

COVID-19 IMPACT IN EAST AFRICA

—
Fortnightly Briefing
Week Commencing 22nd June

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*Image: Trial of Oxford COVID-19 vaccine in South Africa begins
Credit: Oxford University*

COVID-19 IMPACT & RESPONSE
FORTNIGHTLY BRIEFING
WEEK COMMENCING – 22 JUNE 2020

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SUMMARY

<i>The macroeconomic impact</i>	According to the World Bank, economic activity in sub-Saharan Africa is on course to contract by 2.8% in 2020, the deepest on record. The Famine Early Warning Systems Network anticipates the need for food assistance in Kenya, Tanzania & Uganda will be 100% higher this year than what was expected prior to COVID-19. During an extraordinary China-Africa summit, President Xi signalled China's willingness to consider debt relief and freely distribute a vaccine when available. Within East Africa, countries are set to lose \$5B in foreign earnings from agricultural exports as a result of the pandemic's impact on supply chains. In Kenya, IM have lost their jobs so far and 60% of firms anticipate further cuts this year. Concerned about Kenya's fiscal position, Fitch have negatively revised the country's status, which will make borrowing in future more difficult. In Tanzania, the World Bank projects 2.5% growth (down from 6.3% in 2019) and believes 500K may fall below the poverty line. Tanzania's new TSh 35T budget suggests the government is confident of a V-shaped recovery. In Rwanda, the Finance Minister expects growth of 2% this year (revised down from a pre-COVID-19 estimate of 9.4%) and the government has launched an RVF 100B "Economic Recovery Fund" to support key sectors. In Uganda, a business survey suggests economic activity is down 50% and 75% of firms have laid off workers. In an effort to inspire an economic recovery, the government's new budget of \$12.3B is \$1.3B larger than last year's, although the governor of the Central Bank is warning of the potential for debt distress.
<i>The sector impact</i>	In a boost for the agricultural inputs market in Kenya, President Kenyatta has released further details about the KSh 3B stimulus package which 200K smallholders will draw down from using e-vouchers. While the outlook for cotton prices remains bleak, purchases of apparel have rebounded strongly in the US (up 188% between April & May). As Kenya pursues a bilateral trade deal with the US, pressure is growing regarding the temporary ban on second-hand clothing imports – with firms in Kenya keen to make the arrangement permanent. In forestry, border closures are hindering the flow of timber within the EAC and some major peeling plants in Tanzania have been unable to export to China. In a serious blow to the livestock sector in Kenya, the latest analysis suggests 30% of the country's pastureland has been lost owing to the ongoing locust invasion. In promising news for the water sector in Kenya, the country's latest budget reveals the government will almost double spend in this area next year (up to KSh 78B from KSh 43B last year).
<i>The donor response</i>	The German government has increased its commitment from €1B to €3B in the international fight against COVID-19 and has stated an ambition to increase economic exchange with Africa. The government in Tanzania received \$50M from AfDB in budgetary support and was granted access to the IMF's Catastrophe Containment & Relief Trust (\$14.3M). The EU have announced a €60M programme to support countries across East Africa who are a part of the Intergovernmental Authority on Development (includes Kenya & Uganda).

I. THE MACROECONOMIC IMPACT

I.1. AFRICA

GROWTH & JOBS

- According to the [World Bank](#), economic activity in sub-Saharan Africa is on course to contract by 2.8% in 2020, the deepest on record. Growth could resume to 3.1% in 2021 if the pandemic fades in the latter half of this year.
- Speaking virtually at a meeting of the African Union Bureau and Chairs of Regional Economic Communities, [President Kagame stated that COVID-19 should not hold back Africa's progress](#). He highlighted the importance of governments having adequate fiscal space to maintain momentum with the African Union's "Agenda 2063".

PUBLIC FINANCES

- The [African Development Bank](#) has approved \$20M in grant funding to contain the spread of COVID-19 in the Sahel (i.e. Mauritania, Mali, Burkina Faso, Niger, and Chad)

ECONOMIC RECOVERY

- According to [The Economist](#), COVID-19 highlights the need for economic transformation in Africa. This economic transformation must involve focusing on value addition in agriculture.
- According to a research fellow at the [Centre for Economic Policy Research](#), the disruption and potential contraction of global supply chains means "the only option for policymakers is to spur growth in specific sectors"

FOOD SECURITY

- [Famine Early Warning Systems Network](#) believes 100M people will need food assistance in the 29 countries the network covers (23 of these countries are in Africa). Kenya, Rwanda & Uganda are set to experience a 100%+ increase in needs owing to COVID-19 (relative to the anticipated needs prior to the pandemic).

- [Locusts in East Africa](#) continue to pose a major food security threat – maturing hoppers have recently been sighted in Turkana, Kenya and are likely to spread into Uganda

INTERNATIONAL RELATIONS

- At [an extra-ordinary China-Africa summit](#) on solidarity against COVID-19, President Xi said his country will continue to provide technical / material support to the continent (including debt relief). In addition, [China](#) has pledged to supply any COVID-19 vaccine to Africa free of charge.
- According to the [Centre for Strategic and International Studies](#), COVID-19 has prompted governments in Africa to re-assess their relationship with the international community, with many leaders adopting a hard-line approach with lenders and demanding a larger platform in multilateral fora

URBANISATION

- According to [UN-HABITAT](#), COVID-19 highlights the need to rethink urban planning around the world (esp. in large informal settlements where social distancing is difficult and water access is limited)

HEALTH

- [The first clinical trial in Africa for a COVID-19 vaccine was announced on 23 June](#) – Wits University in South Africa is collaborating with the University of Oxford and will model the trial on the UK's example
- According to the [New York Times](#), previously spared countries in Africa, Asia and Latin America are starting to see a spike in COVID-19 cases
- In an article for African Arguments, commentators argue [the state needs to work more closely with civil society](#) to ensure communities prioritise public health

1.2. EAST AFRICAN COMMUNITY (EAC)

TRADE

- Countries in East Africa are likely to lose more than [\\$5B in foreign earnings from agricultural exports this year](#) as a direct result of COVID-19
- Ongoing delays at the Kenya / Uganda border have [slowed down food deliveries](#) and led to a 40% price increase for some items in Kampala

PUBLIC FINANCES

- The three largest economies in the EAC – Kenya, Tanzania & Uganda – will have to spend [TSh 35T in debt servicing in FY 2020/21](#) (Kenya will spend TSh 19T, Tanzania will spend TSh10.4 T & Uganda will spend TSh 10.32T). To put this in perspective, Tanzania's entire budget for FY 2020/21 is TSh 34.88T.

1.3. KENYA

GROWTH & JOBS

- [1M+ Kenyans have now lost their jobs](#) due to the impact of COVID-19. The pandemic has thrown Kenya “into one of the worst employment crises it has faced.”
- According to the [Central Bank of Kenya](#), 60% of private firms will cut jobs this year
- According to a recent survey conducted by [Infotrak](#), 88% of Kenyans are worried they will not be able to make ends meet should COVID-19 persist (up from 76% in April). In a separate survey, [Infotrak](#) found 41% of Kenyans see COVID-19 as a financial issue rather than a health issue (up 28% from April). Some 75% said they were unable to pay back loans and 67% can't pay for utilities.

MICRO, SMALL & MEDIUM ENTERPRISES (MSMEs)

- According to the [Importers and Small Traders Association of Kenya](#), COVID-19 is severely hampering Chinese businesses in Kenya that rely on imports (e.g. electronics, spare parts and cosmetics). [Around 400 Chinese nationals have decided to return to China](#) amidst concern that Kenya's health system is not adequately prepared for an outbreak.
- To support each other through the crisis, female-owned MSMEs in the manufacturing sector have formed a platform, [Women in Manufacturing Kenya](#)
- [Kenya Private Sector Alliance \(KEPSA\) has entered into a partnership with Educate Global](#), a private equity management firm, to support female entrepreneurs in the food, health & education sectors

TRADE

- According to the [Central Bank of Kenya](#), export earnings from Kenyan goods sold within the EAC dropped 38.5% in April 2020 (vs. April 2019). The Regional Development Cabinet Secretary estimates that regional trade will reduce by 30% over the course of 2020.
- [Freight charges at JKIA have decreased by almost 50%](#), owing to the decline in demand for cargo and the increase in airline capacity, as passengers are not flying. This could provide a much-needed boost to export sectors.

THE NEW BUDGET

- Kenya's KSh 2.7T budget has been met with a [mixed reaction](#) – with one MP describing the KSh 52B allocated to agriculture as a “drop in the ocean” for a sector that forms the economy’s backbone
- The budget has allocated KSh 18B to support “[Build Kenya, Buy Kenya](#)”. According to the director of the [East African Business Council](#), the budget allocation for manufacturing offers a much welcomed “shot in the arm” for local production. A [Business Daily](#) commentator believes the budget could have done more to support MSMEs.
- In search for new revenue streams amidst the crisis, [the government has introduced a law mandating digital firms to pay a 1.5% tax on the value of their transactions](#). In addition, a 14% VAT will be charged on digital marketplaces.

PUBLIC FINANCES

- Credit rating firm [Fitch](#) has lowered Kenya's Long-Term Foreign-Currency Issuer Default Rating (IDR) and downgraded the country's ceiling. This is likely to affect Kenya's attractiveness in the debt market, forcing lenders to either shy away from loaning the country or lend at higher rates to cover default risk. In a detailed report, Fitch attributed the negative revision to the shock of COVID-19.
- National Treasury Cabinet Secretary Yattani has stated that [Kenya is not facing a debt servicing crisis that warrants debt restructuring](#). The country's debt portfolio is expected to reach KSh 7T+ this year.
- [Kenya is in the process of negotiating a debt relief package with China](#). The Chinese Ambassador to Kenya has indicated that [the relationship between China & Kenya has improved as a result of the crisis](#).
- According to a columnist at [Khusoko](#), the government needs a targeted tax plan to protect the most vulnerable in Kenyan society, support critical sectors in the economy & encourage investment post-pandemic

FOOD SECURITY

- According to the [Central Bank of Kenya](#), the cost of food staples such as onions (+22%), tomatoes (+16%) and beans (+11%) are rising faster than inflation
- According to the [Ministry of Agriculture](#), the country's maize stocks declined by 25% in May

NEWS FROM SECTORS IN THE WIDER ECONOMY

- [Aljazeera](#) reports that a prolonged reduction in tourist revenues could lead to a spike in poaching in Kenya
- In an attempt to support customers, [Absa Kenya](#) has restructured KSh 54B in loans (□ approx... 26.7% of its loan book). 90% of the reviewed loans are from workers hit by job cuts and businesses in urgent need of help.

HEALTH

- [Mombasa](#) has become the country's COVID-19 hotspot, with an infection rate of 7.8 per 100K (vs. the national average of 4.8 per 100K)
- According to [UN-HABITAT](#), matatus are helping to spread public health messaging re: COVID-19

ECONOMIC STIMULUS IN KENYA (unless otherwise stated, this is taken from [IMF](#) or [ODI](#))

FISCAL	MONETARY	GDP FORECASTS
<p>From 1st July, GoK plans to spend \$503M on a stimulus package to support businesses hit by the pandemic. The State House has outlined how the spending will be allocated across the economy.</p> <p>Preceding this announcement, the additional spending pledged was KSh 39.8B (or 0.4% of GDP) (see p.5 here):</p> <ul style="list-style-type: none"> • KSh 6.8B to health sector • KSh 13.8B to clear pending bills • KSh 10B for VAT refunds • KSh 10B to scale up cash transfers <p>Other fiscal measures include:</p> <ul style="list-style-type: none"> • 100% income tax relief for persons earning below KSh 24K per month • Reduction of top band tax rate for individuals from 30% to 25% • Reduction of the base corporate income tax rate from 30% to 25% • Reduction of the turnover tax rate on SMEs from 3% to 1% • Reduction of VAT on all goods from 16% to 14% 	<p>Encouraging commercial banks to lower interest rates for borrowers, the Central Bank of Kenya has:</p> <ul style="list-style-type: none"> • Cut interest rates by 1% and then a further 0.25% - now at 7%, a nine-year-low (see here) • Lowered banks' cash reserve ratio by 1% (to 4.25%) – this provides KSh 35.2B in additional liquidity for commercial banks • Encouraged banks to provide relief to individual borrowers & SMEs on their loans – with up to one-year extension (see p. 28 here) – apparently loans amounting to \$868M have already been restructured (see here) • Encouraged the waiving or reducing of charges on mobile money transactions - to disincentivize use of cash (see here) • Released KSh 7.4B to support the government's effort to contain COVID-19 (using gains from demonetisation in September 2019) (see here) 	<p>Government: 2.5% growth (revised down from pre-COVID-19 estimate of 6.2%)</p> <p>IMF: 1% growth</p> <p>World Bank: 1.5% to -1% growth</p> <p>-</p> <p>Kenya's growth in 2019 was 5.6%</p>

I.4. TANZANIA

GROWTH & JOBS

- The [World Bank](#) estimates Tanzania will grow 2.5% in 2020 (the country grew 6.3% last year). An additional 500K people may drop below the poverty line. Tourism operators are expecting a revenue contraction of 80% this year – and exporters of agricultural products estimate a 40% reduction vs. last year. This slowdown of activity across the formal sector will erode the tax base.
- The [Finance Minister](#) expects Tanzania's economy to grow at 5.5% this year (up from a previous estimate of 4%)
- [The government is urging commercial banks to assess financial difficulties faced by borrowers](#) due to COVID-19 – and has praised Exim Bank Tanzania for restructuring the loans of struggling customers

TRADE

- [Tanzania has agreed to test truckers entering Kenya](#), ending a fortnight of disagreement. Truckers will be tested & then allowed to proceed, leaving behind contact details so they can be informed of the results.

NEW BUDGET (PwC have compiled a comprehensive view of this year's budget)

- [The East African](#) believes the TSh 35T budget for FY 2020-2021 is based on an optimistic prediction re: the pace of a post-COVID-19 recovery
- The [Tanzania Chamber of Commerce, Industry and Agriculture](#) has expressed its support for the budget, recognising the reduction of inspection fees as critical in ensuring firms cope through the crisis
- The [Agricultural Council of Tanzania](#) believes the government's recent budget will incentivise private investors to put their money in crop cultivation, livestock & aquaculture

PUBLIC FINANCES

- [Tanzania is in talks with the IMF to secure \\$272M from its Rapid Credit Facility and is negotiating debt relief from bilateral creditors](#). The Finance Minister expects to borrow TSh 7.94T from domestic and international markets over the next fiscal year.
- As the country currently spends TSh 700B each month on debt repayment, [President Magafuli is calling for debt relief](#) – particularly from the World Bank, which receives TSh 200B – TSh 330B every month from Tanzania
- A group of MPs are calling on the government to adopt [a more transparent and predictable tax system](#) to help attract investors to Tanzania / reinvigorate sectors

NEWS FROM SECTORS IN THE WIDER ECONOMY

- [Tanzania will begin allowing tourists to visit the country](#) - with no need to quarantine upon entry. In further good news for the tourism industry, [Ethiopian Airlines & Qatar Airways](#) have resumed passenger flights to Dar es Salaam.
- The [Tanzanian Agricultural Development Bank](#) has released \$3.3M to support cooperatives in the coffee sector
- Tanzania has experienced a prolonged [sugar shortage](#) due to COVID-19, leading to price hikes
- In many regions of the country, [fuel prices remain high](#), despite global low prices – the government has warned fuel traders that price fixing will be punished

ECONOMIC STIMULUS IN TANZANIA (unless otherwise stated, this is taken from [IMF](#) or [ODI](#))

FISCAL	MONETARY	GDP FORECASTS
<p>Thus far, the government has spent \$8.4M to deal with the effects of COVID-19.</p> <p>In addition, the government has received grants and will use contingency reserve of \$3.2M to fund additional health spending to mitigate the risks of the pandemic.</p> <p>To support the private sector, the authorities have expedited the payment of verified expenditure arrears with priority given to the affected SMEs, paying \$376M in March.</p> <p>The government has also expanded social security schemes by \$32.1M to meet the increase in withdrawals benefits for new unemployed due to COVID-19.</p> <p>In addition, the government has granted VAT and customs duties exemptions to imported medical equipment and medical supplies.</p>	<p>The Bank of Tanzania has...</p> <ul style="list-style-type: none"> • Lowered its minimum reserve requirements from 7% to 6% - to provide further liquidity to banks • Lowered the discount rate from 7% to 5% (a signal that lower interest rates are coming) • Reduced interest on government securities (Treasury Bills – from 10% to 5% / Treasury Bonds – from 40% to 20%). This will help reduce collateral requirements for bank borrowing. • Instructed financial institutions to restructure loans on a case by case basis • Instructed mobile money operators to increase the daily transaction limit (from TZS 3M to 5M) and daily balance (from TZS 5M to 10M) 	<p>Government: 5.5% growth</p> <p>IMF: 2% growth</p> <p>World Bank: 2.5% growth</p> <p>-</p> <p>Tanzania's growth in 2019 was 6.3%</p>

I.5. RWANDA

GROWTH & JOBS

- The [Finance Minister](#) expects Rwanda's growth to slow to 2% this year (down from a pre-COVID-19 estimate of 9.4%)

NEWS FROM SECTORS IN THE WIDER ECONOMY

- The [pineapple sector](#) has been hit hard by COVID-19 – owing to a lack of international travel and the product's perishability
- [Rwanda has opened tourist attractions](#) – visitors must prove they are free of COVID-19 72 hours prior to arrival. To boost demand, Rwanda has slashed [gorilla permit fees](#) from \$1.4K to \$500 for foreign nationals / \$200 for locals.

ECONOMIC STIMULUS IN RWANDA (unless otherwise stated, this is taken from [IMF](#) or [ODI](#))

FISCAL	MONETARY	GDP FORECASTS
<p>The government has rolled out a RWF 100B “Economic Recovery Fund” to support businesses affected by the pandemic (esp. hospitality, manufacturing, transport & logistics and SMEs).</p> <p>In next year's budget, the government is set to increase spending by 7.5% (July 2020 – July 2021). Donors will fund 15.2% of the increase & the rest will come from revenue, debt and borrowing externally (c. RWF 783.4B).</p> <p>Support for vulnerable individuals / households:</p> <ul style="list-style-type: none"> Regular in-kind transfers of basic food stuffs Cash transfers to casual workers – now unemployed Cash transfers to farmers – for input purchases <p>Tax relief measures:</p> <ul style="list-style-type: none"> Suspension of down payments on outstanding tax Softening of enforcement for tax arrears collection Extension of deadline for filing corporate income tax Fast tracking VAT refunds to SMEs 	<p>The National Bank of Rwanda has cut interest rates by 0.5% (from 5% to 4.5%) and announced the following liquidity support measures:</p> <ul style="list-style-type: none"> An extended lending facility worth RWF 50B (0.5% GDP) – to support banks for next 6 months Treasury bond purchases through the rediscount window for the next 6 months Lowering the reserve requirement ratio from 5% to 4% Easing of loan repayment conditions for impacted borrowers <p>Operators and banks have agreed to zero charges on all mobile money transfers and all transfers between bank accounts / mobile wallets.</p>	<p>Government: 2% growth</p> <p>IMF: 3.5% growth</p> <p>-</p> <p>Rwanda's growth in 2019 was c. 10%</p>

I.6. UGANDA

GROWTH & JOBS

- According to the [Finance Minister](#), growth in Uganda is expected to slow to 3.1% this year (vs. an average of 5.4% over the previous four years).
- According to a survey of 147 firms conducted by the [Economic Policy Research Centre](#) and summarised in [Brookings](#), 75% of firms have laid off workers owing to COVID-19 and business activity is down over 50%. The majority of micro & small businesses predict they will have to close within the next 3 months if the pandemic persists and restrictions remain in place. If the threat of COVID-19 continues for 6 months, 3.8M workers will lose their jobs temporarily & 626K workers will lose their jobs permanently.
- The [Uganda Investment Authority](#) forecasts a significant decline in FDI this year (esp. in tourism, transport and construction). In addition, foreign remittances are expected to decline from \$955M last year to \$240M this year.

TRADE

- According to [COMESA's](#) latest report on the trade impact of COVID-19, Uganda experienced a 42% reduction in customs duties & a 30% reduction in imports in March / April
- Strict health and safety measures at the border are taking a toll on [long-haul truckers](#) entering Uganda, who are complaining about long delays and poor treatment

- [Uganda’s transport minister has voiced his disapproval re: Kenya’s decision to more clearance of all transit cargo from Mombasa to Naivasha.](#) According to the minister, the move will not help contain COVID-19 and will only lead to further transport delays in Uganda.

NEW BUDGET

- [The government has revealed a \\$12.3B fiscal budget,](#) which reflects a \$1.3B increase from the previous year. The government has allowed enterprises to delay tax payments this year and has also introduced low interest loans that can be accessed through the Uganda Development Bank. In addition, the government has increased import tax on goods that can be locally manufactured, in a bid to promote import substitution.

PUBLIC FINANCES

- [The governor of the Central Bank](#) stated that “given the rise in debt levels, there is a growing concern of risk to debt distress” – challenges include expenditure pressures, subdued economic activity, declining tax revenues and a possible further decline in grants

PUBLIC HEALTH

- President Museveni has announced Uganda is preparing a [field hospital with 40K beds](#) at the Namboole Stadium in Kampala. He also announced that there have been a number of [false COVID-19 positives](#) recorded in Uganda, owing to errors made at a laboratory in Makerere.

ECONOMIC STIMULUS IN UGANDA (unless otherwise stated, this is taken from [IMF](#) or [ODI](#))

FISCAL	MONETARY	GDP FORECASTS
<p>The government has announced a USh 2.9T stimulus package to respond to COVID-19, with USh 1.1T being used to re-capitalise the Uganda Development Bank (so the institution can offer low interest financing to firms).</p> <p>The government passed two supplementary budgets in FY 2019/20 (c. \$80M + \$288M) to mitigate the impact of COVID-19 on the economy.</p> <p>The government’s response strategy was presented to parliament in May 2020 and has five components, namely:</p> <ol style="list-style-type: none"> 1. Accelerating import substitution and export promotion by providing additional funding to the Uganda Development Bank (UDB), recapitalizing the Uganda Development Cooperation (UDC) and accelerating the development of industrial parks 2. Increasing agriculture production and productivity by increasing funding for agriculture inputs and entities such as UDC that support the sector 3. Increasing household income among SMEs by providing additional funding 4. Deploying fiscal policy interventions including delayed payment of corporation tax for corporations and small, medium enterprises; deferred payment of PAYE by affected sectors; waiver of interest on tax arrears; expedited payment of outstanding VAT refunds and reduction in domestic arrears 5. Providing additional funding to the health sector; delivering food to the vulnerable in the urban areas; providing social insurance by continuing with the Social Assistance Grants for Empowerment Scheme; introducing tax exemption on 	<p>The Bank of Uganda has reduced the central bank interest rate from 9% to 8% and...</p> <ul style="list-style-type: none"> • Committed to provide liquidity assistance to financial institutions for up to one year • Ensured contingency plans are in place at supervised financial institutions • Put in place a mechanism to minimise likelihood of sound businesses going into insolvency due to lack of credit • Waived limitations on restricting of credit facilities at financial institutions at risk of distress • Worked with mobile money providers / commercial banks to ensure reduction of charges on mobile money transactions • Directed all supervised financial institutions to defer payments of dividends / bonus for 90 days • Provided liquidity to commercial banks for a longer period – issuance of reverse Repurchase Agreements (REPOs) of up to 60 days • Purchased treasury bonds held by microfinance & credit institutions • Granted exception permission to supervised financial institutions to restructure loans of corporate & individual customers affected by the pandemic (i.e. loan holidays for 12 months max...) 	<p>Government: 3.1% growth</p> <p>IMF: 3.5% growth</p> <p>-</p> <p>Uganda’s growth in 2019 was 4.9%</p>

<p>items used for medical use; and expanding labour-intensive public works programmes in the roads, water and environment sector.</p>		
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2. THE SECTOR IMPACT

2.1. AGRICULTURAL INPUTS (KENYA)

- President Kenyatta has announced a KSh 3B stimulus package to support smallholder farmers with [an e-voucher system](#). The vouchers – valued at KSh 20K per acre - will be given to c. 200K farmers to access fertiliser, seeds, chemicals, post-harvest tools and soil testing services.
- To support Kenya’s farmers through the crisis, [maize seeds have been exempted from VAT](#)
- In response to food shortages, the [Agrochemical Association of Kenya](#) has launched its #EveryCropCounts campaign – encouraging farmers to plant more and lobbying the government to subsidise inputs.

2.2. AQUACULTURE (EAST AFRICA)

- According to a recent [FAO](#) report, global fishing activity fell by c. 6.5% by the end of April (vs. previous years)

2.3. COTTON & TEXTILES (TANZANIA & EAST AFRICA)

GLOBAL MARKET

- The US Bureau of Economic Analysis (BEA) reported a [\\$1.1 billion decline in apparel imports in April 2020](#). PVH, one of the largest brands sourcing from East Africa, saw a [43% fall in revenue for Q1 2020](#), compared to a year earlier, and expects worse results for its second quarter. In more positive news, [US apparel store purchases increased by 188% between April and May](#).
- [Cotton prices are expected to continue falling](#), owing to the decline in mill use, [the increase in ending stocks](#) and [lower polyester prices](#). To compound these developments, good rains and a promising support price in India - one of the world’s major producers - mean that the [planted area for cotton increased by 23%](#).

TRADE

- With AGOA due to expire in 2025, the [American Apparel and Footwear Association](#) (AAFA) wrote to the US Congress on June 10, advocating for the early renewal of AGOA. The AAFA proposed an increase in the quota from 3.5% to 4.5% and highlighted the importance of ongoing regionalisation efforts.
- This comes amidst concerns that [Kenya’s pursuit of a bilateral trade agreement with the US](#) could undermine efforts at regional integration - as this is against the spirit of the EAC and the AfCFTA
- [The EAC is about to introduce a revised Common External Tarriff](#) which will include a 35% import duty. This aims to protect domestic manufacturing.

KENYA

- [Kenya’s clothing manufacturing industry has been hit hard by the crisis](#) – as sales in the US have spiralled and inputs from China have not reached factories. 40K workers in EPZs have been on temporary leave since March – and 81% of firms have been affected. EPZ factories have been temporarily allowed to offload their products onto Kenya’s market
- There is [mounting pressure from domestic garments producers in Kenya](#) to make the temporary second-hand clothing import ban permanent, despite calls from a US lobby to reverse the temporary ban
- Kenya’s Rift Valley Textile Ltd (Rivatex) is due to start [construction of a new garmenting branch in Kisumu](#) and will seek to revive cotton production. The plant expects to employ 3K workers. A former parastatal, Rivatex is supported by the Ministry of Industrialisation, Trade and Enterprise Development as well as the Indian government through a grant and an export credit facility.

SUSTAINABILITY

- The [Textile Exchange Pan-Africa Sourcing Working Group](#) issued a paper to highlight the many risks associated with the introduction of GM cotton in Africa. It highlights the social, economic and environmental risks such as the relatively high cost, the pest resistance associated with GM, the cross-contamination risks with non-GM crops, as well as the lost opportunities in organic and preferred cotton.

2.4. FORESTRY (KENYA & TANZANIA)

- According to [Margules Groome](#), the market for transmission poles has remained active throughout the crisis. However, border closures have hindered the flow of timber between Uganda, Kenya & Tanzania. Moreover, some major veneer peeling plants in Tanzania have had to stop exporting to China (though they are currently still operating to meet domestic demand).
- Accenture has released two reports relating to COVID-19 and the forestry sector: [one report](#) examines the impact to the industry and how firms are responding and [the other report](#) details the opportunity to transform the industry in the recovery period

2.5. LIVESTOCK (KENYA)

- In Kenya, [30% of pastureland has been lost](#) owing to the invasion of locusts

2.6. TEA (EAST AFRICA)

- Kenya Tea Development Agency (KTDA) has officially suspended the importation of fertilizer for its 600K+ smallholder farmers, owing to the impact of COVID-19 on international trade. This is expected to result in [significantly reduced yields](#) this year.

2.7. WATER (KENYA)

- [The allocation for water / irrigation in Kenya has been increased to KSh 78B in this year's budget](#) (up from KSh 43B in last year's budget)

3. THE DONOR RESPONSE

3.1. BILATERAL DONORS

INSTITUTION (A-Z)	EAST AFRICA SUPPORT
AFD – France (has committed \$1.5B and will move ahead with planned increase of aid budget in 2021)	<i>No specific East Africa support to report</i>
BMZ – Germany (has committed €3B to fight the pandemic worldwide & scale up economic exchange with Africa)	<i>No specific East Africa support to report</i>
DFID - UK (has committed £744M although is anticipating cuts to its budget)	<ul style="list-style-type: none"> • Trade Mark East Africa (funded by DFID) has announced a \$20M safe trade emergency facility • DFID has set out how its re-orientating manufacturing support in response to COVID-19 – with reference to market assessments undertaken in Uganda & Kenya (supported by Msingi)
JICA – Japan (has committed \$768M)	<i>No specific East Africa support to report</i>
USAID - US (has committed \$1B+)	<ul style="list-style-type: none"> • East Africa: Kenya & Tanzania are benefitting – among other countries – from a \$22M programme to prevent the spread of COVID-19. In addition, countries in the region have received \$19M to help fight the locusts. • Kenya: \$6.6M for COVID-19 activities. Facemasks for border police unit & journalists covering the pandemic. • Tanzania: \$3.6M to support surveillance, laboratories and infection prevention / control efforts

3.2. MULTILATERALS

INSTITUTION (A-Z)	EAST AFRICA SUPPORT
AfDB (has raised a \$3B bond & established a \$10B facility, which will in part fund the Feed Africa Response to COVID-19)	<ul style="list-style-type: none"> • Kenya: KSh 22B loan to help the country mitigate the economic, health & social impact of the pandemic • Tanzania: \$50M concessional loan for budget support
African Export-Import Bank (has established a \$3B facility)	<i>No specific East Africa support to report</i>

EU (is mobilising €15.6B)	<ul style="list-style-type: none"> East Africa: €60M to tackle the health & socio-economic impact of COVID-19 in support of the Intergovernmental Authority on Development (which includes Djibouti, Ethiopia, Eritrea, Kenya, Somalia, Sudan, South Sudan & Uganda) Kenya: \$350M in funding for the country's COVID-19 response measures Rwanda: RWF 55.5B grant to support social protection response to COVID-19 crisis, protecting food security of 630K households
IMF (stands ready to mobilise its full \$1T)	<ul style="list-style-type: none"> Kenya: Access to Rapid Credit Facility (\$739M) Tanzania: Access to the Catastrophe Containment and Relief Trust (\$14.3M - \$25.7M) Rwanda: Access to Rapid Credit Facility (\$109.4M + \$111M) & Catastrophe Containment and Relief Trust (\$10.96M) Uganda: Access to Rapid Credit Facility (\$491.5M)
UN	<ul style="list-style-type: none"> East Africa: UN's IFAD has launched a Rural Poor Stimulus Facility - providing an initial seed capital of \$40M in order to mobilize an additional \$200M Kenya: \$3.1M committed to mitigate the impact and spread of the virus
World Bank (expects to deploy \$160B in emergency financing over the next 15 months)	<p>East Africa</p> <ul style="list-style-type: none"> The World Bank has set up the Emergency Locust Response Programme - a \$500M scheme to assist rural households in East Africa & the Middle East The World Bank has set up a Pandemic Emergency Financing Facility (\$195.8M) to support 64 of the world's lowest income countries. East African states could access up to \$15M each in grants. <p>Kenya</p> <ul style="list-style-type: none"> \$1B loan for budget support (to secure the loan, the government has promised pro-poor policies e.g. better targeting of subsidised agricultural inputs through electronic vouchers) \$50M in immediate funding to support the Kenya COVID-19 Emergency Response Project <p>Rwanda</p> <ul style="list-style-type: none"> €91.4M loan agreement between Rwanda & the World Bank's International Development Association (IDA) \$14.25M in immediate funding to support the Rwanda COVID-19 Emergency Response Project

3.3. PRIVATE FOUNDATIONS / INDIVIDUALS

INSTITUTION (A-Z)	EAST AFRICA SUPPORT
Bill & Melinda Gates Foundation (pledged \$250M to COVID-19 response and \$1.6B to GAVI, the Vaccine Alliance)	<i>No specific East Africa support to report</i>
Bloomberg Philanthropies (pledged \$40M)	<i>No specific East Africa support to report</i>
Facebook (pledged \$20M)	<i>No specific East Africa support to report</i>
Google (pledged \$800M)	<i>No specific East Africa support to report</i>
IKEA Foundation (pledged €10M - contributed €1.5M to the "Start Fund COVID-19", which is pooling donor finance to address humanitarian issues in low-income countries)	<i>No specific East Africa support to report</i>
Jack Dorsey (moved \$1B to "Start Small" fund)	<i>No specific East Africa support to report</i>
Jack Ma & Alibaba Foundation	Sent medical equipment to numerous countries, including Rwanda & Tanzania
Mastercard Foundation	<ul style="list-style-type: none"> East Africa: Mastercard has launched a COVID-19 Recovery & Resilience Programme (which will support Kenya, Rwanda & Uganda) Kenya: \$5M for the purchase of personal protective equipment for frontline medical staff. Also, in partnership with Equity Group Foundation, committed \$1.93M to support home learning during the COVID-19 lockdown Rwanda: In support of World Refugee Day & COVID-19 recovery, distributed grants worth \$2.3M to businesses in refugee camps

Rockefeller Foundation (pledged \$50M)	No specific East Africa support to report
Skoll Foundation (pledged \$200M - a list of COVID-19-related grants is here)	No specific East Africa support to report
Shell Foundation (is deploying additional funding, capturing evidence, delivering market insights, commissioning research)	No specific East Africa support to report
Waitrose & Partners Foundation (pledged £200K)	Kenya : £88K to support 7 supplier farms and their 12K employees

USEFUL LIVE TRACKERS & RESOURCE LIBRARIES

- [Center for Global Development](#): a round-up of analysis re economic impact of COVID-19 globally & in Africa
- [DCED](#): a library full of links to articles re the potential economic impacts of COVID-19 globally & in Africa
- [Donor Tracker.org](#): this website monitors press briefings released from the world's major bilateral donors
- [FAO](#): this “locust watch” is regularly updated – reporting on how the swarm is moving throughout East Africa
- [IMF](#): this page lays out how every government around the world is responding – in monetary & fiscal terms
- [Johns Hopkins University](#): this live dashboard reflects case numbers & deaths from COVID-19 around the world
- [ODI](#): this page lists articles that explore vulnerable African sectors & how African governments are responding
- [Tony Blair Institute](#): this page contains resources to help African governments respond

A SHORT BIBLIOGRAPHY OF KEY REPORTS

- [African Union](#) (April 2020) *Impact of The Coronavirus (COVID-19) on The African Economy*
- [ILO](#) (April 7 2020) *COVID-19 & The World of Work. Second Edition.*
- [McKinsey & Company](#) (April 2020) *Tackling COVID-19 in Africa*
- [McKinsey & Company](#) (April 2020) *Finding Africa's Path*
- [McKinsey & Company](#) (May 2020) *Reopening & Reimagining Africa*
- [UN Economic Commission for Africa](#) (April 2020) *COVID-19 in Africa: Protecting Lives & Economies*
- [World Bank](#) (April 2020) *Assessing The Economic Impact of COVID-19 and Policy Responses in Sub-Saharan Africa*
- [World Bank](#) (April 2020) *Kenya Economic Update: Turbulent Times for Growth in Kenya – Policy Options During The COVID-19 Pandemic*
- [World Bank](#) (May 2020) *Tanzania Economic Update: Addressing The Impact of COVID-19*