UNIVERSITY OF NAIROBI

INSTITUTE OF DIPLOMACY AND INTERNATIONAL STUDIES

MA RESEARCH PROJECT:

ASSESSING THE ECONOMIC SECURITY IMPACTS OF COVID-19 PANDEMIC: KEY RESPONSES AND CHALLENGES IN KENYA

By

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DECLARATION

This Thesis is my original work and has not been presented for a degree in any other University.

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Dr. Shazia Chaudhry

DEDICATION

I wish to dedicate this Thesis to my family for their understanding and support during the period of this research.

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I wish to offer my heart felt appreciation to my supervisor Dr. Shazia for her wise counsel, genuine guidance, and encouragement that has shaped my academic progress. I wish to also thank my entire family and circle of friends, for their unwavering support and understanding while undertaking this study.

LIST OF ABBREVIATION

CRB	Credit Reference Bureau
CS	Cabinet Secretary
GDP	Gross Domestic Product
KAM	Kenya Association of Manufacturers
KEPSA	Kenya Private Sector Alliance
NASI	The Nairobi All Share Index
NCCRCP	The committee is the National Coordination Committee on the response to the Corona Virus Pandemic
OECD	Organization for Economic Co-operation and Development
P.AY.E	Pay As You Earn
SDGs	Sustainable Development Goals
UNDP	United Nations Development Programmes
USD	US Dollars

ABSTRACT

This study aimed to understand the economic security impacts of the COVID-19 Pandemic in Kenya. The pandemic was sudden, and the effects have been felt across all sectors of the economy. For a few sectors, they turned the epidemic to their advantage: sectors that secured tenders to manufacture masks and other necessities. However, the larger percentage has suffered a big blow from the pandemic. These challenges had serious impacts on the economic security of Kenya. the study, therefore, was guided by three main objectives. To examine the economic security of Kenya pre--Covid 19, to assess the economic security impact of Covid-19 in Kenya, and to identify research-based measures to address the economic security impact of Covid-19. The study. The study used the conceptual framework to examine the health emergency crisis, in this case, the COVID-19 pandemic and its economic security impacts, while evaluating the effectiveness of coping strategies. The study used a descriptive survey design, using both qualitative and quantitative forms of data. Primary data collection methods entailed the use of questionnaires, interview schedules, and observation. Secondary data was collected from both electronic and non-electronic repositories. The key findings of this study were, Kenya was economically insecure in the pre-Covid 19. Economically the country was on the right strides towards improved economic growth. however, Kenya was still generally economically insecure. Therefore, the pandemic made an already bad economic security situation worse. Covid-19 exposed underlying Kenya's economic insecurity as a number of sectors and individuals were hard hit by the impacts of the pandemic. the pandemic had economic, social, and health impacts. This exposed a number of citizens to the harsh economic condition thereby making the more economically insecure. The government of Kenya has responded to the economic security impacts of the pandemic. the government announced 100% tax relief to low-income earners, reduction of highest PAYE as well as reduction of corporate tax. However, more needs are done if Kenya is to recover fully and become economically secure. the study recommends that the government should give the poor more priority in post covid recovery program, wage subsidies for those who lost the jobs due to covid ad investment in local industry to cushion over-reliance on external products.

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LIST OF ABBREVIATIONS

GDP	-	Gross Domestic Produce
COVID- 2019	-	Corona Virus Disease
SME's	-	Small and Medium Enterprises
USAID	-	US Agency for International Development
OECD	-	Organization for Economic Co-operation and Development
UON	-	University of Nairobi
NASI	-	Nairobi All Share Index
NCCRCP	-	National Coordination Committee Corona Virus Pandemic
CRB	-	Credit Reference Bureaus
KEPSA	-	Kenya Private Sector Alliance
KAM	-	Kenya Association of Manufacturers
UNDP	-	united Nations Development Programme
IMF	-	International Monetary Fund
SDGs	-	Sustainable Development Goals
ICT	-	Information Communication and Technology
UK	-	United Kingdom
EU	-	European Union

CHAPTER ONE

INTRODUCTION TO THE STUDY

1.0 Introduction

The world is currently recovering from the global pandemic of Covid-19. The pandemic has had numerous effects on human lives politically, socially, economically, and even culturally. The nature of the pandemic altered normal human interactions. Some of the restrictions adopted to curb the disease affected the day to day operations. The economy of different countries big or small has been seriously affected by the Covid-19 pandemic. the pandemic also put to an end a number of economic activities around the globe. It is upon this that the study will examine the economic security impact of the Covid-19 pandemic in Kenya.

1.1 Background to the study

Pandemics are not new to humanity. Over the years, a number of pandemics of devastating impacts have occurred in human history. To this end, a Pandemic of a global scale is inevitable to humanity. The Covid-19 pandemic is one of such global pandemics. A number of reports claim that the Covid-19 pandemic is the most serious pandemic since the Spanish influenza of 1918.[1]

The covid-19 pandemic will go down as one of the greatest catastrophes since the second world war. The pandemic will be recorded as a major turning point for cultural, political, economic, and security life. Equally, the pandemic has had impacts in other spheres like international relations and foreign policy. The pandemic has not only caused health problems but also economic security challenges. For a number of

[1] Pagano, M, C Wagner and J Zechner (2020), "COVID-19, asset prices, and the Great Reallocation", VoxEU.org, 11 June

countries within the international system, their economic security has been severely affected by the pandemic.

The Pandemic has severe negative impacts on economic activities. The outbreak of the Covid-19 has disrupted the economy of a number of states. For Kenya, the Covid-19 pandemic has seriously affected the economy. Kenya's economy was growing steadily in the 2019-2020 financial year. The world bank estimated that the country’s GDP would grow at a +6 GDP growth rate. The economy comprises sectors such as agriculture, forestry, mining, manufacturing, and tourism. The economy faces significant challenges such as corruption and debts, mostly unaccounted for by the government to lenders. However, in comparison to her neighbors, Kenya has a thriving economy. The government of Kenya has created a friendly environment for investment that encourages potential investors to try Kenya. It is also good to note that Kenya is a consuming nation. The pandemic has had adverse effects on Kenya's economy and has been a pullback. Measures such as working from home had a significant impact on the employed population losing their jobs.[2]

The transport and shipping industry on the other side has been significantly negatively affected by covid-19. For example, in the Port of Mombasa, there was a cancellation of 37 ships around March. This definitely affected the arrivals of cargo and subsequently resulting in business plummeting.

The currency exchange rate on the other side has been impacted by the Covid-19. It was traded at Kenya shilling 103.38 against the dollar. The pandemic also affected basic economic activities like the flow of goods and services with the country and outside the

[2] Ludvigson, S C, S Ma and S Ng , “COVID-19 and the Macroeconomic Effects of Costly Disasters”, NBER Working Paper No. 26987, 2020)

country. The pandemic severely disrupted the global supply chains. Kenya being so dependent on imports was seriously affected by these developments. To this end, Kenya became vulnerable due to reduced imports. For example, the trade between Kenya and China was reduced by 22 percent.[3]

In the financial markets, a major crisis was also experienced as most of the foreign investors who invested in the stock market started selling their stock. This led to a decline in the stock market, for example, Safaricom and Kenya Commercial Bank declined by 5.4% and 7.0% respectively in a single day. Macro economies like the tourism sector were also implicated by government policies to curb the coronavirus. The lockdown affected their revenue generation mostly the aviation industry. The tourism industry was also seriously affected by the Covid-19 pandemic. Tourism is one of the biggest contributors to the country's GDP.[4]

Containment measures that were put in place to curb the spread of Covid-19 were not favorable with manufacturing and processing industries hence several employees were laid off. The majority of individuals lost their jobs like factories, businesses and companies opted to cut the size of their employees in order to manage the economic impacts of the pandemic. There was a tremendous fall in business since jobs were lost, a number of individuals reduced their spendings. Most Households were surviving on the bare minimum.[5]

For a country whose informal laborers account for 83.6 percent of the total workforce, the laborers in Kenya have been dramatically affected, by the pandemic. already, the

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[3] Ozili, P. K., & Arun, T.,Spillover of COVID-19: impact on the Global Economy. *Available at SSRN 3562570*, 2020)

[4] Karungu, R., Memba, F., & Muturi, W., Influence of financial contagion on stock performance of firms listed in the Nairobi securities exchange. *Accounting, 2020.*

[5] Odhiambo, J., Weke, P., & Ngare, P., Modeling Kenyan Economic Impact of Corona Virus in Kenya Using Discrete-Time Markov Chains. *Journal of Finance and Economics*, 2020)

containment measure in place has brought additional economic hardship. This, therefore, makes the economic security of Covid-19 a rich area of study.

1.2 Statement of the Research problem

The COVID-19 pandemic has had far-reaching effects beyond the rapid spread of the disease around the globe and the efforts to contain it. Globally, the Covid-19 pandemic has already caused one largest global recession in the modern-day. The pandemic saw close to a third of the world population put under lockdown in a bid to contain its spread. The Covid-19 pandemic was declared in Kenya on March, 27th. The government responded by putting in place restrictions and social-distancing protocols such as the closure of learning institutions, the suspension of domestic and international flights except for cargo, mandatory 14-day quarantine of those flying into the county, a reduction in the number of people boarding public transport, banning of public gatherings including places of worship, hotels, bars and restaurants, Dusk to dawn curfew, movement restrictions from and to the counties of Nairobi, Kwale, Kilifi, Mandera, and Mombasa. These measures despite their intended good had serious economic consequences.

Besides the health issue, the covid-19 pandemic has affected various aspects of security. The main role of a state is to protect its citizens from security threats. On a number of occasions, the protection from threat is taken to mean protection from external physical threats. However, today the security of people is threatened not only by traditional military threats but also by nontraditional developments in the environment, health, economy, and technology. The pandemic has threatened the security of various people across the Globe. Economic security is one of the many threats from the economic pandemic.

According to the World Bank, the pandemic has had serious economic security threats. World Bank further states that the economic security threats are due to loss of jobs, higher inflation; weakens the currency, increases in the current account deficit; disrupts normal trade, as well negatively impacts the stock market. These macroeconomic instabilities in turn affect economic security. The central problem of this study therefore is the economic security implications that the Covid-19 pandemic has had in Kenya.

1.3 General Objective

The objective of this study was to analyze the economic security impacts of the COVID-19 pandemic in Kenya

1.3.1 Specific Objectives

i. To examine the economic security of Kenya pre--Covid 19
ii. To assess the economic security impact of Covid-19 in Kenya.
iii. To identify research-based measures to address the economic security impact of Covid-19.

1.4 Research Question

i. What was the status of economic security of Kenya in the pre-covid-19 period?
ii. What are the economic security impacts of Covid-19 in Kenya?
iii. What key responses have been undertaken by the Kenya government to address the economic security impacts of Covid-19?

1.5 Literature Review

This section of the study analyzes the relevant literature on the subject area. The literature review has been done thematically as per the study's objectives.

1.5.1 Kenya's economic security status in the pre-Covid -19 period

According to the World Bank Group, Kenya's economy before the pandemic was stable and predictable with expected GDP growth. An estimated +5.7% positive growth according to the study of the Kenyan economy. This makes Kenya one of the fastest-growing economies in Sub-Saharan Africa. Safe to say an established economy amongst her neighbors. Factors that influence the development of the economy are greatly attributed to political and economic reforms. The reforms have been enforced over the years by the government for the good of the Kenya Economy. The strategies encourage not only domestic and local investment but also a foreign investment because they are conducive. The government has also ensured SME's survival in the country by offering capital and financing the same at amicable interest rates. Their recent estimated drop is estimated in Kenya's economy to drop to 1.5% or 1.0% with the worst-case scenario in this fiscal year.[6]

The estimated growth rate makes Kenya one of the fastest-growing economies in Sub-Saharan Africa. Safe to say an established economy amongst her neighbors. Factors that influence the development of the economy are greatly attributed to political and economic reforms. Other factors outlined by the World Bank include Positive Investor Confidence, a Resilient services sector, and A stable macro-economic environment. The World Bank has also outlined some of the challenges that Kenya's economy faces, aside from the COVID-19 pandemic. They include; poverty, inequality, climate change, weak private sector, and vulnerability to external shocks.[7]

[6] http://povertydata.worldbank.org/poverty/country/KEN, 2019/2020.
[7] Ludvigson, S C, S Ma and S Ng, "COVID-19 and the Macroeconomic Effects of Costly Disasters", NBER Working Paper No. 26987, (2020)

USAID estimates that half the population of Kenya lives under the poverty line. It simply means that they live under $1 a day. Aside from the 50% that live under the poverty line, two-thirds of the population do not have access to banks' basic financial services. The USAID has injected about $29 million to boost local capital in agriculture, energy, water, sanitation, hygiene, and health. Although a growing one, the Kenya economy is prone to external factors that easily sway the market. The vulnerability keeps away investors from setting up markets in Kenya. The economy was stable before the pandemic in various sectors except for agriculture because of the locust infestation, which wrecked food security. Currently, with the pandemic, we expect a drop in our GDP to around 1%, according to McKinsey and Company analysis.[8]

According to the Organization for Economic Co-operation and Development (OECD), before the emergence of Covid 19, Kenya has been enjoying stable economic growth mostly in the immediate decade. The economic rising curve resulted in Kenya accessing the status of a middle-income country which automatically made it the biggest economy in eastern African and ranked ninth in the African continent. Economic stability was driven by favorable weather, enough human resources in the service industries, and political stability which led to GDP steady growth. For example, from 2018 to 2019, the gross domestic product grew from 5.6% to 6.3%.[9]

According to the American chamber of commerce, before they confirmed the case of coronavirus in Kenya, The Kenyan economy was having major vulnerabilities. The gross domestic product dropped by 0.9% in 2019 from the previous years. This was brought by factors like the locust invasion, a lot of rainfall that led to flooding which

[8] https://www.usaid.gov/kenya

[9] OECD (20 March 2020) “Supporting people and companies to deal with the Covid-19 virus: Options for an immediate employment and social-policy response” Available at www.oecd.org/employment/

threatens crops and consequently the country's food security, and the booming countries' debt burden. Just before COVID-19, the highest inflation rate occurred and this was due to the rising in prices of food items like tomatoes which was a household basic need and form a daily meal.[10]

Kenya Economic report of 2019 by Kenya Institute for public policy research and analysis states that due to the digitalization of the agriculture sector, a stable political environment, the Kenyan economy grew by 6.3% although there were some setbacks witnessed which slowed down the growth. The drought of the year 2013 and of 2017 amounting to a total loss of 77.8 billion which was a 1.2% pullback on GDP. 2017 general election brought political uncertainty plus the bad weather conditions deaccelerated the effectiveness of vast economic sectors.[11]

In the International Monetary Fund database, Kenya was ranked the top in the service sector and its innovations used by the entire African continent. Kenya is also the very first country to sell government bonds through phone and ranked 3rd producer and 2nd exporter of tea. Agriculture and horticulture are the biggest sectors in the economy, whereby, agriculture represents almost 34% of the Kenyan economy with employment of above 50%. The tourism industry has however witnessed a downfall since 2013 due to several terrorist attacks by the al Shabaab militia group.[12]

1.5.2 The Economic Security Impact of Covid-19

Looking at the McKinsey and Company Analysis on the Kenyan economy: It is estimated that Kenya's economy could probably shrink by 5%. They further state that

[10] American Chamber of Commerce, kenya., Assessing the Impact of the Covid-19 Pandemic on Kenya’s Economic and Bussiness Environment., report and reccomendation for enhancing Bussiness Continuity, 2020)

[11] Kenya economic report , 2019.

[12] International Monetary Fund report 2019/2020.

the Kenyan budget focuses on the Big Four Agenda but has been put at risk by the current crisis. The estimated loss is $3 to $10 billion in monetary value due to the fall in demand. The company expresses that 74% of the population is worried about their jobs, and citizens want the banks to be flexible on loans and increase the time for remittance because of the hardships they are facing. Further, the UON in Kenya indicates that the pandemic has negatively impacted the economy. The negative impact is seen in the market's performance, disruption of global support chains, the volatility of Kenya's currency, reduction in diaspora remittance, and reversal of prior and fiscal policies. The companies and firms that have taken it to review and analyze Kenya's economy continue to see Kenya's potential in growing economically.[13]

All the analyses and critiques seem to agree that Kenya's economy has received a big blow. If we converted the reduction on estimated growth in our GDP, this would be felt tremendously. COVID-19 was not budgeted for, and the implications are felt far and wide. For countries with adequate preparation for disaster management, the effects can be countered. It is time Kenya relooks her priorities in case of cases like COVID-19. Her vulnerable economy should at least be insulated and cushioned from insecurities and frequent shocks.

The financial hardship brought about by the lockdown caused severe negative socioeconomic consequences on Kenyans, in this particular case the vulnerable population in Mukuro Kwa Reuben informal settlements admitted to switching family diets to include high intakes of vegetables, this was because they no longer had the capacity to purchase meat/fish, milk or bread, this leading to a likelihood of protein deficiency among children and grown-ups. The authors note that there is a need for the

[13] https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business

government to put COVID-related interventions that will be tailored in socioeconomic context so as to reduce unnecessary financial fallout that leads to a decreased income making it hard for the purchase of food needed by households.[14]

From *Eastone Owino*, an author, Kenya has the highest number of COVID-19 infections. In his words, he says that the rates of infection continue to be exacerbated because of high levels of poverty and overcrowding in the informal settlements and poor basic access to basic services such as water and proper sanitation. Further states that the health sector is weak, and although Kenya has made reforms to curb the rising number of infections, the measures taken have a toll on this nation's economy. Some of the measures he highlights are curfew to ease people's movement, closure of places with high populations like schools and churches, and ensuring basic hygiene and social distancing. The curfew has reduced working hours, and the country faces an immense number of job cuts reducing their income significantly. These are the glaring implications of COVID-19.[15]

McKibbin, W J, and R Fernando note that Since the first case of COVID-19, over a million of the citizens have been laid off or put on unpaid leave. The annual gross domestic product is estimated at a drop of 2.4%.In financial markets, NSE was closed due to almost all the Nairobi Security Exchange share indices dropping by 5% plus eradicating about 120 billion Kenyan shilling from investors due to panic selling. Aviation industry loss was estimated at 800 million in just a month, among others.[16]

[14] GoK., Presidential address on the state interventions to cushion Kenyans against economic effects of COVID-19 pandemic on 25th march, 2020ibid
[15] Owino, E, Socioeconomic impacts of Covid-19 in Kenya background paper, (2020)
[16] McKibbin, W J and R Fernando, "The Global Macroeconomic Impacts of COVID-19: Seven Scenarios", CAMA Working Paper 19/2020, (2020)

Ozili ad Arun notes that since the start of COVID 19, the basic manufacturing industry registered positive revenue. These essentials were necessary during the pandemic. For example, pharmaceutical companies recorded the highest revenue turnover as business entities, households, and even the government were buying their products in caution and reaction. The manufacturing sectors like beverages and food also registered positive revenue during the pandemic but it slowly faded when the household income was diminishing. When the reduction of household income because of unemployment and unpaid leaves reduced the money circulation in turn stretch demand and reverberate to other manufacturing industries. Banks and financial providers were also affected by the pandemic.[17]

Financial analyst J.O Odhiambo argued that the decline of the economy continued because the stock market investors were withdrawing their money from the Kenyan economy because of market collapse. The Nairobi All Share Index (NASI) decreased by 300 basis points in a span of two months between March and May. COVID 19 has also disrupted the worldwide supply chain making Kenya a very vulnerable place due to its overreliance on import goods. The volatility of the Kenyan shilling has been witnessed since the coronavirus pandemic. This was brought about by the lockdown and curfews on the global market resulting in a shortage of foreign currency.[18]

American chamber of commerce argued that during the onset of the COVID -19 the horticulture sector suffered a lot. The flower industry lost an estimate of Kenya shilling 250 million on a daily basis which was estimated to KSH 60 billion at the end of the year. Almost thirty thousand employees were cut while others were sent on unpaid

[17] Ozili, P. K., & Arun, T., Spillover of COVID-19: impact on the Global Economy. *Available at SSRN 3562570*, (2020)

[18] Odhiambo, J., Weke, P., & Ngare, P., Modeling Kenyan Economic Impact of Corona Virus in Kenya Using Discrete-Time Markov Chains. *Journal of Finance and Economics*, *8* (2), 80-85, (2020)

leave. The travel, hospitality, and tourism industry which is the economic powerhouse in the country were one of the most affected by the pandemic by about 80% because the hotels, national parks, tour, and travel companies all closed down. The trade sector registered a decrease from March to May on the import and the export due to the suspension of international flights several disruptions occurred for example tea industry. The SME sector was not left behind. The pandemic affected the daily operations and continuous access to money to fund their operations. The Kenya informal sector and youth accumulate to 70% of the country's population. Most of the population lives on hand to mouth basis and when measures to curb the spread of the pandemic were put in place, they suffered the most. This led to a significant income loss of millions of shillings in these households.[19]

1.5.3 Measures to Address The Economic Security Impact of Covid-19

Thurlow suggests that it was time to think about local solutions to agroecological response to Covid -19. The disruption of food chains in Kenya continues to accelerate the price of food in Kenya. This was experienced, especially in Nairobi. It recommends a wider and longer-term perspective for food systems. The Ten Elements of Agroecology — Circular and solidarity economies—as adopted by the 194 member countries of the Food and Agriculture Organization of the United Nations, should be a point of reference for states. Suppose countries build food system circles that are much responsive to local needs first. In that case, they were able to adapt to disruptions such as the present pandemic and have the capacity to deliver healthy food to all, which was a human right that should be upheld by all governments. Keeping in mind that food is

[19] American Chamber of Commerce, kenya., Assessing the Impact of the Covid-19 Pandemic on Kenya's Economic and Bussiness Environment., report and reccomendation for enhancing Bussiness Continuity, 2020)

a basic necessity, nations, including Kenya, should be prioritizing the recommendations to ensure food security.[20]

The government, with the help of different humanitarian organizations, has set up a measure to mitigate the impact of COVID-19. According to Eastone, the government has already formed a committee on the response to the COVID-19 pandemic. The committee is the National Coordination Committee on the response to the Corona Virus Pandemic (NCCRCP). The committee is to access the pandemic's impact and come up with feasible recommendations to counter the Coronavirus pandemic's impact. The committee was able to assist the government in not only curbing the effect of the pandemic but also future policies concerning preparedness and cushioning her citizens. Analysts have also mapped out how much Kenya stands to lose and ways of regaining stability.[21]

The government recently ordered banks to issue loans not based on the CRB, but due to the COVID-19 pandemic, they should overlook previous records because of the sire situation. They also ordered that time was extended for loan payment because many people were rendered jobless. The measure was to reduce pressure on citizens during the pandemic. The government also began mass production of necessities such as masks to make them affordable.[22]

The protective gears required by medical frontiers are now successfully produced by the local industries, said the Medical CS, Mutahi Kagwe, during a briefing. The textile

[20] Thurlow J. COVID-19 lockdowns are imposing substantial economiccosts on countries in Africa [Internet]. International Food Policy Research Institute; 2020 [

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

[22] GoK.. Presidential address on the state interventions to cushion Kenyans against economic effects of COVID-19 pandemic on 25th march, 2020

industry can even export some of these gears. These offered business opportunities to industries such as the textile industry in Kenya. The government also secured loans to help navigate the tough situation they are currently in.

Tax measures have been adopted, including full income tax relief for persons earning below the equivalent of 24,000ksh monthly, reduction of the top pay-as-you-earn rate from 30 to 25 percent. Further, reducing the base corporate income tax rate from 30 to 25 percent reduces the turnover tax rate on small businesses from 3 to 1 percent, reducing the standard VAT rate from 16 to 14 percent. The IMF analysis shows that on March 24, the Central Bank of Kenya did some reforms on the bank as follows; CBK lowered its rate from 7.25percent to 8.25percent, and reduced the Cash Reserve Ratio from 5.25% to 4.25% and hence to release KES. 35.2 Billion to directly help borrowers in distress.[23]

The measures that were undertaken by the government are to salvage the situation of the economy. Hard-hit sectors such as floriculture and horticulture could no longer export their produce due to COVID-19 risks. Kenya Airways also converted her flights to cargo flights after a travel ban was enforced in most countries to ensure they don't sink because of the pandemic. Alongside these measures, Kenya witnessed her leaders' goodwill, who voluntarily gave up large shares of their salary to a fund created to help Kenyans who are in devastating conditions due to COVID-19. The leaders were led by the president and his deputy, who took an 80% cut on their salaries. In addressing the nation on 6th June 2020, the president stimulus plan to enhance the economy. There were, tax relief for individuals earning less than twenty-four thousand shillings as gross

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[23] Impact of COVID-19 to the Economy of Kenya - Research, Innovation and Enterprise Blog. (2020). Retrieved 24 October 2020, from https://uonresearch.org/blog/impact-of-covid-19-to-the-economy-of-kenya/

income. He ordered the reduction of P.A.Y.E to 25% from the normal 30 percent. Another significant measure to cushion the economy was the reduction of VAT from the normal 16 percent to 14 percent, disbursement of thirteen billion into the pending bills, the president also ordered the reduction of the turnover tax rate from 3 percent to 1 percent, and this applied to micro and SMEs, suspension of people being listed in the Credit Reference Bureaus (CRB) small and medium enterprise whose who are unable to pay the loan during the pandemic.[24]

Measures put in place to ensure coronavirus pandemic is contained statistically affected 61% of businesses according to a survey conducted by Kenya Private Sector Alliance, KEPSA, in 2020. To arrive at this statistic, a total of ninety-five businesses that are owned locally across different seventeen sectors were evaluated. Also, the KEPSA report was integrated with that of the Kenya Association of Manufacturers, KAM, which surveyed thirty-two manufacturers. Most of the businesses expected disruption in their operations in the following ways according to the report given. Firstly, they would experience stock-outs accompanied by delayed deliveries which are propelled by the lockdown. Secondly, the rapid reduction in the demand for products for exportation. Thirdly, an increase in the cost of production due to the rise in the cost of goods. Decline in the interest to invest by both local and foreign investors, uphill task when it comes to getting loans from financial institutions accompanied with a decline in the capability to meet the payment of the loan interest on time and decreased flow in the capital due to decreased staff time are among the disruptions faced.[25]

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[24] GoK.. Presidential address on the state interventions to cushion Kenyans against economic effects of COVID-19 pandemic on 25th march, 2020

[25] Kenya Private Sector Alliance (KEPSA) (2020) Business Perspectives on the Impact of the Coronavirus on Kenya’s Economy, KEPSA, Nairobi.

According to a policy brief document by the UNDP, KEPSA had several recommendations on supportive measures to help the Kenyan economy such as tax relief on industries trying to expand the number of import products, Releasing Value Added Tax refunds, encouraging banks to give out loans at cheaper rates, reducing corporate tax among others which the government put into consideration almost all the KEPSA recommendations.[26]

Wanjala, K in his research report noted that the tourism industry in Kenya was hit hard by the pandemic. he notes that the general recovery pathways for the tourism industry will not be easy however the ministry of Tourism has done much to help the situation. Financially, they established an emergency fund to aid cushion business, incentives by the Government of Kenya, and provision of monetary stimulus by the state. The government has also put in place a mechanism to aggressively market the Kenyan brand.[27]

1.6 Knowledge gaps

From the above literature, the study has identified that the economic security of Kenya pre-covid 19, the economic security impacts of covid-19, and the measures to address it. Therefore, the above literature indicates scholarly works on economic security implications of Covid 19. However, there exist gaps in the economic security impacts of Covid-19, especially in Kenya. the world was still trying to recover from the effects of Covid-19 hence there was a lack of knowledge on the subject area. In particular, there exist gaps in understanding the economic security impacts of Covid-19 in Kenya. This study addresses these areas and fills the gaps.

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[26] UNDP, Articulating the Pathways of the Socio-Economic Impact of the Coronavirus (COVID-19) Pandemic on the Kenyan Economy, 2020)

[27] Wanjala, K., The Economic Impact Assessment of the Novel Coronavirus on Tourism and Trade in Kenya: Lessons from Preceding Epidemics. *Finance & Economics Review, 2*020)

1.7 Justification for the Study

1.7.1 Academic Justification

Economic security was a key concept in the field of international relations especially security studies and international conflict management. To this end, there existed academic gaps in trying to understand the economic security impacts of COVID-19 in Kenya. The economic security impacts of Covid-19 have not been widely researched given that the world is still under the threat of the pandemic. This study, therefore, provides a solid reference point in analyzing and understanding the economic security impacts of covid-19 in Kenya. This makes it a valuable contribution to the field of international relations and more particularly international conflict management.

1.7.2 Policy Justification

The study also bridges the gap between health crisis, pandemic, and economic implications. The findings of this study therefore is important for decision-makers in various ministries in Kenya like the Ministries that deal with health, agriculture, disaster management, and planning can use this information in their pursuit to mitigate the economic impacts of the pandemic.

1.8 Study's hypotheses

H1. Kenya was economically insecure pre--Covid 19

H2. The Covid-19 pandemic worsened the economic security of Kenya

H3. The economic security impact of Covid-19 can be addressed through proper planning and international cooperation.

1.9 Theoretical framework

Theories are important in understanding phenomena. This study therefore is anchored on two main theories the critical theory and the critical political economy theory. Critical theory was developed in the post-Cold War period. It was developed as a theoretical framework due to the limitations of the previous theories in understanding the concept of security. According to critical theories, security as a concept has various meanings depending on the different actors. The critical theory, therefore, came by to challenges traditionally state-centric accounts of security. Security has for long been looked at from an objective point of view, however, critical theorists view security to encompasses a broad range of perspectives. Other than security as an object, critical theorists view security as a broader threat to humanity including physical and non-physical threats.

Critical political economy theory on the other hand came about to address the debate of economic and security studies. For some scholars, Critical political economy theory is a field of critical theory. However, Critical political economy theory falls outside the traditional scope of critical security studies. The critical political economy as a theory is premised on the links between the economic and political sphere. This entails security threats to the economic welfare of states and individuals. Economic security to this end is a key aspect of Critical political economy theory

The two theories Critical political economy theory and critical theory are relevant to this study in that the Covid-19 pandemic despite being a health issue has had far-reaching impacts on the economic security of Kenya and its citizens. The financial cost associated with combating the pandemic and the measures that were taken to curb and restrict the pandemic had significant impacts on the economic security of a number of individuals. Among some of the economic threats were seen in labor supply and productivity. At the same time, the contagious nature of the Covid-19 pandemic led to an increase in the cost of internal trade and external trade. At the same time, the majority of jobs were, lost, the currency was weakened. Furthermore, the pandemic affected the country's exports was there was a decrease in international demand for Kenya's top export commodities like tea, flower, coffee, and fruits. The net effect of these economic impacts was a serious threat to economic security in Kenya.

1.10 Research Methodology

The study uses the conceptual framework to examine the health emergency crisis, in this case, the COVID-19 pandemic and its economic security impacts, while evaluating the effectiveness of coping strategies. The study uses a descriptive survey design, using both qualitative and quantitative forms of data. Primary data collection methods entail the use of questionnaires, interview schedules, and observation. Secondary data is collected from both electronic and non-electronic repositories.

1.10.1 Target Population

This study population consists of government and non-governmental academicians, practitioners, and policymakers in human security, economics, agriculture, health among others. These experts, through interviews and/or questionnaires, provides an account of the strategies that have been formulated as well as practices and lessons learned and perspectives based on their experiences.

1.10.2 Sample Size

The study uses a stratified random method of sampling by dividing the target population into representative groups. At least one member from each top-level office in the ministry and organization was selected irrespective of the regime they served. Due to bureaucratic red tape, the random selection of the sample population is very effective and the study involves participants who are willing to participate in the survey. The participants comprise experts, practitioners, and policymakers who provides information based on personal experience or archive knowledge of the economic impacts of a health crisis such as pandemics. Therefore, the study interviewed at least 70 participants (40 in food security and 30 in health management. This brought the minimum number of respondents to 70.

1.10.3 Data Collection

Primary data is obtained through interview guides and questionnaires. The questionnaire had opened-ended questions for the purpose of capturing relevant and important information from respondents for the clarity of the study. Emails were also used as a way to collect primary data from selected respondents. The questionnaires were tested for reliability and validity before use. A pilot study is conducted to ascertain the relevance of the questions. In order to ensure validity, any ambiguous questions were adjusted to make it easier for the respondents to understand and give the correct answer.

1.10.4 Data Analysis

The principal data analysis approach that was used in this study was the thematic analysis of qualitative data. The interviews plus opinionated data collected from questionnaires resulted in qualitative data that necessitated the use of thematic data analysis techniques as the principal method. The information obtained from the analysis of quantitative data was then represented using pie charts, percentages, and bar graphs.

The first step in thematic data analysis was the identification of the themes arising from the research questions and also the themes arising from the observations. The themes were then followed by subsequent interviews to verify key themes. Therefore, the research was flexible which provided for proofing and verification of findings and hence more reliable results. The data used in this case involved secondary data from literally material and primary data collected from the interviews and the questionnaires. The data analysis method was cost and time-efficient because it was an inductive process that involved data familiarization.

1.11. Ethical Considerations in the Survey

As a requirement by the National Council of Science, Technology, and Innovation and the University of Nairobi, the researcher seeks approval to conduct a study involving human subjects. The study methodology and more so data collection methods employed in this study were scrutinized by the University of Nairobi board to see if it violates human rights. This is a necessary process for it prevents legal implications on the side of the researcher and the institution.

Participation in the study is purely voluntary, thus the researcher only worked with the consent of the respondent. Therefore, the researcher sent a letter of consent to the target population clearly outlining the purpose, survey procedure, risks, benefits, and possible alternatives to participation. In addition, the letter stated that the information obtained from such a study was to be kept anonymous, confidential, and private.

1.11.1 Limitations in the Study

The study heavily relied on data from government offices and international organizations. Therefore, the researcher anticipated bureaucratic red tape in accessing the targeted government offices. The researcher also anticipated difficulty in getting adequate information due to lockdown, the newness of the matter as there is a lot yet to be understood about the COVID-19. However, the researcher through persistence and thorough verification of information and a recommendation letter from the university will assist in overcoming the bureaucratic red-tape.

1.12 Chapter Outline

The first chapter introduced the topic of the economic security impacts of a pandemic. The problem of the statement informs the research questions which were used to generate the objectives of the study. The literature review section outlines the informational gap in the research topic. Based on the gaps identified, the chapter tries to justify the validity of the study. The hypotheses are developed based in line with study objectives. It also outlines the methodology used to carry out the study.

Chapter two discusses the economic security of Kenya pre-Covid 19. The chapter will look at the projected economic growth, the status of the economy before Covid-19. This will help in understanding just how much the pandemic has affected the economic security of Kenya

Chapter three examines the economic security impacts of COVID-19 pandemics in Kenya. This will be done in line with the various economic security aspect in the county.

Chapter four focused on research-based strategies in mitigating the economic security impacts of the COVID-19 pandemic in Kenya.

Chapter five discusses the conclusions, summary, and recommendation of the study.

CHAPTER TWO

KENYA'S ECONOMIC SECURITY IN THE PRE- COVID 19 ERA

2.0 Introduction

Kenya acquired the status of being a middle-income country in the year 2016 after enjoying a decade of strong economic growth. Before the outbreak of the novel Coronavirus, Kenya was able to maintain good economic performance relatively throughout the year. Eased political uncertainties, great performance of service sectors, a strong recovery in the agriculture sector that was attributed to improved weather conditions, and improved private consumption are all factors that sustained confidence in the country's economy. The International Monetary Fund highlighted a decline in growth of the GDP to 5.6 percent in 2019 from 6.3 percent in 2018. According to the organization's updated forecasts from the month of April 2020, a slowdown in the GDP growth is expected to a percentage of one and a 6.1 percent pickup in 2021 which highly depends on the global post-pandemic economic recovery process.[28]

IMF recognizes the importance of the public policies which have enabled the level of inflation to remain at the target range. The inflation rate is at least is likely to remain stable for the next two years. Among the policies initiated include that of reducing the budget deficit that was at 7.7 percent in the last year. The other policy involves the removal of interest cap rates that regulate the interests on loans to a percentage point of 4 which is above the benchmark, since 2016. Such a measure will likely boost recovery in private credit growth. The Big 4 development agenda also provides a platform that is expected to drive the country's economic growth in the coming years. [29]The renewed

[28] International Monetary Fund Report.(2019)https;//www.imf.org/en/Publications/CR/Issues/2019

[29] ibid

commitment to macroeconomic policies would ensure that the public debt is stabilized and remains at a sustainable level, preservation of external stability, and make it easy to contain within the targeted range, the inflation rate. By 2019 the debt –to-GDP ratio was at 61.6 percent. The United Nations Development Programme report of 2019 ranked the country in the 147th position in terms of the human development index while the World Bank estimated the unemployment rate to be at 9.3 percent as of 2019. The country continues to work to ensure that it addresses its shortcomings by implementing the Sustainable Development Goals(SDGs).

2.1 Concept of economic security in Kenya

The advent of a widened approach to security as defined by Buzan Barry *et al*[30]brought forth economic security as one of the national security dimensions. Since the end of the world wars, with devastated economies and the beginning of multilateral financial organizations and the oil shocks of the 1970s, economics has gained centrality to a country and its population's well-being. There has been debate on how to define economic security, the developers of this concept acknowledge the trickiness of defining it as it emerged at a time when there were heightened debates between which types of economic system best secures the interests of a state: market-based or state-controlled economic systems.[31] Further, other challenges in defining the concept emanate from the multiplicity of the threats to a country's economic well-being, ranging from poor leadership, interest rate manipulation, and foreign competition among others. For Buzan attention should be on the economic threats that are linked to

[30] ibid

[31] Horrigan, B., Karasik, T., & Lalgee, R. "Security Studies" in Kurtz, L. (Eds), *Encyclopedia of Violence, Peace and Conflict*. (Elsevier, 2008).

other security sectors for instance those that weaken a state's military-industrial base or undermine domestic political stability.

Rima et al in another paper details that there are other approaches in economic security studies. They posit the macroeconomic approach which views economic security as the national capacity for resistance against economic vulnerability. Another one is the individual approach which portends that global markets and domestic transformations push economic security towards the accumulation of new issues for the sole purpose of human existence, this entails stable incomes to support living standards.[32]

Kenya's Vision 2030 is the country's' blueprint in terms of long-term development, this vision seeks to improve the country's industrialization and elevate the state to a high middle-income country. The plans recognize the importance of transformations in key areas such as manufacturing. At the local level, the projects consider small and medium enterprises as bedrocks for the "Big Four" transformational agenda. At the international level, the country considers it critical to achieve the United Nations 2030 agenda on Sustainable Development and its goals, in terms of economic security the country has placed much attention on Goal 1 which calls for ending poverty in all its forms everywhere. The other goal is towards working for sustained and inclusive economic growth with a full productivity employment capacity and decent work for all. The ninth goal requires resilient infrastructures, innovation, inclusive, and sustainable industrialization patterns.[33]

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[32] Rupert, M. "Marxism" in Dunne, T., Kurki, M. & Smith, S. (Eds) in *International Relations Theories: Discipline and Diversity*, 4th Edn. (London: Oxford University Press, 2007).

[33] Kenya institute for public policy research and analysis. (2019).Kenya Economic report 2019.Boosting Investments for Delivery of the Kenya Vision 2030.Nairobi, Kenya.

At the regional and continental levels, the country is working towards increasing intraregional and interregional trade. With a 5.9 percent growth of the economy in 2018, as compared to 4.9percent of 2017, the country has the potential to expand its economy even further. An innovative financial sector, a strong education system, a vibrant private sector, good educational systems, and improved business confidence will boost growth. The macroeconomic and governance reforms that have happened within the last ten years have contributed to the improvement of the economy. On the other hand policy and business, reforms have spearheaded the development of a trade support eco-system and help Kenya become competitive in the global market in the long run.[34]

2.2 Kenya's economic security pre-Covid 19

This section will look at the economic security of Kenya pre-Covid 19. The understanding of Kenya's economic security pre-Covid-19 is important in understanding the impact of the pandemic in Kenya. This section will analyze how were Kenya and her citizens economically secure and how did the pandemic change this.

2.2.1 Agricultural, Manufacturing and Industrial Sector

In the first half of the year 2019, the agricultural output was faced with a delay, this reflected the challenges brought about by the moderation of the real Gross Domestic Product (GDP) of the country. Activities in the industrial and agricultural areas were slowed down because of the delayed rainfalls that happened in the first half of 2019. This was unlike the previous year which had experienced a 6.3 percent growth in the two fields. The year 2018 had also earned a 6.5 percent in real GDP growth which

[34] ibid

dropped in 2019 to a percentage of 5.6. According to the April 2019 Kenya Economic Update, the banks had estimated a 5.8 percent growth. The optimism of the growth was brought about by certain factors including positive investor sentiments that had shown the Purchasing Manager's Index (PMI) to have gone beyond the 50-point mark. The other factor involved a nascent recovery of the private sector credit. This estimation represented an upward of 0.1 percent as compared to the forecast that had been made earlier in April 2019.[35]

For the period 2015-2019, agriculture had remained to be a fundamental contributor, accounting for at least 26 percent of the GDP in the country. Despite its contributions, it still played a role in impeding the sector's growth performance as it is highly dependent on the rain-fed type of agriculture. This presents a challenge for the country as 83 percent of its land is characterized by arid and semi-arid features. For example, the main reason for a delayed agricultural production in 2019 was due to the March-May delayed long rains that quickly affected the planting season. The disruption in the planting season pattern almost immediately had the ripple effect of increasing operating costs for farmers.[36]

From an average growth of 7.0 percent to a decline of 4.7 percent in 2019, the sector's contribution to real GDP thus fell from 1.7 percent to a 1.2 percent contribution. These statics are made from a comparison of the first half of both years. As compared to other regions like Asia and South Africa which have a good percentage of their arable land under irrigation, Kenya is still very much susceptible to drought shocks that end up

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[35] Kenya National Bureau of Statistics. 2019. "Quarterly Gross Domestic Product. Second Quarter, 2019". Nairobi

[36] http://www.meteo.go.ke/pdf/seasonal.pdf).World Bank, Kenya Economic Update, 2019 (ed 19: p.31).

affecting the country's' GDP progress. The second half of 2019 harvests were boosted by the receipt of long rains in October-November while output in cash production of crops like sugarcane, horticulture, and tea picked up gradually. The output for key food crops such as beans and maize also witnessed a rise.

To show the linkage between the industrial and agricultural sectors we notice a similar effect on the industrial sector. The industrial sector that is comprised of the construction, water, mining, electricity, manufacturing, and quarrying fields witnessed a reduction in terms of its real growth, this was shown by a decline from 5.1 percent in 2018 to a level of 4.8 percent in 2019. In 2019 the contribution remained quite stable at 0.9 percentage points. According to the subsectors the contributions were portrayed to be steady as opposed to 2018, the contribution of electricity and water supply (0.2), construction (0.3) manufacturing (0.4), mining and quarrying was (0.04). The manufacturing sector which is a key pillar in the government's Big 4 agenda and is also aimed at creating jobs experienced positive growth despite it being below the desired levels. [37]According to the agenda, there is an expectation of a 21 percent growth each year so as to reach 15 percent in growth by 2022.

The manufacturing share to GDP is expected to increase from about 9.6 percent in 2018 to 15 percent in 2022, this is to assume that the real GDP expands at about 6.2 percent per year between 2018 and 2022. By the first half of 2019, the sector had grown by a

[37] Government of republic of Kenya. 2018. "Third Medium Term Plan 2018-2022. Transforming Lives: Advancing socioeconomic development through the Big Four". Nairobi.

total of 3.7 percent which was relative as compared to the first half of 2018, which meant that it was low to the relative desired growth target.

To encourage a competitive nature in the country's manufacturing sector more government policy measures should be put in place. The 2019 World Bank reports took note of the government's reforms in ensuring that it creates a more business-friendly environment that aims at increasing productivity in the manufacturing sector. In the same year, Kenya had improved its transport infrastructure and was already working towards establishing special economic zones that would lead to a reduction in the cost of electricity as well as putting in place other measures. Because of the increased expenditure on infrastructure by the government (especially the roads and phase two of the Standard Gauge Railway (SGR), the construction sub-sector of manufacturing grew by 6.5 percent in 2019 compared to 6.0 that was witnessed in 2018.[38]

However the report indicated some areas that needed progressive improvement, they include; trade across borders, starting a business, and the registration of property. More improvement was also required in the private investment sector as well as a push for increased manufacturing growth. The third quarter of 2019 had already experienced an improved production in both manufactured goods (sugar, soft drinks, dairy products) and non-food products like (cement, galvanized sheet). Even as the manufacturing

[38] World Bank. (2019). "Global Economic Prospects: heightened tensions, subdued investment", 4 June 2019: https://www. worldbank.org/en/publication/global-economic-prospects

sector continued to recover, the purchasing manager index remained above the 50 point mark which was a good indication.[39]

Economic activity in the water and electricity had softened whereas the construction sector experienced a good performance. The performance of the hydropower generation and water supply was affected by the late long rains of 2019, it dropped from 7.5 percent in 2018 to 5.8 percent in 2019. Electricity generation from geothermal and hydropower sources contributed to maintaining lower energy prices, increasing value addition in firms whose products were energy-intensive, and reducing pressure for most household incomes. In early 2020 Kenya was ranked in the 56th position out of a total of 190 economies with a score of 73.2 percent as opposed to 71.0 in 2019. The economy indicated an impressive performance in terms of protecting minority investors, addressing insolvency issues, and in the allocation of credit.

2.2.2 Employment in the Service Sector

The service sector was doing well pre-Covid-19. It was a source of employment for millions of Kenyans. Compared to other sectors of the economy, the service sector keeps recording higher growth each year. Looking at the last five years as from 2019, the service sector accounted for almost two-thirds of Kenya's economic growth, in each year, the sector grew at an average of about 6.0 percent. The strengthening of the agriculture and manufacturing sector in 2018 produced a spillover effect for the service sector enabling it to gain momentum. In 2019 the sector increased its growth by 6.5 percent as compared to 7.0 percent in 2018. In the first half of 2019, the top-performing

[39] World Bank Group. World Bank. 2017. "Kenya Economic Update. Poised to Bounce? Reviving private sector credit growth and boosting revenue mobilization to support fiscal consolidation. Edition 16

sub-sectors within services were as follows: information and communication (ICT) at 11 percent; at 10.3 percent was accommodation and restaurants (tourism), and transport and storage accounted for 6.9 percent. The tourism sector was mainly boosted by better marketing strategies and improved security measures that contributed to an increased number of tourist visits. On the other hand, growth in freight transport supported the expansion of the storage and transport sectors of the country.[40] During the period 2013-2015 before the interest rate caps were introduced, the banking sector witnessed a growth of about 8.6 percent but later on in 2019 with an introduction of the interest rate caps, there was a deceleration of 5.9 percent.[41]

The ICT sub-sector has also witnessed immense growth over time, certain factors have played a role in this development; internet penetration and usage amongst the young population, dynamism in mobile telephony, and the uptake of e-commerce have led to a growth of an average 10.8 percent each year since 2016. Increased use of mobile money services to send or receive money across networks and the use of mobile broadband to access the internet also contributed to an 11.0 percent expanded growth in 2019 which was slightly less as compared to that of 11.8 percent in 2018. Kenya's mobile subscriptions which are estimated to be about 103 handsets per 100 persons which is the highest in the continent have spurred a widespread use of mobile banking, increased penetration of the internet, and have also improved financial inclusion in the country.

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[40] The National Treasury and Planning. 2019. "Budget Review and Outlook Paper (BROP)". Nairobi.

[41] Bustos, 2011; Lileeva & Trefler, 2010.

2.2.3 Household Consumption

With a burgeoning middle class and huge remittance inflows, the private consumption contributes to economic growth has remained solid over the years, accounting for 77.1 percent of GDP the private consumption rose to approximately 5.9 percent in 2018. This kind of growth was attributed to strong remittance flows, decreased food inflation, and good incomes from agricultural harvests of the year. Data shows that in 2019 the performance of private consumption also remained strong as food prices became stabilized and a nascent recovery in credit to households was also possible.[42]

2.2.4 Private Sector Investment

Even with an improved business environment or confidence and less political uncertainty, growth in the formal job sector and private sector investment contribution to economic growth has remained weak for some years now. The average contributions for the year 2018-2019 show a decrease of 0.4 percent in contribution, which is from a 2.5 percent contribution in 2017.

Over time the government has acquired huge loans because of high domestic borrowing which is used to balance the deficits of its budget. This situation means that both the private and public sectors are in competition for credit loans, it further weakens the private's sector contribution to the economy.[43]

The increase in interest rate caps in 2019 challenged the growth of small and medium enterprises(SMEs), their development was hindered because commercial banks

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[42] International Monetary Fund. 2018. Kenya Staff Report for the 2018 Article IV Consultation and Establishment of Performance Criteria for the Second Review Under the Stand-by Arrangement.

[43] World Bank. (2019). "Kenya Economic Update. Unbundling the Slack in Private Sector Investment", Edition 19. http:// documents.worldbank.org/curated/en/820861554470832579

withheld their lending to these enterprises making it almost impossible for them to make investments or expand. In 2018/2019 the business environment became a little compromised following pending bills that reduced the liquidity of most firms. The reduced liquidity limited hiring and investment decisions of the firms and in turn impeding job creations. A gradual recovery in private investment was expected in 2020 following the nascent recovery in terms of credit to the private sector together with the narrowing of government yields on securities.

2.2.5 Public Sector Investment

A narrowing fiscal space accompanied by completions of important investment projects of the government to an extent reduces the public sector investment in growth. The government's investment contribution to GDP in the year 2014 was 2.5 percent, comparing this to its contribution in 2019 which was 0.6 percent clearly shows a certain decline. This situation reflects the maturity of key infrastructural developments such as those of the railway and some road projects. Consequently, the years 2019 and 2020 witnessed the governments' issuance has of guidelines that prioritize the completion of ongoing projects and alignment of any new development projects to the Big 4 agenda. [44]

2.2. 6 Exports

The country's net exports continue to produce a negative contribution to the growth of the economy and have become much weaker even as compared to the previous periods.

[44] World Bank. (2019). "Global Economic Prospects: heightened tensions, subdued investment", 4 June 2019: https://www. worldbank.org/en/publication/global-economic-prospects

Non-resource rich countries are at a higher risk of experiencing net exports that delay growth, this is according to static analysis. To solve this problem the government can use imports which can contribute to productivity gains that are a result of technology spillovers and by learning ways to accomplish this. The situation of Kenya makes true this assumption, in the country imports have contributed in a bigger way than the exports. Kenya's exports which include tea, tourism, horticulture, and coffee continue to pull down productivity in growth. The decrease in food and SGR imports created a pulling effect on the growth of net exports. These were the contributing factors to a fall in the value of imports in 2018/2019.

Kenya's manufactured exports to other African countries have in three consecutive years faced a contraction. From 242.2 billion in 2015 to 216.2 billion in 2018, this represents an average of 3.6 percent decline in one single year. In 2018 the manufactured exports accounted for about 35.3 percent of the country's merchandise exports.

This kind of contraction is attributed to the fact that there exists immense competition in these markets. Data shows shipments to countries such as the Democratic Republic of Congo, South Sudan, Ethiopia, and Somalia have decreased. The US-China tariff war altogether with the exit of the UK from the EU reflects uncertainty issues that require revised policy measures. The ongoing global slowdown that existed at the end of 2019 also had a contributing factor towards reducing Kenya's exports, remittances, and tourism activities.[45]

[45] Fosu, Augustin Kwasi, Getachew Yoseph Yilma, Ziesemer Thomas H.W, Azomahou Théophile T, Boucekkine Raouf, Mohnen Pierre, and Verspagen Bart.2016. "Optimal public investment, growth, and consumption: evidence from African countries". *Macroeconomic Dynamics*,

2.3 Summary of the Chapter's Findings

The chapter has discussed the economic security of Kenya's pre-Covid 19 eras. Economic security in Kenya remains a much-debated issue. The government of Kenya through vision 2030 and the big four agenda set its focus on improving the economic security of Kenya. this was to be done by looking at broad issues in the economy like employment, manufacturing, health, and food security. The financial year 2018/2019 saw the roll-out of a number of programs and projects that were meant to make Kenya economically secure. This is sen by the improvements in a number of sectors like manufacturing which was to lead to more employment, the export especially flowers, coffee, and tea.

Therefore Kenya was economically secure pre-covid-19. A number of sectors were moving on well except for food security that was affected due to rains and locust invasion. The economy was moving in the right direction a number of individuals have means to sustain their lives either through employment, business, Jua kali, and more. However, the pandemic destabilized a number of families and placed them in a state of economic insecurity.

CHAPTER THREE

THE ECONOMIC SECURITY IMPACTS OF COVID-19 IN KENYA

3.0 Introduction

The coronavirus despite being a health crisis had far-reaching impacts on all spheres of life. The most felt impact on other health was economic security impacts. The pandemic disrupted the normal operations in a number of ways. The measures that were put in place to stop the spread of the virus have a ripple effect on the economic security of millions of Kenyans. The pandemic hence led to unannounced hardship that was mainly felt by the poorest and the most vulnerable households. For a country where unemployment is high and people living in poverty are equally high, the impacts of the pandemic were far-reaching. The pandemic disrupted the informal sector where the majority of Kenyans get their income either as self-employment and informal wages

3.1 Pathway to the Economic Security Impacts of Covid-19 in Kenya

The pathway to economic security impacts of Covid-19 in Kenya manifested itself in two distinct ways. First, the economic security impacts of Covid-19 in Kenya was witnessed through the direct and indirect impacts of the virus. This includes when a bread-winner is affected by the various which leads to the suffering of all the dependent members. Indirectly the economic security impacts of the Covid-19 pandemic were felt through compounded ways through the financial cost associated with looking after the ill member of the family or the cost of a funeral in case of death. according to a study by the World health organization in 2018, the majority of individuals in Sub-saharan Africa lack health insurance or universal health coverage which exposes them to health shocks which may directly or indirectly lead to poverty. Lack of health insurance coverage often means that individuals when faced with serious sickness often resort to distress assets sale or opt for loans to cover their medical bills. This often becomes a financial burden to other family members which might be a case of poverty. The coronavirus came with a heavy economic cost from prevention to treatment. The prevention of the virus involved daily buying of the mask and constant buying of sanitizers. For those traveling from abroad or those tested positive for the virus, it meant an extra cost of paying for quarantine, testing, and medications. This made a number of households to be vulnerable to poverty.[46]

The second economic security impact of Covid-19 was due to the measures put in place by the government to stop the spread of the virus. In a bid to control the spread of the virus the Kenyan government just like much other government put in place a number of restrictive measures to ensure that the virus does not spread in the country. Some of these measures led to the reduction of the labor force since a number of employment places were closed or were downscaling. The coronavirus also resulted in disruption of the transport sector both locally and globally. The government also closed its borders. These restrictive measures disrupted the day to day operations like commerce, trade, and travel. The virus hence affected more than just the health of the Kenyan population as the majority of the citizens suffered economically, socially, and even politically.[47]

A number of companies and institutions like schools and private firms were forced to take proactive measures to control the spread of the virus. This lead to the closure of schools and businesses which led to the loss of wages for millions of workers in Kenya. The worst-hit were the informal economy who was forced on unpaid leave. The majority of Kenyans rely on the informal economy to make ends meet. Similarly,

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[46] Diwakar, V., (10 March 2020). "From Pandemics to Poverty: the Implications of Coronavirus for the Furthest Behind: Comment," Available at https://www.odi.org/blogs/16754-pandemics-poverty-implicationscoronavirus-furthest-behind

[47] Evans, D., and Over, M., (2020). "The Economic Impact of COVID-19 in Low- and Middle-Income Countries," https://www.cgdev.org/blog/economic-impact-covid-19-low-and-middle-income-countries

small-scale traders in Kenya were also seriously impacted by the restrictive measure adopted by the government. This led to corona-induced hardships for the majority of poor Kenyans.[48]

3.2 The Nexus between Covid-19 and Economic Security

The Covid-19 as a pandemic has emerged as a new entrant to the list of examples used in projecting the connectedness of the global economy and the fact that this connection is deep and interdependent. The emergence of this pandemic at a time when states, especially developed ones were hot in the rails of economic nationalism has somehow slowed down the increasing threats to global trade. However, the pandemic itself has become a new threat to international, regional, and national economic security. Previously, states shielded their economies using monetary and fiscal policies, from the threats of war and other natural shocks, the virus has revealed the real danger lies in the health of nations and its peoples.[49]

From the onset of the virus, nations have come up with plans and strategies to reduce the impacts of Covid-19 on their economic security. This is necessitated by the fact that in response to the virus, states took measures that cut down economic activities. World over airlines were shutdown with minimal operations, industries, and factories scaling down production and some cutting down staff numbers thus unemployment, cities, towns, and borders were shut thus inaccessibility of markets and many other measures. This has hurt developing states more as they are grappling with multiple challenges with limited capacities and resources. Kenya is among these states.

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[48] Ibid

[49] Ozili, P. K., & Arun, T.,Spillover of COVID-19: impact on the Global Economy. *Available at SSRN 3562570*, 2020)

Kenya first declared Covid-19 as a "Formidable Epidemic Disease" in March 2020 and this was followed by various restrictive measures such as school closures, suspension of international and domestic flights and passenger railways, restriction of the passenger capacity in public transportation to below 60%, stay at the home recommendation, banning public gatherings, wearing of masks and the cessation of movement from and to Nairobi (also Eastleigh area), Mombasa (also Old Town within Mombasa), Kwale, Kilifi and Mandera counties. On the fiscal front with the aim of cushioning citizens from the impacts of the pandemic, the government through the Tax (Amendment) Act of 2020 reduced Value-Added Taxes from 16% to 14%, granted tax relief of 100% to persons earning a gross monthly income of up to Ksh. 24,000, reduced the income tax rate from 30% to 25%, corporate tax was reduced from 30% to 25%, the Turn Over Tax was reduced from 3% to 1% while the taxable turnover tax threshold was reduced from an income of between USD 10,000 to USD 500,000.[50] Further, the government limited its spending to healthcare services, social protection, and support thus reducing government spending which often is associated with reduced cash flow in the economy.[51]

Regionally, Africa's experience under the pandemic was and still is predicted to be severe as the countries have a high dependence on exports to China, weak sovereign balance sheets, high debt burdens, and volatile currencies, among numerous other

[50] Republic of Kenya, "The Tax Laws (Amendment) Act, 2020". (Nairobi: The Government Printer, 2020).

[51] Odhiambo, J., Weke, P., & Ngare, P., Modeling Kenyan Economic Impact of Corona Virus in Kenya Using Discrete-Time Markov Chains. *Journal of Finance and Economics*, 2020)

external and domestic social and political fragilities.[52] Some of the notable implications of the pandemic to Kenya's economic security are in its import and export rates, labor trends, tourism, agricultural sector, remittances, financial markets, and also the public debts or loans. [53]

3.2.1 Covid 19 and Economic Well-Being

The well-being security of a number of Kenyans was affected by the COVID-19 pandemic. The pandemic increased economic insecurity among millions of Kenyans. The pandemic had psychological, physical, social, and economic implications all of which affected the well-being of many Kenyans. The overall health and well-being of the population were jeopardized by the pandemic. first, the pandemic took a toll on the economy and finances of a number of households. Other than the impacts of it, the prevision of the pandemic also came with its cost. For example, masks were mandatory meaning all citizens had to dig deep to buy masks that were no re-usable.

While there is no standard definition of economic security, economic security entails the availability of adequate income that enable individuals to sustain their lives and those of their dependants. Economic security in this sense entails the opportunity of individuals to earn decent income-earning that promotes their well-being. To this end, economic security is a critical determinant of well-being.[54]

In the face of the Covid-19 pandemic, the economic security of millions including those of their families has been severely affected. The Covid-19 pandemic has led to

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[52] United Nations Development Programme, "Articulating the Pathways of the Socio-Economic Impact of the Coronavirus (COVID-19) Pandemic on the Kenyan Economy". *Policy Brief*, Issue No: 4/2020. (April, 2020).

[53] Ibid.

[54] Alon TM, Doepke M, Jane Olmstead-Rumsey J, Michèle Tertilt M., The impact of cOVID-19 on gender equality. National Bureau of Economic Research Working Paper , 2020.

temporary or permanent job loss which in turn has led to the loss of income or access to finances to cater to basic needs. A number of Kenyans have been left unemployed due to the pandemic.

A number of pandemic-related changes have affected the economic security of Kenyans. These changes have happened simultaneously and rapidly. The changes have been of a large scale magnitude for example the loss of a job not only affects an individual but also affects the entire family and dependants. This made life hard both in the short term and in the long-term run as some of these individuals will barely get to work any time soon. For a country like Kenya where poverty is high and jobs are hard to come by, the economic security of many Kenyans has been affected for the foreseeable future.

3.3 Impact on Poverty and Inequality

The Covid-19 pandemic has contributed to increased poverty and inequality in Kenya. As much as the pandemic affected everyone indiscriminately, the poor were hit the hardest as the virus increased their vulnerability to Poverty and led to inequality between the haves and the have-nots. In Kenya, Poverty is still high despite the spirited efforts to bring it down. According to the Kenya Nationa Bureau of Statistics report, poverty declined from 46.6% in 2005/06 downwards to 36.1%in 2016/ 2017. In the Rural Areas, poverty still stands at over 50% and 70% in the Arid and Semi-Arid Areas of Kenya.[55]

Reports from the latest Kenya Population and Housing Census indicate that close to 18million of Kenya were living in poverty majority of whom were in slums and Rural

[55] Kenya Private Sector Alliance (KEPSA) (2020) Business Perspectives on the Impact of the Coronavirus on Kenya's Economy, KEPSA, Nairobi

Areas. The COVID-19 pandemic made the already poor individuals be susceptible to the harsh condition making them sink deeper into poverty. The households that were headed by females were the most affected. The covid-19 pandemic also led to increased income where the income of the majority of Kenyans was seriously affected as some made millions due to the Pandemics. In Kenya, the majority of households live on hand to the mouth where they barely have savings. A large population of Kenyans works to meet their daily needs. Thus, the coronavirus pandemic has exacerbated income inequality. Kenya as a country has one of the highest unemployment which is at 35%. This means that the majority of the Kenya population rely on the informal sector to earn a living. This is since the formal sector only caters to 20% of the jobs with the job market slowly growing at 2.9% per annum.[56]

The covid-19 pandemic, therefore, pushed a number of those relying on the informal sector into poverty. Most of the workers within the informal could not afford to study at home as most of the business and informal employment were closed. Those living in poverty struggle to buy food on a daily basis since they lack the disposable needed to buy food three days a meal. The poor on normal days lack even the money to pay for medical bills. The Covid-19 pandemic, therefore, came with an extra-economic and financial burden to them. The pandemic compounded the daily shocks and stresses they undergo thereby leading them into more poverty. As per the government, directives wearing masks were mandatory. Therefore each individual was to buy masks. This came at an extra cost for the poor. The pandemic itself disrupted the source of income for the poor, to add salt to the injury the measures to prevent came at an extra cost. Poverty in this sense was compounded by the pandemic. The coronavirus pandemic led to a sharp rise in inequality and poverty as unemployment increase thereby negatively

[56] ibid

impacting the livelihoods of the majority of already poor Kenyans. For example, those who sell clothes in open markets to earn a living suffered a double tragedy of lack of income due to the closure of most open markets and the burden of caring for the family in the middle of the pandemic.[57]

3.4 Development Program

Development remains one of the key strategies the government uses to improve the living standards of its citizens. Economic security cannot be complete without Development. Development programs were also hit hard by the pandemic. the pandemic meant that the government has to refocus its priorities to prevent the spread of the virus. This meant diverting money meant for development programs that directly benefit ordinary citizens.

The Measures that were put in place to curtail the spread of the coronavirus negatively impacted the economic activity in Kenya and many other countries alike. In Particular, development was halted as all focus was now on the health sector and stopping the spread of the virus. The governments as well as the investors the unknown that came with the virus and hence halted the development programs. The immediate focus of the government was to strengthen the health sector which was facing the uphill task of preventing and controlling the spread of the virus. The health sector was also given priority as the positive case in the country increased and more care was needed for the infected.

[57] Gilbert, M., Pullano, G., and Pinotti, F., et al. (2020) "Preparedness and vulnerability of African countries against importations of COVID-19: a modelling study," Lancet 2020; 395: 871–77.

Development programs hence had to be set aside as the government through the ministry of treasury and planning diverted the majority of development funds towards combating the spread of the virus.[58]

3.5 Sustainable Development

It's without a doubt that sustainable development in Kenya was also impacted by the pandemic. The pandemic has highlighted, more than ever, that neglecting certain sectors make people living in poverty more vulnerable. The pandemic exposed that the sectors like health, housing, social protection as well as sanitation and hygiene had to be given many considerations. It came as a test to the sustainable development in Kenya as the majority of the citizens were pushed to their limits especially those living in poverty.

To this end, the economic impacts of Covid-19 went far more than just the short and long-term health and wellness or even poverty. The pandemic showed that the majority of Kenyans could not sustain their lives outside their normal income. They're also a lack of a framework to guard the poor in case of internal or external shocks like the one that came with the pandemic. The poor suffered directly either as a casualty of the disease or as victims of job loss and income disruption the most affected sectors were tourism, transport, Housing, health, trade, and labor force. Some of these impacts exposed the vulnerability of the Kenyan population and the fact that development in Kenya is not sustainable enough to take care of the welfare of the citizens especially in cases of the unknowns like the pandemic.[59]

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[58] Delloite, Economic impact of the COVID-19 pandemic on East African economies Summary of government intervention measures and Deloitte insights, (2020)

[59] Kenya Private Sector Alliance (KEPSA) (2020) Business Perspectives on the Impact of the Coronavirus on Kenya’s Economy, KEPSA, Nairobi

unlike other countries where most governments kicked in to offer foodstuff and other necessities to her citizens, the majority of poor Kenyas survived either on loans, borrowing, begging, or donations from well-wishers. The government did little to help the citizens. The supply and demand for a number of goods went down. Government revenues also went down meaning citizens were left on their own to survive as the government could do little to directly intervene and offer financial or basic need amenities. For example, the government was powerless to direct landlords to reduce rent or forgo rent during the pandemic.[60]

3.6 Employment

Kenya has one of the highest unemployment rates. To this end, the coronavirus made things worse for a country where the unemployment rate is already high. As discussed above the pandemic affected all sectors of the economy. The measures in place to stop the spread of the virus meant that most jobs either closed or downgraded its staff. This led to negative impacts on employment as the majority lost their jobs either forced on unpaid leave or dismissed without prior warning.

The service sector was one of the worst-hit by the Covid-19 pandemic. The nature of the spread of the virus meant that a number of services could not be offered for the fear of the spread of the pandemic. This in turn affected a number of jobs in the service sector.

3.6.1 Labour and Income Trends

The disruption in production processes and also consumption rates have forced many industries and companies to cut down staff numbers or even income or salary cuts as a

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[60] 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-govtanswers/?doing_wp_cron=1591259564.8096048831939697265625 and https://www.givedirectly.org/covid19/kenya/recipient-stories/.

means to be cushioned from the impacts of the virus. The labor and employment data indicates that Kenya's unemployment rates increased from 5.2% in the first quarter of 2020 to 10. 4% in the 2nd Quarter of 2020.[61]

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

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 labor participation rate in the country has fallen significantly as a result of the pandemic[62]. Data from World Bank shows that in 2019 Kenya had a labor-force participation rate of 75%; this rate fell to just 56.8% in April 2020. 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. 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."

[61] Kenya National Bureau of Statistics, "Quarterly Labour Force Report- Quarter 2 (April-June, 2020)". (August, 2020).
[62] 8 Kenya national Bureau of Statistics. Survey on Socio Economic Impact of COVID-19 on Households Report. Available at: https://t.co/zRheAaYKwi?amp=

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 absence 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.”[63]

3.7 Household Consumption

According to give direct, “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, and by mid-May 2020, floods claimed the lives of 237 people in central and northern Kenya. Restrictions in the movement of people and equipment as a result of Covid19, 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 neighboring countries. As a result, confinement measures such as the closure of open markets 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

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

worried about not having enough to eat. 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.[64]"

3.8 Economic impacts

The economic impacts of the Covid-19 pandemic are enormous and numerous. The pandemic as discussed disrupted the normal lives and normal ways o conducting business. The tourism sector for example was one of the main hit sectors while trade, housing, and transport sectors were not spared.

3.8.1 Exports and Tourism

The most affected sectors of the economy in Kenya are the tourism and agriculture sector which accounts for most of the exports in Kenya. During the covid-19 period, Kenya had the least arrivals and decreased export for its horticultural fresh produces. The reduction in export demand (including tourism by foreigners) has a significant spillover effect on the depreciation of the Kenya Shilling accompanied by adjustment to the trade balances through a decrease in imports. Arrivals in Kenya in January 2020 stood at 127,087, March 47, 296 while on August 13, 919. These depict a decrease in terms of tourist arrivals which is against the normal average of 100,000 arrivals per month in the preceding years.

3.8.2 Financial Markets

Trading at the Nairobi Securities Exchange (NSE) has been negatively impacted, occasioned by panic selling in March which led to a temporal closure of the bourse on the 13th March 2020 and the selling of stocks by foreign investors in Kenya's bourse

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

due to fear of market collapse. This even saw the wiping of Ksh. 240 Billion from the stock exchange in two days between the 12th and 13th of March 2020. The Nairobi Stock Exchange Share Index has dropped from 2600 in January 2020 to 1795 in August 2020, contrasted with 2468 in August 2019.[65]

3.8.3 Exchange Rate Volatility

The outbreak of this pandemic has exposed the volatility of Kenyan shilling due to various restrictions that have limited global trade leading to a scarcity of foreign currency. For example, the shortage of exports has made the Kenyan shilling vulnerable losing its value by 5% since the start of March. This will lead to Kenya's imports becoming cheap internationally which is negative to economic security. At the end of October, the local currency was trading at Ksh. 108.8 against the United States Dollar.

3.8.4 Remittances

Capital or fund inflows to developing countries are important to economic growth and development in various ways either directly or indirectly. This explains the scramble for diaspora populations by countries through various policies that provide incentives for sending home remittances. Remittances often are directed to the household or human capital expenditures such as education, health, food, construction, and investment; this deepens the financial purse of a country, increases savings, dampens income volatility thus economic growth, and in the long-term lead to impacts such as poverty reduction.[66] Covid-19 has starved countries like Kenya such benefits from these foreign inflows due to reduced disposable income globally occasioned by economic stagnation and reduced incomes. Central Bank of Kenya data on diaspora remittances shows that there was a decline from US Dollars 259.4 million to US Dollars 208.2

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[65] KNBS, "Lead Economic Indicators". (August, 2020).pg. 14.

[66] Dridi, J., Gursoy, T., Perez-Saiz, H. & Bari, M. "The Impact of Remittances on Economic Activity: The Importance of Sectoral Linkages". *IMF Working Paper 19/175* (August, 2019).

million in April and then in August it has increased to 274.1 million US Dollars.[67] This upward and downward trend exposes the Kenya shilling to volatility as it lacks stability in foreign currency flows.

3.8.5 Public Debts and Expenditure

African states have the challenge of unsustainable foreign and domestic debts necessitated by limited resources for various government projects and programs, weak financial management mechanisms, and limited revenues. The virus, therefore, got the states with these myriads of challenges combined with the demands for more resources to respond to the health crises and also to cushion citizens from the socio-economic impacts of the country. Kenya during the Covid-19 period has amassed debts, for example, in January the debt stood at Ksh. 6.1 trillion while in June it is at Ksh. 6.69 trillion. However, the core problem is not the increase but the expenditure. Kenya as other states is grappling with how to contain the virus and mitigate its impacts therefore the funds are majorly for health response and economic cushioning. Further, the borrowing is due to budgetary deficits occasioned by the tax relief measures taken by the government which has led to revenue losses of about 122.3 billion Kenya shillings.[68]

3.8.6 Gross Domestic Product

As the global economy is also predicted to be sinking into a recession, from the above assessment on various economic security variables, Kenya's gross domestic product (GDP) is projected to decelerate substantially in 2020 due to the negative impact of the COVID-19. Kenya's economic growth remains uncertain and the real situation depends on how the pandemic will persist and the effectiveness of the various socio-economic measures taken to mitigate the impacts. The latest World Bank Kenya Economic

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[67] Central Bank of Kenya, *Diaspora Remittances*, Accessed: 1st November, 2020.
[68] Parliamentary Budget Office, "The COVID 19 global pandemic: Impact to the economy and policy options". *Special Bulletin No.1/2020*.

Update (KEU) predicts growth of 1.5 percent in 2020 in the baseline scenario, with a potential downside scenario of a contraction to 1.0 percent, if COVID-19 related disruptions in economic activity last longer.[69] This is a drop from 5.4% and 6.30% growth in 2019 and 2018 respectively.

3.9 Impact on Education

The education sector was among the sectors that felt the impacts of the COVID-19. Just like the rest of the world, schools and learning faced temporary closure in a bid to mitigate the spread of Covid-19. The closure of School and learning institutions had far worse ramifications than just disruption of learning. The closure of learning institutions meant that millions of teachers and other staff had no jobs while it also compounded inequities as many schools opted for online learning to the disadvantage of poor and rural children.

School closure has been reported to have far-reaching effects, especially on learners. For example, the closure of school during the outbreak of Ebola in 2014–16 saw an increase in the number of children who dropped out of school. In Kenya, the closure of school has already led to increased teen pregnancies especially among school-going girls.

The Covid-19 pandemic therefore has brought extensive socio-economic impacts due to the closure of schools. The pandemic came when the schools were midway through. At this time, a number of parents had already paid fees. This means that their income was low and given the economic impacts of the pandemic, the closure of schools came at a bad time for both teachers and parents. Therefore the closure of schools not only had impacts on the learning process and progress among the learners but also has

[69] ibid

unintended economic consequences. The economic security of the households that directly depend on learning institutions as part of their income was seriously jeopardized.[70]

Another problem came with access to distance learning through digital technologies. The closure of schools opened up an avenue for online distance learning. As much as this was meant to serve the greater good of ensuring learners get an education, it opened up issues of inequality as not all learners could the e-learning platforms especially those from the marginalized communities. The e-learning also provided an extra economic burden to families since some of them had already pay fees but now had to buy digital online equipment like tablets, data, and so on. Learners staying at home also came with its challenges as working parents had to either leave their children alone unsupervised or they had to forgo employment in order to look after the kids.

3.10 Summary of the Findings of the Chapter

Conclusively the chapter has established that the economic security impacts of the Covid-19 pandemic in Kenya manifested itself in two distinct ways. The first was directly through the cost of being infected by the virus and the second was through the measures put in place to curtail the spread of the virus. The measure put in place to stop the spread of the virus came at an extra cost to Kenyans. Not only were Kenyans forced to buy protective gear like masks, but the pandemic also disrupted their source of income due to the closure of a number of businesses and workplaces. The result of this ea increase in poverty and inequality as millions of Kenyans lost the only source of livelihood and had to survive through begging or loans. The pandemic also slowed

[70] United Nations Economic Commission for Africa (UNECA) (18 March 2020). Economic Effects of the COVID-19 on Africa, UNECA, Addis Ababa

down development in the country as money set aside for development was diverted to the health sector. Equally the sustainable development in Kenya was affected and exposed as millions were plunged into poverty. Employment was a major concern as millions lost their jobs some even permanently. Housing consumption was also affected as various households could not afford 3 meals a day.

CHAPTER FOUR

GOVERNMENT INTERVENTIONS AND NATIONAL ECONOMIC SECURITY SINCE THE ONSET OF COVID-19 IN KENYA

4.0 Introduction

To prevent the Covid-19 infections from spreading wide many countries are working towards putting in place effective measures. To support the healthcare system in terms of protecting healthcare workers from having their incomes disrupted and to also protect solvent companies there have to be well put economic policies. States like Germany and Italy have implemented measures such as letting small businesses have automatic rollovers of debt. Italy's arrangement for laid-off workers includes supporting their income flow by expanding their wage supplements together with extending tax deadlines for the companies operating in most of the affected areas. France on the other hand has been at the forefront in extending its insurance to unemployed workers by 100 percent of wages to all laid-off workers. South Korea has increased the allowances for those seeking jobs and those in home cares, small merchants in the country also enjoyed wage subsidies. China in its own capacity introduced a waiver in social security contributions by businesses.[71]

With this kind of development, the African states have also begun to think about their post-pandemic situation, what is of great concern to the states is their position in the global economy. Just like other African states, the pandemic has exposed just how Kenya is vulnerable to the global supply chains the country is.[72]Most policy experts,

71 Gopinath, G. (9 March 2020). "Limiting the Economic Fallout of the Coronavirus with Large Targeted Policies", Available at https://blogs.imf.org/2020/03/09/limiting-the-economic-fallout-of-the-coronavirus-with-large-targeted-policies/ and Bosio, E., Djankov, S.,

72 OECD (20 March 2020) "Supporting people and companies to deal with the Covid-19 virus: Options for an immediate employment and social-policy response" Available at www.oecd.org/employment/

business executives, and political leaders are of the view that such high dependence has greatly disrupted supply chains during the pandemic and call for a revision in economic policies going forward.

4.1 Government of Kenya's Intervention

At the height of the Covid-19 pandemic, the government of Kenya stepped in with the aim of helping address the health and economic crisis that Kenya was in due to the pandemic.

This was done through the presidential address of 25 March 2020, where President Uhuru Kenyatta outlined a number of measures to cushion Kenyans against the economic security impacts of the COVID-19:

4.1.1 100% Tax Relief for “low-income earners”

The president in his address announces a 100% tax relief for low-income earners that is individuals who earn a gross monthly of KES 24,000 and below. These were the people that were worst hit by the economic security impacts of the Covid-19. Further, the government promised to channel the majority of disposable income to low-income earners.

4.1.2 Reduction of highest PAYE Band

Another measure that the government put forward was the reduction of the top Pay-As-You-Earn (PAYE) rate from 30% to 25%. This was in line with the 100% tax relief for low-income earners. The government also promised to cushion the most affected persons.

4.1.3 Reduction of corporate tax

In line with the presidential address, the Central Bank of Kenya (CBK) announced a reduction of the corporate tax. The economic impact the pandemic has had on the corporate world was the main reason why the government opted to reduce the resident corporate income tax from 30% to 25%. This was done to give firms more resources in order to deal with the challenges of the Covid-19. The corporate world was hard hit by the pandemic as they lost key markets while others were forced to shut down due to the restrictions of the pandemic.

4.2 Utilizing the Regional Production Networks

Kenya together with other African economies needs to improve its industrial capacities and make use of regional as opposed to global production networks. The 'Made in Africa' agenda calls for a combination of domestic industrial capacities and it argues that shorter supply chains will boost African economies by making them more resilient towards future exogenous shocks. The thinkers behind the concept were aware of the job creation and development benefits it would bring to the continent. This line of thinking is not just unique for the African setting, in fact, United States President - Donald Trump had been at the forefront in calling for a change in the medical supply chains of the country. Despite championing for free trade, the European Council and Commission have also found themselves in the midst of such debates. The European Union as an organization has seen the need of having a production capacity that is able to produce critical goods in its own capacity. The organization also sees this as a move that will reduce their dependency on some of the third countries which supply them with goods. Such shifts in thinking have also challenged the notion of globalization and whether it will benefit from the crisis.[73]

From the late 2000s, the issue of production capacity has been the main component of the majority of the African state's policy documents. This period saw many policy documents designed in a way that promoted structural transformation and industrialization through the development of national development strategies and policies.[74]This was in contrast with the early 2000s which had focused on poverty reduction strategies as well as those implemented in the 1990s that were focused on donor-driven structural adjustment strategies. The national plans of the late 2000s were meant to involve the states at a deeper level to take a key role in the development process by focusing mainly on the production side. At present time, the debate regarding productive capacity has taken shape in many of the countries especially those who are over-reliant on other states. Kenya has to design and implement strategic industrial policies as well as policies that deal with import substitution.

4.3 Aligning Regional Integration and National Development Plans

Initiatives such as the African Continental Free Trade Area (ACFTA) portray a renewed commitment by African countries towards successful regional integration. Such agreements are meant to challenge the productive capacities of member states by promoting intra-African trade while at the same time also promoting infrastructural development in the region. Kenya should take advantage of this agreement to expand

73 Diwakar, V., (10 March 2020). "From Pandemics to Poverty: the Implications of Coronavirus for the Furthest Behind: Comment," Available at https://www.odi.org/blogs/16754-pandemics-poverty-implicationscoronavirus-furthest-behind

74 Gilbert, M., Pullano, G., and Pinotti, F., et al. (2020) "Preparedness and vulnerability of African countries against importations of COVID-19: a modelling study," Lancet 2020; 395: 871–77.

its markets beyond the national level, this opportunity will be good for businesses as it will raise their potential to grow and improve their production capacities as well as recover from the impacts the pandemic had on production.[75]

Scholars argue that in a situation where both national and regional development plans are not in sync with each other there will be a likelihood of failed economic progress. A good example is a development of an industrialization strategy that was launched in 2012 by the East African Community (EAC) whose members by then comprised of (Burundi, Kenya, Rwanda, Tanzania, and Uganda). The strategy was to promote industrialization by leveraging East Africa's regional market and also by coordinating the EAC states' national development plans to be in line with each other.

When it comes to implementation the states have focused on promoting their industrial strategies from a national rather than a regional standpoint. This has been evident through strategies such as 'Made in Rwanda', Buy Kenya, Build Kenya' and Buy Uganda, Build Uganda which attracts domestic demand and the public purchasing of goods and services that are produced nationally. As much as this move promotes national goods and services it goes against the principles and spirit of regional cooperation, especially the non-discrimination principles that are covered in the EAC's customs union and common market document. The non-discrimination principles outline that all goods produced in the region should be treated equally across the member-states.[76]

75 ibid
76 Evans, D., and Over, M., (2020). "The Economic Impact of COVID-19 in Low- and Middle-Income Countries," https://www.cgdev.org/blog/economic-impact-covid-19-low-and-middle-income-countries

By practicing stays of application there have been some inconsistencies that have been witnessed in the EAC's common external tariff (CET) this predicament has been a result of the majority of the states championing for their own national industries. This has led to a situation where most of the EAC states have deviated from a number of tariff lines, in some cases, this has gone past a time frame of one year. In recent years most countries found themselves increasing the tariff rates for certain imported goods in a bid to promote national production. However such moves have not only undermined the CET regional consistency but have also challenged intra-EAC trade. Most of the uncertainty created has left doubts regarding duty-free treatment for certain goods within the EAC common market. The EAC common market presents a good avenue where all member states can gain from intra EAC trade that will boost individual state gains in trade which has been affected by the pandemic.

4.4 Regionalism Over Globalization

The East African situation clearly shows that the regional integration alignment with national industrial strategies are not aligned as the proponents of the Made in Africa agenda had stated. This should not mean that endeavors such as the AFCFTA are not implementable, in fact, the work put forward by African states to integrate themselves globally shows nothing but great possibility. In the post-pandemic context, Kenya should lead other African leaders in prioritizing regionalization as opposed to globalization as the African Agenda 2063 recommends.

The private sector has called for a regional economic recovery plan in the post-pandemic situation. This plan revived under the campaigns of 'Buy East Africa, Build East Africa' requires states to put aside their national economic practices that have defined regional integration over the majority of the last decade. The initial response by the states to the pandemic indicated some hope for regional integration as some dialogues were experienced in different parts of the region. For the regional response strategy to effective, all states including Kenya should be ready to trade some of the national economic practices and align them with the regional ones.[77]

Proponents of nationalism explain that this does strategy does not require the national development demands to be fully surrendered to those of regional development. To balance the two concepts there should be an acknowledgment by the states regarding how to go about it so that the Made in Africa agenda can develop into a reality across the continent.

4.5 Globalization in the Post-Coronavirus world

The globalization in the post-Covid-19 era provides an opportunity for Kenya and the world at large to this mechanisms and strategies to better recover from the impacts of the Covid-19 pandemic and better prepare themselves in case of future similar happenings.

4.5.1 Global Growth Patterns

Over the years, evidence has shown that with each macroeconomic cycle there tends to be a dramatic swing in international flows. The good times experience a situation where the gross domestic product of a country grows faster, on the other bad side, is a situation where the GDP will reduce in a fast manner as businesses and people hunker down

77 Kenya Private Sector Alliance (KEPSA) (2020) Business Perspectives on the Impact of the Coronavirus on Kenya’s Economy, KEPSA, Nairobi.

behind borders. Business leaders have noted that this time around increased growth can only be witnessed after the pandemic is managed or put under control.[78]

International economists put globalization as a very important factor that contributes immensely towards economic growth as well as the health sector. For countries that enjoy global interconnectedness at a higher scale are the most likely to experience fast economic growth. Some evidence has shown the possibility of such countries to be in a situation where they are less vulnerable to disease outbreaks, this might be because of the health care systems existing already in their countries. This calls for business giants within the country to go past analyzing the economic data that is affected by the disease trends. They can take part in altering the balance from negative to the positive side, this will be done through their contribution to health, growth, and international cooperation. [79]

In other states, some of the companies across all industries have gone ahead to manufacture urgently needed supplies during the pandemic. Companies in Kenya should follow suit and explore areas far from their comfort side and try to boost the manufacturing sector of the country. For large corporations, they can reduce the economic impacts of the pandemic by extending some support towards their employees, customers, or even contractors.[80]A good example of this strategy was Unilever's fast

78 Sachs, Jeffrey. (2020) Some economics of fighting COVID-19. Sustainable Development Solutions Network [SDS] Webinar on The Epidemiology and Economics of Coronavirus. 30 March 2020

79 Norman Loayza et al., Macroeconomic policy in the time of Covid 19, World Bank Group, March 26,2020(http://documents.worldbank.org/curated/en/951811585836124198/pdf/Macroeconomic-Policy-in-the-Time-of-COVID-19-A-Primer-for-Developing-Countries.pdf

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

payment of their suppliers. Other measures include supporting open markets, the company 3M championed this by resisting the proposed block on mask exports that were to originate from Latin America, Canada, and the USA.

4.5.2 Supply chains

Threatening to reshape trade and Foreign Direct Investment flows, the issue of supply chain policies has resurfaced again. The debates involve whether or if states will promote self-sufficiency or rather seek safety in international diversifications. Whereas politics will favor the former approach economic logic supports the latter which will be coupled by national stockpiles for true essentials. Some researchers have highlighted characteristics that can be presented for industries that are politically sensitive and may be approached by political means. This includes; Sales to governments rather than to private buyers, production of necessities for health or national security, and the size of an industry's domestic workforce among others. If the globalization debate of redundancy takes the center lead, Kenya should expect a drag in the world trade growth patterns, this will also be characterized by a change and diversification of countries 'trade partners.[81]

4.5.3 Frictions and Fragility of Powerful States

Even before the pandemic, the superpowers countries had already destabilized the world business environment. The pandemic has brought in a set of new complexities such as the increase in state power for some nations as well as the concept of controlling the pandemic through a set of ideological competitions. This environment has already created a situation where there is a greater focus on how companies relate to their

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81 Abiad, A., *et al*. (6 March 2020). "The Economic Impact of the COVID-19 Outbreak on Developing Asia," Asia Development Bank (ADB) Briefs, No. 128, Available at www.adb.org/publications/series/adb-briefs

country's governments. This relationship will be a key determinant of the area that capital needs to be raised, supply bases to explore and the markets to prioritize.[82]

Predictions stipulate that the pandemic will re-organize the global economy along regional lines, as the competing blocs are centered on Europe, the United States, and perhaps China. Therefore Kenya should be prepared for a regionalized world and loosen some of the strong attachment it has towards countries like China. Despite the fact that Europe is the world's most connected region, it has been unable to present one voice in its response to the pandemic this should not be overlooked as it creates the possibility of a resurgence of regions. Another factor that demonstrates the possibility of a resurgence includes the fact that most international flows are already taking place within regions and over the years, short-distance trade has not grown faster than long-distance trade. This calls for putting in place economic policies that are to work in a more regionalized world as much as the development is not 100 percent guaranteed.

4.5.4 Technology

In the pre-pandemic situation, globalization debates involving technology were centered on how the new technologies were to affect global flows by reducing them. Examples for this argument included the manufacturing side where robots could be manufactured in the home country so as to sell them as low –cost labor abroad. The pandemic has now supercharged the adoption of new technologies such as e-commerce, videoconferencing, and robots. Most of the technological shifts are likely to boost globalization as long as the protectionist policies are not enforced. Kenya should take

82 E. Massaro, A. Ganin, N. Perra, I. Linkov and A. Vespignani, (2018) Resilience management during large-scale epidemic outbreaks, *Nature Scientific Reports* 8, 1859 (2018) Also available at: http://www.oecd.org/naec/integrative-economics/Resilience_management_during_epidemics.pdf

advantage of Cross-border e-commerce that will likely expand its export opportunities, especially for smaller companies existing within the country. [83]

Business leaders within the country can boost technological developments by adopting a structural approach in analyzing the potential external and internal implications. Internally, the Kenyan worker can harness opportunities afforded by new technologies, while the organization tries to enforce managerial change while putting into consideration the employees and teams ‘ stressful situations. On the external approach, the technological trends will be key for Kenyan businesses, it presents an opportunity for them to shift the business’s standing vis-à-vis its competitors, customers, suppliers, and other factors. For other kinds of businesses, the technological shifts will present an opportunity for them to globalize.

4.6 Leadership

For populations across the world, they expect their political and corporate leaders to have a stand on economic issues, this then means that public opinion about economic security in the country will at some point be a potential management issue. Movements such as the anti-capitalist and anti-globalization ones are likely to complicate the role of governments in steering economic recovery plans within their territories. The multi-national corporations will also find it difficult to put in place both public and government engagement across different national divides. The pro and anti-globalization all present opportunities and challenges. The country should utilize the opportunity of being partially connected with other national economies, this will help

83 Linkov, I., Trump, B. D., & W Hynes (2019) Resilience Strategies and Policies to Contain Systemic Threats

expand the possibilities of a global strategy. Instead of focusing on such debates, the country should put the effort in addressing inequality and put in place real economic contributions that will aid in supporting economic recovery post-Covid.[84]Economic stress conditions call for trade protectionism measures and effort by local corporations to harness the best of the capabilities and in the long run bolster the recovery process.

4.7 Development and Innovation Agenda

To ensure a rapid and durable recovery of the economy there is a need for innovative solutions that will reduce the cost of livelihoods. Creditors and investors in the country should put in place innovative financial products that are relevant to their target market. Economic recovery will only be possible in an environment that favors macroclimate, such a climate will make it easier for firms and investors to operate. For most of the developing countries such climates are dependent on the decisions by government, multilateral development organizations as well as creditors of sovereign debt.[85]

4.7.1 Innovation to Protect Livelihoods

The country can use past development initiatives to repurpose initiatives that protect the livelihoods of people in terms of mitigation measures. As evidence suggests fintech innovations and mobile ones are most likely to assist communities in reducing the economic costs that vulnerable populations have had to encounter in trying to mitigate the effects of the pandemic.

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84 Heather Boushey, Unbound: How Inequality Constricts Our Economy and What We Can Do About It (Cambridge, MA: Harvard University Press, 2019), available at http://www.hup.harvard.edu/catalog.php?isbn=9780674919310

85 Kristalina Georgieva, Confronting the crisis: Priorities for the global economy, IMF, April 9, 2020 (https://www.imf.org/en/News/Articles/2020/04/07/sp040920-SMs2020-Curtain-Raiser)

Some of the innovations that fall under this category include;

4.7.2 Supporting the Remote Expansion of Cash Transfers

In Sub-Saharan African countries a total of 40 out of 48 states have unconditional cash transfers whereas 12 of those have conditional cash transfers, the majority of the cash transfers rely on mobile money. This presents a predicament because vulnerable members of the community, especially the youth more than often miss out on this. The country can address this by implementing targeted innovative projects that focus specifically on certain marginal groups who were bypassed by social safety nets, this may in return be of high value to the groups. The cash transfer programs should also put in the factor of gender considerations for example analyzing the potential impacts of social norms that have governed women's freedom over time.

The use of self-help groups can also be a strategy to steer economic recovery after the pandemic. To promote income generation among the vulnerable members of the population like the women, the self-help groups can be mobilized to create products within their local markets for the foreseeable future. The common habits of sharing resources and operating savings based on a rotational basis will assist these groups by complementing their household levels of the transfer.[86]

4.7.3 Compensation for Firms Keeping Low-Paid Staff on the Payroll in the Formal Sector

Evidence from the Gulf and Bangladesh states shows that compensation by firms may have or not have practical applicability. The difficulty inapplicability is present because of differing relevance that is present in different contexts. It is recommended that the

86 Kristalina Georgieva, Confronting the crisis: Priorities for the global economy, IMF, April 9, 2020 (https://www.imf.org/en/News/Articles/2020/04/07/sp040920-SMs2020-Curtain-Raiser)

best solutions are likely to come from local innovators or frontline actors. To start this conversation, the country can borrow some of the Global Innovation Fund's ideas and consider implanting those at a local level. There exist more solutions that can be considered by the country as long as it remains open to the different approaches existing.[87]

4.8 Enabling Environment

Both the government and financial actors rely on each other for the creation of macroeconomic enabling environments. The government requires the financial actors to go beyond the challenges resulting from the pandemic through calculated response and recovery processes, on the other hand, the investors and firms rely on the government to create a macroeconomic environment that is conducive for them, another set of actors that determine this kind of environment include the international buyers of sovereign debts.

The option of monetary stimulus and extraordinary fiscal measures is available for the rich countries, however, the low and middle-income countries have a limited toolkit. Most of the developing and least developed countries were already facing debt burdens before the pandemic, most of the African states already had fiscal deficits. To date, the strains are felt with increased calls for debt restructuring. The possibility of a freefall of currencies will happen in a situation where there is an increase in the stimulus spending that would further worsen the fiscal deficits.[88]

Kenya as a country also had debts, this situation thus calls for large-scale measures that will restructure debts and increased spending by the state. Multilateral institutions such

87ibid

88 Norman Loayza et al., Macroeconomic policy in the time of Covid 19, World Bank Group, March 26, 2020 (http://documents.worldbank.org/curated/en/951811585836124198/pdf/Macroeconomic-Policy-in-the-Time-of-COVID-19-A-Primer-for-Developing-Countries.pdf)

as the International Monetary Fund and the World Bank have put in place programs that support the least and developing countries. Decisive action by the Kenyan government will push the country forward by opening up a business. This will support Direct Foreign Investments, impact investors, and other actors as well as amplifying the support for macro-economic policies in the long run. [89]

4.9 Shifts in the Distribution of Aid

International political economy shows a growing linkage between aid and trade, according to scholars in the field investments by donor countries prioritize the strategic sectors that are key to them. In most cases, we find that the priorities of the donor states do not match with the welfare needs and development priorities of the receiving countries. The world has experienced a surge in private donations hence leading to most of the organizations launching for Covid- 19 appeals to fundraise money. The abundance of foreign donations towards NGOs on the other led to a situation where resources were not utilized well, this has affected some of the communities in different parts of the country. Such trends should serve as a warning for policymakers and researchers of the international political economy of foreign aid in the era of Covid-19. [90]

4.10 Summary of the Findings of the Chapter

The chapter concludes that there a number of measures have been put in place to address the impacts of Covid-19 in Kenya. These measures are both local and international. Given the global nature of the pandemic, international assistance will be required in the Sub-Saharan Africa region in the post covid situation. To finance recovery measures,

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89 See regular updates on Financial Times' “Coronavirus economic tracker: latest global fallout”
90 Baker McKenzie. 2020. “COVID-19: Impact on Governmental Foreign Investment Screening.” 2020. https://www.bakermckenzie.com/en/insight/publications/2020/03/covid19-impact-governm ental-foreign.

both multilateral and bilateral creditors in the region as the region is characterized by public debt challenges. To put in place effective policies as well as preserving macroeconomic stability in the region the report recommends for a suspension in the servicing of such debts in instances where it is possible there is a call for debt relief or what can be termed as debt forgiveness.[91]

All African states including Kenya have to encourage policymakers to think ahead about the exit strategy from COVID-19. This strategy should be aimed at building future resilience for the economies of the countries. African economies have a long way to go in terms of designing policy pathways that can achieve sustainable growth, economic diversification, and inclusion. The economic sustainability of African economies will always remain dependent on the nations' ability to change the depleting stocks of natural wealth into reproducible capital assets. Such assets include; physical capital, infrastructure, and human capital. "The United Nations Economic Commission for Africa (UNECA) in its World Economic Situation and Prospects for 2020, has also predicted a drop in GDP growth for many of the countries. The Covid-19 pandemic will test the limits of societies and their economies across the world, therefore to avoid being hit hard Kenya should implement post-recovery strategies that would push the country's economic future.[92]

91 Diwakar, V.,(10 March 2020). "From Pandemics to Poverty: the Implications of Coronavirus for the Furthest Behind: Comment," Available at https://www.odi.org/blogs/16754-pandemics-poverty-implications-coronavirus-furthest-behind

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

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

5.0 Introduction

The final chapter presents the study findings, conclusion, and recommendations based on the three specific study objectives. This section also recapitulates the findings of the study.

5.1 Summary of the Findings

In line with the first objective, the study findings were that despite the Covid -19 being a health pandemic, its impacts have been felt across all spheres of life including the economic sector. The chapter established that human security is one of the major sectors that was affected by the Covid-19 pandemic. Economic security entails a condition in which there is a stable income or the availability of other resources that support the attainment of better living standards.

The covid-19 pandemic has affected the livelihood of all citizens especially the poor. Kenya was economically secure pre-covid-19. A number of sectors were moving on well except for food security that was affected due to rains and locust invasion. The economy was moving in the right direction a number of individuals have means to sustain their lives either through employment, business, Jua kali, and more. However, the pandemic destabilized a number of families and placed them in a state of economic insecurity.

Based on the second objective, the chapter has established that the economic security impacts of the Covid-19 pandemic in Kenya manifested itself in two distinct ways. The first was directly through the cost of being infected by the virus and the second was through the measures put in place to curtail the spread of the virus. The measure put in place to stop the spread of the virus came at an extra cost to Kenyans. Not only were Kenyans forced to buy protective gear like masks, but the pandemic also disrupted their source of income due to the closure of a number of businesses and workplaces. The result of this ea increase in poverty and inequality as millions of Kenyans lost the only source of livelihood and had to survive through begging or loans. The pandemic also slowed down development in the country as money set aside for development was diverted to the health sector. Equally the sustainable development in Kenya was affected and exposed as millions were plunged into poverty. Employment was a major concern as millions lost their jobs some even permanently. Housing consumption was also affected as various households could not afford 3 meals a day.

Finally, as per the third objective, the study established that there a number of measures have been put in place to address the impacts of Covid-19 in Kenya. These measures are both local and international. Given the global nature of the pandemic, international assistance will be required in the Sub-Saharan Africa region in the post covid situation. To finance recovery measures, both multilateral and bilateral creditors in the region as the region is characterized by public debt challenges. To put in place effective policies as well as preserving macroeconomic stability in the region the report recommends for a suspension in the servicing of such debts in instances where it is possible there is a call for debt relief or what can be termed as debt forgiveness.

All African states including Kenya have to encourage policymakers to think ahead about the exit strategy from COVID-19. This strategy should be aimed at building future resilience for the economies of the countries. African economies have a long way to go in terms of designing policy pathways that can achieve sustainable growth, economic diversification, and inclusion. The economic sustainability of African economies will always remain dependent on the nations' ability to change the depleting stocks of natural wealth into reproducible capital assets. Such assets include; physical capital, infrastructure, and human capital. "The United Nations Economic Commission for Africa (UNECA) in its World Economic Situation and Prospects for 2020, has also predicted a drop in GDP growth for many of the countries. The Covid-19 pandemic will test the limits of societies and their economies across the world, therefore to avoid being hit hard Kenya should implement post-recovery strategies that will push the country's economic future.

5.2 Conclusion of the Study

Kenya's economic prosperity, since the past has depended increasingly on the flow of goods and services, people and capital, and information and technology across and within the borders. The country's medium-term growth is projected to rebound fast (to about 5.6 percent over the medium term), on assumption that investor confidence will be restored soon after the COVID-19 pandemic is contained. The greatest uncertainty to this outlook, however, is the extent of the impact of the COVID-19 global pandemic on Kenya. Large-scale community transmission of COVID-19 could disrupt domestic economic activity more severely and reduce growth below the baseline. Residual risks include the potential for drought and a second-round of locust invasion in mid-2020, which could reduce agricultural output and hurt rural incomes.

To date, the Covid-19 has had a direct bearing on both the supply and demand side of the economy. Effects have also been felt in the financial market implying a disequilibrium in the economy. Due to the existing trade model, the demand and supply of both intermediate and finished goods, as well as the service industry are facing a threat. On the other hand, demand has been largely affected by reduced government spending, job losses, reduced income earnings, uncertainty, curfews, and lockdowns. There lingers a possibility of financial shocks which will be caused by terms of instability at the stocks market, reduced flow of liquidity and credit in the economy unless the timely response is made.

In 2019, Kenya's GDP growth was averaged at 5.4% in 2019 projections for growth were estimated to be about 5.7% as of 2020. This growth would be as a result of increased and improved private consumption, higher credit growth, and rising public and private investment. Kenya's

Financing risks have been exposed and painted the country negatively mostly because revenue base collections have been reduced. As such, the big gross borrowing requirements, which include amortization of external bilateral debt and the need to refinance a large stock of short-term domestic debt have seen rating agency Moody's change. The country's sovereign credit outlook has thus shifted from a "negative" to a previous outlook of "stable". In light of the COVID-19 pandemic, GDP growth is expected to decline to 1.0%.

This will be because of reductions in household and business spending (about 50%) due to liquidity constraints; Disruption in the supply chain for key inputs in machinery and chemicals (about 30 percent); Decline in imports from affected countries (about 3.1% estimated decline in total import value); a decline in tourism activity (about 20 percent) due to a standstill in the global aviation industry; and a decline in government spending in different sectors due to a USD 658m shortfall in revenue collection in the remaining

Based on the third objective, the study established that the government has put in place some state interventions to protect the economy from shocks and huge effects that the pandemic has come with. Such interventions are made so as to push the economy and ensure the security of jobs as well as provide some certainty for both the country and its international partners. However, a negative and inequitable impact on economic security will mean that the control measures are and will not be sustainable in the long run. As additional measures to tackle this pandemic and lessen the impact on the economy, the government spending should be devoted to health to flatten the Covid-19 contagion curve, seek freeze of debts servicing obligations, capital control to avoid capital flight, support informal sector which depends on daily wages, ensure uninterrupted supply of food and basic utilities such as water, especially to the city dweller.

5.3 Key Findings of the Study

The key findings of this study were, Kenya was economically insecure in the pre-Covid 19. Economically the country was on the right strides towards improved economic growth. however, Kenya was still generally economically insecure.

Therefore, the pandemic made an already bad economic security situation worse. Covid-19 exposed underlying Kenya's economic insecurity as a number of sectors and individuals were hard hit by the impacts of the pandemic. the pandemic had economic, social, and health impacts. This exposed a number of citizens to the harsh economic condition thereby making the more economically insecure.

The government of Kenya has responded to the economic security impacts of the pandemic. the government announced 100% tax relief to low-income earners, reduction of highest PAYE as well as reduction of corporate tax. However, more needs are done if Kenya is to recover fully and become economically secure.

5.4 Recommendations of the Study

Based on the objectives and findings, the study recommends that e:

There is a need to consider the social and economic impacts the pandemic has had on the poor and the vulnerable. The pandemic has expounded the problems of Hunger and bills hence immediate measures should be put in place to ensure that those living in poverty are given priority now and in the post-covid-19 recovery programs.

There is also a need to put the economic security of citizens at the forefront. This requires the revision of budgetary where health should go and in hand, with social protection, if people cannot be assured of their economic security during this pandemic then they are likely to break Covid-19 protocols in search of food. This will mean zero work for the preventive measures in place, therefore re-allocated of budgeted funds towards health and social protection will ensure that the fight against the spread of the virus is done in such a way that the economic security of citizens is also placed at the forefront.

There is also a need to provide wage subsidies especially for those whose jobs were directly impacted by the pandemic hence lost their jobs due to the virus.

The impact of covid-19 on trade and travels has shown Kenya and African at large the need to invest and Sustain local industries (to not only provide jobs but also produce basic goods with the country in order to better deal with the shocks that come with the closure of international borders.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

The purpose of this questionnaire is to obtain information that is relevant to my study on the "**Assessing the Economic Security Impacts of Covid-19 Pandemic: Key Responses And Challenges in Kenya** ". This is part of a research paper to be submitted by the researcher in partial fulfillment for the award of Masters at the University of Nairobi- Nairobi Kenya. You are assured that the answers that you provide will be treated with the utmost confidentiality and will not be used in any way against you or in ways other than those envisaged in the study.

Read the items carefully and indicate by ticking () against your most preferred choice. Also, state your views and opinions in the spaces provided.

Thank you.

SECTION ONE: PERSONAL DATA

1. Gender

Male [ ]. **Female [ ]**

2. Age

18 – 24 [ ] **46 – 55 [ ]**

25 – 35 [ ] **56 – 65 [ ]**

36 – 45 [ ] **Over 66 [ ]**

3. Education Level

No Formal education [ ] **Below KCPE [ ]**

Below KCSE [ ] **Form 4 Certificate [ ]**

Diploma [ ] **Degree [ ]**

Other (Please Specify) ……………………………………………………………….

SECTION TWO: THE ECONOMIC SECURITY OF KENYA PRE--COVID 19

4. What do you understand by economic security?

…………………………………………………………………………………………
…………………………………………………………………………………………

6. Describe the status of Kenya's economic security?

…………………………………………………………………………………………
…………………………………………………………………………………………

7. what was Kenya's economic security pre-covid 19?

…………………………………………………………………………………………
…………………………………………………………………………………………

SECTION TWO: THE ECONOMIC SECURITY IMPACT OF COVID-19 IN KENYA

8.In your views, what is the most devastating impacts of Covid-19 in Kenya?

…………………………………………………………………………………………

…………………………………………………………………………………………

9. Which sectors were worst hit by the pandemic in Kenya?

…………………………………..………………………………………………………

…………………………………………………………………………………………

10. Were you affected by the pandemic? If yes How?

…………………………………………………………………………………………

…………………………………………………………………………………………

11. Comment about Kenya's economic security during the Covid-19 pandemic?

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…………………………………………………………………………………………

12. How did the Covid-19 pandemic threaten Kenya’s economic security?

…………………………………………………………………………………………

…………………………………………………………………………………………

SECTION THREE: RESEARCH-BASED MEASURES TO ADDRESS THE ECONOMIC SECURITY IMPACT OF COVID-19

13 . what was the government of Kenya's response to the economic security threats of Covid-19? Have they been effective

…………………………………………………………………………………………

…………………………………………………………………………………………

14. What more can be done to address the economic security impacts of Covid-19?

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…………………………………………………………………………………………

Appendix II: Turnitin Report

ASSESSING THE ECONOMIC SECURITY IMPACTS OF COVID-19 PANDEMIC: KEY RESPONSES AND CHALLENGES IN KENYA

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