Reuters](#), concerns are being raised about a lack of ICU beds in Kenya's rural counties as COVID-19 spreads out of the country's urban centres over the holiday season.

FINANCE

- The Kenyan shilling has dropped to a historic low against the US dollar (110.5 to 1). This is due to a strong demand for USD, reduction in tourist revenues and a slowdown in agricultural exports, according to [The Star](#).
- According to [Central Bank of Kenya \(CBK\) Governor](#) Patrick Njoroge, non-performing loans in Kenya are on the rise in the transport, communication, energy, water, tourism, hospitality and real estate sectors, up from KSh 3.5 B to KSh 404 B since February of this year.
- According to recently released data from the [Central Bank of Kenya](#), remittances have risen 17.3% year on year for the month of October, from KSh 22.4 B to KSh 28.4 B.
- Kenya has requested a [\\$2.3 USD loan](#) from the IMF for post-pandemic recovery.
- According to [The East African](#), the Standard Gauge Railway continues to operate at a loss, earning \$78 million USD in the first 9 months of 2020 against annual expenses of \$160+ million.
- According to [The Star](#), radical changes are being proposed at the Kenya Revenue Authority to improve tax collection and resource mobilisation, with emphasis on increased staffing.

WORK & JOBS

- [Uber](#) is coming under fire in Kenya for slashing its fares (and thus drivers' incomes), leaving them saddled with unsustainable debt.

POLITICS

- Somalia and Kenya recently made progress in normalising relations, as Somali reopens its embassy in Nairobi, which has been closed since 1994, according to the [Kenya Broadcasting Company](#). However, this positive step was quickly followed by a further rift, [as Somalia recalled its ambassador to Kenya](#) after it accused Kenya of interfering in a domestic political dispute with Jubbaland State.
- An opinion piece in [Nation](#) argues that Kenya is 'losing its mojo' in the region, citing deteriorating relationships with regional neighbours Uganda, Tanzania, Ethiopia and Rwanda.
- This interesting discussion with writer [Najala Nyabola](#) highlights the ways in which social media can exacerbate ethnic tensions within Kenya.

ENVIRONMENT & CLIMATE CHANGE

- The Sustainable Inclusive Business (SIB-K), the [Kenya Private Sector Alliance \(KEPSA\)](#) and the WWF Kenya have recently hosted a private sector dialogue on environmental sustainability. Related, [the Kenya Bankers Association \(KBA\) and Kenya Climate Innovation Centre \(KCIC\)](#) recently signed a Memorandum of Understanding (MOU) aimed at advancing the green finance agenda in Kenya.
- This interesting piece in [Emergence](#) explores the importance of the forests that surround Mount Kenya to local communities and ecosystems.
- According to the [Daily Times](#), farmers and community members in the villages surrounding Thogoto forest near Nairobi have been enlisted by conservationists to engage in bamboo farming and beekeeping as means to stop encroachment of the area by land developers and speculators.
- This piece in [The Conversation](#) explores new research that has informed Nairobi's air quality action plan to address the serious problem of pollution in the growing metropolis. Related, vegetation loss is turning Nairobi into a 'heat island'.

INDUSTRIALISATION & MANUFACTURING

- Newly appointed Vision 2030 Director General, [Isaac Mwige](#), has highlighted that he wants to focus on short-term, tangible projects that can be implemented immediately without interfering in the political process.
- Speaking at the 2020 Kenyan Industrial Expo, a representative for [Kenya Investment Authority Chief Executive](#) Dr. Moses Ikiara highlighted how the government is actively encouraging Chinese firms to engage in joint ventures with Kenyan firms when investing in the country.

AGRICULTURE

- According to the [FAO](#), a severe return of locusts may hit the country by the middle of this month. Agriculture PS Hamadi Boga said measures have been put in place to deal with the invasion and that over 216,000 litres of pesticides have been procured.

I.4. TANZANIA

COVID-19

- The [Centre for Disease Control](#) continues challenge Tanzanian government's assertion that it is free from COVID-19, marking the country as a 4/4 on its risk rating for 'very high' likelihood of contracting the virus if visiting the country.

TRADE

- Recently visiting the Tanzanian Investment Centre, [US diplomat Ken Walsh](#) signalled US interest in boosting its trade ties with Tanzania.
- [Tanzania's current account deficit improved significantly on a year earlier, at US\\$671.1 million](#) in the year to September 2020, driven by increased exports of traditional products including cotton, sisal and others.

FINANCE

- The [Bank of Tanzania](#) recently placed the Commercial Bank of China under statutory administration due to its failure to maintain its legal capital requirements for operating in the country.
- According to the [Tanzania Investment Centre \(TIC\)](#), of all the loans offered by the banks in Tanzania from 1997 - 2017, only 5.6% went to the agricultural sector. This figure has only slightly improved to 8% over the past year, highlighting a major agricultural financing gap in the country.

POLITICS

- President [John Magufuli](#) has recently argued that democracy 'has limits' following protests to his election victory on October 28th.
- Opposition leader [Tundu Lissu](#) has fled to Belgium both for health reasons and as he feared for his security.
- [Manu Lekunze](#), a Teaching Fellow at the University of Aberdeen, has recently argued that increasing centralisation of power in Tanzania is not a unique phenomenon but rather part of a continent-wide trend towards 'developmental authoritarianism'.

ENVIRONMENT & CLIMATE CHANGE

- Fires continue to threaten biodiversity on [Mount Kilimanjaro](#).

INDUSTRIALISATION & MANUFACTURING

- Looking at the textiles and garments sector in Tanzania, [researchers at the University of SOAS](#) have argued that while accessing global value chains can make contributions to employment generation and export growth of a country, shifting policy focus to access regional value chains can better support higher-value activities and industrial upgrading.

I.5. RWANDA

WORK & JOBS

- New research from the [ODI](#) explores informal taxes and transfers for households in Rwanda, with research indicating over 95% of households give and receive them.

ENVIRONMENT & CLIMATE CHANGE

- Opposition is growing in Rwanda to a Russian-backed nuclear energy deal, with [Frank Habineza](#), a lawmaker and member of the Democratic Green Party, warning that nuclear energy could do the country more harm than good.

I.6. UGANDA

WORK & JOBS

- In an opinion piece for [The Conversation](#), Rita Makumbi-Oola, a Senior Lecturer at Ndejje University, argues that government projects to address youth employment have failed due to the structuring of implementation, including high interest rates on loans given to young people, delays in distribution, and a lack of coherence around project objectives.
- This opinion piece in the [East African](#), journalist Joachim Buwembo argues that Uganda's next government needs to prioritise job creation and building manufacturing capability.

POLITICS

- [Bobi Wine](#) has once again been arrested, this time on charges related to violations of COVID-19 restrictions. Protests quickly followed, with [security forces clamping down violently](#). The death toll reached 45 people, according to [CNN](#).
- In this piece for [African Arguments](#), Bobi Wine outlines his version of events. In an interview with [CNN](#), he has since called on US support in putting pressure on the government to cease alleged interference in opposition election campaigning.
- Another piece in [African Arguments](#) analyses the situation in broader context, highlighting how early clampdown on political dissent has become a mainstay of the Ugandan election cycle. The [Mail & Guardian](#) has also analysed how security forces, the military and police have become politicised in the country.
- Recently published research, with funding from the [Westminster Foundation for Democracy](#), points to the high financial costs of engaging in politics in Uganda, arguing that expensive campaigns are negatively impacting on the country's nascent democracy.

ENVIRONMENT & CLIMATE CHANGE

- [Tullow Oil](#) has recently completed a \$575 million sale of its Ugandan operations to Total. This will form the basis of Total's investment in a pipeline from Uganda's oil-rich Lake Albert region to the coast of Tanzania. In previous briefings, we have highlighted environmental concerns raised with the project.

2. SECTOR UPDATES

2.1. AGRICULTURAL INPUTS (KENYA)

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

2.2. AQUACULTURE (EAST AFRICA)

- Kenya's [Permanent Secretary for the Agriculture, Livestock, Fisheries and Cooperatives Ministry](#), Peter Munya, has announced Ksh 700 million in funding to assist fishing communities from the lake basin region mitigate the effects brought about by floods and coronavirus pandemic.
- A series of prominent [Kenyan governors](#) has signalled their approval of the aquaculture industry.
- This piece profiles [Aquarech](#), a sensor-based application that is meant to help fish farmers reduce their grow-out cycles, source quality feed and find new routes to market. Related, another piece in [The New Vision](#) profiles a Ugandan entrepreneur breeding black soldier flies for poultry and fish feed.
- According to [Nation](#), fish imports from China have recently dropped by 50%+, to KSh 993 M from KSh 2.3 B in 2018.
- Prices for fresh fish in Uganda have dropped drastically to ~\$2/KG, with many farms being forced to offload at a loss. Msingi projects this will be a short-term scenario due to one large farm dumping a significant number of fish on the market as COVID restrictions are eased.¹
- Recently published research in the scientific journal [Nature](#) highlights how organised crime is threatening the sustainability of fishing sectors worldwide.

2.3. COTTON & TEXTILES (TANZANIA & EAST AFRICA)

Cotton

- [International cotton prices are expected to stabilise](#) due to reduced global cotton production (to 24.7 million MT for 2020/21) combined with stable demand (of 24.3 million MT for 2020/21) and increasing global trade. Demand has been bolstered by the US-China Phase One trade deal. ICAC is forecasting an average A index price of 69.4 cents per pound for year-end 2020/21.
- The [Global Organic Textile Standards \(GOTS\)](#) identified 20,000 MT of incorrectly identified certified organic cotton in India, due to a fraud affecting the Indian government certification system.

Textiles and apparel

- According to a recent article in [FibretoFashion](#), Rwanda exports of textiles and apparel have grown by 83% between 2018 and 2020 YTD despite its suspension of AGOA status.
- [McKinsey's State of Fashion 2021](#) report found that 2020 global fashion sales will fall by 15-30% year on year, with the greatest declines in Europe, whilst luxury and affordable luxury products are least affected. Online fashion sales increased from 16% to 29% of total revenues, and are expected to continue growing rapidly in 2021. It expects sales to return to 2019 levels between Q3 2022 and Q4 2023, dependent on the nature of the COVID-19 pandemic.
- A recent [study by Laudes Foundation](#) exposed divergent views on the role of transparency in the apparel industry in Bangladesh among brands, manufacturers and workers, despite developments since the Rana Plaza factory disaster. The report sets out recommendations for improvements for all stakeholders.
- With [two thirds of manufacturers in the US considering "reshoring"](#), [Oracel Net Suite](#) has developed a guide for conducting cost-benefit analysis of localising your supply chain, which sets out the range of key considerations. The supply chains, which sets out the range of key considerations. Related, the Capgemini's Research Institute's [Fast forward: Rethinking supply chain resilience for a post-pandemic world](#) report identified the need for visibility, transparency, agility, sustainability, diversification (of supply), localisation and contingency planning as critical ingredients of enhanced supply chain resilience.
- The [H&M Foundation and Hong Kong Research Institute of Textiles and Apparel](#) have collaborated to develop a textile to textile recycling process using a hydrothermal system that separates cotton from polyester, marking a break-through in circular fashion.

FORESTRY (EAST AFRICA)

- [This short piece](#) provides a useful overview of the African furniture sector, with analysis of the sector in Kenya, Tanzania and Rwanda.

¹ Msingi research

2.4. LIVESTOCK (KENYA)

- Kenya's major processors and retailers of meat products - [the Retail Trade Association of Kenya \(RETRAK\)](#) and [the Meat and Livestock Exporters Industry Council of Kenya \(KEMLEIC\)](#) - have recently signed a collaboration agreement to apply and promote safe handling and consumption of meat in the country.
- According to [Paul Gamba](#), a lecturer at Egerton university, recent efforts to revive the Kenya Meat Commission - by pulling it of the Ministry of Agriculture and into the Ministry of Defense - will prove fruitless unless there is a feasible overhaul and restructuring plan that addresses key structural deficiencies in how the Commission is managed going forward.
- According to a recent statement from the [Kenya Agricultural and Livestock Research Organization \(KALRO\)](#), Kenya continues to fail meet its local meat demand, instead relying on exports.

2.5. TEA (EAST AFRICA)

- According to [Nation](#), efforts to reform Kenya's tea industry have faced another hurdle as key elements of a proposed reform bill were omitted – e.g. the introduction of a 'one man, one vote' rule proposed by farmers supplying KTDA factories – prior to a third bill reading in parliament.
- Leading a delegation to Pakistan, [President of the Tanzanian Chamber of Commerce, Industry and Agriculture \(TCCIA\)](#) Paul Koyi recently stated that Pakistan could save millions of dollars by importing tea directly from Tanzania.

2.6. WATER (KENYA)

- An article in [The Star](#) looks at a five year project - funded by USAID, Swiss Development Cooperation and supported by Millennium Water Alliance and World Vision Kenya – that has evidently brought water to 108 000 people across Wajir utilising a water kiosk model.
- In an interview with the Daily Nation, [Marsabit Deputy Governor](#) Solomon Gubo discusses developments in the county's water sector, including what he sees as the benefits of the Kenya Resilient Arid Lands Partnership for Integrated Development (RAPID) programme.

3. DONOR UPDATES

3.1. BILATERAL DONORS

- With support from the German and UK governments, the [Commercial Bank of Ethiopia will collaborate with Financial Sector Deepening \(FSD\) Africa](#) to administer a \$6.5 million fund that will offer wage subsidies for industrial park workers, as well as incentivising firm adaptation, in the textile and apparel industry. It aims to protect jobs and support the post-COVID recovery.

3.2. MULTILATERALS

- The [World Food Programme](#) plans to increase its aid to Kenya's urban poor, providing a \$40 monthly stipend to 400 000 individuals in Mombasa and Nairobi.
- The government of Kenya has recently collaborated with the [World Bank](#) to launch a \$100 million Marine Fisheries and Socio-Economic Development Project (KEMSFED) to support Kenya's contribution to the blue economy.

3.3. PRIVATE FOUNDATIONS / INDIVIDUALS

- [Coca Cola](#) is offering KSh 125 M in support for businesses in Laikipia, Kenya who are struggling due to coronavirus. Support is expected to come in the form of PPE, such as face shields and masks, as well as handwashing jerrycans, sanitizers, and garden furniture to enforce social distancing.