

“IMPLICATIONS OF COVID-19 ON TRADE IN KENYA”

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Presentation Outline

1. Introduction about Covid-19, background
2. Benefits of Trade
3. Curfew leading to Lockdown
4. Business in the Economy
5. Way forward and Recommendations

INTRODUCTION, COVID-19

- The Pandemic, of Covid-19 started in Wuhan, China by end of year 2019.
- The virus spread fast globally and the tragic injuries are in public domain.
- Statistics continue to be presented with mixed outcomes
- It has generated a lot of conspiracy theories that have almost clouded the real issues.
- World Health Organization (WHO) has issued guidelines to ameliorate injuries that have been caused by this (virus) disease, which has no known cure. Measures recommended include; **isolation, testing, quarantine and palliative care**. Also wearing face masks, washing hands with sanitizers, and Personal Protective Equipments (PPE) for health workers.

CURFEW IN KENYA

- This is a legal restriction of movement of citizens at prescribed time intervals and geographical locations in a country, in this case Kenya.
- The Kenya Government declared and imposed a 21 days curfew and it has been extended to another 21 days as from 27th April 2020.
- The curfew takes effect as from 7.00 pm to 5.00 am.
- At the declaration of the curfew, police caused damage to business, property and premises of traders.
- There were many human injuries and deaths caused by police when enforcing the curfew.
- More stiffer curfew measures (lockdown) have been imposed on five counties which are Nairobi, Mombasa, Kilifi, Kwale and Mandera at the time of this presentation.

TRADE

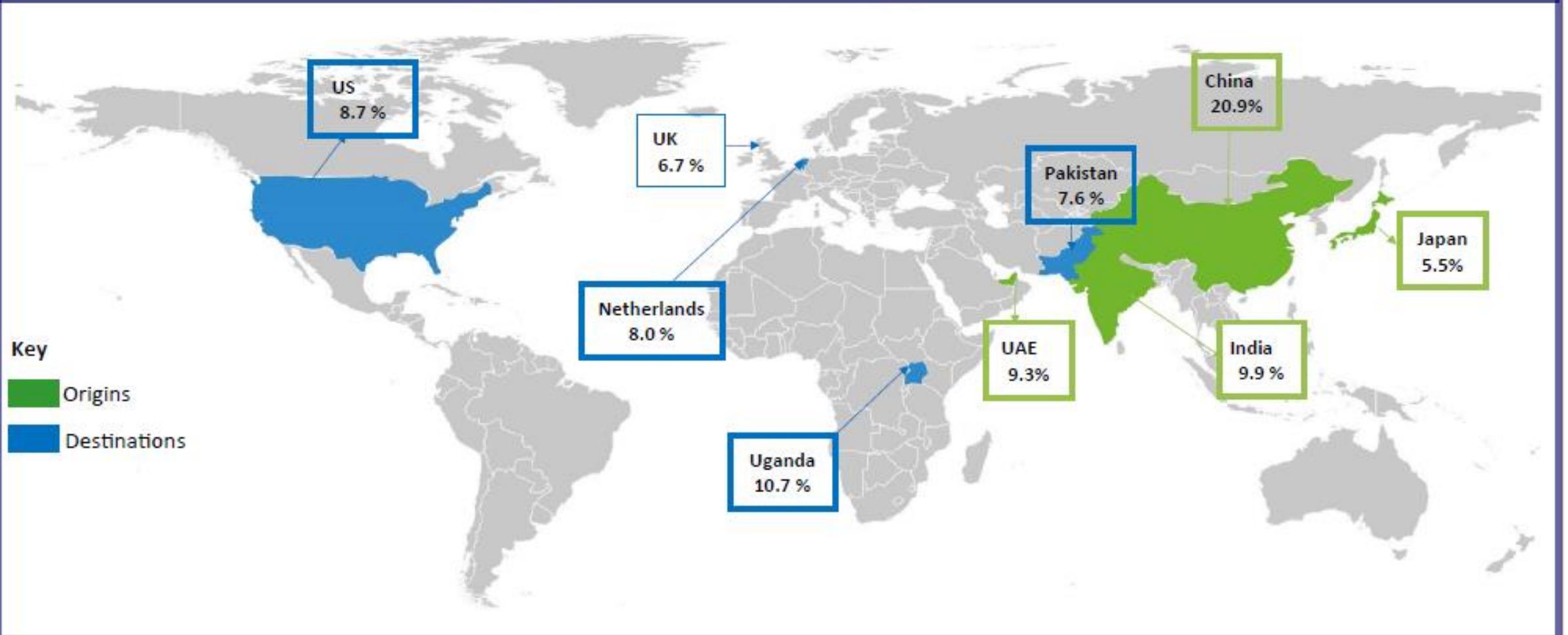
- Trade in this aspect is an economic activity which involves the movement of goods and services within and across countries borders' or customs jurisdictions'.
- Trade in goods includes agricultural produce and non-agricultural goods.
- Trade in services include business services, transport, education, construction, financial, wholesale, retail and many more.

BENEFITS OF TRADE

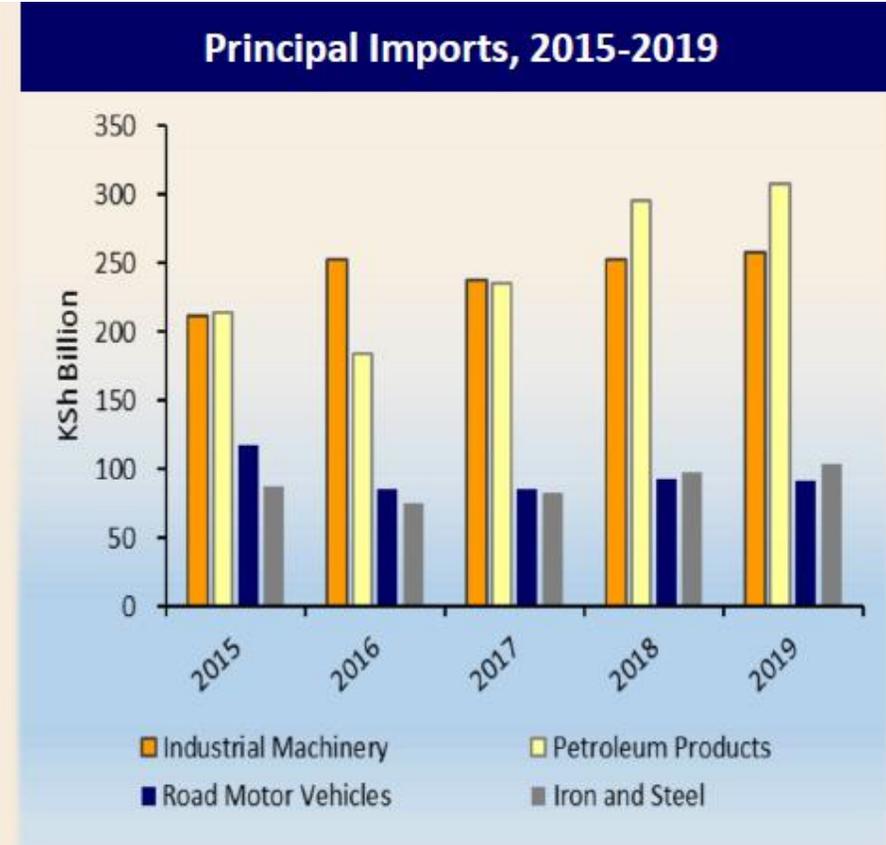
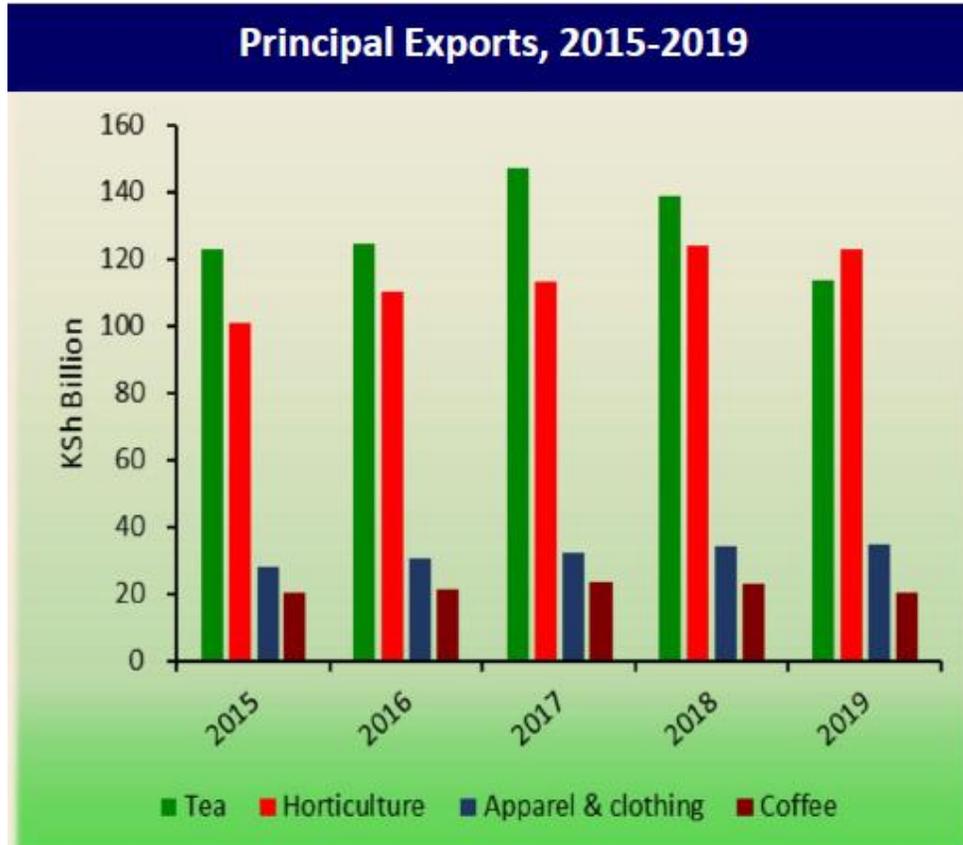
- Trade raises the standard of living by increasing incomes of traders.
- Trade creates suitable environment for consumers to get utility from consumption of traded goods and services.
- Trade ensures near full employment of factors of production which are **land, labour, capital** and **enterprises**.
- It ensures growth of incomes to residents and economy as a whole.
- Trade expands production of goods and services for domestic consumption and export.
- TRADE EXPANDS GDP

Key origin/destinations of Kenya products 2019

Key origin/destination of Kenya products 2019



KENYA'S TRADE POSITION, 2019



TRADE FACILITATION

- Trade facilitation for imports and exports was introduced from GATT (1994); Articles V, VIII, and X. (WTO Agreement, 1995)
- Trade Facilitation Agreement focuses on **Simplification, Harmonization, and Automation procedures (Single Window)** of imports/exports
- It should expedite the movement, release and clearance of goods in transit across a country and customs configurations.
- At the East African Community level, in light of Covid-9, it needs to reduce repetitive and costly administrative procedures for imports and exports. There are now challenges at Malaba, Busia, Isebania and Namanga since Covid -19 pandemic was declared in December 2019.

BORDER AGENCIES IN KENYA

- **KRA;** CUSTOM DUTIES, EXCISE TAX, VAT, OTHER TAXES, HS CODES
- **IMMIGRATION;** persons crossing borders, permits, passports etc.
- **HEALTH OF PERSONS;** Covid-19 tests, Yellow Fever, Smallpox etc
- **SPS;** Sanitary and Phytosanitary Measures, Plant and Animal health
- **KEPHIS;** Kenya Plant Health Inspectorate Service
- **HCDA;** Horticulture Crops Development Authority
- **KEBS;** Pre-inspection, Rules of Origin, Technical Barriers to Trade (TBT), and Standards.
- **KNCCI;** Kenya National Chamber of Commerce and Industry

TRADE IN SERVICES (CROSS BORDERS SERVICES)

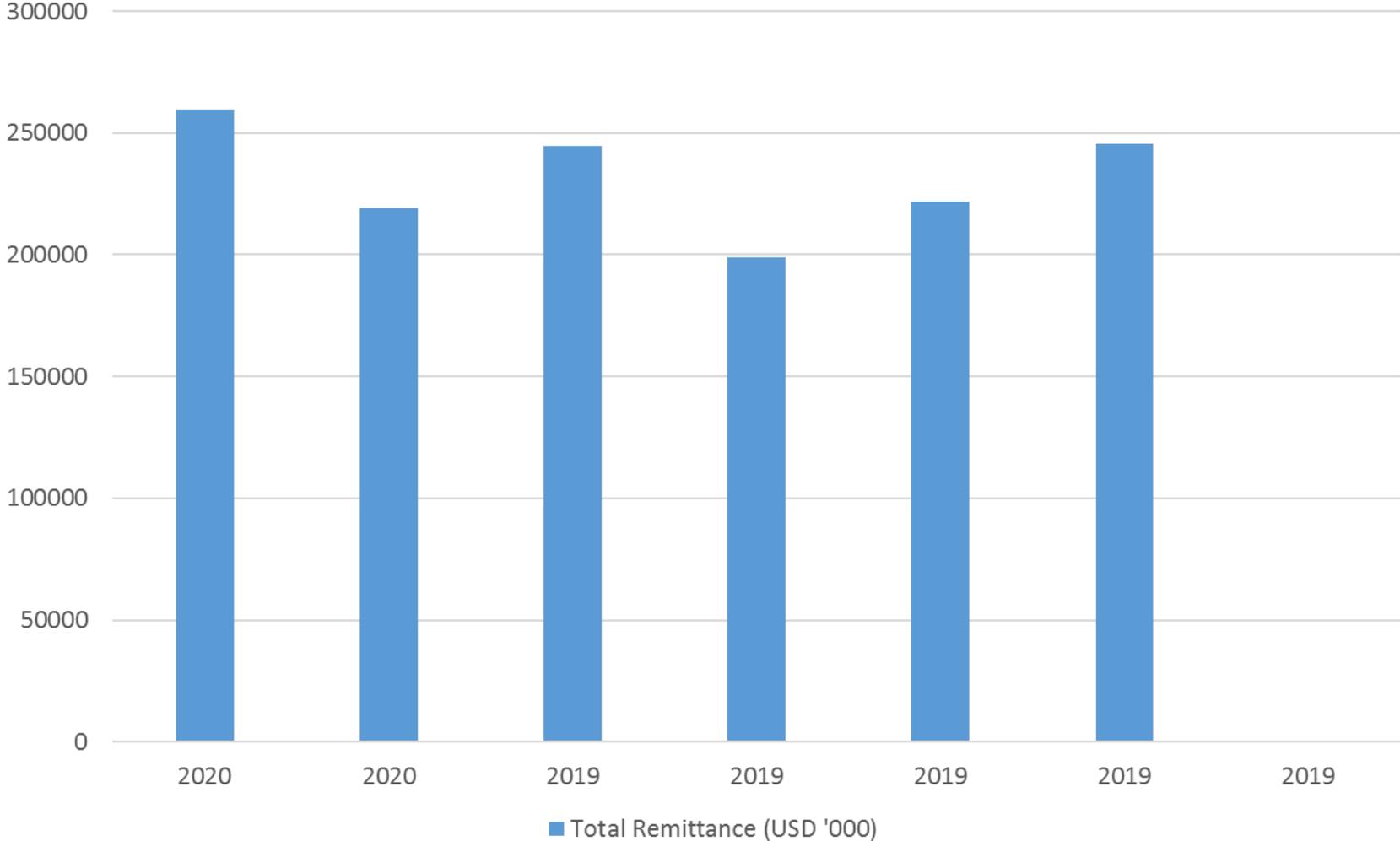
- Business services
- Construction services
- Education services
- Financial and Insurance services
- Tourism Services
- Transport services
- Communication services
- Distribution services
- Environmental services
- Health services
- Recreation, sports and cultural
- Other Services not mentioned elsewhere

DIASPORA REMITTANCES FROM ABROAD

• Year Month		North America	Europe	Rest of World	Total
		Remittances (USD '000)			
• 2020	1	124,974.18	46,186.59	88,231.94	259,392.71
• 2020	2	111,226.07	39,013.19	68,752.67	218,991.93
• 2019	1	108,377.16	83,015.09	53,440.81	244,833.06
• 2019	2	96,743.53	62,333.08	39,997.04	199,073.65
• 2019	3	116,998.61	43,704.82	61,222.54	221,925.97
• 2019	4	115,725.09	58,308.35	71,326.08	245,359.52
• 2019	5	118,251.50	51,739.99	73,201.84	243,193.33

Source Cenral Bank of Kenya, 2020

Total Remittance (USD '000)



EFFECTS OF COVID -19 ON BUSINESS AND THE ECONOMY

- **Transport sector**; movement of persons and goods restricted. No income and low business transactions.
- **Agriculture**; transportation of agricultural inputs and harvests taking place at minimal levels.
- **Wholesale and Retail**; most of them working below capacity. Employees and customers have to leave work early due to 7pm to 5am curfew.
- **Manufacturing**; workers leave from factories and other work places early at 3pm to avoid breaking curfew restriction which starts at 7pm.
- **Construction sites**; the workers work for shorter hours, that is from 8am to 3pm. This results in reduced productivity.

EFFECTS OF COVID -19 ON BUSINESS AND THE ECONOMY CONTD'

- **Accommodation and restaurants.** There is directive to close all restaurants and bars. This had resulted in reduced business, incomes, trade and employment. Suppliers to hotels have run out of business.
- **Education services** are stopped since all schools, colleges and universities are closed.
- **Tourism** is at a standstill since the airports are closed, there are no tourists arrivals. At the domestic level due to curfew, those who work in this industry e.g. hotel and restaurant staff, tour guides and many more are now jobless.
- **Health services**, This is another pandemic disaster. The Ministry of Health has narrowed focus to one pandemic virus called Covid-19 and neglected other diseases such as Malaria, AIDS, Cancer and other respiratory diseases, and diarrhoea. Immunization is also at low levels.

EFFECTS OF COVID -19 ON BUSINESS AND THE ECONOMY CONTD'

- In export trade, it is alleged the major Kenyan exports like horticulture, tea, coffee and titanium have declined in the first quarter of 2020, *but horticulture and tea started picking up in May 2020.*
- Kenya export destinations are;
 - Netherlands (horticulture)
 - United Kingdom (horticulture)
 - Pakistan (tea)
 - USA (coffee and apparel)

EFFECTS OF COVID-19 ON BUSINESS AND THE ECONOMY CONTD'

- Imports are mainly from:
 - China (machinery)
 - Japan (machinery)
 - India (pharmaceuticals)
 - United Arab Emirates (refined fuels)

This pandemic has reduced travelling, industrial production and therefore made crude oil prices fall to negative,(that is Contango prices in futures markets').

WAY FORWARD AND RECOMMENDATIONS

- The economy need to be opened slowly, in phases and in an orderly manner.
- Curfew times need to be reduced say, from 9pm to 5am in order to allow for economic activities and GDP expansion.
- The donor funds and the funds raised by Kenyans for fighting Covid-19 should be disbursed efficiently and effectively and devoid of **corruption**.
- These funds should also help flood victims in areas like Budalangi, Ahero, Kerio Valley, Tana River and the rest of Kenyans who have been directly affected by these calamities.
- Those found culpable of misuse of the funds should be punished according to the law.

WAY FORWARD AND RECOMMENDATIONS

- Government to stimulate the economy by use of J.M. Keynes (1883-1946) method of stimulating aggregate demand. That is by use of expansionary fiscal policies which include;
 - Payment of pending bills, this injects money in the economy
 - Expedite VAT refunds to business enterprises
 - Facilitate disbursement of budget allocated funds to the 47 counties
 - The counties to also pay expeditiously the pending bills they owe Small Enterprises
 - Commercial banks, microfinance and FINTEC to extend soft loans to those in the informal sector of the economy.
 - **Reduce corruption**
- We need attitude change. Use integrated approach to solve Covid-19 and floods problems' simultaneously. Both disasters are causing injury to citizens in Kenya.

THANK YOU FOR YOUR ATTENTION

ANY QUESTIONS OR COMMENTS?