

# COVID-19 IMPACT IN EAST AFRICA

—  
Fortnightly Briefing  
Week Commencing 20<sup>th</sup> July



*Image: Nurse at Kitui County Referral Hospital wears PPE donated by  
the Kenya COVID-19 Fund  
Credit: Equity Bank*



**COVID-19 IMPACT & RESPONSE**  
**FORTNIGHTLY BRIEFING**  
WEEK COMMENCING – 20 JULY 2020

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## SUMMARY

<i>The macroeconomic impact</i>	During the COVID-19 crisis, Oxfam has reported the world's poorest countries are paying \$2.8B per month to service debts – as pressure mounts on the G20 to cancel rather than suspend repayment. The WFP believes the number of hungry people across its 83 operating countries may rise to 270M (up 82%). Fitch has issued its first ever warning about locusts – which continue to threaten East Africa's macroeconomic stability. In Kenya, national debt now stands at KSh 6.6T (up from KSh 6T at the end of 2019), as China refuses bilateral debt relief, S&P downgrades the country's outlook (from stable to negative) and the African Development Bank warns of debt distress. In more positive news, Kenya's trade balance has improved during the pandemic (owing to a steep decline in imports) and the majority of the horticulture workforce has now been recalled. In Tanzania, talks with China regarding debt relief are ongoing as the tourism industry restarts – Qatar Airways is now landing 3 x a week at Kilimanjaro International Airport. Owing to effective testing, contact tracing and communication, Rwanda has received praise for its "model response" to COVID-19 and is planning to resume commercial flights in August. In Uganda, the World Bank believes the government should support the digital shift inspired by COVID-19, pointing to the sharp rise in mobile money and e-commerce transactions.
<i>The sector impact</i>	Corteva Agriscience has set up a new sustainable agriculture programme in Kenya, which will help 20K smallholder farmers gain access to agricultural inputs. In cotton, global production for next year (Aug 2020 – Jul 2021) is expected to be lower than this year – owing to reduced production in US, Turkey & Tanzania. In a survey of global fashion firms, over half say they will diversify their supplier base and look beyond Asia in future. In a further blow to Kenya's forestry sector, infrastructure spending has been allocated 60% less funding in the 2020/21 budget than last year's, which will depress demand for wood products. While Kenya has recorded an all-time record for tea production this season – owing to favourable weather and improved husbandry practices – prices hit a 12-year low, falling from \$2.59 per kilo (last year) to \$2.42 (this year). Owing to COVID-19-related disruption and over supply of tea, the price in Rwanda is also set to decline over the course of Q2. COVID-19 has exposed the vulnerability of Kenya's water sector and the risks associated with unregulated commercialisation, according to one researcher.
<i>The donor response</i>	The UK Secretary of State for International Development has confirmed the UK development assistance budget will be cut in 2020 and most likely also in 2021 – potentially by as much as £2B. Humanitarian work, healthcare, girls' education and climate change are considered priorities, while CDC's funding appears likely to be scaled back. The EU has announced €5M in support of Trade Mark East Africa's Safe Trade Emergency Facility. Instiglio – a global NGO – has launched an \$800K COVID-19 Adaptation Fund in Kenya & Rwanda – to help governments, aid agencies and development organisations adapt programming and alleviate poverty during the pandemic. Mastercard Foundation are partnering with Kenya Red Cross to train thousands of health workers / volunteers in Kenya.

## I. THE MACROECONOMIC IMPACT

### I.1. AFRICA

#### GROWTH & JOBS

- According to [Reuters](#), the continent has lost \$55B in travel and tourism revenue over the last three months
- [Quartz](#) reports how the IMF's forecasts for sub-Saharan Africa have been negatively revised – from -1.6% growth (projected in April) to -3.2% growth (projected in June)

#### PUBLIC FINANCES

- According to a report by [Oxfam](#), the world's poorest countries are paying \$2.8B per month to service debts as they try and fight COVID-19. In Kenya, the government will spend more on servicing its debt this year (\$2.7B) than it has done on public healthcare in recent years (\$1.86B).
- According to the [IMF](#), countries in Africa face a financing need of \$110B+ this year - despite the G20's Debt Service Suspension Initiative (DSSI). The DSSI has so far enabled the world's poorest countries to suspend \$14B in debt service payments this year.
- A writer at [Thomson Reuters Foundation](#) is calling on the G20 to cancel – rather than just suspend – debt owed by the Global South. In sub-Saharan Africa, interest payment is the largest and fastest growing public expenditure.
- In a virtual meeting with leaders from Africa and Europe, [President Kenyatta](#) – on behalf of the continent - demanded debt relief due to COVID-19

## PUBLIC HEALTH

- A [UN](#) report predicts that more zoonotic diseases will spread from animals to humans if we do not take better care of the environment
- [Reuters Graphics](#) explores the WHO's concern that Africa could face a "silent epidemic" due to a lack of data. While Africa has 4.5% of global cases, WHO & Africa CDC say this is not an accurate reflection of the spread on the continent. Africa has carried out fewer tests than elsewhere in the world – c. 4.2K tests per 1M people (vs. 7.7K in Asia and 74K in Europe).
- According to the [Africa Center for Strategic Studies](#), countries in Africa are not exhibiting a uniform COVID-19 trajectory. Across the continent, the risk factors which correlate closely with high case volume include urban population size, median population age, extent of press freedom and international exposure.
- UNECA and partners have launched the [Africa Communication and Information Platform](#) which will provide more than 600M mobile phone users and governments the latest health information re COVID-19
- At a summit hosted by the [Intergovernmental Authority on Development](#), President Museveni called on the states of East Africa to work regionally in the fight against COVID-19

## FOOD SECURITY

- The [World Food Programme](#) now projects an 82% (270M) rise in the number of hungry people across its 83 operating countries. The organisation is increasing its beneficiaries from 97M (in 2019) to 138M - and appealing for \$4.9B.
- The [FAO](#) estimates that a 5-10% drop in GDP growth would mean an additional 38.2M-80.3M people in poor countries falling into a hunger trap. Globally, this means the number of hungry people could jump by between 74M-120M.
- According to the [World Food Programme](#), 346M children worldwide are missing out on school meals due to school closures. This includes 3.7M in Uganda, 1.8M in Kenya, 700K in Rwanda & 28K in Tanzania.
- According to the [International Rescue Committee](#), the locust plague in East Africa could take years to bring under control and consume hundreds of millions of dollars - if countries do not intervene quickly. Without any intervention, the FAO predicts a 50-70% reduction in cereal harvest (worst case).
- To avoid a food security crisis, the [Center for Strategic & International Studies](#) argues that governments need to resist protectionist measures and ensure food supply chains stay open

## CONFLICT

- According to [Foreign Policy](#), COVID-19 is likely to exacerbate instability in fragile states.

## EDUCATION

- [Disability News Africa](#) reports school closures and digital teaching may disproportionately impact the education outcomes for students with visual and hearing disabilities

## 1.2. EAST AFRICAN COMMUNITY (EAC)

### GROWTH & JOBS

- According to the [African Development Bank](#), East Africa is projected to grow between 0.2% (worst case) and 1.2% (baseline) – if COVID-19 is contained

### TRADE

- [Trade Mark East Africa](#) and UNCTAD highlight the importance of national trade facilitation committees in responding to the economic challenge of COVID-19. Such institutions have the networks / skills to play a bigger role in ensuring regional trade and coordination during the crisis.
- [The Africa Report](#) believes the pandemic could accelerate regional integration – as countries in East Africa rely more on local markets. To enable greater integration, infrastructure must be improved.

### PUBLIC FINANCES

- [Fitch](#) – a credit rating agency - has warned that Kenya, Rwanda and Uganda may have their ratings downgraded, owing to extensive borrowing in response to COVID-19
- [The Economist](#) recently reported that Fitch issued its first-ever warning about locusts, which are threatening East Africa's macroeconomic stability

### AGRICULTURE

- At the fifth [EAC Agriculture Summit](#) (2020), it emerged that - out of the EAC's 6 member states - only Rwanda is on track to achieving the Malabo Declaration goals regarding investment in agriculture. The bloc is also not on track to end hunger by 2025 and enhance climate resilience.

### I.3. KENYA

#### GROWTH & JOBS

- SMEs affected by COVID-19 are set to benefit from the government's [KSh 5B stimulus package](#) – with priority given to those firms manufacturing PPE. According to the Kenya Association of Manufacturers, 37% of SMEs have scaled down their operations during the pandemic owing to cash flow constraints.
- An advisor for [UN Development Programme](#) believes the post-COVID-19 recovery offers an opportunity to decarbonise Kenya's economy

#### PUBLIC FINANCES

- According to the [Central Bank of Kenya](#), the country's debt is currently KSh 6.6T – up from KSh 6T in December 2019
- According to the [Treasury Secretary](#), China has refused to offer Kenya a debt relief package. China claims such a move would “dishonour” the G20 position on strict conditionalities for debt relief.
- The [African Development Bank](#) is warning of growing debt distress in Kenya – as the country's current account deficit reaches 7% and the fiscal deficit looks set to widen from 6% (2019) to 9% (2020). Across East Africa, the average fiscal deficit is estimated to increase from 4.9% of GDP (2019) to 7% (2020).
- [S&P Global Ratings](#) has downgraded Kenya's outlook from stable to negative – as COVID-19 slows growth and weighs on the country's weak public finances. The firm believes Kenya's external debt will rise significantly in 2020 and remain high over the next three years.
- The [National Treasury](#) did not disburse funds to county governments in June, as senators continue to debate the basis on which counties will be allocated resources.
- The [Kenya Revenue Authority](#) missed its 2019/20 revenue target of KSh 1.8T by KSh 350B
- The [Finance & Economic Planning Executive in Kisumu](#) has ordered for tax collection to start at the city's markets – to cover losses sustained during lockdown

#### CURRENCY

- The Kenyan [shilling](#) hit an all-time low of KSh 107.55 against the US dollar in July – as the gradual re-opening of the economy leads to a surge in demand for dollars (esp. high among Kenya's manufacturers)

#### PUBLIC HEALTH

- According to [Soko Directory](#), the government has closed 20 facilities that were collecting / testing COVID-19 samples – since the mass testing drive was unsustainable. The government has chosen to focus on COVID-19 patients in hospitals.
- The [Ministry of Health](#) is rolling out of a web-based application for contact tracing and surveillance. According to the government, the application will enable a faster response to emergencies.
- [The United Nations Office at Nairobi](#) has commissioned the construction of a KSh 1.1B COVID 19 treatment facility for UN staff in the region, at the Nairobi Hospital

#### TRADE

- The [US and Kenya](#) launched negotiations over a free trade agreement on July 8. The African Growth and Opportunity Act (AGOA) - which provides the country with duty-free access to the US market for textiles and garments – is due to end in 2025.
- According to [Brookings](#), Kenya's trade balance has improved during the pandemic - due to a steep import decline and steady exports. The authors believe a long-term reduction in consumer goods imports may present an opportunity for Kenya's manufacturers.
- According to data published by the [Kenya National Bureau of Statistics](#) Kenya's trade with the EAC improved by 57.7% in Q1 2020 (vs. Q1 2019). Kenya's balance of payments - i.e. exports minus imports - with Burundi, Tanzania, Rwanda, Uganda and South Sudan rose to KSh 30.86B for Jan-Mar (vs. KSh 19.67B last year).

#### FOOD SECURITY

- As rampant flooding in the west of Kenya has hampered [rice production](#), concern is growing re food security in urban areas. The country's supply of rice has been limited recently owing to COVID-19 export restrictions from Pakistan and Vietnam.

#### AGRICULTURE

- [Horticulture](#) earnings rose to KSh 72B between Jan and May 2020 – up 11% vs. last year
- According to the [Kenya Plantations and Agricultural Workers Union](#), 85% of the workforce in flower / vegetable farms have now been recalled to work (having been laid off at the start of the pandemic)
- Kenya's [avocado industry](#) appears to have been boosted by COVID-19 – exports hit a record high in the first half of 2020 with more than 58K tons sold to 40+ countries. There has been a growing demand for fruit during the pandemic - avocado is recommended for its high alkaline content.
- A farmer survey conducted by [Precision Agriculture for Development](#) reveals 74% of dairy and crop farmers have eaten into their savings and 54% have borrowed money over Apr-Jun

## MANUFACTURING

- The [Ministry of Industrialization, Trade and Enterprise Development](#) believes local manufacturers have responded well to the COVID-19, adopting safety protocols, ensuring business continuity and investing in innovation

## NEWS FROM SECTORS IN THE WIDER ECONOMY

- The [banking sector](#) in Kenya is exhibiting resilience in the face of COVID-19, reflecting strong capital / liquidity buffers and the positive impact of monetary easing. The sector appears prepared to deal with the crisis - assuming the economic shock is temporary.
- The [Kenya Auto Bazaar Association](#) believes the price of used cars will increase by up to 7% over the coming months - as the shilling depreciates against the dollar and disruption at Mombasa port continues
- COVID-19 has majorly disrupted Kenya's tech-enabled "[sharing economy](#)", with activity on AirBnB and Uber slowing to a standstill. In response, hosts have drastically lowered prices and drivers have been forced to find alternate sources of income.
- [Sarafu](#) - a cryptocurrency developed by Grassroots Economics - has leveraged donor funding to launch community inclusion currencies. The aim is to support households with bills during COVID-19. Thus far, 500 people are receiving the coins in Nairobi.
- [Kenya Airways](#) resumed domestic flights on July 15. The CEO says the airline is working closely with the Ministry of Health and Kenya Airports Authority to ensure travel is safe.
- 500K wildebeest are set to arrive in Kenya's [Masai Mara](#) – while the absence of tourists is great “from a nature-loving point of view”, a lodge owner in the Mara says it's a “conservation [...] crisis” as money dries up and poachers lay thousands of snares

## GOVERNMENT RESPONSE

- President Kenyatta is convening a summit with the 47 county chiefs on 24 July – to review [the impact of re-opening the economy](#) following a surge in COVID-19 cases

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

FISCAL	MONETARY	GDP FORECASTS
<p>From 1<sup>st</sup> July, GoK plans to spend <a href="#">\$503M</a> on a stimulus package to support businesses hit by the pandemic. The <a href="#">State House</a> 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 <a href="#">here</a>):</p> <ul style="list-style-type: none"> <li>KSh 6.8B to health sector</li> <li>KSh 13.8B to clear pending bills</li> <li>KSh 10B for VAT refunds</li> <li>KSh 10B to scale up cash transfers</li> </ul> <p>Other fiscal measures include:</p> <ul style="list-style-type: none"> <li>100% income tax relief for persons earning below KSh 24K per month</li> <li>Reduction of top band tax rate for individuals from 30% to 25%</li> <li>Reduction of the base corporate income tax rate from 30% to 25%</li> <li>Reduction of the turnover tax rate on SMEs from 3% to 1%</li> <li>Reduction of VAT on all goods from 16% to 14%</li> </ul>	<p>Encouraging commercial banks to lower interest rates for borrowers, the Central Bank of Kenya has:</p> <ul style="list-style-type: none"> <li>Cut interest rates by 1% and then a further 0.25% - now at 7%, a nine-year-low (this was announced on <a href="#">29 April</a> and retained on <a href="#">25 June</a>)</li> <li>Lowered banks' cash reserve ratio by 1% (to 4.25%) – this provides KSh 35.2B in additional liquidity for commercial banks</li> <li>Encouraged banks to provide relief to individual borrowers &amp; SMEs on their loans – with up to one-year extension (see p. 28 <a href="#">here</a>) – apparently loans amounting to \$868M have already been restructured (see <a href="#">here</a>)</li> <li>Encouraged the waiving or reducing of charges on mobile money transactions - to incentivize use of cash (this has been <a href="#">extended until the end of the year</a>)</li> <li>Released KSh 7.4B to support the government's effort to contain COVID-19 (using gains from demonetisation in September 2019) (see <a href="#">here</a>)</li> </ul>	<p><a href="#">Government:</a> 2.5% growth (revised down from pre-COVID-19 estimate of 6.2%)</p> <p><a href="#">IMF:</a> 1% growth</p> <p><a href="#">World Bank:</a> 1.5% to -1% growth</p> <p>-</p> <p>Kenya's growth in 2019 was 5.6%</p>

## 1.4. TANZANIA

### GROWTH & JOBS

- An op-ed in [The Africa Report](#) believes Tanzania has the potential to be an “economic giant” – based on its strategic location, diverse resources and political stability. The country achieved middle-income status on 1 July – 5 years ahead of schedule.
- In a blogpost for the [International Growth Centre](#), a writer states that the government in Tanzania will need to carefully balance two priorities: the reduction of the COVID-19 burden on the health system and the restoration of the economy

## PUBLIC FINANCES

- The [Foreign Affairs Minister](#) recently met with China's Ambassador to Tanzania to discuss debt relief options

## TRADE

- According to the [Bank of Tanzania](#), exports increased to \$9968M in the year ending May 2020 (vs. \$8634M in the corresponding period in 2019). This was driven by strong exports of cashew nuts, cotton, cloves and sisal, which were not affected by COVID-19.
- Tanzania exported 590 tonnes of agricultural products from [Kilimanjaro International Airport](#) via Ethiopian Airlines during the COVID-19 crisis

## NEWS FROM SECTORS IN THE WIDER ECONOMY

- According to the [Bank of Tanzania](#), lending to the private sector has slowed slightly this year - from 5.8% credit growth (Jan-May 2019) to 5.1% (Jan-May 2020). This is due to limited loan demand from the hospitality and education sector - as well as the slow repayment of existing loans.
- [Qatar Airways](#) is now landing 3 x a week at Kilimanjaro International Airport. The airline is also landing daily in Dar es Salaam and landing 3 x a week in Zanzibar.
- The government has urged the relevant institutions to invest more in [ICT](#) measures that will benefit the country's SMEs – especially farmers (i.e. ensuring real-time access to market information)

## 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 <a href="#">Bank of Tanzania</a> has...</p> <ul style="list-style-type: none"> <li>Lowered its minimum reserve requirements from 7% to 6% - to provide further liquidity to banks</li> <li>Lowered the discount rate from 7% to 5% (a signal that lower interest rates are coming)</li> <li>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.</li> <li>Instructed financial institutions to restructure loans on a case by case basis</li> <li>Instructed mobile money operators to increase the daily transaction limit (from TZS 3M to 5M) and daily balance (from TZS 5M to 10M)</li> </ul>	<p><a href="#">Government:</a> 5.5% growth</p> <p><a href="#">IMF:</a> 2% growth</p> <p><a href="#">World Bank:</a> 2.5% growth</p> <p>-</p> <p>Tanzania's growth in 2019 was 6.3%</p>

## I.5. RWANDA

### GROWTH & JOBS

- In a bid to attract foreign investment post-COVID-19, Rwanda is planning to host the [Commonwealth Heads of Government Meeting](#) in 2021

### PUBLIC HEALTH

- Rwanda is being praised for its "[model response](#)" to COVID-19, which has involved the rapid scaling up of testing, effective communication and meticulous contact tracing

### NEWS FROM SECTORS IN THE WIDER ECONOMY

- From August 1, [commercial flights](#) will be allowed into Rwanda
- Rwanda has established a new [African Centre of Excellence](#) for sustainable cooling and cold chains – to help transport produce to market quickly and efficiently



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 “<a href="#">Economic Recovery Fund</a>” to support businesses affected by the pandemic (esp. hospitality, manufacturing, transport &amp; logistics and SMEs).</p> <p><a href="#">In next year's budget</a>, the government is set to increase spending by 7.5% (July 2020 – July 2021). Donors will fund 15.2% of the increase &amp; 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"> <li>Regular in-kind transfers of basic food stuffs</li> <li>Cash transfers to casual workers – now unemployed</li> <li>Cash transfers to farmers – for input purchases</li> </ul> <p>Tax relief measures:</p> <ul style="list-style-type: none"> <li>Suspension of down payments on outstanding tax</li> <li>Softening of enforcement for tax arrears collection</li> <li>Extension of deadline for filing corporate income tax</li> <li>Fast tracking VAT refunds to SMEs</li> </ul>	<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"> <li>An extended lending facility worth RWF 50B (0.5% GDP) – to support banks for next 6 months</li> <li>Treasury bond purchases through the rediscount window for the next 6 months</li> <li>Lowering the reserve requirement ratio from 5% to 4%</li> <li>Easing of loan repayment conditions for impacted borrowers</li> </ul> <p>Operators and banks agreed to zero charges on all mobile money transfers and all transfers between bank accounts / mobile wallets – although charges were reinstated on June 22.</p>	<p><a href="#">Government:</a> 2% growth</p> <p><a href="#">IMF:</a> 3.5% growth</p> <p>-</p> <p>Rwanda's growth in 2019 was c. 10%</p>

## 1.6. UGANDA

### GROWTH & JOBS

- According to the [World Bank](#), digital technologies could help Uganda recover from COVID-19 and cushion future shocks. In a recent report, the organisation explores how citizens have increased their use of mobile money / e-commerce platforms during COVID-19.

### FOOD SECURITY

- As schools remain closed in Uganda, the government is partnering with the [WFP](#) to provide 130K schoolchildren in Karamoja with meals in July

### NEWS FROM SECTORS IN THE WIDER ECONOMY

- The [National Federation of Professional Cyclists Network](#), which represent the country's “boda boda” drivers, has sued the government in response to COVID-19 movement restrictions. Drivers have not worked since lockdown began in April.
- As a result of COVID-19, there is a worldwide [poaching crisis](#). In Uganda, 822 snares were found in Bwindi park between Mar-Apr (vs. just 21 over the same period last year).

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

FISCAL	MONETARY	GDP FORECASTS
<p>The government has announced a <a href="#">US\$ 2.9T stimulus package</a> to respond to COVID-19, with US\$ 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 Bank of Uganda has reduced the central bank <a href="#">interest rate</a> from 9% to 8% and...</p> <ul style="list-style-type: none"> <li>Committed to provide liquidity assistance to financial institutions for up to one year</li> <li>Ensured contingency plans are in place at supervised financial institutions</li> <li>Put in place a mechanism to minimise likelihood of sound businesses going into insolvency due to lack of credit</li> </ul>	<p><a href="#">Government:</a> 3.1% growth</p> <p><a href="#">IMF:</a> 3.5% growth</p> <p>-</p> <p>Uganda's growth in 2019 was 4.9%</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"> <li>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</li> <li>2. Increasing agriculture production and productivity by increasing funding for agriculture inputs and entities such as UDC that support the sector</li> <li>3. Increasing household income among SMEs by providing additional funding</li> <li>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</li> <li>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 items used for medical use; and expanding labour-intensive public works programmes in the roads, water and environment sector.</li> </ol>	<ul style="list-style-type: none"> <li>• Waived limitations on restricting of credit facilities at financial institutions at risk of distress</li> <li>• Worked with mobile money providers / commercial banks to ensure reduction of charges on mobile money transactions</li> <li>• Directed all supervised financial institutions to defer payments of dividends / bonus for 90 days</li> <li>• Provided liquidity to commercial banks for a longer period – issuance of reverse Repurchase Agreements (REPOs) of up to 60 days</li> <li>• Purchased treasury bonds held by microfinance &amp; credit institutions</li> <li>• Granted exception permission to supervised financial institutions to restructure loans of corporate &amp; individual customers affected by the pandemic (i.e. loan holidays for 12 months max...)</li> </ul>	
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## 2. THE SECTOR IMPACT

### 2.1. AGRICULTURAL INPUTS (KENYA)

- 20K farmers in Kenya are set to benefit from a new sustainable agriculture programme run by [Corteva Agriscience](#). The programme will result in smallholder farmers enjoyed increased access to agricultural inputs, training and markets.

### 2.2. AQUACULTURE (EAST AFRICA)

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

### 2.3. COTTON & TEXTILES (EAST AFRICA)

#### GLOBAL

- Global lint prices have risen modestly from a low in late March, with the [Cotlook A Index](#) around \$0.68 per lb (this is still below the [seasonal average](#))
- With low cotton production forecast in US, Turkey and Tanzania, [global production for the year to July 2021](#) is expected to be lower than last year. The US Department of Agriculture believes China's import demand will grow modestly – as the country is set to change its "State Reserve" policy.
- According to [BCI's Supply Chain Resilience Report](#) (2020), 57.2% of firms are planning to diversify their textiles supplier base. 43.1% of firms who source from Asia are planning to reduce their sourcing from the region.
- In the year to June 2020, [Bangladesh's apparel exports](#) fell by 18% to \$27.95B

## KENYA

- The use of [Bt Cotton](#) has been approved in Kenya - a commercial farm trial of 10K hectares is being established, with seeds supplied by Mahyco Seeds (also operational in Tanzania)
- [Bedi Investments Limited](#) in Nakuru has retooled its operations, despite textiles exports to the US plummeting since March. The firm now produces personal protective equipment.

## SUSTAINABILITY

- The [US Cotton Trust Protocol](#) [US Cotton Trust Protocol](#) has been established – a new sustainable cotton certification standard. The organisation conducted a [survey](#) of brands in which 54% said their customer expectations re environmental sustainability have increased since the onset of COVID-19. 43% reported increased investment in sustainability.

## 2.4. FORESTRY (EAST AFRICA)

- According to [Beale & Co](#), public-private partnerships could help the government in Kenya fund infrastructure projects – without adding to debt in the post-COVID-19 recovery period. Such institutional arrangements could help save the construction sector.
- In Kenya's 2020/21 budget, infrastructure was allocated KSh 172B - 60% lower than last year's allocation. According to an editorial in [Nairobi Business Monthly](#), this is causing concern in Kenya's real estate sector as funding dries up for President Kenyatta's affordable housing programme.

## 2.5. LIVESTOCK (KENYA)

- The government in Uganda is hoping to expand the country's livestock exports and sustainably feed the growing population via its new "[Lusenke](#)" transformational project. Once COVID-19 restrictions lift, some 5K livestock farmers will be trained at a 4.5K acre farm in central Uganda.

## 2.6. TEA (EAST AFRICA)

### GLOBAL

- The Chairman of [Vietnam Tea Association](#) has noted the industry will need to evolve in response to COVID-19 and falling prices, with an emphasis on higher value markets rather than "chasing outputs".

### KENYA

- The sector in Kenya is becoming more competitive – an editorial in The Star argues private factories have responded to COVID-19 better than KTDA. Nevertheless, KTDA continues to offer better prices to smallholders – 1K farmers recently re-enrolled at [Rororok Tea Factory](#), which is managed by KTDA.
- [Green leaf production](#) at KTDA factories was up 28.5% to 1.448B kilos for the year ending June 2020 – the highest ever return. Production was boosted by favourable weather and improved practices. However, oversupply and COVID-19 disruption meant prices fell from \$2.59 per kilo (last year) to \$2.42 (this year) – a 12 year low.
- Owing to the impact of COVID-19, tea farmers in Kenya are set to receive [little to no bonus](#) this year, despite high production volumes. Around KSh 14B of tea is stuck in warehouses.

### RWANDA

- The price for Rwandan tea has dropped over the course of Q2 to [below \\$2 per kilo](#) (vs. \$3 in 2019) owing to oversupply and low demand

## 2.7. WATER (KENYA)

- According to a researcher at the [University of Sheffield](#), COVID-19 has exposed the vulnerability of Kenya's water sector and highlighted how commercialisation may exacerbate existing inequalities - if unregulated

### 3. THE DONOR RESPONSE

#### 3.1. BILATERAL DONORS

INSTITUTION (A-Z)	EAST AFRICA SUPPORT
AFD – France (has committed <a href="#">\$1.5B</a> and will move ahead with planned increase of aid budget in <a href="#">2021</a> )	No specific East Africa support to report
BMZ – Germany (has committed <a href="#">€3B</a> to fight the pandemic worldwide & scale up economic exchange with Africa)	No specific East Africa support to report
DFID - UK (has committed <a href="#">£744M</a> and announced <a href="#">£2B</a> cut to budget over this year and next year)	<ul style="list-style-type: none"> <li>• <a href="#">Trade Mark East Africa</a> (funded by DFID) has announced a \$20M safe trade emergency facility</li> <li>• DFID has set out how its <a href="#">re-orientating manufacturing support</a> in response to COVID-19 – with reference to market assessments undertaken in Uganda &amp; Kenya (supported by Msingi)</li> </ul>
JICA – Japan (has committed <a href="#">\$768M</a> )	No specific East Africa support to report
USAID - US (has committed <a href="#">\$1B+</a> )	<ul style="list-style-type: none"> <li>• East Africa: Kenya &amp; Tanzania are benefitting – among other countries – from a <a href="#">\$22M</a> programme to prevent the spread of COVID-19. In addition, countries in the region have received <a href="#">\$19M</a> to help fight the locusts.</li> <li>• Kenya: <a href="#">\$6.6M</a> for COVID-19 activities. Facemasks for <a href="#">border police unit &amp; journalists</a> covering the pandemic. An additional <a href="#">\$50M</a> to strengthen health / water systems, support small businesses and enable more children to benefit from distance learning. A collaboration with Vital Capital to provide <a href="#">\$5M</a> in financing for agribusiness.</li> <li>• <a href="#">Tanzania</a>: \$3.6M to support surveillance, laboratories and infection prevention / control efforts</li> </ul>

#### 3.2. MULTILATERALS

INSTITUTION (A-Z)	EAST AFRICA SUPPORT
AfDB (has raised a <a href="#">\$3B</a> bond & established a <a href="#">\$10B</a> facility, which will in part fund the <a href="#">Feed Africa Response to COVID-19</a> )	<ul style="list-style-type: none"> <li>• <a href="#">Kenya</a>: KSh 22B loan to help the country mitigate the economic, health &amp; social impact of the pandemic</li> <li>• <a href="#">Tanzania</a>: \$50M concessional loan for budget support</li> </ul>
African Export-Import Bank (has established a <a href="#">\$3B</a> facility)	No specific East Africa support to report
EU (is mobilising <a href="#">€15.6B</a> )	<ul style="list-style-type: none"> <li>• <a href="#">East Africa</a>: €60M to tackle the health &amp; socio-economic impact of COVID-19 in support of the Intergovernmental Authority on Development (which includes Djibouti, Ethiopia, Eritrea, Kenya, Somalia, Sudan, South Sudan &amp; Uganda). In addition, signed a <a href="#">€5M</a> deal to support the Safe Trade Emergency Facility, run by Trade Mark East Africa.</li> <li>• <a href="#">Kenya</a>: \$350M in funding for the country's COVID-19 response measures</li> <li>• <a href="#">Rwanda</a>: RVF 55.5B grant to support social protection response to COVID-19 crisis, protecting food security of 630K households</li> </ul>
IMF (stands ready to mobilise its full <a href="#">\$1T</a> )	<ul style="list-style-type: none"> <li>• <a href="#">Kenya</a>: Access to Rapid Credit Facility (\$739M)</li> <li>• <a href="#">Tanzania</a>: Access to the Catastrophe Containment and Relief Trust (\$14.3M - \$25.7M)</li> <li>• <a href="#">Rwanda</a>: Access to Rapid Credit Facility (\$109.4M + <a href="#">\$111M</a>) &amp; Catastrophe Containment and Relief Trust (\$10.96M)</li> <li>• <a href="#">Uganda</a>: Access to Rapid Credit Facility (\$491.5M)</li> </ul>
UN	<ul style="list-style-type: none"> <li>• <a href="#">East Africa</a>: UN's IFAD has launched a Rural Poor Stimulus Facility - providing an initial seed capital of \$40M in order to mobilize an additional \$200M</li> <li>• <a href="#">Kenya</a>: \$3.1M committed to mitigate the impact and spread of the virus &amp; launch of <a href="#">One Stop Youth Resource Centre</a> in Mandera, which will introduce 10 handwashing stations in the county</li> <li>• <a href="#">Uganda</a>: The United Nations Children's Fund (UNICEF) has received \$4.4M from the Government of Sweden to support Uganda's COVID-19 humanitarian response</li> </ul>



World Bank (expects to deploy <a href="#">\$160B</a> in emergency financing over the next 15 months)	<p>East Africa</p> <ul style="list-style-type: none"> <li>The World Bank has set up the <a href="#">Emergency Locust Response Programme</a> - a \$500M scheme to assist rural households in East Africa &amp; the Middle East</li> <li>The World Bank has set up a <a href="#">Pandemic Emergency Financing Facility</a> (\$195.8M) to support 64 of the world's lowest income countries. East African states could access up to \$15M each in grants.</li> </ul> <p>Kenya</p> <ul style="list-style-type: none"> <li><a href="#">\$1B</a> 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)</li> <li><a href="#">\$50M</a> in immediate funding to support the Kenya COVID-19 Emergency Response Project</li> <li><a href="#">\$43M</a> transferred to counties to bolster local health response measures</li> </ul> <p>Rwanda</p> <ul style="list-style-type: none"> <li><a href="#">€91.4M</a> loan agreement between Rwanda &amp; the World Bank's International Development Association (IDA)</li> <li><a href="#">\$14.25M</a> in immediate funding to support the Rwanda COVID-19 Emergency Response Project</li> </ul> <p>Uganda</p> <ul style="list-style-type: none"> <li><a href="#">\$300M</a> 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, stronger social protection system)</li> </ul>
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### 3.3. PRIVATE FOUNDATIONS / INDIVIDUALS

INSTITUTION (A-Z)	EAST AFRICA SUPPORT
Bill & Melinda Gates Foundation (pledged <a href="#">\$250M</a> to COVID-19 response and <a href="#">\$1.6B</a> to GAVI, the Vaccine Alliance)	No specific East Africa support to report
Bloomberg Philanthropies (pledged <a href="#">\$40M</a> )	No specific East Africa support to report
Facebook (pledged <a href="#">\$20M</a> )	No specific East Africa support to report
Google (pledged <a href="#">\$800M</a> )	No specific East Africa support to report
IKEA Foundation (pledged <a href="#">€10M</a> - contributed <a href="#">€1.5M</a> to the "Start Fund COVID-19", which is pooling donor finance to address humanitarian issues in low-income countries)	No specific East Africa support to report
Instiglio	<a href="#">Kenya &amp; Rwanda</a> : Launched \$800K COVID-19 Adaptation Fund – to help governments, aid agencies and development organisations adapt programming and alleviate poverty during the pandemic.
Jack Dorsey (moved <a href="#">\$1B</a> to "Start Small" fund)	No specific East Africa support to report
Jack Ma & Alibaba Foundation	Sent medical equipment to numerous countries, including <a href="#">Rwanda</a> & <a href="#">Tanzania</a>
Mastercard Foundation	<ul style="list-style-type: none"> <li><a href="#">East Africa</a>: Mastercard has launched a COVID-19 Recovery &amp; Resilience Programme (which will support Kenya, Rwanda &amp; Uganda)</li> <li>Kenya: <a href="#">\$5M</a> for the purchase of personal protective equipment for frontline medical staff. Also, in partnership with Equity Group Foundation, committed <a href="#">\$1.93M</a> to support home learning during the COVID-19 lockdown. In partnership with <a href="#">Kenya Red Cross</a>, supporting the training of 2.5K health workers &amp; 2.1K community health volunteers.</li> <li><a href="#">Rwanda</a>: In support of World Refugee Day &amp; COVID-19 recovery, distributed grants worth \$2.3M to businesses in refugee camps</li> </ul>
Rockefeller Foundation (pledged <a href="#">\$50M</a> )	No specific East Africa support to report

Skoll Foundation (pledged <a href="#">\$200M</a> - a list of COVID-19-related grants is <a href="#">here</a> )	No specific East Africa support to report
<a href="#">Shell Foundation</a> (is deploying additional funding, capturing evidence, delivering market insights, commissioning research)	No specific East Africa support to report
Waitrose & Partners Foundation (pledged <a href="#">£200K</a> )	<a href="#">Kenya</a> : £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 Development Bank](#) (July 2020) *East Africa Economic Outlook: Coping with the COVID-19 Pandemic*
- [African Union](#) (April 2020) *Impact of the Coronavirus (COVID-19) on the African Economy*
- [Boston Consulting Group](#) (June 2020) *East Africa's Rebound*
- [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*
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- [UN Conference on Trade and Development](#) (June 2020) *World Investment Report 2020*
- [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*

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