



ECONOMIC DEVELOPMENTS IN EAST AFRICA

MONTHLY BRIEFING
JANUARY 2020

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Image: Moussa Faki Mahamat (C) announces the operational phase of the African Continental Free Trade Area

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SUMMARY

Macro issues

- The African Continental Free Trade Agreement (AfCFTA) officially launched this month, making Africa the world's largest free trade area
- Africa may be facing a COVID-19 'vaccine apartheid' as wealthy nations in Europe and North America hoard enough doses to vaccinate their populations multiple times over, leaving shortages for other regions.
- Joe Biden takes office as President of the United States this month, likely signalling improved relations with the African continent and a re-commitment to long-standing agreements such as AGOA.
- In Uganda, Yoweri Museveni has been declared winner in the January 14th national election, setting him up to continue his 35-year reign as Uganda's head of state. Opposition leader Bobi Wine has challenged the legitimacy of the election results and has claimed his supporters are willing to protest if the process was not deemed to be free and fair. He is currently under house arrest, being monitored by national security forces.
- In Kenya,
 - A new Economic Partnership Agreement between Kenya and the UK came into effect on 1 January 2021, valued at KES 200 billion (GBP1.3 billion).
 - The country is likely to hit its current debt ceiling (KES 9 trillion) in the coming weeks, with
- Tanzania has been able to secure \$1.32 billion from China for the construction of a Standard Gauge Railway (SGR) connecting Mwanza and Isaka Dry Port
- Water levels in Lake Victoria have reached their highest levels in 50 years, and heavy flooding across Rwanda has cost seven lives in recent weeks.

Sector updates

- World cotton lint prices continued to recover in December 2020, with the Cotlook A Index ending the month at 84.60 cents per lb, up from a low of 59.15 cents at the height of the first COVID-19 lockdown
- In Tanzania, procurement of cotton lint in Q3 2020 fell by 57.4% relative Q3 2019.
- Year on year global black tea production from Jan-Oct 2020 fell to 1,831.10 million kg from 1,920.60 million in 2019. Prices also dipped, with the average tea price sold at the Mombasa auction 6% lower in 2020 (\$1.93/kg) as compared to 2019 (\$2.05/kg)
- Kenya's senate signed into law a new tea bill, which will curtail the powers of KTDA and establish an independent Tea Board to monitor the sector

Donor community

- The UK government has increased its funding limit from £600 M to £2 B through its UK Export Finance vehicle, with funding likely for an international airport, support to Uganda's industrial parks, and construction of an oil refinery.
- The UN has released KES 164 million to the FAO to aid in the fight against a recent upsurge of locusts in Kenya.

I. MACRO ISSUES

I.1. AFRICA

COVID-19

- According to [The New York Times](#), rates of COVID-19 are beginning to resurge across the African continent after a lengthy period of containment and effective mitigation.
- As a number of COVID-19 vaccines have now been approved, [The Intercept](#) has argued that a 'vaccine apartheid' is set to take place, with wealthy nations in Europe, as well as Canada, Australia and the US able to obtain enough doses to vaccinate their populations several times over, while other nations in Africa, South America and the Middle East wait until 2022 to vaccinate their populations. [Moderna](#) has already stated it will not distribute its vaccine to South Africa, the worst affected nation on the African continent.
- [African Arguments](#) has just published a scathing rebuttal of a controversial [New York Times](#) article, which had implied that African governments do not have the capacity to accurately gauge their death tolls and that the continent as a whole may be struggling with the pandemic more than is being officially reported.

TRADE

- The African Continental Free Trade Agreement (AfCFTA) officially launched this month, making Africa the world's largest free trade area, according to [Quartz](#). However, [The Financial Times](#) has highlighted the challenges that lie ahead in successfully implementing the agreement, whilst [Brookings](#) discusses short term adjustment costs.
- New research published in the [Journal of African Trade](#) analyses considerations around rules of origin in the context of the African Continental Free Trade Agreement. It argues that the AfCFTA should pursue progressive

harmonisation of regional economic communities' rules of origin across the continent, with the goal of gradually reducing the number of product-specific rules and moving towards the overarching application of general rules.

- Somaliland upgrades its Berbera Port, building on a EUR 400 million agreement with [DP World](#) to operate a regional trade and logistics hub. This will also serve land-locked Ethiopia, one of its main trading partners.

INFRASTRUCTURE & INDUSTRIALISATION

- [CNN](#) has recently looked at the major infrastructure projects set to re-shape the African continent, with the Standard Gauge Railway receiving 2/9 mentions for both planned phases.

ECONOMIC GROWTH

- According to [Bloomberg](#), African economies have performed better than the rest of the world during the COVID-19 pandemic, with 7/10 of the fastest growing economies in 2020. These include Uganda (2.1%), Rwanda (1.3%), and Kenya (1%).

FINANCE

- According to an opinion piece in [The Exchange](#), Africa requires innovative financing mechanisms to unlock growth across the continent, with the continent's nascent but rapidly growing banking sector needing to be at the core of this.

POLITICS

- This piece in [Africa Portal](#) looks at the recent history of US-Africa relations from the Reagan era up to what Biden's election might indicate, arguing that improved relations would involve strengthened trade agreements like AGOA, strengthening educational ties, demilitarising security cooperation, as well as building African capacity to combat climate change.
- [China sets out its international development cooperation work in a white paper](#), under which 45% of its funding went to Africa between 2013 and 2018.

AGRICULTURE

- According to Wandile Sihlobo, [Chief Economist of the Agricultural Business Chamber of South Africa](#), African governments should use the pandemic to re-think their agricultural strategies, with more emphasis on innovative technologies (especially those that could support land registration) as well as partnerships with the private sector.
- Scholars writing for [Brookings](#) have argued that the current debate on Africa's spiralling food import bill (which stood at \$43 B in 2019) is misplaced. Instead, they argue that the continent's food imports are not actually rising, while exports are, and that only 4 nations (Angola, Nigeria, DRC, and Somalia) account for the bulk of the deficit.

1.2. EAST AFRICAN COMMUNITY (EAC)

ENVIRONMENT & CLIMATE CHANGE

- According to Lydia Olaka, [a lecturer at the University of Nairobi](#), water levels in Lake Victoria have reached their highest levels in 50 years, due to heavy rainfall, and argues that her research points to this becoming an increasingly frequent pattern in the future.
- According to [The Guardian](#), scientists have discovered a climate refuge for coral in East Africa, which stretches from Shimoni, 50 miles south of Mombasa, to Dar es Salaam.

1.3. KENYA

COVID-19

- According to [The Washington Post](#), Kenyan police killed at least 20 individuals while enforcing coronavirus restrictions in the country, prompting calls for justice.

TRADE

- This article in [PD Online](#) outlines opportunities that the African Continental Free Trade Agreement offer for Kenya going forward.
- The [Moyale One Stop Border Point \(OSBP\)](#), promoting cross-border trade between Kenya and Ethiopia, was launched on 10 December 2020 as part of the LAPSET project. The project was supported by the African Development Bank and the UK-funded Trade Mark East Africa, in partnership with the Kenyan and Ethiopian governments.
- A new [Economic Partnership Agreement between Kenya and the UK](#) came into effect on 1 January 2021, valued at KES200 billion (GBP1.3 billion). It guarantees duty free access to the UK market, one of Kenya's top five export markets.

FINANCE

- According to [Capital FM](#), President Kenyatta recently signed into law an (amended) tax bill which reverses some of the key tax relief measures put in place to combat the economic hardship wrought by COVID-19. For example, the corporate tax rate will return to its normal 30% from 25% and VAT will increase from 14% to its pre-pandemic rate of 16%.
- Despite the above amendments, Kenya continues to face mounting fiscal pressure, with the country likely to hit its current debt ceiling of KES 9 trillion in the coming weeks. According to [Nation](#), a new ceiling of KES 12 trillion is likely to be proposed for the 2021-2022 budget.

POLITICS

- According to a leaked letter to President Kenyatta from [Murang'a Senator Irungu Kang'ata](#), the hand-picked Jubilee Party's Senate Majority Whip, the President is likely to face an uphill battle in garnering support for a referendum on the Building Bridges Initiatives in the politically crucial Mount Kenya region. The referendum is currently scheduled for June.

ENVIRONMENT & CLIMATE CHANGE

- According to [Quartz Africa](#), solar companies are on a 'collision course' with Kenya Power, as industrial firms are increasing leaving the country's main grid for decentralised solar power, putting pressure on Kenya's Energy and Petroleum Regulatory Authority to regulate the sector's rapid expansion.

I.4. TANZANIA

TRADE

- [Mara Regional Commissioner Adam Malima](#) has announced plans to introduce a special unit in his office to facilitate investment in the region.
- According to the [Bank of Tanzania](#), Tanzanian exports increased 35%+ year on year for Q3 2020, with total exports measuring 1.5 TSh T

FINANCE

- Tanzania secured [\\$1.32 billion from China for the construction of the Standard Gauge Railway \(SGR\)](#) between Mwanza and the Isaka Dry Port

POLITICS

- This piece in [The Citizen](#) looks at the state of Tanzania's opposition parties in the aftermath of a devastating election loss in October 2020.
- [Chinese Foreign Minister, Wang Yi](#), recently visited Tanzania, and in his official remarks encouraged Chinese investors in the country to 'put Tanzanians first'.

INDUSTRIALISATION & MANUFACTURING

- At its annual general meeting, members of the [Tanzania Private Sector Foundation](#) unanimously re-elected Angelina Ngalula as its Chairperson.

AGRICULTURE

- Over the next five years, the government of Tanzania plans to develop a modern agricultural research lab, focused on improved seed, soil fertility and climate change adaptation, according to [Yumilia Zinkakuba - Coordinator of Agriculture Sector Development Programme \(ASDP II\)](#).

I.5. RWANDA

COVID-19

- The [WHO](#) has recently released updated figures and published current guidance for COVID-19 in Rwanda.

TRADE

- [Katavi Regional Commissioner Juma Homera](#) has announced that the construction of Karema port on Lake Tanganyika is proceeding ahead of schedule and will be completed in 2021. The port will act as a major trading hub with neighbouring Zambia, Burundi and the DRC.

ENVIRONMENT & CLIMATE CHANGE

- Heavy rains throughout early January have led to flooding across the country, destroying crops and injuring seven people, according to the [The New Times](#). The most impacted districts have been Nyamagabe, Gisagara, Gasabo, Kamonyi, Gatsibo, Rulindo, Nyanza and Kicukiro.

AGRICULTURE

- The [Ministry of Agriculture Animal Industry and Fisheries](#) has announced plans to establish ten regional Agricultural Mechanisation centres with the purpose of supporting farmers to access basic skills in agricultural mechanisation alongside being centres where farmers can hire agricultural machinery such as tractors at subsidised prices.

1.6. UGANDA

ECONOMIC GROWTH

- The [Daily Monitor](#) recently interviewed some of Uganda's top CEOs to understand their predictions for Uganda's economic performance in 2021: the results present, at best, a mixed picture of slow economic growth and continued challenges in the new year.
- [Uganda's 10-year industrial policy](#) was approved on 15 December 2020. It will focus on value addition to Uganda's agricultural produce including fruit, coffee, cotton, textiles and apparel, tea, cassava, grains, oil seeds, sugar cane, dairy, leather and leather products, as well as extractives-based products.

POLITICS

- President Yoweri Museveni has been declared the winner of Uganda's January 14th national election, according to [BBC](#) news. [Wine](#) has raised concerns about vote tampering and claims that his supporters are "ready to defend our victory."
- Commentators for [Democracy in Africa](#) have argued that Bobi Wine represented an 'unprecedented' threat to President Yoweri Museveni's power, and as such, the government reacted much more forcefully than they have against previous political contenders. For example, according to [The Guardian](#), Wine was detained three times in the immediate lead up to the election, and a prominent human rights lawyer, [Nicholas Opiyo](#), was also arrested. [Bobi Wine](#) has called on the International Criminal Court to investigate claims of human rights abuse.
- The election was also marred by a nation-wide social media black-out, which [Amnesty International](#) claimed restricted freedom of expression and access to information.
- The situation remains tense, as Bobi Wine's home was raided by security forces, according to the [Associated Press](#), who remain on the premises as of writing.

AGRICULTURE

- [The National Organic Agricultural Movement of Uganda \(NOGAMU\)](#) is pushing the government to adopt a national organic agricultural policy in order to drive investment in organic produce and mitigate against soil deprivation. The group claims that the global market for organic products is estimated at \$100 billion annually, with Uganda's current exports earning just \$60 million each year.
- Presidential candidate [Nancy Kalembe](#) ran on a campaign to revitalise the agricultural sector in Uganda.

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)

- Africa's biggest aquaculture firm, [FirstWave Group](#), has signed an agreement with genetics and breeding company Xelect Genetics to develop high-performance tilapia breeds in Zambia and Uganda.

2.3. COTTON & TEXTILES (TANZANIA & EAST AFRICA)

- World cotton lint prices continued to recover in December 2020, with the [Cotlook A Index](#) ending the month at 84.60 cents per lb, up from a low of 59.15 cents in April 2020. [According to the United States Department for Agriculture](#), this was driven by increased demand from mills and Chinese State Reserves, coupled with reduced production in key markets including the US, Pakistan and Mali.
- The Managing Director of prominent Tanzanian textiles mill A to Z (and owner of the A to Z Group of companies), [Mr. Jayant Shah](#), passed away at the age of 78 after being hospitalised in Nairobi.
- The [procurement of Tanzanian cotton lint in Q3 \(June to September\) 2020](#) fell by 57.4% relative the same quarter the previous, to 118,810 tonnes. Heavy rainfall and broader international market conditions are blamed.
- The [conflict in Ethiopia's Northern Tigray region](#) has forced the closure of three international garmenting operations in the regional capital Mekelle, including those supplying H&M; Bangladeshi's DBL and Velocity Apparelz Companies, as well as Calzedonia.
- The [Democratic Republic of Congo \(DRC\)](#) was been reinstated as eligible under the African Growth and Opportunity Act (AGOA), in December 2020, having lost these benefits in 2010.
- The [Regional Comprehensive Economic Partnership \(RCEP\)](#), a free trade agreement agreed in November 2020 between ten member states of [the Association of Southeast Asian Nations](#) (ASEAN) and five other large

economies in the Asia-Pacific region (China, Japan, South Korea, New Zealand, and Australia), is expected to come into effect as early as late 2021. [This region exported 50% and imported 20% of the world's textile and apparel products](#), and is increasingly developing more integrated regional supply chains.

2.4. FORESTRY (EAST AFRICA)

- According to [Expogroup](#), demand for wood is rising quickly in Kenya, particularly for furniture, but that Kenya will need considerable investment to meet this growing local demand.

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 average tea price sold at the Mombasa auction dipped 6% in 2020 to \$1.93, compared to \$2.05 in 2019. As tea trades in USD, farmers in Kenya were somewhat shielded from reduced prices due to a weak shilling against the dollar.
- According to Rajesh Gupta of the [Global Tea Digest](#), year on year global black tea production from Jan-Oct 2020 has fallen to 1,831.10 million kg from 1,920.60 million. Despite strong output from Kenya, the overall dip was due to a sharp decline in Indian tea production over the COVID-19 pandemic.
- Kenya's senate signed into law [a new tea bill](#), which will curtail the powers of KTDA and establish an independent Tea Board to monitor the sector. The bill has support from political rivals Raila Odinga and William Ruto. By law, farmers are now required to receive 50% of their payments within 14 days of auction sale, according to [Hapa Kenya](#).
- Lastly, the [East African Tea Traders Association \(EATTA\)](#) has confirmed that it will automate the Mombasa tea auction, ensuring that all tea exported from Kenya has to be sold on the auction floor as per a recent government directive. Other tea sector stakeholders in Kenya have questioned this directive, however, arguing that this will lose markets that have been developed through a second window option.

2.7. WATER (KENYA)

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

3. DONOR UPDATES

3.1. BILATERAL DONORS

- [The UK government](#) has increased its funding limit from £600 M to £2 B through its UK Export Finance vehicle, with funding likely for an international airport, support to Uganda's industrial parks, and construction of an oil refinery.

3.2. MULTILATERALS

- [The UN](#) has released KES 164 million to the FAO to aid in the fight against a recent upsurge of locusts in Kenya.

3.3. PRIVATE FOUNDATIONS / INDIVIDUALS

- [CARE](#) has announced a \$5 million grant from Twitter founder Jack Dorsey for COVID-19 relief across East Africa. The grant will support CARE's efforts to meet critical educational needs and mitigate the impact of the pandemic on students, teachers, and families living in poverty in Kenya, Malawi, Rwanda, Tanzania, and Zambia
- [Bayer](#) has announced a \$0.5 million grant to support small-scale farmers in Tanzania in mitigating the impact of COVID-19 on their production.