

VI. ECONOMIC IMPACT

ECONOMIC IMPACT

Key takeaways

- Despite announcing emergency economic measures to cushion businesses and households, significant impact can be observed across several macroeconomic dimensions in both Kenya and Uganda
- For example, in October, the IMF revised its 2020 projection of real GDP growth rate down from +6.0% to +1.0% in Kenya, and from +6.2% to -0.3% in Uganda
- Employment is severely affected; in Kenya, the unemployment rate has doubled from ~5.2% to ~10.4% between the first and second quarters of 2020, with those aged 20-29 most affected
- Greenfield FDI is much lower than in previous years, with a reported ~85% decrease in January - September 2020, compared to the average of previous five years for the same period in Kenya, and no Greenfield FDI reported in Uganda in January - September 2020
- The Kenyan shilling has seen record lows during the C19 pandemic; the Ugandan shilling has largely maintained its value until the time of writing
- The informal sector is estimated to contribute ~34% and ~50% to Kenyan and Ugandan GDPs respectively, as well as the majority of jobs; and it has been disproportionately impacted by C19

Methodology

- Leveraged data from government websites (i.e. press releases, reports), as well as sources from news outlets, nongovernmental organisations, UN agencies, and internationally recognised databases of economic data
- Supplemented with expert interviews with government officials, technical experts, economists, and relevant private sector leaders including recruitment companies, mobility services providers, agricultural exporters and retailers
- For the informal sector, we conducted both qualitative and quantitative primary research in Nairobi and Kampala. Qualitative research included 10 focus group interviews and 20 individual interviews with informal business owners (between 14 September and 9 October 2020). The quantitative survey was conducted with 611 informal business owners between 19 October and 4 November 2020. Informal business owners across a range of activities were interviewed including hairdressers, tailors, mechanics and construction, retail and domestic workers



Macroeconomic impact

C19 has caused a severe economic impact, globally and in Africa. In October, the IMF revised its 2020 projection for global real GDP growth rate down from a positive +3.4% pre-C19 to a negative -4.4%. This prognosis may change further, depending on the disease outlook.⁶⁷ Kenya and Uganda have both been impacted, with economic effects being felt at the time of writing.

In October, the IMF revised its 2020 projection for Kenya's GDP growth rate from positive +6.0% to about +1.0%, and Uganda's from positive +6.2% to negative -0.3%; as a reference, the sub-Saharan African average is negative -3.0%⁶⁸

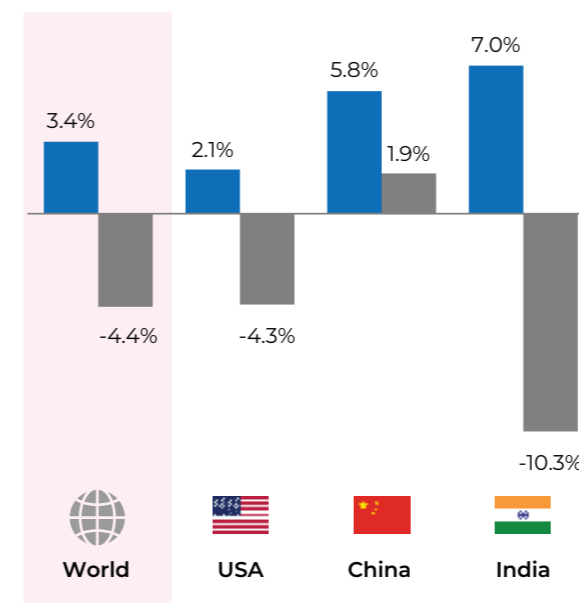
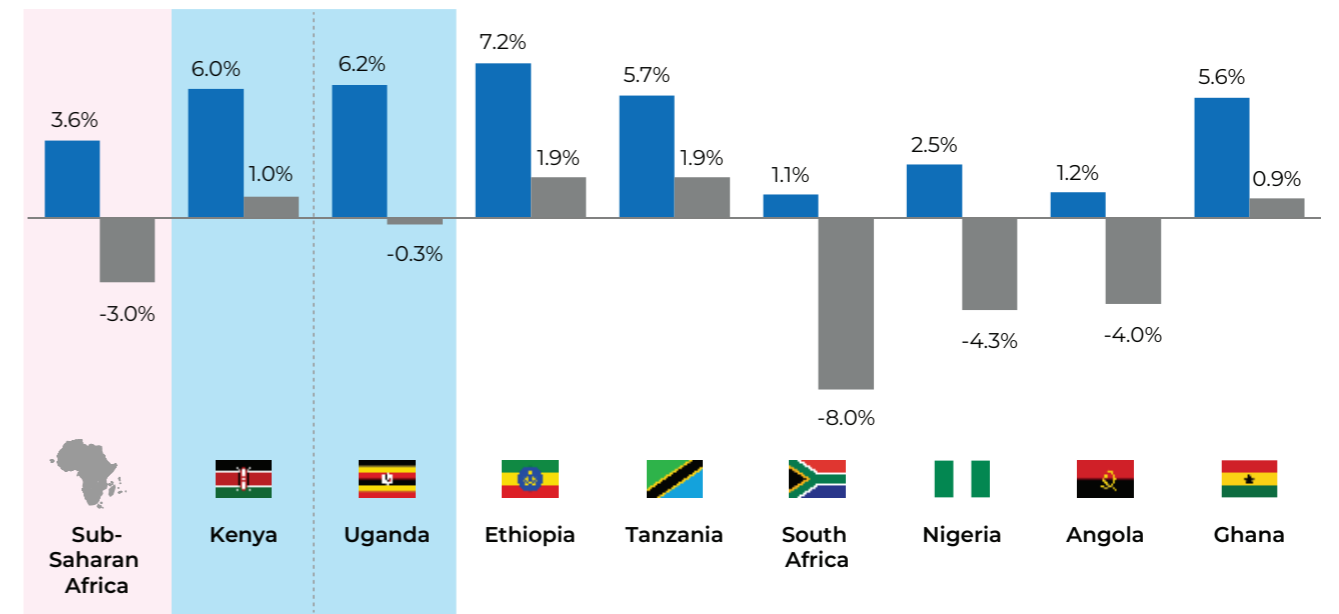
To cushion businesses and households from negative impact, the Kenyan and Ugandan governments announced fiscal and monetary policy measures, some of which remain in place at the time of writing (see Section IV). The announced stimulus packages as of June are equivalent to 0.6% and 1.1% of GDP in Kenya and Uganda respectively. For reference, countries with different fiscal contexts, such as South Africa and Japan, had announced stimulus packages of 8.6% and 21% of GDP respectively by May 2020.⁶⁹

This study assessed to what extent the overall economy has grown or contracted, how different sectors in the economy have been impacted, and how employment has been affected. Additional indicators such as levels of Greenfield FDI, the exchange rate and inflation have also been considered.

EXHIBIT 12: 2020 GDP GROWTH FORECAST WITH SELECTED COUNTRY EXAMPLES

Evolution of 2020 Real GDP growth forecasts

% YoY growth



■ Forecast pre-C19
■ Updated forecast as of October 2020

⁶⁷ International Monetary Fund. 2020. 'World Economic Outlook, October 2020: A Long and Difficult Ascent'. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020> [Accessed 6 November, 2020].
⁶⁸ International Monetary Fund. 2020. 'World Economic Outlook, October 2020: A Long and Difficult Ascent'. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020> [Accessed 6 November, 2020].
⁶⁹ Faria, J. 2020. 'Fiscal Responses to Covid-19 as a Percentage of GDP in East Africa'. Statista. Retrieved from <https://www.statista.com/statistics/1175681/fiscal-response-to-covid-19-as-a-percentage-of-gdp-in-east-africa/> [Accessed 4 November 2020].

Source: International Monetary Fund. 2020. 'World Economic Outlook, October 2020: A Long and Difficult Ascent.' Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020> [Accessed 6 November 2020].

The drivers of this impact are two-fold: (i) global shocks that impact aggregate demand for Kenyan and Ugandan exports and disrupt supply chains (i.e. for imports), and (ii) local restrictions for containing C19 that further depress demand and disrupt business operations

According to a leader in the business community, “The top echelon of businesses may have managed to transition to new ways of working or temporarily reconfigured to manufacture essential goods, but overall, businesses are struggling across the board.”

C19’s impact on GDP varies by sector in both countries. In both Kenya and Uganda, agriculture is the largest contributor to GDP and it tends to be less hard hit by C19. Other sectors such as hospitality and transportation are more heavily impacted by both global shocks and the local NPIs discussed in Section IV (see Exhibit 13).

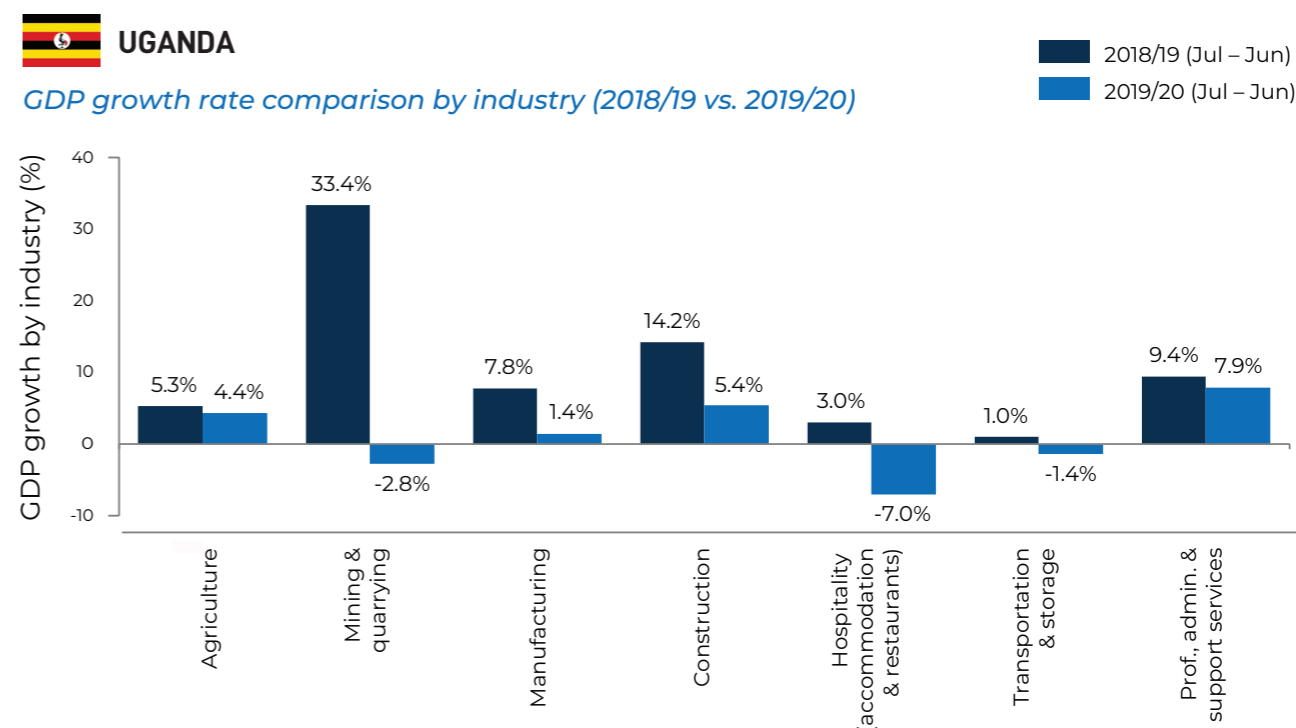
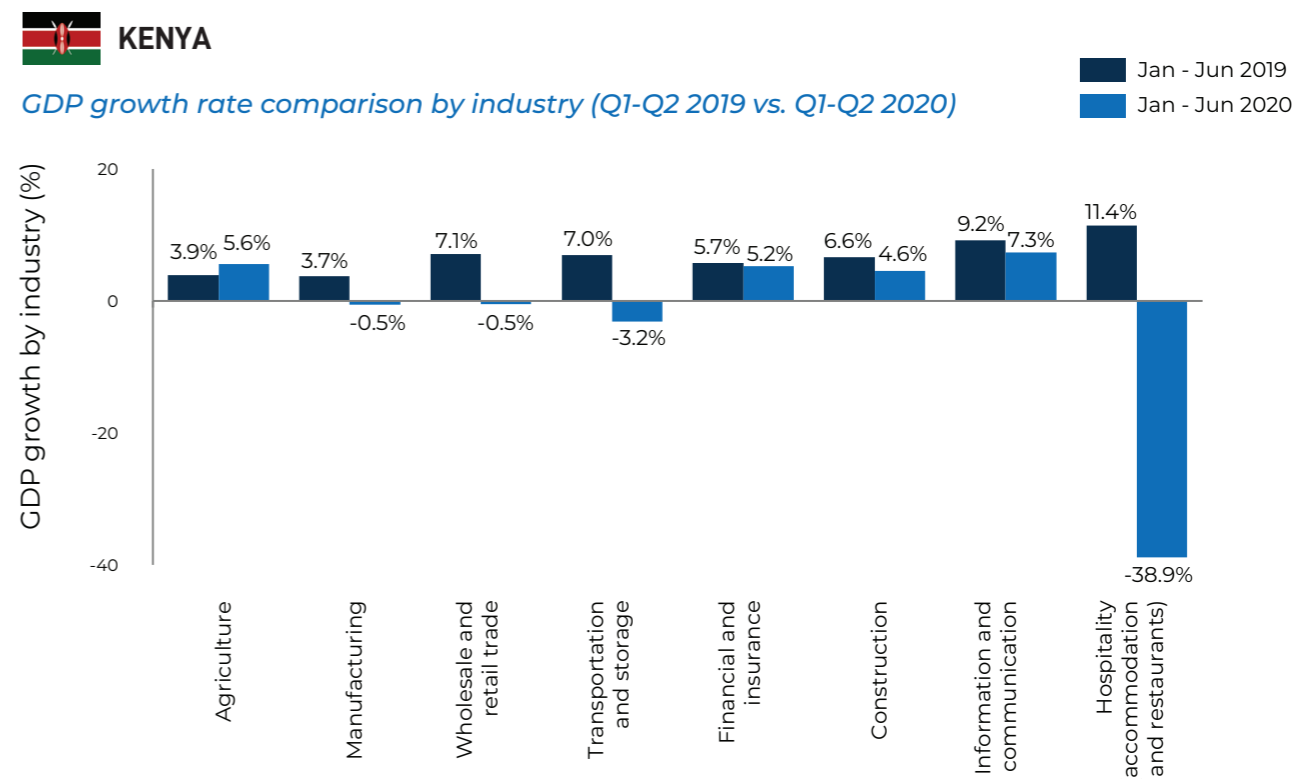
In terms of employment, the unemployment rate in Kenya nearly doubled from ~5.2% to ~10.4% between the first and second quarters of 2020, particularly in the 20-29 age group.⁷⁰ The youth may be more vulnerable to economic shocks as many have limited job experience and vocational skills. For instance, ~50% of 14 to 17-year-olds in Kenya do not finish high school.⁷¹ According to Fuzu, a career development start-up based in Kenya, new job listings in the formal sector dipped by ~65% and ~73% in Kenya and Uganda respectively from January to May.

Some signs of recovery are being observed since July/August.⁷² Greenfield FDI coming into a country is an indicator of new investment flows. In Kenya, Greenfield FDI has fallen by approximately 85% between January and September 2020, compared with the average Greenfield FDI for the period of January through September between 2015 and 2019. In Uganda, the effect has been even worse with no Greenfield FDI being reported thus far in 2020 according to publicly available sources.⁷³



⁷⁰Kenya Bureau of Statistics. 2020. Leading economic indicators. Retrieved from https://www.knbs.or.ke/?page_id=1591 [Accessed September 2020].
⁷¹ Generation Unlimited. 2020. 'Government of Kenya & the United Nations to step up efforts to advance education, training and jobs'. Retrieved from <https://www.generationunlimited.org/news-and-stories/GenU-Kenya> [Accessed 5 August 2020].
⁷²Expert interview conducted with Fuzu, September 2020
⁷³ FDI Markets. 2020. FDI markets database. Retrieved from <https://www.fdimarkets.com/explore/> [Accessed September 2020].

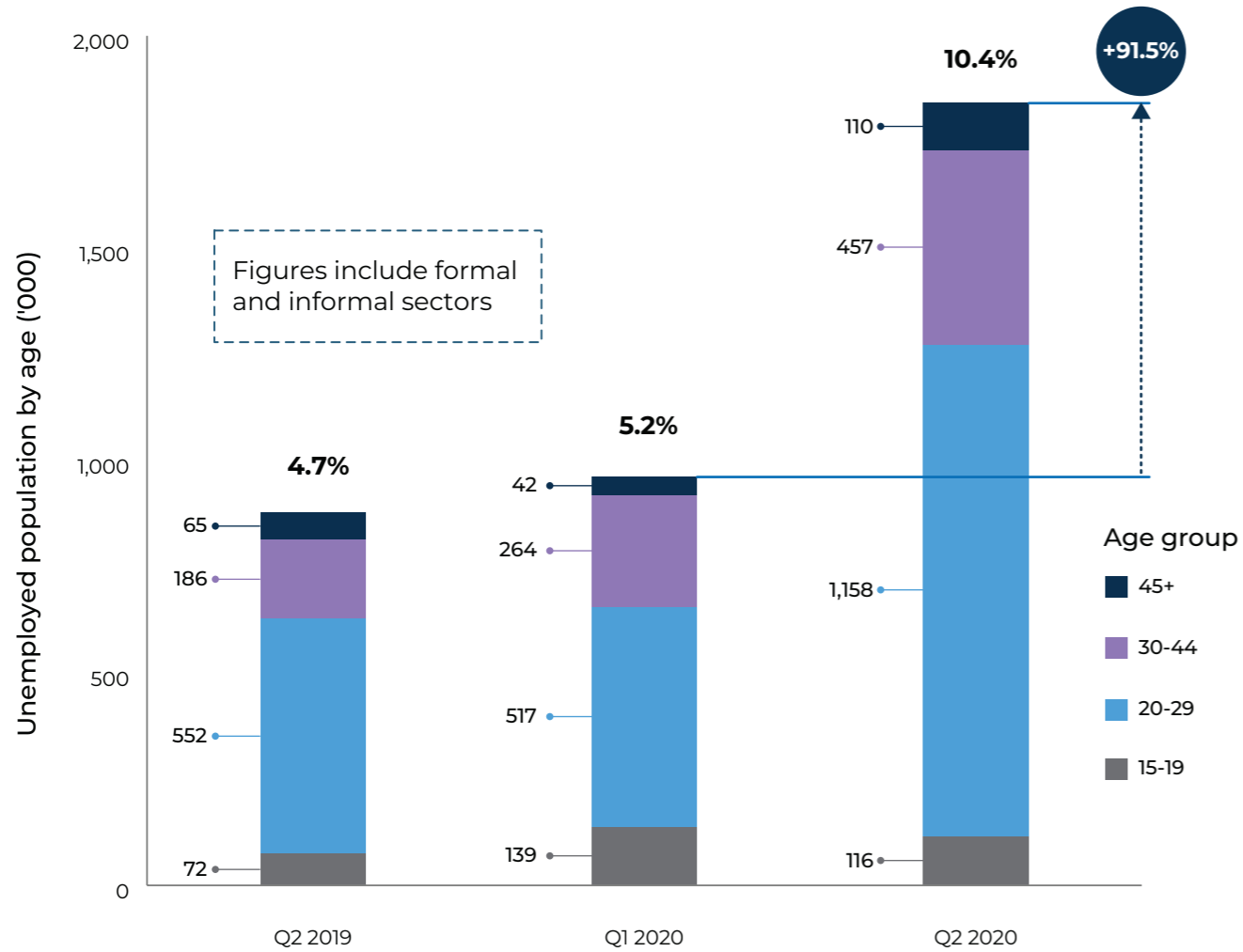
EXHIBIT 13: COMPARISON OF REAL GDP GROWTH RATE BY SECTOR BETWEEN 2019 AND 2020 IN KENYA AND UGANDA



Note: Fiscal year is from 1 July to 30 June
 Source: Kenya National Bureau of Statistics; Uganda Bureau of Statistics

EXHIBIT 14: KENYAN UNEMPLOYMENT RATE BY AGE

Unemployment doubled in 2020 from Q1 to Q2 with the age group of 20-29 being heavily impacted

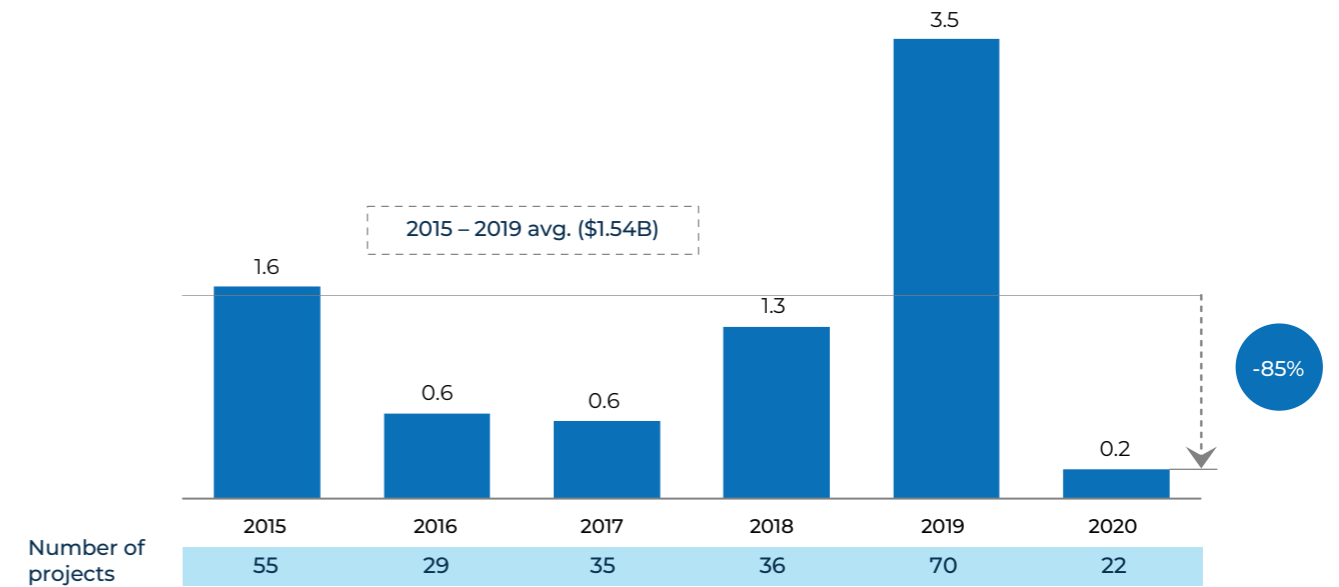


Note: Unemployed people are defined as people without a job who have actively looked for one in the past 4 weeks and are currently available for work
 Source: Kenya National Bureau of Statistics; International Labour Organization

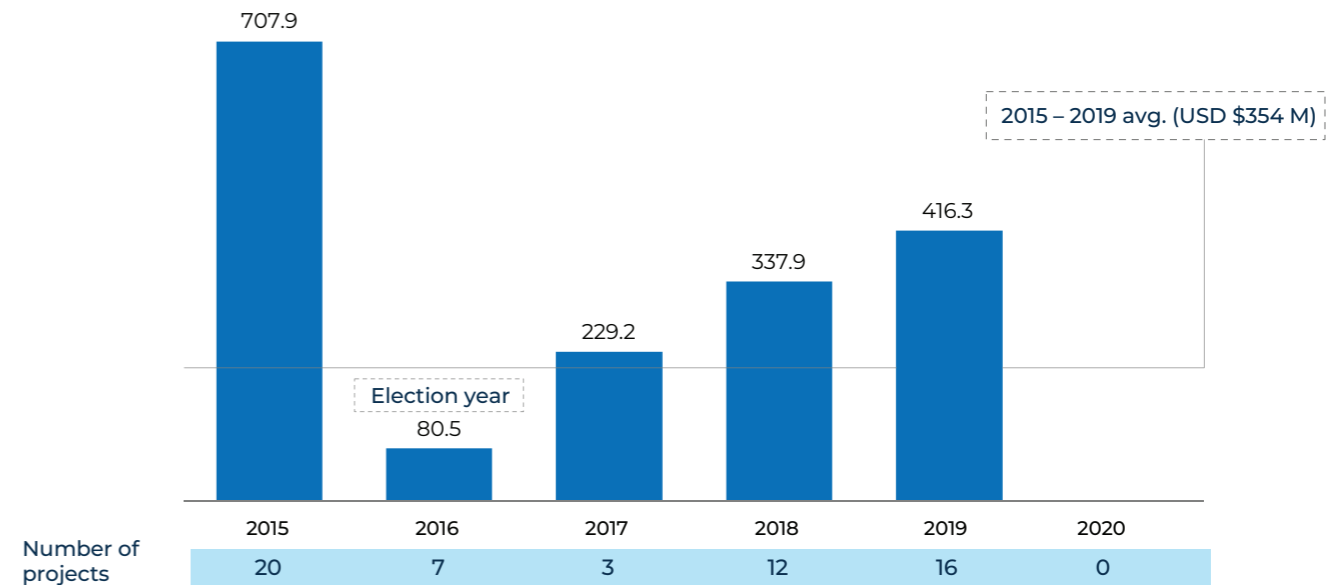
EXHIBIT 15: GREENFIELD FDI FLOWS IN KENYA AND UGANDA



Total Greenfield FDI inflow into Kenya from January to September (USD \$B)



Total Greenfield FDI inflow into Uganda from January to September (USD \$M)

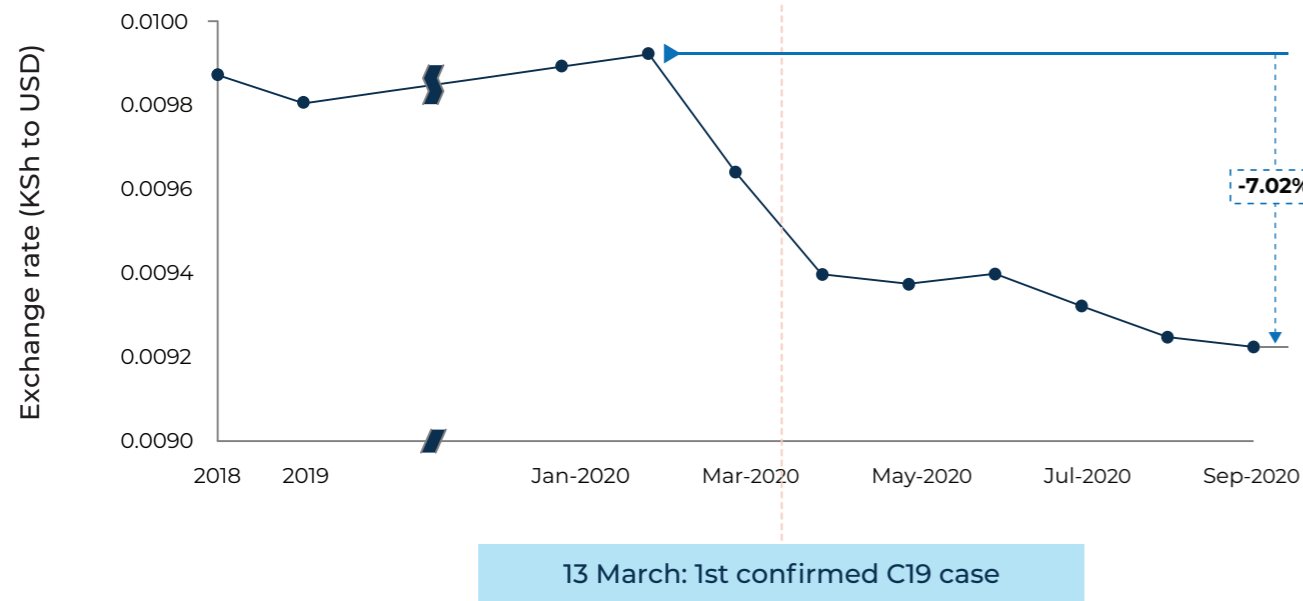


Note: FDI Markets data is collected from media sources, industry organisations, investment agencies etc. and is inclusive of "announced" FDIs - although the database is considered to capture majority of investments, some investments may thus not be known, may be tracked and recorded at a later stage, or may have been cancelled. Data from FDI Markets may also differ substantially from official data provided by UNCTAD/OECD who receive data from national authorities
 Source: FDI Markets. 2020. FDI markets database. Retrieved from <https://www.fdimarkets.com/explore/> [Accessed September 2020]; BCG Analysis

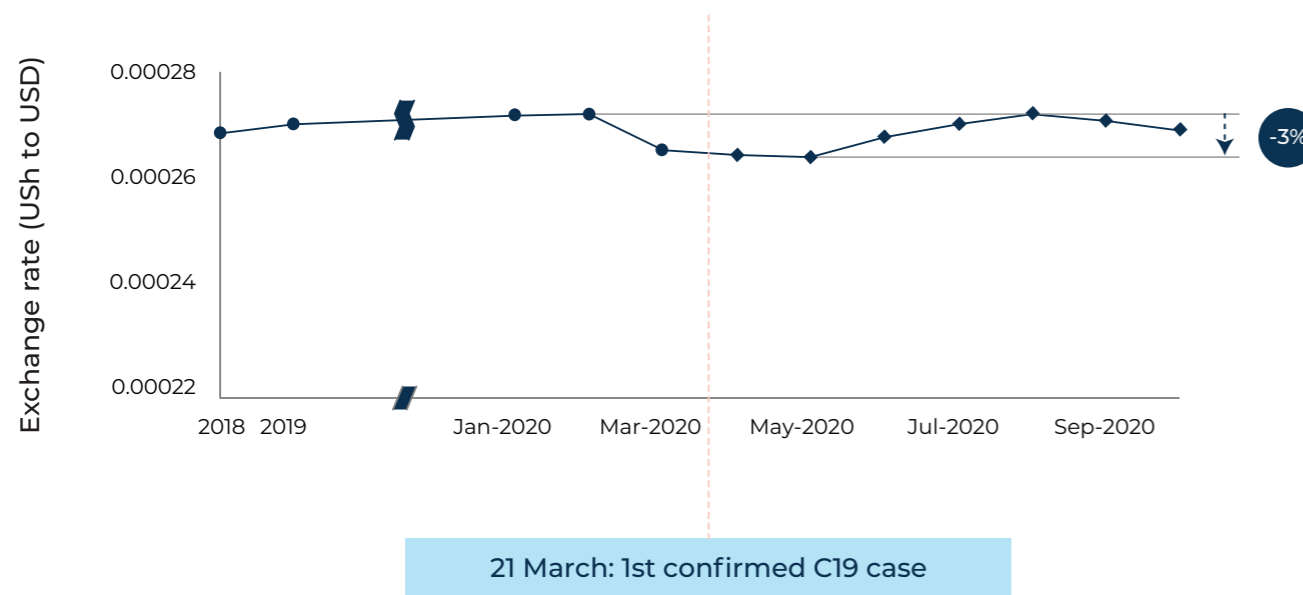
EXHIBIT 16: FLUCTUATION OF KENYAN AND UGANDAN SHILLINGS



The KSh felt the global impact of C19 before Kenya's first confirmed case



The USh has been largely stable, fluctuating by only 3% despite C19's impacts



Note: Currency valuation is the period average
 Note: Annual averages have been considered for 2018 and 2019
 Source: International Monetary Fund. 2020. International Financial Statistics. Retrieved from <https://data.imf.org/?sk=4c514d48-b6-ba-49ed-8ab9-52b0c1a0179b> [Accessed 23 November 2020].

ECONOMIC IMPACT

On the exchange rate impact, the Kenyan shilling depreciated by ~7.2% between January and September 2020.⁷⁴

The Ugandan shilling depreciated by ~3% between February and May, but has since recovered to pre-C19 levels by August 2020.⁷⁵ In May, the Ugandan government received USD \$491.5 million in emergency funding from the IMF, of which 70% was used to boost foreign exchange reserves which supported the stability of the currency.⁷⁶

In Kenya, the overall inflation rate has been maintained within target during the course of 2020. However, there have been notable movements in certain categories like transportation, which saw a 13.5% increase in

September 2020 compared to the same month in the previous year.⁷⁷ The Central Bank of Kenya (CBK) aims to maintain inflation between ~2.5% and 7.5%. Stability within this window played a role in allowing the government to reduce the Central Bank Rate from 8.5% in January to 7% in March, and to reduce the Cash Reserve Ratio to 4.25%.^{78,79}

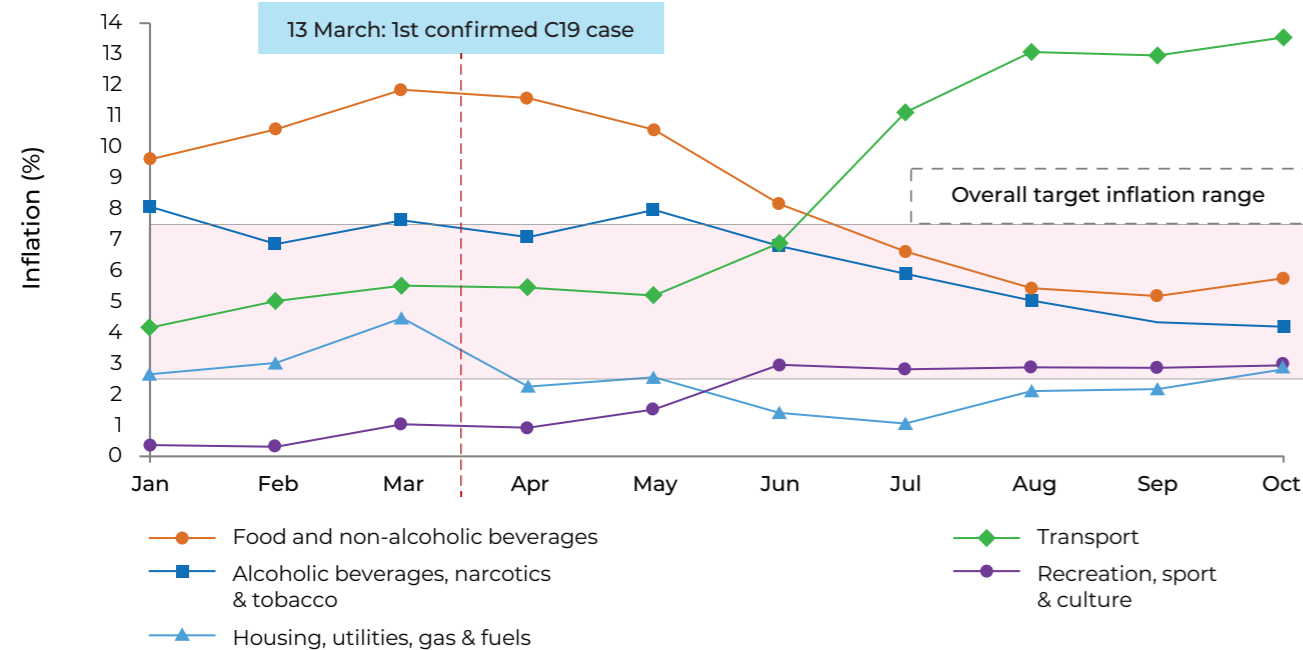
In Uganda, overall inflation has risen towards the ~5% target set by the Bank of Uganda (BoU) between March and September, driven in part by sharp increases in transport costs (~29.6% increase in September 2020 relative to September 2019).⁸⁰ The BoU aims to hold annual core inflation at ~5%, which increased in September to ~6.2%.⁸¹ BoU reduced the Central Bank Rate from 9% to 7% with reductions in April and June 2020.

⁷⁴ Bloomberg. 2020. Retrieved from <https://www.bloomberg.com/quote/KES:CUR> [Accessed 12 October 2020].
⁷⁵ Bloomberg. 2020. Retrieved from <https://www.bloomberg.com/quote/UGX:CUR> [Accessed 12 October 2020].
⁷⁶ International Monetary Fund. 2020. Policy Responses to COVID-19. Retrieved from <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19> [Accessed September 2020].
⁷⁷ Kenya Bureau of Statistics. 2020. Retrieved from <https://www.knbs.or.ke/> [Accessed September 2020].
⁷⁸ International Monetary Fund. 2020. Policy Responses to COVID-19. Retrieved from <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19> [Accessed September 2020].
⁷⁹ Indje, D. 2020. 'Central Bank of Kenya Cuts Lending Rates to 7.25pct and Reserve Ratios for Banks.' Khusko. Retrieved from <https://khusoko.com/2020/03/23/central-bank-of-kenya-cuts-lending-rates-to-7-25pct-and-reserve-ratios-for-banks/> [Accessed September 2020].
⁸⁰ Uganda Bureau of Statistics. 2020. Key Economic Indicators. Retrieved from <https://www.ubos.org/explore-statistics/30/> [Accessed September 2020].
⁸¹ Ibid.

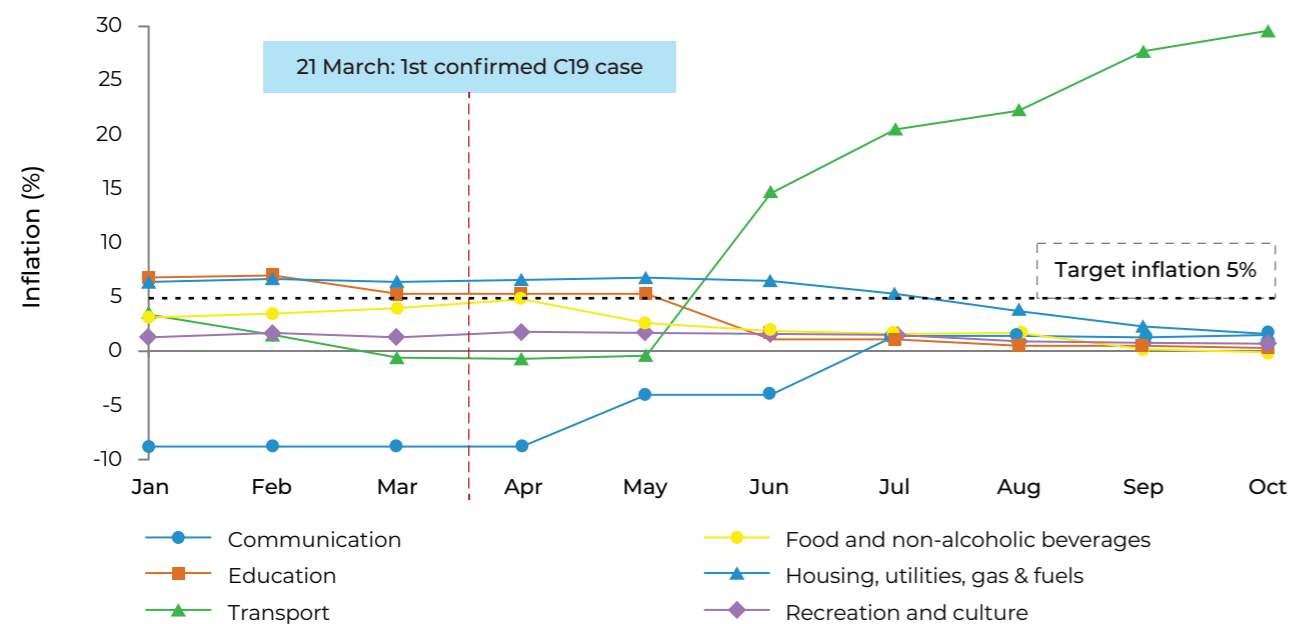
EXHIBIT 17: MONTHLY INFLATION VS. PREVIOUS YEAR FOR KEY CATEGORIES IN KENYA AND UGANDA



Monthly Inflation vs. previous year for key categories (2020)



Monthly Inflation vs. previous year for key categories (2020)



Note: This includes personal care such as salons, personal effects such as watches and insurance, passport fees & other services
Source: Uganda Bureau of Statistics. 2020. Key Economic Indicators. Retrieved from <https://www.ubos.org/explore-statistics/30/> [Accessed 23 November 2020]; Central Bank of Kenya; Kenya Bureau of Statistics. 2020. Retrieved from <https://www.knbs.or.ke/> [Accessed 23 November 2020].

Informal sector

It is important to consider the informal sector when assessing C19's economic impact. The informal sector contributes significantly to the GDP and employment rates in both countries. In Kenya, the informal sector contributes approximately ~34% of GDP and ~70% of employment. In Uganda it makes up approximately ~50% of GDP and over ~87% of employment.⁸²

The informal sector is often less equipped to respond to shocks, owing in part to limited access to financial resources, technical know-how and information; consequently, many businesses have been disproportionately impacted by C19

Of the informal business owners surveyed, ~94% in Nairobi and ~86% in Kampala experienced declines in revenue between March and September. Around 70% of business owners in both countries faced additional costs of operations resulting from C19 health requirements.⁸³ Of the businesses that experienced a revenue decline, approximately one-third in Kenya and half in Uganda experienced a decline of more than half their revenue. In Kenya, one retail owner noted, *"I would earn KSh 40,000 from each of the 3 shops per month but now, I earn KSh 20,000 from the 3 shops combined."* Another said, *"I am a street vendor, and my clients are mainly those who leave work in the evening, but because of the curfew we are time constrained."* In Uganda, where the government lockdown was more stringent than in Kenya, one restaurant owner stated, *"I used to earn US\$ 2-2.5 million at the beginning of the year but when we*

were on lockdown, I made nothing."

On the cost side, informal traders were aware of government health and safety requirements and many introduced the use of face masks and made hand sanitisers available.⁸⁴ One Kenyan mechanic said, *"I followed the government directives to the letter. You could not enter the business premises without a mask, and I provided sanitisers and a hand washing station."*

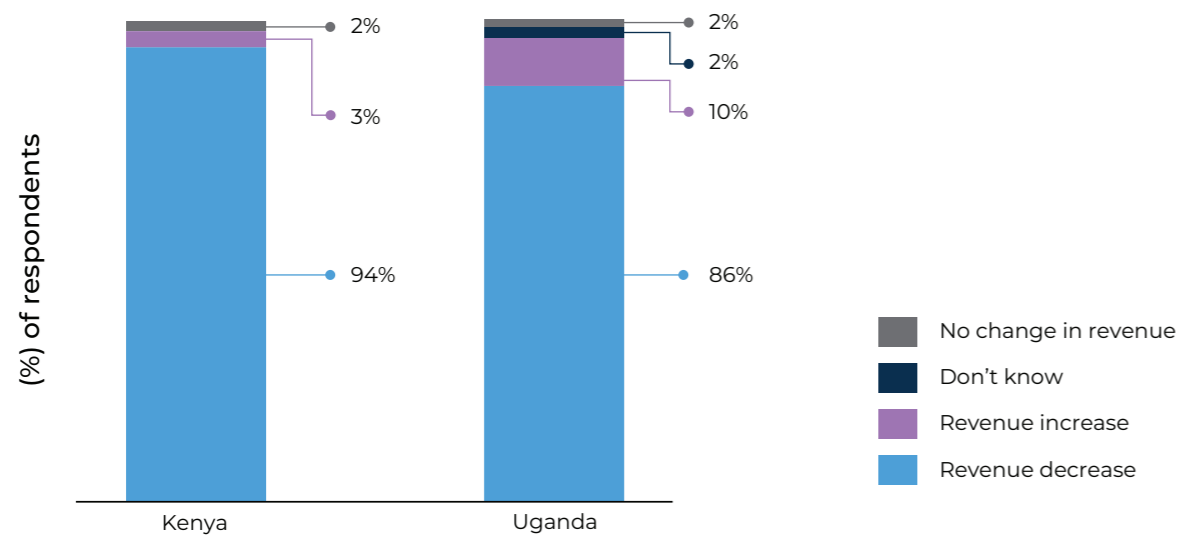
The impact on revenue has not been uniform across sectors, education levels or age of businesses. Non-essential and high-contact services were more impacted as were business owners with lower levels of education. More educated traders were more resilient in the face of C19.

Many employers in the informal sector responded to these revenue losses by reducing their overheads and headcount, or by adjusting salaries. An estimated ~74% of surveyed informal businesses with employees in Nairobi and ~83% in Kampala reduced salaries or retrenched employees.⁸⁵ Most employers tended to adjust compensation models, rather than immediately retrench employees. As one cybercafé owner in Nairobi noted, *"To keep all my employees, I stopped paying them a salary and started compensating them on a commission basis, based on how much we make per day."* A mechanic in Kampala noted, *"For my employees, I had to send half of them home on unpaid leave until further notice and the ones I kept, I gave them a 60% pay cut."*

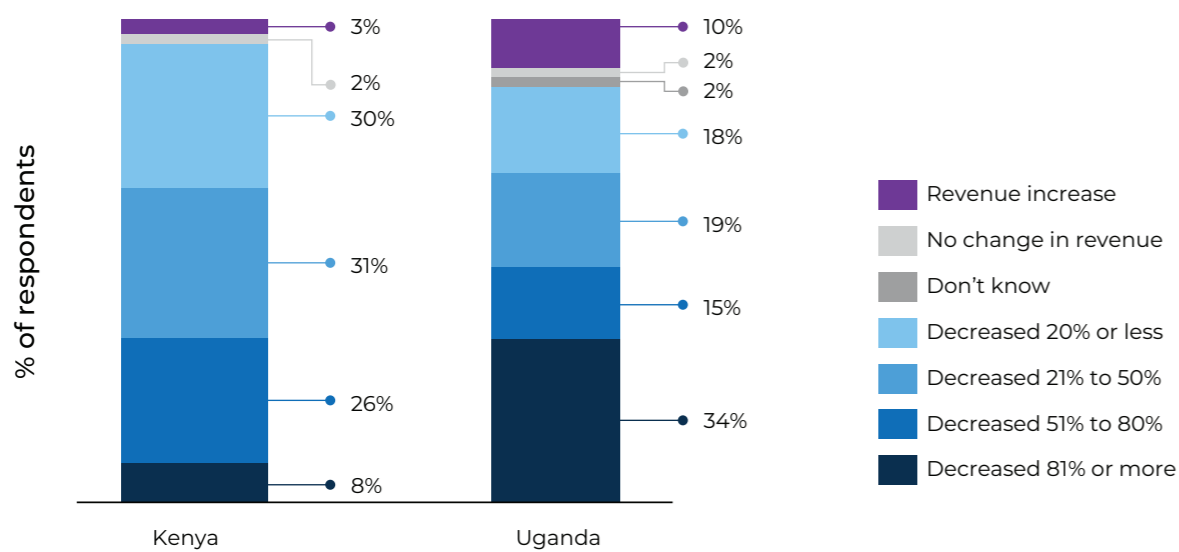
⁸² World Bank. 2016. 'Informal Enterprises in Kenya'. Retrieved from <http://documents1.worldbank.org/curated/en/262361468914023771/pdf/106986-WP-P151793-PUBLIC-Box.pdf> [Accessed 8 November 2020]; Uganda Bureau of Statistics. 2015. Urban Labour Force Survey. Retrieved from https://www.ubos.org/wp-content/uploads/publications/03_2018ULFS_2015_Fact_Sheet.pdf [Accessed 8 November 2020].
⁸³ Ibid.
⁸⁴ Percentages add up to more than 100% as multiple responses were accepted
⁸⁵ Ibid.

EXHIBIT 18: DECLINE IN REVENUE EXPERIENCED BY INFORMAL TRADERS

Majority impacted in both countries with ~94% in Kenya and ~86% in Uganda experiencing declines in revenue



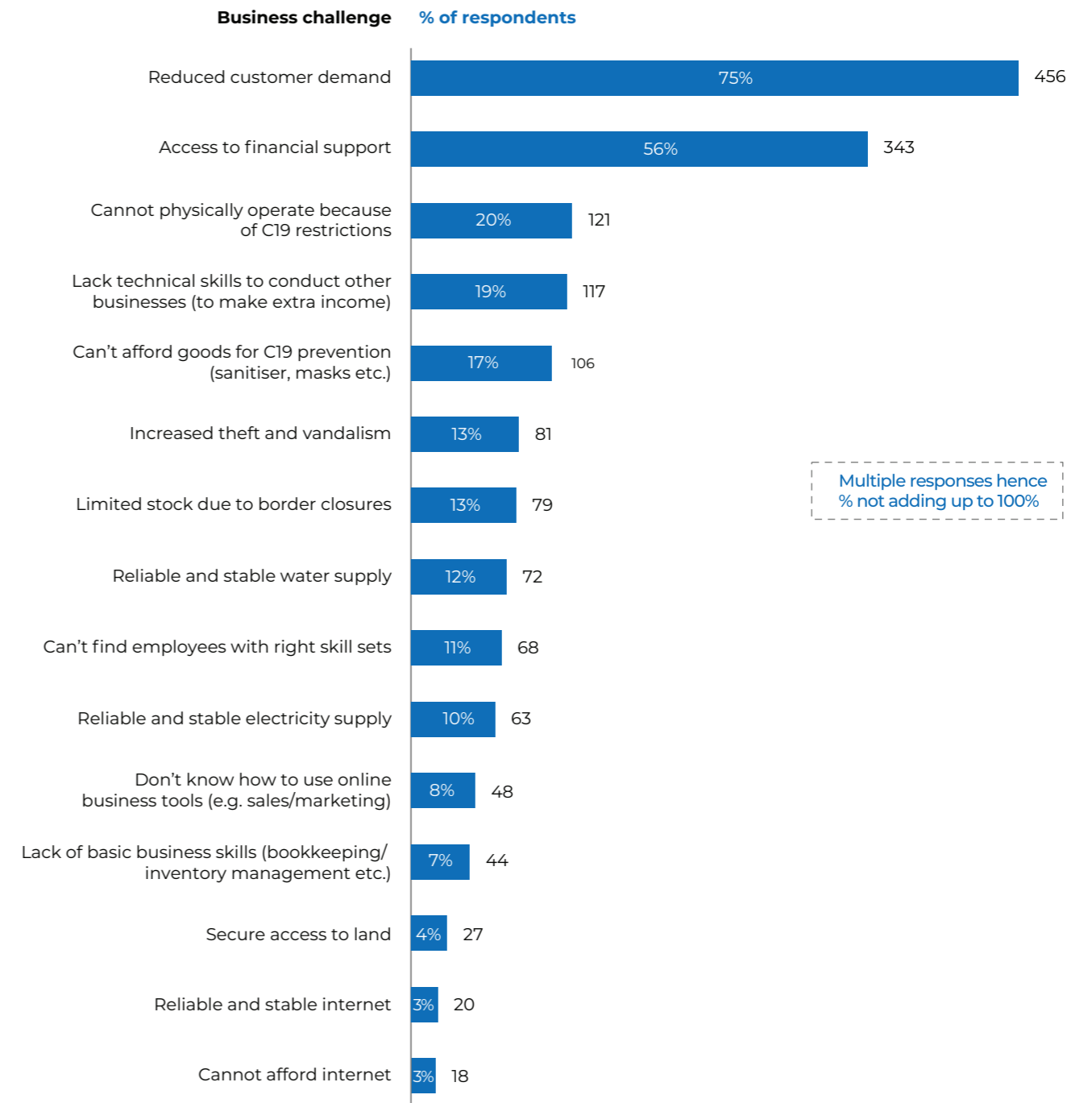
Deeper impact observed in Uganda with ~34% reporting >80% revenue decrease



Question: By how much have your average monthly sales been impacted since the C19 pandemic hit Kenya?
 Source: JICA-BCG Nairobi and Kampala Informal Sector Survey, September - November 2020

EXHIBIT 19: REDUCED DEMAND AND LACK OF ACCESS TO FINANCIAL SUPPORT ARE THE BIGGEST CHALLENGES FACED BY INFORMAL TRADERS

Biggest challenges faced by informal sector business owners



Question: What are the biggest challenges facing your business during this time? Please select top 3.
 Source: JICA-BCG Nairobi (n=308) and Kampala (n=303) Informal Sector Survey, 19 October - 4 November 2020; Nairobi, and Kampala informal Focus Group Interviews & in-depth interviews, 14 September - 7 October 2020

Reduced demand and limited access to financial support are frequently cited as the most pressing challenges of informal sector traders. Both factors constrain liquidity for businesses.⁸⁶

Approximately ~65% of surveyed traders in Kenya and ~85% in Uganda identified reduced demand as their biggest challenge, followed by access to financial support (~45% in Kenya and ~68% in Uganda). In Kenya, obtaining C19 prevention tools posed a significant challenge (~24%). Increased theft and vandalism were a concern in Uganda (~19%).⁸⁷

Despite the financial strain, only ~23% of surveyed traders in Kenya and ~16% in Uganda turned to credit to support their businesses. Of these, in Kenya, mobile money (~39%) and friends and family (~31%) are the most popular sources, while in Uganda friends and family (~29%) and money lenders (~27%) are most favoured. This is largely because they tend to be more accessible, with simpler repayment terms and without collateral requirements.

Business owners are hesitant to borrow, partially owing to uncertainty about the timeline of full recovery. As one tailor in Kampala noted, *“The reason I did not ask for financial support from anywhere is because I did not know how I will pay back the loan.”*

Since restrictions were eased around July in both countries, approximately one-third of surveyed traders in Nairobi and Kampala have reported some degree of recovery. However, only ~7% in Nairobi and ~14% in Kampala have recovered ~50% or more compared to their pre-C19 levels.

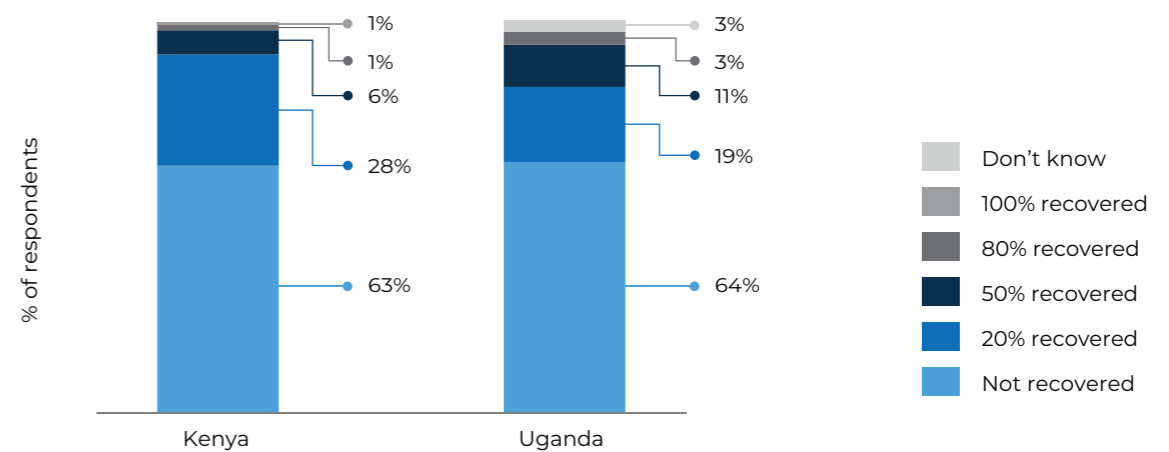
Many informal traders are tentative about the effect of the coming months on their business as the disease outlook remains uncertain globally and locally. Only ~9% of Kenyan and ~25% of surveyed Ugandan traders believe that a recovery will be evident in the next three months. Moreover, up to ~43% in Nairobi and ~29% in Kampala believe that it will take at least one year for recovery to reach pre-C19 levels. This tentative attitude is driven by global and local economic uncertainty. As one shop owner in Nairobi reported, *“Things are getting back to normal but there might be a second wave like in Western countries, so it is still uncertain.”* A spare parts retailer in Kampala shared a similar view, *“The virus is not bad in Kampala, but I see other countries experiencing a second wave and this will affect our imports again.”*

⁸⁶ JICA-BCG Informal Sector Survey, October 2020
⁸⁷ Percentages add up to more than 100% as multiple responses were accepted

EXHIBIT 20: SOME INFORMAL BUSINESSES SEE EARLY SIGNS OF RECOVERY BUT ~43% IN KENYA AND ~29% IN UGANDA EXPECT MORE THAN 1 YEAR FOR FULL RECOVERY

Recovery experienced

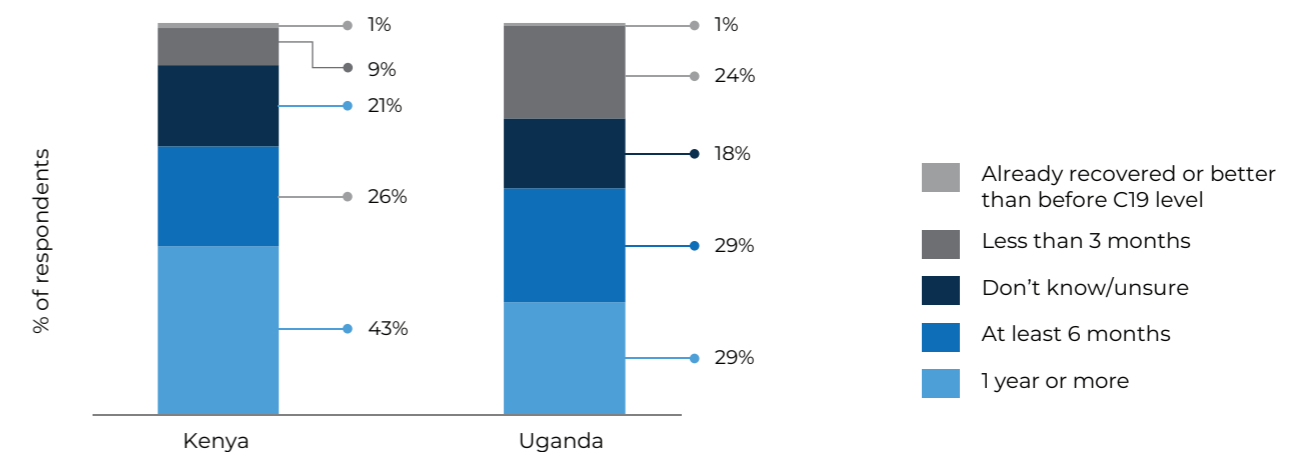
~37% in Kenya and ~36% in Uganda reported recovery in revenue following relaxation of restrictions, but most are still in early recovery phases (<50% recovery for most)



“My business is slowly starting to recover, I would make KSh 20,000 a month before C19 and currently as of September, I am making KSh 12,000 a month. The number of events is increasing gradually.” - caterer, Nairobi

Recovery expectations

Overall, businesses are pessimistic with ~43% of Kenyans and ~29% of Ugandans expecting recovery in 1 year or more



“The virus is not bad in Kampala, but I see other countries experiencing a second wave and this will affect our imports again.” - spare parts retailer, Kampala

Question: Has your income recovered since the government eased some of the C19 restrictions?
 Source: JICA-BCG Nairobi (n=308) and Kampala (n=303) Informal Sector Survey, 19 October - 4 November 2020; Nairobi and Kampala informal Focus Group Interviews and in-depth interviews, 14 September - 7 October 2020

Deep dive on how the informal sector is adapting

Many informal traders tend to operate in dynamic environments and responded to C19 by adapting; the most observed adaptations being increased prices, supply chain changes, new product and service offerings, and location changes

Approximately ~32% of surveyed traders in Kenya and ~11% in Uganda increased prices in response to C19.⁸⁸ In both countries, essential businesses were most likely to increase prices (i.e. ~39% and ~10% of grocery stores, ~44% and ~29% of agricultural traders, in Kenya and Uganda respectively).

Some traders increased prices to compensate for increased costs. As one mechanic in Nairobi said, *“Suppliers have doubled prices of spare parts as the supply has reduced, resulting in increased charges for the final consumer.”* However, it is notable that most traders did not increase prices, with some even reducing prices to retain customers.

Supply chain disruptions, particularly on imports, have proven challenging for informal traders with ~61% of surveyed traders in Kenya and ~39% in Uganda paying more for raw materials. As one vehicle mechanic noted, *“Prices for supplies increased due to the shortage of supply, especially for the imported ones.”*

Despite increase in raw material costs, only ~32% of traders in Kenya and ~18% in Uganda

managed to change suppliers to offset the increased cost. In both countries, businesses earning higher revenues were more likely to change suppliers in response to increased supply costs. Of the traders who managed to change suppliers, ~25% in Kenya and ~27% in Uganda started using suppliers more local to their area. As one grocery vendor said, *“I started getting my fruits and vegetables from a local supplier at Kangemi instead of going to the market in Muthurwa.”*

Another adaptation favoured by informal traders was changing their product or service offerings. An estimated ~10% of surveyed traders in Kenya and ~14% in Uganda changed their product offerings in response to C19's impacts.⁸⁹ An example being a grocery vendor in Kenya who noted, *“I started selling vegetables to diversify my businesses as most people were now buying them often.”*

A notable ~27% of surveyed hairdressers in Kenya diversified their offerings. One hairdresser reported, *“I had to start selling foodstuffs like samosa, chicken wings and chapatis to supplement my income as my salon had fewer client visits.”* In Uganda, ~23% of agriculture traders and grocery store owners added new products. As one poultry farmer said, *“I have started farming vegetables to boost income and I plan to venture more into it.”*

A further adaptation was changing or consolidating operating locations with ~9% of Kenyans and ~6% of Ugandans doing the former. Of those that changed operating locations, ~57% in Kenya and ~33% in Uganda changed locations to operate within their neighbourhoods. Some started by visiting clients in their own neighbourhoods, while others served clients out of their homes. One shop owner in Nairobi explained, *“We started doing home deliveries, so if you cannot come to us, we send someone to you.”* In addition, ~29% of traders in Kenya and ~28% in Uganda closed their low performing locations or consolidated their operations.

A pharmacy owner in Kampala noted, *“I have closed one of my pharmacy outlets as there are few customers now and focused on the most profitable one.”*

C19's economic impact has been undeniable and continues to present a challenge as the global and local disease outlook remains uncertain. Despite significant challenges coupled with limited resources and support, some informal businesses have demonstrated the adaptability and resilience needed to survive and thrive under the evolving conditions of C19.

⁸⁸ Percentages add up to more than 100% as multiple responses were accepted

⁸⁹ JICA-BCG Informal Sector Survey, October 2020

VII. TRADE AND LOGISTICS

TRADE AND LOGISTICS

Key takeaways

- C19 has negatively impacted exports of services in Kenya and Uganda, notably in tourism and transportation
- However, the total volume and value of goods exported has not been as significantly impacted as predicted by some initial models. For instance, tea exports in Kenya and gold exports in Uganda have been performing strongly in 2020, compared to 2019
- Imports faced a sharp decline in April and May due to global supply chain disruptions, but have recovered to 2019 levels by August
- Kenyan and Ugandan trade is partially dependent on the coordination of cross-border logistics in the East African region, notably along the Northern Corridor which witnessed significant disruption due to C19

Methodology

- Leveraged data from government websites (i.e. press releases, reports), as well as sources from news outlets, nongovernmental organisations, UN agencies and internationally recognised databases of economic data
- Supplemented with expert interviews with government officials, technical experts, economists, and relevant private sector leaders including recruitment companies, mobility services providers, agricultural exporters and retailers

Exports

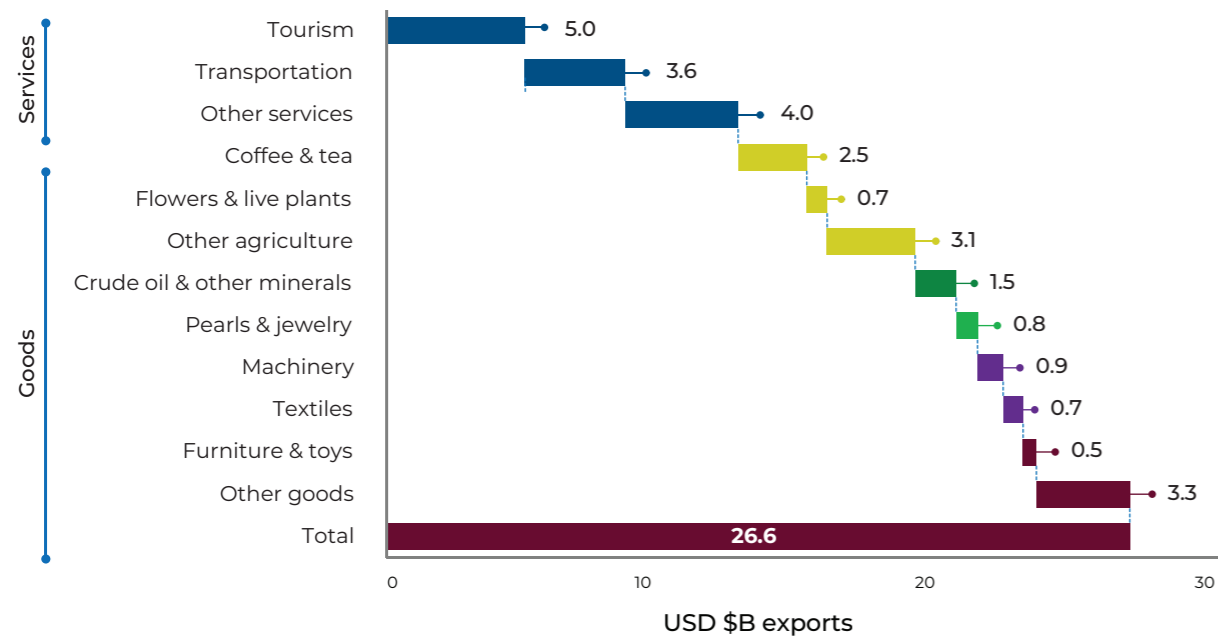
C19 has negatively impacted exports of services in Kenya and Uganda, however the overall value and volume of the export of goods has not been as significantly impacted as some models predicted

Exports materially drive GDP in the East African region. In 2018, exports from East African Community member states were approximately valued at USD \$26.6B, of which transport, tourism, and agriculture comprise over ~50% of the total value of exports.⁹⁰

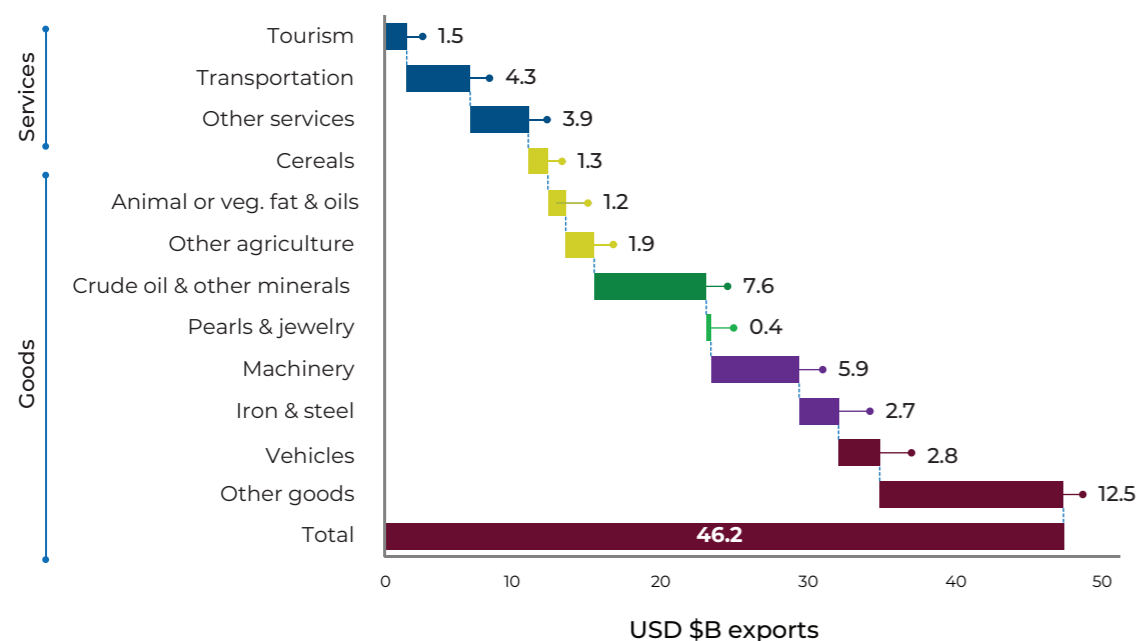
Note: South Sudan is excluded from the calculation of EAC members' exports due to the lack of reliable data
⁹⁰ World Trade Organization. 2018. Retrieved from https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S005.aspx [Accessed October 2020]; UN Comtrade database. 2018. Retrieved from <https://comtrade.un.org/data/> [Accessed September 2020].

EXHIBIT 21: EAST AFRICAN EXPORTS AND IMPORTS

 EAC exports in 2018 (USD \$B)



 EAC imports in 2018 (USD \$B)



Source: World Trade Organization. Retrieved from https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S005.aspx [Accessed October 2020]; UN Comtrade database. Retrieved from <https://comtrade.un.org/data/> [Accessed September 2020].

In 2018, refined petroleum and machinery accounted for nearly one-quarter of the region's USD \$46 billion import value.^{91,92} Between 2016 and 2019, trade deficits were growing at a compounded annual growth rate of +12%.⁹³

Zooming in on Kenya, the key exports are tourism, transportation and agriculture. In 2018, tourism and transportation accounted for an estimated 27% of the total USD value of exports. Owing to local and global C19 restrictions, these services exports have been severely impacted. Some recovery has been observed after restrictions were eased in July, spurred by shorter curfew hours, more inter-county movement and the resumption of domestic and later, international flights.⁹⁴

The impact on goods exports is less severe than initially predicted, though this does differ according to the specific good in question. For example, between January and August 2020, total exported goods from Kenya were ~5% higher in USD value compared to the same period in 2019. This is partially owing to the strong performance of tea and the recovery of cut flower exports in June, as well as the depreciation of the Kenyan shilling.^{95,96}

On examining Kenya's largest export which is tea, export volumes in 2020 surpassed 2019 levels due to factors of both demand and supply. Net global demand for tea has appeared to rise, partially owing to the increase in home consumption due to C19, while global supply is expected to fall by approximately 2.3%. This is partially driven by a fall in supplies from the largest tea exporter, India, because of flooding in June and July, as well as local restrictions to contain C19.⁹⁷ Taken together, these factors may appear to result in greater demand for Kenyan tea.⁹⁸

When we zoom in on Uganda, its key exports have historically been tourism and agriculture, notably coffee. However, gold became the nation's largest export in 2018, accounting for over ~30% of total export value. Like in Kenya, exports of services such as tourism have been severely impacted by C19. By easing restrictions in July like shortening curfew hours and allowing more inter-provincial travel, some recovery has been observed in the tourism industry. But global restrictions on movement continue to impact overall tourism demand.⁹⁹ Encouragingly, the overall impact on exported goods has been less severe, decreasing by ~4% in USD value in 2020 compared to the same time period in 2019. This has been partially driven by the strong performance of gold.¹⁰⁰

⁹¹ World Trade Organization. 2018. Retrieved from https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S005.aspx [Accessed October 2020]; UN Comtrade database. 2018. Retrieved from <https://comtrade.un.org/data/> [Accessed September 2020].

⁹² United Nations Trade Statistics. 2020. UN Comtrade database. Retrieved from <https://comtrade.un.org/> [Accessed October 2020].

⁹³ World Trade Organization. Retrieved from https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S005.aspx [Accessed October 2020].

⁹⁴ World Trade Organization. Retrieved from https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S005.aspx [Accessed October 2020]; UN Comtrade database. Retrieved from <https://comtrade.un.org/data/> [Accessed September 2020].

⁹⁵ Kenya Bureau of Statistics. 2020. Leading economic indicators. Retrieved from https://www.knbs.or.ke/?page_id=1591 [Accessed 12 October 2020].

⁹⁶ When adjusted for the depreciation of the currency, total goods value has increased by USD \$70 (1.6%) due to a strong first quarter

⁹⁷ Ibid.

⁹⁸ Kenya Bureau of Statistics. 2020. Leading economic indicators. Retrieved from https://www.knbs.or.ke/?page_id=1591 [Accessed 12 October 2020]; World Trade Organization. Retrieved from https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S005.aspx [Accessed October 2020].

⁹⁹ Bank of Uganda Statistical database. 2020. Retrieved from <https://bou.or.ug/bou/bouwebsite/Statistics/Statistics.html> [Accessed October 2020]; United Nations. 2020. UN Comtrade database. Retrieved from <https://comtrade.un.org/data/> [Accessed September 2020].

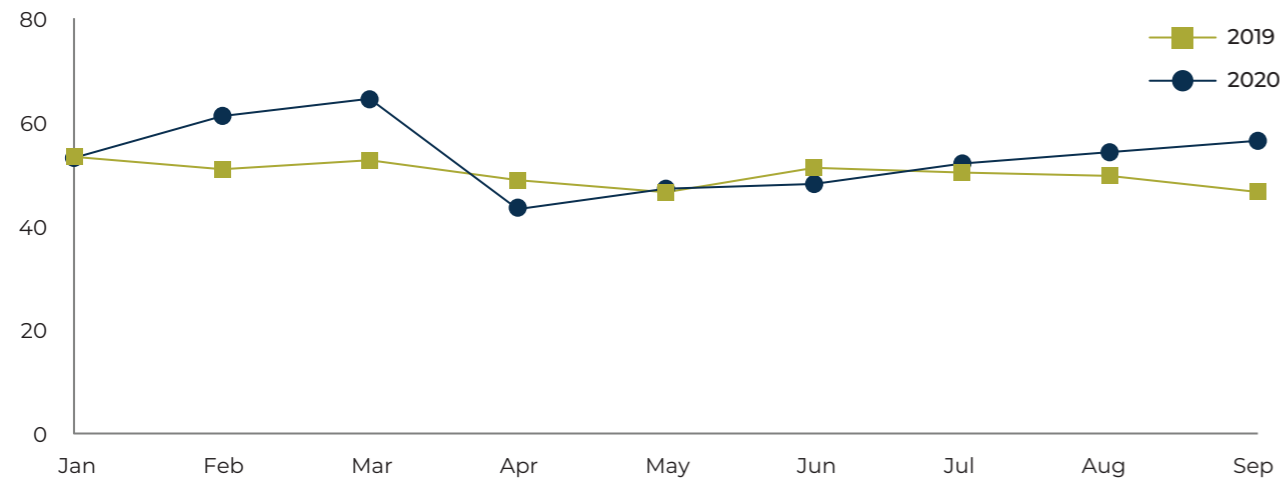
¹⁰⁰ Bank of Uganda Statistical database. 2020. Retrieved from <https://bou.or.ug/bou/bouwebsite/Statistics/Statistics.html> [Accessed October 2020].

EXHIBIT 22: VALUE OF EXPORTED GOODS IN 2019 AND 2020



Kenyan exports in 2019 and 2020 (Jan – Sep)

Export value (KSh billion)



Total exports (Jan – Sep)

KSh 450B

KSh 480B

+7%

2019

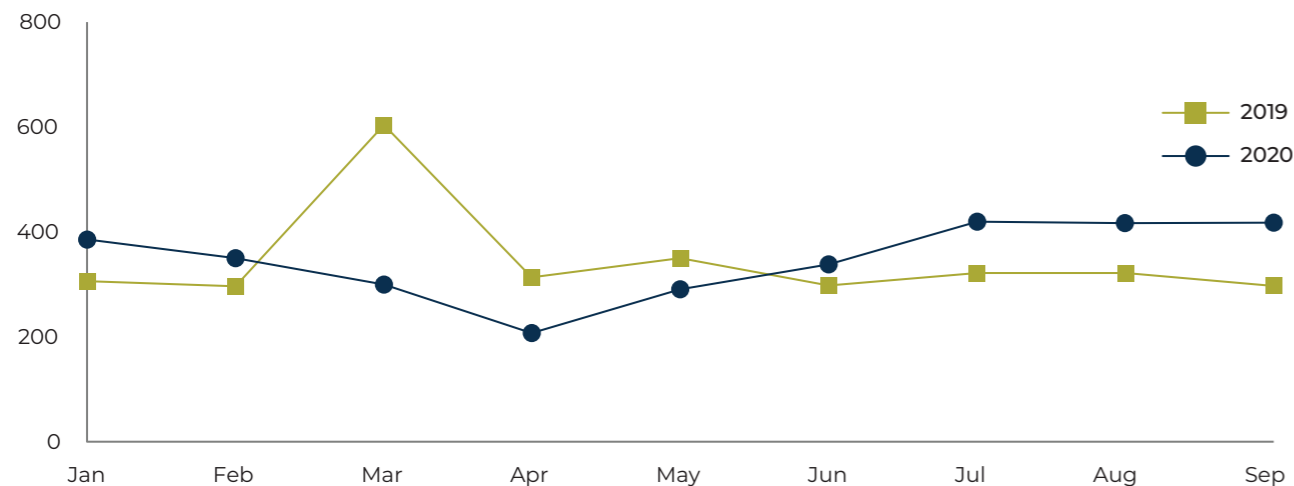
2020

Δ '19 – '20



Ugandan exports in 2019 and 2020 (Jan – Sep)

Export value (USD \$ million)



Total exports (Jan – Sep)

USD \$3.11B

USD \$3.13B

+1%

2019

2020

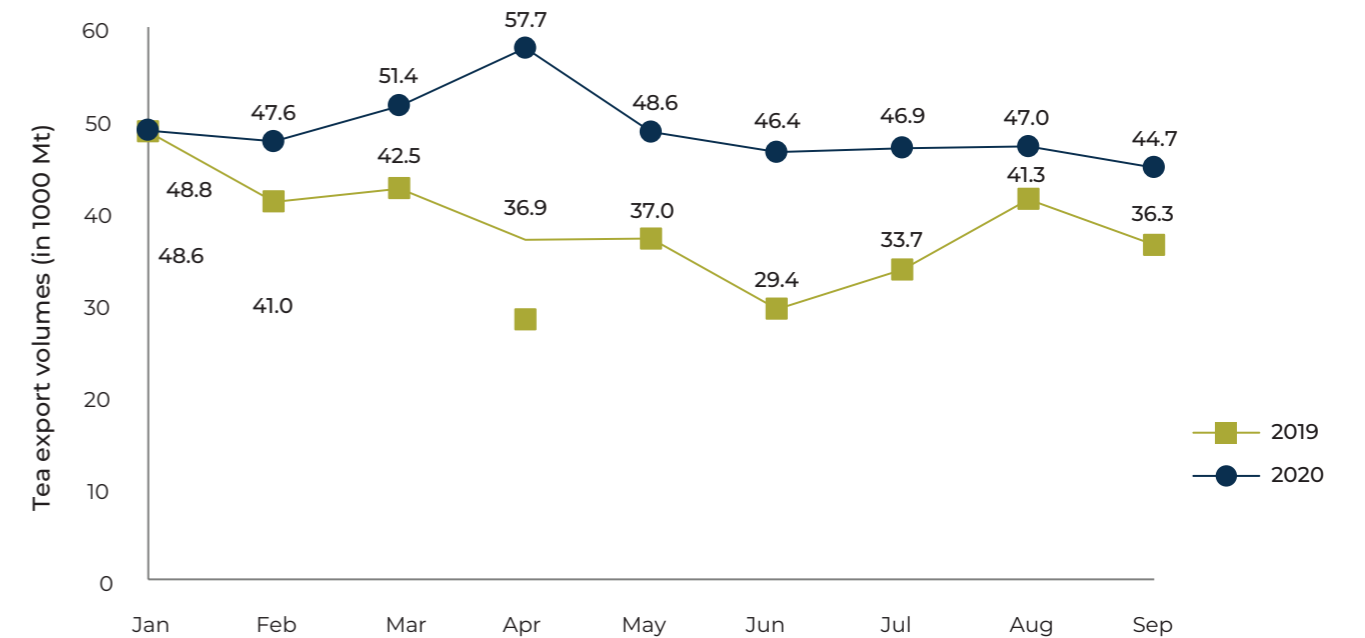
Δ '19 – '20

Note: Kenya Bureau of Statistics reports trade statistics in local currency (KSh) while Bank of Uganda reports all trade data in USD
Source: Bank of Uganda; Kenya National Bureau of Statistics

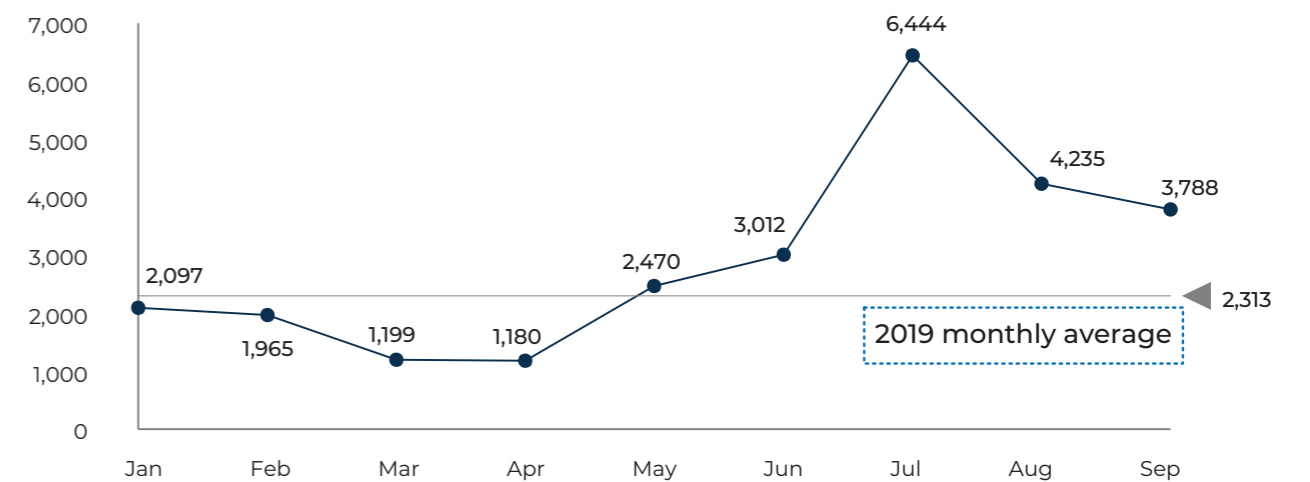
EXHIBIT 23: TEA EXPORT VOLUMES IN KENYA (2019 VS. 2020) AND GOLD EXPORT VOLUMES IN UGANDA (2020)



Tea export volume in 2019 and 2020 in Kenya



Gold export volumes (kg) in 2020



Source: Kenya Bureau of Statistics. 2020. Leading economic indicators. Retrieved from https://www.knbs.or.ke/?page_id=1591 [Accessed 23 November 2020]; Bank of Uganda Statistical database. 2020. Retrieved from <https://bou.or.ug/bou/bouwebsite/Statistics/Statistics.html> [Accessed 23 November 2020].



Since 2018, gold has been Uganda's largest export and its export value in 2020 has surpassed 2019 levels, driven primarily by an increased global demand. The economic uncertainty due to C19 has caused significant demand increase globally,

raising gold prices by ~26% between January and August 2020. In Uganda, monthly export volumes since May have consistently outperformed average monthly levels of 2019, reaching a peak in July 2020.¹⁰¹

¹⁰¹ Bank of Uganda Statistical database. 2020. Retrieved from <https://bou.or.ug/bou/bouwebsite/Statistics/Statistics.html> [Accessed October 2020].

Imports

Imports are experiencing a sharp recovery despite the initial significant decline in April and May

Kenya's total import value in 2020 at the time of writing is KSh 1.1 trillion compared to KSh 1.2 trillion during the same period in 2019 (a net ~11% decrease in value), while Uganda's total value in 2020 to date is USD \$4.2 billion compared to USD \$4.7 billion during the same period in 2019 (a net ~10% decrease in value). Oil is the biggest contributor to both countries' imports, and oil volumes passing through the Port of Mombasa between May and September are down ~14%, compared to the same period in 2019.

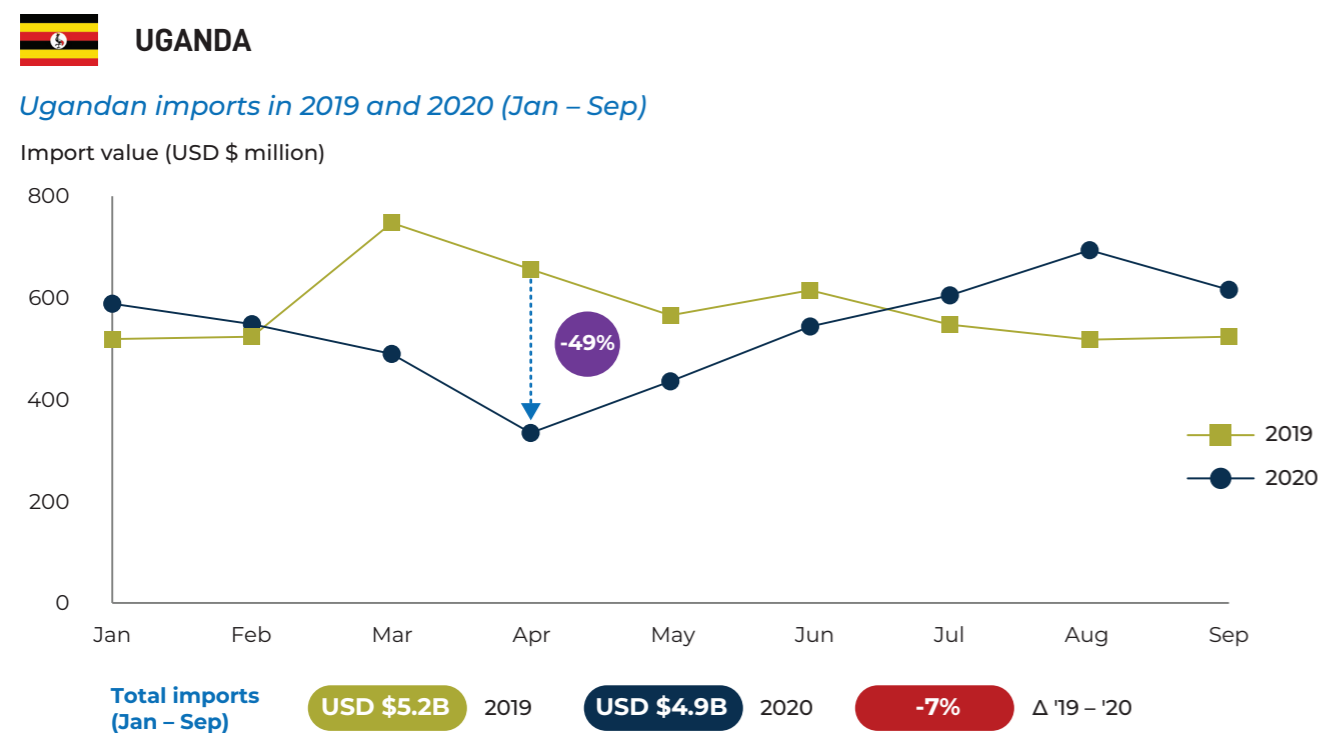
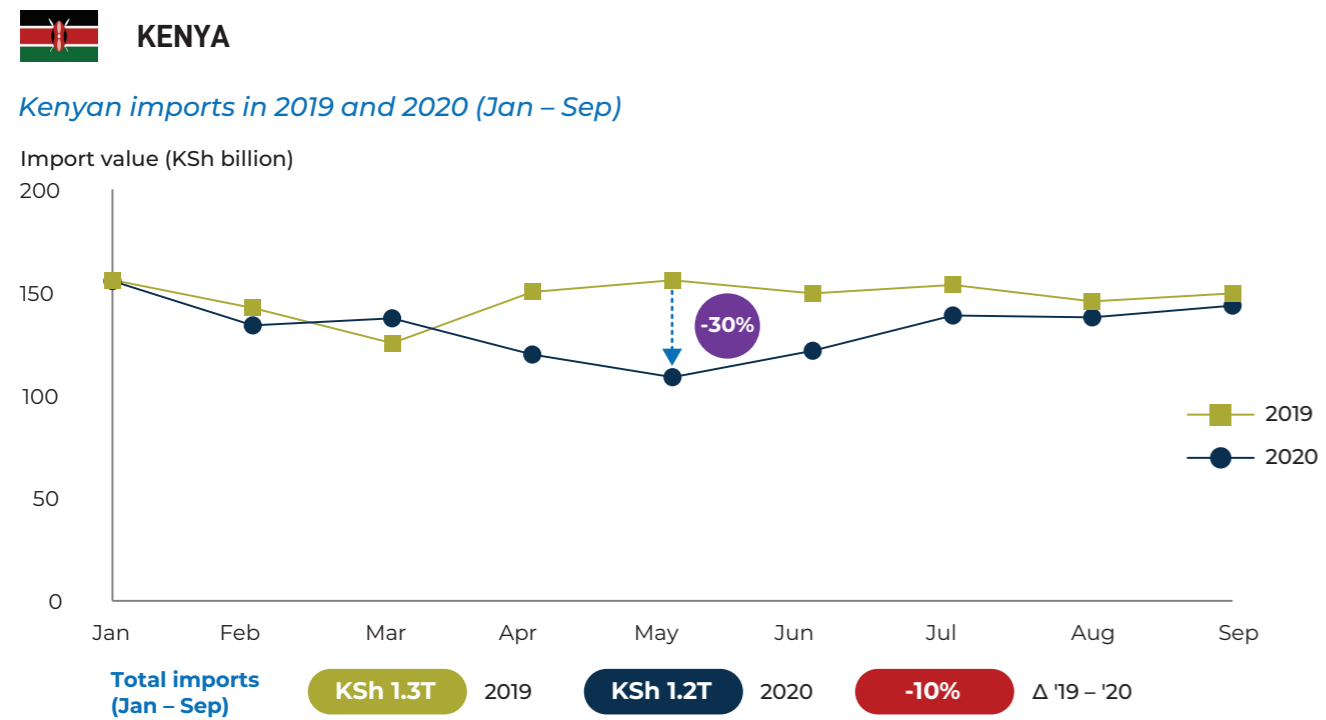
Import volumes decreased at the outset of the C19 crisis with the Port of Mombasa experiencing an ~18% reduction in throughput volumes between April and May.¹⁰² In April 2020, there was a ~30% decrease in import volume in Kenya and a ~49% decline in Uganda compared to April 2019. This decrease was chiefly driven by supply chain disruptions in India and China which reduced the availability of certain imports.¹⁰³ Imports were further impacted when local restrictions reduced the demand for petroleum products. As restrictions have eased, both supply and demand are recovering, and overall import volumes have recovered to near 2019 levels in Kenya. In Uganda, import volumes have surpassed 2019 levels since July 2020.



¹⁰² Kenya Bureau of Statistics. 2020. Leading economic indicators. Retrieved from https://www.knbs.or.ke/?page_id=1591 [Accessed 12 October 2020].

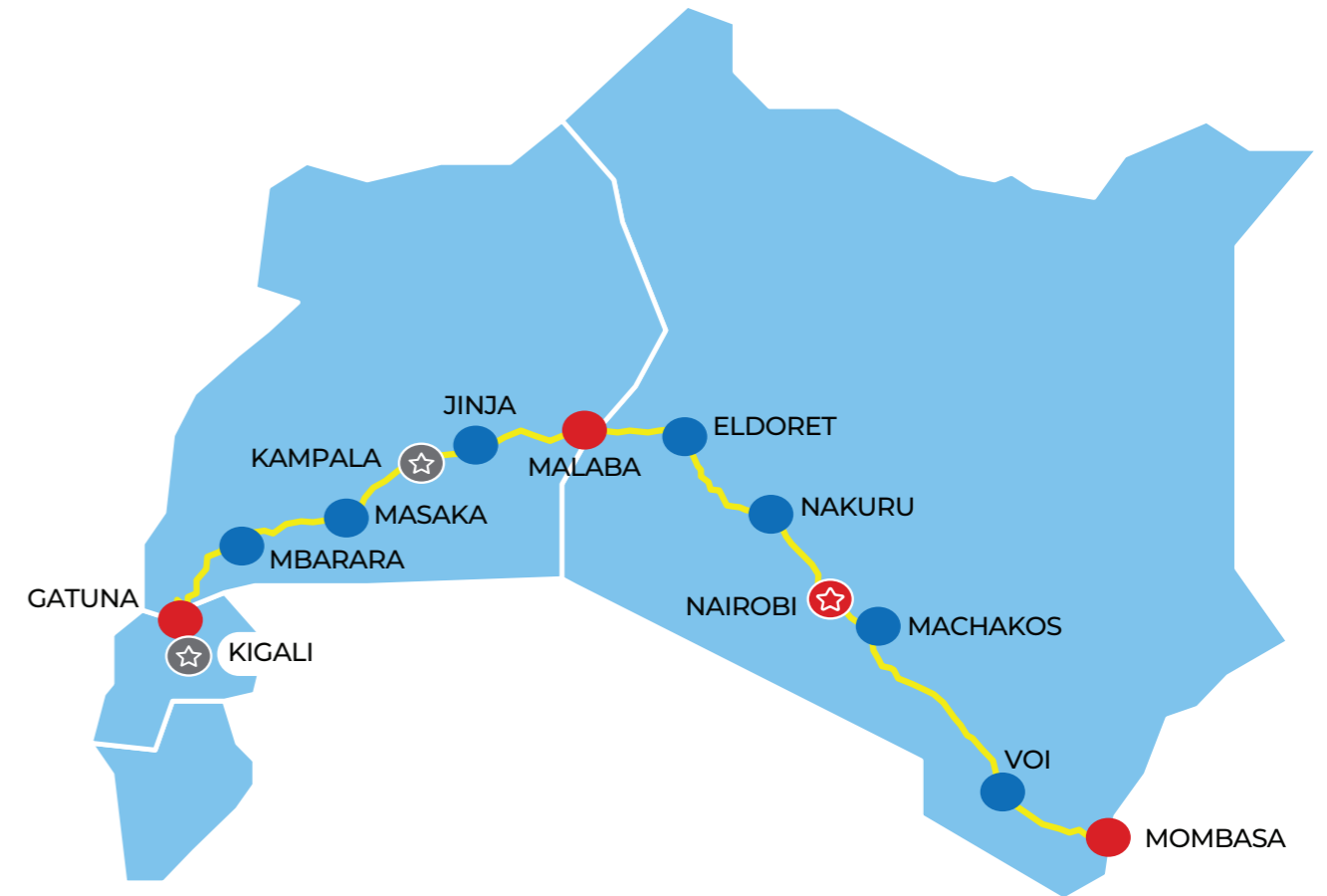
¹⁰³ Kenya Bureau of Statistics. 2020. Leading economic indicators. Retrieved from https://www.knbs.or.ke/?page_id=1591 [Accessed 12 October 2020]; Bank of Uganda Statistical database. 2020. Retrieved from <https://bou.or.ug/bou/bouwebsite/Statistics/Statistics.html> [Accessed October 2020].

EXHIBIT 24: KENYAN AND UGANDAN IMPORTS DIPPED TEMPORARILY IN APRIL AND MAY MOSTLY DUE TO GLOBAL SUPPLY CHAIN DISRUPTIONS, BUT HAVE RECOVERED



Note: Kenya Bureau of Statistics reports trade statistics in local currency (KSh) while Bank of Uganda reports all trade data in USD
 Source: Bank of Uganda; Kenya National Bureau of Statistics

EXHIBIT 25: MAJOR NORTHERN CORRIDOR ROUTE FROM MOMBASA TO KIGALI THROUGH KAMPALA



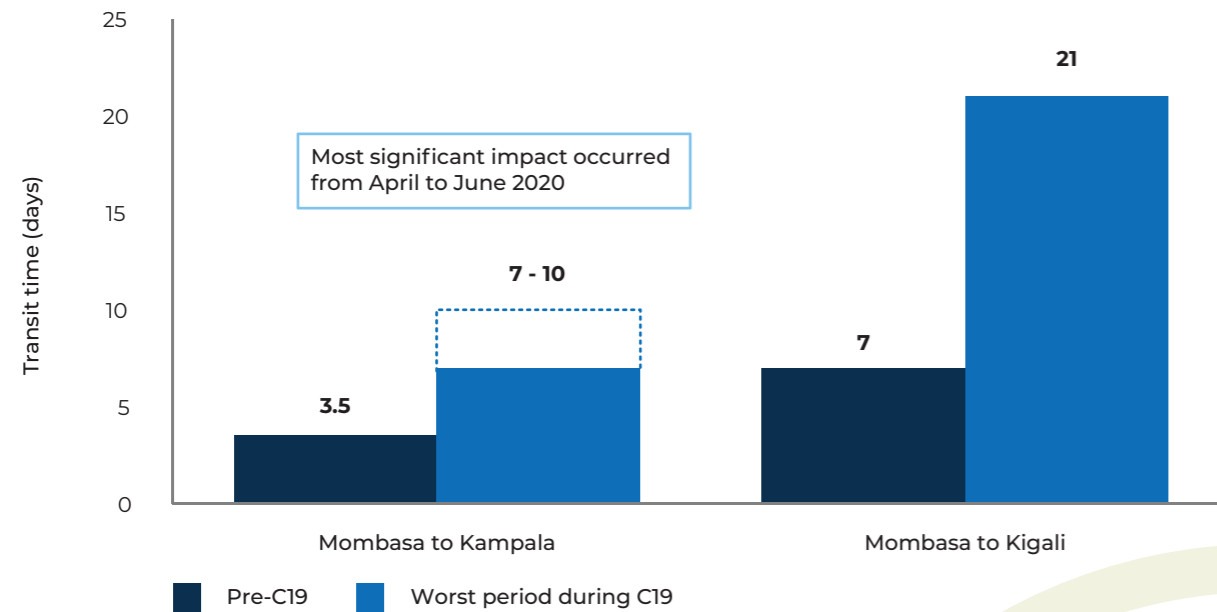
Source: Expert interviews; press reports

EXHIBIT 26: TRANSIT TIMES AND COST INCREASES ACROSS THE NORTHERN CORRIDOR



EAST AFRICA

Transit time increases have been driven by disruptions at major border crossings



Source: Expert interviews conducted September 2020

Case study: Northern Corridor

Kenyan and Ugandan trade is dependent on the coordination of cross-border logistics in the East African region, notably along the Northern Corridor which witnessed significant disruption due to C19

The Northern Corridor is the key transport link and a crucial trade route in the East African region. It connects the Port of Mombasa in Kenya through Uganda and into Rwanda as well as South Sudan. C19 disruptions affected both the Port of Mombasa and the land borders, with the latter facing major logistical challenges to date.

Busia and Malaba are the two busiest border posts between Kenya and Uganda. Busia is primarily an entry point for fuel with more than 300 trucks entering daily while Malaba sees a high volume of cargo trucks. These border posts together have been the largest source of inefficiency for regional trade during C19, increasing both costs and transit times across the Northern Corridor.¹⁰⁴

The initial disruption was triggered by duplicated C19 testing requirements of the two countries. This led to a ~50,000-person queue at times. This was alleviated after an agreement between the two governments was reached on 29 May 2020 to recognise each other's test certificates.

The congestion reduced significantly post-agreement. But in September, challenges in C19 testing in Kenya impelled many truck drivers to get tested at the Ugandan border instead. These challenges included the shortage of C19 testing supplies and long processing times. In response, the Ugandan government introduced a USD \$65 fee to recoup the testing costs, which contributed to further disruptions and delays at the borders.¹⁰⁵ Overall, these challenges have significantly reduced the efficiency of the Northern Corridor, slowing down trade across the East African region.¹⁰⁶

¹⁰⁴ Expert interviews conducted September 2020

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

VIII. CONSUMER SENTIMENT AND BEHAVIOUR

CONSUMER SENTIMENT AND BEHAVIOUR

Key takeaways

- Household financial strain: Most surveyed urban consumers reported experiencing a decline in household income (~70% in Kenya and ~84% in Uganda), with ~47% in Kenya and ~67% in Uganda experiencing a decline of more than 50% of their income. This was primarily driven by job losses and reduced salary for those employed
- Health and wellness: ~28% of Kenyans and ~27% of Ugandans are unwilling to be tested for C19. Unwillingness has largely been driven by credibility concerns in Kenya (~38%) and affordability constraints in Uganda (~30%). In both countries adherence to preventive measures has begun to waver driven by reduced fear of the virus.
- Mobility: In urban areas in both countries, significant reduction in overall movement of people was observed for the first few months under C19. For example, in April, the movement from home to transit station declined by 45% and 82% in Kenya and Uganda respectively, compared to pre-C19 baselines.¹⁰⁷ Only ~33% of Kenyans and ~22% of Ugandans reported adopting new modes of transport, primarily due to affordability concerns
- Digital adoption: Internet adoption across activities has increased in both countries with education (~66% in Kenya and ~52% in Uganda), and remote work (~62% in Kenya and ~55% in Uganda) driving increased use. However, lower income urban consumers are less likely to increase usage due to financial strain under C19

Methodology

- Local data research partners led ~2 to 3-hour long discussions with ~5-6 people each, focusing on specific demographics across sectors to develop a foundational understanding of issues, trends and sentiments and develop an initial hypothesis for validation by a quantitative survey
- Further 1-hour detailed interviews were conducted with carefully selected individuals chosen from the group discussions to provide additional details on their end-to-end experience
- Conducted 25 focus group discussion (~2-3-hour) with ~5-6 people each, covering key demographic segments and sectors to develop a foundational understanding of issues, trends and sentiments between 14 September and 9 October
- Conducted fifty ~1-hour detailed 1:1 interviews with selected individuals to provide additional details on their end-to-end experience between 14 September and 9 October
- Conducted a quantitative survey (n=2500) of consumers in Nairobi, Mombasa and Kampala between 9 October and 4 November

¹⁰⁷ Google Mobility

Findings

C19 has impacted the lives of urban consumers across Kenya and Uganda in various dimensions including household income, health & wellness, mobility and digital adoption; many have had to adapt to changing circumstances, catalysing shifts in consumer sentiment and behaviours, some of which are likely to outlast the immediate crisis

General sentiment

Only ~27% of consumers in Kenya and ~29% in Uganda reported feeling financially secure with ~37% Kenyans and ~62% of Ugandans expressing concern about food security. Almost half the surveyed consumers in Kenya (~48%) and Uganda (~50%) still believe that the virus poses a serious danger in their countries, with ~51% in Kenya and ~44% in Uganda concerned about contracting the virus.

Most consumers in Kenya (~65%) and Uganda (~68%) reported the belief that measures taken by their governments were largely effective. In Kenya, mandatory wearing of masks (~73%) and closure of public spaces (~70%) were viewed as the two most successful measures and curfew (~49%) was viewed as the least effective measure.¹⁰⁸ Consumers in Uganda felt that the closure of public spaces (~80%), quarantine (~79%), and closures of borders (~79%) were the most effective measures to curb the spread of C19, with curfew (~52%) deemed the least effective measure, like in Kenya.¹⁰⁹

Household financial strain

Consumers' finances have been severely affected by C19; faced with reduced income or unemployment, some adapted by starting side businesses, changing spending habits, or utilising credit

A reduction in income is consistent across all income brackets with ~70% of surveyed consumers in Kenya and ~84% in Uganda reporting a decline in household income. Of those who faced a reduction, ~47% in Kenya and ~67% in Uganda saw reductions of more than half their income. In both countries, non-essential products and services like hairdressing were more unduly affected, when compared to essential goods and services such as groceries and pharmacies.

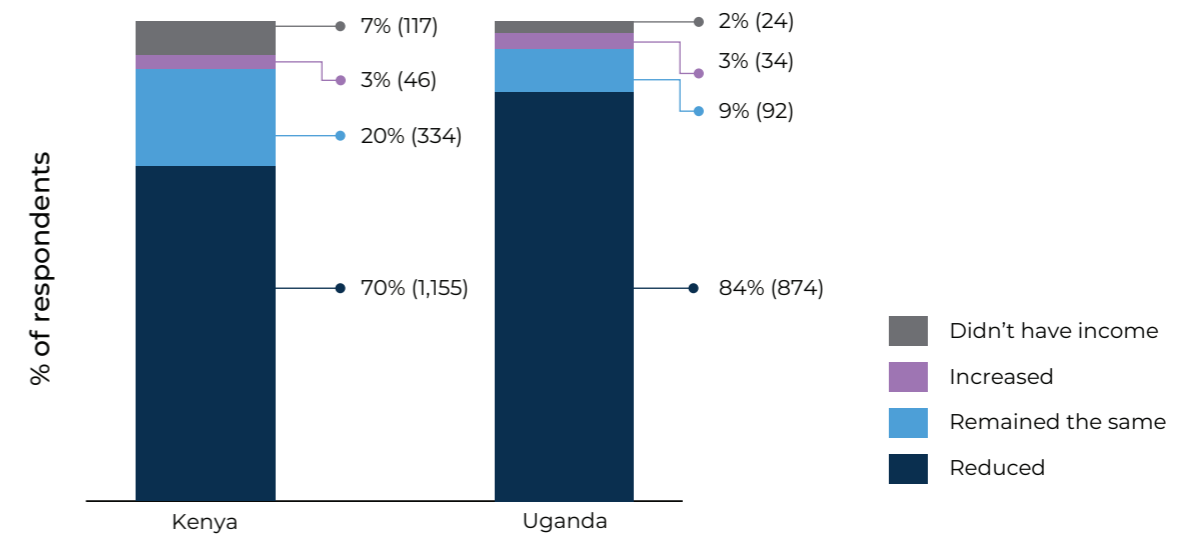
Job loss was the primary driver of reduced income in both countries, with ~45% of respondents reporting layoffs in Kenya and ~48% in Uganda, with reduced hours prevalent in ~36% and ~50% of respondents in Kenya and Uganda respectively. One Ugandan consumer reported that, "Previously, I worked 2-3 shifts at the supermarket but currently, I only work 1 shift to none on some days, hence I am paid less." The effect of C19 on the timing of recovery appears to be more severe in Uganda than in Kenya, with ~39% of consumers in Uganda unsure when they will recover to pre-C19 levels compared to ~19% in Kenya. But a similar level of income recovery has been reported in both countries with ~41% of Kenyans and ~43% of Ugandans reporting some level of recovery.

EXHIBIT 27: FINANCIAL IMPACT ON CONSUMERS AND MAGNITUDE OF THE IMPACT



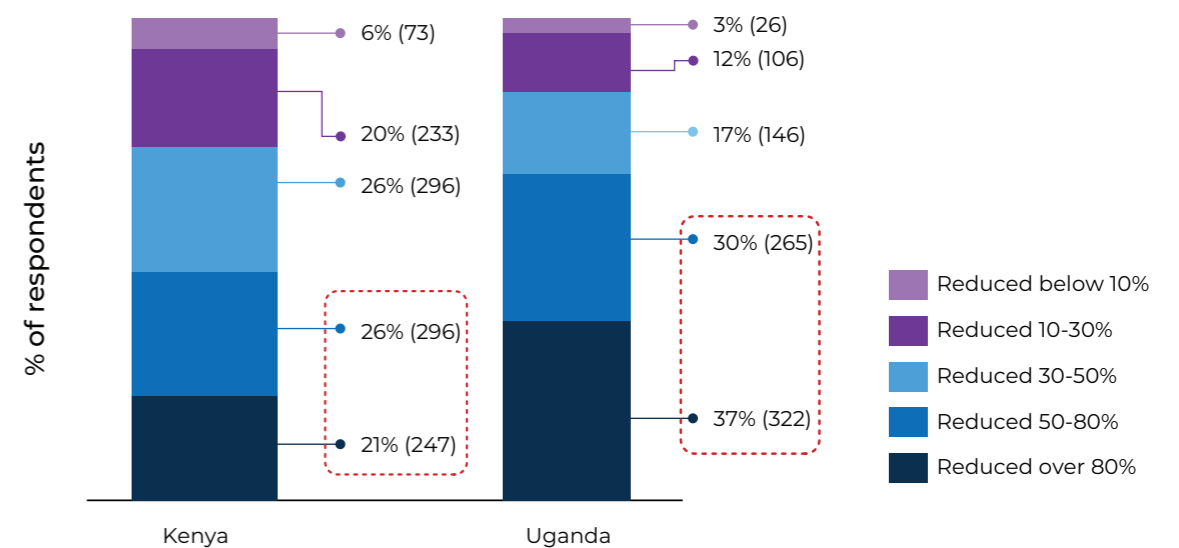
Impact on income

70% of Kenyan consumers experienced reduced income, this rose to 84% in Uganda



Magnitude of income reduction

Of those who had income reduced, 47% in Kenya and 67% in Uganda saw reductions over 50%



¹⁰⁸ Percentages add up to more than 100% as multiple responses were accepted

¹⁰⁹ Percentages add up to more than 100% as multiple responses were accepted

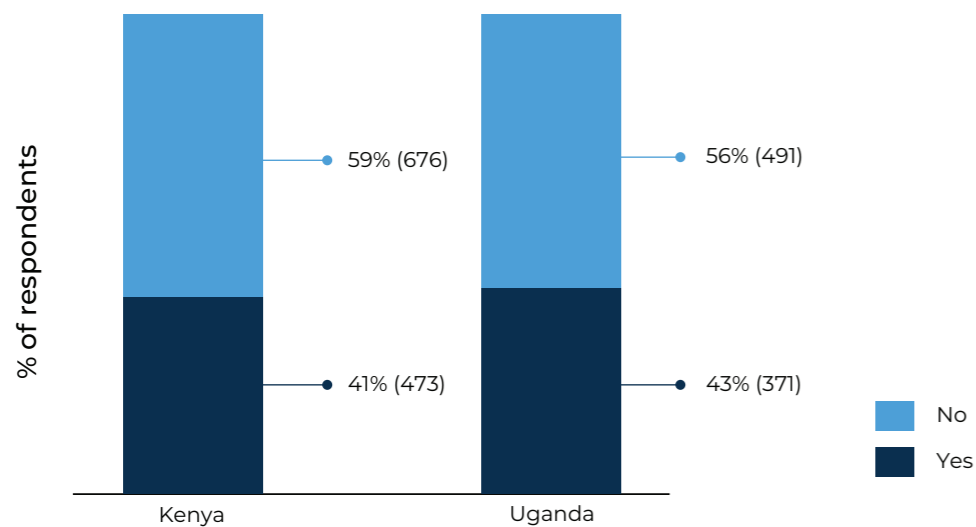
Question: Has your personal income changed due to the C19 pandemic?; How much has your personal income reduced compared to before C19?

JICA-BCG Kampala, Uganda Consumer Survey, 18 October - 7 November 2020

EXHIBIT 28: RECOVERY EXPERIENCED AND CONSUMERS' EXPECTATIONS FOR THE FUTURE

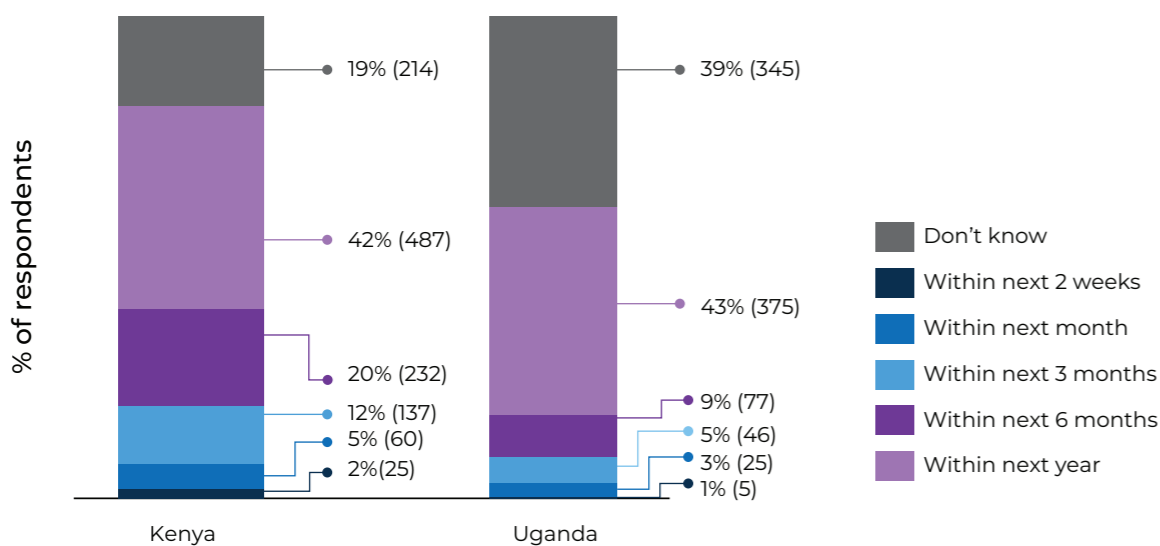
Recovery experienced vs. C19 low

Kenyan and Ugandan consumers have seen a similar frequency of income recovery at ~41% and ~43% respectively



Timeline to return to pre-C19 income

However, uncertainty is higher in Uganda where ~39% don't know when they will recover to pre-C19 levels (~19% in Kenya)



Note: Sample is respondents who experienced income reduction due to C19
 Question: Has your income started recovering from the worst time during C19? When do you expect to return to your income level before C19?
 JICA-BCG Kampala, Uganda Consumer Survey, 18 October - 7 November 2020

Consumers have reported adapting to reduced income by starting side businesses, changing their spending habits and utilising credit. Of the surveyed consumers, ~37% in Kenya and ~29% in Uganda reported starting side businesses with ~43% of consumers aged between 18 to 25 in Kenya likely to start a business.

Consumers have also adjusted their spending behaviour to focus on meeting their basic needs and de-prioritising non-essential items as noted by one consumer in Kampala, *"We stopped eating meals like meat, milk and started eating more cereals which were affordable so I can afford other bills such as rent."*

Consumers have also reduced their shopping frequency by ~21% in Kenya and ~22% in Uganda, beginning to favour cheaper outlets such as kiosks and wholesalers which also sell smaller quantities. In Kenya, consumers expressed the sentiment that in the coming six months, they will visit kiosks on an average of ~10% more. While in Uganda, consumers indicated increased visits to both kiosks (~42%) and wholesalers (~7%).

Surprisingly, credit and savings were only used by a minority of consumers to offset the financial effects of C19. In Kenya, ~12% of surveyed consumers reported taking out loans compared to only ~5% in Uganda. In Kenya, ~1% of consumers reported relying on their savings while in Uganda, ~3% did.¹¹⁰ It is likely that consumers avoided taking out loans owing to concerns about their ability to repay. Others have been blacklisted and cannot access credit. As a consumer reported, *"I would like to borrow, but I was blacklisted at the beginning of the pandemic, hence I cannot borrow."*

However, of those who did report taking out loans, mobile money was the most popular source (~48%), followed by friends and family (~36%) in Kenya. In Uganda, friends and family is the most favoured (~48%), followed by commercial banks (~36%). The popularity of friends and family along with mobile money as sources of credit can be explained by their accessibility and no requirement of collateral.

Health and wellness

Around ~28% of Kenyans and ~27% of Ugandans are unwilling to be tested for C19. In Kenya, mistrust towards test results is the main driver reported with ~38% of consumers reporting this as their primary concern. Interestingly, quarantine centre placement is the second most reported concern with ~28% largely driven by the lack of space to quarantine on testing positive. Only ~58% of consumers reported having the space to isolate. Contrastingly, in Uganda, affordability (~30%) is the primary reason for not being tested. Low income consumers earning less than US\$ 450K per month (~USD \$121)¹¹¹ were the most likely at (~54%) to cite affordability as the key factor behind unwillingness to test. In both Kenya and Uganda, ~64% of consumers would prefer to be tested at public hospitals, their decision driven by affordability and credibility concerns in both countries, with mid and high-income earners being more concerned with credibility than with affordability.

Consumers reported being well-informed about the virus, and initially observed preventive measures driven by fear of contracting the virus.

¹¹⁰ Sample is respondents who experienced reduced income during C19. Question: What are you doing/ did you do to make up for your temporary loss of income?

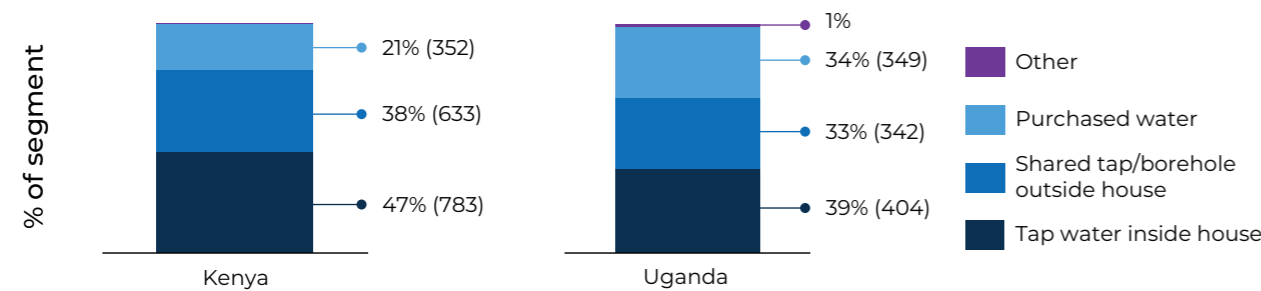
Source: JICA-BCG Nairobi and Kampala Informal Sector Survey, September-November 2020

¹¹¹ As of 13 November 2020

EXHIBIT 29: WATER AVAILABILITY AND SUPPLY DISRUPTIONS IN KENYA AND UGANDA

Water accessibility¹

~47% of Kenyan and ~39% of Ugandan consumers have indoor taps

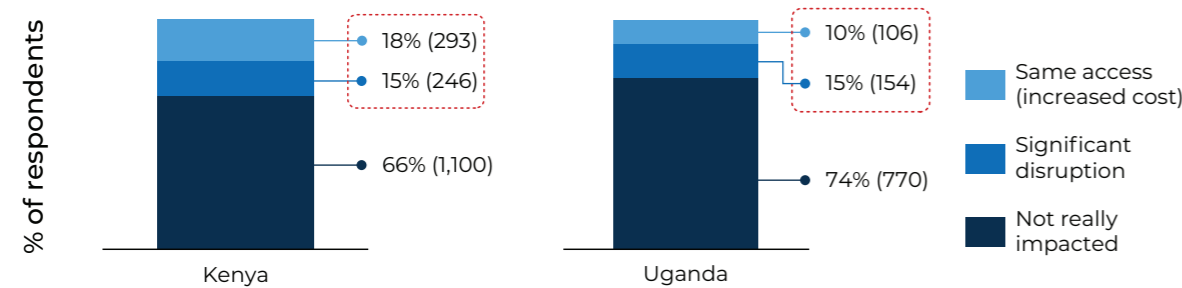


Sample size: **1,662**

1,036

Water supply

~15% in both countries experienced significant disruptions while costs rose for ~18% in Kenya and ~10% in Uganda

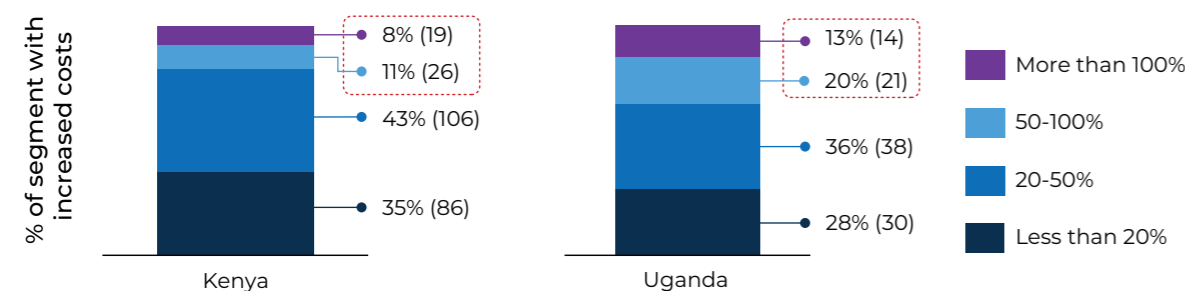


Sample size: **1,662**

1,036

Cost

Water costs rose more severely in Uganda with ~33% reporting rises over 50% vs. ~19% in Kenya



Sample size: **246**

106

1. Answers add up to over 100% because multiple responses were accepted
Question: How does your household get the water that you use in your home?; How has your access to water been impacted since March this year?; How much has the cost of water increased?

Source: JICA-BCG Kampala, Uganda Consumer Survey, 18 October - 7 November 2020; JICA-BCG Nairobi & Mombasa, Kenya Consumer Survey, 16 October - 5 November 2020

As the pandemic progressed and government restrictions were eased, adherence to preventative measures has become more lax in both countries with one Ugandan observing, *“Honestly, I stopped wearing my mask, I just social distance and sanitise... when I leave the house the mask is in my pocket.”*

Consumers in Kenya and Uganda reported that they continue with hygiene measures such as washing hands (~54% in Kenya and ~79% in Uganda), and wearing a mask (~82% in Kenya and ~71% in Uganda), but adherence to social distancing measures has dropped significantly. Only ~8% of consumers in Kenya and ~14% in Uganda are avoiding public transport compared to ~21% and ~36% at the outset of the pandemic.¹¹² In Kenya, only ~16% of consumers are still staying home compared to ~40% at the outset whereas in Uganda, only ~26% of consumers are still staying home compared to ~67% at the outset of the pandemic. This shift in adherence can be attributed to disease fatigue and economic needs outweighing safety concerns.

Consumers in both countries have experienced significant disruptions to their water supply since March. Only ~47% of consumers in Kenya and ~39% in Uganda have indoor taps, with ~21% of surveyed Kenyans and ~34% of Ugandans relying on purchased water to meet their needs.

Since the onset of the pandemic in March, ~15% of consumers in both countries have faced significant disruptions to their water supply, with costs rising for ~18% in Kenya and ~10% in Uganda.

Of those who faced increased prices, ~19% of Kenyans and ~33% of Ugandans reported a price increase of more than 50%.

Mobility

Matatu (minibus) is the primary public transport in urban Kenya while boda-bodas (motorcycle taxis) are equally popular in urban Uganda

Among daily adult commuters in Kenya, ~48% ride a matatu (minibus), ~42% walk, ~5% commute by private car and ~5% use other modes of transport. Matatus service approximately 1 million adult commuters each day and ~79% of surveyed consumers reported matatus as their primary mode of transport.¹¹³ In Uganda, matatus and boda-bodas (motorcycle taxis) are the primary modes of public transport and account for ~40% of all transport in the Greater Kampala Metropolitan Area. Over 100,000 boda-bodas operating in Kampala provide more than 800,000 daily trips.¹¹⁴

Transport demand has significantly dropped across the board in Kenya and Uganda

In April 2020, movement from home to transit station declined by ~45% and ~82% in Kenya and Uganda respectively, compared to pre-C19 baselines.

Despite the significant decrease in use, the median weekly transport spend for consumers has increased marginally by ~3% in Kenya, and only decreased ~5% in Uganda.

¹¹² Percentages add up to more than 100% as multiple responses were accepted

¹¹³ Salon, D., Gulyani, S. 2019. 'Commuting in Urban Kenya: Unpacking Travel Demand in Large and Small Kenyan Cities'. Sustainability. Retrieved from https://www.researchgate.net/publication/334439119_Commuting_in_Urban_Kenya_Unpacking_Travel_Demand_in_Large_and_Small_Kenyan_Cities [Accessed July 2019].

¹¹⁴ Bajpai, JN., Haas, ARN. 2017. 'A framework for initiating public transport reform in the Greater Kampala Metropolitan Area'. International Growth Centre. Retrieved from https://www.theigc.org/wp-content/uploads/2017/09/20170819GKMAPublicTransportPolicyBrief_Final.pdf [Accessed August 2017].

Increased public transport fares for some modes of transport such as matatus (which doubled in many cases) may account for the low decrease in Ugandan spends, and the marginal increase witnessed in Kenya.

Despite the potential risk of C19 infection, ~67% of consumers in Kenya and ~78% in Uganda have not started using new modes of transport which are viewed as being safer. This is primarily due to economic reasons. In both countries, 'cost' is the most important driver for choosing transport modes during C19 (~63% of Kenyan and ~57% of Ugandan urban consumers chose cost as an important factor in their choice of transport).

Public transport operators have adapted to maintain business continuity during the pandemic. When public transport was banned in Kampala, matatu operators leased their vehicles out to essential service providers and many ride sharing companies pivoted to offer delivery services.¹¹⁵ In Kenya, Uber launched Uber Connect and saw increased usage of its Uber Eats business. Similarly, Bolt launched Bolt Business Delivery. In both countries, capacity limits on public transport remain in place, though non-adherence to these limits has been frequently observed. Many matatu operators have doubled costs to try

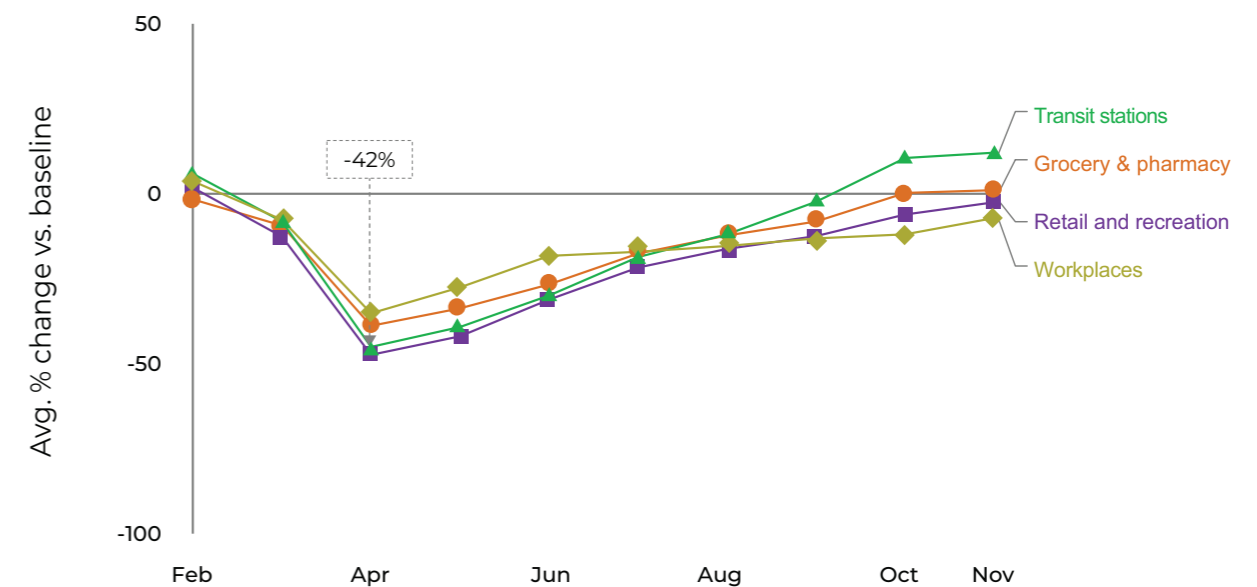
to recoup revenue losses from earlier in the year and from the capacity limits in place. Trends in consumer mobility are gradually returning to pre-C19 levels as government imposed NPIs are relaxed, but overall mobility is still below baseline levels. Nairobi witnessed a ~48% drop in retail and recreation visits in April, compared to a baseline time period between 3 January and 6 February. The number of visits to other locations has also decreased significantly. The recovery witnessed since April differs by category, with grocery shops and pharmacies recovering to baselines, while workplace, retail and recreation levels remain below baselines.¹¹⁶ In Kampala in April, transit stations saw an ~82% decrease in visits compared to a baseline time period between 3 January and 6 February.

A return to baseline levels is being observed since the ban on public transport was lifted on 2 June, but all categories in Kampala remain below baselines at the time of writing.¹¹⁷ Some of the shifts observed in mobility trends may persist longer-term. Consumers expect to travel less overall in in the next six months in both Kenya and Uganda. This may be attributed to lower demand caused by job losses and continued work from home.¹¹⁸

EXHIBIT 30: MOBILITY TRENDS IN KENYA AND UGANDA

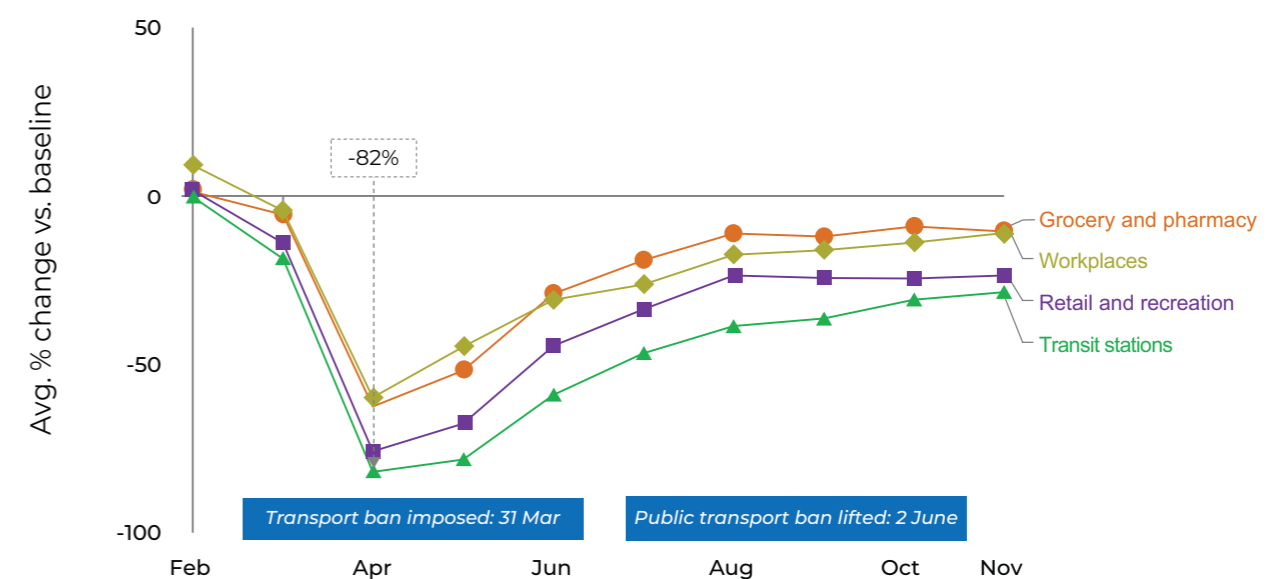
KENYA

Mobility trends in Nairobi and Mombasa in 2020



UGANDA

Mobility trends in Kampala in 2020



¹¹⁵ Expert interviews conducted with Kenya Bureau of Statistics, JICA, Uber, UNCDF and UNFPA

¹¹⁶ Google Mobility reports define retail and recreation as places including restaurants, cafes, shopping centres, theme parks, museums, libraries and cinemas; Google Mobility. 2020. 'Covid-19 Community Mobility Reports'. Retrieved from <https://www.google.com/covid19/mobility/> [Accessed October 2020].

¹¹⁷ Ibid.

¹¹⁸ JICA-BCG Kampala, Uganda Consumer Survey, 18 October - 7 November 2020; JICA-BCG Nairobi, Kenya Consumer Survey, 18 October - 7 November 2020

1. Residential figures are time spent at home and not number of visits; each day of the week has a unique baseline: the median on that day of the week for the 5 week period from 3 January to 6 February 2020
 Note: Data collected from 15 February to 9 October 2020
 Source: Google Mobility. 2020. 'Covid-19 Community Mobility Reports.' Retrieved from <https://www.google.com/covid19/mobility/> [Accessed October 2020].

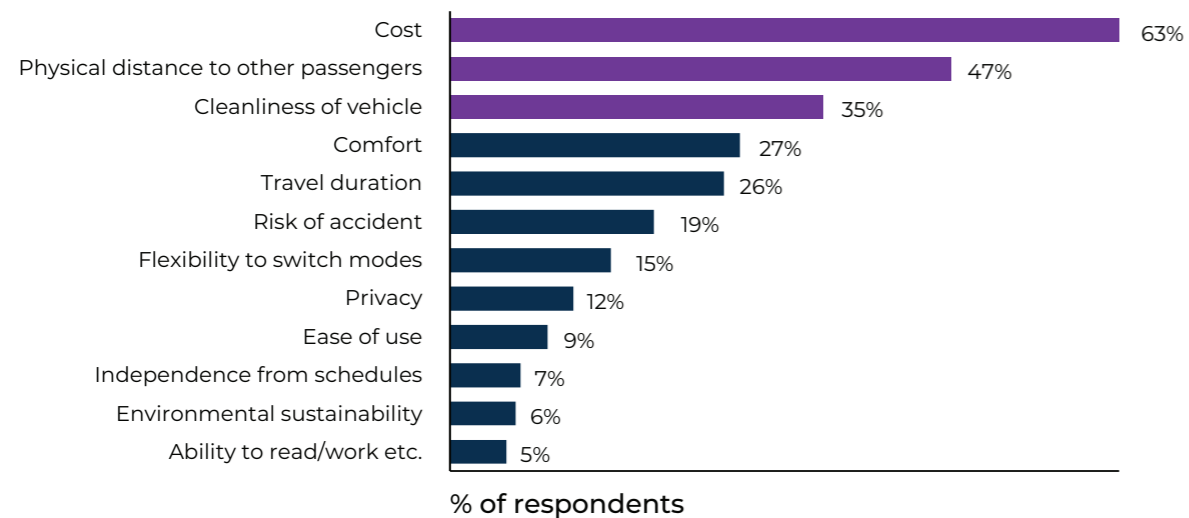
EXHIBIT 31: MOBILITY DECISION DRIVERS: COST IS THE PRIMARY DRIVER BEHIND TRANSPORT DECISIONS IN BOTH KENYA AND UGANDA AT ~60%



KENYA

Mobility decision drivers

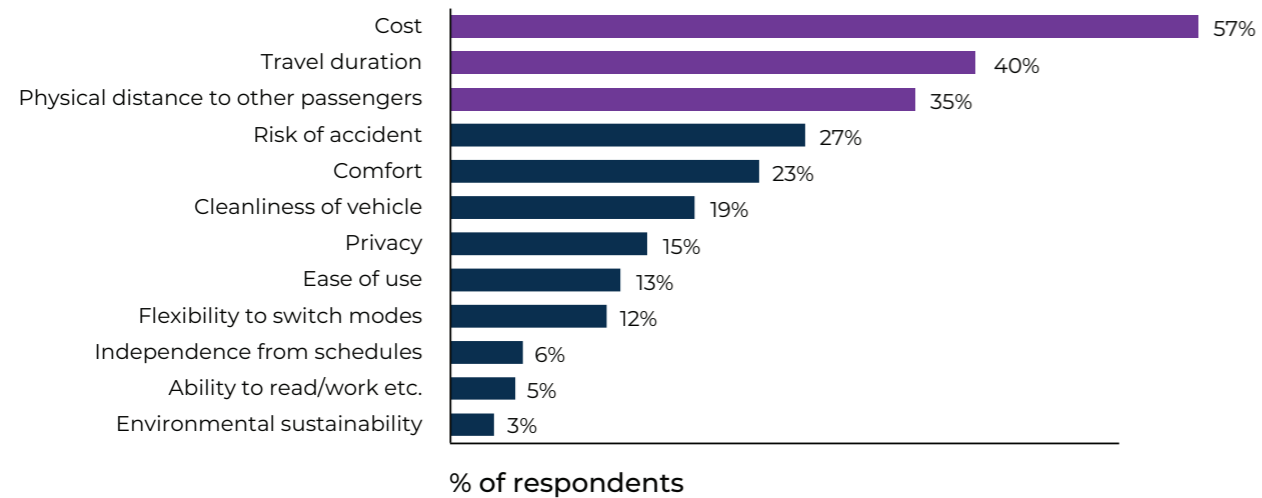
Physical distancing (~47%) and cleanliness (~35%) complete the top 3, implying that Kenyans are still wary of C19



UGANDA

Mobility decision drivers

Physical distancing ranks 3rd at ~35% after cost (~57%) and duration (~40%), implying that Ugandan consumers are less concerned about C19



Question: Which of the following are the 3 most important factors for you when considering which mode of transport to use today?
 Source: JICA-BCG Kampala, Uganda Consumer Survey, 18 October - 7 November 2020; JICA-BCG Nairobi & Mombasa, Kenya Consumer Survey, 16 October - 5 November 2020

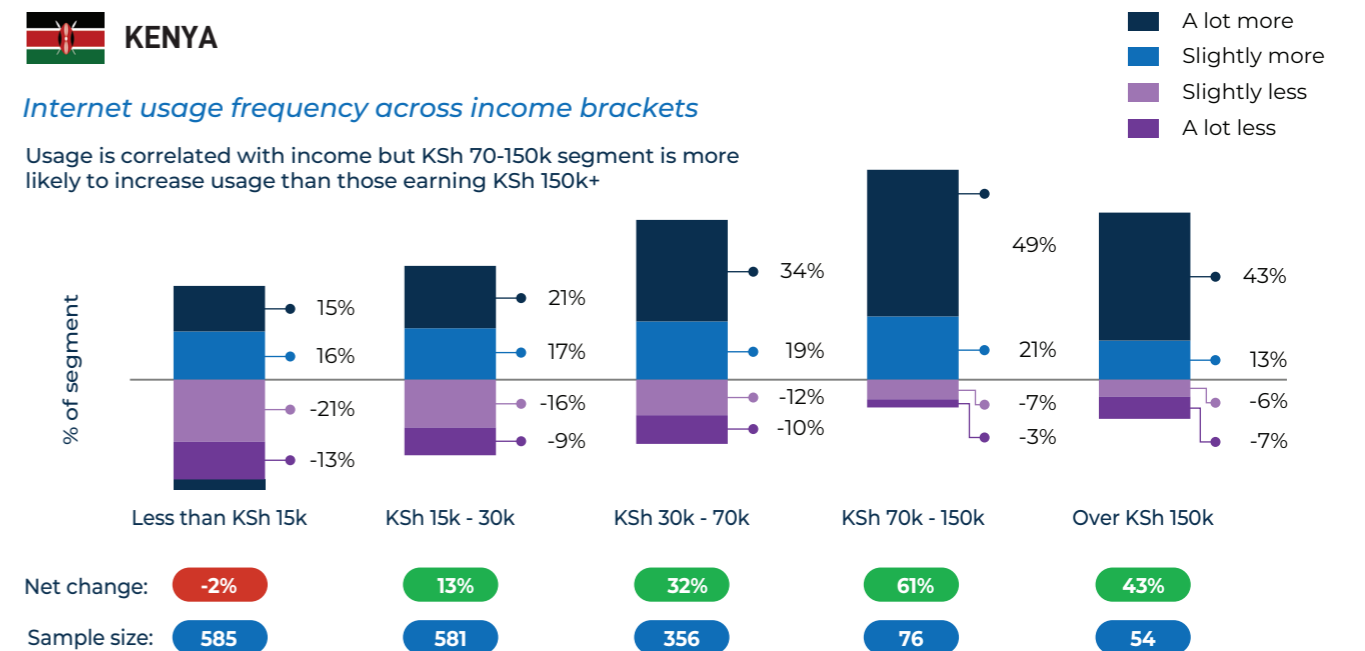
EXHIBIT 32: INTERNET USAGE INCREASES WITH INCOME DRIVEN BY ACCESSIBILITY AND ABILITY TO WORK FROM HOME, HOWEVER THE CORRELATION IS STRONGER IN UGANDA



KENYA

Internet usage frequency across income brackets

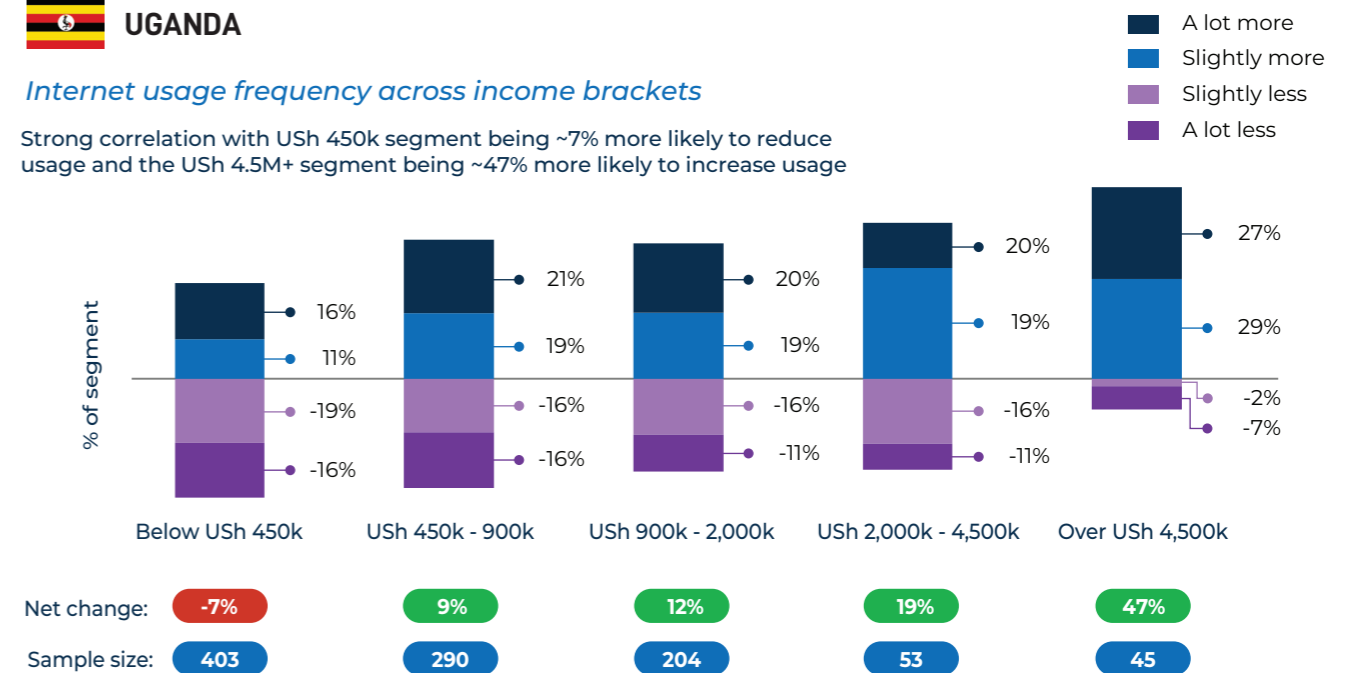
Usage is correlated with income but KSh 70-150k segment is more likely to increase usage than those earning KSh 150k+



UGANDA

Internet usage frequency across income brackets

Strong correlation with USh 450k segment being ~7% more likely to reduce usage and the USh 4.5M+ segment being ~47% more likely to increase usage



Note: Income is monthly household income
 Question: How would you describe your internet usage compared with pre-C19 times?
 Source: JICA-BCG Kampala, Uganda Consumer Survey, 18 October - 7 November 2020; JICA-BCG Nairobi & Mombasa, Kenya Consumer Survey, 16 October - 5 November 2020



Digital adoption

While significant increase in internet usage is reported in higher income groups, lower income groups are more likely to reduce usage due to economic constraints

Internet usage is strongly correlated with income level. While higher income urban consumers in Kenya and Uganda are likely to increase internet usage during the pandemic, we see a divergence in the lower income segments. For example, in the lowest income bracket for both countries (i.e. monthly household income below KSh 15,000 or USh 450,000), the percentage of consumers who reduced internet usage exceeds the percentage of those who increased their usage (~33% vs. ~31% in Kenya, ~35% versus ~27% in Uganda).

Digital adoption across activities has been witnessed in Kenya and Uganda. Initially driven by government imposed NPIs,¹¹⁹ this trend may persist with growing smartphone penetration. Unsurprisingly, internet use for school and work displayed the highest increases, with work increasing ~55% and ~62%, and school by ~52% and ~66% in Uganda and Kenya respectively. Daily internet usage is high in both countries,

with ~87% of consumers in Kenya and ~72% in Uganda reporting the use of internet at least once a day, with ~45% in Kenya and ~41% in Uganda spending more than 4 hours online daily.

In both countries, the primary mode of internet access is via smartphone. Around ~89% of surveyed consumers in Kenya and ~76% in Uganda reported using a smartphone to access the internet. The high use of smartphones is likely driven by accessibility, convenience and relative affordability. It is perhaps the case that some respondents are using the smartphones of family and friends and do not own personal devices yet.

Urban consumers in Kenya and Uganda have been significantly impacted by C19, and have adapted their behaviours in various ways. Some of these changes in urban consumer behaviour may persist into the future as new norms of urban life.

¹¹⁹ NPI stands for Non-Pharmaceutical Intervention

IX. LOOKING AHEAD

JICA initiated this research study with the intention of establishing a robust fact base that can support decision-making by policymakers involved in the C19 response in Kenya and Uganda. As the outlook for disease progression remains uncertain globally and locally, further adjustments to government policies may take place and the impact on healthcare capacity, economy, trade, logistics and consumer behaviour may evolve further.

In the light of this, there are several imperatives for key stakeholders across public, private and social sectors to consider for Kenya and Uganda. These imperatives can strengthen pandemic resilience of their urban areas, and beyond.

1. Accelerate health system strengthening: Apply a holistic approach to strengthen health systems, building on them as the foundation for pandemic resilience. This includes capacity development for healthcare workers, progress towards universal health coverage, optimisation of supply chains, improved information management, and other areas that are important for both the ongoing management of high-burden diseases, and immediate outbreak response

2. Build resilience for vulnerable populations: Make concerted efforts across various stakeholders to empower the most vulnerable populations by linking them with innovative solutions (e.g. onboarding to online marketplaces, improving financial access through data-driven risk assessment, improving access to safe water and sanitation, etc.)

3. Scale up high-potential homegrown solutions: Create a platform to accelerate the development and adoption of innovative homegrown solutions in Africa. Emerging in response to C19, some of these solutions have the potential to generate sustainable at-scale impact if sufficiently supported (e.g. provide technical and financial support, match to strategic partners, etc.)

4. Take East African Community (EAC) regional harmonization to the next level: Strengthen emergency response coordination mechanisms based on key learnings from C19 response, especially around cross-border movement of people and goods (e.g. early detection of potential disruption, data-driven collective decision-making, joint resource mobilisation, etc.)



LOOKING
AHEAD

APPENDICES

List of Abbreviations

BoU	Bank of Uganda
C19	Novel Coronavirus
CAGR	Compound Annual Growth Rate
CBK	Central Bank of Kenya
EAC	East African Community
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoK	Government of Kenya
GoU	Government of Uganda
HCW	Healthcare Workers
ICU	Intensive Care Unit
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
KEPSA	Kenya Private Sector Alliance
KSh	Kenyan Shilling
MSME	Micro, Small and Medium Enterprises
NHIF	National Hospital Insurance Fund
NPI	Non-Pharmaceutical Intervention
OECD	Organisation For Economic Co-Operation And Development
PAYE	Pay As You Earn
PPE	Personal Protective Equipment
SDG	Sustainable Development Goals
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade And Development
UNFPA	United Nations Population Fund

List of Abbreviations

UNICEF	United Nations Children's Fund
USD	United States Dollar
USh	Ugandan Shilling
UVRI	Uganda Virus Research Institute
VAT	Value Added Tax
WHO	World Health Organization

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Disclaimer

The situation surrounding COVID-19 is dynamic and rapidly evolving on a daily basis. Although we have taken great care prior to producing this report, it represents JICA and BCG's understanding at a particular point in time. This report is not intended to: (i) constitute medical or safety advice or be a substitute for the same; nor (ii) be seen as a formal endorsement or recommendation of a particular response. As such you are advised to make your own assessment as to the appropriate course of action to take, using this presentation as guidance. Please carefully consider local laws and guidance in your area, particularly the most recent advice issued by your local (and national) health authorities, before making any decision.

