

Regional Integration and Trade – Is Kenya's Competitive Edge Shrinking?

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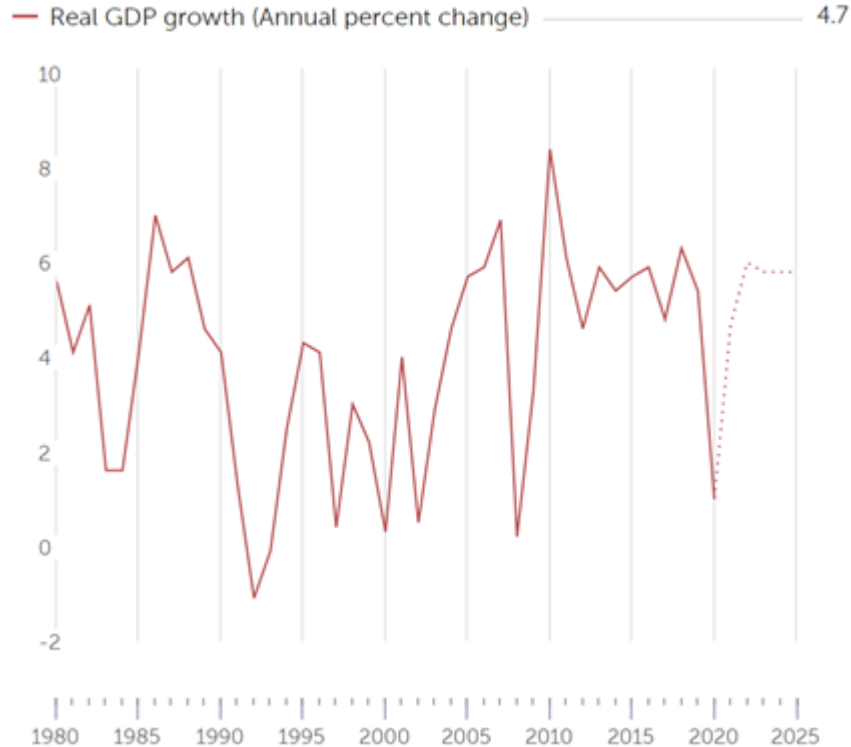


Kenya's competitive edge



- ★ **Major gateway** to East Africa and a regional hub for trade, finance, communication, and transportation services
- ★ Mombasa Port serves **200 million** people as a critical node for import and export operations for the Northern Trade Corridor which also serves Northern Tanzania, Eastern DR Congo, South Sudan, and Southern Ethiopia.
- ★ Major **exporter** and **importer** of the East African Community (EAC) accounting for around **46%** of exports and **41%** of imports for the whole region.
- ★ Responsible for **more than half** of manufacturing value added produce in EAC

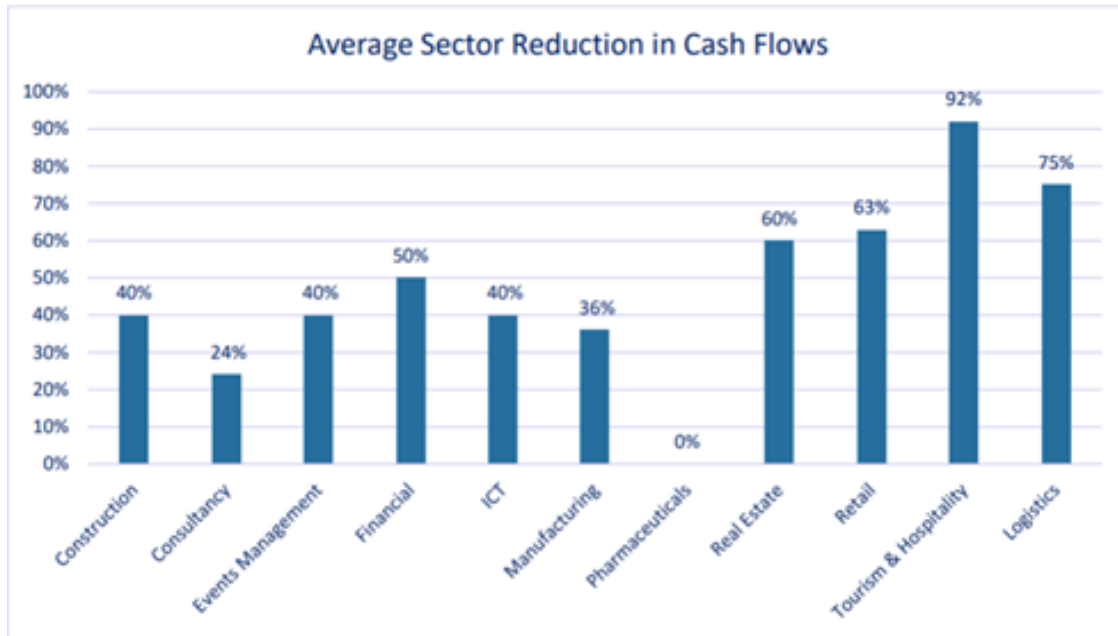
Current State of Play



Source: IMF Data Mapper October 2020

- ★ Real GDP at **1%**, was at 5.4% in 2019
- ★ COVID-19 Pandemic induced an Economic Crisis:
 - **Economic disruptions** emanating from the Health Crisis
 - **Spill-over effects** from plummeting global economies
 - **Shocks from commodity prices** and decline in tourism

Current State of Play

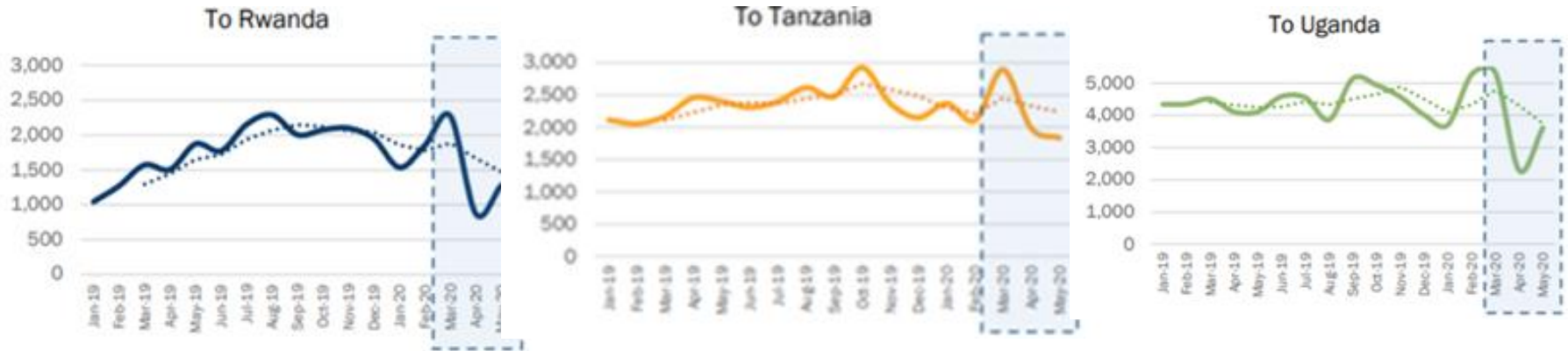


★ sectors adversely affected in the region are **tourism**, **logistics**, and **retail**

★ reduction in cash flow of about **92%**, **75%**, and **63%** respectively

Current State of Play

Kenya experienced a **fall** in exports to fellow EAC Member States- Uganda, Rwanda and Tanzania



Mold and Mveyange 2020

Current State of Play

- ★ **Decline** in Cross Border Trade
- ★ **Increase** in transit time (Malaba increased by 60% in April 2020 compared to April 2019)
- ★ **Reduction** in transit traffic at weighbridges on Northern Corridor reduced (from 2364 trucks in April 2019 to 821 trucks in April 2020)
- ★ Livelihood of communities at the borders who rely on cross border trade affected **negatively**



Cog wheels of the economy: Challenges



★ **Decline** in **demand** :

- due to joblessness (aprox. 1.7 Mil Kenyans estimated to have lost jobs between April and June 2020 KNBS)
- apx 2Million Kenyans pushed into poverty (World Bank)
- decreased incomes (FSD K)2021

★ **Decline** in **production**:

- decline in commodity prices,
- high costs of production
- lack of inputs

★ **Stress** on the **financial sector**:

- decline in informal borrowing (FSD K 2021)
- digital borrowing rising with increased loan limits (FSD K 2021)





'Do not waste a crisis': Opportunities for resilience and recovery

- ★ **Stimulus packages** by Government will spur growth ensuring sustained production and demand
- ★ **Safeguard** sectors that have withstood shocks: horticulture and transportation
- ★ **Boost** services offering for example, medical services hospitals that serve the region
- ★ Government, Private Sector and Development Partners spur a conducive **business environment**

'Do not waste a crisis': TMEA's Safe Trade Emergency Facility

1



PPE's at points of exit and entry

2



Technology to enhance truck driver testing and trucking

3



Installation of smart gates at the borders

4



Development and implementation of relevant protocols to enhance efficient and safe trade

5



Supporting trade policy, standards and SPS

6



Policy advocacy and improving e-commerce

7



Development of safe trade zones to support formal and informal traders at the borders





'Do not waste a crisis': Opportunities for resilience and recovery

- ★ Investments in projects such as the **Busia Cross Border Market** and establishing **Safe Trade Zones** ensure small scale border traders are trading safely
- ★ Catalytic projects such as the **Trade Logistics Clusters** once they take off will boost Kenya's productive capacity
- ★ Kenya to take advantage of the **African Continental Free Trade Agreement to boost Kenya's productive capacity**