

# Policy Brief



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## Articulating the Pathways of the Socio-Economic Impact of the Coronavirus (COVID-19) Pandemic on the Kenyan Economy<sup>1</sup>

**Summary** - This policy brief assesses the possible vulnerabilities and impacts on Kenya of the COVID-19 pandemic. Although it is too early to predict the socio-economic impact of the COVID-19 pandemic on the Kenyan economy, this policy brief uses an adapted World Bank conceptual and methodological framework which was used to analyse the economic impact of the Ebola virus disease in West Africa 2014-2016 to identify the pathways of the COVID-19 pandemic impact on the economy, poverty and inequality, women and girls, refugees, internal displaced persons (IDPs) and migrants, education, food security and nutrition and governance and security. There has already been adverse effects of the COVID-19 pandemic on the several sectors of the economy in particular; tourism, agriculture, manufacturing and trade putting people's jobs and livelihoods at risk. The policy brief argues that considering the adverse socio-economic impacts of the COVID-19 pandemic on the health and livelihoods of families and communities, in particular the most vulnerable groups which will regress progress across the Sustainable Development Goals (SDGs), policymakers, should adopt a whole of government and society approach to lessen the adverse impacts.

### 1. Introduction

On 31<sup>st</sup> December 2019, the World Health Organization (WHO) was informed of a cluster of cases of pneumonia of unknown cause detected in Wuhan City, Hubei Province, Peoples' Republic of China. This was subsequently confirmed as an outbreak of a new type of coronavirus, 2019 novel Coronavirus (2019-nCoV) by the National Health Commission, Peoples' Republic of China and the WHO. As of 2<sup>nd</sup> April 2020, the Coronavirus Worldometer shows that the number of infected cases globally was 935,957 with recorded 47,245 deaths, and 194,298 recovered patients<sup>2</sup>. In Kenya, the number of infected cases is eighty one (81) with one (1) death and three (3) recovered patients.

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<sup>1</sup>This policy brief is an output of the Strategic Policy Advisory Unit (SPAU) in the UNDP Kenya Country Office and UNRCO in collaboration with FAO, UNICEF, UN Women, IOM, UNHCR, UN Habitat and UNESCO. This policy brief was prepared to stimulate policy debate on the socio-economic impact of the COVID-19 pandemic on Kenyan economy and to inform UN programming and Government of Kenya response to the pandemic.

The views expressed in this policy brief are those of the SPAU, and do not represent the views of UNDP, the respective UN agencies and United Nations or any of its affiliate organizations

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<sup>2</sup> <https://www.worldometers.info/coronavirus/#countries> (last updated: April 2<sup>nd</sup>, 2020, 02:57 GMT). The analysis in this policy brief is based on data available as at 2<sup>nd</sup> April 2020.

COVID-19 being a novel virus and as the outbreak continues to evolve, research is ongoing to better understand its dynamics of transmission and improve case management among others. COVID-19 has potential to cause many infections through human-to-human transmission and lead to a significant number of severe cases that could overwhelm the health care system, and a substantial number of deaths. However, if persons infected are detected in a timely manner and rigorous infection control measures applied, the likelihood of sustained human-to-human transmission can be reduced.

Public health experts have consistently warned that the novel coronavirus outbreak presents a unique public health threat to the African continent. Gilbert, Pullano, Pinotti, et al. (2020) use two indicators to determine the capacity of countries to detect and respond to cases: preparedness, using the WHO International Health Regulations Monitoring and Evaluation Framework; and vulnerability, using the Infectious Disease Vulnerability Index. Based on their analysis, Egypt, Algeria, and South Africa had the highest importation risk, and a moderate to high capacity to respond to outbreaks. Nigeria, Ethiopia, Sudan, Angola, Tanzania, Ghana, and Kenya had moderate risk with variable capacity and high vulnerability.

Furthermore, it is widely thought the economic fallout for the continent is likely to be severe and long-lasting. Many of its countries have a high dependence on commodity exports to China, relatively weak sovereign balance sheets, high debt burdens and volatile currencies, among numerous other external fragilities. The disease's negative impact on the world economy has already translated into a decline in demand for the primary products that Africa exports, such as oil from Angola and Nigeria and rare minerals from Democratic Republic of the Congo. The UN Economic Commission for Africa estimates Africa's growth will drop by 1.4% from 3.2% to 1.8% as a result of the coronavirus.<sup>3</sup> Among other things, the decline is due to disruption of global supply chains and a crash in oil prices that will cost up to US\$65 billion in export revenues.<sup>4</sup> Furthermore, tourism has been adversely affected, as international travelers stay home, hurting the economies of South Africa and Kenya, among others. Investors, confronted with a litany of unknowns about the disease and its consequences, are fleeing from emerging markets, at least for the time being.

This policy brief assesses the possible vulnerabilities and impacts on Kenya of the COVID-19 pandemic. Although it is too early to predict the socio-economic impact of the COVID-19 pandemic on the Kenyan economy, this policy brief uses an adapted World Bank conceptual and methodological framework which was used to analyse the economic impact of the Ebola virus disease in West Africa 2014-2016 to identify the pathways of the COVID-19 pandemic impact on the economy, poverty and inequality, women and girls, refugees, internal displaced persons (IDPs) and migrants, education, food security and nutrition and governance and security. There has already been adverse effects of the COVID-19 pandemic on the several sectors of the economy in particular; tourism, agriculture, manufacturing and trade putting people's jobs and livelihoods at risk. The policy brief argues that considering the adverse socio-economic impacts of the COVID-19 pandemic on the health and livelihoods of families and communities, in particular the most vulnerable groups which will regress progress across the Sustainable Development Goals (SDGs), policymakers, should adopt a whole of government and society approach to lessen the adverse impacts.

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<sup>3</sup> United Nations Economic Commission For Africa (13 March 2020). "ECA estimates billions worth of losses in Africa due to COVID-19 impact," Available at <https://www.uneca.org/stories/eca-estimates-billions-worth-losses-africa-due-covid-19-impact>

<sup>4</sup> *ibid.*

## 2. Pathways of the Socio-Economic Impact of the COVID -19 Pandemic

The socio-economic impact of the COVID-19 epidemic operates through two distinct channels (see figure 1.1). First are the direct and indirect effects of the sickness, which results from when an income-earner in the household falls ill, the ratio of active members to dependents falls. The effects may be compounded by lost earnings and taking care of the ill family member, or funeral costs upon death. Ill-health and limited resilience capacities can create multiplier effects. One study of eleven (11) countries in Sub-Saharan Africa and South and Southeast Asia found that in the absence of health insurance or other forms of universal health coverage, responses to health shocks by people in poverty or near the poverty line commonly included distress sales of assets and taking out loans from informal moneylenders, sometimes at exploitative rates.<sup>5</sup> Thus, the coronavirus will be another source of impoverishment and reinforce existing factors, in turn limiting the ability of vulnerable households to escape from – and stay out of – poverty.<sup>6</sup>

Second are aversion behaviour effects resulting from the fear of catching the virus, which in turn leads to a fear of association with others and reduces labor force participation, closes places of employment, disrupts transportation, motivates some governments to close borders and restrict entry of citizens from afflicted countries, and motivates private decision makers to disrupt trade, travel, and commerce by canceling scheduled commercial flights and reducing shipping and cargo services. As depicted in the figure 1.1, this aversion behaviour is through three sources:

- Governments impose bans on certain types of activities, as when the Government of China orders factories to shut down or Italy closes most shops throughout the country or the Kenya Judiciary's suspension of court hearings across the country starting Monday, March 16, 2020 for two weeks in order to allow for further consultations and to design appropriate measures to prevent the spread of the coronavirus<sup>7</sup> which will have an adverse effect on the justice system.
- Firms and institutions (including schools and private companies) take proactive measures to avoid infection. Business closures -- whether through government bans or business decisions -- result in lost wages for workers in many cases, especially in the informal economy where there is no paid leave. After the confirmation of the first case on 13 March 2020, Kenya introduced various restrictions such as the entry of foreigners from countries that have confirmed coronavirus cases, working at home and closing of learning institutions.<sup>8</sup> Other restrictions have since been placed by 47 individual governors in their respective counties. Barely a few days into the restrictions, small-scale traders in Nairobi were already filling the effects of coronavirus-induced hardships.<sup>9</sup> Traders who were interviewed by the Standard Newspaper showed their frustration with the restrictions:

*"Normally by 10am, I should have made at least Ksh400. I have only made Ksh80 since morning today. People are hardly coming into the city,"* (James Mulei, a shoe shiner near the Kenya National Archives, Nairobi).

<sup>5</sup> Diwakar, V., and Shepherd, A., (2018). "Health, Resilience and Sustainable Poverty Escapes: Synthesis," Available at <https://dl.orangedox.com/duddnR>

<sup>6</sup> Diwakar, V., and Shepherd, A., (2018). "Sustaining Escapes from Poverty," ODI Working Paper 539, Available at <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12471.pdf>

<sup>7</sup> Manyibe, E., (15 March 2020). "Judiciary Suspends Court Sessions Over Coronavirus Scare," Available at <https://www.kenyans.co.ke/news/50854-court-sessions-suspended-over-coronavirus-scare>

<sup>8</sup> Malingha, D., (15 March 2020). "Kenya Restricts Foreign Travel, Suspends School on Coronavirus," Available at <https://www.bloomberg.com/news/articles/2020-03-15/kenya-restricts-foreign-travel-suspends-school-on-coronavirus>

<sup>9</sup> Gathura, G., (18 March 2020). "Kenyans should brace for a long lockdown ahead," Available at <https://www.standardmedia.co.ke/article/2001364648/kenyans-should-brace-for-a-long-lockdown-ahead>

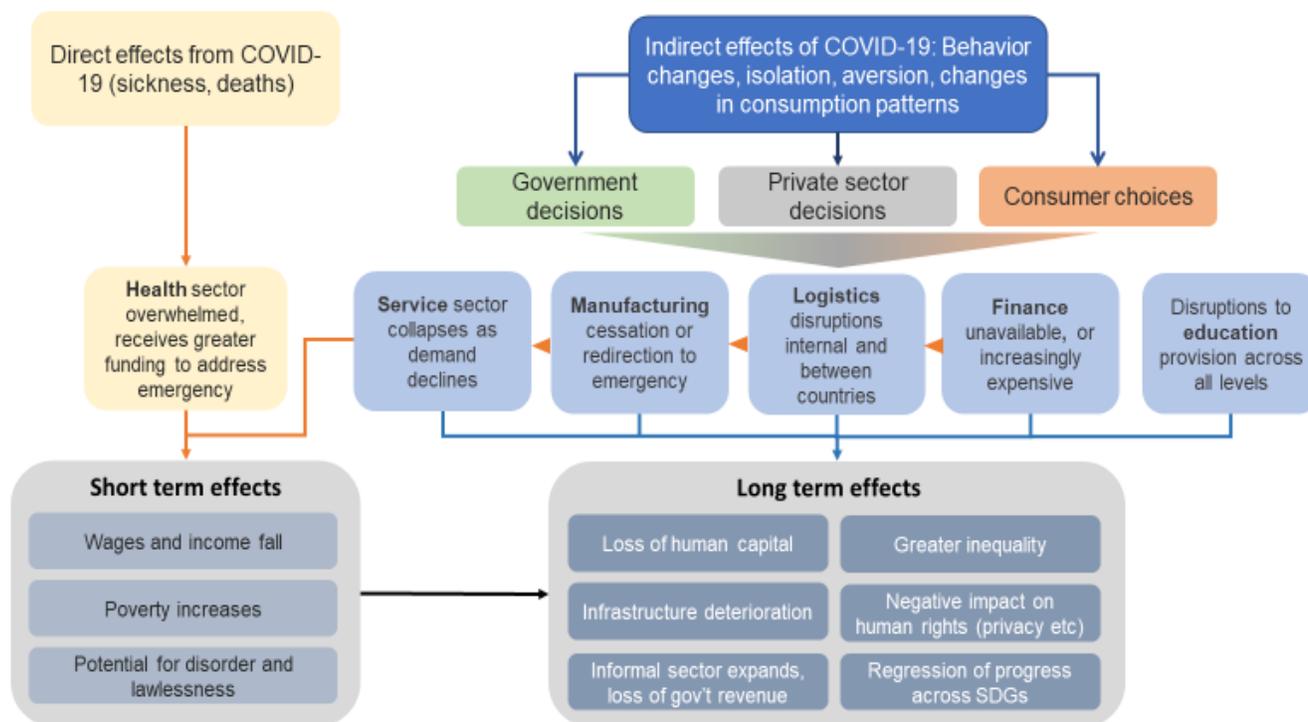
"I hope this does not go on for long, otherwise we are going to starve." (Jane Mulinge, who supplies vegetables to a now-closed primary school in Embakasi, Nairobi).

Most of the traders who were interviewed by the Standard Newspaper in Nairobi hoped that the lockdown would have to be lifted within 30 days.<sup>10</sup> However, going with what is being witnessed worldwide, the crisis could linger on longer.

- Individuals reduce trips to the market, travel, going out, and other social activities. A study by the Kenya Private Sector Alliance (KEPSA) 2020 entitled *Business Perspectives on the Impact of Coronavirus on Kenya's Economy* identified cancellation of business-related travels as one of the channels businesses will be affected by the coronavirus.

*This includes local travel agents receiving cancellations from tourists/clients abroad who are cancelling their trips to Kenya due to the outbreak of the virus. For example, after the cancellation by ITB Berlin, the largest tourism expo in the world, the tourism sector is bound to suffer huge losses. July - September is the peak season in Kenya and there are already fears that tourists who had booked to travel for the migration (wild animals) will not travel. Equally, many clients are now changing their plans to book due to uncertainty. Impact of this continues to bite the tourism sector. (KEPSA, 2020:4)*

**Figure 1. 1: Channels of Potential Socio-economic Impact of the Covid-19 Pandemic<sup>11</sup>**



<sup>10</sup> *ibid.*

<sup>11</sup> Adapted from Evans, D., and Over, M., (2020). "The Economic Impact of COVID-19 in Low- and Middle-Income Countries," Available at <https://www.cgdev.org/blog/economic-impact-covid-19-low-and-middle-income-countries>

Measures taken by Kenya and other countries to restrict travel would have huge impact on the travel and tourism sector. The World Travel and Tourism Council (WTTC) figures show that in 2018, travel in tourism in Kenya grew 5.6% and contributed Ksh790 billion to the economy. It also created 1.1 million jobs. The tourism industry is taking the biggest hit given the measures already taken by the Government in shutting down its borders in an attempt to lock out the coronavirus and contain it.

According to the Kenya Tourism Sector Performance Report for 2019, total arrivals increased 116 basis points to record 2.04 million compared to 2.03 million recorded in 2018. Arrivals from the US grew 9% in 2019 to 245,437 arrivals, up from 225,157 in the previous year followed by Uganda and Tanzania at 223,010 and 193,740 respectively. Other key sources of tourists were the UK (181,484), India (122,649), China at (84,208), Germany (73,1509), France (54,979), Italy (54,607) and South Africa (46,926).

With these countries affected by the coronavirus and Italy in particular reeling from the coronavirus pandemic, the tourism economy, especially at the Coast, is expected to be hit hard. Some hoteliers have started sending staff home as most hotels have remained empty.<sup>12</sup> Kenya Tourism Federation (KTF) has reported that some hotels on the Coast have occupancy rates below 10%, necessitating close down and sending staff home on unpaid compulsory leave.

These aversion behaviour actions affect the main sectors that contribute to the country's GDP as shown in figure 1.2. -- the health sector, agriculture, manufacturing, retail and other services, trade and transportation, education, etc. These in turn translate into reduced income both through the supply side (reduced production drives up prices for consumers)<sup>13</sup> and the demand side (reduced demand from consumers hurts business owners and their employees). These short-term economic impacts can translate into a decrease in long-term growth in Kenya.<sup>14</sup>

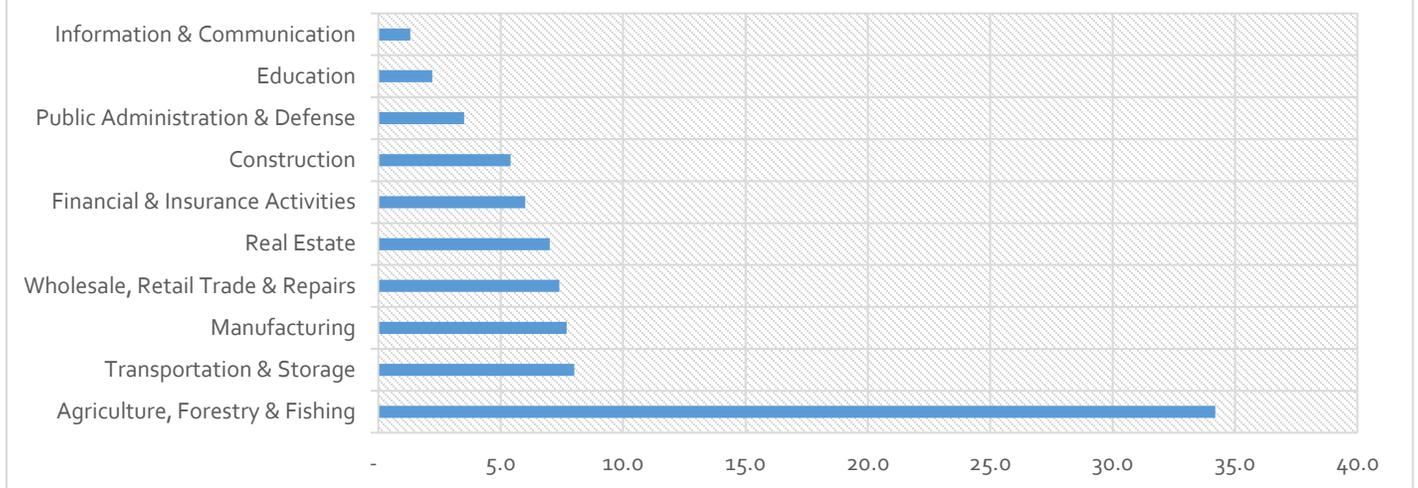
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<sup>12</sup> Wambu, W. (15 March 2020). "Tourism, aviation hit hard by impact of coronavirus." Available at <https://www.standardmedia.co.ke/business/article/2001364251/tourism-aviation-hit-hard-by-impact-of-coronavirus>

<sup>13</sup> The Competition of Authority of Kenya (CAK) recently ordered Cleanshelf Supermarket to contact and refund all customers who purchased hand sanitisers above the normal retail price. Through a press release, CAK indicated that the supermarket adjusted the prices of the Tropical hand sanitisers (500ml) on March 15 due to the high demand following reports of coronavirus in Kenya. Cleanshelf Supermarkets normally retails the specific hand sanitizers as Sh800. However, the CAK has determined that the retailer on March 15 sold the same batch of product to consumers at varying amounts above Sh800/=, including Sh1000/=, with the prices increasing within hours (see <https://www.standardmedia.co.ke/business/article/2001364707/president-uhuru-warns-traders-against-hiking-prices>)

<sup>14</sup> In the recent history of infectious disease outbreaks such as the SARS (severe acute respiratory syndrome) epidemic of 2002–04 and the H1N1 (swine flu) epidemic of 2009, aversion behavioural effects are estimated to have been responsible for as much as 80 or 90 percent of the total economic impact of the epidemics (Lee and McKibbin 2003).

Figure 1.2: Kenya's Sectors Contribution to GDP in 2018 (%)



Source: KNBS (2019), Economic Survey 2019

As the health sector soaks up more resources and as people reduce social activities, countries invest less in physical infrastructure. As schools close, students lose opportunities to learn (hopefully briefly) but more vulnerable students may not return to the education system, translating to lower long-term earning trajectories for them and their families, increased inequality and reduced overall human capital in the economy.

For example, during the school closures of Sierra Leone's Ebola outbreak, "a reported increase in adolescent pregnancies during the outbreak has been attributed largely to the closure of schools.<sup>15</sup>" (UNDP 2015). Bandiera *et al.* (2019) find that in villages highly disrupted by Ebola, girls were "10.7% more likely to become pregnant, with most of these pregnancies occurring out of wedlock." Adolescent mothers are less likely to return to school, and their children will likely have fewer health and educational investments. Further, health workers are on the front lines of epidemics and losing some of them to the disease -- especially in countries where they are already in short supply -- can lead to worsening health conditions in the long-term, such as maternal and infant mortality. These all have poverty implications well beyond the humanitarian implications such as greater inequality, negative impact on human rights, expansion of the informal sector and regression of progress across the SDGs.

### 3. Impact on the Economy

The COVID-19 pandemic has the potential to cause a global economic recession. According to the Organization for Economic Cooperation and Development (OECD) (2020), annual global GDP growth is projected to drop to 2.4% in 2020, with growth possibly even being negative in the first quarter of 2020 due to COVID-19 pandemic. Prospects for China have been revised markedly from an initial 5.7% growth estimate in November 2019 to a much lower 4.9% in March 2020. The adverse impact on finance markets, disruption of global supply chains, tourism sector and other sectors of the economy will have an adverse effect on the Kenyan economy.

- **Financial markets:** Trading at the Nairobi Securities Exchange (NSE) was halted on 13 March 2020 after the NSE all share index fell by more than 5%<sup>16</sup>, wiping out Ksh120 billion off investors' portfolios due to

<sup>15</sup> There were also reports of increased domestic violence and sexual violence.

<sup>16</sup> Trading in the NSE 20 was halted on 13 March 2020 after the NSE 20 dropped more than 5%, as per the provisions of Rule 9.4.1 (ii) of the NSE Equity Trading Rules.

panic selling.<sup>17</sup> The previous day on 12 March 2020, it lost KSh122 billion, meaning that in the two days, coronavirus fears had wiped out Ksh242 billion as foreign traders disposed of their equity holdings to purchase gold and fixed income securities. When the first COVID-19 case was reported in the country, the stock markets declined with stocks such as Safaricom and Kenya Commercial Bank (KCB) declining by 5.4% and 7.0%, respectively, in one day.

Although Government T-bills remained oversubscribed during the week ending 13 March 2020 with the subscription rate at 264%<sup>18</sup>, all yields on shorter-dated government papers between the 1 and 7 years recorded year-to-date (ytd) return declines. Furthermore, the Eurobond yields has increased significantly, indicating that investors are now attaching a higher risk premium on the country due to the anticipation of slower economic growth due to the COVID-19 pandemic.<sup>19</sup> This will make it costly for Kenya to raise capital on the Eurobond markets, yet the fiscal pressures are already intense.<sup>20</sup>

The fiscal pressures will be exacerbated by the immediate problem of an unprecedented health crisis morphing into a social-economic problem which will be catalogued through a slump in production; disruption of supply chains, shortage of goods; mass unemployment; loss of incomes and a vast increase in the number of dependents. The ensuing loss of government revenues and pressure for the government to cushion citizens from the harsh reality of massive losses of incomes poses a huge strain on the exchequer. The Government announced tax relief measures (lower VAT and reduced Corporate Income Tax) on 25 March 2020 to encourage continued production of goods and services and protect jobs.<sup>21</sup> In addition, the Government also announced various relief measures targeting employees and citizens at the bottom of the pyramid especially in urban areas. As these measures will result in considerable loss of government revenue, the government will have to reassess the budget deficit target for fiscal year (FY) 2019/20.<sup>22</sup> This will result in a freeze in development projects as the funds will be diverted towards the fight against the coronavirus<sup>23</sup>.

- *Aviation industry:* The International Air Transport Association (IATA) estimates that airlines globally are set to lose up to Ksh11.3 trillion (US\$113 billion) in passenger revenues if the coronavirus pandemic is protracted. Kenya Airways estimates that it is losing at least Ksh800 million a month, noting that the situation could change more dramatically in the coming days as more restrictions are implemented in global travel. Already Kenya Airways instituted measures including reducing the salaries of all staff by 50% and 80% for the CEO<sup>24</sup> and sending non-critical staff on annual leave immediately and cancelling 65% of their flights and putting 50% of aircraft on long-term storage. In addition, domestic air operators have requested the Government to provide Ksh3 billion to cushion already struggling industry due to passenger decline as a result of COVID-19 pandemic.

<sup>17</sup> Otini, R., (14 March 2020). "NSE suspends trading as coronavirus fears wipe out Sh240 billion," Available at <https://www.standardmedia.co.ke/business/article/2001364144/nse-suspends-trading-as-coronavirus-fears-wipe-out-sh240-billion>

<sup>18</sup> Due to investors moving into the fixed income market to avoid uncertainty.

<sup>19</sup> According to Reuters, the yield on the 10-year Eurobond issued in June 2014 increased by 2.7% points to 7.2%, from 4.5% recorded the previous two week ago while the yields on the 10-year and 30-year Eurobonds issued in 2018, increased by 2.6% points and 1.2% points to 8.3% and 8.4%, respectively, from 5.7% and 7.2% recorded previous two weeks ago. Yields on the 7-year and 12-year Eurobonds issued in 2019 increased by 1.2% points and 2.8% points, to 6.6% and 9.3%, respectively, from 5.4% and 6.5% recorded the previous two week ago.

<sup>20</sup> National Treasury figures show that the budget deficit and public debt as a percentage of GDP in FY 2019/2020 were 7.7% and 61.6%, respectively.

<sup>21</sup> <https://www.president.go.ke/2020/03/25/presidential-address-on-the-state-interventions-to-cushion-kenyans-against-economic-effects-of-covid-19-pandemic-on-25th-march-2020/>

<sup>22</sup> National Treasury had projected a budget deficit of 4.9% in FY 2020/21.

<sup>23</sup> Ayaga, W., and Omondi, D., (2 April 2020). "Development cash to be diverted to war on coronavirus," Available at <https://www.standardmedia.co.ke/article/2001366526/development-cash-to-be-diverted-to-war-on-virus>

<sup>24</sup> Ombati, C., (24 March 2020). "KQ effects State's ban on flights," Available at <https://www.standardmedia.co.ke/article/2001365395/kq-effects-state-s-ban-on-flights>

- *Transport and shipping:* Business at the Port of Mombasa has been significantly affected following the cancellation of thirty seven (37) ships scheduled to dock in the month of March while the fate of one hundred and four (104) others remain uncertain following an outbreak of coronavirus pandemic. According to the Kenya Ports Authority (KPA), apart from cancellation of the ships docking, a number of vessels which docked in February reported blank arrivals affecting cargo throughput at the port. This has resulted in business losses that have been acutely felt in the supply chain, with the Standard Gauge Railway (SGR) which haul the cargo directly from the Port of Mombasa to the Inland Container Depot (ICD). According to a weekly report by the KPA from 27 February to 4 March 2020, the number of SGR freight registered declined from an average of sixty (60) in November and December 2019 to forty (40) trains in early March 2020. The decline in cargo is a big blow to Kenya as it expected to collect more revenue from SGR services and pay the Ksh10 billion monthly loan to China's Export and Import (Exim) Bank.
- *Disruption of global supply chains:* The spread of the coronavirus has disrupted the global supply chains. Kenya's imports from China account for approximately 21% of total imports and with the current lockdown, activities within the manufacturing sector are likely to be disrupted (see table 1.1 and figure 1.3).<sup>25</sup> The low supply of imports from China as well as South Korea especially in terms of electronics could result in an increase in prices. Local traders have already indicated that the prices of electronics, clothes, and furniture many of which are imported from China are likely to increase.<sup>26</sup>

Figure 1.4 shows that the bulk of Kenya's exports are exported to countries which are affected by the COVID-19 pandemic. This will have an adverse effect on export earnings due to weak demand in these markets. The COVID-19 pandemic has already affected the country's exports of horticulture and agricultural goods to Europe, which has some of the hardest-hit cities in France and Italy mainly because of reduced consumer spending as well as shutdowns in major markets. The Agriculture and Food Authority (AFA), a horticulture regulator in the country, has indicated that Kenya's earnings from horticulture exports including flowers, fruits and vegetable, fell by 7% in 2019 to Ksh142.72 from Ksh154.7 billion, mainly due to lower prices of flowers at the auction in the Netherlands. The situation is set to worsen due to the coronavirus pandemic. According to the Kenya Flower Council (KFC), out of the 150,000 employees, flower firms have sent home 30,000 temporary workers and 40,000 permanent employees on compulsory leave as there is no demand for flowers in Europe which absorbs 70-75% of the exports.<sup>27</sup> The industry is experiencing Ksh20 million daily revenue losses as a result of cancellation of orders and border closures from major markets according to KFC. The country's fresh produce export market has dropped by 46% following the lockdown in some European markets.<sup>28</sup> The lower consumer demand for flowers and other horticulture exports will affect mostly women who account for 75% of the workforce in the horticulture sector in Kenya.

Furthermore, COVID-19 pandemic would cause a shortage of intermediate goods used to manufacture products that are exported. The decline in business activity and fall in new orders is already being felt.

<sup>25</sup> Both table 1.1 and figure 1.2 show that the bulk of Kenya's imports are from the countries which are affected by the COVID-19 pandemic.

<sup>26</sup> Theuri, P., (15 March 2020). "Traders begin to bear brunt of coronavirus," Available at <https://www.standardmedia.co.ke/business/article/2001364260/traders-begin-to-bear-brunt-of-coronavirus>

<sup>27</sup> The remaining 30% is exported to US and Asian economies such as China, UAE and Japan which have also been shut down due coronavirus lockdown.

<sup>28</sup> Gitonga, A., ((22<sup>nd</sup> March 2020). "Fresh produce exports dip 46pc on European markets lockdown," Available at <https://www.standardmedia.co.ke/business/article/2001365140/fresh-produce-exports-drop-46per-cent-due-to-a-lockdown-in-europe>

According to Stanbic Bank's Monthly Purchasing Manager's Index (PMI) report, the PMI declined to 49.0 in February 2020 from 49.7 recorded in January 2020<sup>29</sup> due to a decline in business conditions.<sup>30</sup>

A survey by the Kenya Private Sector Alliance (KEPSA) (2020) on the coronavirus pandemic impact on Kenya's economy indicates that 61% of businesses had been affected by the measures being taken around the world to contain the virus. The survey featured ninety five (95) locally owned businesses spanning seventeen (17) sectors of the economy. In addition, there were thirty two (32) manufacturers surveyed by the Kenya Association of Manufacturers (KAM) with the findings integrated into the KEPSA report. According to the report, most businesses expect to be disrupted in these various ways:

- Most companies foresee a situation where they will have to ask employees to work from home thus negatively affecting businesses in the service sector,
  - Stock-outs and delayed deliveries due to the lockdown,
  - Reduced demand for export products,
  - Increased cost of goods which will consequently increase the overall cost of production,
  - Reduced capital flows, restrictions on travel, and reduced staff time,
  - Difficulty in obtaining credit from financial institutions as well as reduced ability to meet their loan interest payments, and,
  - Slowed investment appetite from foreign and local investors.
- *The macroeconomic impacts on the key sectors of the economy:* Table 1.2 shows the macroeconomic impact on the economy. The risk on four (4) sectors is high, two (2) moderate and 2 low, showing a significant impact of the COVID-19 pandemic on the Kenyan economy.
- *Exchange rate volatility:* COVID-19 is already having an impact on the exchange rate. The Kenya shilling weakened to a five-month low on 17 March 2020. The local currency was traded at 103.38 against the dollar at the close of business, the lowest since October 30 2019, when it exchanged at 103.40 to the US\$.<sup>31</sup> The shortage of imports from China for instance, which accounts for an estimated 21% of the country's imports, is expected to exert pressure on the exchange rate as local importers look for alternative import markets, which may be more expensive. This is bound to increase demand for the dollar from merchandise importers and result in an exchange rate depreciation.
- *Diaspora remittances:* According to the 2019 Migration and Development report remittances rose from \$1.962 billion (Sh75 billion) in 2017 to \$2.855 billion in 2019, an increase of over \$892 million (Sh75 billion) and equivalent to 2.9% of Kenya's GDP. As outward remittances decline in tandem with the nominal GDP (in US dollar terms) of the source countries, the COVID pandemic would result in a decline of diaspora remittances due to reduction in disposable income. Central Bank of Kenya monthly statistics on diaspora remittances indicate a decline of 15.6% from US\$259.4 million to US\$219.0 million between January and February 2020. This coupled with increased prices of household items especially in Europe and North America is likely to lead to further reduction in remittances in 2020.

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<sup>29</sup> See Stanbic Bank Kenya PMI (4 March 2020) Available at

<https://www.markiteconomics.com/Public/Home/PressRelease/e44c48434816467a831ed2326df974a1>

<sup>30</sup> A reading of above 50 indicates an improvement in the business environment, while a reading of below 50 indicates a worsening outlook.

<sup>31</sup> Omondi, D., (18 March 2020) "Shilling down to lowest level since October," Available at <https://www.standardmedia.co.ke/business/article/2001364640/shilling-down-to-lowest-level-since-october>

- *Monetary policy:* Vis-à-vis monetary policy, the Monetary Policy Committee (MPC) cut the Central Bank Rate (CBR) from 8.25% to 7.25 on 23 March 2020 to cushion the economy from the coronavirus pandemic.<sup>32</sup> The MPC also reduced the Cash Reserve Ratio (CRR) from 5.25% to 4.25%, thus releasing Ksh.35.2 billion as additional liquidity available to banks to directly support borrowers that are affected adversely by the coronavirus pandemic.<sup>33</sup>

The MPC anticipates that these monetary policy actions will support the emergency measures which were announced by the CBK in a meeting with commercial banks on 16 March 2020 to mitigate economic effects of the coronavirus pandemic on bank borrowers whose loan repayments were up to date as at 2 March 2020 which included:<sup>34</sup>

- Banks will seek to provide relief to borrowers on their personal loans based on their individual circumstances arising from the pandemic;
- To provide relief on personal loans, banks will review requests from borrowers for extension of their loan for a period of up to one year and to initiate this process, borrowers should contact their respective banks;
- Medium-sized enterprises (SMEs) and corporate borrowers can contact their banks for assessment and restructuring of their loans based on their respective circumstances arising from the pandemic;
- Banks will meet all the costs related to the extension and restructuring of loans;
- To facilitate increased use of mobile digital platforms, banks will waive all charges for balance inquiry; and
- All charges for transfers between mobile money wallets and bank accounts will be eliminated.

These monetary policy measures are expected to boost the economy. However, the shortage of imports on the local market and domestic supply bottlenecks may lead to an increase in inflation and impact the efficacy of these measures.

Based on the impact of COVID-19 on the global economy, disruption of supply chains and domestic production, the CBK is forecasting a decline to a possibly 3.4% in 2020 from the previous forecast 6.2%,<sup>35</sup> if the impact of the coronavirus pandemic proves long lasting and more intensive.

#### 4. Impact on Poverty and Inequality

Poverty remains high in Kenya despite a decline in the poverty rate from 46.6% in 2005/06 to 36.1%<sup>36</sup> in 2015/16.<sup>37</sup> Poverty rates remain above 70% in remote, arid and sparsely populated northeastern parts of Kenya.<sup>38</sup>

<sup>32</sup> Central Bank of Kenya (23 March 2020) "Press Release: Monetary Policy Committee Meeting," Available at [https://www.centralbank.go.ke/uploads/mpc\\_press\\_release/765216187\\_MPC%20Press%20Release%20-%20Meeting%20of%20March%2023,%202020.pdf](https://www.centralbank.go.ke/uploads/mpc_press_release/765216187_MPC%20Press%20Release%20-%20Meeting%20of%20March%2023,%202020.pdf)

<sup>33</sup> *ibid.*  
<sup>34</sup> Central Bank of Kenya, (16 March 2020). "Press Release: Emergency Measures to Mitigate the Impact on Bank Borrowers from the Coronavirus Pandemic," Available at [https://www.centralbank.go.ke/uploads/press\\_releases/1908080057\\_Press%20Release%20-%20Emergency%20Measures%20to%20Mitigate%20the%20Adverse%20Economic%20Effects%20on%20Bank%20Borrowers%20from%20the%20Coronavirus%20Pandemic.pdf](https://www.centralbank.go.ke/uploads/press_releases/1908080057_Press%20Release%20-%20Emergency%20Measures%20to%20Mitigate%20the%20Adverse%20Economic%20Effects%20on%20Bank%20Borrowers%20from%20the%20Coronavirus%20Pandemic.pdf)

<sup>35</sup> Central Bank of Kenya (23 March 2020) "Press Release: Monetary Policy Committee Meeting," Available at [https://www.centralbank.go.ke/uploads/mpc\\_press\\_release/765216187\\_MPC%20Press%20Release%20-%20Meeting%20of%20March%2023,%202020.pdf](https://www.centralbank.go.ke/uploads/mpc_press_release/765216187_MPC%20Press%20Release%20-%20Meeting%20of%20March%2023,%202020.pdf)

<sup>36</sup> Using the US\$1.90 2011 PPP, the poverty rate declined from 43.6% in 2005/06 to 35.6% in 2015/16 (World Bank, 2018).

<sup>37</sup> Using the monthly adult equivalent total consumption expenditure per person below KSh 3,252 in rural and peri-urban areas and below KSh 5,995 in core-urban areas as national poverty lines (KNBS, 2018. Kenya Integrated Household Budget Survey (KIHBS), 2015/16).

<sup>38</sup> *ibid.*

According to the 2019 Kenya Population and Housing Census there are about 19.5 million poor people in Kenya; with 14 million, 1.3 million and 4.2 million living in rural areas, peri-urban and core-urban and informal settlements, respectively. Poverty is also feminized. The 2015/16 Kenya Integrated Household Survey (KIHBS) results show that 30.2% of female headed households are poor compared to 26.0% of their male counterparts.<sup>39</sup> The COVID-19 pandemic will exacerbate poverty, especially among female headed households who constitute (30.2%) of the poor population.

Income inequality levels have not decreased significantly in recent years. Kenya's Gini coefficient of 44.5<sup>40</sup> is above the 2013 Sub-Saharan African average of 43.8.<sup>41</sup> The latest KIHBS results also show that nationally, more than half (59.4%) of total expenditure is controlled by the top most quintile (Q5) while the bottom quintile (Q1) controls the least share of 3.6%. Thus, the COVID-19 pandemic will exacerbate income inequality.

The Kenya National Bureau of Statistics (KNBS) estimates that unemployment stands at 14.2% amongst youth aged 20 – 24 years<sup>42</sup>. The formal sector currently generates about 20% of the jobs required to absorb the labour force which is growing at 2.9% per annum.

Workers in the informal economy may not have the luxury of staying at home when they are sick without paid sick leave. People living in or near poverty often lack disposable cash and cannot easily stockpile food in times of pandemics. Hunger, malnutrition, pneumonia and other forms of health-related shocks and stresses compound vulnerability to the COVID-19 pandemic and contribute to a vicious cycle of disease, destitution and death.

Poverty can fuel contagion, but contagion can also create or deepen impoverishment.<sup>43</sup> The coronavirus pandemic would increase poverty, inequality and unemployment due to its adverse impact on people's jobs and livelihoods in the key sectors of the economy. The lack of health insurance for most of the poor and people who reside in rural and informal settlements would exacerbate poverty and inequality the later with respect to access to health services.<sup>44</sup> Currently, four out of every five Kenyans have no access to medical insurance and that among the poorest quintile, only 3% have health insurance with disparities between rural and urban populations, where rates of coverage are an average of 12% and 27% respectively.<sup>45</sup>

## 5. Impact on Women and Girls

COVID-19 should be expected to disproportionately affect women and girls in Kenya, although Wenham, Smith, and Morgan (2020) suggest that women appear to be less likely to die from the COVID-19 pandemic:

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<sup>39</sup> The female labour participation rate (75.9 percent) is lower than the male labour participation rate (79.2 percent) (KNBS, 2018. Labour Force Basic Report, 2018)

<sup>40</sup> *ibid.*

<sup>41</sup> World Bank, 2014

<sup>42</sup> KNBS, (February 2020). Quarterly Labour Force Survey, October to December 2019, Available at <https://www.knbs.or.ke/?wpdmpro=quarterly-labour-force-report-forth-quarter-2019>

<sup>43</sup> Partners in Health (27 January 2016). "Study Finds Poverty Spread Ebola," <https://www.pih.org/article/study-finds-poverty-accelerated-ebola>

<sup>44</sup> UNDP Strategic Policy Advisory Unit, (2017). "The Healthcare System in Kenya: Is Health Financing Working" Policy Brief, Issue No.4/2017, UNDP Kenya, Nairobi.

<sup>45</sup> <http://www.health.go.ke/kenya-prioritizes-universal-health-coverage/>

*Emerging evidence suggests that more men than women are dying, potentially due to sex-based immunological or gendered differences, such as patterns and prevalence of smoking.* (Wenham, Smith and Morgan, 2020: 846)<sup>46</sup>

The caveat on this evidence is that current sex-disaggregated data is incomplete. Guan et al (2020) in a Clinical Characteristics of Coronavirus Disease 2019 in China based data from 1,000+ patients in China found that “41.9% of the patients were female.” (Guan et al, 2020).

From the experience of the gender impacts of the Ebola virus disease in West Africa 2014-2016, the COVID -19 pandemic would affect women negatively and disproportionately both directly and indirectly due to gender power relations in decision making.<sup>47</sup> During the numerous Ebola outbreaks across Africa from 1976 to 2014, because women were traditionally the primary caregivers and responsible for preparing bodies for burial, their vulnerability to the disease increased<sup>48</sup> Globally women make up 70% of the workers in the health and social sector. However, there’s an average gender pay gap of 28% within this sector, which may be worsened in times of crises (Boniol, M., et al, 2019). In Kenya, women account for 75% of health sector workforce,<sup>49</sup> which increases the likelihood that they will be more exposed to the COVID-19 infection than men working in health sector.

Furthermore, the *burden of care* usually falls on women -- not just for children in the face of school closures, but also for extended family members. As family members fall ill, women are more likely to provide care for them,<sup>50</sup> putting themselves at higher risk of exposure as well as sacrificing their time. Women are also more likely to be burdened with household tasks, which increase with more people staying at home during a quarantine. For instance, Kenyan women account for 50.5% of the population<sup>51</sup> and spend 11.1 hours on care work compared to only 2.9 hours by men.<sup>52</sup> Kenya’s low capacity of isolation wards at public and private health facilities and experience in countries where the pandemic is worst – in Europe and elsewhere makes it more likely that as infection rates rise, most cases will have to be managed at home, largely by women. Women’s tendency to be caregivers for the sick, in both health-care settings and at home, can expose them to more infectious agents than men<sup>53</sup>

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<sup>46</sup> Liu S, Zhang M, Yang L, et al. (2017). “Prevalence and patterns of tobacco smoking among Chinese adult men and women: findings of the 2010 national smoking survey,” *Journal Epidemiol Community Health*, 71: 154–61.

<sup>47</sup> Davies, S., E., Bennett, B, (2016). “A Gendered Human Rights Analysis of Ebola and Zika: Locating Gender in Global Health Emergencies. *International Affairs*, 92: 1041–60.

<sup>48</sup> *Infectious Diseases of Poverty* (2017). The perspective of gender on the Ebola virus using a risk management and population health framework, a scoping review, Available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5635524/>

<sup>49</sup> Ministry of Health (2014). *Health Sector Human Resources Strategy 2014 – 2018*, Available at <http://www.health.go.ke/wp-content/uploads/2016/04/Kenya-HRH-Strategy-2014-2018.pdf>

<sup>50</sup> Mulvihill, K., (23 August, 2014) “Why more women than men are dying in the Ebola outbreak,” Available at <https://www.graphic.com.gh/international/international-news/why-more-women-than-men-are-dying-in-the-ebola-outbreak.html>

<sup>51</sup> Kenya National Bureau of Statistics, 2019

<sup>52</sup> Oxfam, (2019). “Gendered Patterns of Unpaid Care and Domestic Work in the Urban Informal Settlements of Nairobi, Kenya, Findings from a Household Care Survey 2019,” Available at <https://kenya.oxfam.org/latest/policy-paper/gendered-patterns-unpaid-care-and-domestic-work-urban-informal-settlements>

<sup>53</sup> WHO (2007). “Addressing sex and gender in epidemic-prone infectious diseases,” Available at <https://www.who.int/csr/resources/publications/SexGenderInfectDis.pdf>

Wenham, Smith, and Morgan (2020) highlights other pathways pandemics impact women as below:

- *School closures* in response to pandemics can increase women's childcare responsibilities, as women still bear most of the responsibility of child-rearing, also impacting their livelihoods and employment options. Women's participation in work outside the home is likely to fall.<sup>54</sup>
- *Travel restrictions* will affect female foreign domestic workers. Of course, they also affect male migrants.<sup>55</sup> Korkoya and Wreh (2015) found that 70% of small-scale traders in Liberia are women, so domestic travel restrictions during the Ebola outbreak disproportionately affected women. In Kenya, women comprise 70% of low wage earners<sup>56</sup>. Most are employed in the informal sector or run micro and small enterprises. This sector is characterized by daily wages, limited social protection measures and savings, making women particularly vulnerable during health pandemics.
- *Health resources* normally dedicated to reproductive health go towards emergency response. During the Ebola outbreak in Sierra Leone, for example, the "decrease in utilization of life-saving health services translates to 3,600 additional maternal, neonatal and stillbirth deaths in the year 2014-15 under the most conservative scenario" (Sochas, Channon, and Nam 2017).
- When women have less *decision-making power* than men, either in households or in government, then women's needs during an epidemic are less likely to be met. For instance, women constitute about 70% of health and social workers globally yet they occupy limited decision-making positions.<sup>57</sup>

Women face greater economic vulnerability as their labour participation is often highly informal, without social protection. Low-income women and women migrant workers are especially vulnerable;

- As seen in the Ebola outbreak, crises pose a serious threat to women's engagement in economic activities, especially in informal sectors, and can increase gender gaps in livelihoods.<sup>58</sup>
- UNDP's Gender Social Norms Index showed that globally 50% of men agree that, in times of scarcity, men should have more rights to get jobs instead of women.<sup>59</sup>
- Women migrant workers, especially those engaged in domestic and care work, may be adversely impacted by global travel restrictions, with strong financial implications and limiting their ability to support themselves and their families back home.

The COVID-19 pandemic can worsen the already high prevalence of gender-based violence (GBV) due to greater economic stress in households in times of crisis coupled with increased social isolation. According to WHO, London School of Hygiene and Tropical Medicine and South African Medical Research Council (2013), 1 in 3 women worldwide have experienced GBV.<sup>60</sup> This can be further compounded by more limited access to health care and other services;

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<sup>54</sup> See Ana Luiza Minardi, Susannah Hares and Lee Crawford, (2020) "Containing the Epidemic: Should Schools Close for Coronavirus?" Available at <https://www.cgdev.org/blog/containing-epidemic-should-schools-close-coronavirus>

<sup>55</sup> Of course, the distribution of migrants will vary depending on a country's context.

<sup>56</sup> Kenya National Bureau of Statistics (2019). Economic Survey 2019, Kenya National Bureau of Statistics, Nairobi.

<sup>57</sup> WHO (2019). "Gender equity in the health workforce: Analysis of 104 Countries," Available at <https://www.who.int/hrh/resources/gender-equity-health-workforce-analysis/en/>

<sup>58</sup> European Parliament A8-0281/2015. Report on the Ebola Crisis: The long-term lessons and how to strengthen health systems in development countries to prevent future crises

<sup>59</sup> UNDP (2020) Tackling Social Norms: A game changer for gender inequalities. Available at: <http://hdr.undp.org/en/gzni>

<sup>60</sup> World Health Organization, Department of Reproductive Health and Research, London School of Hygiene and Tropical Medicine, South African Medical Research Council (2013). Global and regional estimates of violence against women: prevalence and health effects of intimate partner violence and non-partner sexual violence

- When women are primarily responsible for procuring and cooking food for the family, increasing food insecurity as a result of the crises may put them at heightened risk, for example, of intimate partner and other forms of domestic violence because of increased household tensions.<sup>61</sup>
- Other forms of GBV are also exacerbated in crises. For example, the economic impacts of the 2013-2016 Ebola outbreak in West Africa put women and children at greater risk of exploitation and sexual violence.<sup>62</sup>
- Life-saving care and support to GBV survivors, often already limited services, may be disrupted as health service providers become overburdened with handling COVID-19 cases. This diversion of resources, coupled with gender bias and conditioning, can also impact access to other critical health services women and girls rely upon, such as routine health checks and sexual and reproductive health care. For example, it is estimated that at least 3,600 additional maternal, neonatal and stillbirth deaths resulted from the diversion of healthcare resources towards Ebola in Sierra Leone between 2014 and 2015.<sup>63</sup>
- During West Africa's 2014 Ebola crisis, there were reports of increased cases of gender-based violence in Sierra Leone and service provisions for survivors were obstructed by the Ebola outbreak.<sup>64</sup>
- Some of these consequences have been reported in China and other countries during the COVID-19 outbreak. For instance, a nongovernmental organization assisting GBV survivors in Jingzhou received three times more reports of domestic violence in February 2020 compared to the same month last year.<sup>65</sup>

With all these pathways reinforcing each other, the COVID-19 pandemic would have a negative disproportionately impact on women and girls than men and boys in Kenya.

## 6. Impact on Refugees, IDPs and Migrants

COVID-19 outbreaks are devastating in any context. However, the dangers of such outbreaks will be magnified for Africa's more than 25 million people who are forcibly displaced -- internally displaced persons (IDPs) and refugees -- as a result of conflict and repression.<sup>66</sup> Africa is also experiencing high levels of migration -- people leaving their homes in search of better opportunities -- often either to Europe or urban areas where there is more economic activity. While neither of these groups has been identified as key focal points of transmission of COVID-19, the high densities of forcibly displaced populations and the mobility of migrants make both groups highly vulnerable to exposure and therefore a priority for reducing the spread of the coronavirus in Africa. This will require informed and efficient policy engagements and public messaging, as well as the tamping down of the stigmatization and fear-based xenophobia toward these groups.

These populations are at incredibly high risk for outbreaks of contagious diseases for several reasons:

<sup>61</sup> IASC (2015). Guidelines for Integrating Gender-Based Violence Interventions in Humanitarian Action: Food Security and Agriculture

<sup>62</sup> UNGA A/70/723. Protecting Humanity from Future Health Crises: Report of the High Level Panel on the Global Response to Health Crises; UNICEF Helpdesk, "GBV in Emergencies: Emergency Responses to Public Health Outbreaks," September 2018: 2.

<sup>63</sup> Health Policy Plan (2017). "Counting indirect crisis-related deaths in the context of a low-resilience health system: the case of maternal and neonatal health during the Ebola epidemic in Sierra Leone," Available at <https://www.ncbi.nlm.nih.gov/pubmed/29149310>

<sup>64</sup> UNDP/Irish Aid. Assessing Sexual and Gender Based Violence during the Ebola Crisis in Sierra Leone

<sup>65</sup> Sixth Tone (2020) Domestic Violence Cases Surge During COVID-19 Epidemic. Available at: <https://www.sixthtone.com/news/1005253/domestic-violence-cases-surge-during-covid-19-epidemic>

<sup>66</sup> Williams, W., (17 October 2019). "Shifting Borders: Africa's Displacement Crisis and Its Security Implications," Africa Centre Research Paper No. 8, Available at <https://africacenter.org/publication/shifting-borders-africas-displacement-crisis-and-its-security-implications/>

- Their background: refugees and displaced persons likely fled from conflict, so they are starting off in less than ideal health and likely have not had access to adequate health services. Additionally, these populations have possibly dealt with poor nutrition prior to entering the camps.
- Current living conditions<sup>67</sup>: due to overcrowding and poor infrastructure, camps hardly have sanitary places. A look at the normal ways to prevent an outbreak of an infectious disease like COVID-19 -- such as washing hands, engaging in social distancing, ensuring good hygiene, and checking in with health providers indicate that none are readily available in the refugees' camps. The ability of these communities to practice social distancing is near impossible. If the coronavirus were to get into Dadaab and Kakuma camps, the Kalobeyei Settlement<sup>68</sup>, the spread would be rapid<sup>69</sup> and devastating.<sup>70</sup>
- Many refugees and IDPs camps are located in relatively isolated border areas. While this isolation offers a degree of protection, there are ample opportunities for these populations to become exposed. Government officials, aid organizations, and vendors regularly have individuals going in and out of these camps.<sup>71</sup> Many within the displaced communities also travel back and forth from these settlements while looking for work, food, fuel, or water.
- These populations are often not a priority for political leaders. As such, they likely will not get the attention they require. For example,<sup>72</sup> countries experiencing outbreaks are temporarily suspending services to refugee camps. This is a very unfortunate, as these camps need services now more than ever.
- Stigma on refugees and IDPs. If these camps get hit with an outbreak, which is likely given all the conditions present, they become an easy target for political leaders wanting to deflect blame from themselves. Leaders could claim the virus came from refugees, even if untrue or even if a spread is entirely due to camps being poorly resourced, further stigmatizing this population. This can create a vicious feedback loop where refugees and displaced persons are further marginalized, resulting in worsening conditions in the camps and higher susceptibility to outbreaks -- which can then be used by political leaders looking to further scapegoat displaced persons.

The is also a robust flow of informal migration that annually sees hundreds of thousands of people crossing borders unofficially. Most are young men and women, many seasonal and day traders, all of them traveling outside legal channels. Most informal migration is a temporary solution to a broken or undeveloped migration management system.<sup>73</sup> Without some form of legal recognition, people travel at their own risk. When they cross borders for work, they remain legally, unaccounted for, and untraceable.

These informal migrants are drawn to economically vibrant -- and densely populated -- urban centres. Many of these towns and cities have overcrowded shanty towns rising around them -- lacking proper sanitation and running water where migrants settle in with the host community's poor. All these residents live hand to mouth and are unable to shelter in place, much less practice social distancing.

<sup>67</sup> <https://mphdegree.usc.edu/blog/refugee-health-from-the-public-health-perspective/>

<sup>68</sup> Kenya has some of the region's largest refugee populations, with more than 400,000 in the Dadaab and Kakuma camps, the Kalobeyei Settlement and internally displaced people (see <https://allafrica.com/stories/202003310207.html>).

<sup>69</sup> <https://www.nbcnews.com/health/health-care/coronavirus-could-cause-carnage-among-world-s-refugees-aid-groups-n1162861>

<sup>70</sup> <https://allafrica.com/stories/202003310207.html>

<sup>71</sup> <https://www.ozy.com/around-the-world/these-refugees-survived-conflict-what-about-the-coronavirus/289839/>

<sup>72</sup> <https://www.theguardian.com/global-development/2020/mar/11/lesbos-coronavirus-case-sparks-fears-for-refugee-camp-moria>

<sup>73</sup> Williams, W., (17 October 2019). "Shifting Borders: Africa's Displacement Crisis and Its Security Implications," *Africa Centre Research Paper No. 8*, Available at <https://africacenter.org/publication/shifting-borders-africas-displacement-crisis-and-its-security-implications/>

Because they know they have no legal status, not only do informal migrants fear recognition at borders and thus shun official border crossings, they also avoid drawing attention to themselves in their everyday lives. They have not only law enforcement to fear but also the risk of violence against asylum seekers<sup>74</sup> and informal migrants<sup>75</sup> from local populations spurred on by fears of the pandemic. This means that if they were exposed to the virus or even get symptoms, they will most likely avoid seeking help or do anything to stand out. This, in turn, would accelerate the spread of the virus.

To avoid leaving no refugees, IDPs and migrants, host governments must emphasize that this pandemic requires a community-wide focus on public health and human security -- one that includes the most marginalized and vulnerable.<sup>76</sup> This includes forcibly displaced and economic migrants, as well as the impoverished communities that host them. Stigmatization, hostility, and persecution will further spread the virus rather than stem it. Those who feel the need to hide their migrant status in order to work and live freely will also feel pressured to hide exposure to the virus or any symptoms, making themselves a threat to the entire community.

In many contexts -- especially in informal urban settlements and in camps -- counselling, good hygiene and social distancing is not enough. Adaptations are required to increase access to soap and water. Ensuring access to food and fuel to limit the need for inhabitants to travel outside camps is also needed based on already some good models -- from providing public services<sup>77</sup> (schools, clinics, and drinking water points) in informal urban settlements, to generating public service announcements in local dialects<sup>78</sup> and creating community kitchens<sup>79</sup> in vulnerable areas to serve millions of meals at a time. Such models should be adapted to the context and replicated as far and wide as possible.

Migrants who have settled in urban areas should be supported as part of the overall public health effort to contain and respond to the virus. Governments should also consider encouraging informal migrants to come out of the shadows to be counted, and, if necessary, tested and treated without fear of reprisal, incarceration, or deportation.

Only by identifying, isolating, and treating cases can public health leaders respond effectively to the societal threat. Forcing informal migrants to stay in the shadows out of fear will only cause the virus to spread farther and faster. Governments should also encourage migrants to remain where they are if they are safe. The objective should be to reduce unnecessary movements. In this way, migrants are less of a risk to themselves and host communities. Along the same lines, public messaging in countries of origin should also be ramped up to discourage new migrants from departing.

## 7. Impact on Education

Kenya like most COVID-19 affected countries temporarily closed schools and learning institutions to mitigate the spread of the outbreak. School closures impede learning and compound inequities, disproportionately

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<sup>74</sup> <https://www.africanews.com/2019/10/31/church-rescues-stranded-refugees-manhandled-by-south-africa-police/>

<sup>75</sup> <https://www.newframe.com/xenophobia-denialists-should-be-held-culpable/>

<sup>76</sup> <https://www.refugeesinternational.org/reports/2020/3/29/covid-19-and-the-displaced-addressing-the-threat-of-the-novel-coronavirus-in-humanitarian-emergencies#Africa>

<sup>77</sup> <https://www.usnews.com/news/world/articles/2020-03-18/no-water-no-fear-kenyas-community-leaders-step-up-to-coronavirus-challenge>

<sup>78</sup> Omolara - #Transformist #BoldLikeStellaNyanzi

@Laraoriye|| made a #covid19 PSA in Ekiti dialect. I've seen that my village people have started singing and praying Corona away so I decided to start a conversation.

<sup>79</sup> <https://www.nytimes.com/2020/03/22/opinion/restaurants-coronavirus-food-aid.html>

affecting disadvantaged children.<sup>80</sup> School closures during the 2014–16 Ebola epidemic increased dropouts, child labour, violence against children, teen pregnancies, and persisting socioeconomic and gender disparities.<sup>81</sup> This had long-term impacts on the girls' education, economic, and health outcomes.<sup>82</sup>

Access to distance learning through digital technologies is highly unequal, and subsidized meal programmes, vaccination clinics, and school nurses are essential to child health care, especially for marginalized communities. Schools provide safeguarding and supervision, and closures increase the economic burden of families using day care or their reliance on vulnerable older relatives. Working parents might leave children unsupervised or forgo employment to stay at home with them.

Temporary school closures can have acutely negative effects for displaced or refugee children for whom school can provide a safe space for interaction with peers, psychosocial support, and even a reliable source of food. When schools are closed, children's mental health issues might be exacerbated by the lack of peer support and alternatives for mitigation of risks.

There are reasons to be concerned because prolonged school closure and home confinement during a disease outbreak might have negative effects on children's physical and mental health.<sup>83</sup> <sup>84</sup> Evidence suggests that when children are out of school (e.g., weekends and summer holidays), they are physically less active, have much longer screen time, irregular sleep patterns, and less favourable diets, resulting in weight gain and a loss of cardiorespiratory fitness.<sup>85</sup> <sup>86</sup> Such negative effects on health are likely to be much worse when children are confined to their homes without outdoor activities and interaction with same aged friends during the outbreak.

## 8. Impact on Food Security and Nutrition

Considering that the agricultural sector contributes 26% of (GDP), another 27% of GDP indirectly through linkages with other sectors, employs 40% of the total population and more than 70% of the rural population in Kenya, the impact of COVID-19 on overall economy would equally affect the agricultural and food security sector. In this regard, there will an adverse impact on food security and nutrition. The COVID -19 pandemic coincided with start of the planting season for maize, the major staple food. As the early season drought caused a sharp decline in maize production in 2019 and locust pandemic this year, which is still unresolved, food stocks are destined to decline, and prices to increase. This will have an adverse effect on poorest and the most vulnerable segments of the population. This will be exacerbated by the travel, transport restrictions/night curfew, fourteen (14) days quarantine for cargo vessels' crew at Mombasa Port and stricter checks at the country's borders which will result in logistics problems. Furthermore, food security could be challenged if, because of the global spread of COVID-19, some countries restrict food exports.

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<sup>80</sup> Wang G, Zhang Y, Zhao J, et al. Mitigate the effects of home confinement on children during the COVID-19 outbreak. *Lancet* 2020; published online March 4. [https://doi.org/10.1016/S0140-6736\(20\)30547-X](https://doi.org/10.1016/S0140-6736(20)30547-X).

<sup>81</sup> UN Development Programme. UNDP Africa policy note: confronting the gender impact of Ebola virus disease in Guinea, Liberia, and Sierra Leone. 2015. [https://reliefweb.int/sites/reliefweb.int/files/resources/RBA%20Policy%20Note%20Vol%202%20No%201%202015\\_Gender.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/RBA%20Policy%20Note%20Vol%202%20No%201%202015_Gender.pdf)

<sup>82</sup> Kapur, "Gender Analysis," CARE.

<sup>83</sup> Brazendale K, Beets MW, Weaver RG, et al. Understanding differences between summer vs. school obesogenic behaviors of children: the structured days hypothesis. *Int J Behav Nutr Phys Act* 2017; 14: 100.

<sup>84</sup> Brooks SK, Webster RK, Smith LE, et al. The psychological impact of quarantine and how to reduce it: rapid review of the evidence. *Lancet* 2020; published online Feb 19. [https://doi.org/10.1016/S2215-0366\(20\)30077-8](https://doi.org/10.1016/S2215-0366(20)30077-8).

<sup>85</sup> Brazendale K, Beets MW, Weaver RG, et al. Understanding differences between summer vs. school obesogenic behaviors of children: the structured days hypothesis. *Int J Behav Nutr Phys Act* 2017; 14: 100.

<sup>86</sup> Wang G, Zhang J, Lam SP, et al. Ten-year secular trends in sleep/wake patterns in Shanghai and Hong Kong school-aged children: a tale of two cities. *J Clin Sleep Med* 2019; 15: 1495–502.

The 2014–16 West Africa Ebola outbreak demonstrates the tremendous impact that public health emergencies can have on food systems. Movement restrictions and quarantine measures resulted in less trade of and accessibility to food, sending prices higher at the same time that populations found themselves less able to engage in economic activities.<sup>87</sup> Some households were forced to use negative coping mechanisms, such as reducing food consumption, engaging in transactional sex, or borrowing money or going into debt to pay for food.<sup>88</sup> Surviving Ebola and the declared end of the outbreak did not automatically ease food insecurity or malnutrition in affected communities. Stigmatization prevented some Ebola survivors from finding or returning to work, while lingering fears prompted some communities to deny access to food or shelter to Ebola victims and survivors.<sup>89</sup>

The risk of heightened food insecurity and malnourishment during public health emergencies is particularly grave for women and girls because social norms in some contexts dictate that they eat last and least.<sup>90</sup> When food becomes scarce, women and girls—who are already more likely to be malnourished than men and boys<sup>91</sup> -- could face additional health complications quickly,<sup>92</sup> including increased susceptibility to COVID-19 infection.

### **9. Impact on Governance and Security System**

The Chief Justice David Maraga announced in a press statement on 15 March 2020 that court activities throughout the country starting on 16 March 2020 will scale down for two weeks in order to comply with the directive issued by the National Emergency Response Committee on Coronavirus. The scale down was to allow for further consultations and design appropriate measures to prevent the spread of the coronavirus.<sup>93</sup> The prisoners and persons in remand would not be presented to court for the two weeks while new arrests apart from serious cases will be dealt with at police stations following guidelines yet to be issued by the Inspector-General of Police. All appeals, hearings and civil cases in all courts were suspended with immediate effect. The judicial directive would increase and worsen case backlogs. The increase in the case backlogs together with the suspension of all hearings and mentions of all civil cases in all courts, along with all execution proceedings would have an adverse effect on the justice system in the country.

The high level of unemployment caused by the COVID-19 pandemic<sup>94</sup>, particularly among the youth will have an adverse impact on security of the country as it will exacerbate youth unemployment which will alienate the unemployed youths who could be easily recruited by militant groups.<sup>95</sup> This could exacerbate terrorist attacks, violent extremism and youth radicalization.

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<sup>87</sup> ACAPS, (2016). "Beyond a Public Health Emergency: Potential Secondary Humanitarian Impacts of a Large-Scale Ebola Outbreak," Available at <https://www.acaps.org/special-report/beyond-public-health-emergency-potential-secondary-humanitarian-impacts-large-scale>

<sup>88</sup> *ibid.*

<sup>89</sup> *ibid.*

<sup>90</sup> UN World Food Program (WFP), "Women Are Hungrier," Available at <https://wfpusa.org/women-arehungrier-infographic/>.

<sup>91</sup> UN Food and Agriculture Organization (FAO), "Gender and Nutrition," Available at <http://www.fao.org/3/al184e/al184e00.pdf>.

<sup>92</sup> This is particularly true, and dangerous, for pregnant and lactating women, as they have additional nutritional needs. See European Commission Staff Working Document, "Addressing Undernutrition in Emergencies," European Commission, March 12, 2013, [https://ec.europa.eu/echo/files/news/201303\\_SWUndernutritioninemergencies.pdf](https://ec.europa.eu/echo/files/news/201303_SWUndernutritioninemergencies.pdf).

<sup>93</sup> Manyibe, E., (15 March 2020). "Judiciary Suspends Court Sessions Over Coronavirus Scare," Available at <https://www.kenyans.co.ke/news/50854-court-sessions-suspended-over-coronavirus-scare>

<sup>94</sup> Due to its adverse impact in the key sectors of the economy.

<sup>95</sup> As per KNBS (2020) the number of unemployed youths aged 20-24 years is 2.3 million (14.2%).

In order to fight the spread of the novel coronavirus, governments around the world have enacted similar measures, from quarantines, curfews and lockdowns. Public health experts say these are necessary to save millions of lives. But they also come with a significant loss of human rights personal liberties. In France and Italy, people can only go outside once a day,<sup>96</sup> armed with a permission form, and are fined<sup>97</sup> if they do not comply. In South Korea, health officials implemented what is known as “contract tracing”<sup>98</sup> by tracking Covid-19 patients using GPS data from their cars and cell phones—a significant invasion of privacy by most measures.

Like many other African countries, Kenya has imposed sweeping restrictions on movement to curb the spread of the coronavirus. The curfew, which requires people to stay in their homes from 7pm to 5am, is the most stringent limitation and has led to a wave of police violence. On 27 March 2020, police injured dozens of people in a crackdown in the coastal city of Mombasa.<sup>99</sup> On 28 March 2020, a motorcycle taxi driver died from injuries that his family says he sustained from being beaten by a policeman after he dropped off a pregnant woman at a hospital after curfew.<sup>100</sup> A 13-year-old boy died in the capital Nairobi on 30 March 2020 after being shot while standing on his balcony as police forced people into their homes on the street.<sup>101</sup>

To contain these incidents from escalating into political violence and securitization of law and order, authorities should ensure police respect the law and avoid abusive conduct while enforcing the curfew. Otherwise, excess use of force could undermine government’s ability to win popular support and cooperation in an effort to control the spread of the virus.

On the political front, the COVID-19 pandemic would disrupt the timeline of the Building Bridges Initiative (BBI) process and the political processes around it due to restrictions on public gatherings. Prior to the first confirmed COVID-19 case on 13 March 2020, the public hearings for the second phase of the BBI were expected to end in mid-March, the BBI report submitted to the President end of March 2020 and the implementation of the recommendations to commence in the summer. The implementation of the recommendations is expected to be challenging and potentially divisive, a controversial referendum and result in new government administrative structures. However, the cancellation of public gatherings and the government’s focus on preventing the spread of COVID-19 seems to have momentarily paused the political tensions in the ruling Jubilee Party. On 21 March 2020, a high-profile BBI event planned for Nakuru, which was billed as a showdown between the two factions in the ruling Jubilee Party was cancelled due to the COVID-9 ban on public gatherings. The development was welcomed as it prevented a potential confrontation between the two factions. Although the BBI Taskforce will continue to receive written submissions, public consultations have been be put on hold until further notice, the Ksh11 billion set aside by the Government for BBI rallies has been transferred to the recently established COVID-19 Emergency Response Fund.<sup>102</sup> Paradoxically, the coronavirus pandemic offers an opportunity for unity amongst Kenyans around stemming the pandemic risks.

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<sup>96</sup> <https://www.thelocal.fr/20200319/france-tightens-rules-on-jogging-during-coronavirus-lockdown>

<sup>97</sup> <https://qz.com/1824240/thousands-are-paying-fines-for-defying-italys-coronavirus-lockdown/>

<sup>98</sup> <https://www.nytimes.com/2020/03/23/world/asia/coronavirus-south-korea-flatten-curve.html>

<sup>99</sup> [https://www.washingtonpost.com/world/africa/kenyan-police-shot-dead-a-teenager-on-his-balcony-during-a-coronavirus-curfew-crackdown/2020/03/31/6344c70e-7350-11ea-ad9b-254ec99993bc\\_story.html](https://www.washingtonpost.com/world/africa/kenyan-police-shot-dead-a-teenager-on-his-balcony-during-a-coronavirus-curfew-crackdown/2020/03/31/6344c70e-7350-11ea-ad9b-254ec99993bc_story.html)

<sup>100</sup> *ibid.*

<sup>101</sup> <https://www.enca.com/news/kenya-president-sorry-coronavirus-cop-violence>

<sup>102</sup> <https://www.nation.co.ke/page/search/DailyNation/news/1056-1056-view-asGoogleSearch-vx2vrjz/index.html?q=No+more+BBI+as+funds+diverted+ti+fight+virus&contextslids=1148&sortBy=maupublicationdate&docTypes=%22MauArticle%2CMauGallery%2CMauVideo%2CCMDownload%22>

Furthermore, the Independent Electoral and Boundaries Commission (IEBC) has postponed scheduled by-elections in four wards ( Dabaso in Kilifi County, Kisumu North in Kisumu County, Kahawa Wendani in Kiambu County and Taita Taveta County's Wundayi/Mbale) and one constituency (Msabweni) because holding elections result in exposing the public to the risk of contracting COVID-19 and the dusk to dawn national curfew.<sup>103</sup>

#### **10. What Policies Measures Have Some Governments Implemented and Kenyan Policymakers Can Implement to Reduce the COVID-19 Pandemic Uncertainty and Improve Growth Prospects?**

An immediate need in all countries , but especially those most affected by the COVID-19 epidemic, is for effective public health measures that prevent infection from spreading. Well-targeted economic policies are also required to help support health care provision and protect solvent companies and workers from experiencing significant temporary income disruptions because of the coronavirus. A number of governments have announced preliminary measures ranging from providing automatic rollovers of debt to small businesses (for example, Italy and Germany) to extending unemployment insurance equivalent to nearly 100% of wages to all laid off workers (France), extending tax deadlines for companies in affected areas and broadened the wage supplementation fund to provide income support to laid-off workers (Italy), introducing wage subsidies for small merchants and increased allowances for homecare and job seekers (South Korea), and temporarily waiving social security contributions for businesses (China) (see Table 1.3).<sup>104</sup>

In their recommendations to containing the adverse impact on the coronavirus in Kenya, KEPSA (2020) has recommended similar supportive measures to aid Kenyan businesses<sup>105</sup>. These include:

- Granting tax breaks to companies seeking to increase their capacity to produce import substitute goods, which could even mean zero-rating VAT for the next 3-months;
- Releasing VAT refunds to assist businesses with managing their cash flow;
- Encouraging banks to give concessionary loans at low rates to facilitate businesses, and as well provide moratoriums on loans that are due;
- Providing for a Business Stabilization Fund to cushion the impact of the coronavirus, especially for Small and Medium Enterprises (SMEs);
- Reducing corporate tax for industries that have been highly affected by the coronavirus such as the aviation industry, or waiving corporate tax for a 3-month period as well as a reduction in payroll tax for the next 3 months for the low income bracket workers; and
- Strengthening the local supply chain for traders to be able to access import substitute goods.

The government has adopted most of KEPSA proposed interventions including,<sup>106</sup>

- Hundred percent (100 %) Tax Relief for persons earning gross monthly income of up to Ksh24,000.
- Reduction of Income Tax Rate (Pay-As-You-Earn) from 30% to 25%.
- Reduction of Resident Income Tax (Corporation Tax) from 30% to 25%;

<sup>103</sup> Orinde, H., (1 April 2020). "IEBC postpones five by-elections due to coronavirus," Available at <https://www.standardmedia.co.ke/article/2001366499/iebc-postpones-five-by-elections-due-to-coronavirus>

<sup>104</sup> Gopinath, G. (9 March 2020). "Limiting the Economic Fallout of the Coronavirus with Large Targeted Policies", Available at <https://blogs.imf.org/2020/03/09/limiting-the-economic-fallout-of-the-coronavirus-with-large-targeted-policies/> and Bosio, E., Djankov, S., and Ramalho, R., (19 March 2020). "Immediate action needed: four ideas to alleviate economic slowdowns," Available at <https://blogs.worldbank.org/developmenttalk/immediate-action-needed-four-ideas-alleviate-economic-slowdowns>

<sup>105</sup> The caveat for Kenya though is the limited fiscal space to implement these measures.

<sup>106</sup> <https://www.president.go.ke/2020/03/25/presidential-address-on-the-state-interventions-to-cushion-kenyans-against-economic-effects-of-covid-19-pandemic-on-25th-march-2020/>

- Reduction of the turnover tax rate from the current 3% to 1% for all Micro, Small and Medium Enterprises (MSMEs).
- Appropriation of an additional Ksh10 billion to the elderly, orphans and other vulnerable members of the society through cash-transfers by the Ministry of Labour and Social Protection.
- Temporary suspension of the listing with Credit Reference Bureaus (CRB) of any person, Micro, Small and Medium Enterprises (MSMES) and corporate entities whose loan account fall overdue or is in arrears, effective 1st April 2020.
- Reduction of the VAT from 16% to 14%, effective 1<sup>st</sup> April, 2020.
- Government payment of pending bills of at least of Ksh13 billion of the verified pending bills, within three weeks. Equally, private sector was encouraged to clear all outstanding payments among themselves.
- Expediting the payment of all verified VAT refund claims amounting to Ksh10 billion within 3 weeks.
- Appropriation of Ksh1 billion from the Universal Health Coverage vote to recruit of additional health workers to support in the management of the spread of COVID-19.
- Voluntary reduction in the salaries of the senior ranks of the National Executive to share the burden of the pandemic, as follows:
  - ✓ The President and Deputy President – 80%;
  - ✓ Cabinet Secretaries – 30%;
  - ✓ Chief Administrative Secretaries – 30%;
  - ✓ Principal Secretaries – 20%;
  - ✓ Speakers of the Senate and National Assembly -30%.
- The Central Bank of Kenya additionally rolled out the following measures:
  - ✓ Lowered the Central Bank Rate to 7.25% from 8.25% which will allow commercial banks to lower the interest rate to their borrowers.
  - ✓ Lowered the Cash Reserve Ratio to 4.25% from 5.25% which will provide additional liquidity to commercial banks to directly support borrowers.
  - ✓ Flexibility to banks with regard to requirements for loan classification and provisioning for loans that were performing as at March 2, 2020 and whose repayment period was extended or were restructured due to the pandemic.
- Encourage State Agencies to establish and implement frameworks for staff to work from home.
- All state and public officers with pre-existing medical conditions and/or aged 58 years and above, serving in Job Group S and below or their equivalents, take leave or forthwith work from home, excluding personnel in the security sector and other essential services as outlined in the circular issues to the Public Service on 16<sup>th</sup> March, 2020.
- Re-organization of the Cabinet’s calendar, its committees and key State Agencies so as to apply a whole-of-government approach to the COVID-19 pandemic.
- Introduction of co-ordination and collaboration mechanism and establishment of sectoral working groups to more effectively and expeditiously implement action points.
- Establishing the COVID-19 Emergency Response Fund to mobilize resources for the emergency response towards containing the spread, effects and impact of the pandemic.

Mitigating the impact of this severe shock requires providing support to the most vulnerable. According to Gentilini, Almenfi and Orton, (2020) as of 20 March 2020; <sup>107</sup>

<sup>107</sup> Gentilini, U., Almenfi, M., and Orton, I., (20 March 2020). "Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures," Available at <http://www.ugogentilini.net/wp-content/uploads/2020/03/global-review-of-social-protection-responses-to-COVID-19-2.pdf>

- A total of 45 countries have introduced, adapted or expanded social protection programmes in response to COVID-19. Responses are present in all regions, except Africa.
- The most widely used measures include cash transfers (30 programmes), followed by wage subsidies (11), subsidized sick leave (10), and various forms of subsidized social security contributions and unemployment insurance.
- A total of 13 new cash transfer programmes have been introduced, like for example in Bolivia, India, Iran and Peru. A universal, one-off cash payment to all citizens will occur in Hong-Kong and Singapore. New in-kind schemes have also been launched, such as food vouchers in Taiwan and Seattle in the United States of America.
- Countries are adapting existing social assistance programmes in various ways, by for instance: anticipating payments of future cash transfer programmes, like in Colombia and Indonesia;
  - ✓ ensuring additional payments, often on a one-off basis (e.g., Argentina, Armenia, Australia, Turkey);
  - ✓ providing more generous benefit levels (e.g., China);
  - ✓ increasing the coverage of existing cash schemes (e.g., Brazil) and public works (Uzbekistan);
  - ✓ enhancing agility by suspending conditionalities in the UK and Italy;
  - ✓ providing innovative design solutions, such as school feeding programmes delivering food directly to children's homes or nearby centers (Jamaica and India's Kerala state) or adapting their financing (Japan).
- Income support in the form of childcare vouchers or allowances were provided in Italy, Poland and South Korea. Other social assistance programmes include support for homeless populations as planned in Spain; utility subsidies waiving fees for basic services are present in El Salvador; and wavers for loans and other financial obligations (e.g., Bolivia).
- Many countries provide cash benefits to crisis-affected self-employed workers (e.g., Ireland, Portugal, New Zealand) and those in the informal sector (India).
- Some countries (e.g., Netherland) are reducing work time among the wage employed, combined with paid sick leave.
- Sweden is reducing the administrative time required for sick-leave payments, while Switzerland is doing so for the unemployment insurance process.
- Delivery innovations are also emerging in Jordan (new cash programme using same registration form of existing schemes), Japan (uploading transfers on phones), and Romania (enhanced electronic processes for benefits).

## **11. Conclusion and Policy Implications**

The COVID-19 outbreak in the African Region continues to evolve rapidly, with several new countries reporting confirmed cases and an associated upsurge in incidence cases reported across the region. As of 2<sup>nd</sup> April 2020, there have been eighty one (81) confirmed cases, one (1) death and three (3) recovered patients in Kenya. In response, the Government through the Ministry of Health, has put in place a robust approach to address the COVID-19 threat. As part of the response, the Ministry has constituted a National Coronavirus Taskforce to evaluate the evolving risk and advise the Government on appropriate measures for preparedness, prevention and response in order to mitigate the Public Health impact. The Government has also established a COVID-19 Emergency Response Fund to mobilize resources to finance pandemic response activities. Additionally, the Ministry with support from the World Bank, WHO, UNICEF and other partners, have put together three

iterations of a COVID-19 costed contingency plan largely funded by the World Bank but focuses largely on the healthcare response. The plan is guiding overall preparedness, readiness and response activities in the country. Based on the country's risk assessment, efforts towards COVID-19 preparedness measures have been initiated and will continue. The measures prioritize prompt case detection, infection prevention and control, risk communication and community engagement, point of entry screening, laboratory confirmation, quarantine and isolation measures including mechanisms to offer effective supportive case management.

Furthermore, the government has adopted a number of containment measures, including barring entry into Kenya from most countries (for 30 days initially, starting from 17 March 2020) except for Kenyan citizens and residents, cancelled all public gatherings and closed schools (immediately) and universities (from 20 March 2020), social distancing and closure of most non-essential social spaces to gatherings; encouragement of teleworking where possible; suspension of international flights (with the exception of cargo flights) and imposition of a 14-day quarantine for those recently returning from abroad; establishment of isolation facilities; limitations on public transportation passenger capacity and a dusk to dawn curfew (from 27 March 2020).

In addition, cashless payments are being encouraged, non-essential government travel is being curbed and prison visits were suspended for 30 days. Kenyans are advised to avoid large gatherings. County-level action includes closing some public facilities and imposing restrictions on entertainment venues. Although private business continues to operate, they are expected to exercise precautions measures such as setting up quarantine zones, social distancing, provision of sanitizer facilities among others.

On 23 March 2020, the Central Bank (1) lowered its policy rate by 100 basis points (bps) to 7.25 percent; (2) lowered banks' cash reserve ratio by 100 bps to 4.25 percent; (3) increased the maximum tenor of repurchase agreements from 28 to 91 days; and (4) announced flexibility to banks regarding loan classification and provisioning for loans that were performing on March 2, 2020, but were restructured due to the pandemic. The Central Bank of Kenya also encouraged banks to extend flexibility to borrowers' loan terms based on pandemic-related circumstances and encouraged the waiving or reducing of charges on mobile money transactions to disincentivize the use of cash. In addition, the government announced on 25 March 2020 an economic stimulus package including tax stimulus for companies, employees, consumers and SMEs, confirmation of VAT refunds and payment of pending bills among others.

Given that the coronavirus pandemic is already having an adverse socio-economic impact on the Kenyan economy and the impact may worsen, a whole of government and society approach is needed to avoid a full blown pandemic which will address the following:

- Urgent and decisive action to stop transmission of COVID-19. Priorities on how to do this have been clearly stated by WHO: testing every suspected case, isolating and caring for every confirmed case, and tracing and quarantining every close contact. This response must be scaled-up, as soon as possible, at both national and sub-national levels.
- Activating sectors that are critical for frontline COVID-19 response (e.g., PPE production, communications for raising awareness).
- Clear and effective communication about the COVID-19 pandemic at both national and sub-national levels.
- Swift responses including quarantine and broad travel restrictions for containment and adequate preparedness by all health agencies.
- Promoting social distancing as much as possible to reduce community transmission.

- Increasing awareness to the public on the impact of the virus and especially on how spreading can be curbed. As such, nationwide sensitization of citizens and businesses on sanitization initiatives and control/prevention measures are key which will also demystify most of the misinformation around the virus effectively control the emotional contagion.
- Matching the response to current phase of impact while planning for next phase, support the procurement of local services and buying of local goods (role of public sector at national and local levels key); ensuring investment directly in economies; supporting economic development programmes by focusing specifically on populations most affected; finding ways to channel the recovery or crisis funds locally through small businesses and seize creative opportunities to put small and medium businesses to work; focusing on long term recovery plans even amidst the crisis; and ensuring technology and knowledge is made available to local companies to innovate in the face of challenges.
- As both a provider of technology, innovations, skills, services, and employment, and also as a key sector impacted by the virus, the private sector has a critical role to play. Examples include Safaricom implemented a fee-waiver on M-Pesa to reduce the physical exchange of currency, Standard Bank provides 90-day Coronavirus Business Interruption Payment Scheme (“payment holiday”) to small business owners, Foxconn Technology Group (supplier of iPhone components to Apple) has refitted, production lines to manufacture surgical masks and General Motors and medical equipment maker Ventec have partnered to build ventilators at a General Motors plant among others.
- Mobilizing local agents to safeguard livelihoods and progress on the SDGs:
  - ✓ As the range of economic activity shifts dramatically, labour, services and physical capital can be redeployed to new ends (e.g., textile manufacturers shifting production lines to PPE, idle workers trained to perform disinfection of public spaces, hotels converted into health units, transportation workers providing delivery services of food and medicine).
  - ✓ Government should operate as a powerful economic agent, with stimulus, procurement, and digital transformation as essential functions in re-organizing the economy.
  - ✓ Industries that are particularly vulnerable can be sustained through quickly-disbursed zero-interest lines of credit (or grants to MSMEs) to protect employment and livelihoods.
- Restoring the livelihoods of employees affected by engaging in COVID-19 response through national cash-for-work programmes in partnership with gig economy tech platforms (e.g., food delivery, transportation).
- Supporting medium- and long-term business investments that lead to resilient supply chains for critical goods and services.
- Building capacity for long-term digital transformations in national private sector and public services (i.e. ‘e-government’).
- Adapt and expand existing social protection to include social protection packages for specific MSME, smallholder farmers and workers .
- Businesses adapt provision of goods and services to shifting consumer preferences and government containment measures:
  - ✓ Home delivery of food, medicine, consumer goods;
  - ✓ Virtual delivery of knowledge economy;
  - ✓ Non-healthcare producers pivot to supporting critical supply chains;
  - ✓ Hygiene (e.g., chlorine, alcohol-based sanitizer, soap);
  - ✓ PPE (e.g., gowns, gloves, goggles, face shields, masks);
  - ✓ Components for hospital equipment and devices; and
  - ✓ Hotels, colleges and schools acting as makeshift hospitals.

- Urban slums are hotspots for the spread of disease, and so targeting these areas of extreme poverty through health interventions alongside other forms of sustainable development would offer a longer-term solution to preventing the spread of future outbreaks and reducing impoverishment.<sup>108</sup>
- Local businesses should develop virtual workstations and enlightening employees to be prepared to offer virtual services from their home to avoid the high risk of infection.
- The Government and organizations should consider the direct and indirect gender impacts of the COVID-19 pandemic, beyond simple binary data on number of cases. This is fundamental to ensure that Kenya's response to the COVID-19 pandemic does not reproduce or perpetuate gender and health inequities, gender norms, roles, and relations that influence women's and men's differential vulnerability to infection, exposure to pathogens, and treatment received for it to be effective.
- Ensure that any movement restrictions relating to COVID-19 account for the needs of different vulnerable groups.
- Prepare and put in place, when necessary, plans to ensure the continuity of education, including via distance learning (internet, TV, radio, etc.), offering catch-up/accelerated learning opportunities, adjusting school calendar and modality of exams (if necessary), preventing school drop-out by sensitization and support mechanism.
- More investment is needed to build an even more resilient food system. Such investment must come from national governments as well as the international community, as enhancing the capacity of developing countries to prevent or contain a food security crisis is a collective effort. In today's highly interconnected world, contagious diseases such as SARS, Ebola, avian flu and COVID-19 could easily travel across borders
- Develop targeted economic empowerment strategies and social safety nets to protect those who are the worst affected and most vulnerable. These safety nets, which could be in the form of cash or in-kind transfers (should be accompanied by intervention by health and nutrition officials, because investing in the health and nutrition of vulnerable populations could lower the mortality rate of diseases such as COVID-19 — as nutritional level and mortality rates are intricately linked. Social safety nets are also crucial in the post-epidemic period to drive "reconstruction" efforts.
- Government should engage the private sector to explore domestic production of essential items that were previously imported and accelerate the adoption of innovative business models and technologies required during the pandemic. Manufacturing businesses to fill emerging gaps in global supply chains as a result of the pandemic. This engagement should seek to manufacture as many health essentials such as masks, sanitizers, disinfectants, and other medical products.
- Ensure that aid and health care workers have access to all populations in need, to accommodate surges in health personnel and allow the transport of humanitarian and medical commodities as needed for preparedness and response activities.
- Ensure that migrants and refugees, asylum seekers and IDPs are included in national surveillance, preparedness, and response plans and activities.
- Maintain compliance with international human right obligations, including the rights of refugees and migrants.
- Ensure that emergency preparedness and response plans are grounded in sound gender analyses, considering gendered roles, risks, responsibilities, and social norms, and accounting for the unique capabilities and needs of other vulnerable populations. This includes ensuring that mitigation and response measures address women's and girls' caregiving burdens and heightened GBV risks.

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<sup>108</sup> Partners in Health (27 January 2016). "Study Finds Poverty Spread Ebola," <https://www.pih.org/article/study-finds-poverty-accelerated-ebola>

- Disaggregate outbreak-related data by sex, age, and disability so that health experts can understand differences in exposure and treatment and tailor preventive measures.
- Government should engage development partners to provide immediate flexibility and additional funding to ensure that existing development and humanitarian operations can rapidly scale up and adapt to the risks posed by COVID-19.
- Longer-term investments to build a stronger and more resilient health system. This makes sense both from a health and an economic perspective. Putting more resources on the front lines to detect and treat conditions early, before they become more serious, saves lives, improves health outcomes, reduces healthcare costs and strengthens preparedness for when outbreaks occur.

On the business front, the COVID-19 pandemic has clearly illustrated the need for the country to explore alternatives and diversifying the supply chains to reduce dependency on one region. The COVID-19 pandemic has also illustrated the need for the Government to support key sectors such as manufacturing to achieve structural transformation and industrialization of the economy.

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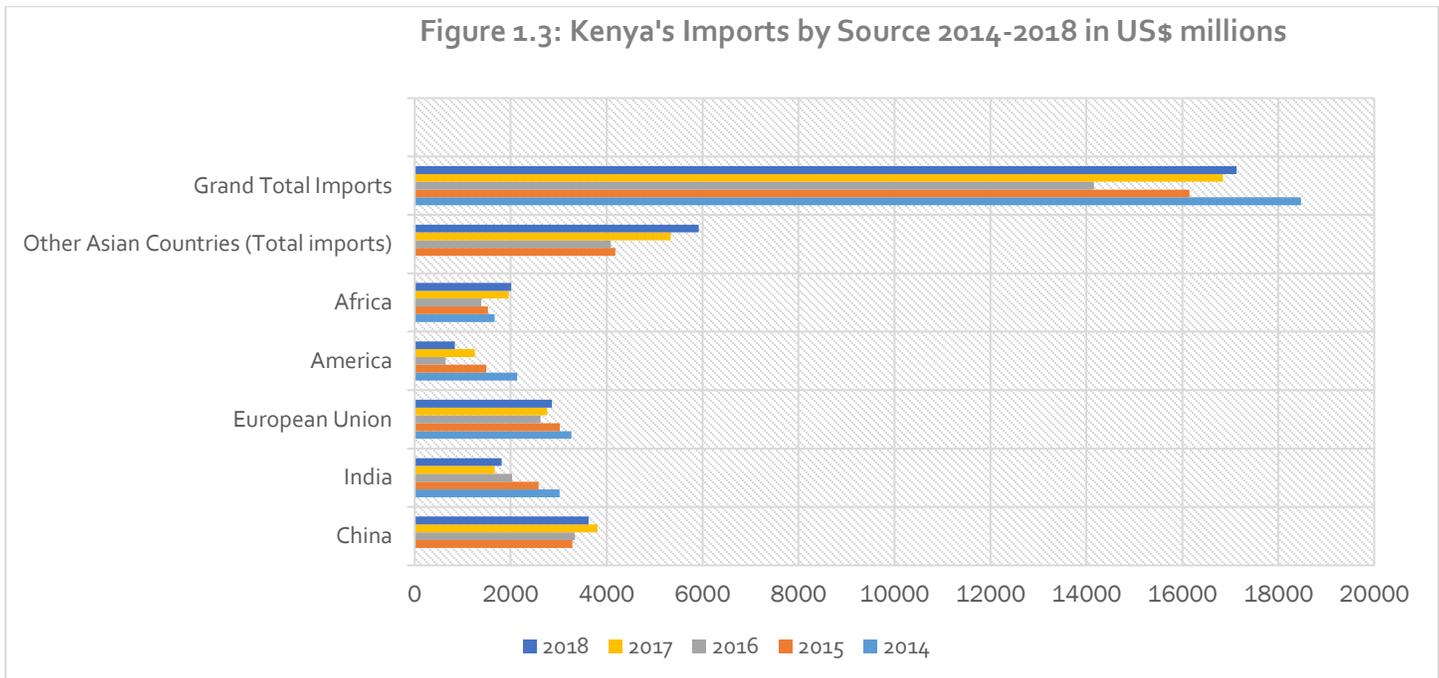
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**Table 1.1: Value of total Imports of Kenya's Exports (US\$ million), 2014-2018**

	2014	2015	2016	2017	2018
China	2,838	3,284	3,336	3,813	3,622
India	3,019	2,585	2,032	1,663	1,810
EU	3,264	3,026	2,623	2,760	2,858
USA	2,140	1,495	645	1,255	839
Africa	1,668	1,526	1,387	1,957	2,012
Other Asian countries	5,445	4,179	4,091	5,335	5,921
Total	18,472	16,147	14,156	16,844	17,133

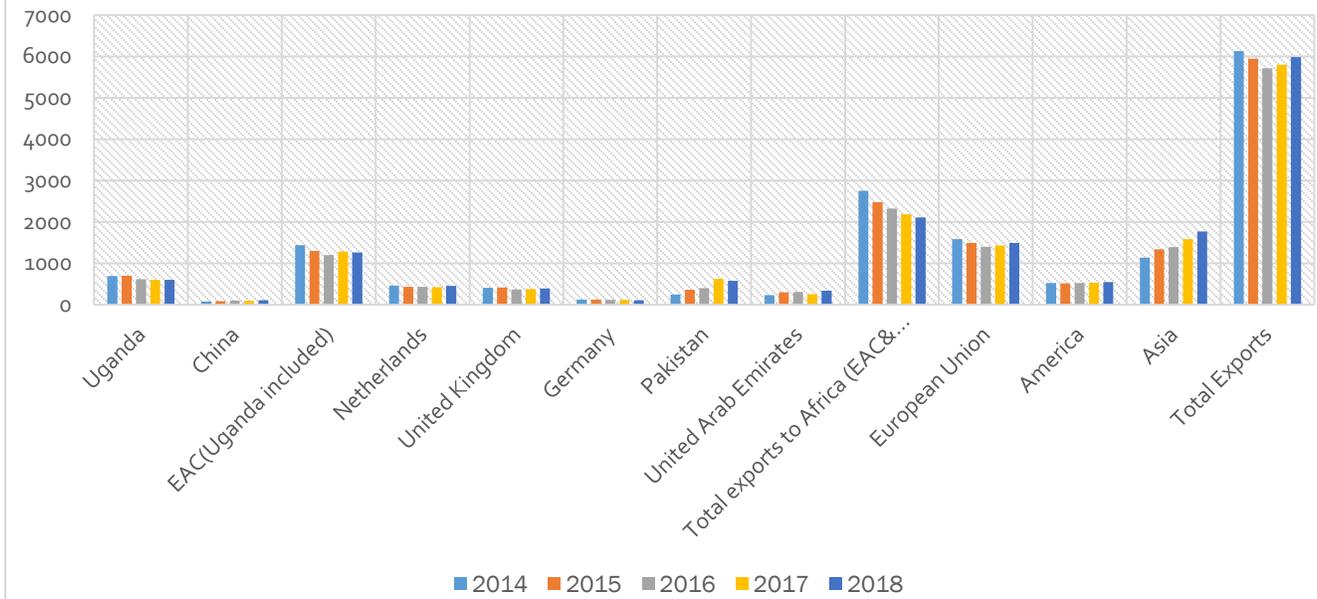
Source: Kenya National Bureau of Statistics, various years

**Figure 1.3: Kenya's Imports by Source 2014-2018 in US\$ millions**



Source, KNBS (various years). Economic Review (various years)

Figure 1.4: Kenya's Export Destination in US\$ millions



Source: KNBS (various years) Economic Review (various years)

**Table 1.2: The Macroeconomic Impacts on the Key Sectors of the Economy**

Key Sectors	Impact	Level of Impact
Tourism Sector	The tourism sector which contributed approximately 1.3% to Kenya's GDP in Q3'2019, will suffer due to lockdowns in major economies where tourists originate The lockdowns have seen a reduction in revenues to the aviation industry which also greatly contributes to the tourism sector, The cancellation of travel, business-related travels, the meetings, conferences and exhibitions to have an adverse effect on the is also expected to have an adverse effect on the hospitality industry as well as the 30-day ban on public gatherings.	High
Agricultural Sector	Freezing of orders on fruits and vegetables to China, coupled with reduced orders from consumers in Europe & Middle East thus a 46% drop in fresh produce exports A hike in the prices of imported inputs used for food processing and other processes, and Reduction in airfreight volume, cancelled shipping vessels and drop in export volumes	High
Manufacturing Sector	A shortage of intermediate goods from China used to manufacture products will have an adverse effect on the manufacturing sector	High
Health Sector	The health sector has had to increase its spending and direct funding towards public sensitization and training of medical personnel The government will have to increase its fiscal spending to ensure hospitals are well equipped to deal with the pandemic. The fiscal deficit is therefore likely to increase	High
Wholesale and Retail Sector	Imports from China account for 21.% of total imports. The supply chain disruption and uncertainty may also affect this sector due to delays in importation, reducing customer confidence	Moderate
Finance and Insurance Sector	There will be increased caution on lending especially to businesses that rely on imports hence inhibiting private credit sector growth due to the high risk of credit default, with the possibility of an increase in Non-Performing Loans if the pandemic is to continue	Moderate
Construction Sector	The industry is facing delays in equipment delivery from the main import market China. This may cause a slowdown in the growth of construction sector Delayed payments and decision making especially from Chinese affiliated projects	Low

	<p>Postponement of projects impacting on revenues in the industry</p> <p>Delays in payments from clients and businesses that are affected by the slowdown in economic activity, and as well reduced funding from financial institutions</p>	
Professional Services Sector	<p>The industry has recorded delays in payment from clients in China, which has in turn caused a delay in project implementation having a negative impact on revenue</p>	Low

**Table 1.3: Measures some Governments Have Taken to Contain the Impact of COVID-19**

Country	Measures taken by the Government
UK	<ul style="list-style-type: none"> <li>- The Chancellor set aside USD 39.0 bn to boost the economy through the Coronavirus pandemic</li> <li>- The government suspended business rates for small firms, offered discounts for larger firms and extended sick pay</li> </ul>
USA	<ul style="list-style-type: none"> <li>- The government will likely propose a payroll tax cut and a short-term expansion of paid sick leave</li> <li>- Passing of the Families First Coronavirus Response Act on a USD 8.3 bn emergency coronavirus budget which guarantees free coronavirus testing, paid emergency leave, improvement of Unemployment Insurance, strengthens food security initiatives, and increases federal medical funding to states</li> </ul>
China	<ul style="list-style-type: none"> <li>- The government introduced tax relief for people and businesses in the transport, tourism, and hospitality sectors to increase consumer spending and boost the economy</li> <li>- VAT reduction from 3.0% to 1.0% for small businesses until May 2020</li> <li>- Temporary suspension of social security contributions for firms</li> <li>- The government has also agreed to accelerate the payment on unemployment insurance</li> </ul>
South Korea	<ul style="list-style-type: none"> <li>- The South Korean government is providing income and VAT tax extensions to a majority of affected businesses</li> </ul>
Italy	<ul style="list-style-type: none"> <li>- The government is offering tax extensions to cash strapped businesses</li> <li>- Tax credits to be granted for companies which suffer a 25.0% drop in revenues</li> </ul>
Germany	<ul style="list-style-type: none"> <li>- The government has made it easier for companies to claim subsidies to support workers on reduced working hours to counter the effects of the pandemic</li> </ul>
Singapore	<ul style="list-style-type: none"> <li>- The government announced a USD 2.9 bn Stabilization and Support Package in order to safeguard the economy from the disruption and uncertainties caused by the coronavirus outbreak</li> <li>- A Jobs Support Scheme worth USD 935.5m created to help firms retain employees during the period of uncertainty.</li> </ul>