

COVID-19

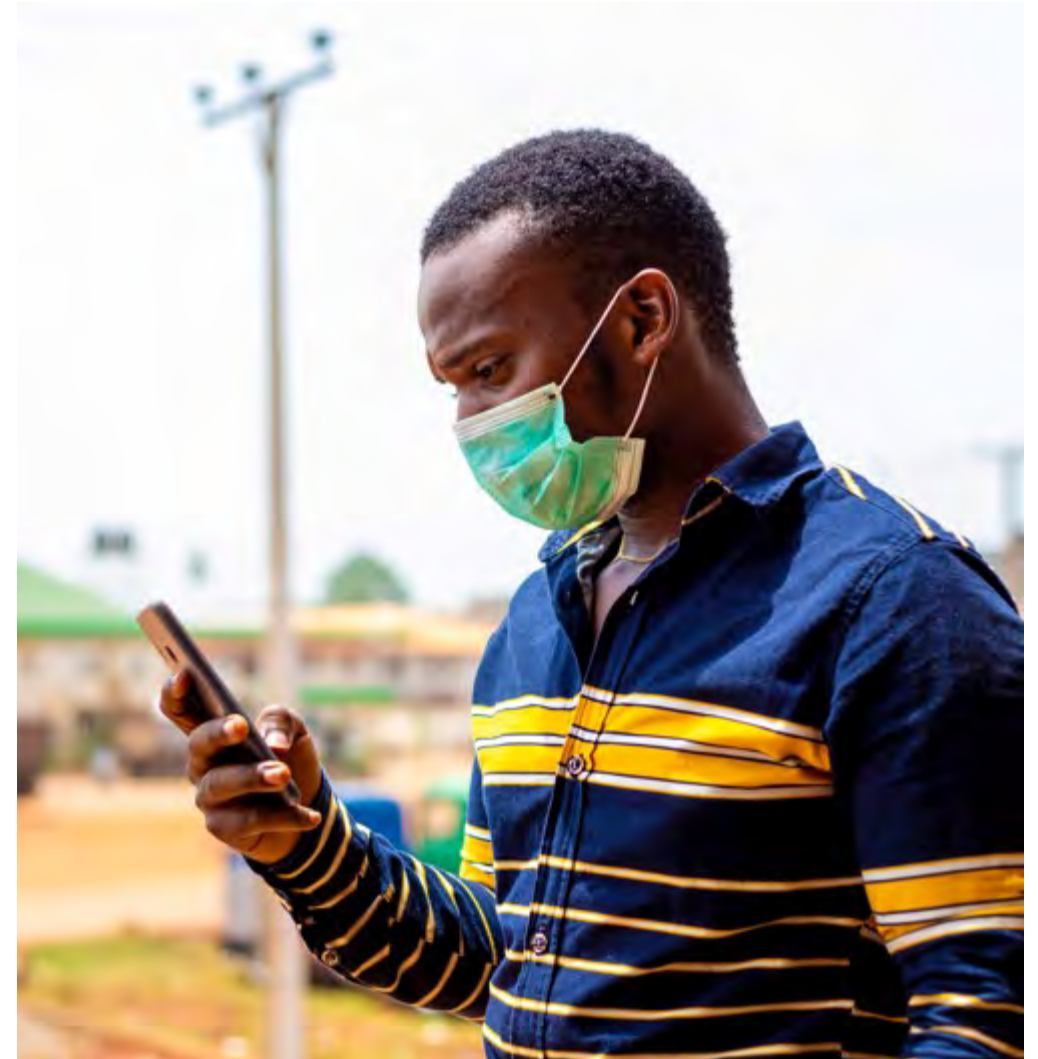
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The Situation in East Africa & Gatsby Africa's Response



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WHO WE ARE

GATSBY AFRICA

Our mission is to create jobs, raise incomes and reduce poverty by promoting economic transformation in East Africa. We do this by taking a sector-focused approach, working in sectors with the potential to be regionally or globally competitive, create large numbers of jobs, and become resilient in the long-term.



TANZANIAN
COTTON



TANZANIAN
TEXTILES



TANZANIAN
FORESTRY



KENYAN
FORESTRY



TANZANIAN
TEA



RWANDAN
TEA



OUR FOOTPRINT

In collaboration with our partners Msingi and Kenya Markets Trust, we run 11 programmes across Kenya, Tanzania, Uganda and Rwanda.



REGIONAL
TEXTILES



REGIONAL
AQUACULTURE



KENYAN
LIVESTOCK



KENYAN
AGRI-INPUTS



KENYAN
WATER

COVID-19:AN OVERVIEW

GLOBAL IMPACT OF COVID-19

- The economic crisis wrought by COVID-19 is unprecedented. In Africa, economies have been immediately and directly affected (unlike with the global financial crisis of 2008, when they were largely damaged via external channels).
- According to [The Economist](#), COVID-19 has undermined decades of progress in the worldwide fight against poverty. This year is set to be the first year in over two decades that the global rate of poverty will increase.
- The [UN](#) suggests the number of people starving to death globally could double amidst the pandemic – and is calling on wealthy nations to donate \$90B to global food relief efforts.
- [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”.

THE SITUATION IN EAST AFRICA

- COVID-19 could not have come at a worse time for East Africa, as the region is experiencing a number of climate-related shocks. [Oxfam](#) is warning that millions of people are at risk of increased poverty as heavy rains (exacerbated by climate change) and the breakdown of pesticide supply chains (owing to COVID-19) create the perfect conditions for the breeding of desert locusts.
- [Famine Early Warning Systems Network](#) believes 100M people will need food assistance in the 29 countries the network covers. Kenya, Rwanda & Uganda are set to experience a 100%+ increase in needs owing to COVID-19.
- Major industries - such as tourism - have been brought to a standstill this year, which will result in a significant loss of GDP and foreign exchange. According to the [World Bank](#), growth among member states of the East African Community (EAC) will reduce to an average of 3.1% in 2020 (down from an average of 5.8% in 2019).
- 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.
- All of this will see government revenues contract and public debt deepen. Since the onset of the crisis, the [EAC's six member states have collectively borrowed \\$2.3B](#).

THE SITUATION IN EAST AFRICA



TANZANIA

- The World Bank's latest [Tanzania Economic Update](#) forecasts economic growth to slow sharply in 2020 – to 2.5% (down from 6.9% growth in 2019).
- The crisis could push 500K citizens below the poverty line.
- Tourism operators in the country expect revenues to contract by 80% this year.



KENYA

- [Over 1 million Kenyans have now lost their jobs](#) due to COVID-19.
- [The governor of the Central Bank of Kenya](#) has said 75% of the country's MSMEs are facing closure by the end of June owing to a lack of funds.
- [According to the Central Bank of Kenya](#), the cost of food staples such as onions, tomatoes and beans are rising faster than inflation.



RWANDA

- [Growth in Rwanda is expected to slow to 2%](#) in 2020 (down from 9.4% growth in 2019).
- The hospitality sector is expected to contract by almost one third.
- COVID-19 has led to a surge in the use of [mobile money](#) in the country – the value of mobile transactions has increased 6x since the outbreak of the pandemic.



UGANDA

- [According to Finance Minister Matia Kasaija](#), growth in the country is expected to slow to 3.1% this year (compared to an average of 5.4% over the last four years).
- In the event that COVID-19 persists for another 6 months, [the majority of MSMEs in Uganda will face default](#).
- In this case, about 3.8M workers would lose their jobs temporarily while 0.6M would lose their jobs permanently.

SUMMARY: HOW GATSBY AFRICA & OUR PARTNERS ARE RESPONDING



GATSBY AFRICA'S APPROACH TO THE CRISIS

- Our initial focus has been to understand the likely major implications of the virus on the economies as a whole and then to assess the specific needs of the sectors in which we operate.
- This has involved coordinating with governments and the donor community, as well as listening closely to our partners in the private sector.
- Where appropriate, we are now aligning programme activities to support response efforts.
- We will continue to update sector players regularly with relevant data to support decision-making.

HIGHLIGHTING SPECIFIC RESPONSE MEASURES

- The Forestry Development Trust has set up a COVID-19 advisory panel in Tanzania and is collecting market and firm-level data to inform the sector's response.
- The Cotton and Textiles Development Programme has commissioned two sets of surveys to understand the impact of COVID-19 on Tanzania's cotton, textiles & apparel industry. The programme has also supported two firms in accessing appropriate finance.
- Kenya Markets Trust has published a COVID-19 response paper along with Kenyan's leading private sector association and has contributed to government and donor roundtables on the crisis. The team is now working with government to set up a liquidity fund for the water sector.
- Msingi is in the process of setting up a textiles fund across East Africa to support businesses with finance from other donors. Msingi is also providing emergency financial support to aquaculture farms.

SECTOR IMPACT DASHBOARD

Sector	Risk	Risk Description	Implications for GA, KMT & Msingi
COTTON, TEXTILES & APPAREL [East Africa]		<p>Cotton prices are expected to continue falling, owing to the decline in mill use, the increase in stocks and lower polyester prices (downward pressure on future cotton prices).</p> <p>In the textiles & apparel, the situation remains extremely challenging: in the EAC, 28% of firms have closed their operations and another 29% are scaling down (Msingi survey).</p>	<ul style="list-style-type: none"> Msingi and GA are working with others to raise funds and protect the industry.
WATER [Kenya]		<p>The crisis has exposed fundamental issues in the sector, such as water utilities' lack of commercial viability. Water service providers are facing a liquidity crisis that is immediate and wide-ranging. This situation demands urgent action and may inspire commitment to sector reform over the long-term.</p>	<ul style="list-style-type: none"> KMT is working to address the liquidity crisis and - in the process - generate buy-in for its vision for sector transformation. There is an opportunity for much needed reforms in water service provision – e.g. in consolidating fragmented service providers.
COMMERCIAL FORESTRY [East Africa]		<p>According to a timber market update from Margules Groome, the market for transmission poles in East Africa has been relatively active throughout the crisis. However, border closures have hindered the flow of timber between Uganda, Kenya and Tanzania. Some major veneer peeling plants in Tanzania have had to stop exporting to China, but they are still operating to meet domestic demand.</p>	<ul style="list-style-type: none"> The overall investment climate may be affected by the strong likelihood of a recession in the medium-term. GA is currently maintaining a watching brief in Tanzania and Kenya.

SECTOR IMPACT DASHBOARD

Sector	Risk	Risk Description	Implications for GA, KMT & Msingi
LIVESTOCK [Kenya]		Kenya has lost key export markets like Saudi Arabia, where livestock imports are anticipated to decline 30-50% between June and August , as COVID-19 appears set to disrupt Hajj activities. The domestic closure of marketplaces and the disruption of supply chains has damaged livelihoods: many pastoralists in arid and semi-arid lands (ASALs) are now in need of social protection. The situation is being exacerbated by locust swarms and ongoing climate impacts.	<ul style="list-style-type: none"> KMT is working with government and key industry associations on response planning, in particular on ensuring that veterinary services and meat are considered essential products throughout the crisis.
AGRO-INPUTS [Kenya]		The agricultural sector in Kenya is facing a host of challenges, including flooding, locust swarms and the disruption of agro-inputs supply chains. Harvests this year will suffer as a result. The government is focused on boosting food production , especially important given Kenya is a net food importer and imports have been disrupted.	<ul style="list-style-type: none"> COVID-19 is accelerating agricultural reform efforts already under way with KMT's support as the government budget is constrained by reduced tax collection and increased expenditure. To secure World Bank financing, Kenya has agreed to use e-vouchers for inputs subsidies.
AQUACULTURE [East Africa]		Aquaculture farms are being affected by COVID-19 restrictions and flooding around Lake Victoria. In the early stages of the pandemic, most farms were unable to access markets. While the situation has slightly improved, significant challenges remain (e.g. a general decrease in the price of fish across East Africa).	<ul style="list-style-type: none"> The immediate impact of COVID-19 has been a massive financial strain on individual farms, who face limited demand and lower prices. Msingi is supporting a number of farms with funding for an emergency feeding regime (feeding the fish enough to stay alive).
TEA [East Africa]		The market for tea is still weak, with low auction prices especially for Tanzania, but also impacting Rwanda. This is a result of low global demand (esp. in Pakistan, Egypt & UK) and a bumper crop in Kenya. According to brokers, the situation is stabilising.	<ul style="list-style-type: none"> The factories supported by GA are operating and remain profitable, but restrictions are making farmer recruitment challenging for the service companies supported by GA.

COTTON, TEXTILES & APPAREL: WHAT WE ARE TRYING TO ACHIEVE



VISION FOR CHANGE

- Across the region, Msingi's work in the textiles sector is seeking to support governments to develop effective strategies and plans based around a sensible long-term vision for the sector. Msingi will then convene large-scale global buyers, the mills that supply their value-chains, and development partners to create momentum and investment – supported by effective policies and finance for the sector. The ambition is to improve operating conditions for international and domestic firms within East Africa, with stronger linkages between them, to create at least 150,000 direct and indirect jobs by 2030.
- In Tanzania, the Cotton and Textiles Development Programme aims to see Tanzania become a leading producer of textiles and apparel for domestic, regional and global markets, supported by a thriving smallholder cotton industry. This would generate 50,000 decent jobs, triple incomes for at least 400,000 farming households and provide a substantial contribution to GDP growth.

PRIORITY INTERVENTION AREAS



COTTON SEED & FARMER SUPPORT SYSTEMS

CTDP is focused on strengthening sector institutions, regulatory frameworks, farmer-processor relationships and supportive markets, enabling more than 400,000 farmers to improve agronomy, increase yields and boost incomes.



ENHANCED POLICY & INSTITUTIONAL CAPACITY

CTDP & Msingi are both supporting efforts to improve the policy and business environment, as well as to enhance the capacity of key institutions to lead sectors in the future.



LOCAL INDUSTRY SKILLS & CAPABILITIES

CTDP and Msingi have an active focus on building local skills while also supporting the development of local firms so they can participate in the global value chain.



MANUFACTURING INVESTMENT

Both Msingi and CTDP are focusing on increasing manufacturing capacity within the region by engaging global buyers and attracting targeted investment into sectors as well as seeking firms with an interest in integrated operations.



COTTON, TEXTILES & APPAREL (REGIONAL): COVID-19 IMPACT & OUR RESPONSE

IMPACT OF COVID-19 TO DATE

- Textiles sectors across East Africa are starting to recover following a value chain shock in April/May. As China reopens and restarts trade with the rest of the world, and lockdowns begin to ease in East Africa, some producers are starting to get back to work.
- Retail sales of apparel in the US and UK are starting to recover. However, the industry is expected to see a 30% fall in sales throughout 2020, with lockdowns limiting activity on the high street.
- 50% of global brands and retailers have cancelled orders, including some already fully or partially completed or shipped, as well as deferring or renegotiating payments. This has created acute cashflow constraints for suppliers that have incurred labour and other costs, forcing some to reduce or halt operations, putting businesses and jobs at risk.
- As of early June, 20,000 jobs (40%) have been lost in Kenya's export processing zones. The factories that have remained open continue to face increased payment terms adding pressure on cost bases. Lockdowns and factory closures have impacted speed and productivity of workers and most expect it will take six months to recover productivity.
- Tanzania's cotton marketing season opened slightly late (on 16th June) with a 32% lower farm-gate price than last season.



COTTON, TEXTILES & APPAREL (REGIONAL): COVID-19 IMPACT & OUR RESPONSE

HOW WE & MSINGI ARE RESPONDING

- Both CTDP and Msingi are collecting data from stakeholders across the value chain on the impacts of COVID-19, how they are responding, the support they need and are receiving, and their prospects. This has involved three surveys: one on large firms by Msingi; a survey on SMEs by CTDP; and one covering ginners, Village Based Agro-Dealers and farmers. The first is being repeated and the other two are ongoing.
- Both Msingi and CTDP are hosting virtual convening sessions - including with sector associations, governments and other development partners - to coordinate support towards recovery.
- CTDP are providing technical assistance to the Tanzania Cotton Association and government on the correct pricing of seed cotton and ensuring this is communicated to farmers, which has helped in providing the basis for agreeing the price this year.
- Both Msingi and CTDP are identifying sources of finance/support for firms across the value chain.
- CDTP is helping firms submit applications for finance – thus far for a ginner and a digital services company.
- Msingi is launching an emergency fund for textiles and apparel firms most impacted by COVID-19 across the region and is currently soliciting funders to contribute.

WATER (KENYA): WHAT WE ARE TRYING TO ACHIEVE



VISION FOR CHANGE

Kenya targets a 10% annual GDP growth rate and universal water access by 2030. Water plays a fundamental part in enabling this ambition as it is crucial for agriculture, manufacturing and human well-being. However, with low water replenishment rates, Kenya faces a 30% gap between demand and available water supply by 2030. A climate-resilient and responsibly managed water sector is needed to meet Kenya's growth and human development targets.

PRIORITY INTERVENTION AREAS



IMPROVING EFFICIENCY

KMT is introducing new technologies and management practices to improve the operational performance of 9 water utilities. Thus far, this has reduced (non-revenue water) losses from 48% to 29%. Reducing non-revenue water losses is fundamental to building a commercially viable sector that can continue to expand coverage.



REACHING THE POOR

KMT is piloting models to prove that low-income areas can pay for water. These models have increased revenues for water providers as well as created benefits for the poor in terms of increased access, saved time and affordability.



INCREASING INVESTMENT

The water sector is capital intensive but access to finance is limited. KMT is focused on increasing investment into the sector by working with water utilities on investment-readiness and with finance providers such as KCB Foundation and the Water Sector Trust Fund on innovative and blended finance models.



STRENGTHENING GOVERNANCE

Weak governance is holding back performance. KMT is working at three levels to strengthen sector governance:

1. Capacity of key sector institutions;
2. Corporate governance of private sector operators;
3. Governance and oversight arrangements between the public and private sector.

WATER (KENYA): COVID-19 IMPACT & OUR RESPONSE

IMPACT OF COVID-19 TO DATE

- A government directive, issued in March, stated that no one should go without water during COVID-19. This has meant that many consumers are no longer willing to pay for water. Meanwhile, many businesses that use water have shut down, decreasing industrial usage and payment for water services.
- As a result, utilities' revenues fell by 33% in March, with these losses estimated to have reached 70% by the end of June. They are increasingly unable to cover operational costs, pay regulator levies, or buy inputs needed for the treatment of water, putting the whole sector at risk.
- With stretched resources and competing demands, the government and financial sector are unable to fully respond to these emergency liquidity needs.



WATER (KENYA): COVID-19 IMPACT & OUR RESPONSE

HOW KMT IS RESPONDING

- KMT has developed a proposal for an emergency fund for the water sector. This was presented to the relevant donor group and the Council of Governors. This solution has been endorsed by the sector and is now being presented by Water Sector Trust Fund to different donors for funding.
- The team has engaged with the Council of Governors to profile the impact of COVID-19 on the sector. KMT is also working with the key regulator to collect real-time data and information to support decision making and a targeted response to the crisis.
- KMT has engaged with Water Service Providers Association (WASPA) to support their advocacy work and push for better terms for utilities during this period. WASPA has already presented different papers to various stakeholders as a result of this.
- At the utility level, KMT is extending support to help individual water service providers develop remote platforms for cashless payments to help revenue collection efforts and consumer engagement strategies. The crisis also presents an opportunity for much need consolidation of fragmented and informal providers (Kenya has 88 regulated utilities and 2000+ informal water service providers).



COMMERCIAL FORESTRY: WHAT WE ARE TRYING TO ACHIEVE



VISION FOR CHANGE

- The Kenya Commercial Forestry Programme (KCFP)'s vision is to drive the competitive and inclusive potential of Kenya's forestry sector: enabling investment in new mechanisms of aggregation for small and medium-scale forestry production as well as processing technologies that will raise quality and efficiency, in turn enhancing value throughout the chain. This has the potential to create thousands of jobs and to raise incomes for up to a million growers.
- In Tanzania, the Forestry Development Trust (FDT) aims to strengthen the ability of private and public institutions to provide services to growers that collectively improve wood volumes, quality and market access, while working with processors to increase investment in efficient processing technologies. These developments are anticipated to lead to substantial increases in incomes for tens of thousands of households as well as the creation of thousands of jobs in downstream industries.

PRIORITY INTERVENTION AREAS



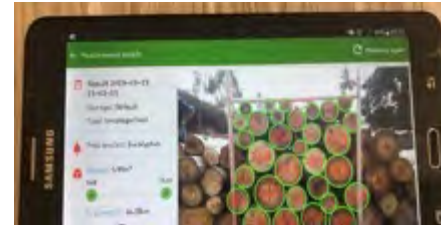
PRODUCTION

- FDT is supporting the implementation of a tree improvement strategy for Tanzania, with over 100 ongoing species trials.
- KCFP is supporting production services such as nurseries and contractors with a focus on the use of high-quality germplasm.



PROCESSING

- In 2018, FDT engaged a leading expert in engineered wood products (EWPs) to visit Tanzania and offer guidance on technology transfer and investment facilitation. They are now generating buy-in for EWPs within the sector.
- KCFP is focused on channeling investment in new, or upgraded, processing operations.



MARKET SERVICES

- FDT is focusing on service provision to tree growers - specifically seed suppliers, tree nurseries, contractors and advisory services - to drive woodlot productivity and quality gains.
- KCFP is focused on the availability of technical skills development across the value chain, from nursery operators to contractors and processors.



POLICY ENGAGEMENT

- As its reputation in the sector has grown, FDT has been invited to engage in policy discussions, transitioning from working on a one-to-one basis with industry associations, to working with the public and private sector on policy improvements.
- KCFP is working with the Ministry of Environment and Forestry, key agencies, and Council of Governors on aspects of policy and regulatory reform for commercial forestry.



FORESTRY (TANZANIA & KENYA): COVID-19 IMPACT & OUR RESPONSE

IMPACT OF COVID-19 TO DATE

- According to interviewed firms in Tanzania, supply of wood products throughout the EAC has been impacted due to new restrictions in Rwanda, Kenya, Uganda, Zambia and Malawi, which mandate COVID-19 tests for all truck drivers.
- In Tanzania, the price of standing trees has reduced by 65% (from TSH 20,000 to TSH 7,000).
- Commercial forestry sectors are also facing emerging challenges in terms of available foreign currency, since the banking sector has put restrictions limiting USD payments. This restriction is affecting the ability of pole processors to pay for and import chemicals required for pole treatment.
- In Kenya, timber sales are down 30-40%, demand for engineered wood product boards is down 60%, and demand has fallen by 40-60% for the whole furniture sector. Nurseries are short of labour and certified seed and are also suffering from reduced demand.



FORESTRY (TANZANIA & KENYA): COVID-19 IMPACT & OUR RESPONSE

HOW WE ARE RESPONDING

- In Kenya, while the COVID-19 shutdown is affecting individuals and businesses, these appear to be largely short-term impacts that will improve once restrictions are lifted (likely in the coming month). Thus, there is no immediate case for intervention. However, KCFP will maintain a 'watching brief' to see how the situation evolves.
- Similarly in Tanzania, FDT's strategy has involved engaging with sector stakeholders and understanding impacts on businesses. The team has convened a COVID-19 advisory panel and will continue to provide up-to-date sector monitoring - e.g. on timber price trends, regular business surveys, and relevant market information where data is accessible - to inform policy makers and relevant associations about the ongoing situation. As with KCFP, the team is not actively supporting individual firms to deal with liquidity issues at this time.

LIVESTOCK (KENYA): WHAT WE ARE TRYING TO ACHIEVE



VISION FOR CHANGE

Livestock has a crucial role to play in Kenya's economy. In arid and semi-arid lands (ASAL), which account for 80% of Kenya's landmass, the livestock sector provides 90% of employment opportunities and 95% of family income. 10 million smallholder pastoralists depend on livestock. KMT is transforming the sector through improved standards, better production practices and increased demand for better quality beef amongst Kenyan consumers.

PRIORITY INTERVENTION AREAS



IMPROVING ANIMAL HEALTH

KMT is partnering with international input suppliers and local agrovets to provide high-quality, affordable health products and services in areas where access is limited. Previously, in some instances, pastoralists had to travel over 100 km to access drugs. The sector currently suffers mortality rates as high as 50% from birth to sale.



ADDING VALUE TO LIVESTOCK

KMT has partnered with a ranch in Laikipia county to provide aggregator services to six surrounding pastoralist communities. This is demonstrating that an aggregator model can be successful – providing pastoralists with better fed cows and access to higher-paying markets.



FOOD SAFETY STANDARDS

KMT has been working with Tuskys, Kenya's largest supermarket chain, to shift from hot to cold meat chains and implement safety standards. As a result, Tuskys has recorded an 11% growth in meat sales – demonstrating the business case for improved quality and safety standards.



NATIONAL POLICY

KMT is supporting the State Department for Livestock in developing the National Livestock Policy. This is part of a broader effort to prepare the groundwork for modernising the sector and improving quality standards.

LIVESTOCK (KENYA): COVID-19 IMPACT & OUR RESPONSE

IMPACT OF COVID-19 TO DATE

- Closure of live markets, reduced demand and inability to maintain exports have all impacted pastoralists' ability to access markets and earn incomes. Disruptions to animal health services is putting the future of the sector at risk.
- There are signs that [livestock trade between East Africa and Saudi Arabia is picking up again](#) – although livestock exports are anticipated to decline 30-50% year on year between June and August, owing to the impact of COVID-19 on Hajj activities.
- [Locusts continue to represent a major food security threat in East Africa](#), particularly in pastoralist areas, with recent sightings of maturing hoppers in Turkana, set to enter into Eastern Uganda.



LIVESTOCK (KENYA): COVID-19 IMPACT & OUR RESPONSE

HOW KMT IS RESPONDING

- KMT has supported KEMLEIC (association of meat producers and exporters) in negotiating with cargo airlines to accommodate meat cold chain requirements for export destinations in the Middle East.
- In collaboration with KEMLEIC, KMT lobbied for inclusion of the veterinary services and meat as essential services and products amid the pandemic restrictions on movements.
- KMT has worked with the Retail Trade Association of Kenya to develop a communication plan to ensure meat retailers and clients mitigate the risk of COVID-19.



AGRICULTURAL INPUTS : WHAT WE ARE TRYING TO ACHIEVE



VISION FOR CHANGE

- Agriculture is the backbone of Kenya's economy, employing close to 40% of the population and generating a third of Kenya's GDP. But it is not performing to its potential, with limited diversification and low average yields. Kenya Markets Trust (KMT) has achieved substantial success in driving better distribution of high-quality inputs to smallholder farmers and enhancing governance and regulation of the agricultural seed system. KMT is now aiming higher for effective systems of agricultural advice, input supply and quality control to become embedded for the long-term with access for all Kenyan farmers.
- In Tanzania, GA has been developing a network of local commercial agro-dealers, with the same ambition to secure a mechanism that can be scaled up and which will enable all 1.2M+ Lake Zone farming households to access quality inputs, advice and services on a sustainable basis.

PRIORITY INTERVENTION AREAS



TACKLING QUALITY & COUNTERFEITS

Through seed labelling and scratch labelling technology, KMT has reduced the prevalence of counterfeit seeds from 40% to 10%. It is estimated that farmers can double yields by using authentic seeds combined with other appropriate inputs.



CROP & SOIL SPECIFIC PRODUCTS

KMT has partnered with Toyota Tshusho to rapidly expand sales of crop-specific blends. As a result of KMT's work to date, 180,000 farmers increased incomes by at least 10%. In some instances yield increases were substantial – potato farmers in Nyandarua doubled their yields.



FARMER ACCESS TO INPUTS & ADVICE

Both KMT & GA are working with distributors and agro-dealers to pilot models to improve last-mile distribution to smallholder farmers, who currently lack access to good quality, affordable inputs and information.



SECTOR INFLUENCE

- KMT is partnering with the Ministry of Agriculture and IFDC (fertiliser NGO) to launch a high-level Kenya fertiliser roundtable to address challenges of regulation and subsidies.
- GA is working with the Simiyu Region to develop models for farmer registration and access to inputs, credits and advice that could be scaled nationally.

AGRICULTURAL INPUTS (KENYA & TANZANIA): COVID-19 IMPACT & OUR RESPONSE

IMPACT OF COVID-19 TO DATE

- Kenya is likely to face food shortages due to COVID-19. [According to the Ministry of Agriculture](#), the country's maize stocks declined by 25 per cent in May. In response to food shortages, [the Agrochemical Association of Kenya has launched its #EveryCropCounts campaign](#) focused on getting farmers to plant more and lobbying government to subsidise inputs.
- [President Kenyatta announced KSh 3B stimulus package](#) to support small-scale farmers through an e-voucher system that subsidises inputs. The vouchers, with a value of KSh 20,000 per acre, will be given to about 200,000 farmers to access fertiliser, seeds, chemicals, post-harvest tools and soil testing services. This announcement was part of a broader suite of reforms - such as restructuring the National Cereals and Produce Board - [agreed to secure World Bank financing for COVID-19 response](#).
- As part of a host of tax relief measures to help Kenyans deal with the consequences of COVID-19, [Treasury Secretary Ukur Yattani announced](#) that maize seeds would be exempted from VAT.
- While these are welcome initiatives, [access to inputs such as seeds and fertiliser have been constrained](#) in recent months due to disruptions at ports.





AGRICULTURAL INPUTS (KENYA & TANZANIA): COVID-19 IMPACT & OUR RESPONSE

HOW WE ARE RESPONDING

- KMT is engaging with the Ministry of Agriculture's "green room" working group on strategies to address current constraints in inputs and extension supply.
- KMT has supported industry associations in pulling together relevant information - e.g. by collaborating with Precision Agriculture for Development to collect data on input product flows and service delivery - to share with government and other stakeholders.
- GA has offered its network of agro-dealers as a means of passing on crucial communications to farmers and has been supporting knowledge sharing about inputs availability and costs.

AQUACULTURE: WHAT WE ARE TRYING TO ACHIEVE



VISION FOR CHANGE

- Aquaculture provides an environmentally sustainable and affordable source of protein. With its forward and backward linkages, it is a strong job creator and Lake Victoria offers almost unlimited opportunities for production. Msingi's vision is to promote rapid growth in production (from 15 000 T to 150 000 T in ten years) in East Africa through improving access and affordability of feeds and fingerlings, supporting a conducive policy environment and identifying appropriate financing for aqua firms.

PRIORITY INTERVENTION AREAS



FEED/FINGERLINGS

Focus has been on improving feed by supporting the development of capable feed producers as well as developing genetic programmes with appropriate hatchery infrastructure.



PIONEERING FARMS

Until recently there were no large fish farms in East Africa. Msingi supported the first one: Victory Farms. Msingi funded the feasibility research that was the trigger for Victory to set up in East Africa, then provided an investment to help them scale when they were pre-profit and perceived as too risky by commercial investors.



LEVERAGING INVESTMENTS

Msingi will invest itself in certain circumstances, where investees are particularly catalytic and other investors perceive the risks as too high. More importantly than investing directly, however, is building the capacity of the financial system to service aquaculture in the long-term.



POLICY ENGAGEMENT

The aquaculture sector is facing several governance issues related to bio security, the environment and conflicts between fishermen, communities and fish farms. Unaddressed, these issues will constrain growth. Msingi plans to build on positive relationships with regional governments built over the past three years to start developing a shared vision.

AQUACULTURE (REGIONAL): COVID-19 IMPACT & OUR RESPONSE

IMPACT OF COVID-19 TO DATE

- After the virus broke out in China, imports of frozen tilapia from China were blocked from entering Kenya, leading to price and demand increases in urban Kenya. This benefited at least some Kenyan farms. Since COVID-19 hit East Africa, however, this trend has reversed as consumer confidence and purchasing power reduces, particularly for low income consumers. Farms are reporting sales reductions ranging from 20-80% as fish prices have reduced throughout the region:
 - In Uganda, prices in some channels have dropped to between USD 1.70 and 2.00 per kilogram (compared to USD 2.30 earlier this year). In some cases this drop takes the price of fish below the cost of production
 - In Kenya, reduced imports of Asian fish seems to have reduced the extent of this price impact. Nevertheless, fish traders have lowered their prices and are offering wholesale prices of between USD 2.40 and 2.70 per kilogram. Some small and medium farms are therefore likely losing money at the point of sale.
- In Kenya and parts of Eastern Uganda, flooding has also had a significant impact on fishing, leading to a 20% decline in wild catch fish (compared to 2019) with 80% of landing sites destroyed or significantly affected by the floods.



AQUACULTURE (REGIONAL): COVID-19 IMPACT & OUR RESPONSE

HOW MSINGI IS RESPONDING

- Since the approval of the emergency feed intervention, Msingi has:
 - Engaged over 12 mid-tier farms.
 - Signed contracts with 8 farms and is in the final stages of signing another 3.
 - Dispersed USD 122,500 to 7 farms.
- Of the funds disbursed, the majority has gone towards feed purchases while USD 10,000 has gone towards related HR support – to assist the farms to retain good management and to manage the feed programme.
- During this crisis, many fish farms have struggled to keep updated with the latest industry relevant information across Uganda, Kenya, Rwanda, and Tanzania. Farms suggested this to Msingi as an area of support. To help the farms navigate this challenge, Msingi created an information service for the East African aquaculture industry using Facebook, which launched in early May.



TEA: WHAT WE ARE TRYING TO ACHIEVE



VISION FOR CHANGE

- In Rwanda, which already receives the best regional prices for tea, Gatsby is partnering with The Wood Foundation to leverage investments in factories and services companies to increase the share of profits that go to smallholder farmers, while also raising farm productivity.
- In Tanzania, along with The Wood Foundation, our focus has been on improving tea quality and prices through the provision of inputs and advice to farmers via a farmer services company.
- In both contexts, we are also working to achieve broader impact through targeted sector influencing.

PRIORITY INTERVENTION AREAS



FACTORY INVESTMENTS

The intention of our factory investments is to use privatisation to turn around performance through professional factory and field management, repay our initial investment, and, over time, demonstrate that smallholder-owned factories can make substantially higher returns for the farmers that supply green-leaf tea.



SERVICES COMPANIES

The services companies provide patient capital, tea planting services, agronomic advice and production logistics such as collection, weighing, transport, and payment to smallholder farmers on a commercial, cost-recovery basis.



SECTOR INFLUENCE

Working closely with government and other industry stakeholders, we have targeted interventions to influence the evolution of the tea sectors in Rwanda and Tanzania. This has included, for example, a tea scholarship programme, and e-auction initiative, trials of mechanisation and irrigation as well as indirect influence on government-mandated pricing in both countries.



TEA (TANZANIA & RWANDA): COVID-19 IMPACT & OUR RESPONSE

IMPACT OF COVID-19 TO DATE

- [Average tea prices at Mombasa](#) have declined slightly over the past quarter, due in part to a slump in demand from major tea importers Pakistan, Egypt and the UK.
- [The Kenya Tea Development Authority](#) has suspended the importation of fertiliser during the Oct/Nov short rains for its 600K+ smallholder tea farmers for the year due to the effects caused by the COVID-19 pandemic. This is expected to result in [significantly reduced yields](#) over the next year.
- In Rwanda, there has been an increase in cases in the south-west of the country, which has led to a local lockdown near the Shagasha factory. However, the team are still able to pluck in the fields and produce tea. There have not been cases in either factory, which remains a risk as an outbreak would lead to a temporary shutdown.
- Given a lack of data on cases in Tanzania, it is unclear whether or not there are any active cases near Njombe.
- Borders remain open, but the time it takes for tea to reach Mombasa has increased significantly. The journey used to take 7-9 days but now requires 20-30. This is manageable as tea is not perishable, but costs have increased across the sector.

A vertical photograph on the left side of the slide shows a lush green tea plantation. In the lower-left foreground, a person wearing a red shirt and a yellow bag is seen from behind, carrying two large, full, light-colored sacks of tea on their head. The tea bushes are arranged in neat, terraced rows that follow the contours of a hillside. The background shows more of the plantation stretching up the slope under bright, natural light.

TEA (TANZANIA & RWANDA): COVID-19 IMPACT & OUR RESPONSE

HOW WE & THE WOOD FOUNDATION ARE RESPONDING

- To mitigate transport risks, we are transporting half our tea through Tanzania and the other half through Uganda.
- As well as the challenge of getting product to market, there is also a risk related to fertiliser importation. To mitigate this, an order has been made early for the next application.
- All previous controls and mitigation measures put in place at our investments remain in place, including the use of masks, social distancing, hand washing stations and information campaigns.
- In the event of a factory shutdown the team would look to transport tea to another factory – they are actively investigating options for doing this.

CONCLUSION

- The crisis has exposed some of the vulnerabilities in global supply chains. There is now a great deal of uncertainty around how quickly economies will return to previous growth levels and the extent to which global trade will alter in the long-term, with a potential rise in protectionism and re-shoring. This may have implications for export sectors such as textiles and apparel.
- Sectors serving domestic and/or regional markets - such as agricultural inputs, aquaculture, commercial forestry - are in a better position to weather the storm. Others, such as tourism, could be set back for years, which will do significant damage to governments in the region that rely on tourism revenue for foreign exchange earnings.
- The financial fallout of COVID-19 may present opportunities for significant positive change, as governments in the region face the dual challenge of shrinking revenues and increased expenditure, making them open to reform. The resilience of sectors and economies will be an important point of debate coming out of the crisis, not just for governments but for sector stakeholders as well.
- Building resilience requires that the donor community coordinates its efforts – understanding the needs of sectors and aligning objectives with government priorities. Thus far, COVID-19 has brought volatility in donor funding. It is currently difficult to predict how the crisis will impact donor priorities and ODA flows – as Western governments struggle with their own financial crises.
- It is important that we respond to immediate priorities now but at the same time put in solutions that can best support and rebuild sectors when the crisis ends. Thus, our responses to the crisis in the sectors where we operate has involved addressing immediate needs while trying to understand where there are emerging opportunities for reform in the post-recovery period. In some sectors, we are deliberately taking a ‘wait and see’ approach – this is most notable in commercial forestry, where timeframes are much longer and firms have the ability to sit on assets.