June 2020

Socioeconomic impacts of Covid-19 in Kenya

background paper

Contents

Introduction

The number of cases of Covid-19 in Kenya have risen rapidly from the first reported case on 13 March 2020 to the publication of this background paper in June 2020. To date, Kenya has the highest number of reported infections and deaths compared to its neighbouring countries. Currently, the impact and spread of infections are feared to be exacerbated by the huge number of people living in poverty; a weak health infrastructure; overcrowding in informal settlements; and poor access to basic services such as clean water, sanitation and hygiene.

The government is undertaking various measures to curb the spread of the virus, including limiting movement in places with reported cases; closure of public spaces with high human traffic, such as schools and public events; dusk-to-dawn curfews; and ensuring basic hygiene and social distancing.

However, these precautionary measures continue to have negative economic impacts on businesses and workers. The country has witnessed job cuts across various sectors, and incomes of businesses and available working hours for staff have fallen significantly.

These shocks and disruptions are likely to be felt both in the short and medium term. To cushion Kenyans from these impacts, the government of Kenya has established the National Coordination Committee on the Response to the Corona Virus Pandemic (NCCRCP) to assess the impact of the virus and come up with various feasible recommendations for the economy.

This background paper presents a critical appraisal of the economic impacts of Covid-19 on housing, transport, food security and the labour force in Kenya. It then goes on to look at the various measures initiated by the government across these areas and their impacts on the lives of Kenyans – particularly people living in poverty[1] and the most vulnerable. The paper concludes by providing recommendations on how best to improve these measures moving forward.

This analysis follows up Development Initiatives paper looking at the Challenges of data on the financing response to Covid-19. It is the second publication in our series, which aims to better understand the data everyone can access, to identify what is missing, and to try and join the data up to create a more coherent picture in a language that is accessible to all. This paper contributes to our understanding of the impact and response to Covid-19 in Kenya, and will be followed with analyses of cross boundary and domestic flows in both Kenya and Uganda.

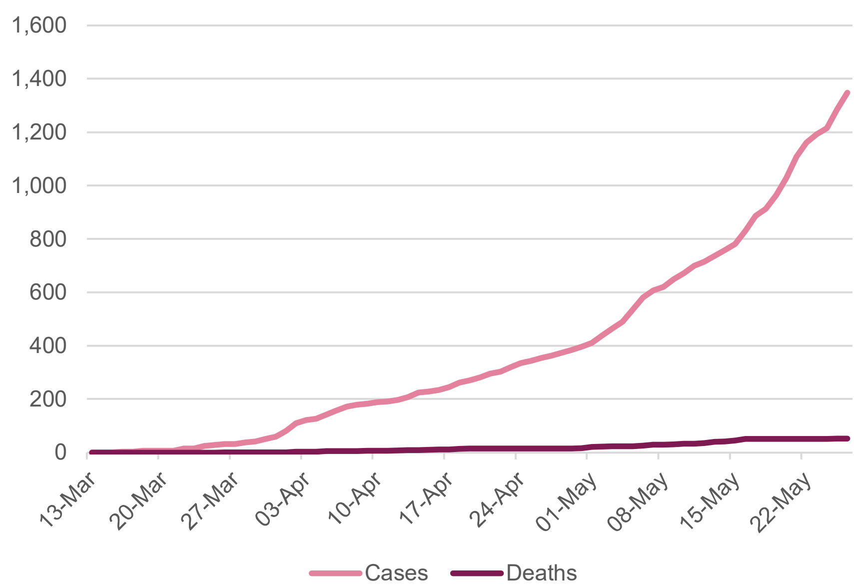
Reported cases of Covid-19 in Kenya

Kenya has the highest number of recorded cases of Covid-19 in East Africa. Despite various confinement measures, infection numbers continue to rise. Virus cases have mainly increased due to intra-county movement of people, poor hygiene and lack of adherence to government measures.[2]

The two counties in Kenya which currently have the highest number of reported cases are Nairobi and Mombasa. The virus has also now spread to counties adjacent to these, including Busia, Bungoma, Kajiado, Siaya, Migori, Turkana, Kakamega, Laikipia and Kericho.[3] Cases in these counties have mostly been spread by persons arriving from either Nairobi or Mombasa.

As of 26 May 2020, Kenya had 1,348 cases of the virus, with 52 deaths and 405 recovered cases (see Figure 1).[4]

Figure 1: Cumulative cases and deaths from Covid-19 in Kenya, 13 March–26 May 2020



Source: Development Initiatives based on data from the World Health Organization (WHO), Centers for Disease Control and Prevention (CDC) and the European Centre for Disease Prevention and Control (ECDC).

It is not currently possible to report on cases at the subnational level due to lack of data. The data on the Kenyan Ministry of Health, World Health Organization (WHO), Centre for Disease Control and Prevention (CDC) and European Centre for Disease Prevention and Control (ECDC) websites are not disaggregated to the subnational level at the time of writing this paper.

A study published by the London School of Hygiene and Tropical Medicine on 30 April 2020 shows a worst-case scenario for the unmitigated spread of the virus in Kenya.[5] According to the study it is estimated that up to 740,000 cases resulting in a maximum of 8,400 deaths could occur in Kenya. This is a fatality rate of 16 per 100,000 (compared to at least 55 per 100,000 in the UK) and a case fatality rate of 1.1% (compared to 14% in UK).[6]

While these predictions are sobering, they do not represent a health crisis of catastrophic proportions now. The study also provides predictions for six levels of mitigating measures, all of which result in substantially lower estimates of both cases and deaths.

Socioeconomic impacts

The economic consequences of the pandemic are likely to have a far greater impact on the long-term health, wellbeing and poverty levels of the population as a whole than the predicted fatalities caused directly by the disease. Sectors worst hit by the virus include the labour force, housing, transport, health, trade and tourism. The supply and demand for goods and services in these sectors have been significantly hampered. Furthermore, the restriction of movement in and out the country has dwindled the revenues from the tourism and aviation sectors, while delays at borders due to testing of truck drivers have resulted in losses of profits to business owners.

Livelihoods and food security

Kenya is facing a triple crisis – the coronavirus pandemic, locust infestation and floods. Since the end of December 2019, the country has been facing its worst locust infestation in 70 years,[7] and by mid-May 2020, floods claimed the lives of 237 people in central and northern Kenya.[8] Restrictions in movement of people and equipment as a result of Covid-19,[9] and a possible shift of focus by key actors to combat the pandemic, are compromising the efforts to address the other crises, particularly the locust outbreak.

Kenya is a country with very high rates of food poverty, which also increasingly imports food from neighbouring countries.[10] As a result, confinement measures such as closure of open markets[11] and slowdown at border points will impact not only lives but also livelihoods and food security.

In most areas of the country – particularly Nairobi and Mombasa, which have been hit the hardest by Covid-19 – people are concerned about having enough money to buy the food they need due to reduced earnings. According to a recent GeoPoll study, 86% of Kenyans are worried about not having enough to eat.[12]

Changes in food-purchasing habits present an imminent threat to food security in Kenya. This is particularly the case for households living below the poverty line, who have resorted to purchasing only essential foodstuffs during the pandemic.

Labour force

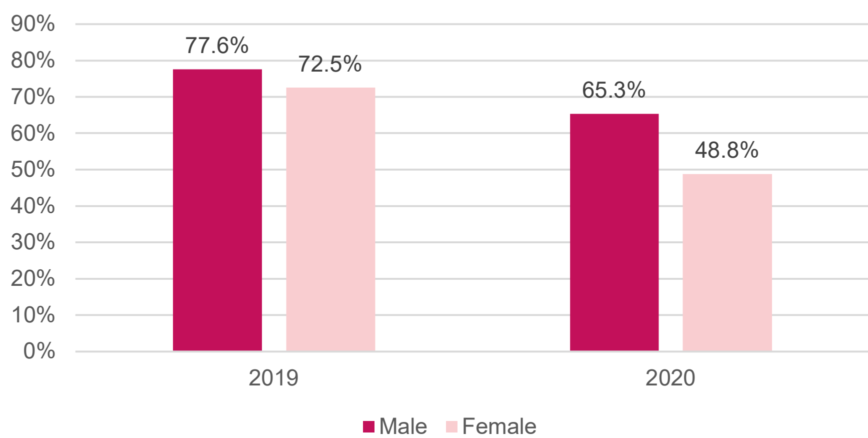
Measures imposed by the government of Kenya to mitigate the spread of Covid-19 are resulting in job losses, both for casual workers in informal sector and daily-wage earners in the formal sector, both of which employ a high proportion of women.[13]

Due to curfews and limited movement of people, many roles have become redundant, resulting in job losses or unpaid leave. Workers who already live in poverty and cannot afford to have precautionary savings consequently face a high risk of falling into poverty and might experience even greater challenges in regaining their livelihoods after the pandemic.

A survey conducted by the Kenya National Bureau of Statistics (KNBS) in May 2020 indicates that the labour participation rate in the country has fallen significantly as a result of the pandemic.[14] Data from World Bank shows that in 2019 Kenya had a labour-force participation rate of 75%; this rate fell to just 56.8% in April 2020.[15] According to the KNBS survey, the percentage of the population in active employment, whether informal or formal, has fallen to 65.3% of men and 48.8% of women (see Figure 2).

The reduction has been caused by job losses in both the informal and formal sectors. The virus has disrupted the flow of revenues and limited the supply and demand for goods and services, pushing employers to use different coping mechanisms to stay afloat. Employers have been forced to downsize the workforce, give unpaid leave or make temporary layoffs.

Figure 2: Decline in labour-force participation rate in Kenya, 2019 and 2020



Source: Development Initiatives based on Kenya National Bureau of Statistics (KNBS) and the World Bank/ International Labour Organization model[16].

According to the KNBS survey, the virus has also disrupted the workflow as a result of curfews and requirements for people to stay at home. The average number of hours of work available per week for employees has significantly fallen in almost all sectors of the economy. The impact of this can especially be seen in the education sector and the hotel industry and has in turn contributed to reduced revenues and job losses.

Moreover, there is uncertainty about when most workers will be able to return to their jobs. About 91.2% of workers who reported absent from work during the period of the survey are not sure when they will return to work, while 8.9% expect their return to work to be delayed by between one and six months.

Public transport

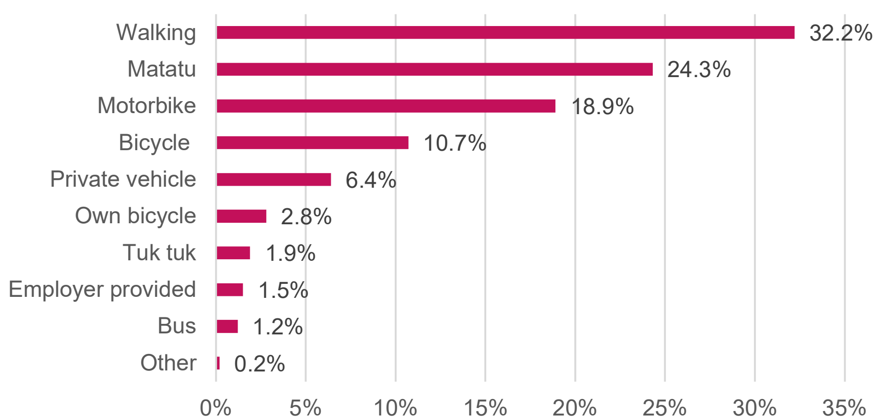
Measures taken by the government to slow the spread of infection have resulted in increased costs for both transport operators and passengers. The government through the Ministry of Transport has instituted a range of measures for public transportation. These include reduction of passenger numbers by half; the requirement for passengers and vehicle operators to wear a mask at all times while on public transport; and provision of hand washing and sanitising facilities at the point of boarding.

These measures have not only increased the cost incurred by vehicle operators but also reduced the number of passengers using public transport due to the rise in fares charged by operators to offset higher costs.

According to the KNBS survey conducted in May 2020, there has been a 51.7% increase in the cost of transport nationally. The increase varies with proximity to the places that have reported a high number of Covid-19 cases and urban centres where there is frequent use of public transport.

Due to the high cost of transport, Kenyans – particularly people living in poverty and the vulnerable – who have previously depended on public transport have resorted to other modes of travel such as walking and use of bicycles or motorbikes. According to the KNBS survey, 32.2% of Kenyans had resorted to walking to offset the high cost of public transportation.

Figure 3: Means of transport in Kenya, April 2020



Source: Development Initiatives based on data from KNBS.

The survey also indicated that during April 2020, middle- and upper-class Kenyans opted for taxis and private vehicles, while some employers provided transport for their staff.

Public transport providers also suffered losses as many workers (a high proportion of whom use public transport to commute) elected to work from home due to the virus.

Notwithstanding certain relaxations, measures such as working from home, social distancing while on public transport, hand sanitising and washing will most likely remain in place in the medium term. This makes it likely that higher fares for public transport will also remain in place. The negative impact of this on the economy can only be mitigated if low-income earners resort to less expensive means of transport, including bicycles or motorbikes.

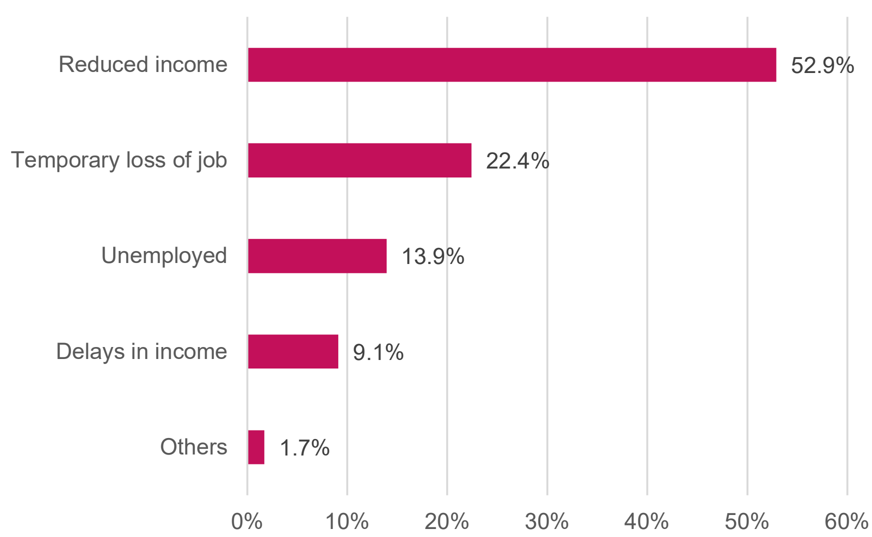
Rent and housing

People living in poverty are finding it difficult to meet their daily expenses and pay bills, including rent, as a result of job losses, pay cuts or unpaid leave. Kenyans, particularly those relying on casual work, find it difficult to pay rent.[17]

According to the KNBS survey in April 2020, 30.5% of Kenyans who rented apartments and houses were unable to pay their rent on time. Conversely only 41.7% of tenants paid their rent on time.[18]

Reduced earnings and job cuts were mentioned by the respondents as the main cause of missed payments in rent. Other issues mentioned include unemployment and delays in employee earnings occasioned by the virus (see Figure 4).

Figure 4: Main reasons for inability to pay rent in Kenya, April 2020



Source: Development Initiatives based on data from KNBS.

By April 2020, only 8.7% of landlords waived rental charges for their tenants as the pandemic continued to disrupt livelihoods. This scenario is expected to continue for some time as a result of ongoing uncertainty about incomes caused by the virus. Some landlords have resorted to ending contracts of tenants while others have locked those who default on rent out of their homes or severed basic services such as water supply.[19] As more people face potential job losses and reduced earnings as a result of the virus, tenants who do not have waivers or relief will be forced out and have to search for cheaper accommodation or consider relocating back to their rural homes.

Government of Kenya's response

Social and health measures

The government began employing containment measures following the presidential speech on 25 March 2020. These measures were deployed on an incremental basis as the virus intensified.

At the outset, the Ministry of Health began a nationwide campaign promoting basic hygiene which included washing hands, using hand sanitisers and ensuring social distancing at all times. As the virus continued to spread, measures became stricter and public gatherings including religious services were suspended, wearing of masks was introduced, learning institutions were closed and employees (with the exception of essential caregivers) were encouraged to work from home. Furthermore, travel restrictions were imposed on both citizens and non-citizens, limiting movements to and from the country.

In April 2020, the government suspended prison visits and the number of passengers allowed on public transport was reduced by half. Masks were required to be worn at all times outside of the house and in both public and private vehicles.

Business operators were required to maintain basic hygiene and ensure social distancing in business premises. They were required to provide hand-washing facilities at their premises and regular disinfection was conducted in high-risk areas such as Nairobi and Mombasa.

As the number of cases increased to hundreds, dusk-to-dawn curfews were imposed from 19:00 to 05:00, reducing movement at night except for caregivers. The curfew has had various socioeconomic impacts especially on persons who live hand to mouth. Moreover, police brutality and arrests during curfews hours have worsened the situation for many.

When the government realised that persons travelling into the country were not adhering to self-quarantine measures, a mandatory self-quarantine was imposed at designated government facilities at a cost to the individual. This was, however, rescinded, and now individuals who test positively receive treatment at costs borne by the government.

Learning institutions, especially universities, have adopted online teaching and the government has closed border points with Uganda, Tanzania and Somalia. At the time of writing this paper, the virus is spreading through intra-county movement which has increased infections in counties neighbouring the hotspots. The government has mitigated this by imposing lockdowns in places that have had rapid increases in positive cases.

The government is now looking at different ways to ease the measures imposed in the past. It has opened restaurants and is preparing to lift the curfew that has been in place since March 2020. Health experts have however warned against this as Kenya’s cases continue to rise.

Fiscal policy and income support measures

The president has provided a fiscal stimulus package for Kenyans, particularly those living below the poverty line. Included in this package is a 100% waiver on income taxes to individuals who receive less than KES24,000 (US$225) per month and a reduction of both income and corporation taxes by 5% from 30% to cushion individuals and corporation against excessive taxes. Furthermore, turnover taxes have been reduced by 2% from the previous 3% for all micro, small and medium enterprises while value-added tax has been reduced by 2% from the previous 16%. An additional KES10 billion (US$93 million) has been earmarked for social protection in the form of cash transfers to the elderly, orphans and vulnerable members of society.

The government has created a Covid-19 emergency fund to support people living in poverty and the vulnerable in Kenya against the impacts of the virus. The funds will be supported by proceeds from corruption assets seized by the government over time. Furthermore, the national treasury has reallocated funds meant for travel and accommodation of state agencies to the fight against Covid-19. It will additionally ensure motivation of frontline staff through provision of an additional welfare package for health workers.

In its annual budget package, the government has allocated KES5 billion (US$47 million) to county governments to assist in the fight against Covid-19. The money will go into refurbishing hospitals, improving equipment, and strengthening health systems at county level. It will also clear pending arrears of KES500 million (US$4.7 million) to disabled persons to fund social protection in the form of cash transfers. Weekly stipends to poor and vulnerable households have also been launched to cushion households – particularly within Nairobi.

The Central Bank of Kenya (CBK) has delisted individuals blacklisted for default of payment of less than KES1,000 (US$10) to allow access to credit. Further to this the CBK has, in collaboration with telecommunications provider Safaricom, waivered mobile money transaction charges for transactions of up to KES1,000 to reduce cash handling which increases the spread of virus. Daily limits for mobile money transactions have also been increased to allow sending and receiving of money during the pandemic.

Lastly, the threshold for submitting negative credit information has been revised to provide additional liquidity in the economy. Moreover, the CBK has revised its rates from 8.25% to 7.25% and cash reserve ratio by 1% from 5.25% to allow liquidity to banks, which increases borrowing.

Conclusion and recommendations

Throughout Africa, the pandemic is continuing to have an impact and Kenya, like most African countries, faces serious resource constraints, fragile health systems and lack of a clear strategy to fight the virus. To ensure socioeconomic recovery within a reasonable period, the government should put in place plans and resources that do not continue to weigh disproportionally on people living in poverty.

The pandemic has highlighted, more than ever, that neglecting certain sectors make people living in poverty more vulnerable. These are health, social protection, housing and sanitation and hygiene. There needs to be more scrutiny of budget plans, their execution, and performance of these sectors, all of which should support those living in poverty.

Re-opening the economy whilst also taking care of health concerns has been a balancing act for governments across the world, including Kenya. The country has a large population living below or just above the poverty line. It is this category of the population that are most affected by the impact of the pandemic. Reduced earnings from sluggish economic activities and job losses as a result of confinement measures by the government have to be balanced against consideration of the daily needs of those living in poverty, as well as now-looming food insecurity across the country.

Recommendations

Recommended actions for the government of Kenya include:

- **Consideration of the social and economic implications for people living in poverty.** Hunger and bills are the immediate concerns of those living in poverty. Measures put in place should not be seen as retrogressive and negatively affecting people living in poverty.

- **Revision of budgetary allocations to more critical sectors such as health and social protection during the pandemic**. Funds re-allocated to these sectors will support the already burdened health infrastructure in the country and increase the resources available for cash transfers to people living in poverty and vulnerable populations.

- **Restructuring of the national debt** should be prioritised to cushion people living in poverty against the tax regimes currently being implemented by the government to assist in servicing the debt. Furthermore, the government should continue lobbying creditor nations for more budget space to meet immediate needs.

- **Expansion of internet connectivity and lower costs for users.** The private sector needs to prioritise investment in connectivity because of the ‘new normal’ of working and learning from home. Cheaper internet bundles are needed to support government measures such as working from home and online learning for students.

- **Provision of wage subsidies,** particularly to those employers hiring casual labourers and daily income earners to support sustainability of employment.

- **Sustaining local industries (micro, small and medium businesses) that provide jobs to people living in poverty should be prioritised in the short and medium term**. This could be through access to loans, waiver of license fees and taxes. The government should prioritise tender awards to industries that are able to produce or provide input for the production of protective equipment such as masks and hand sanitisers, and a bailout fund should be launched to keep these industries afloat.

Notes

[1] Poverty as mentioned in the paper is in reference to proportion of the population that cannot afford the basic basket of goods as measured by the food and overall poverty lines.

[2] Government of Kenya is encouraging social distancing at all times, hand sanitising and washing and wearing of masks while on transit or visiting places with high human traffic.

[3] As of 1 June 2020, the virus had spread to 33 counties in Kenya.

[4] Ministry of Health Kenya. Confirmed Covid-19 cases in Kenya. Available at: www.health.go.ke/

[5] Centre for Mathematical Modelling of Infectious Diseases. Projections of COVID-19 epidemics in LMIC countries. Available at: https://cmmid.github.io/topics/covid19/LMIC-projection-reports.html

[6] As of 1 June 2020, the UK had recorded 275,000 cases and 38,489 deaths

[7] Food and Agriculture organisation of the United Nations news, January 2020. FAO appeals for urgent support to fight worsening Desert Locust upsurge in the Horn of Africa. Available at: www.fao.org/news/story/en/item/1259082/icode/

[8] Floodlist, 25 May 2020. Kenya – Floods Hit North and Central Regions as Death Toll Rises to 237. Available at: http://floodlist.com/africa/kenya-floods-north-central-regions-may-2020

[9] Food and Agriculture organisation of the United Nations news, April 2020. FAO continues to fight Desert Locust upsurge in East Africa and Yemen despite COVID-19 constraints. Available here www.fao.org/news/story/en/item/1270183/icode/

[10] People daily Kenya news, 13 August 2019. Why Kenya's food import from neighbouring states is increasing. Available here www.pd.co.ke/business/economy-and-policy/why-kenyas-food-import-from-neighbouring-states-is-increasing-1563/

[11] Daily Nation news, 22 March 2020. Kisumu Market closed amid coronavirus fears. Available here www.nation.co.ke/counties/kisumu/Kisumu-market-closed-amid-coronavirus-fears/1954182-5500490-nuac4b/index.html

[12] GeoPoll. Impact of Covid-19 across Sub-Saharan Africa. Available here https://cdn2.hubspot.net/hubfs/325431/COVID%20Report_April152020.pdf?__hstc=&__hssc=&hsCtaTracking=a996d135-b448-498a-9a9c-198a2444a132%7C59870332-ec3c-421c-a93e-c50ca6176855

[13]International Labour Organization, May 2020. COVID-19 crisis and the informal economy. https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/briefingnote/wcms_743623.pdf

[14] Findings from a survey by the Kenya National Bureau of Statistics (KNBS) conducted between 2 and 9 May 2020 as the first iteration of a longitudinal survey planned within six bi-weekly waves. The survey was conducted in response to a request by the NCCRCP, which is tasked with conducting household economic impact surveys to understand the effects of the virus on livelihoods particularly of those who are vulnerable. The survey targeted adults aged 18 years and above and data was collected using mobile phones. The responses were captured using tablets and transmitted to a central server. Female respondents (52%) were slightly higher than male respondents (48%) with most of the respondents (64.8%) aged between 18-39 years. 6.1% of the respondents had no formal education, the rest having at least primary education and above. The bureau had targeted 16,292 individuals eligible for the survey but only 15,840 agreed to the interviews ringing the response rate to 97%. The survey was conducted using mobile phone interviews which have continually increased in national statistics offices. Not only do they allow for safe interactions, but they can also deliver near to real-time data processing.

[15] Kenya national Bureau of Statistics. Survey on Socio Economic Impact of COVID-19 on Households Report. Available at: https://t.co/zRheAaYKwi?amp=

[16] International Labour Organisation defines labour force participation rate as the proportion of the population aged 15 and older that is economically active- all people who supply labour for the production of goods and services during a specified period.

[17] Capital FM news, 13 April, 2020. To Pay or To Not Pay Rent Amid COVID-19 Crisis? Govt Answers. Available here www.capitalfm.co.ke/business/2020/04/to-pay-or-to-not-pay-rent-amid-covid-19-crisis-govt-answers/?doing_wp_cron=1591259564.8096048831939697265625 and https://www.givedirectly.org/covid-19/kenya/recipient-stories/.

[18] Kenya national Bureau of Statistics. Survey on Socio Economic Impact of COVID-19 on Households Report. Available at: https://t.co/zRheAaYKwi?amp=

[19] Givedirectly. Recipients of Covid-19 support stories in Kenya. Available here https://www.givedirectly.org/covid-19/kenya/recipient-stories/

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