IMPLICATIONS ON SOCIO-ECONOMIC ACTIVITY OF MEASURES TAKEN TO DEAL WITH COVID-19 PANDEMIC IN KENYA
Recent Economic Developments

Trends and Spread of Covid-19 Cases in Kenya

Implications on Socio-Economic Activity of Measures Taken to Deal with Covid-19 Pandemic: Micro, Small and Medium Enterprises Perspective

Socio-Economic Effects of Covid-19 on the Tourism Sector

Implications of Covid-19 Measures on Access to Infrastructure Services in Kenya

Implication Of Covid-19 Measures On Security

Implications of Containment Measures Against Covid-19 on Kenya’s Trade and Regional Diplomacy

KIPPRA Events
I welcome you to the fourth quarter KIPPRA Policy Monitor edition, which covers the period April-June 2020. The theme of this edition is informed by the prevailing socio-economic effects that are being experienced as a result of the Covid-19 pandemic, with a focus on “Implications on socio-economic activity of measures taken to deal with Covid-19 Pandemic in Kenya.” There are six articles presented under this theme. They include: Trends and spread of Covid-19 cases in Kenya; Implications on socio-economic activity of measures taken to deal with Covid-19 pandemic: MSMEs perspective; Socio-economic effects of Covid-19 on the tourism sector; Implications of Covid-19 measures on access to infrastructure services in Kenya; Implication of Covid-19 measures on security; Implications of containment measures against Covid-19 on Kenya’s trade and regional diplomacy.

The edition begins by providing an overview of Kenya’s recent economic developments amid Covid-19. The economy expanded by 5.4 per cent in 2019 and the growth was spread across all sectors of the economy but was more pronounced in services-oriented sectors. In the pre-Covid-19 period, economic growth outlook was favourable, with economic performance expected to expand by 6.1 per cent in 2020. This has, however, been dampened by the pandemic situation; the KIPPRA-Treasury Macroeconomic Model (KTMM) projects 2020 growth to dampen to 1.7 per cent. A similar scenario is painted by the IMF projections, which forecast Kenya’s growth at 1.0 per cent for the same period.

Moreover, this Policy Monitor covers various activities and events undertaken by the Institute during the fourth quarter. Some of the key highlights of the quarter include the conclusion of the 2019/2020 Young Professionals Training Programme, which ended with dissemination of their research findings to stakeholders.

Finally, the edition provides snapshots on policy news at domestic, regional and international levels; and legislative developments at the National Assembly and the Senate.

On behalf of the KIPPRA Family, we hope you will enjoy and be informed by the current issue. We also wish you a happy closure of the 2019/2020 financial year.
In the first quarter of 2020, the impact of Covid-19 was minimal in Kenya as the economy registered a growth rate of 4.9 per cent compared to 5.5 per cent in the same quarter in 2019. However, some sectors witnessed slowed growth compared to the corresponding quarter in 2019. For example, accommodation and restaurant contracted by 9.3 per cent mainly due to Covid-19 containment measures enacted in the major tourist source countries. The sectors that registered high growth rates were information and communication (9.8%), mining and quarrying (9.5%), wholesale and retail trade (6.4%) and electricity and water (6.3%). It is notable that the agriculture sector grew by 4.9 per cent despite the effect of desert locust and decrease in volume of cut flowers exported. The growth in agricultural sector was supported by increased production in tea and sugarcane sub-sectors.

The average overall inflation from April to June 2020 was 5.17 per cent compared to 5.59 per cent during the same period in 2019. The overall inflation declined to 4.6 per cent in June from 5.3 per cent in May and 5.6 per cent in April 2020 (Figure 2). This was attributed to a general decline in food prices as reflected in decrease in food inflation from 12.5 per cent in April to 8.1 per cent in June 2020. Tomatoes and potatoes recorded a significant decline of 14.8 per cent and 8.1 per cent between April and June, whereas onions and kale (Sukuma Wiki) increased by 8.1 per cent, each over the same period. Further, the low core inflation, averaging 1.8 per cent during the three months, provided room for accommodative monetary policy needed to support growth during the Covid-19 pandemic period. This combined with favourable weather conditions, and relatively low oil prices reduced inflationary pressures during the quarter under review.

By Benson Kiriga, Hellen Chemnyongoi, Daniel Omanyo and James Ochieng’
Figure 1: First quarter sectorial growth rates, 2020


Figure 2: Inflation rates (January 2019 to June 2020)

Monetary Policy

In response to the outbreak of Covid-19, the Central Bank of Kenya (CBK) eased the monetary policy to support economic activity as early as March. In April, the Monetary Policy Committee (MPC) reduced the Central Bank Rate (CBR) to 7.00 per cent from 7.25 per cent applied in March. Similarly, the MPC during its end of June meeting, retained the CBR rate at 7.00 per cent to signal commercial banks to lower their lending rates to borrowers while at the same time, cushioning borrowers facing financial difficulties during the pandemic. Lowering of the CBR rate led to a decrease in the interbank rate from an average of 5.16 per cent during the first week of April to an average of 3.17 per cent as at the last week of June. This implies that the decision by CBK to lower the rate is yielding its intended purpose. Similarly, the CBK reduced the Cash Reserve Ratio (CRR) to 4.25 per cent from 5.25 per cent, releasing Ksh 35.2 billion to banks to support borrowers that are distressed as a result of Covid-19 pandemic. As at the end of April, eleven (11) commercial banks and one microfinance bank had been granted approval by CBK to access Ksh 17.59 billion, accounting for 50 per cent of the released amount, freed from the reduction in CRR. The 50 per cent usage in a month depicts the increased demand for funding from the banking sector. All these efforts by the CBK are aimed at ensuring that there is adequate banks’ liquidity to run their day-to-day activities. Going forward, it is expected that the demand for funding by the various sectors of the economy will increase, especially with the easing of various restrictions placed by the government.

In April, the Monetary Policy Committee (MPC) reduced the Central Bank Rate (CBR) to 7.00 per cent from 7.25 per cent applied in March.

Figure 3: Performance of total revenue receipts in 2019 and 2020

Source: Kenya Gazette Notice (Various)
Fiscal developments

The cumulative actual national revenue receipts as of 29th May 2020 totaled Ksh 2.28 trillion compared to Ksh 2.31 trillion in May 2019. This represents a 1.3 per cent decline attributable to slowdown in economic activity following the outbreak of Covid-19, closure of most businesses, and government’s initiative to reduce income tax rates to stimulate economic activity.

The decline in total revenue receipts was tremendously contributed by the slowed receipts from total tax income, while non-tax income performed relatively better compared to 2019 (See Figure 4 panel A and B). The months of April and May 2020 were the hard hit in terms of tax income receipts, which performed way below the receipts achieved in 2019, pointing to the effects of government tax measures to cushion its citizens from the economic hardships posed by Covid-19. Some of these tax measures that might have distorted flow of tax income receipts include: the 100 per cent tax relief for persons earning gross monthly income of up to Ksh 24,000; reduction of income tax rate (Pay-As-You-Earn) from 30 per cent to 25 per cent; reduction of resident income tax (Corporation Tax) from 30 per cent to 25 per cent; the reduction of turnover tax rate from the current 3 per cent to 1 per cent for the Micro, Small and Medium Enterprises (MSMEs); and the reduction of VAT from 16 per cent to 14 per cent, which was effected from April 2020.

The total tax income in April 2020 amounted to Ksh 120.1 billion compared to Ksh 140.4 billion achieved in a similar month in 2019, representing a decline of 14.5 per cent. In May 2020, tax income receipts also registered a 30 per cent dip, declining from Ksh 128.4 billion in May 2019 to Ksh 89.9 billion in May 2020. Non-tax income receipts performed strongly in 2020 compared to 2019.

Expenditure demands increased in 2020 compared to 2019. Total cash issued to both national and county governments as of 29th May 2020 grew by 3.2 per cent. According to the National Treasury and Planning, the Exchequer Issues amounted to Ksh 2.2 trillion as of May 2020, representing 80 per cent of the annual net estimated issues for the year set at Ksh 2.7 trillion. This level of cash disbursement also represents an increase of 3.2 per cent (Ksh 65.6 billion) over the same period in 2019 when the Exchequer issues stood at Ksh 2.1 trillion.

Figure 4: Performance of tax and non-tax incomes in 2019 and 2020

![Figure 4: Performance of tax income, 2019 and 2020](chart)

Source of Data: Central Bank of Kenya
This implies that with the outbreak of Covid-19, the Exchequer has escalated the rate of releases to MDAs and counties as the country combats the pandemic. These numbers are expected to increase as counties and MDAs strengthen the state of preparedness of the country to handle any increased cases of Covid-19 contagion and as the economy reopens in phases.

**Table 1: Exchequer expenditure issues (Ksh billions)**

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<td>Recurrent to MDAs</td>
<td>926</td>
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<td>1,064</td>
<td>881</td>
<td>90.36</td>
<td>82.8</td>
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<td>CFS</td>
<td>964</td>
<td>735</td>
<td>870</td>
<td>715</td>
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<td>245</td>
<td>435</td>
<td>295</td>
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<td>Total Issues to NG</td>
<td>2,253</td>
<td>1,817</td>
<td>2,370</td>
<td>1,891</td>
<td>80.62</td>
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<td>Total Issues to CGs</td>
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<td>263</td>
<td>316</td>
<td>255</td>
<td>79.96</td>
<td>80.4</td>
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<tr>
<td>Grand total</td>
<td>2,583</td>
<td>2,080</td>
<td>2,686</td>
<td>2,146</td>
<td>80.54</td>
<td>79.9</td>
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*Source: Kenya Gazette Notice (Various)*

*Table: Performance of non-tax income, 2019 and 2020*

*B: Performance of non-tax income, 2019 and 2020*
Table 1 shows that Exchequer cash issues released as at the end of May 2020 comprised Ksh 295 billion for development expenditure, Ksh 881 billion towards Ministries, Departments and Agencies (MDAs) recurrent expenditure, Ksh 715 billion towards Consolidated Fund Services (CFS) and Ksh 255 billion to county governments as sharable revenue from the National Government. Expenditure issues to the National Government amounted to Ksh 1.9 trillion, representing 79.8 per cent of the revised gross estimates. This is 4.1 per cent higher than actual expenditure issues during a similar period in 2019 when Exchequer issues to the National Government amounted to Ksh 1.8 trillion.

**External Sector**

The Kenya Shilling deteriorated against the US dollar between January and April 2020 but remained stable between April and June 2020. The Kenya Shilling exchanged at Ksh 106.41 per US dollar in April 2020 compared to Ksh 101.09 in January 2020. However, the Shilling stabilized at Ksh 106.55 per US dollar between April and June 2020. The Shilling deteriorated against the Euro, from an average of Ksh 115.61 per Euro in April 2020 to an average of Ksh 119.46 in June 2020. The Kenya Shilling remained stable against the Sterling Pound, exchanging at an average of Ksh 132.00 per Sterling Pound between April and June 2020 (Figure 5).

The official reserves recorded a 17.7 per cent growth between April and June 2020. The foreign exchange reserves grew from US$ 7,872.3 million (4.8 months of import cover) in April 2020 to

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**Figure 5: Average monthly exchange rate of Kenya shilling against major currencies**

![Graph showing average monthly exchange rate of Kenya shilling against major currencies]

*Data Source: Monthly Economic Indicators, March 2020 and Weekly Bulletin (Various), Central Bank of Kenya*
US$ 9,267.5 million (5.6 months of import cover) in June 2020 (Figure 6). The growth in foreign exchange reserves is mainly attributed to receipt of US$ 739 million from the IMF under the Rapid Credit Facility to address the impact of Covid-19 pandemic. The foreign reserves remained within the CBK’s statutory requirement of maintaining at least 4 months of import cover.

The remittance inflows grew by 12.8 per cent from US$ 228.8 million in March 2020 to stand at US$ 258.2 million in May 2020. The growth indicates recovery in remittance flows as a result of easing of lockdown measures across Europe and America.

The volume of trade declined by 22 per cent from Ksh 201.7 billion in March 2020 to Ksh 156.1 billion in May 2020. This was reflected in decreased growth in value of both exports and imports in that period. Exports registered a 26.8 per cent decrease while imports decreased by 20.6 between March and May 2020. The largest decline in value of exports was in transport equipment category (69.4%), followed by non-food industrial supplies (23.6%) and food and beverages (8.0%). In terms of key commodities, the value of cut flowers declined by 46.9 per cent from Ksh 11.8 billion in March 2020 to Ksh 6.3 billion in May 2020. The value of coffee and tea exports declined by 5.4 per cent and 3.2 per cent, respectively, between March and May 2020. On the import side, the most decline was witnessed in value of fuel and lubricants (81.3%), food and beverages (17.1%) and machinery and capital equipment (13.7%). The overall balance of payment position improved to a deficit of US$ 340.7 million in March 2020 from US$ 812.40 in January 2020. The current account deficit recorded a slight deterioration from a US$ 5,855.30 in January 2020 to US$ 5,987.00 in March 2020. The capital account recorded a surplus of US$ 211.40 million in March 2020, but this was a 5.3 per cent decline from a surplus of US$ 223.2 million recorded in January 2020.

Medium Term Prospects

Kenya entered the Covid-19 pandemic with considerable sources of resilience. The economy expanded 5.4 per cent in 2019 and the growth was spread across all sectors of the economy but was more pronounced in services-oriented sectors. In the pre-covid-19 period, economic growth outlook was favourable, with economic performance expanding by 4.9 per cent in the first quarter of 2020. The attack by Covid-19 has impacted negatively on the global economy. In the World

![Figure 6: Official foreign reserves and months of import cover](image-url)

Data Source: Monthly Economic Indicators, March 2020 and Weekly Bulletin (Various), Central Bank of Kenya
Economic Outlook (WEO) for April 2020, IMF forecasted a negative economic growth rate for the global economy at -3.0 per cent for 2020.

The Kenyan exports will be greatly affected by the performance of the key trading partners, particularly the ones with majority share of our export destinations. Some of the key trading partners with huge negative forecast, as per IMF outlook, include Pakistan (-1.5), USA (-5.9), Netherlands (-7.5) UK (-6.5), UAE (-3.5), Germany (-7.0) and France (-7.2), which are part of the top 20 key trading partners. This will lead to a huge drop in Kenyan exports in 2020 and beyond.

The imports for goods and services will likewise be affected, but mainly due to a number of factors domestically and externally. From the domestic front, this includes closure of several manufacturing firms and others that demand imports, the lockdown effect and the current Government measures that affect the development budget expenditures. The external factors will generally include the countries of origin of the imports that have huge negative growth forecasts and happen to be our key sources. These include China (1.2), India (1.9), Saudi Arabia (-2.3), UAE (-3.5), Japan (-5.2), South Africa (-5.8), USA (-5.9), and Uganda (3.5) as the among the top 20 countries that Kenya gets imports from.

The Kenyan investments will also be greatly affected mainly from the lockdown, leading to closure of some firms in many countries and due to lack of inputs/raw materials due to decline in imports of goods and services. The major investments in Kenya include assets such as buildings (other than dwellings), dwellings, other machinery and equipment, and other structures that are the key five assets categories for investments.

The considered assumptions provide a preliminary finding in the following table that gives scenario with the impact of Covid-19. As it is not yet known when the Covid-19 will end, the scenario presented assumes the impact will be heavy in 2020 and to slowly reduce in the medium term.

The preliminary numbers show a very depressed economic growth rate of 1.7 per cent in 2020 for

| Table 2: Medium-term prospects with impact of Covid-19 in Kenya |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Rates (%)      |      |      |      |      |      |      |      |
| GDP growth     | 5.9  | 4.8  | 6.3  | 5.4  | 1.7  | 3.1  | 4.2  |
| Inflation      | 6.3  | 8.0  | 4.7  | 5.2  | 6.1  | 6.4  | 6.5  |
| Interest rate  | 8.5  | 8.4  | 7.8  | 6.9  | 7.0  | 7.2  | 7.2  |
| Volumes (%)    |      |      |      |      |      |      |      |
| Private consumption | 7.0  | 7.4  | 7.0  | 4.6  | 1.8  | 3.2  | 4.1  |
| Government consumption | 5.6  | 3.9  | 5.6  | 4.9  | 2.9  | 3.1  | 4.2  |
| Private investments | -7.2 | 8.3  | 2.4  | 3.1  | -7.9 | 2.6  | 3.4  |
| Government investments | 7.8  | -3.1 | -8.4 | -1.0 | -11.2| 2.8  | 4.5  |
| Export goods and services | -2.2 | -6.2 | 3.9  | -0.2 | -9.4 | 1.8  | 2.6  |
| Import goods and services | -3.4 | 8.6  | 2.5  | -2.0 | -8.2 | 2.7  | 3.5  |
| % of GDP        |      |      |      |      |      |      |      |
| Current account balance | -5.8 | -7.2 | -5.8 | -5.8 | -2.3 | -3.1 | -2.3 |
| Fiscal deficit  | -5.4 | -6.1 | -6.3 | -5.3 | -6.5 | -5.8 | -5.4 |
| Expenditures    | 25.1 | 26.8 | 26.2 | 25.9 | 23.5 | 24.1 | 24.6 |
| Ksh per dollar  | 101.5| 103.4| 101.3| 102.1| 106.1| 106.2| 106.1|

Source: Staff estimates using the KIPPRA-Treasury Macroeconomic Model (KTMM)
Kenya. The forecast is also very uncertain as it is not yet known for how long the virus will continue, and the issue of any other adverse effects of the pandemic. There are huge declines registered in volumes of exports, imports and investments both private and Government in 2020, leading to a very low economic growth rate against the earlier expectation of 6.0 per cent. The pandemic is very costly to the Kenyan economy and globally, and the Government should continue with drastic measures to curb this menace.
COVID-19 is caused by a new type of coronavirus from the family Coronaviridae, which was previously named 2019-nCoV by the World Health Organization (WHO). It is the seventh member of the coronavirus family, together with MERS - nCoV and SARS - nCoV, that can spread to humans. The symptoms of the infection include fever, cough, shortness of breath, and diarrhea. In more severe cases, Covid-19 can cause pneumonia and even death. The incubation period of Covid-19 can last for 2-14 days or longer. During the period of latent infection, the disease may still be infectious. The virus can spread from person to person through respiratory droplets and close contact.

Psychological factors play a significant role in how people perceive and react to the danger from the Covid-19 and the fear that it may affect them personally, even leading to stigma. If the data used is reliable and that the future will continue to follow the past pattern of the disease, daily WHO reports and Kenya Ministry of Health (MoH) reports suggest a continuing increase in the confirmed Covid-19 cases with sizable associated uncertainty in Africa, Kenya included. The risks are far from symmetric as under-estimating its consequences may be too early for the region, leading to somehow accepting that Covid-19 is here to stay until a vaccine or cure is developed.

Since the first case was reported in December 2019 at Wuhan China, it has spread to 213 countries and territories worldwide. By 6th July 2020, statistics show that there were 11,327,790 confirmed cases and 532,340 deaths (Table 3). For Africa, the statistics show 369,928 confirmed cases and 6,974 deaths. The health crisis has resulted into economic crisis. A global recession is predicted for 2020 economy to 3 per cent.

This article analyses the trends in daily Covid-19 cases using ARIMA modelling techniques, in predicting the future possible trends. Data
is extracted from the daily briefing made by Ministry of Health in Kenya.

**Covid-19 Cases in Kenya**

In Kenya, the number of confirmed cases has increased from 3 cases on 17th March to more than 8,200 cases by 7th July 2020 (Figure 7). A total of 8,200 confirmed cases have been reported, and 159 have died, giving a case fatality rate of 2.1 per cent. Six thousand six hundred and thirty-two (88%) of the 7,577 confirmed cases are local transmissions.

A total of 185,035 cumulative tests have so far been conducted. Sixty-three (63) per cent of the patients are yet to recover. Kenya has carried out over 190,000 cumulative tests with samples from suspected cases and random tests done at various laboratories with WHO accredited test kits for antibodies.

**Figure 7: Graph showing daily cases versus daily recoveries by 17th June 2020**

![Graph showing daily cases versus daily recoveries by 17th June 2020](source: Ministry of Health, Kenya)
The spread across the country shows that Mombasa and Nairobi City counties have the highest attack rates of Covid-19 at 105.4 and 52.2 per 100,000 populations, respectively, compared to 10 per 100,000 for the whole country, and thus these counties need enhanced interventions (Figure 8). In addition, the Covid-19 outbreak has so far spread to

Figure 8: Covid-19 cases per 100,000

Figure 9: Sex distribution of Covid-19 confirmed cases

Source: Ministry of Health, Kenya
extra X chromosome have a stronger immune system and response to infections than men.

**Forecasting Covid-19 Cases in Kenya**

An ARIMA (Auto Regressive Integrated Moving Average) model was applied to the time series daily data of confirmed Covid-19 cases in Kenya. The ARIMA model was tested for variance in normality and stationarity. In addition, the best fit ARIMA model was compared with Linear Trend, Quadratic Trend, S-Curve Trend, Moving Average, Single Exponential, and Double Exponential models using an output of measure of accuracy. After fitting the model, its parameters are estimated for future predictions for Kenya.

Considering the current capacity of testing, the cases of Covid-19 will keep a rising trend (Figure 11). The more the samples tested, the greater the number of positive Covid-19 patients, and therefore if they Ministry increases the testing capacity to even up to 5,000 samples a day, the cases may hit to 393 infected persons with positivity rate averaging at 1.86 per cent. By end month June, the country will be reporting as high as 250 daily infected confirmed cases or even a greater number (the samples that have been taken may not have been random or representative.
because the MoH has been targeting potential hot spots only). There is a chance that if it was ‘normal’ sampling, the results would be different. This can potentially have different forecasting outcomes, such that by mid-July, Kenya will be reporting more than 312 cases daily. With the economy reopening, the cases will be as high as 607 by August due to increased interactions among people. If prevention measures as highlighted by the MoH are taken seriously, then the cases will lower and there is a possibility of flattening out curve of infections.

The other model (Figure 12) takes into consideration the factors as a results of the socio-economic measures put in place by the Government and the possibility of flattening the curve at mid-august, if Kenyans continue implementing the current measures and other tougher measures implemented, such as inter-county lockdown and dusk to dawn curfew, which is never encouraged in a developing country such as Kenya due to the negative impacts that are more than Covid-19 related. Implementation of the current measures could therefore have achieve a consistent number of infections at 118-154 cases daily. However, easing of the measures could see a shoot in cases up to 191 cases by July, 235 daily cases by August and even 560 daily cases by October as shown in Figure 12.

**Figure 11: ARIMA daily cases prediction**

![ARIMA daily cases prediction](chart.png)

**Source: Author’s compilation**

**Epidemic reproduction statistics for Kenyan case**

In an epidemic, one of the most important numbers is $R$ - the reproduction number. If this is below one, then on average each infected person will infect fewer than one other person, and the number of new infections will fall over time. The lower the number, the faster the number of new infections will fall.

When $R$ is above one, the number of new infections is accelerating, and the higher the number the faster the virus spreads through the population.

$$R_0 = (\text{infection/contact}) \times (\text{contact/time}) \times (\text{time/infection}) = 3.347$$

If one Kenyan gets infected today (by July 10th, 2020) He/ she could infect 3 people
whether asymptomatic or not; that is if he/she will not isolate and keep proper social distancing together with personal hygiene. This indicates that there is acceleration in infection given the challenges the Ministry is facing of commodity insecurity.

**Conclusion**

As the Government learns more about the disease and the risk factors involved, it expects to steadily make the risk-assessment more nuanced, giving confidence to some previously advised to shield that they may be able to take more risk; and identifying those who may wish to be more cautious.

The Government will need to consider both risk to self, and risk of transmitting to others. It is vital that those who are showing symptoms, however mild, must continue to self-isolate at home, as now, and that the household quarantine rules apply. If the data suggests the virus is spreading again, the Government will have to tighten restrictions, possibly at short notice. The aim is to avoid this by moving gradually and by monitoring carefully the effect of each step the Government takes. The scientific advice is clear that there is scope to go backwards; as restrictions are relaxed, if people do not stay alert and diligently apply those guidelines by the Ministry still in place, transmissions could increase, R would quickly tip above 2.5436, and restrictions would need to be re-imposed.

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**Figure 12: Graph showing possibility of flattening the curve with measures adhered to by Kenyans given Interventions**

**ARIMA Kenya Cases Modelling**

**Source:** Author’s compilation
Kenya’s micro, small and medium size enterprises (MSMEs) are an important source of employment, products and services in the country, and it is no wonder the Government has introduced measures aimed at mitigating the impact. An important question to ask, however, is the likely impact of these measures. This article will review two key mitigation measures: the temporary suspension of the listing with Credit Reference Bureaus (CRBs) of entities whose loan account(s) fall overdue or are in arrears, and the reduction of Turn Over Tax (TOT) rate from 3 per cent to 1 per cent. Other measures introduced include reduction of corporate income tax from 30 per cent to 25 per cent, reduction of Personal Income Tax (PAYE) from 30 per cent to 25 per cent, tax relief for persons earning up to Ksh 24,000, and reduction of Value Added Tax (VAT) rate from 16 per cent to 14 per cent as effected by Tax Laws (Amendment) Act 2020.

Structure and Significance of the MSMEs Sector in Kenya

Kenya’s industrial base is largely micro, borne by the fact that 98.4 per cent of MSMEs fall in this category, where 9 people or less are employed.
Small enterprises (10 to 49 employees) account for 1.4 per cent of all MSMEs, and 7.1 per cent of licensed MSMEs. Medium sized enterprises (50 to 99 employees) account for only 0.7 per cent of licensed MSMEs and 0.15 per cent of all MSMEs. This is representative of what is referred to as the missing middle, where a country’s industrial base is largely represented by micro and large enterprises.

The 2016 MSME survey further reveals that 81 per cent of MSMEs’ employees are self-employed or in micro enterprises. Nationally, micro enterprises account for 80 per cent of Kenya’s total labour force. Majority (78.9%) of MSMEs operate with no license. The micro unlicensed enterprises further had no business registration. Of the licensed MSMEs, however, 24.4 per cent had some form of business registration. Of this, only 9 per cent was private company. This accounts for only 2 per cent of MSMEs. Most MSMEs in Kenya are therefore characterized by being micro and informal. MSMEs in Kenya are heterogeneous and diverse, operating in several sectors. In terms of industry and employment, they are concentrated in the services sector (Figure 13).

As presented in Figure 13, important MSMEs’ drivers of the economy include: wholesale retail trade and motor vehicles and motorcycles; manufacturing; accommodation and food services; transport and storage; and agriculture, forestry and fishing accounting for 92 per cent of the 7.4 million MSMEs and 90 per cent of employment. The sectors cumulatively account for 58 per cent of Kenya’s GDP as at 2019. Majority of MSMEs are in the services sector, comprising: wholesale, retail trade, repair of motor vehicles and motorcycle, including accommodation and food services accounting for 88 per cent of MSMEs. From an economy point of view, these same services sectors account for 8 per cent of Kenya’s GDP as at 2019. In terms of growth, accommodation and food services has experienced relatively high growth over the last five years (10.64%) followed by wholesale, retail trade, repair of motor vehicles and motorcycle sector (5.78%) and agriculture,
forestry and fishing (4.24%). Manufacturing, which accounts for 12 per cent of MSMEs, experienced an average growth of 2.98 per cent over the last five years.

Figure 13 also illustrates that most of the sectors have adversely been affected due to a reduction in operating hours, particularly in the initial months. For instance, accommodation and food services and education sectors have been the most affected in terms of reduced working hours; the latter has had variance of 30 hours while education has reported 40 hours in April. This has, however, improved slightly to 18 hours variance for accommodation and food services and 35 hours for education in June. Accommodation and food services MSMEs that cater for tourism sub-sector are still hard hit due to a decline in number of visitors by 60 per cent in March 2020† compared to the previous month following the closure of international borders. A number of establishments have either made their employees redundant or sent them on unpaid leave as a result of lowered demand. Closure is unfortunately a coping mechanism adopted by some establishments. Even prior to Covid-19, MSMEs in Kenya were characterized by low survival rate, with 46 per cent of all firm closures occurring within the first year of operations. Statistically, for every manufacturing company closed, an average of two jobs are lost. A similar scenario applies to wholesale and retail trade; repair of motor vehicles and motorcycles; and transport sectors while for construction sector, a closure represents eight jobs lost, on average.

Similarly, output would be affected by the reduced working hours. The MSMEs 2016 survey shows that the average productivity per worker was Ksh 40,343 per month. Even while holding all other factors constant since then, with the advent of Covid-19, this output is likely to decline given the reduction in working hours and possible business closures. The proportion of reduction and the potential impact can, however, only be ascertained using real time Covid-19 sensitive data in the sector.

MSMEs in the services sector generally rely on certain inputs from other sectors. Food and accommodation sector, for instance, relies on agricultural products and manufactured products. The manufacturing sector in Kenya also imports intermediate and final goods and raw materials from domestic and external markets. The sources of some inputs and raw materials have been disrupted as a result of Covid-19. Some sectors such as construction, which require inputs from countries such as China, also experienced lowered productivity due to disrupted supply of imports. The main source of inputs for MSMEs in Kenya are other MSMEs, while majority of the customers are individuals. This is evidence that Kenya’s MSME sector is highly interlinked. A disruption in one market can have an adverse ripple effect in the other sectors. In addition, only a small proportion of MSMEs in Kenya seek external markets, and those that do export are now experiencing lowered demand as evidenced in the KNBS Leading Economic Indicators report.

**Tax Activity amongst MSMEs**

Turnover Tax (TOT) is a tax charged on gross sales of a business as per Sec. 12(c) of the Income Tax Act. First, it was introduced vide the Finance Act 2006, which was later replaced by Presumptive Income Tax vide Finance Act 2018 then again reintroduced vide Finance Act 2019. The implications of the amendments include: reduction of the turnover tax rate from 3 per cent to 1 per cent; increasing the turnover threshold from an income of up to Ksh 5 million to income of between Ksh 1 million

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† KNBS Leading Economic Indicators, April 2020
to Ksh 50 million, and expansion of the turnover tax regime to incorporated entities, among others. According to the MSMEs survey 2016, approximately 36 per cent of the licensed and 6.3 per cent of the unlicensed establishments will fall in this category. Effectively, this amounts to about 601,729 and 368,569 establishments, respectively, that would be expected to benefit from this policy move. This move is expected to expand the tax base and capture more MSMEs in the tax regime and especially small businesses who operate as companies. On the flip side, this move will result to lower tax yield considering a majority of all establishments had a monthly turnover of less than Ksh 50,000\(^2\) (49.2\% licensed and 93.8\% unlicensed).

Corporate income tax reduction from 30 per cent to 25 per cent may impact MSMEs. It is, however, limited to the small percentage of MSMEs that operate as registered businesses. As noted earlier, only 2 per cent of MSMEs in Kenya operate as “private companies”; which infers that only 2 per cent of MSMEs in Kenya are eligible for corporate tax. According to the 2016 MSME survey, of this proportion, only 45 per cent pay tax, meaning that about 1 per cent of MSMEs pay corporate tax. Of those that paid tax, majority indicated they paid monthly tax of less than Ksh 10,000. Corporation tax is applicable to incorporated bodies and associations at a current rate of 25 per cent for resident companies. This, therefore, translates to relief of about Ksh 6,000 per year or Ksh 500 per month, averagely for the private companies.

Though this analysis paints a picture on possible scenarios as relates to TOT and corporate tax rate adjustments, the actual impact may be difficult to estimate due to previous turbulence in policy positions regarding turnover tax, data challenges on actual revenue streams, and the number of establishments that comply with the same.

**Credit access amongst MSMEs**

As noted earlier, the Government introduced measures to mitigate the effects of Covid-19 on MSMEs, through the temporary suspension of listing defaulters with Credit Rating Bureaus (CRBs). However, the effectiveness of this measure will depend on whether MSMEs access formal credit. As established in Figure 14, 29 per cent (Micro); 33 per cent (Small); and 24 per cent (Medium) enterprises accessed credit.

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2 which translates to about Ksh 600,000 annually

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**Figure 14: Access to credit in the last 3 years**

![Access to credit in the last 3 years](image)

*Source: KNBS MSMEs Survey, 2016*
It is important to note that MSMEs are not reliant on commercial loans as the traditional sources of financing for MSMEs revolve around personal savings, loans from friends and family, and other informal sources. In fact, over 80.6 per cent of MSMEs use family/own funds as the main source of start-up capital while 4.2 per cent of business owners get loans from family and/or friends to start their business. Banks finance 5.6 per cent of MSMEs, Chamas 1.4 per cent and cooperatives only 0.4 per cent, and the Government funds 0.1 per cent of all MSMEs. The key challenge regarding access to finance is lack of adequate collateral by MSMEs.

Though this data reveals low demand for credit, it also suggests that only a few MSMEs may benefit from the temporary suspension of the listing with CRBs in the event of repayment arrears during the Covid-19 period. This is because most MSMEs do not use the formal financial channels to access credit either as starting or working capital. Therefore, the policy measure of suspending of listing of defaulters with CRBs will only benefit a few MSMEs and, therefore, the restrictions which impede their access to credit, such as the MSEs Credit Guarantee Scheme, need to be addressed as a priority.

Proposals for Additional Policy Interventions

The economic measures introduced following Covid-19 as earlier reviewed will address a small proportion of MSMEs given their structure, thus tax application, and loan appetite. The Public Finance Management (Covid-19 Emergency Response Fund) Regulations 2020 establish the Covid-19 Emergency Response Fund to support and stimulate vulnerable MSMEs, among others. This fund should therefore cater for the structure of MSMEs as described and based on the credit needs above, key among them being the high levels of informality and inadequate collateral. The same applies to the proposed MSE Credit Guarantee Scheme. The Emergency Response Fund’s response to MSMEs should further enhance and facilitate the digitization of MSMEs to enable them benefit and participate in e-commerce and m-commerce. The 2019/20 Budget Statement identifies investment in digital infrastructure to facilitate e-commerce as part of the post-Covid-19 Economic Recovery Strategy. This should be prioritized with the aim of promoting e-commerce. Moreover, the Government should continuously create an enabling business environment that enhances market access of locally produced goods as prioritized in the Buy Kenya and Build Kenya Strategy. Stability of tax policy through tax review, harmonization and simplification to facilitate compatibility and compliance among MSMEs should also be given credence.
Introduction

The global travel and tourism sector registered remarkable growth in 2019, reinforcing its role as a driver of economic growth and job creation. During the year, the sector’s direct, indirect and induced economic impact accounted for US$ 8.9 trillion contribution to the world’s GDP (or 10.3%), 330 million jobs (10% of total employment), US$ 1.7 trillion visitor exports (6.8% of total exports, 28.3% of global services exports), and US$ 948 billion capital investment (4.3% of total investment).

Close home, in Kenya, the travel and tourism sector plays a major role in the country’s economic development as it contributes an estimated 10 per cent to the GDP (2019), which is equivalent to 15 per cent of Kenya’s total exports; 9.0 per cent to formal wage employment and 3.5 per cent to total employment. It is the third largest foreign exchange earner, employs about 1.5 million persons both directly and indirectly in numerous sectors. These include accommodation and food services; transportation and storage; tour and travel operations; meetings, incentives, conventions and exhibition events (M.I.C.E); and tourism-related leisure activities. Tourism is one of the priority sectors in the economic pillar of the Kenya Vision 2030; it is an enabler to the achievement of the ‘Big Four’ development agenda and is aligned to Sustainable Development Goals (8, 14 &15) and aspiration 1 and 5 of Agenda 2063 of the African Union.

However, despite its sterling role in global social-economic development, the tourism industry has always been one of the industries that is hardest hit by pandemics and crises. Throughout history, the industry has borne the brunt of major pandemics and plagues, notably, the Black Death (1346-1353), Spanish Flu (1918-1920), SARS (2002-2004), H1N1 Swine Flu (2009-2010) and Ebola
Virus (2014-2016). The latest pandemic, the Covid-19, which was first reported in Wuhan in China has had the greatest impact on tourism and travel than any other sector. With up to 10.5 million confirmed cases world-wide by 30th June 2020, comprising of 5.8 million recoveries, 4.2 million active cases and 0.5 million deaths, the disease’s global reach and the application of classic disease controls in the form of quarantine, reduced mobility and isolation have had a dramatic effect on international and domestic tourism alike along with a range of sector specific impacts, including transport, travel and booking agencies, hospitality, restaurants, conventions and events, and attractions. Micro, Small and Medium Enterprises (MSMEs) and other players in the tourism value chain.

Socio-economic Effects of Policy Actions taken to Contain the Pandemic

Given that the tourism sector is interlinked with almost all sectors of the economy, the effects of various measures instituted domestically to cushion the sector from the impact of Covid-19 can be outlined.

Effect of Travel Measures on Tourism Arrivals and Revenue

The United Nations World Tourism Organization (UNWTO) predicts a 20-30 per cent decline in global international arrivals in 2020 over the 2019 figures. This will culminate to an approximate loss of US$ 300 billion to US$ 450 billion in international tourism receipts, which is about one third of the US$ 1.5 trillion generated globally by the industry.

Due to suspension of passenger flights occasioned by the Covid-19 pandemic, global and regional airlines are struggling to survive following decline in global air travel by 90 per cent. According to the International Air Transport Association (IATA), as of 11th March 2020, African airlines had recorded a loss of up to US$ 4.4 billion in revenue since the outbreak of the pandemic. Kenya Airways, the country’s main carrier estimates that it is losing at least US$ 8 million every month due to grounding of its fleet. The China route is important for Kenya Airways, flying about 7,000 passengers every month. IATA projects that Kenya Airways may handle 2.5 million fewer passengers resulting in a loss of US$ 0.54 billion in revenue, risking 137,965 job losses and a loss in US$ 1.1 billion contribution to Kenya’s economy.

Over the last five years, Kenya’s tourism sector has been on a recovery path attributed to lifting of travel bans by governments from the key source markets in Europe and America following terrorism-related insecurity experienced in 2014/2015, endorsement of Kenya as a safe destination by the UNWTO, recent implementation of the tourism recovery strategy, and initiatives to improve security and perceptions about the destination. In 2019, the sector achieved a record 2.04 million in arrivals and Ksh 163.56 billion in earnings representing

Figure 15: International visitor arrivals and tourism earnings, 2010-2019

![Figure 15: International visitor arrivals and tourism earnings, 2010-2019](image-url)
a growth of 1.17 per cent and 3.90 per cent, respectively, over the previous year (Figure 15).

Domestic tourism in 2019 accounted for 4,955,800 bed-nights (54.7% of total bed-nights), a 10.4 per cent growth over the previous year.

The Kenyan tourism sector is susceptible to ravages of global and domestic socio-economic shocks. The ongoing Covid-19 pandemic poses to reverse recent gains made in the sector’s recovery. The total arrivals for January and February 2020 were comparable to similar performance in 2019; however, with rapid escalation in Covid-19 cases globally in March and April 2020, the total arrivals declined sharply (Figure 16).

The decline in arrivals is attributed to measures to contain the Covid-19 pandemic, including grounding of passenger international flights, imposing travel advisories, cross-border restrictions, and social distancing. Consequently, operations in the hospitality industry and travel grounded to a halt. The 8,213 arrivals for April 2020 are mainly cross-border travel by truck drivers ferrying transit goods from the region.

Given the rapid escalation in Covid-19 cases witnessed by end of June 2020, and maintenance of restriction of global travel, Kenya is set to lose the July-August high tourism season when over 400,000 tourists come mainly to watch the great wildebeest migration. This is one of the most phenomenal natural spectacles in the world, marked by annual movement by millions of wildebeest, accompanied by large numbers of zebra, Grant’s gazelle, Thompson’s gazelle, elands and impalas across the greater Masai Mara-Serengeti ecosystem.

The sector is also not expected to recover fully by end of December 2020. As a result, the performance of Kenya’s tourism sector in 2020 is expected to be dismal. Industry sources project that tourism arrivals and receipts for 2020 will decline by 55 per cent and 59 per cent, respectively, over the previous year.

Further, the restriction of movement in and out of the counties of Nairobi, Mombasa, Kwale, Kilifi...
and Mandera and the grounding of the Standard Gauge Railway (SGR) passenger transport between March and July 2020 has resulted in the loss of revenue and employment and significant decline in travel and beach tourism. In addition, reduced travel across other counties has led to decline in M.I.C.E, domestic and wildlife safari tourism.

Many accommodation and catering units have scaled down operations or altogether closed for an indefinite period due to significant decline in occupancy rates, creating second order adverse effects on other related industries. Industry sources indicate that total revenue generated by Kenyan tourism hotels will decline by more than 46 per cent over the previous year, affecting both employment and sustainability of the establishments. These may require a stimulus package to re-open. The situation is worsened by the fact that domestic meetings are also not taking place due to observance of measures restricting gatherings. In the absence of inbound international tourists, domestic meetings and bed-nights (which account for 54.7% of total hotel bed-nights) would have cushioned the hospitality sector.

**Effect on Labour Participation in Tourism**

The World Travel and Tourism Council (WTTC) projects that up to 100 million jobs in the sector are at risk, with 75 per cent in the G20 countries, while the UNWTO projects a 60-80 per cent decline in global tourism and travel in 2020 due to the pandemic, putting 100-120 million tourism-related jobs at risk. The estimates are more worrying when we consider that tourism is a leading job creator for the most vulnerable segments of the population, including low-skilled immigrants, women and students.

In Kenya, worst declines will be witnessed in the accommodation and food services, entertainment, conferencing, transportation, beach and safari sub-sectors, and a significant decline in employment in key tourism value chain activities of up to 72 per cent (over 700,000 jobs lost) (Table 4). MSMEs and households that rely on tourism-related activities (e.g. curios, souvenirs, entertainment, tour guiding, homestays, restaurants) country wide are also experiencing decline in source of livelihood.

**Effects of Social Distancing and Hygiene Measures on Cultural and M.I.C.E Tourism**

The social distancing measure, provision of sanitizers, hand washing and wearing face masks have largely affected the sector by reducing the spaces available to do business for the hotels and restaurants. Moreover, there has been inactivity in the entertainment industry which relies on crowds; shutting down of schools, colleges, worship areas, entertainment spots like night clubs, bars and gymnasiu;m increasing cost of doing business due to reduced operation time. The situation is worsened by the fact that domestic meetings and events are also not taking place due to observance of measures restricting gatherings.

**Table 4: Estimated decline in employment in the tourism sector**

<table>
<thead>
<tr>
<th>Key tourism value-chain activities</th>
<th>Estimated no. employed before Covid-19</th>
<th>No. employed under Covid-19 scenario</th>
<th>% decline in employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation (hotels, resorts, guesthouses, lodges, etc)</td>
<td>303,455</td>
<td>91,037</td>
<td>70.0</td>
</tr>
<tr>
<td>Food and beverage</td>
<td>105,710</td>
<td>31,713</td>
<td>70.0</td>
</tr>
<tr>
<td>Entertainment (souvenir shops, craftsmen, festivals, theme parks)</td>
<td>25,500</td>
<td>2,550</td>
<td>90.0</td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rail</td>
<td>1,324</td>
<td>500</td>
<td>62.2</td>
</tr>
<tr>
<td>Road</td>
<td>296,251</td>
<td>148,126</td>
<td>50.0</td>
</tr>
<tr>
<td>Water</td>
<td>11,866</td>
<td>5,933</td>
<td>50.0</td>
</tr>
<tr>
<td>Air</td>
<td>237,861</td>
<td>11,893</td>
<td>95.0</td>
</tr>
<tr>
<td>Guides, tour operators and travel agencies</td>
<td>2,736</td>
<td>821</td>
<td>69.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>984,703</td>
<td>280,180</td>
<td>71.6</td>
</tr>
</tbody>
</table>

to requirements to provide personal protective equipment; and reduction in number of customers to businesses due to restriction on business hours following imposition of national-wide curfew. Travel, restriction of the number of people in public gathering and social distancing measures have also disrupted sporting activities, cultural festivities such as the annual Maralal camel derby, annual Lamu festivals (cultural festival, shela hat contest, maulidi festival, art festival, and yoga festival), and decline in shopping and travel tourism. This in effect has resulted in revenue losses for the businesses and loss of income for those who have lost employment.

The measure to restrict holding of physical meetings and restriction of travels has promoted the use of e-conferencing (and increased demand for internet services), but resulted in reduction in the number of events and revenue earned in the M.I.C.E sub-sector and massive loss of jobs for event organizers and, therefore, decline in household income. Requirement of hotels and restaurants to observe social distancing means reduced demand for agricultural products (food and beverage) and thus effect on agricultural output and sales.

**Effect of Enhanced Border Monitoring, Screening and other Containment Measures**

From March 2020, the Government imposed mandatory 14-day quarantine for persons returning home from abroad at prescribed hotels and government facilities to avoid spread of the virus. Faced with dwindling number of visitors and M.I.C.E events, this was a welcome move for the hotels in that it enabled them to earn some income. Enhanced border monitoring and screening alongside closed borders has, however, reduced travel in the region. Cross-border arrivals reduced by 43.9 per cent as at end of March 2020 in comparison with a similar period in 2019. Further, the shutdown of schools, colleges, churches, mosques, entertainment spots such as night clubs, bars, gymnasiums, alongside enforcement of national wide curfews and restricted shopping hours, with limited number of persons allowed to shop in a mall at any time means decline in shopping tourism and decline in demand for food and beverages.

Due to limited travel within the country attributed to the Covid-19 pandemic, industry sources project that visitors to amusement parks, national parks and game reserves in 2020 will decline by 57.9 per cent over the previous year, consequently leading to a decline in park fees collected by the Kenya Wildlife Service (KWS) by 75.8 per cent over the previous year’s performance. This will not only reduce revenue from tourism, but also affect the operations of the parks and game reserves, and operations of travel and tour operators.

**Conclusion and Key Observations**

There is no doubt, the Covid-19 pandemic has precipitated a massive down-turn in Kenya’s travel and tourism sub-sectors, including accommodation, M.I.C.E, travel booking and operations, entertainment, cultural, heritage, beach and safari tourism products, and other linked sectors such as agriculture and shopping. Considerable challenges remain ahead, starting with the unknown duration of the pandemic and easing of travel restrictions, in a context of looming global economic recession.

The disruption in socio-economic activities brought about by the Covid-19 crisis, however, presents an opportunity to rethink Kenya’s tourism system for a more sustainable and resilient future. This includes embracing digitalization to promote connectivity, M.I.C.E, innovation, accessibility, health and sanitation measures to respond to changing travel behaviours, to limit tourism as a vector of spreading the pandemic. Going forward, the recently announced Ksh 6 billion economic recovery stimulus through the 2020/21 national budget will come in handy in enabling tourism players to make structural and physical changes on their establishments and products, while conforming to the stipulated tourism sector re-opening measures.
Countries across the world have made infrastructure innovation a priority to safeguard their physical systems so that they can be resilient during natural disasters such as earthquakes, floods and hurricanes. However, such innovations are inadequate when it comes to ensuring connectivity and accessing infrastructure services during pandemics. As countries grapple with the social economic effects of Covid-19 pandemic, accessing infrastructure services during the pandemic remains one of the biggest challenges that countries need to address. This has ultimately led the Kenyan Government to develop various measures to ensure safe access to infrastructure services during the pandemic. This article looks at various measures and their implications in different infrastructure domains.

ICT services: As Kenya and the rest of the world get grounded, digital technologies stand to offer a glimpse of hope to tackle the pandemic. Technology has potential to offer ordinary to intelligent based contactless solutions such as robots that are key in fighting the spread of Covid-19. The Kenyan government has recognized the critical role of technology and has put in various measures that aim at promoting the use of technology during the pandemic. For instance, to guide on how the technology will contribute to addressing the effects of Covid-19, the Government has created the ICT Advisory Committee. The Committee is continuously reviewing hundreds of innovations for tackling the pandemic. Further, with the outbreak of the pandemic, the Central Bank of Kenya reduced the cost of mobile money and increased the daily amount of money for daily transaction and deposits with an objective of encouraging mobile money transfer services and cashless payments. This has enabled Kenyans to buy and sell on digital platforms. The Central Bank of Kenya data indicates that the number of agents and accounts for mobile payments are increasing.

To contain the spread of the disease in workplaces, the Government has developed telecommuting measures that guide on virtual working for the public sector. Similarly, the private sector has largely been implementing working at home arrangements and encouraging working in shift to decongest workplaces. Further, organizations are promoting paperless transactions, and this is evidently seen by various public and private entities directing their stakeholders to use electronic communication. For instance, the judicial services are done online, while filing of taxes and cargo clearance transactions are paperless too.
Various sectors continue to embrace the use of technology to facilitate in provision of services. For instance, the education sector is one of the first sectors to experience the effects of the pandemic when the schools were shutdown. There are significant efforts made to promote access to education services. For instance, there are several E-learning and educational broadcasts through KICD- EDU TV channel, KBC channel and Pay TV platforms. Additional spectrum resources are provided to service providers to meet demand for call and data services. Other initiatives that are aimed at supporting e-learning include service providers offering affordable data bundle products to students and teachers. Google Loons project was recently launched in different parts of the country to support eLearning. A recent study by the Kenya National Bureau of Statistics indicates that more than 50 per cent of respondents are using TV, radio, online and social media as a coping mechanism to continue learning at home. The health sector too is supported by technology in prevention, treatment and control of the disease. All the Broadcasters are required to air Ministry of Health Public Service Announcements (PSA) at no cost. Further, the Government has waived regulatory fees for toll-free numbers offering Covid-19 related advisories.

The measures taken to promote the use of technology are likely to kickstart the digital economy. Fortunately, Kenya recently launched the Digital Economy Blueprint, which will be critical in shaping the influence of technology in the economy. Technology will continue to disrupt the traditional delivery models and this will lead to increased uptake of ICT services, which will ultimately increase demand for better infrastructure to offer superior services to avoid outages. There is huge demand for data and calls for national wide adoption of 4G telecommunication services. Due to rising demand for contactless applications, so far there are several ICT innovations for contact tracing, communication, predictive tools, games and entertainment. For instance, Kenya has a virtual telecommuting platform known as Gumzo, which is offering equally quality telecommuting services like Microsoft Teams, Zoom or Skype. Further, there will be increased home delivery through courier services due to growth of digital economy and, therefore, the sector may see an increase of unregistered courier services. Although there are guidelines on

**Figure 19: Electricity generation**

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<table>
<thead>
<tr>
<th>Month</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>979.02</td>
<td>974.62</td>
</tr>
<tr>
<td>February</td>
<td>933.6</td>
<td>881.08</td>
</tr>
<tr>
<td>March</td>
<td>931.59</td>
<td>840.92</td>
</tr>
<tr>
<td>April</td>
<td>952.39</td>
<td>931.59</td>
</tr>
<tr>
<td>May</td>
<td>968.72</td>
<td>974.62</td>
</tr>
</tbody>
</table>
```

cyber hygiene for Government staff working from home, it is expected that cybercrimes are likely to increase as cybercriminals exploit the loopholes in the digital economy. Cyber criminals are likely to use well-crafted means to entice the innocent technology users fall to their tricks. Creating public awareness on cybercrime is critical during this time.

Energy services: Besides ICT, the Covid-19 pandemic has also significantly affected the energy sector, which is key in mitigating the impact of Covid-19 and ensuring rapid economic recovery. The government has acknowledged the energy sector as an essential service due to its critical role in powering healthcare facilities, industries, households, water supply for essential hygiene, and enabling communications and ICT services. Despite the central role of energy during the pandemic, the confinement measures have contributed to dampened production and demand for energy services, especially among the industrial and commercial consumers. According to the Kenya National Bureau of Statistics Economic Survey 2020, electricity production declined in April and May compared to the same period in 2019. The decline was mainly attributed to reduced electricity generation from the thermal sources as the sector records oversupply due to the reduced demand (Figure 17).

A similar trend of falling demand (Figure 18) was observed, with electricity consumption declining from 761.9 million KWh in March to 660.11 KWh in May. The reduced demand is attributed to reduced operations by the industrial and commercial consumers, who typically accounts for 70 per cent of units sold. According to the International Energy Agency (2020), projects that retail sales of electricity for the commercial and industrial sector will further decline in 2020 due to reduced business activities and cut-back on production in industries. However, there is a significant increase in domestic electricity demand as many people are spending more time at home.

International Energy Outlook (2020) indicates that, on average, countries in full lockdown register a decline of 25 per cent in energy demand per week, while those with a partial lockdown will decline by about 18 per cent per week. Reduction in demand is likely to negatively impact power companies’ technical activities and cash flows and the spillover effect on the entire energy sector. In particular, the changes in the national electricity demand profile may affect network equipment such as a substation, distribution transformers, and protection equipment. The directive not to disconnect electricity defaulters is likely to strain energy utilities due to shortfalls in expected revenues. However, the demand for renewable energy is expected to increase due to low operating costs as it is deemed the most resilient during the Covid-19 pandemic.

Access to clean cooking solutions is also central to universal clean energy access and critical at the Covid-19 pandemic. According to the Kenya Population and Housing Census (2019), about 74. 5 per cent of households rely on non-clean cooking energy sources. Overreliance on traditional biomass and other
non-clean energy sources is likely to expose most women and children to household air pollution that significantly increases their vulnerability to respiratory illnesses such as Covid-19 and pneumonia. Therefore, the zero rating of VAT on cooking gas for another year under the 2020 Finance Act will enable access to clean and affordable cooking energy during the Covid-19 pandemic, as many households have reduced disposable income.

The decline in the energy sector's growth amid the Covid-19 pandemic is likely to undermine energy's vital role in fighting against Covid-19. Therefore, the power utilities and stakeholders should ensure a balanced approach, which values economic growth, security and reliability, sustainability, and promotes stability in energy markets. The energy sector needs to promote access to clean cooking sources and technologies amid the pandemic, such as the pay-as-you-go model for LPG and biogas, which is critical in reducing the population's vulnerability to respiratory illnesses. The sector should fast track the implementation of planned off-grid projects to provide electricity access to vulnerable communities as renewable off-grid projects have low operating costs and preferential areas far from the grid.

**Housing:** As socio-economic implications of the Covid-19 pandemic are still unfolding, the economic outlook for the housing construction and rental markets remains bleak. Investors will be unable to meet short-term loan interest obligations while the tenants will be unable to meet rent obligations. In urban areas, with high residential densities and limited access to basic amenities such as water and sanitation, the efficacy of cost-effective measures of constraining the spread of Covid-19 such as stay home, hand washing, physical distancing, self-isolation or self-quarantine remains a challenge. The multiplier effect of the housing sector throughout the economy is significant. Therefore, the sector performance is key in ensuring resilience. The sector's social-economic significance necessitates its centrality in response measures to Covid-19 and the post-Covid-19 era.

So far, the Government has put in place measures that protect the housing sector. For instance, the Pandemic Response and Management Bill, 2020 proposes that in the event of a pandemic that constrains the financial capacity of a tenant to meet the contractual obligations, tenants can submit a notice to the landlord or contracting party seeking a freeze on rent payment to later settlement once the effects of the pandemic

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**Figure 18: Electricity consumption**

<table>
<thead>
<tr>
<th>Month</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>778.12</td>
<td>691.32</td>
</tr>
<tr>
<td>February</td>
<td>740.48</td>
<td>752.26</td>
</tr>
<tr>
<td>March</td>
<td>761.9</td>
<td>736.38</td>
</tr>
<tr>
<td>April</td>
<td>645.29</td>
<td>660.11</td>
</tr>
<tr>
<td>May</td>
<td>772.37</td>
<td>740.48</td>
</tr>
</tbody>
</table>

Survey on Socio-Economic Impact of Covid-19 on Households

Report by the KNBS identified that 30.5 per cent of households were unable to meet rental obligations in April 2020, with 52.9 per cent citing reduced earnings/income as the main reason for the households’ inability to pay rent. With Covid-19 response measures such as curfews and lock downs, it is inherent that many tenants face job and income loss that would constrain their ability to pay house rent. While there has been positive support from property owners - 8.7 per cent of the households had received rent waiver/relief in the month of April, there are media reports on cases of evictions of tenants, suspension of amenities such as water and electricity supply, thus making houses inhabitable.

The rental market is bound to see lower market rents, higher vacancy rates while stimulating a scarcity of mortgage credit. The lockdown measures have constrained the demand of housing units and the production of affordable housing units. In consideration of the disruptions brought about by Covid-19, financiers have instituted debt relief measures to the real investors and mortgage holders. The Shelter Afrique restructured deferred debt repayments to January 2021 for seven Kenyan real estate developers in Kenya while StanChart offered its clients a 3-month moratorium on mortgage repayments.

The housing and living conditions in urban areas across all the 47 counties will need special attention in the endeavour to contain the spread of the virus and recover from the socio-economic effects. In addition, there is need for the Government to fast-track expedition of the Affordable Housing Programme, which will see up to 500,000 households’ access affordable and decent housing by 2022. The Government could pursue policies and regulations that promote building denser and taller residential buildings to ensure the maximization of the limited land in urban areas. Such measures would ensure the availability of a resilient housing infrastructure that provides a sense of security during shocks.

Water services: Access to water is a basic human right, thus its access should be protected and guaranteed by Government. Covid-19 has reemphasized that water is important in observing basic hygiene, which affirms the need for 100 per cent access to...
water. The urban poor are more vulnerable to Covid-19 since access to water is relatively poor to the urban rich. The measures that have been undertaken, such as increase in water points in various businesses and public places, campaigns for washing hands and surfaces, and innovations on water dispensers using readily and locally available materials have all played a preventive role in taming the spread of the corona virus. These initiatives should not stop with Covid-19, but rather continue together with a continued campaign on basic hygiene of washing hands and surfaces.

Going forward, access to water should be scaled up by increasing infrastructure networks across the country, increasing home connections, increasing water kiosks in slums, increasing permanent water points in public places such as markets, recreation areas, hospitals and schools.

The private sector should be encouraged and by extension required to have water points. Innovations on water dispensers, which emerged during the crisis should be scaled up for mass production which will also reduce their costs due to economies of scale.

Transport services: Transport is a key enabler of socio-economic activity, facilitating the movement of people and exchange of goods and services across space and time. As a derived demand, the transport sector has been directly affected by measures implemented in response to the threat posed by Covid-19. The air transport sub-sector was affected by the suspension of international passenger flights on 25th March 2020. In rail cargo transport, the Government of Kenya announced that as from 1st June 2020, all cargo between Kenya, Uganda and South Sudan would go through the Standard Gauge Railway (SGR). This was to mitigate the challenges experienced by long distance road cargo truck transporters at the border points between Kenya and Uganda and mitigating the congestion and screening constraints. Indeed, Busia County has been ranked as the third highest county reporting 479 positive Covid-19 cases (in early July 2020), which has been primarily attributed to long distance truck drivers. The Port of Mombasa was designated as an essential service and the Kenya Ports Authority (KPA) effected mass testing of staff and hygiene measures in response, and issuing detailed procedures for vessels such as pre-arrival reporting and submission of compulsory maritime declaration of health forms to port health officials. Passenger services between Nairobi and Mombasa were also suspended on account of cessation of movement orders.

Focusing on the road transport sub-sector, the Government implemented Covid-19 guidelines directing public transport operators to observe social distancing. This was to be achieved through reduction of passenger occupancy by approximately 50 per cent; for instance, 14-seater matatus
were directed to carry eight passengers, and those with a 25-seater capacity to reduce to 15 passengers. The cessation of movement into and out of Nairobi, Mombasa and Mandera, and the curfew measures implemented by the National Government further affected the operations of the matatu sector by disrupting key markets for long distance passenger services. The key issues that have arisen as a result of these measures include enforcing compliance by the passengers and operators, increase in transport costs and constraints to travel by the public. Public Service Vehicles (PSV matatus and bus) are a dominant mode of transport for people traveling, with a national average of 25.5 per cent compared to motorcycle taxi (boda boda) at 18.9 per cent and walking 32.2 per cent. Therefore, the measures are deemed to affect the travel options for majority of commuters. This is manifest in the increase in the cost of transport with a national average increase of 51.7 per cent. Compliance and enforcement of the COVID-19 mitigation guidelines has been difficult given the informal nature of operators, high demand and constrained supply. Further, implementing the hand hygiene, facemask shielding, and physical distancing has proven to be a challenge, including the physical handing of cash payment of fares.

With the planned re-opening of the economy vis à vis the Covid-19 infection rate in the country, there is need for enhanced protocols to mitigate the risk of virus transmission through public transport. Strategies in mitigation include enhanced promotion of non-motorized transport by providing infrastructure and public sensitization, change in PSV vehicle design standards on seating space, ventilation and hygiene, and a shift towards tele-commuting and e-commerce. There is scope for contact tracing of long distance (inter-county) passengers through registration of personal contact details of travelers during booking for effective monitoring and containment of the disease spread. The Government announced a Ksh 5 billion stimulus programme on 23rd May 2020 to rehabilitate roads, rehabilitate access roads, footbridges and other public infrastructure using local labour and local materials. This is expected to create jobs and support local micro and small business enterprises as a response to the pandemic.
The outbreak of Covid-19, which has infected 7 million people and caused 404,396 deaths globally as of 9th June 2020, according to the World Health Organization, has had many implications to nearly every sector of the economy, due to measures that have been put in place by governments and health organizations. The measures aim to contain the spread of the virus, and include social distancing, and restricted movement of persons and goods that have been commonly applied have interrupted supply chains thus affecting many economies.

Security is very important to the attainment of national development goals and the role of the Government is to safeguard national, regional and international peace. Insecurity is a challenge in Kenya due to its strategic location along the East Coast of Africa, making it a gateway to East Africa. Kenya’s vibrant economy also makes it attractive for trade. Moreover, its long porous with Somalia border, and political instability among its neighbours makes Kenya to bear the burden of insecurity when the effects of conflicts spill over. This provides opportunities for criminals to infiltrate into the country.

**Covid-19 Measures and their Implication on Security**

Some of the measures adopted by the Kenyan Government to mitigate the spread and treatment of Covid-19 are: imposition of the of 7pm – 5am national wide curfew, closure of Kenya’s borders, and restricted movements in and outside of Nairobi, Mombasa and Kilifi counties. These measures have an impact on security, both negatively and positively.
Reduced Organized crimes

The positive impact of closed borders is likely to lead to reduced international organized crimes (illegal activities, conducted by groups or networks acting in concert, by engaging in violence, corruption or related activities to obtain, directly or indirectly, a financial or material benefit carried locally and transnationally) such as trade in contrabands, drug trafficking, human trafficking, and illegal immigrants, violent extremism, and poaching. Nearly all crimes depend on a conducive environment such as open borders and transport networks to operate in.

According to the Organized Crime Index Africa 2019, Kenya ranks among top countries with high criminality index and low resilient score, meaning that Kenya provides the criminal market and has low level of preparedness to fight organized crime in terms of established legal, judicial and political frameworks. Based on the International Narcotics Control Strategy Report 2020 published by the Bureau for International Narcotics and Law Enforcement Affairs, Kenya is also a top transit point and destination for illicit drugs. Drugs such as heroine and cocaine are mostly shipped in across the Indian ocean through the port of Mombasa, and some through direct flights from South America to Ethiopia then land transport to Kenya. Covid-19 has necessitated closure of the country’s border points and close vigilant of cargos coming into the country, which has disrupted the drug supply chain, meaning that minimal illicit drug into the Kenyan market will be recorded during the period of Covid-19 containment measures period.

Human Trafficking

Closure of borders and a ban on air transport, and reduced economies in many parts of the world is also likely to lead to reduced crimes of human trafficking and smuggling. International Organization for Migration (IOM) estimates that close to 20,000 Somalis and Ethiopians are smuggled yearly from the horn of Africa to South Africa, passing through Kenya which is a major transit point mostly coordinated by local criminal networks. The rising unemployment in the county has for long made many Kenyan youths vulnerable to human trafficking, mostly trafficked for forced labour to work as semi-skilled or unskilled in-service industries, construction sites, women and children mostly trafficked for forced labour and prostitution. Political and economic instability in some of the East African countries and in the region leads to influx of illegal immigrants to Kenya in search for economic opportunities. This is also facilitated by criminal networks. Closure of borders and vigilance on activities around borders are likely to reduce immigrants sneaking into the country.

Contraband trade

Another type of criminal activity affected by closed borders is contraband and counterfeit trade. Kenya is the biggest market for counterfeits and contrabands in East Africa, mostly sourced from China and India, and making Kenyan local manufacturers to lose close to Ksh 40 billion per year on counterfeits and substandard goods, according to the Kenya Association of Manufacturers. Criminal networks with Al-Shabaab links take advantage of instability in Somalia and collusion with the Kenyan security forces along the Kenya Somali border to sneak the goods into Kenya. Another major entry point for contrabands have been through the port of Mombasa, mostly destined to other East African countries but ends up being diverted to the local markets or are sneaked back into the Kenyan market through the borders. Closure of factories in China and vigilance along the border points

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due to Covid-19 may likely lead to reduced flow of counterfeits and contrabands.

**Increased local crimes**

The national-wide 7pm to 5am curfew has led to reduced economic activities, which has rendered many jobless or with reduced incomes. Cities and towns, which are often epicentres of crime, have been deserted for a while with businesses and learning institutions closed, and most people confined to working from home. This could give room to criminals to come up with new forms of crime through diversification of their activities alongside the existing criminal markets.

**Cyber crimes**

Many businesses and individuals are working online, which makes them vulnerable to online crime, Children also become victims of cyberbullying as they take their studies online. Individuals and criminal networks could capitalize on the e-commerce to sell illegal products, banned substances and online sex. The criminals are also likely to take advantage of the public health situation by impersonating as law enforcement officers and health officials with intention to con people. Others may infringe trade laws by producing and selling Personal Protective Equipment’s (PPE) and other health products as many people try to make a living. With reduced businesses and incomes, business and individuals may turn to informal financial lending institutions to get loans, where loans may be given at a higher interest than the recommended market rates which is also a form of crime (loan shaking).

**Domestic violence**

Reduced incomes could result to increased stress levels among families, especially in scenarios where the main provider has lost a job. Higher levels of stress may lead to indulgent in crimes, especially domestic and gender-based violence since a larger portion of people are confined at home. Statistics have indicated that most violence such as homicide, domestic violence, sexual, physical, emotional abuse and neglect or coercive abuse happens within the home environment. Covid-19 pandemic and government measures to curb it could worsen the situation.

**Human Rights Violations**

Increased bribery among the police and citizens have been witnessed during the Covid-19 period. Police have been accused of receiving bribes to allow citizens to break government guidelines on prevention of Covid-19. In some instances, there has been reported case of police brutality on citizens who fail to comply with the national wide curfew, which has led to loss of lives. 10 days after the imposition of curfew on 27th March 2020, ten (10) persons were reported dead as a result of police brutality while 31 others were injured as a result of gross violation of human rights. There has also been reported violation of human rights in quarantine centres, such as us holding crowds of people for long at the airport on arrival from other destinations without social distancing, masks and sanitizers and poor quarantine facilities without water, beddings, food and cleaning supplies. Some citizens have been held in quarantine facilities for longer than 14 days even after testing negative.

The effects of the Covid-19 in the long run may make many people plunge into other crimes such as child forced labour in the agriculture sector, trafficking of women and children to work as prostitutes and the sex tourism industry persons, illicit brewing, logging to cushion them from poverty, thus reversing the gains made in eradicating these types of crimes. This calls for quick interventions from the government and other stakeholders to come up with ways to mitigate the effects.

**Conclusions and Recommendations**

Closure of entry points as one of the interventions to curb the spread of Covid-19 pandemic may have presented an opportunity for the Kenyan Government to seal opportunities of organized crimes. Therefore, security agencies may plan to roll out activities to strengthen the control of organized crimes and other crimes. Increased social protection to vulnerable groups is necessary to prevent individuals from indulging in crime due to socio-economic effects of Covid-19, such as loss of income. Additionally, law enforcement agencies should ensure civil liberties, freedoms and rights are enjoyed by individuals during this time of emergencies.
Implications of Containment Measures Against Covid-19 on Kenya’s Trade and Regional Diplomacy

By Paul Odhiambo

The Government of Kenya rolled out various protocols for the containment of coronavirus following the first reported case of Covid-19 in the country on March 13. The preventive measures were essentially informed by the need to protect citizens and foreign nationals residing in the country from Covid-19 infections. As a member state of the World Health Organization (WHO), Kenya has also integrated the WHO guidelines in its Covid-19 response strategies. In Africa, regional economic communities (RECs) including the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA), Southern Africa Development Community (SADC), Economic Community of West African States (ECOWAS) and Intergovernmental Authority on Development (IGAD), among others, have also developed containment measures and Covid-19 response guidelines not only to facilitate trade across international borders, but also to supplement national governments’ efforts in the fight against the global Covid-19 crisis.
Significance of Trade to Kenya’s Economy

Trade plays an important role in Kenya’s growth and development through its linkages with almost all sectors of the economy. As a result, trade contributes to employment creation, income generation, poverty reduction, economic growth and development. Trade also provides Micro, Small and Medium Enterprises (MSMEs) with opportunities to access more favourable prices in the domestic, regional and international markets. Domestic trade largely comprises wholesale and retail trade. While domestic trade contributes enormously to economic growth and development, it is mainly characterized by informality especially in the retail sector. Kenya’s regional trade encompasses trade relations with regional states through bilateral and Regional Trade Agreements (RTAs). Currently, Kenya’s major trade partners in Africa are found within EAC and COMESA economic blocs. Trade is one of the sectors of the economy that have been adversely affected directly or indirectly by the containment measures. Both formal and informal trade accounts for approximately 10% of GDP and 10% of formal employment in Kenya. Therefore, the outbreak of coronavirus and subsequent restriction measures and protocols to curb it have adversely affected trade.

National Containment Measures

The containment measures to combat the spread of the Covid-19 in Kenya are being undertaken on an incremental basis. Some of the restriction measures imposed in the aftermath of the first Covid-19 case in the country include closure of learning institutions; suspension of travel of all persons coming into Kenya from any country with reported Covid-19 cases; Kenyan citizens and foreign nationals with valid residence permits entering the country were required to self-quarantine or go to a government-designated quarantine facility; suspension of domestic and international flights; promotion of cashless transactions such as mobile money and credit cards; a raft of social and physical distance guidelines in public spaces; avoidance of crowded gatherings; restricted operations or total closure of markets in the counties; limitation of the number of commuters in public service vehicles; work from home where possible; ban on social gatherings such as sports, weddings; closure of places of worship; implementation of health and hygiene measures including fumigation of public spaces; regular hand washing with soap, use of hand sanitizers; restrictions on operation of restaurants and eateries to take away services; encouragement of institutions to use technology for meetings and mandatory wearing of face masks in public spaces. County governments have also implemented containment measures in their respective jurisdictions.

In addition, the Government imposed nationwide curfew from dusk (7.00pm) to dawn (5.00am) on March 28; cessation of movements into and out of Nairobi Metropolitan Area from April 6; cessation of movement into and out of Mombasa, Kwale and Kilifi counties beginning from April 8; and cessation of movement into and out of Mandera county which commenced on April 22. On the other hand, Eastleigh (Nairobi County) and Old Town (Mombasa County) were put under partial lockdowns due to rising Covid-19 cases. The surging Covid-19 cases at border points led to the closures of Kenya’s borders with Tanzania and Somalia on May 16. The entry and exit points increasingly emerged as new health risk areas due to many truck drivers testing positive. While cargo is exempted from border restrictions, the drivers
and crew must undergo mandatory Covid-19 tests.

During President Kenyatta’s eighth address on coronavirus pandemic on June 6, he pronounced relaxation of some restriction measures in a few sectors. Similarly, the cessation of movements into and out of Kwale and Kilifi counties and partial lockdowns in Eastleigh and Old Town (Mombasa) were lifted. However, nationwide curfew was extended for 30 days but the number of curfew hours reduced starting from 9.00pm to 4.00am. The ministries of Education and Health were directed to develop guidelines on gradual and progressive return to normalcy in the education sector. Similarly, ministries of Interior and Health were directed to form an Inter-Faith Council to work out modalities for reopening places of worship. The Ministry of Transport was to engage stakeholders to develop protocols to guide the resumption of air travel.

On the advice of the National Security Council and the National Emergency Response Committee on Coronavirus and wide consultation with critical stakeholders, the President pronounced certain measures on July 6 to reopen the economy. The cessation of movement into and out of Nairobi Metropolitan Area, Mombasa and Mandera counties lapsed at 4.00am on Tuesday July 7. Local air travel was to resume on July 15 but in strict conformity with the guidelines and protocols issued by the Ministry of Health. Likewise, international flights were to resume on August 1, 2020 in strict conformity with protocols from the Ministry of Health and local and international civil aviation authorities and any other additional requirements applicable at the ports of departure, arrival or transit. The President also directed the ministries of Health and trade to establish protocols before the resumption of importation of second-hand clothes and shoes. Places of worship were to be opened under strict guidelines recommended by the Inter-Faith Council. Nonetheless, the nationwide curfew was to be enforced from 9.00 pm to 4.00 am and restrictions on social gathering were extended for another 30 days.

EAC Containment and Preventive Measures

In the aftermath of the first reported cases in the region, the EAC partner States developed EAC Administrative Guidelines to Facilitate Movement of Goods and Services during the Covid-19 Pandemic and EAC Covid-19 Response Plan. The objectives of the EAC Administrative Guidelines are to complement national measures against the Covid-19 pandemic; to ensure smooth and uninterrupted movement of goods and services during the Covid-19 pandemic; to encourage local production of essential products; to enhance regional awareness on measures instituted against the Covid-19 pandemic; and to mitigate the negative impact of Covid-19 on the movement of goods and services.

According to the EAC Administrative Guidelines, trade facilitation is key for the region during the Covid-19 pandemic. The EAC partner States are expected to continue facilitating the movement of goods and services across the region. Moreover, EAC partner States are expected to provide access at all designated points of entry and exit of goods. The partner States should also provide for adequate personnel at designated points while treating cross border movement of trucks and cargo as essential services. The enforcement of mandatory screening and testing of truck drivers and crew at border posts is essential in curbing the spread of coronavirus across regional states. Truck drivers and crew who test positive should be treated in the host country where the test is undertaken. Partner States are expected to waive fees, storage and handling charges and warehouse rents at port or border points. The regional states are also expected to continuously share information on the Covid-19 among themselves and with the EAC Secretariat.

The EAC Covid-19 Response Plan is intended to support and coordinate regional response. Specifically, the Response Plan has the following objectives: to ensure a joint and well-coordinated mechanism to fight the coronavirus pandemic in the region; facilitate the movement of goods and services; minimize the number of people who become infected
or sick with the Covid-19; minimize morbidity and mortality from the Covid-19 pandemic; reduce the burden on health systems of EAC partner States; ensure the region has timely access to medical therapeutics to effectively manage Covid-19; and facilitate harmonized and a coherent implementation of priority activities critical in recovery process. The goal of the Response Plan is to prevent and contain the spread of coronavirus across international borders and to ensure that there is seamless movement of goods and services within the region.

To mitigate the effects of Covid-19 pandemic in the region, the EAC partner States are urged to prioritize essential goods including food, fuel, medicaments, agricultural produce and inputs, security supplies, emergency and humanitarian relief goods. The partner States have also been directed to promote local production of the items (medicaments, sanitizers, personal protective gear and ventilators) needed to contain Covid-19 pandemic. The partner States are urged to explore means to support Micro, Small and Medium Enterprises (MSMEs) to remain in business and expand as a foundation for post-Covid-19 recovery process. When the EAC Heads of State met through video conference in May 2020, they noted that the region’s key economic sectors such as agriculture, trade, manufacturing, tourism, hospitality and entertainment were experiencing slowdown due to the Covid-19 pandemic. Consequently, they urged the partner States to prioritize regional value/supply chains by supporting local production of essential medical products and supplies.

Effects of Containment Measures on Domestic Trade

The stringent containment measures deployed by the national government, county governments and the EAC bloc have had ramification on both domestic and regional trade. Trade has adversely been affected due to disruption of supply chains, cessation of movements, work from home, social distancing directives, implementation of hygiene measures and limitations of movement across the borders. The closure of open-air markets in the counties and Covid-19 safety guidelines in other businesses in operation have had considerable effects on domestic trade. Implementation of hygiene measures such as providing water and soap for hand washing and sanitizers have increased the cost of doing business. The relocation of markets to less populated areas by county officials has unfavourably affected small traders as they argue that new places of business operation are not easily accessible by prospective buyers. When curfew took effect on March 28, traders decried less hours of operations as they had to get home before 7.00pm. Nevertheless, there was a ray of hope for traders with reduced curfew time and lifting of cessation into and out of Eastleigh and Mombasa Old Town area on June 7.

Social distancing and reduced operating hours have led to lower human traffic in shopping malls and supermarket outlets across the country as they were directed to determine the number of shoppers based on the size of their premises. Further, the supermarkets and shopping malls were directed to institute a queue management system to manage crowds outside their premises. The businesses have also to effect various sanitization measures, including disinfection of facilities several times daily, providing soap and running water and hand sanitizers at the entrance. Though licensed supermarkets, minimarkets and hypermarkets are listed as essential service providers, they cannot operate beyond 9.00pm as most of their customers are prohibited from movement outside their residences during the curfew hours.

The protocols on operation of restaurants and eateries led to decline in number of patrons, especially in late March and April as they were permitted only to offer take away and home delivery services. As a result, many operators of restaurants and eateries opted to close their businesses. In late April, restaurants and eateries were allowed to reopen but only after meeting the requisite standards of hygiene and safety, among them: testing of their workers for the Covid-19, applying for a clearance certificate, having thermal thermometers at the entrance, and ensuring a distance of at least one metre between patrons. However, owners
of restaurants and eateries have decried the cost of implementing containment and hygiene measures as outlined in Guidelines for Food Business Operations (FBOs).

Since the country’s food distribution systems are largely informal, containment measures have affected traders engaged in the food supply chains, including farmers, mama mbogas, hawkers and distributors. The cost of delivering agricultural produce to the market has increased due to movement restrictions and hygiene measures.

Effects of Containment on EAC Trade and Regional Diplomacy

The Covid-19 pandemic has significantly affected cross-border trade in the EAC region due to stringent measures employed by the EAC partner States individually and jointly to contain the spread of the coronavirus. While ideally the region has come up with EAC Administrative Guidelines and regional Covid-19 Response Plan, the implementation has varied from one border point to the other. In some cases, partner States’ procedures at exit and entry points seem to deviate from the spirit of the jointly agreed protocols. Uganda and Rwanda swiftly closed their international borders immediately the first Covid-19 cases were reported in EAC. But the two East African countries allowed transportation of freight traffic across borders if truck drivers and crew adhered to health and hygiene measures, including screening and testing for Covid-19. However, Uganda and Rwanda’s proposal of swapping cargo at border points was rejected by Kenya truck drivers and their associations who feared that the cargo could be damaged or get lost on transit.

Due to rising new cases at the border points of Namanga and Isebania, Kenya closed its border with Tanzania and Somalia (non-EAC partner State) on May 16. Though tight border control measures exempt cargo transport across the borders in the region, it has slowed down regional trade due to delays at the border points. The closure of borders has also heightened mistrust and misinterpretation between EAC partner States. For instance, when Kenya shut it borders with Tanzania, it was misunderstood to mean that Tanzanian trucks had been banned from entering Kenya. The ensuing diplomatic spat was resolved through the intervention by the Heads of State of the neighbouring countries and subsequent protocols negotiated by high level government officials from both sides. There have also been standoffs at Malaba border (Busia County) for several weeks due to delayed testing and restrictions of truck drivers to cross the border points with their cargo. The border containment measures have disrupted the steady supply of staple foods into Kenya from Uganda and Tanzania. Stricter sanitary border controls on the transport of agricultural produce and food stuff are increasingly slowing down intra-EAC trade. Health check delays at border points and curfews directives are also leading to waste and loss of products. Moreover, delays in clearance of goods has contributed to slower trade between EAC countries.

The unity of the EAC bloc has also been tested on several fronts, especially with regard to the treatment of long-distance truck drivers. The issue of deportation of truck drivers to their country of origin was rampant when truck drivers were viewed as a weak link in the fight
against the spread of the virus in the region. Cases of testing truck drivers at the borders and sending back those who tested positive has also been a source of tension among partner States. It is important to note that any form of repatriations could be seen to go against the WHO guidelines. Similarly, the directives that all goods from the Port of Mombasa destined to neighbouring countries would be transported by the Standard Gauge Railway (SGR) to the Naivasha Inland Container Depot (ICD) from where truck drivers from regional countries would pick their cargo was objected by Uganda on the grounds that the use of ICD should be optional. Disagreements on how to deal with truck drivers who test positive in country on transit and unresolved ICD issue have tested also joint Covid-19 safety guidelines, regional cooperation and integration, and diplomatic relations of EAC partner States.

The containment measures have affected small traders who buy and sell their goods at across borders. Specifically, informal traders have been adversely affected by the restriction measures leading to many residents of border towns losing their source of livelihoods. Informal traders are more vulnerable to coronavirus infections, hence the need for the traders to be prioritized in the recovery process. Small and medium-sized companies that rely on cross-border trade are increasingly threatened by the Customs clearance delays and restriction measures.

Conclusion

The containment measures and directives to curb the spread of coronavirus have considerably affected Kenya’s trade sector. It is important that the Government develops measures that could mitigate adverse effects of Covid-19 on the sector and enable traders to enhance their resilience during the coronavirus adversity. Similarly, pragmatic recovery strategy is critical in post-Covid-19 to enable the sector to bounce back. The two levels of government need to identify affected traders, especially those engaged in informal sector with the support of traders’ associations. This will enable the Government to come up with appropriate intervention measures that are tailored to the needs of the small traders and other MSMEs. The county governments should upscale the modernization of markets in their respective jurisdictions and ensure that small traders have adequate spaces for business and are able to access affordable credit. The sub-national governments should continuously invest in hygiene and sanitization measures in markets across the country.

Kenya should intensively engage EAC partner States in ensuring that the EAC Administrative Guidelines, regional Covid-19 Response Plan and other commitments jointly agreed upon by Heads of States and various ministries in charge of implementation of containment measures are effectively implemented. All efforts should ensure that there is seamless movement of goods and services across the borders as the partner States upscale appropriate measures that guarantee public health. Lastly, Kenya should develop a regional foreign policy that not only promotes and protects its national interests in the region but also caters for the needs and concerns of neighbouring states, especially on trade, investment and technical cooperation. Such a policy could have a mechanism for handling mutual fears and mistrust between regional states.
A. ACTS OF PARLIAMENT

1. *The Business Laws (Amendment) Act No. 1 of 2020* was assented to by the President of Kenya H.E. Uhuru Kenyatta on 18th March 2020. This Act makes amendments to various statutes to facilitate the ease of doing business in Kenya. The Acts amended include: the Law of Contract Act (Cap. 23), the Industrial Training Act (Cap. 237), the Registration of Documents Act (Cap. 285), the Survey Act (Cap. 299), the Income Tax Act (Cap. 470), the Stamp Duty Act (Cap. 480), the Kenya Information and Communications Act (No. 2 of 1998), the Occupational Safety and Health Act, 2007 (No. 15 of 2007), the National Construction Authority Act, 2011 (No. 41 of 2011), the Land Registration Act, 2012 (No. 3 of 2012), the Public Finance Management Act, 2012 (No. 18 of 2012), the Business Registration Service Act, 2015 (No. 15 of 2015) and the Companies Act, 2015 (No. 17 of 2015).

Key amendments include:

- Amendments to the **Law of Contract Act** to provide for use of advanced electronic signatures.

- The **Registration of Documents Act** has been amended to allow the Register in the Registry of Documents to be kept in electronic form. The Registries, located in Nairobi and Mombasa, may now be digitized. The Registration of Documents Act has further been amended to permit use of electronic signatures and advanced electronic signatures in execution of documents, and electronic filing of documents at the Registry of Documents.

- **The Stamp Duty Act** has been amended to allow documents to be stamped by marks embossed or impressed by electronic means.

- **The Survey Act** has been amended to enable: the use of electronic signatures and advanced electronic signatures; electronic processing of the seal of Survey of Kenya; electronic processing of documents including plans; surveyors to submit documents to the Director of Survey electronically; and electronic authentication of documents by the Director of Survey.

- **The Land Registration Act** has also been amended to provide for use of electronic signatures and advanced electronic signatures. Moreover, the Land Registration Act permits electronic processing of instruments relating to land. As such, instruments relating to land may be processed electronically and executed electronically. The Act has also done away with the need to obtain
land rent and land rates clearance certificates before dealing in land or effecting registration of instruments.

- **The Kenya Information and Communication Act** has been amended to permit the use of electronic signatures in executing title documents. The Act has amended the Companies Act to provide that companies no longer require a company seal. Contracts entered into by companies may be executed by the directors, the company secretary or a person holding a power of attorney.

- The Act amends the **Occupational Safety and Health Act** to stipulate that workplaces with less than 100 employees are no longer required to register and obtain a certificate of registration from the National Council for Occupational Safety and Health for the first twelve months from the date of registration of the business. In effect, such workplaces will not be required to pay the requisite fees for the first year of business.

- The **National Construction Authority Act** has been amended to provide for enforcement of the prescribed Building Codes; mandatory inspections to be undertaken by the National Construction Authority; Additional powers to the board of the NCA to appoint investigation officers to conduct investigations; and creation of an offence for failure to comply with an order given by an investigating officer which is punishable by a fine of Ksh 1 million or an imprisonment term of 3 years or both.

2. **The Division of Revenue Act, No. 3 of 2020** was assented to by the President of Kenya H.E. Uhuru Kenyatta on 25th April 2020. The Act provides for the equitable division of revenue raised nationally between the national and county governments in 2020/21 financial year with the equitable share amounting to Ksh 316,500,000,000 and total allocations to County Governments amounting to Ksh 369,868,613,135.

3. **The Supplementary Appropriation Act, 2020 No. 4 of 2020** was assented to by the President of Kenya H.E. Uhuru Kenyatta on 30th April 2020. It is an Act of Parliament to authorize the issue of certain sums of money out of the Consolidated Fund and their application towards the service of the year ending on the 30th June 2020, and to appropriate those sums for certain public services and purposes. The Treasury may issue the sum of one hundred and seven billion, five hundred and four million, six hundred and forty-seven thousand, five hundred and twenty-five shillings (Ksh 107,504,647,525) out of the Consolidated Fund and apply it towards the supply granted for the service of the year ending on the 30th June, 2020.

4. **The Small Claims Court (Amendment) Act, 2020 No. 5 of 2020** was assented to by the President of Kenya H.E. Uhuru Kenyatta on 30th April 2020. The Act amends the Small Claims Court Act, 2016 (No. 2 of 2016). It enables the Small Claims Court to hear and determine expeditiously disputes involving small and medium sized businesses that do not exceed Ksh 1 million. The Act originally restricted the pecuniary jurisdiction of the Small Claims Court to Ksh 200,000. The Act empowers the Chief Justice, in consultation with the Council of the Law Society of Kenya to make orders prescribing and regulating the remuneration of advocates who appear before the Court.
B. NATIONAL ASSEMBLY BILLS

1. The Referendum Bill 2020 was gazetted for introduction into the National Assembly on 8th May 2020. The principal object of the Bill is to provide for the procedure of the approval of an amendment to the Constitution by a referendum, the conduct of a referendum, referendum petitions and consequential amendments to the Elections Act, No. 24 of 2011, which currently provide for the conduct of a referendum.

2. The Referendum (No. 2) Bill 2020 was gazetted for introduction into the National Assembly on 29th May 2020. The principal object of this Bill is to consolidate the law relating to conduct of referenda, to provide for a transparent and fair process to obtain a clear expression of the will of people, by establishing the procedures for the conduct of referenda, providing for the referendum committees and establishing a level playing field for the opposers and supporters of a referendum question, by providing for equal public funding and by limiting expenditure in a reasonable manner for the public good, to afford the people an opportunity to make decisions based on information from both points of view.

3. The Poverty Eradication Authority Bill 2020 was gazetted for introduction into the National Assembly on 22nd May 2020. The principal object of this Bill is to provide for an institutional framework that will promote and manage policies that combat poverty. The Bill provides for the establishment, composition, functions and powers of the Poverty Eradication Authority, which shall ensure the participation of all Kenyans in economic growth, coordinating national economic empowerment and poverty reduction agenda.

4. The National Aviation Management Bill 2020 was gazetted for introduction into the National Assembly on 15th June 2020. The Bill proposes for the establishment of the Kenya Aviation Corporation as a holding corporation and its Operating Entities including Operating Entity Subsidiaries.

5. The Mediation Bill 2020 was gazetted for introduction into the National Assembly on 15th June 2020. The Bill seeks to provide for the settlement of all civil disputes by mediation; to set out the principles applicable to mediation; to provide for the establishment of the Mediation Committee; to provide for the accreditation and registration of mediators; and recognition and enforcement of settlement agreements.
C. SENATE BILLS

The Pandemic Response and Management Bill 2020 was gazetted for introduction into the Senate on 17th April 2020. The principal object of this Bill is to provide a framework for the effective response to and management of a pandemic in order to prevent the occurrence or spread of a pandemic whenever it arises. It also seeks to provide measures to mitigate against the effects of the pandemic and provide a mechanism to cushion those that may be adversely affected by the pandemic.

1. The Community Health Services Bill 2020 was gazetted for introduction into the Senate on 3rd April 2020. The principal object of this Bill is to provide a framework for the regulation of community health services and the recognition of community health workers. The First Schedule of the Health Act, 2017 recognizes Community Health Services at Level 1 as a function of the county governments. Community health services are instrumental in achieving preventive health care and ensuring access to health services in compliance with Article 43 of the Constitution.

2. The Investment Promotion (Amendment) Bill 2020 was gazetted for introduction into the Senate on 27th May 2020. This Bill seeks to amend the Investment Promotion Act (No. 6 of 2004) to ensure the participation of County Governments in the promotion of trade in the country. The Bill seeks to also include the participation of county governments in the formulation and implementation of policies and strategies formulated by the Kenya Investment Authority to attract investors, both foreign and local in the counties. Further, the Bill seeks to streamline the management of the Authority by outlining the specific qualifications for appointment of Board members and their tenure of office. The constitution of the office of the Managing Director has also been enhanced.
President Kenyatta Lauds Africa’s Response to Covid-19

President Uhuru Kenyatta has commended African countries’ concerted response to Covid-19, saying that the containment measures implemented in the continent have played a considerable role in slowing down the spread of the virus. The President was speaking at State House Nairobi on 4th July during a webinar on post-Covid-19 reconstruction organized by the African Chapter of the International Summit Council for Peace (ISCP-Africa). The SCP is an international network of current and former Heads of State and Government who use dialogue to address global challenges including climate change, conflict, poverty and corruption. The current Chair of the ISCP-Africa is former Nigerian President Goodluck Jonathan. President Kenyatta warned against complacency in Africa’s Covid-19 response saying, the pandemic is likely to get worse in coming months.

The 2020/2021 Budget

The National Treasury Cabinet Secretary, Ukur Yatani, presented the budget for financial year 2020/21 on 11th June 2020. The budget themed “Stimulating the economy to safeguard livelihoods, jobs, businesses and industrial recovery” could not be more appropriate at this time when governments globally, including Kenya, are balancing the needs of their citizens with demands of resource constraints and competing priorities. Further, it comes at a time when the Kenyan economy is confronted by the impact of desert locusts and floods that have caused deaths, displacement of people and destruction of property. As a result of the shocks, the Government projects that the economy will grow at a lower rate of 2.5% in 2020, down from 5.4% registered in 2019. Therefore, the budget focused on priority spending aimed at stimulating economic recovery. Specifically, it outlined eight-point economic stimulus package that include:
improving road infrastructure and urban renewal, improving education outcomes, enhancing liquidity for Micro, Small and Medium Enterprises (MSMEs), improving health outcomes, agriculture and food security, supporting tourism recovery, improving environment, water and sanitation, and supporting manufacturing. The projected government expenditures for 2020/21, excluding redemptions amounted to Ksh 2.79 trillion out of which the Treasury expects to collect Ksh 1.89 trillion from internal revenues including A-i-A. The Ksh 840.6 billion (7.5% of GDP) fiscal deficit is expected to be financed through Ksh 347.0 billion net external finances and Ksh 493.4 billion net domestic finances.

**Tuskys Claims Covid-19 Pandemic has Adversely Affected its Operations**

Tuskys supermarket is facing financial cash flow due to the impact of coronavirus pandemic as the retail chain is struggling in paying its suppliers. The retailer has blamed measures taken to contain the spread of Covid-19, such as social distancing and reduced operating hours for lower traffic in its stores across the country. While the Management of Tuskys had held discussion with the manufacturers (Kenya Association of Manufacturers (KAM)) and negotiated new payment structures, it has failed to honour the negotiated payment plan. While the retailer has maintained that it is committed to protecting the interests of its suppliers, observers are skeptical as it could go down like Nakumatt and Uchumi supermarkets. KAM is urging the Government to intervene to ensure that the retail chain pays the debt by clearly indicating the average payment periods and a detailed financial plan on its current financial measures. In April, the retail chain closed three branches in Nairobi, Mombasa and Kitale in what the Management by then said that the retailer was consolidating its businesses in spacious branches which would allow it to implement social distancing and personal hygiene measures better.

**Over Ksh 14 Billion to Boost Fish Farmers**

The Government in collaboration with other development partners secured Ksh 14.9 billion to promote the aquaculture sector in the country. The funds targeting farmers in at least 15 counties is intended to accelerate production in the aquaculture sector by economically empowering fish farmers to improve their returns and output to meet the demands of the domestic market. The initiative is intended to double the current per capita fish consumption in the country from the current 4.5 kg per person annually to over 10 kg per person by the year 2030. Speaking during the commissioning and handing over of vehicles for the project dubbed Aquaculture Business Development Programme (ABDP), Agriculture Cabinet Secretary, Peter Munya, pointed out that fish farmers will benefit from soft loans and other farm inputs. He further explained that the project presents great opportunities for over 35,500 households accounting to 213,000 beneficiaries who include smallholder aquaculture farmers, input suppliers, aggregators (Independent Aquaculture Aggregators), processors through Public-Private-Producer-Partnerships.
under the project include Nyeri, Meru, Kirinyaga, Embu, Tharaka Nithi, Kiambu, Kajiado and Machakos in the Central and Eastern region and Kakamega, Migori, Homa Bay, Busia, Kisii, Kisumu and Siaya in the Western Region.

Transfer of Nairobi County Functions to the National Government

Early in the month of June 2020, President Uhuru Kenyatta signed an Executive Order adding the newly formed Nairobi Metropolitan Service (NMS) to the Executive Office of the President (EOP). Executive Order No. 1 of 2020 lists the NMS director general under the EOP. The EOP is now officially tasked with implementation of the deed of transfer of functions executed between the National Government and Nairobi City County Government. However, the Executive Order was not well received by the Law Society of Kenya and the Chief Justice, noting that the Judicial Service Commission, being an independent office has its functions and powers assigned by the constitution and is not to be under the control of the President. The Executive Order assigns functions to government ministries and state department and other constitutional offices, independent offices, judiciary and the parliament. This Executive Order supersedes the Executive Order No 1 of 2018 (Revised).
EAC Yet to Harmonize Response to Covid-19 Pandemic Across Borders

The East African Community (EAC) partner States are yet to harmonize protocols at border points despite agreed Covid-19 containment measures outlined in the EAC Administrative Guidelines to facilitate Movement of Goods and Services during the Covid-19 Pandemic, EAC Covid-19 Response Plan and other joint measures agreed upon by the EAC summit and EAC Council of Ministers. The EAC Secretariat convened a joint meeting of Health Ministers responsible for East African Community affairs on 25th March 2020, a few days after first coronavirus cases were reported in the region. The key issues discussed include trade facilitation and movement of goods and services in the region, the need for a surveillance system to facilitate monitoring of the truck drivers and crew’s health and enable contact tracing, strengthening partner States’ capacity on surveillance and information sharing and establishing a link between national task forces to facilitate communication between partner States and between partner States and the EAC Secretariat for the Covid-19 response. While some countries have closed the borders for other travelers, the movement of goods and services has not been stopped. However, challenges are being experienced with regard to testing of truck drivers and its crew. It is critical that partner States take quick measures to resolve stand-offs at border points of entry and exit for smooth trade facilitation and ensuring that transport corridors do not become weak link in containing the spread of Covid-19 pandemic.

2020/21 Budgeting for East Africa Countries

East African countries, Kenya, Uganda, and Tanzania presented their budgets for 2020/21 on 11th June 2020, amounting to Ksh 2.79 trillion (US$ 26 billion), Ush 45 trillion (US$ 12 billion) and Tsh 34.88 trillion (US$ 15.09 billion), respectively. The budgets were presented at a time when countries are struggling with the effects of the Covid-19 pandemic. Like Kenya, Uganda and Tanzania expect lower economic growth rates in 2020 as a result of Covid-19 effects, the locust invasion and floods that have caused massive destruction of properties. Uganda’s economic growth is expected to be 3.1% as at the end of June 2020 compared to an average of 5.4% in the last four years. In Tanzania, growth is projected to slow down to 5.5% from an earlier projection of 6.9%. In the budget speech, the countries’ Finance Ministers outlined respective
governments’ priorities in the coming financial year. The Uganda’s government priorities in 2020/21, like Kenya, include: ensuring food security and good nutrition in light of Covid-19 pandemic, enhancing healthcare provision, ensuring access to safe water, sanitation and utilities, restoring household incomes and promoting job security, re-igniting business activities, and offering tax relief to both businesses and working communities to boost cashflows. The main priority for the Government of Tanzania in 2020/21 is to promote industrialization for economic transformation and human development. In that regard, their budget focused on: improving infrastructure (standard gauge railway, airports, ports), friendly-tax and financial policies, agriculture and climate change, industrialization and manufacturing, domestic funding of infrastructure projects, and enhancing research in medicine and virology to combat Covid-19.

**EAC Celebrates 10th Anniversary of Common Market**

The East African Community (EAC) in July 2020 celebrates a decade anniversary since EAC Common Market came into force on 1st July 2010. The Common Market provides for free movement of goods, persons, capital, labour and services; the right of establishment and the right of residence in EAC partner States. The six freedoms have eased cross-border trade and accelerated expansion of private businesses. The number of days from the Port of Mombasa to Kampala has reduced from 18 days to 4 days. Similarly, there are reduced days from Dar es Salaam to Kigali or from Mombasa to Kigali (Rwanda). The operationalization of One-Stop-Border-Posts has also resulted in significant reduction of border crossing time. Intra-regional trade has increased, and also regional integration in other sectors including education, health, security, investment, sports and regional tourism, among others.
African Free Trade Zone moved to January 2021

The commencement of trade under the African Continental Free Trade Agreement (AfCFTA) that had been scheduled for 1st July 2020 has been postponed to January 2021 due to the Covid-19 pandemic. The postponement was also due to pending negotiations such as rules of origin, the exchange of tariff concessions on trade of goods and services. The Secretary General of AfCFTA, Wankele Mene, noted that African countries are currently focussing on the containment of coronavirus in the continent. Moreover, more than 42 countries out of 55 countries are in stringent restrictions including full or partial lockdowns, curfews, containment measures hence the environment is not conducive in rolling out the free trade deal. The decision to postpone the implementation of the AfCFTA was made by the African Union Heads of State after wide consultations with the private sector and other stakeholders. The AfCFTA is expected to boost intra-African trade and investment. However, AU member States have been cautioned against engaging in third party trade agreements as such moves could undermine effective implementation of the AfCFTA.

Kenya and Dominica Establish Diplomatic Relations

Kenya and Dominica have established diplomatic relations. The latest development in the country’s diplomacy was witnessed by Kenya’s UN Permanent Representative Ambassador Lazarus Ombai Amayo and his Dominican counterpart Ms Loreen Ruth Bannis-Roberts who signed a joint communique on the establishment of the diplomatic relations in New York City, United States on July 1st. While Kenya’s relationships with Americas had been concentrated in North America, Nairobi has widened its diplomatic representation in Latin America in recent times with diplomatic missions in Brazil and Cuba. Kenya is increasingly expanding its diplomatic presence in the Caribbean region and South America.
America cuts relations with the World Health Organization

US President Donald Trump severed US’ relations with the World Health Organization (WHO) on Friday, 29th May, over its handling of the coronavirus. President Trump said that the WHO refused to act on reforms that Washington had recommended. In April 2020, the US leader suspended funding to the global health agency accusing the WHO of not doing enough to curb the spread of the virus and being lenient to China where the virus originated in December 2019. The withdrawal of Washington DC is seen as a big blow as it has been the biggest financial contributor to the WHO. Instead, the United States would redirect its money to other deserving urgent global public health needs. China has denied US claims. The Covid-19 pandemic has emerged as new arena of world politics and geopolitical rivalry of the world’s two largest economies.

Little Progress on Ethiopia-Egypt talks over River Nile Waters

The tripartite negotiations between Egypt, Ethiopia and Sudan stalled in February this year after Addis Ababa refused to sign a draft agreement prepared by the United States and the World Bank that had been facilitating negotiations for months since last year. Cairo has argued that the impact of water shortages in Egypt caused by the Grand Ethiopian Renaissance Dam (GERD) could be disastrous. Egypt contends that the construction of the GERD is ongoing without any studies on its socio-economic impact on the downstream riparian states and without environmental impact assessment. From Cairo’s perspective, the filling of the dam will lead to loss of million jobs, disappearance of thousands of hectares of arable land, salinization of cultivated land, dramatic increase of costs of imports and skyrocketing of urbanization as many people could leave rural areas for towns and cities, among others. Ethiopia has objected to the draft agreement arguing that it cannot be expected to provide mitigation measures if there is prolonged drought in Egypt. In May, Ethiopia announced that it would commence filling GERD in July 2020. It is yet to be seen whether the recent talks initiated by Sudan will defuse tensions.

Australian Rules Cut Horticulture Exports by 40 Per Cent

Horticulture exports from Kenya to Australia are likely to reduce by 40 per cent as the country failed to comply with zero-pest tolerance requirement. Australia, in October 2019, tightened its rules on exports of Kenyan roses, requiring the producing firms to comply with the zero-pest rule. However, in April, Liriomyza pest was found in one of the consignments from Kenya, raising alarm over the country’s compliance. This also led to enhanced surveillance on beans and vegetables from Kenya by the European Union to ensure compliance to pests and chemical residue levels. To address the issue, the Government of Kenya banned the use of two chemicals on farms and increased staff to ensure that exporters complied with the rules both on farms and at the point of exit.
The Council of Governors (COG) commissioned KIPPRA, as the consulting institution, to develop a County Covid-19 Socio-Economic Re-engineering and Recovery Strategy. This was in response to the Covid-19 pandemic with first case of the virus in Kenya reported on 13th March 2020. The scope of the study is to develop a comprehensive report with concrete proposals on county social economic recovery that will guide county governments in adapting and recovering from the impacts of Covid-19. It is necessitated by the need for a well-coordinated, demand-driven and county-specific needs-based response per sector.

KIPPRA in partnership with the AERC is undertaking a study on the Poverty Consequences of the Covid-19 epidemic – induced lockdowns and the fiscal costs of offsetting these consequences. Preliminary findings of the study were presented in a special session of the AERC biennial gathering in June. Unlike most studies that use macroeconomic projections, the research project is using detailed country-level household survey data to estimate the loss of income these lockdowns cause across the income distribution; the increase in poverty brought about by the income losses; and an estimate of the government expenditure that would be necessary to offset that increase in poverty. The results of this study are expected to be shared in policy forums in August 2020.

**CGE Project**

KIPPRA in partnership with the Joint Research Centre (JRC) of the European Commission’s science and knowledge service are preparing a technical report focusing on the short-term implications on the wider Kenyan economy of the Covid-19 lockdown by taking into account several impact channels (labour productivity, export demand and tourism, remittances, internal demand and internal trade costs). It considers the uncertainty of lockdown durations both domestically and abroad and incorporates the government fiscal and spending measures implemented through the Tax Laws (Amendment) Act, 2020, the Covid-19 Spending Plan and the Economic Stimulus Plan.
Validation and Dissemination Workshops

On 24th June 2020, the KIPPRA Young Professionals cohort for the year 2019/2020 held a virtual dissemination workshop of their research on youth employment in industries with and without smokestacks. The overall objective of the research was to assess the employment creation potential of smokestack and non-smokestack industries and the enabling environment for Kenya country case study to access the scope for selected value chains to generate large scale formal employment opportunities for young people in Kenya. The research work is part of a project commissioned by the Brookings Institution. Promoting youth employment in industries without smokestacks focused on: dairy; tea; fisheries; and cotton textile and apparel value chains. While for industries with smokestacks, the focus was on solar photovoltaic (PV), pharmaceutical and two- and three-wheeler motorized transport. KIPPRA will publish discussion papers and policy briefs to disseminate findings of the research, while taking into account the comments received from participants.

KIPPRA Staff trained on Kenya Sign Language to Mainstream Disability

In line with the National Values and Principles of Governance No. 9 Inclusiveness (Uhusishwaji), KIPPRA facilitated 11 staff to train in Kenya Sign Language (KSL) in a 7 weeks programme which commenced on 11th May 2020. The staff were drawn from all cadres and departments. The objective of the training is to embrace the deaf community and allow them to participate in KIPPRA activities. At the same time, the KIPPRA staff that learn KSL can embrace a new culture and community. Due to the Covid-19 pandemic, the classes were carried out virtually.

Networking and Partnerships

On 23rd June 2020, KIPPRA hosted a webinar by the Forum of Kenyan Think Tanks themed: Unlocking Covid-19 in Kenya: The Current and Future Realities and Potential for Think Tanks. The webinar was organized in realization by Think Tanks in Africa, and particularly in Kenya of the unexpected events brought on by the Corona pandemic among other development challenges. It was discussed that even before we had fully addressed the locust’s issue, there came Covid-19, among other systemic shocks. Yet despite harboring intellectual capital and capacity, the impact of Think Tanks is not being sufficiently felt. The webinar emphasized the need to trust think tanks, listen to them, and fund them adequately, while giving them relative independence to work. The lesson for think tanks was to consider problems in terms of their timeliness, relevance and responsibility. Think tanks were implored to re-strategize their actions and do the unthinkable or what has never been done before.
The 3rd KIPPRA Annual Regional Virtual Conference, 28th -30th July 2020

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) is organizing the 3rd KIPPRA Annual Regional Conference themed “Enhancing inclusivity through empowering persons with disabilities”. The conference offers a platform for stakeholders to engage in policy dialogue on pertinent public policy issues, with this year’s issue being inclusion of persons with disabilities (PWDs) in the development agenda. The conference is planned for 28th -30th July 2020 through a Virtual Platform and targets various stakeholders, including: national and county governments (ministries, departments and agencies); international and regional institutions; private sector; civil society and organizations mandated with disability issues; persons with disability; and other special interest groups, capacity building developers, policy makers, academia, among other sector players.
Creating an Enabling Environment for Inclusive Growth in Kenya

Kenya has made significant progress in poverty reduction in the last two decades, with poverty rate dropping from 52.3% in 1997/98 to 46.8% in 2005/06 and eventually to 36.1% in 2015/16. The rate of decline is, however, not commensurate with the growth in Gross Domestic Product (GDP), and income and consumption inequalities persist. Poverty levels are higher in rural areas, among the elderly and the youth. Employment growth has lagged GDP growth and while agriculture is the main employer, the sector faces low and declining productivity, which has implications on the welfare of those employed in the sector. Food constitutes the highest expenditure among the poor and, therefore, food-related inflationary pressures tend to push some of the poor to below the poverty line. While pro-poor expenditures have increased, the rising debt servicing costs threaten their sustainability.

Economic growth in Kenya has remained resilient, but the country still faces significant downside risks, including growing fiscal pressures coupled with narrowing fiscal space, outbreak of coronavirus pandemic, desert locust invasion, and weather uncertainty. Kenya also has opportunities to exploit.

This brief is based on the Kenya Economic Report (KER) 2020. The theme of the KER 2020 is "Creating an Enabling Environment for Inclusive Growth in Kenya". The theme was motivated by the Government’s quest for shared prosperity, as envisioned in the Kenya Vision 2030, the "Big Four" agenda and the Constitution of Kenya. The brief outlines policy options for the Government to promote inclusive economic growth and development in Kenya.

Other data sources included are the national and district-level Economic Surveys, Gross County Product and Statistical Abstracts.
ABOUT KIPPRÁ

The Kenya Institute for Public Policy Research and Analysis (KIPPRÁ) is an autonomous institute whose primary mission is to conduct public policy research leading to policy advice. KIPPRÁ’s mission is to produce consistently high-quality analysis of key issues of public policy and to contribute to the achievement of national long-term development objectives by positively influencing the decision making process. These goals are met through effective dissemination of recommendations resulting from analysis and by training policy analysts in the public and private sectors. KIPPRÁ therefore produces a body of well-researched and documented information on public policy, and in the process assists in formulating long-term strategic perspectives. KIPPRÁ serves as a centralized source from which the Government and the private sector may obtain information and advice on public policy issues.

KIPPRÁ acknowledges generous support from the Government of Kenya and the Think Tank Initiative (TTI) of IDRC. The TTI is a collaborative initiative of Hewlett Foundation, International Development Research Centre (IDRC) and other partners. Other organizations are welcome to contribute to KIPPRÁ research either as core support, or support to specific projects, by contacting the Executive Director, KIPPRÁ.

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