

ECONOMIC DEVELOPMENTS IN EAST AFRICA

FEBRUARY
2021

Image: African doctor administering vaccine to a patient
Credit: Confidence Nzewi / Alamy Stock Photo

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MONTHLY BRIEFING
FEBRUARY 2021

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SUMMARY

Macro issues

- As vaccines against COVID-19 begin to be rolled out across Europe, North America and Australia, a debate around vaccine equality is emerging, with French President Emmanuel Macron arguing for a greater flow of affordable vaccines to Africa.
- Following a tense election in Uganda, marred by intimidation of the opposition and a widespread social media blackout, a number of commentators have highlighted how the internal community's patience with incumbent president Museveni is running thin.
- There is a growing chorus of voices within the US calling for a continuation of US-Kenya trade negotiations that have been stalled due to a transition in government in the US.
- Locusts have returned to the EAC region, with 75 swarms being spotted in Kenya. The FAO has argued that it is severely underfunded in being able to deal with them, making an international appeal for \$38 million.

Sector updates

- Tea prices at Mombasa are rising week on week, due to increased demand from Pakistan
- There are a number of projects underway in the region's aquaculture sector, including a USAID investment in cage farming around Lake Turkana and a partnership between the EU-funded Lake Victoria Fishing Organisation and the global fish research centre, WorldFish focused on increasing aquaculture production around Lake Victoria.
- There appears to be good news for commercial forestry, both at a regional and global level. Locally, steel prices have skyrocketed in Kenya in recent months, signalling a potential opportunity for alternative building supplies. Globally, billions in carbon offset financing is likely to flow into the sector in the coming years.
- The coup in Myanmar is likely to have a major impact on the global textiles and apparel industry. The country is the world's second-largest exporter and saw a 40% increase in export sales to Europe during 2020.

Donor community

- The Commonwealth Development Corporation (CDC) has announced that it will invest \$1 billion annually in Africa, with emphasis on a few key markets which includes Kenya.

I. MACRO ISSUES

I.1. AFRICA

COVID-19

- This piece in [The Conversation](#) summarises the story to date with regard to COVID-19 vaccination roll-outs across the Africa continent. [This blog](#) outlines how global vaccine distribution might play out. Related, [French President Emmanuel Macron](#) has argued that Europe needs to divert 5% of its vaccine supply to support roll-out across Africa, where countries are paying 'astronomical' prices while being offered vaccines of unclear efficacy.
- The [Wall Street Journal](#) has covered a recently developed new strain of COVID-19 first noticed in South Africa, which is now challenging the country's health systems and threatens to spread throughout the rest of the continent.
- There is debate about if the AstraZeneca vaccine would be effective in most African states. While the [WHO](#) has endorsed use of the AstraZeneca vaccine in Africa, some countries like [eSwatini are reluctant](#) to get on board with that vaccine. [South Africa](#) has announced it will instead roll-out an alternative produced by Johnson & Johnson.

TRADE

- Data released in February by the [United Nations Conference on Trade and Development](#) suggests that Africa's international trade was on a modest rebound from the Q3 to Q4 quarter of 2020. Exports contracted by 8% in the Q4 compared to 12% in the Q3, while imports rose by 1% in the Q4 while having contracted 7% in the Q3.
- The [BBC](#) has offered a helpful overview of the newly enacted African Continental Free Trade Agreement, and its implications for growth and industrialisation across the continent.
- [Cambridge University Press](#) has published one of the early books on the African Continental Free Trade Area by David Luke and Jamie Macleod with an optimistic outline of how the AfCFTA can be made to work and what African states need to do to make it work.
- [Ngozi Okonjo-Iweala](#), Nigeria's former Finance Minister is set to become the first woman to lead the World Trade Organisation (WTO).

FINANCE

- Despite the pandemic, venture capital has continued to pour into the African continent, with large pools of funding being channelled in particular to FinTech and solar start-ups. The [Centre for Strategic & International Studies](#) has offered 10 predictions for the African venture capital landscape in 2021.

- A recent article published in [The Atlantic](#) challenges the narrative of the Chinese debt trap for developing countries, arguing Chinese banks are willing to restructure the terms of existing loans and have never actually seized an asset from any country.

WORK & JOBS

- Recent survey data from [Afrobarometer](#) points to the importance that youth across the continent place on job creation.

POLITICS

- Recently published research from researchers at [Brookings and Barnard College](#) has analysed the relationship between Washington-Consensus based reforms, exploring the evidence on policy adoption and the effects of these policies on socio-economic performance in sub-Saharan African economies.
- Prominent political scientist [Nic Cheeseman](#) has argued that international aid has contributed to authoritarianism across the African continent, citing the recent conflict in the Tigray region of Ethiopia as a prime example. In [Democracy in Africa](#), ODI scholar Tim Kelsall has challenged this viewpoint, arguing that aid needs to be considered in a broader context than whether or not it is going to a country that is more or less democratic.
- After years of effort, [Effective States for International Development](#) has released its political settlements data-set to help researchers better understand “how different configurations of *de facto* political power affect economic, political and social development.”

INDUSTRIALISATION

- Recently published research from the [ODI](#) looks at a number of emerging trends that will impact positively on African economies’ prospects for industrialisation and economic transformation.
- According to [Forbes](#), the COVID-19 global pandemic has managed to force African governments to re-prioritise investing in industrialisation and manufacturing, as the region was impacted by supply chain disruptions, an inability to procure PPE, as well as the current challenges of procuring vaccines against the virus.
- [Quartz Africa](#) recently argued that more diversified African economies are set to rebound faster from the pandemic than ‘extractive giants’ such as Angola. Related, a recent blog in the [Review of African Political Economy](#) looks at ‘African extractivism’ in the context of the recent COVID-19 pandemic.
- In a blog for [UNIDO](#), Helen Hai has recently argued that African industrialisation can and needs to have emphasis on environmental sustainability.
- The most recent data from the Observatory of Economic Complexity indicates a decisive tilt by East African states (Kenya Uganda and Tanzania) towards entrenchment of the extractives sector in its overall contribution to exports trade. In [Tanzania](#), cobalt and copper have been growing in stature while gold exports have contracted between 2013-2018. In [Uganda](#), gold exports grew exponentially between these years. In [Kenya](#), exports of Niobium, Tantalum, Vanadium and zirconium ore grew massively during these years.

TECHNOLOGY

- This piece published by the [African Centre for Strategic Studies](#) looks at a growing array of cyber threats – such as espionage and critical infrastructure sabotage – set to impact governments across the continent.
- [Aperture AI](#) has recently been released through a partnership between the Rockefeller Foundation and Atlas AI. The focus of Aperture is to track a massive data set on demographics, land/energy usage, and various socio-economic indicators to analyse “drivers of sustainable economic development within complex economic systems,” as well as “how organizations can deploy their financial capital and other resources to best achieve desired commercial and development outcomes within these systems.”

AGRICULTURE

- Research from the [University of Manchester](#) looks at the ways in which mass irrigation schemes have consistently failed across the continent.

I.2. EAST AFRICAN COMMUNITY (EAC)

INDUSTRIALISATION

- The [Daily News](#) takes a look at the ways in which EAC states have promoted industrial development and improved competitiveness in the region as of late.

TRADE

- The construction of [new Tanzania-Uganda roads](#) - Masaka through Kyotera to Mutukula, Mutukula to Kyaka, and Bugene through Kasulo to Kumunazi - is expected to begin soon following completion of a feasibility study.

TECHNOLOGY & INNOVATION

- This piece in Tanzania's [Daily News](#) argues that technological innovation will be crucial to unlocking regional growth and transformation in the coming decade.

POLITICS

- Nolan Quinn, a research associate for the [Council on Foreign Relations' Africa Program](#), just published an interesting blog on the recent history of Islamist radicalism on the Swahili coast of East Africa.

ENVIRONMENT & CLIMATE CHANGE

- The [East African Legislative Assembly](#) has called on the Lake Victoria Basin Commission, along with EAC Partner States, to jointly establish surveillance for safety, security and rescue matters in the entire lake.

I.3. KENYA

ECONOMIC GROWTH

- According to a new report from the [Kenyan National Bureau of Statistics](#), the country has dipped into a recession for the first time in two decades, with the economy contracting by 1.1% over Q2 2020, due to lockdown measures related to increased cases of COVID-19.

TRADE

- There is growing support from both [policy makers](#) as well as [private sector groups](#) in the United States for President Biden's administration to complete Kenya-US negotiations for a Free Trade Agreement started by the two countries under President Trump.
- According to [The Star](#), the value of Kenya's domestic exports rose 6.4% in the 10 months leading to October last year despite disruptions due to COVID-19.

WORK & JOBS

- [African Arguments](#) has written a detailed piece on Nairobi's 'hustler' economy, arguing that it is a logical extension of neoliberalism, in which individuals re-appropriate their own sense of desperation and hopelessness into creativity and entrepreneurialism.

FINANCE

- [The National Treasury](#) is expected to borrow Ksh.1 trillion in the current financial year ending on June 30, 2021 following upward adjustments to spending
- In a sign of Kenya's debt distress, the country has negotiated a rescheduling of its [debt repayment to both China](#) as well as the [Paris Club Lenders](#).
- Meanwhile, Kenya also reached [a \\$2.4 billion loan facility from the IMF](#) to shore up international debt repayments pressures arising from COVID-19 as well as protect instability in monetary policy.

URBANISATION

- This piece in [Africa is a Country](#) looks at the history of Nairobi, exploring the forces that drove the development of the city.

POLITICS

- According to [The Africa Report](#), 41-year-old Anne Kananu Mwenda has been sworn in as Nairobi's third deputy governor, following the impeachment and removal of Mike Sonko from office in December 2020.
- Recent research from [Effective States for Inclusive Development](#) looks at the politics of social protection in Marsabit county from the lens of the provision of state pensions.

INDUSTRIALISATION & MANUFACTURING

- [This piece](#) looks at the state of manufacturing in Kenya, arguing for greater focus on technical innovations to improve the sector as a whole.
- The [Kenyan Association of Manufacturers](#) has launched its 'Manufacturing Priority Agenda' for 2021 focused on enhancing competitiveness and market access, as well as promoting pro-industry policy, SME development as well as emphasising industrial sustainability and resilience.

AGRICULTURE

- Locusts have returned to devastate crops in the eastern part of Kenya, with 75 swarms being reported thus far according to [Agriculture Minister Peter Munya](#).
- This write-up in [StartUp](#) magazine examines the ways that COVID-19 has impacted Kenya's agricultural sector and how the government has responded as a result.

I.4. TANZANIA

COVID-19

- The cases of COVID-19 in Tanzania have been on the rise and once the [US government started raising concerns](#) about it, the government seems to be making a slow shift in its policy position on the existence of COVID-19 in the country.

FINANCE

- According to [Daily News](#), Tanzania's banking sector has continued to perform well despite the global recession brought about by COVID-19.

ECONOMIC GROWTH

- The [Bank of Tanzania](#) has released its growth forecast figures for 2021. They are optimistic that the country will exceed a 6% growth target despite a pandemic-induced global recession.

POLITICS

- [The Guardian](#) has released a scathing opinion piece of President Magufuli's handling of the COVID-19 epidemic, including his more recently expressed doubts about vaccinating his population.
- Recently published research from the [French Institute for International Relations](#) analyses Tanzania's recent election results, arguing that the results have constituted a *de facto* return to one-party rule. Related, [The Centre for Strategic and International Studies](#) has argued that election results have dealt a severe blow to plurality in Tanzania.
- Emerging from the election, there are [counter movements for constitutional changes](#) towards either perpetuating President Magufuli's tenure as President beyond his second term or pushing for reforms to create a more independent electoral body, which would be impartial in national presidential elections.
- Drawing on a series of experimental studies, recent research from the [Journal of Experimental Political Science](#) looks at ways to increase civic engagement in rural Tanzania.

AGRICULTURE

- According to [Daily News](#), the Ministry of Agriculture has directed the Tanzania Agricultural Research Institute (TARI) and the Tanzania Seed Agency (ASA) to ensure that the country is self-sufficient in its production of wheat.

I.5. RWANDA

FINANCE

- Rwanda parliament has enacted [the mutual legal financial assistance law](#) which seeks to establish the Kigali International Financial Centre- positioning Kigali as a regional financial services hub.

YOUTH & DEVELOPMENT

- This interesting piece in [African Arguments](#) highlights how 580 000 young people have disappeared from official records in Rwanda, creating a massive gap in official statistics on issues such as education, health and youth employment.

POLITICS

- According to [Human Rights Watch](#), United Nations member countries offered strong criticism and scores of recommendations addressing Rwanda's human rights record at the Human Rights Council in Geneva recently. Related, [Freedom House](#) has released a recent case study on Rwanda's politics of that they refer to as 'transnational repression', referring to incidents where the Rwandan government has been able to target and discipline political dissidents well beyond its borders.

AGRICULTURE

- [Rwandan agricultural exports](#) have dropped 5.5% year on year for Q2, down to \$113.9 million from \$120.6 million over the same period during the 2019/2020 fiscal year. The reduction has been blamed on volatile pricing in the global tea industry.

I.6. UGANDA

ECONOMIC GROWTH

- According to [Uganda's Finance Ministry](#), the country's Purchasing Managers' Index (PMI) – a key indicator of economic health – was down again for the second straight month due to increased unemployment and delays in importing goods. [They also report](#) that Uganda's trade deficit grew in November 2020 from \$251 million to \$294 million.

POLITICS

- According to [Reuters](#), Uganda's opposition has claimed it will contest the results of last month's election results, stating that it was neither free nor fair. [The Guardian](#) reports that the internet had been shut down for many days prior to the election, making widespread information sharing impossible outside of official government accounts.
- Despite his defeat, Bobi Wine will replace long-time opposition leader Kizza Besigye as the head of Uganda's opposition. His house arrest has been lifted, according to [Reuters](#).
- On the international scene, [The Washington Post](#) has analysed the ways in which US financial assistance have maintained Museveni's grip on power, [The Globe & Mail](#) has argued that international aid to Museveni's Uganda can no longer be justified, and [The New York Times](#) has argued that traditional allies such as the US are considering sanctions against Museveni's government.
- In other news, former Lord's Resistance Army commander [Dominic Ongwen](#) has been convicted of war crimes by the International Criminal Court in the Hague.

INDUSTRIALISATION & MANUFACTURING

- Uganda based automotive start-up [Kiira Motors](#) has just rolled out a diesel powered 47 seater bus to complement its earlier electric powered version produced earlier.
- Uganda has been working to expand utilisation of Industrial parks such as the [Kampala Industrial and Business park](#) which sits on 400 hectares near Kampala and for which the government has recently [issued regulations for occupation and utilization](#).

2. SECTOR UPDATES

2.1. AGRICULTURAL INPUTS (KENYA)

- New research published in the International [Journal of Environmental Research and Public Health](#) points to the downside health implications of increased pesticide use amongst smallholder farmers as a response to climate change, highlighting a link between a changing environment, farmer behavioural patterns, and emerging health risks in the future.

2.2. AQUACULTURE (EAST AFRICA)

- [WorldFish](#) has signed a research partnership with the Lake Victoria Fishing Organisation (LVFO), focusing on increasing aquaculture production in Lake Victoria. The partnership is part of an EU-financed project (dubbed TRUE-FISH) focused on promoting the growth and sustainability of East Africa's fishing and aquaculture industries.
- [USAID](#) has invested \$145,000 into Songoyo Enterprises, a small firm based alongside Lake Turkana, to put into a new cage farming initiative.
- New research published in [Environment, Development and Sustainability](#) looks at potential climate change adaptation strategies for flood-prone fishing communities around Lake Victoria.

2.3. COTTON & TEXTILES (TANZANIA & EAST AFRICA)

- [Global trade in lint increased marginally, driven by increased imports into China](#). Indian cotton is currently being purchased under the Minimum Support Price (MSP) programme, by state-owned entities. The [Cotlook A Index](#) lint price was 86.6 cents per lb at the end of January 2021. [ICAC](#) also expects an 8% decline in global production and a recovery in mill use to increase trade in 2020-21, driving increased trade and a forecast year end Cotlook A average price of 73.5 cents per lb.
- Sales of textiles and apparel from [Kenyan EPZAs](#) accounted for \$454 million of a total of \$726 million EPZA sales in 2020.
- Tanzania's [Simiyu Cooperative Union \(SIMCU\) Chairman, Charles Madata, has been suspended](#) under suspicion of multiple thefts of funds. He is now under investigation by the Regional Prevention and Combating of Corruption Bureau (PCCB). Simiyu is the largest cotton producing region in Tanzania, and its cotton growers are members of Agricultural Marketing and Co-operative Societies (AMCOSs) that fall under the Cooperative Union.
- Analysis by the [University of Delaware](#) suggests Asia is likely to continue being the main apparel sourcing destination, with ASEAN accounting for 32.3% of US apparel imports in 2020. China, the largest supplier, saw its market share decline to 23.7% owing in large part to the Xinjiang crisis, whilst countries including Vietnam and Bangladesh increased their shares.
- The military coup in [Myanmar](#) on 1 February 2021 is likely to severely affect the textile and apparel industry, its second largest export sector, through reduced investment, potential trade sanctions and reduced sourcing. Myanmar had apparel exports of \$5.2 billion in 2019, and saw a 40% increase in apparel export sales to Europe during 2020. This latest development compounds human rights concerns that had already had an impact on sourcing.
- [Cotton production has declined in Uganda](#) primary growing area due to heavy rainfall.

2.4. FORESTRY (EAST AFRICA)

- [Kenya's construction sector](#) recorded 16.2% growth during Q3 2020 compared to 6.6% in the previous year. The country has seen a correlated increase in the importation of timber and wood products. The sector is facing headwinds, however, [due to a rapid increase in the price of steel](#) in recent weeks, which may spell an opportunity for the use of alternative, timber-based building materials.
- The market for forest-based carbon offsets is expected to increase rapidly over the next decade, with demand expected to outstrip supply by 2025, according to the [Sustainable Trade Initiative](#). They also anticipate the market for carbon trading to grow to \$150 billion over the course of this decade.

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)

- Tea prices have been picking up in recent weeks at the Mombasa auction, due in large part from increased demand coming from Pakistan, according to [The Star](#).
- Tea pickers in Kenya are taking [Unilever](#) to court for their apparent failure to protect them from ethnic violence in 2007, which cost the lives of 11 pickers on a Unilever plantation, along with hundreds of others across the country due to a contested presidential result.
- [KTDA's Directors](#) have filed a petition against a recent, senate-approved Tea Act, claiming that some provisions of the Act will have far-reaching consequences to the business, operations and affairs of their factories and the sector. The petition has been approved with a High Court suspending the controversial clauses pending trial.
- The [Tea Board of Tanzania](#) is projecting production to increase by 40% from 2019-2020 to 2020-2021 due in large part to favourable weather patterns.

2.7. WATER (KENYA)

- [This article](#) analyses how Kenya could improve the resilience of its water sector in the aftermath of the COVID-19 pandemic, with emphasis on getting infrastructure right.
- This piece in [Nation](#) supports the recent development of a revolving fund to be utilised by the Water Sector Trust Fund to channel commercial capital into the sector and mitigate against future crises.
- [National Planning Innovations](#) recently interviewed Dr. David Nilsson, an urban environmentalist researcher, to discuss his work on mapping out access to water in Nairobi.

3. DONOR UPDATES

3.1. BILATERAL DONORS

- The [Commonwealth Development Corporation \(CDC\)](#) has announced that it will invest \$1 billion annually in Africa, with emphasis on a few key markets which includes Kenya.

3.2. MULTILATERALS

- The [FAO](#) is seeking an additional \$38 million in funding to combat a prolonged locust invasion across East Africa.

3.3. PRIVATE FOUNDATIONS / INDIVIDUALS

- [Google CEO Sundar Pichai](#) has donated KSh 1 billion to aid in Kenya's economic recovery from COVID-19 after meeting with Uhuru Kenyatta during a conference on digital transformation in Africa.
- [The Rockefeller Foundation](#) has committed close to \$35 million to aid African governments in response efforts to COVID-19. Tanzania, Uganda, Rwanda and Kenya have been prioritised for support.