

# COVID-19

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## The Situation in East Africa & Our Response to Date

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November 2020



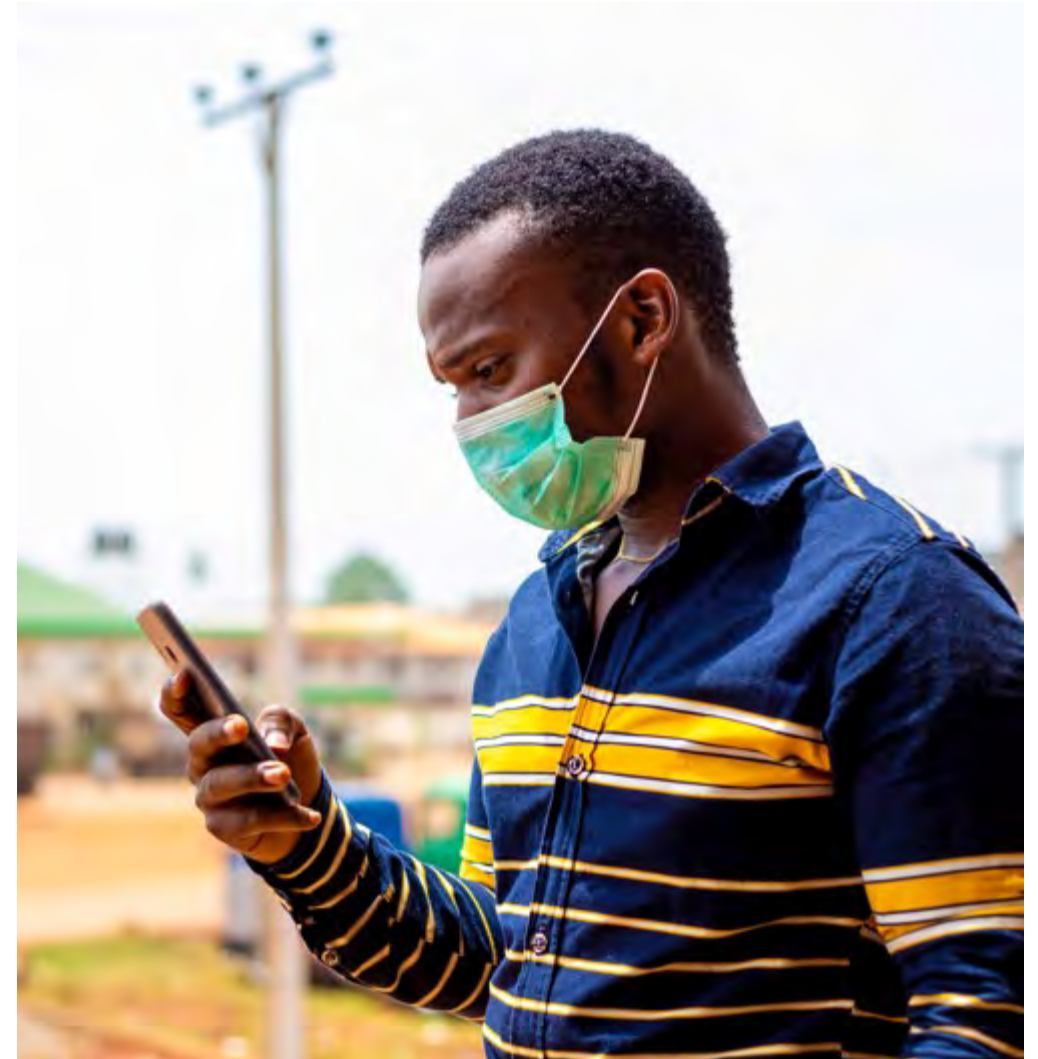
GATSBY  
AFRICA



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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 10 programmes across Kenya, Tanzania, Uganda and Rwanda.



REGIONAL  
TEXTILES



REGIONAL  
AQUACULTURE



KENYAN  
LIVESTOCK



KENYAN  
AGRI-INPUTS



KENYAN  
WATER

# COVID-19: AN OVERVIEW

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## GLOBAL IMPACT OF COVID-19

- The economic crisis wrought by COVID-19 has been 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.
- 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

- 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 amongst member states of the East African Community (EAC) will reduce to an average of 3.1% in 2020 (down from 5.8% in 2019).
- According to the latest [Northern Corridor Transport Observatory report](#), exports as a proportion of overall cargo at the Mombasa port have decreased from 15% to 8% due to challenges related to COVID-19, suggesting that Kenya and East Africa more broadly have limited resilience to trade shocks.
- 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](#).
- More recently, however, the economic situation seems to be improving, with growth fuelled by resurgent agricultural exports, particularly tea, coffee and cut flowers.

# THE SITUATION IN EAST AFRICA

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## TANZANIA

- The World Bank's latest [Tanzania Economic Update](#) forecasts economic growth to slow sharply in 2020 – to 2.5% (from 6.9% in 2019).
- However, the situation seems to be improving, with the country benefitting from limited lockdown measures, a bump in the price of gold, as well as the [strong performance of agricultural exports](#).
- While Tanzania has now officially been declared COVID-19 free, [the WHO and Africa CDC](#) have argued for more testing data to evidence the government's position.



## KENYA

- The situation in Kenya is mixed.
- On the one hand, [over 1 million Kenyans have now lost their jobs](#) and [70% of households are struggling to afford their rent](#) as a result of economic hardship wrought by COVID-19.
- On the other, [President Kenyatta](#) has recently stated that Kenya's economy has continued to perform relatively well despite COVID-19, recording 4.6% growth over the course of 2020 to date, compared to 5.5% for the same period in 2019.



## RWANDA

- [Growth in Rwanda is expected to slow to 2% in 2020](#) (down from 9.4% in 2019), with the hospitality sector expected to contract by almost a third.
- However, according to [The New Times](#), Rwandan agricultural exports have continued to perform strongly despite supply chain disruptions due to COVID-19, with tea, coffee and a range of cereals maintaining their growth.



## UGANDA

- In June, [Finance Minister Matia Kasaija](#) noted that 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).
- As with its regional neighbours, however, recent figures indicate a more positive trajectory. The most recently released export data show [Uganda's export earnings increased for a second consecutive month](#) to \$337M in June (up from \$290M in May) – indicating strong signs of early economic recovery.

# SUMMARY: HOW GATSBY AFRICA & OUR PARTNERS ARE RESPONDING

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## OUR 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 TO DATE

- 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 sector. The programme also supported two firms in accessing appropriate finance.
- Kenya Markets Trust has published a COVID-19 response paper with Kenya'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 providing emergency technical and financial support to aquaculture farms across East Africa, and seeking financing for a textiles fund across East Africa to support businesses with finance to manage the loss of orders during the crisis.

# SECTOR IMPACT DASHBOARD

Sector	Risk	Risk Description	Implications for Gatsby, KMT & Msingi
<b>COTTON, TEXTILES &amp; APPAREL</b> [East Africa]		Initially, textile and apparel manufacturers faced inputs shortages, particularly from key producers in China, which experienced earlier factory closures due to lockdowns in January and February. This disrupted operations of some East African manufacturers. In Q1 2020, apparel retail sales collapsed (as of Q2 results, leading brands are down 40% in 2020). As demand begins to recover, orders have started to increase – though it is estimated that 25,000 jobs have been lost in the sector across East Africa.	<ul style="list-style-type: none"> <li>Msingi and Gatsby were working with others to raise funds and protect the industry from the initial shock, but have shifted approach to support long-term recovery.</li> </ul>
<b>WATER</b> [Kenya]		A government directive issued in March mandated that water utilities could not cut off water supply – which led many consumers to stop payments. Simultaneously, industrial demand for water dropped significantly. As a result, utilities' revenues fell by up to 50% by the end of June. With stretched resources and competing demands, the government and financial sector are unable to fully respond to the emergency liquidity needs.	<ul style="list-style-type: none"> <li>KMT is working to address the liquidity crisis while simultaneously seeking to gain alignment on a vision for sector transformation.</li> <li>There is an opportunity for much needed reforms in water service provision – e.g. in consolidating fragmented service providers.</li> </ul>
<b>LIVESTOCK</b> [Kenya]		Kenya has lost key export markets like Saudi Arabia where, owing to COVID-19, the Hajj in Saudi Arabia only catered for a small number of pilgrims this year (vs. 2M normally). As a result, Kenya has thousands of unsold cattle and the <a href="#">Kenya Livestock Producers Association</a> fears this state of affairs could cut local cattle prices, with livestock dumped in the domestic market. Simultaneously, the domestic closure of marketplaces and the disruption of supply chains have also damaged livelihoods.	<ul style="list-style-type: none"> <li>KMT has been 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.</li> </ul>



# SECTOR IMPACT DASHBOARD

Sector	Risk	Risk Description	Implications for GA, KMT & Msingi
<b>AGRO-INPUTS</b> [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 are suffering as a result. <a href="#">The government is focused on boosting food production</a> , especially important given Kenya is a net food importer and imports have been disrupted.	<ul style="list-style-type: none"> <li>The government is accelerating agricultural reform efforts, with KMT's support as the budget is constrained by reduced tax revenues and increased spending. For example, <a href="#">Kenya agreed to use e-vouchers for input subsidies</a>, securing World Bank funding.</li> </ul>
<b>AQUACULTURE</b> [East Africa]		Aquaculture farms have been 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"> <li>The immediate impact has put a massive financial strain on individual farms, which face lower demand and prices. Msingi is supporting several with funding for emergency feeding regimes (feeding fish enough to stay alive).</li> </ul>
<b>COMMERCIAL FORESTRY</b> [East Africa]		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. Throughout Q2, some major veneer peeling plants in Tanzania had to stop exporting to China, but were still operating to meet domestic demand. More recently, the sector has largely recovered, particularly in Tanzania, with timber prices stabilising, production volumes up, and timber processing activity back to normal since June. However, Kenya's <a href="#">construction</a> sector continues to suffer, with contractors and suppliers of building materials complaining they cannot access loans which would allow them to weather the economic storm.	<ul style="list-style-type: none"> <li>The overall investment climate for forestry is likely to be negatively affected by the strong likelihood of a recession in the medium-term.</li> <li>Gatsby is collating data and ensuring response teams are well-informed, but otherwise maintaining a watching brief in Tanzania and Kenya.</li> </ul>
<b>TEA</b> [East Africa]		Initially, the market for tea was weak, with low auction prices (especially for Tanzania, but also impacting Rwanda). This was due to low global demand ( <a href="#">especially in Pakistan, Egypt and the UK</a> ) and a bumper crop in Kenya. More recently, the situation has improved, with <a href="#">tea prices in the region</a> on a continued upward trend and average Mombasa auction prices edging towards \$2.00 per kilo.	<ul style="list-style-type: none"> <li>The factories supported by Gatsby are operating and remain profitable, but restrictions have made farmer recruitment challenging for the service companies supported by Gatsby.</li> </ul>



# 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, creating 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

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## IMPACT OF COVID-19 TO DATE

- Textiles sectors across East Africa are starting to recover following the 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, many 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.
- At the height of the global pandemic, 50% of global brands and retailers cancelled orders, (including some already fully or partially completed and even 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, leading to many job losses and temporary leave without pay arrangements.
- As of early June, 20,000 jobs (40%) have been lost in Kenya's export processing zones. The factories that remained open throughout continue to face increased payment terms adding pressure on their cost base. Lockdowns and factory closures have impacted speed and productivity of workers – 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

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## HOW WE & MSINGI HAVE RESPONDED TO DATE

- Both CTDP and Msingi have collected data from stakeholders across the value chain on how COVID-19 has impacted them; their response; 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 ginner, Village Based Agro-Dealers and farmers.
- Both Msingi and CTDP hosted 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 have been identifying sources of finance/support for firms across the value chain.
- CTDP helped firms submit applications for finance to manage cashflow problems – thus far for a ginner and a digital services company.
- Msingi launched an emergency fund for textiles and apparel firms most impacted by COVID-19 across the region, but due to limited donor engagement, have now shifted back to core programme work.



# 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 creating benefits for the poor in terms of increased access, time saved 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

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## 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.
- COVID-19 has highlighted some key vulnerabilities in the sector. This is particularly true for rural water supply, which is highly fragmented and unregulated (with 2,000+ informal water service providers).



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

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## HOW KMT HAS RESPONDED TO DATE

- 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 and 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.
- Early on, KMT engaged with Water Service Providers Association (WASPA) to support their advocacy work and push for better terms for utilities during this period. WASPA presented different papers to various stakeholders as a result of this.
- At the utility level, KMT has been extending support to help individual water service providers develop remote platforms for cashless payments in order to help revenue collection efforts and consumer engagement strategies.
- The crisis also presents an opportunity for much needed consolidation of fragmented and informal providers.



# 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 recorded an 11% growth in meat sales – demonstrating the business case for improved quality and safety standards for other retailers.



#### 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

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## 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 are 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 have declined, 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, although there are signs that [response efforts to date are yielding results](#) in terms of limiting the spread of hopper bands.





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

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## HOW KMT HAS RESPONDED TO DATE

- KMT 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 veterinary services and meat as essential services and products amid the pandemic restrictions on movements.
- Lastly, KMT worked with the Retail Trade Association of Kenya to develop a communications 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, Gatsby has been developing a network of local commercial agro-dealers, with the same ambition to pilot a model 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 panel 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 & Gatsby 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 a partner with the Ministry of Agriculture and IFDC (fertiliser NGO) in the Kenya fertiliser roundtable which is addressing challenges in regulation and subsidies.
- Gatsby is working with the Simiyu Region in Tanzania 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

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## IMPACT OF COVID-19 TO DATE

- [According to the Ministry of Agriculture in Kenya](#), the country's maize stocks declined by 25% 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 a 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, were given to about 200,000 farmers to access fertiliser, seeds, chemicals, 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 as part of a deal to secure World Bank financing for the 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 were 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

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## HOW KMT HAS RESPONDED TO DATE

- KMT has been engaging with the Ministry of Agriculture's "green room" working group on strategies to address current constraints in inputs and extension supply.
- KMT 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.
- Gatsby offered its network of agro-dealers as a means of passing on crucial public sector 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 enormous opportunities for production. Msingi's vision is to promote rapid growth in production (up tenfold to 150,000 tonnes 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 both impact and 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 important 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 has built positive relationships with regional governments and is working towards establishing a shared vision for tackling these issues.

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

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## 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 in March, however, this trend reversed as consumer confidence and purchasing power reduced, particularly for low income consumers.
  - In Uganda, prices in some channels dropped to between \$1.70-2.00 per kg (compared to \$2.30 earlier this year). In some cases this drop took the price of fish below the cost of production.
  - In Kenya, reduced imports of Asian fish reduced the extent of this price impact. Nevertheless, fish traders lowered their prices, offering wholesale prices of between \$2.40-\$2.70 per kg.
- 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

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## HOW MSINGI HAS RESPONDED TO DATE

- Msingi offered technical support services to 11 farms across East Africa (5 in Uganda, 5 in Kenya and 1 in Rwanda). For each of the farms, a production planning model has been developed covering each production unit (cage) for the next 3 years.
- This also led to the creation of emergency feeding plans that a farm could implement to keep the biomass alive and alter the harvest timelines based on restrictive market conditions. One farm had managed to sell their biomass within round one and no longer needs support.
- To mitigate the loss of key employees at farms (due to loss of liquidity), Msingi also offered \$1,000 per month to farms as an incentive to retain their key staff or to employ a data manager. No farm has let go of their key management as a result.





# COMMERCIAL FORESTRY: WHAT WE ARE TRYING TO ACHIEVE



## VISION FOR CHANGE

- The Kenya Commercial Forestry Programme (KCFP)'s vision is to create thousands of jobs and to raise incomes for up to a million growers by driving the competitive and inclusive potential of the sector. This will involve enabling investment in new mechanisms of aggregation for small and medium-scale forestry production as well as in new processing technologies to raise quality and efficiency, in turn enhancing value throughout the chain.
- 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 hundreds of thousands of jobs in downstream industries.

### PRIORITY INTERVENTION AREAS



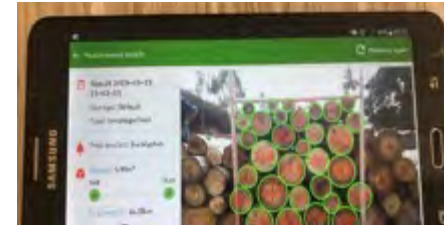
#### PRODUCTION

- FDT is supporting the implementation of a tree improvement strategy for Tanzania, with over 100 ongoing species trials buy-in for EWP within the sector.
- 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 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.
- KCFP is working with the Ministry of Environment and Forestry, key agencies, and the Council of Governors on aspects of policy and regulatory reform.



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

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## IMPACT OF COVID-19 TO DATE

- According to interviewed firms in Tanzania, supply of wood products throughout the East African Community was impacted due to restrictions in Rwanda, Kenya, Uganda, Zambia and Malawi, which mandated COVID-19 tests for all truck drivers.
- In Tanzania, March saw reduced volume of trade by up to 70%. April and May saw average timber prices fall by 25%, which eventually trickled down to small-scale growers. This has all meant loss of government revenue related to cess, levies, transit permit fees and VAT.
- Nonetheless, due to a limited lockdown, Tanzania's construction sector has continued to perform well despite COVID-19, with a 31.2% annual growth in commercial loans distributed to the sector according to the [Bank of Tanzania](#).
- In Kenya, timber sales went down 30-40% at the height of pandemic, while demand for engineered wood product boards was down 60%. The situation continues to be challenging, [with suppliers in the construction sector complaining of a lack of access to loans](#) – limiting construction activity (and thus the need for building supplies) in the country.



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

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## HOW WE HAVE RESPONDED TO DATE

- In Kenya, while the COVID-19 shutdown is affecting individuals and businesses, these appear to be largely short-term impacts that will improve as the economy opens up and particularly as finance becomes available. 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 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 in Kenya, the team is not actively supporting individual firms to deal with liquidity issues at this time.





# 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 Africa to make and leverage major investments in factories and services companies, increasing the share of profits that go to farmers while raising productivity.
- In Tanzania, along with The Wood Foundation, our focus has been on improving farm productivity and incomes by providing inputs and advice to farmers via a service company, leveraging a multi-million dollar investment in a new factory by the multinational Unilever.
- In both countries, we are also working to achieve broader impact through targeted sector influencing.

### PRIORITY INTERVENTION AREAS



#### FACTORY INVESTMENTS

In partnership with farmers, we bought two factories in Rwanda that were privatised. The Wood Foundation has worked to turn around performance through professional factory and field management. Over time we aim to demonstrate that smallholder-owned factories can make substantially higher returns for the farmers that supply green-leaf tea.



#### SERVICE COMPANIES

The service companies offer farmers patient capital, tea planting services, agronomic advice and production logistics such as collection, weighing, transport. This helps guarantee a supply of quality green-leaf, and has leveraged multi-million dollar investment in new factories – including by major multinationals such as Unilever and Luxmi.



#### 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, an e-auction initiative, and trials of mechanisation and irrigation. We have also had indirect influence on government-mandated pricing in both countries.



A photograph of a tea plantation in a hilly region. The foreground shows rows of green tea bushes. In the background, there are rolling hills with patches of green and brown, under a cloudy sky.

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

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## IMPACT OF COVID-19 TO DATE

- Initially, [average tea prices at the Mombasa auction](#) declined slightly over Q1 2020, due in part to a slump in demand from major tea importers Pakistan, Egypt and the UK. The situation has reduced in recent weeks, however, with prices edging up toward \$2.00 per kg.
- [The Kenya Tea Development Authority](#) suspended fertiliser imports during the Oct/Nov short rains for its 600,000+ smallholder tea farmers due to the effects caused by the COVID-19 pandemic. This is expected to result in [significantly reduced yields](#) over the next year.
- Given a lack of data on cases in Tanzania, it is unclear whether or not there are any active cases near Njombe.
- The Rwandan tea sector continues to perform well with the highest average auction prices in the region.

A vertical photograph on the left side of the slide shows a lush green tea plantation. In the lower-left foreground, a person is seen from behind, wearing a red shirt and yellow pants, 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

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## HOW WE & THE WOOD FOUNDATION HAVE RESPONDED TO DATE

- To mitigate transport risks, we have been transporting half our tea through Tanzania and the other half through Uganda.
- 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 due to cases on site, the team would look to transport tea to another factory and have looked at options for doing this.

# CONCLUSION

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- 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 and 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 facilitating reform. The resilience of sectors and economies will be an important point of debate coming out of the crisis, not just for governments but also for sector stakeholders.
- Building resilience requires that the donor community coordinates 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 development aid 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 have 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.
- To learn more about our work, please visit [www.gatsby.org.uk/africa](http://www.gatsby.org.uk/africa) and follow us on [Twitter](#) and [LinkedIn](#).