



Impact of COVID-19 on Kenya's Food Systems

SITUATION REPORT – EDITION 2
24 March 2021

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List of Abbreviations

AgTech	Agricultural Technology
CCI	Consumer Confidence Index
FAO	Food and Agriculture Organization
FAS	Foreign Agricultural Service
FEWS	Famine Early Warning Systems
FSD	Financial Sector Deepening
FY	Fiscal Year
GAIN	Global Alliance for Improved Nutrition
ICT	Information and Communications Technology
IPC	The Integrated Food Security Phase Classification
KEMRI	Kenyan Medical Research Institute
KES	Kenyan Shilling
KNBS	Kenyan National Bureau of Statistics
KNCCI	Kenya National Chamber of Commerce and Industry
MOITED	Ministry of Industrialization, Trade and Enterprise Development
MSC	Micro Save Consulting
MSMEs	Micro, Small and Medium-sized Enterprises
REACH	Renewed Efforts Against Child Hunger and undernutrition
RMS	Resilience Measurement of Market Systems
SCBF	Swiss Capacity Building Facility
SMEs	Small and Medium-sized Enterprises
USD	US Dollar
WFP	World Food Programme
WHO	World Health Organization

An exchange rate of USD 1 = KES 109.65 was used throughout this report

KEY MESSAGES

- Despite the relative improvement in the food situation in Kenya, poor food accessibility remains an issue in both urban and rural areas of the country.
- About 1 million people were estimated to be food insecure, which is partly due to the impacts of COVID-19 on the livelihoods of vulnerable households in the country. Many poor urban households in Nairobi, Kisumu, and Mombasa will continue to face *Crisis* (IPC Phase 3) levels of food insecurity.
- Food inflation rates in Kenya have not been stable since February 2020; food inflation was highest in March 2020 at 11.85% and lowest in September 2020 at 5.18%.
- Digitalisation and local production are increasingly becoming a necessity to survive in COVID-19 times as agri-food SMEs adapt to new business models.
- The government's COVID-19 stimulus initiatives appear to favour formal SMEs, which could increase the future level of formalisation in the economy and the agri-food sector.

1 SCOPE AND PURPOSE

The COVID-19 pandemic and its second wave have continued to negatively impact the livelihoods and threaten the food security and nutrition (FSN) of many households in Kenya. In response to mitigate these impacts, the Global Alliance for Improved Nutrition (GAIN) developed the Keeping Food Markets Working (KFMW) programme to provide targeted support to help sustain core food systems, workers and markets during the COVID-19 emergency. The programme's objective is to mitigate the risk of the collapse of food systems and ensure the availability and affordability of nutritious food. **This report, which is edition two of the report series, summarises the current situation of Kenyan food systems amidst COVID-19 between November 2020 and February 2021, with an emphasis on small and medium-sized enterprises (SMEs) and nutritious food value chains.**

The information in this edition comes largely from a synthesis of relevant secondary data but also includes some primary research by GAIN and its partner initiatives. A thorough desk review of available secondary data was conducted, including FEWS NET; the Kenyan National Bureau of Statistics (KNBS); the Food and Agriculture Organization (FAO) Big Data tool on food chains under the COVID-19 pandemic; FAO Food Price Monitoring and Analysis; and over a dozen studies by FAO, the World Bank and others. The information is current as of approximately 10 March 2021.

2 COVID-19 RESTRICTIONS & SUPPORT FOR THE VULNERABLE

The Kenyan government has implemented and extended several COVID-19 measures and restrictions to limit the spread of the virus in the country. These include compulsory wearing of protective face masks in public areas; prohibitions of public gatherings except for funerals, burials, and weddings (which must not exceed 150 attendees); curfew extension; and early closing hours of bars, restaurants, and other establishments.¹ However, there was a sharp decline in compliance with COVID-19 guidelines, especially in urban areas of Kenya, from 84% in mid-September 2020 to 52% in mid-October 2020.² The effect of the drop in compliance became apparent as the government ramped up laboratory testing capacity across the country between October and November 2020, leading to an increasing number of positive COVID-19 cases.³

¹<https://www.garda.com/crisis24/news-alerts/445106/kenya-covid-19-restrictions-remain-largely-unchanged-feb-18-as-compared-with-those-in-force-in-late-january-update-18>

² <https://www.worldbank.org/en/country/kenya/brief/monitoring-covid-19-impact-on-households-and-firms-in-kenya>

³ <https://reliefweb.int/report/kenya/kenya-situation-report-20-oct-2020#:~:text=The%20number%20of%20positive%20COVID,resuming%20classes%20on%2012%20October.>

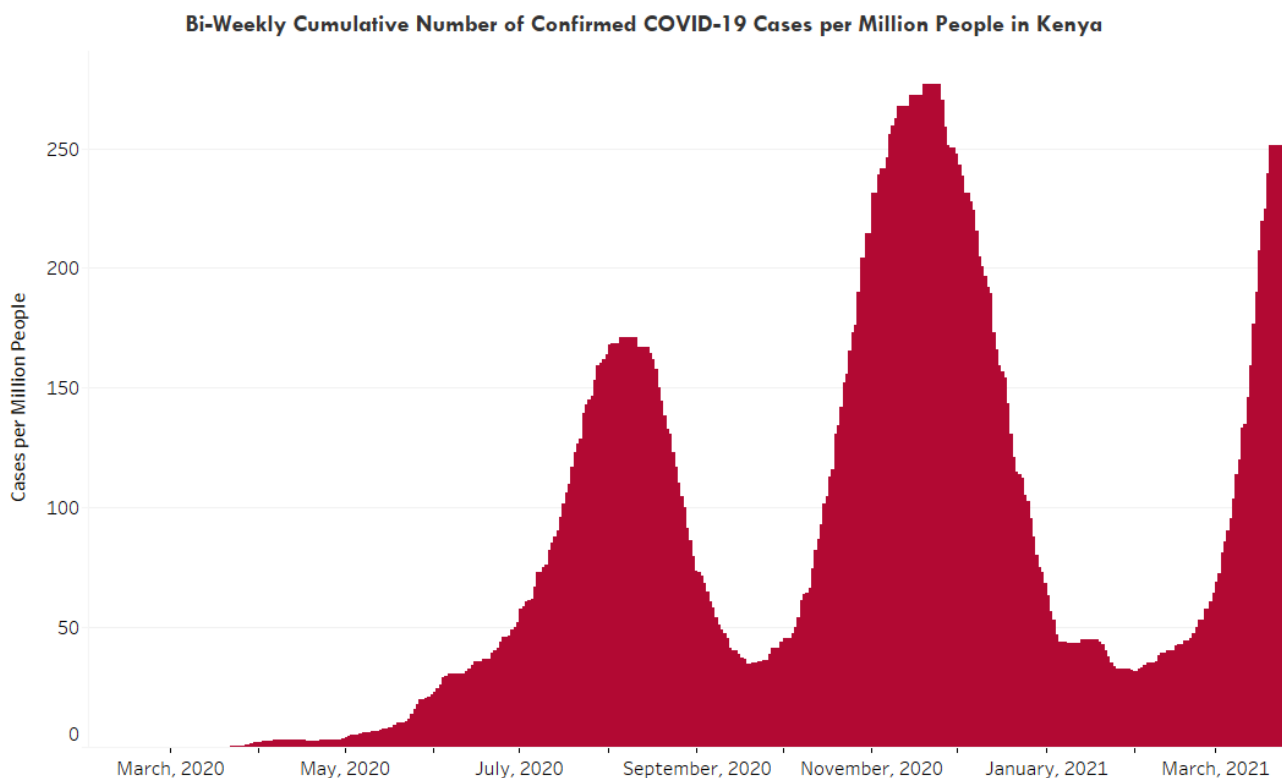


Figure 1: Bi-Weekly Cumulative Number of Confirmed COVID-19 Cases per Million People in Kenya

Source: <https://ourworldindata.org/coronavirus> – Last updated 24 March 2021.

With the spike in the number of confirmed cases in November 2020 (Figure 1), the Kenyan government updated the COVID-19 control measures to curb the spread. These changes include the extension of the 10 pm to 4 am nationwide curfew until March 12, 2021, limiting public transport capacity to 60% and ordering restaurants and other public establishments to close at 9 pm.⁴ The number of cases then dropped substantially. However, Kenya has been experiencing another significant rise in COVID-19 cases since February 2021. The Kenyan Medical Research Institute (KEMRI) suggests that the discovery of a new variant of COVID-19 in January 2021 could be a reason for the increase in cases.⁵ On March 3, 2021, Kenya received about 1.02 million doses of the AstraZeneca-Oxford COVID-19 vaccine through the global COVAX initiative.^{6,7}

The government also made efforts to support the vulnerable by putting in place measures such as:

- A continuation of the existing Inua Jamii Consolidated Cash Transfer Programme, including the payment of KES 8.7 billion (USD 79.3 million) to over 1 million beneficiaries. Inua Jamii is a governmental National Safety Net Program aimed at improving lives of vulnerable citizens through bi-monthly cash transfers to enrolled orphans and vulnerable children, older persons and persons with severe disability.⁸
- Extending the Kazi Mtaani Initiative. This programme began in July 2020 as a form of social protection to cushion the effect of COVID-19 on youth and vulnerable citizens in informal settlements.⁹ The programme has benefited over 341,000 households as of January 31, 2021 and pays participants a weekly stipend between KES 455¹⁰ to 1,000¹¹ (USD 4.2 to 9.1) for carrying out public jobs, skilled and unskilled, such as

⁴ <https://www.garda.com/crisis24/news-alerts/424626/kenya-authorities-extend-covid-19-related-curfew-and-gatherings-restrictions-jan-3-through-march-12-update-15>

⁵ <https://www.voanews.com/covid-19-pandemic/kenyan-scientists-discover-new-coronavirus-mutation>

⁶ https://www.washingtonpost.com/world/africa/kenya-receives-receives-1-million-vaccines-from-covax/2021/03/03/2e79d384-7bf1-11eb-8c5e-32e47b42b51b_story.html

⁷ <https://www.unicef.org/kenya/press-releases/over-1-million-covid-19-vaccine-doses-arrive-nairobi-via-covax-facility>

⁸ <https://www.socialprotection.go.ke/wp-content/uploads/2021/02/Press-Brief-for-Inua-Jamii-Sept-Dec-2020-payment.pdf>

⁹ <https://www.standardmedia.co.ke/business-news/article/2001405281/government-extends-kazi-mtaani-initiative>

¹⁰ <https://www.the-star.co.ke/news/2021-02-19-kazi-mtaani-programme-to-be-extended-says-uhuru/>

¹¹ <https://nairobi.news.nation.co.ke/news/kazi-mtaani-initiative-extended-by-a-month>

street cleaning and service delivery. The stated goal of extending the programme is to protect participants' livelihoods while building their resilience as they adapt to the pandemic.¹²

In addition, United Nations agencies, international development agencies, civil society and the private sector also took actions. For example, the USAID Feed the Future initiative in Kenya redirected USD 14.3 million to alleviate the impacts of COVID-19 on the Kenyan agriculture sector and ensure continued operation of the food supply chain and agricultural exports.¹³ The ongoing two-year Resilience Measurement of Market Systems in Kenya (RMS-Kenya) programme, organised by the U.S. Department of Agriculture, Foreign Agricultural Service and Global Programs and aimed at building the resilience of market players, especially vulnerable groups such as youth and women, in crop production, livestock and dairy markets by addressing their capacity to absorb, adapt or transform shocks such as food price volatility, drought, locusts and COVID-19.¹⁴

More details on SME-related support actions taken can be found in Section 6.

3 IMPACTS OF COVID-19 ON LOCAL FOOD SYSTEMS AND FSN

Around 1.8 million people – 3.3% of the Kenyan population – were estimated to be food insecure between October and December 2020. According to an FAO quarterly global report on Crop Prospects and Food Situation (December 2020), about 850,000 people in Kenya were estimated to be severely food insecure between October-December 2020 in the drought-prone counties (which cover most of the country). In the same period, the food security situation was seen to have significantly worsened in urban areas, where about 1 million people were estimated to be food insecure due to the socio-economic impacts of COVID-19 on the livelihoods of vulnerable households.¹⁵

Uneven rainfall distribution and locust swarms are worsening the FSN situation in the country.^{16,17} Following the below-average October to December 2020 short rains, food crops such as grains (maize, millet and sorghum) and pulses (green grams, beans and cowpeas) showed signs of water stress, and it was anticipated that the harvest from February 2021 will be approximately 30% below-average.^{18,19} According to the FAO Desert Locust Situation Update on February 23, 2021, the imminent threat of locust outbreaks has subsided, but it is expected that swarms could return to some parts of the country with the onset of the long rains in March 2021.²⁰

As a result of the ongoing COVID-19 control measures, poor urban households in Nairobi, Kisumu and Mombasa will continue to face a *Crisis* (IPC Phase 3) food security situation.²¹ They are observed to have engaged in crisis-coping strategies such as reducing non-food expenses like healthcare and selling productive assets like sewing machines, wheelbarrows and bicycles to meet their minimum food needs. FSD Kenya (February 2021) reported that 63% of households have skipped meals while approximately 65% stated that food is available in local markets, signifying that a main driver of low food consumption is a lack of money.²² Generally, restrictions have led to increased cost of food production in both rural and urban areas, driven by an increase in transportation costs as a result of limited public transport capacity and increased input prices.²³

The impacts of consumers' low demand for food and farmers' reduced incomes will be felt differently in the short and long terms. In the short term, they may further hinder food security. In the long term, it could reduce farmers' interest in farming and encourage migration to urban areas in search of other livelihoods. A study funded by the UK Foreign Commonwealth and Development Office on 4,100 Kenyan farmers found that, as of January 2021, only 25% of farmers had strong interest in continuing farming in the coming months, compared to 57% in July 2020.²⁴

¹² <https://www.the-star.co.ke/news/2021-02-19-kazi-mtaani-programme-to-be-extended-says-uhuru/>

¹³ <https://www.usaid.gov/documents/1860/feed-future-kenya>

¹⁴ https://www.usaid.gov/sites/default/files/documents/Resilience_Measurement_of_Market_Systems_in_Kenya_Factsheet_2021_1.pdf

¹⁵ <http://www.fao.org/3/cb2334en/cb2334en.pdf>

¹⁶ <https://fews.net/sites/default/files/documents/reports/Global%20Weather%20Hazards-01.07.2021.pdf>

¹⁷ <https://fews.net/east-africa/kenya/key-message-update/january-2021>

¹⁸ <https://fews.net/east-africa/kenya/key-message-update/january-2021>

¹⁹ <http://www.fao.org/giews/countrybrief/country.jsp?code=KEN&lang=ar#:~:text=According%20to%20the%20latest%20Greater,be%20harvested%20from%20February%202021.>

²⁰ <https://fews.net/east-africa/kenya/key-message-update/january-2021>

²¹ <https://fews.net/east-africa/kenya/key-message-update/january-2021>

²² <http://www.fsdkenya.org/wp-content/uploads/2021/02/21-02-05-2020-State-of-the-Economy-FSD-Kenya-Presentation.pdf>

²³ <http://southernvoice.org/crisis-impacts-on-rural-lives-and-livelihoods-in-kenya/>

²⁴ <https://app.60decibels.com/covid-19/agriculture>

Impact of COVID-19 on SMEs since November 2020

According to work by Micro Save Consulting and the Swiss Capacity Building Facility, MSMEs in Kenya were still struggling with the impacts of COVID-19 in December 2020, despite the relaxation of some of the control measures at the time. While businesses have been recovering slowly with a marginal increase in customer footfall and increase in sales, 39% of the businesses surveyed still operate with reduced hours compared to pre-COVID-19. Local supplies were reported to have improved, but repayment of loans has emerged as a key challenge for MSMEs. Some business operators reported an increasing burden of interest payments, as they had to extend their loan repayment terms.²⁵

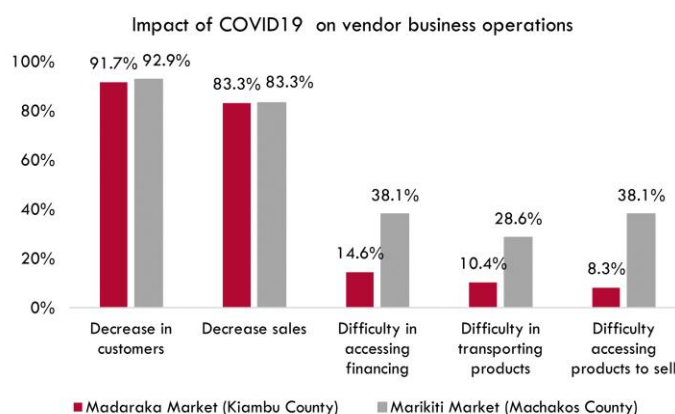


Figure 2: Impact of COVID-19 on vendor business operations in Marikiti & Madaraka Markets

Source: GAIN. Feed the future-bi-weekly bulletin (December 20, 2020)

A market survey conducted by GAIN in Kenya (n=90, December 20, 2020), showed that about 97.6% of vendors in Marikiti Market in Machakos County and 93.8% of vendors in Madaraka Market in Kiambu County reported that COVID-19 had an immediate impact on their businesses in December 2020. Figure 2 further explains the impact of COVID-19 on their operations. Over 90% of the surveyed vendors reported decreased customer numbers and over 80% decreased sales. The survey results also show differences between counties: while vendors in Kiambu County reported difficulties with sourcing products to sell (38%), transporting products (29%) and accessing finance (38%), vendors in Machakos reported experiencing these problems less often.

The main effects of COVID-19 on the Kenyan food system from November 2020 to March 2020 include:

- 1. Decrease in the availability of services for food production.** As noted in the first edition of this report, COVID-19 disrupted access to farm inputs and migrant farmworkers across many farming communities in Kenya. About 27% of smallholder agricultural households, as reported by the Future Agricultures Consortium (n= 96, December 2020), recorded a decrease in the availability of agricultural inputs (particularly farm labour) due to rising costs associated with COVID-19 restrictions. 55% also reported a decreased availability of agricultural extension services in their communities.²⁶
- 2. Increasing transportation costs.** The government's directive to limit capacity in public transportation to 60% has contributed to increased transportation costs for farmers and other players along the supply chain. Due to farmers' deteriorating revenues, resulting from high costs of transporting farm produce to markets, urban areas, and processors, most farmers have laid off farmworkers as they do not have enough cash to pay their wages; hence many farmers now rely on their family's support for various activities on the farm.²⁷
- 3. Delays in supply chains.** Kenya is dependent on road freight for the trade of essential goods, particularly fresh fruits and vegetables. COVID-19 restrictions like testing truck drivers at the borders and the ongoing 10 pm to 4 am curfew^{28,29} are causing delays in delivering agri-food commodities and inputs across the country.
- 4. Although markets are open, an increasing number of vendors are experiencing decreased sales.** In the survey of vendors in the two fresh markets shown in Figure 2, 83% of vendors experienced a decrease in sales in December 2020, mainly due to impacts of COVID-19³⁰ such as increases in transportation costs, delays in the supply chain and consumers' low incomes.
- 5. Behaviours related to the handling of food items in wet markets have changed.** Most of the vendors and consumers surveyed in Marikiti and Madaraka markets reported to be adhering strictly to the control measures put in place. Some consumers may be becoming more sensitive to food safety in these fresh food

²⁵ <https://scbf.ch/wp-content/uploads/2021/02/Impact-of-COVID-19-on-Kenyan-MSMEs-2020.pdf>

²⁶ <https://www.future-agricultures.org/publications/impact-of-covid-19-on-food-systems-and-rural-livelihoods-in-kenya-round-2-report/>

²⁷ <https://scbf.ch/wp-content/uploads/2021/02/Impact-of-Covid-19-on-Kenyan-Farmers-2020.pdf>

²⁸ <https://fewns.net/east-africa/kenya/key-message-update/january-2021>

²⁹ http://www.ipcinfo.org/fileadmin/user_upload/ipcinfo/docs/IPC_Kenya_Acute_Food_Insecurity_2020AugDec_Urban.pdf

³⁰ GAIN. Feed the future-bi-weekly bulletin – Issue 8: Dec 20, 2020. [Machakos Retail Market, Machakos, Kenya]

markets because of COVID-19: some reported considering going to a different market where they were more confident about the food safety.³¹

6. **Increase in digitalisation.** The digitalisation of agri-food SMEs in Kenya has increased in importance since the beginning of the pandemic.³² For example, due to the shift in the working pattern associated with COVID-19, it is becoming more convenient for people who work from home to order food and groceries online instead of stopping at restaurants and stores on their way home from work. As reported by Mastercard in a February 2021 study of consumer spending in Kenya, about 79% of surveyed consumers reported shopping online more often since the beginning of the COVID-19.³³
7. **Marginalised women in the informal sector.** 89% of employed women in sub-Saharan Africa, Kenya included, work in the informal sector, such as in trade, food services, subsistence farming and seasonal agriculture.³⁴ These jobs are particularly affected by COVID-19 impacts.³⁵

Food and Nutrition Security in Focus

The food security situation in Kenya remains an issue in some urban and rural areas.

As reported by the World Bank (February 22, 2021), 26% of adult household members skipped at least one meal in January to February 2021, while children skipped meals on two days per week on average. Food insecurity was reported to be worst in female-headed and poor households.³⁶ As Figure 3 shows, the incidence of food shortages varies across the country, with Wajir, Bomet and Samburu counties worst affected (63% and more of the households experiencing food shortages); and West Pokot, Nyandarua and Nandi counties least affected (5% and less experiencing food shortages).

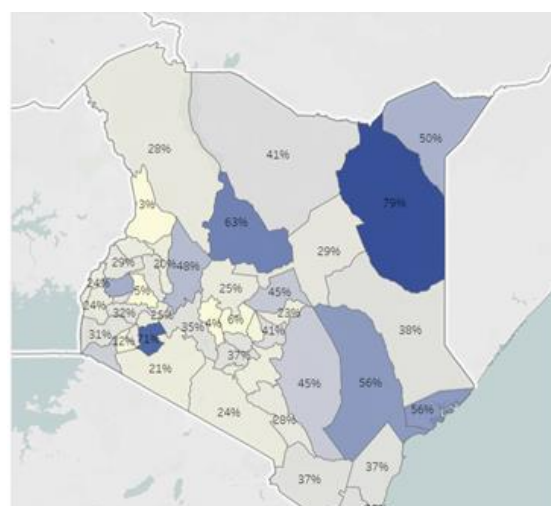


Figure 3: Households that experienced food shortage January to February 2021.

Source: World Bank.

The geographic variation has increased since November 2020 at both ends of the range. In November, between 18% and 60% of households per county experienced food shortages. The equivalent range was 3% to 79% in January-February 2021. So, while households in some counties have managed to mitigate the effects of COVID-19 on the food supply, the situation has worsened in others. Some counties, such as Wajir and Samburu, are experiencing the second wave of desert locust invasions, poor pasture conditions due to depressed rainfall, and decreasing water resources^{37,38}; all of these factors contribute to food shortages in the counties. The numbers of stunted and moderately malnourished children are high in these counties: Bomet county has the highest rate (36%) of children under five who are stunted while 27% and 18% of children in Samburu and Wajir counties are moderately malnourished, respectively^{39,40,41}. To promote nutrition and food security, Bomet County launched a County Nutrition Action Plan on February 19, 2021.⁴² According to the IPC Acute Food Insecurity Analysis, high levels of acute food insecurity persist in informal settlements in Kenya due to diminished opportunities for labour and COVID-19 restrictions in urban areas of the country.⁴³ However, income-earning opportunities are projected to increase from the end of 2021 onwards, though this increase is likely to remain below five-year averages, and reduced income is expected to continue to limit households' access

³¹ GAIN. Feed the future-bi-weekly bulletin – Issue 8: Dec 20, 2020. [Madaraka & Marikiti Retail Market, Kenya]

³² <https://www.eac.int/press-releases/146-gender,-community-development-civil-society/1735-regional-civil-society-and-private-sector-organizations-prepare-joint-response-to-covid-19>

³³ <https://newsroom.mastercard.com/nea/press-releases/79-of-kenyan-consumers-are-shopping-more-online-since-the-start-of-pandemic-reveals-mastercard-study/>

³⁴ <https://www.unwomen.org/en/news/in-focus/csw61/women-in-informal-economy>

³⁵ <http://www.fsdkenya.org/wp-content/uploads/2021/02/21-02-05-2020-State-of-the-Economy-FSD-Kenya-Presentation.pdf>

³⁶ <https://www.worldbank.org/en/country/kenya/brief/monitoring-covid-19-impact-on-households-and-firms-in-kenya>

³⁷ <https://www.ndma.go.ke/index.php/resource-center/send/11-samburu/5885-samburu-january-2021>

³⁸ <https://www.ndma.go.ke/index.php/resource-center/send/27-wajir/5877-wajir-december-2020>

³⁹ <https://www.ndma.go.ke/index.php/resource-center/send/11-samburu/5885-samburu-january-2021>

⁴⁰ <https://www.ndma.go.ke/index.php/resource-center/send/27-wajir/5877-wajir-december-2020>

⁴¹ <https://www.nutritionintl.org/news/all-news/bomet-county-launches-nutrition-action-plan/>

⁴² <https://www.nutritionintl.org/news/all-news/bomet-county-launches-nutrition-action-plan/>

⁴³ <https://fews.net/east-africa/kenya/key-message-update/january-2021>

Key Influencer	Sub-Influencer	Underlying Factor	Impact on FSN	Context
Accessibility	Availability	Limited supply	Strong	<ul style="list-style-type: none"> According to Agricultural Policy Research in Africa (APRA), as of December 2020, more than half of the households in 5 counties reported reduced availability of fruits, pulses, nuts, and seeds in local markets, suggesting a limited supply of these nutritious foods.
		Improved but limited transportation	Strong	<ul style="list-style-type: none"> While there is a gradual improvement in transport facilities, the limited public transport capacity is causing high cost of transporting produce to the markets and urban areas as well as to processors.
		Less fortification activity	Strong	<ul style="list-style-type: none"> Food Fortification Initiative reported a slowdown or a pause in regulatory monitoring of food fortification activities by Kenyan government officers.
	Affordability	Reduced income	Less Strong	<ul style="list-style-type: none"> In early February 2021, the agriculture cabinet of Kenya and the Kenyan dairy board announced the continual regulation of milk prices in the dairy sector to ensure suppliers, including farmers get competitive prices for their products.
		Price hike	Strong	<ul style="list-style-type: none"> The average price of fish was 19% higher in January 2021 than November 2020, according to an unpublished GAIN report. This was due to dwindling catch from Kenya's part of Lake Victoria, especially at Kisumu town. Some sources claim the lake weed has made fishing almost impossible while some believe it to be the effects of global warming as the fish disappeared into the surrounding wetlands due to rising water levels. This led to the loss of a major source of income for families living on the lake shores, shortage of fish in the country, and one less easily accessible and affordable nutritious food for Kenyans, especially fishermen and their families.
Desirability	Convenience	Increase of e-commerce	Strong	<ul style="list-style-type: none"> A Company News HQ article noted that retail sales in Kenya declined by 7% in 2020 but COVID-19 fast-tracked existing strong e-commerce growth as shifts in consumer behavior highlighted the importance of omnichannel distribution with a spotlight on online sales. Jumia in Kenya is still in partnership with Twiga Foods and leveraging their platforms to deliver farmer produce to customers.
	Perception	Optimistic purchasing power	Strong	<ul style="list-style-type: none"> According to Nielson Consumer Confidence Index, while 52% of Kenyans are optimistic about the state of their finances in 2021, 15% cited increasing food prices as their biggest concern and 16% are worried about their work life balance.
Quality	Nutrition	Hidden hunger	Strong	<ul style="list-style-type: none"> Availability of maize is considered synonymous with food security in Kenya. As of December 2020, much of the maize flour sold in rural and informal urban settlements did not contain the required vitamins and minerals. This is a form of "hidden hunger".
	Awareness	Health and nutrition concerns	Strong	<ul style="list-style-type: none"> A study on the Journal of Nutrition and Metabolism on 1,435 consumers in 13 counties of Kenya found that, pre-COVID-19 only 28% of respondents were aware of the term "fortification". FoodBank Kenya served nutritious food from large-scale farms to over 41,600 people including children and women in 2020. TechnoServe, under the Kenyan food fortification program is working with the Kenyan Bureau of Standards (KEBS), to ensure all millers in Kenya sell adequately fortified products.

Figure 4: Matrix of Key Factors Influencing Nutrition and Food Security Situation in Kenya.

Note: Darker colouring indicates a stronger impact on the availability, convenience and affordability of food between November 2020 and February 2021 based on an internal evaluation.

Sources: [APRA](#), [Business Daily](#), GAIN/EatSafe (Unpublished), [The Fish Site](#), [The Standard Group](#), [Journal of Nutrition and Metabolism](#), [Company News HQ](#), [FEWS Net](#), [Soko Directory](#), [Africa Global Village](#).

Strong	Less Strong
Weak	Very Weak

to basic and nutritious foods.⁴⁴ To analyse the FSN situation closer, a combination of FAO’s dimensions of food security⁴⁵ and GAIN’s Supply Chain Analysis for Nutrition (SCAN)⁴⁶ tools were used (see Figure 4). The longer-term impacts of COVID-19 on other parts of the Kenyan food system are beginning to play out; for example, food fortification activities slowed down, ‘hidden hunger’ is on the rise, and there is limited supply of fruits and pulses in some households.

4 PRICE CHANGES

Food distribution in Kenyan is dominated by small independent transporters and vendors. These are affected by the curfew, which was extended until March 2021, and the government-prescribed reduction in public transport capacity, leading to high cost of transportation.⁴⁷

Food inflation rates in Kenya have not been stable since February 2020. The consumer price index stood at 113.4 in February 2021, compared to 107.2 in February 2020, pre-COVID-19.⁴⁸ As shown in Figure 5, food inflation was highest in March 2020 at 11.85% and lowest in September 2020 at 5.18%. From February to May 2020, the country recorded higher food inflation rates, between 10.55% and 11.85%, compared to the previous year. This increase was partly associated with the initial phase of COVID-19 control measures, which led to ‘panic buying’ by consumers. However, with the gradual easing of control measures, food inflation rates decreased from May to September 2020 compared to previous months. The highest food inflation rate recorded in Kenya since June 2020 (8.15%) was in January 2021 (7.36%) due to the increase in food prices during the end-of-year holiday season,⁴⁹ while the highest month-on-month increase in the food and non-alcoholic drinks’ index after February 2020 (2.61%) was recorded in December 2020 (2.45%). Other factors that contributed to the increase in food prices include a new 16% VAT, in affect from January 1, 2021 after previously having been lowered to 14% as part of the COVID-19 relief package,⁵⁰ and the increase in the cost of transportation as well as the rise in the prices of diesel and petrol.⁵¹

Prices of food and non-alcoholic drinks increased slightly between January and February 2021 amidst the second wave of COVID-19 cases. As reported by the Kenya National Bureau of Statistics in February 2021, year-on-year food inflation rose by 6.93% while the month-to-month food and non-alcoholic drinks’ index increased by 1.01% between January and February 2021,⁵² mainly attributed to the increasing prices of cabbages (4.40%), spinach

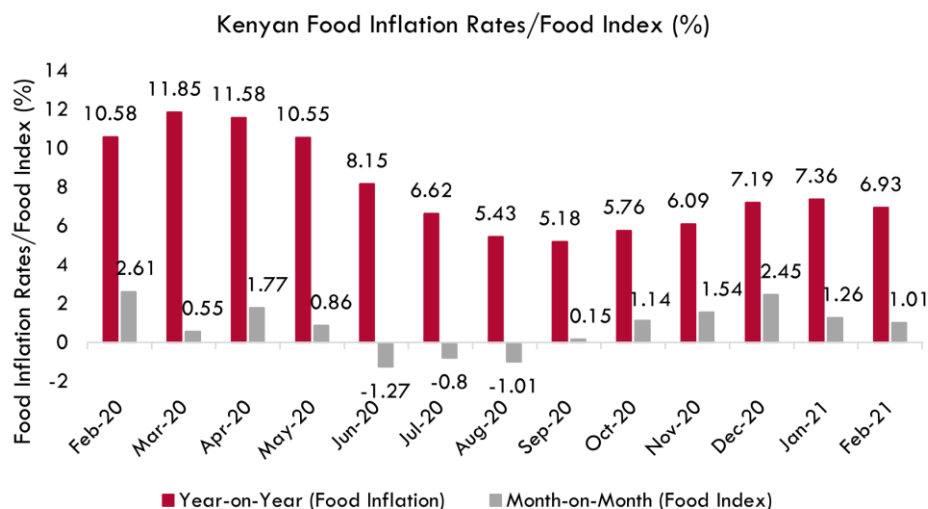


Figure 5: Kenya’s Food Inflation Rates/Food and Non-Alcoholic Drinks Index (%)
Source: KNBS 2021.

⁴⁴ http://www.ipcinfo.org/fileadmin/user_upload/ipcinfo/docs/IPC_Kenya_Acute_Food_Insecurity_2020AugDec_Urban.pdf

⁴⁵ Note: According to FAO, the four dimensions of food security are: availability of food, access to food, food utilization and stability of the three dimensions over time. SCAN is a tool to understand how the various stages of the supply chain contribute to the accessibility, desirability and quality of the food in question.

⁴⁶ <https://www.gainhealth.org/resources/reports-and-publications/supply-chain-analysis-nutrition-tool-scan>

⁴⁷ <https://theconversation.com/why-covid-19-is-another-blow-for-kenyas-food-security-135567>

⁴⁸ <https://www.knbs.or.ke/?wpdmpro=cpi-february-2021>

⁴⁹ <https://www.businessdailyafrica.com/bd/markets/market-news/food-inflation-hits-costly-festive-season-3247120>

⁵⁰ <https://kenyanwallstreet.com/kenyas-december-inflation-climbs-to-8-month-high/>

⁵¹ <https://kenyanwallstreet.com/kenyas-february-inflation-rises-to-nine-month-high/>

⁵² <https://www.knbs.or.ke/?wpdmpro=cpi-february-2021>

(4.38) and cooking oil (3.86%), which outweighed decrease in the prices of lemons (5.64%), mangoes (0.33%) and maize grain (0.18%)⁵³.

Prices of maize followed mixed trends between December 2020 and January 2021. In December 2020, prices of maize were reported by FEWS NET to be above the five-year average by 10 to 18% in Nairobi, Eldoret, Kajiado, Garissa, Mandera and Kwale markets; this increase was attributed to low market supply due to COVID-19 restrictions and closed borders with Ethiopia and Somalia.⁵⁴ The prices of maize increased despite the imminent start of the secondary “short-rains” harvest in January 2021. However, they remained below their year-earlier values due to subsequent domestic availabilities and sustained imports from Uganda.⁵⁵

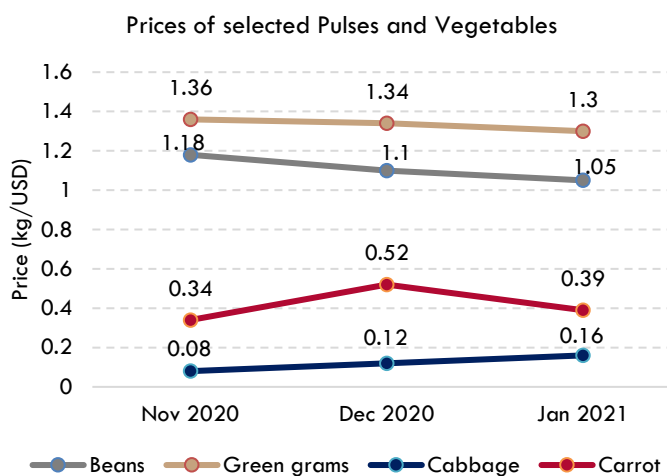


Figure 6: Price trends for priority commodities (November 2020 - January 2021).

Source: GAIN. Marikiti & Madaraka Markets Survey

Figure 6 shows that the prices of beans and green grams decreased between November 2020 and January 2021 while the price of cabbage increased by 100% within the same period. However, there was an increase in the price of carrot between November and December 2020, which later decreased in January 2021.

A joint market monitoring exercise conducted in Mombasa in December 2020 by REACH and WFP, together with the County Government, showed that the prices of cereals, pulses, processed commodities and fresh products experienced minimal fluctuations.⁵⁶ Also, the Kenya COVID Tracker shows average weekly prices for breads and cereals using a rapid online survey. **As of late January 2021, wheat flour, rice, white bread and brown bread showed, on average, slightly higher prices than at the beginning of the COVID-19 pandemic. The price of maize flour was slightly below average.**⁵⁷

5 CONSUMER BEHAVIOUR

The average number of times per month that children in urban areas skipped meals increased from 3.27 in November 2020 to 3.89 in mid-January 2021 but fell to 1.7 in late February 2021, suggesting that even while consumers increased their borrowing of money for consumption purposes in November/December 2020, this was either not enough to cover full meals or was spent on end-of-year festivities.⁵⁸ The following highlights other noticeable shift in consumer behaviour since November 2020:

Consumer spending has increased but has not returned to pre-COVID-19 levels. The abovementioned survey by MSC and SCBF reported that MSMEs in the food and other services sector (n = 62) experienced an increase in the average volume of sales per customer. In September 2020, the volume of sales per customer had fallen by 51%, compared to pre-COVID-19 levels. By December 2020, the reduction had roughly halved to only 23% below pre-COVID-19 sales.⁵⁹ One potential explanation for this is increased consumer borrowing leading to higher sales. In addition, the decrease in unemployed people fell from 43% in mid-September 2020 to 32% in mid-November 2020 and to 11% in January 2021 (no data for December 2020); this could entail more consumers being ready to increase their spending again.

Many Kenyans are optimistic about their income but worried that food prices might increase. In December 2020, Nielsen’s Consumer Confidence Index (CCI) Survey for Q4 2020 showed that consumer sentiment slightly improved

⁵³ <https://www.knbs.or.ke/?wpdmpro=cpi-february-2021>

⁵⁴ <https://fewsn.net/east-africa/kenya/key-message-update/january-2021>

⁵⁵ <http://www.fao.org/3/cb3318en/cb3318en.pdf>

⁵⁶ <https://reliefweb.int/sites/reliefweb.int/files/resources/WFP%20Kenya%20Country%20Brief%20December%202020.pdf>

⁵⁷ <https://www.kenyacovidtracker.org/prices.html>

⁵⁸ <https://www.worldbank.org/en/country/kenya/brief/monitoring-covid-19-impact-on-households-and-firms-in-kenya>

⁵⁹ <https://www.microsave.net/wp-content/uploads/2021/02/210218-SCBF-Impact-of-COVID-19-on-MSMEs-Round-3.pdf>

by 1 point, to 98%. 52% are fairly optimistic about the state of their finances over the next 12 months, showing a 4-point increase from Q3 2020. In terms of disposable income, about 28% of interviewed Kenyans said they had spare cash, up by 7 points from Q3 2020.⁶⁰ 15% of interviewed consumers stated that one of their biggest concerns was increasing food prices. Indeed, Kenyans spend over half of their disposable income on food,⁶¹ so the increase in food prices negatively affects their purchasing power and could render them less food secure.

While limited information on consumers' food preferences is available, there is some evidence that consumers' dairy consumption has shifted from fresh to long-life dairy products. While COVID-19 measures disrupted working arrangements and increased processing costs for milk processors, consumer demand shifted from fresh milk to processed products that last longer to avoid frequent visit to the market.⁶²

Consumers use of mobile money has also slightly increased. Mobile money was already ubiquitous in Kenya pre-COVID-19. Over 70% of adults have a mobile money account,⁶³ with M-Pesa being the most used brand. Digital loans and Central Bank of Kenya measures to both limit contact in accordance with COVID-19 guidelines and facilitate increased use of mobile money transactions marginally increased the volume and value of transactions undertaken using mobile money.^{64,65}

As the fear of contracting COVID-19 has fallen to one of the lowest levels since the pandemic began, there is an increase in the number of consumers visiting markets. The percentage of consumers who felt anxious about the COVID-19 outbreak rose from 57% in November 2020 to 69% in January 2021, in line with increasing case numbers, but has fallen to 51% in March 2021. This trend is mirrored by the number of people who visited markets between November 2020 (42%) and March 2021 (46%).⁶⁶

6 SUPPORT INITIATIVES FOR FOOD SYSTEM SMES

SMEs account for over 80% sales in several key food markets in Kenya through small outlets and stores, as opposed to supermarkets.⁶⁷ However, according to the World Bank Group, as of November 2020, 33% of household-run SMEs (usually one-person-operated informal enterprises⁶⁸) in Kenya were not operating due to COVID-19 restrictions, low cashflow, and fall in revenue⁶⁹ despite markets being open and trade within and between counties fairly unhindered.⁷⁰

A look at the government's eight-point stimulus package in response to COVID-19 shows that only 9% of the KES 54 billion (USD 492 million), which amounts to USD 44.3 million, was allocated to agriculture (see Figure 7). In February 2021, Kenya had plans to increase the entire FY 2020/21 budget by 4.1% due to underperformance of projected revenues in the first half of the financial year.⁷¹ This is expected to slightly change the percentage allocations to activities and

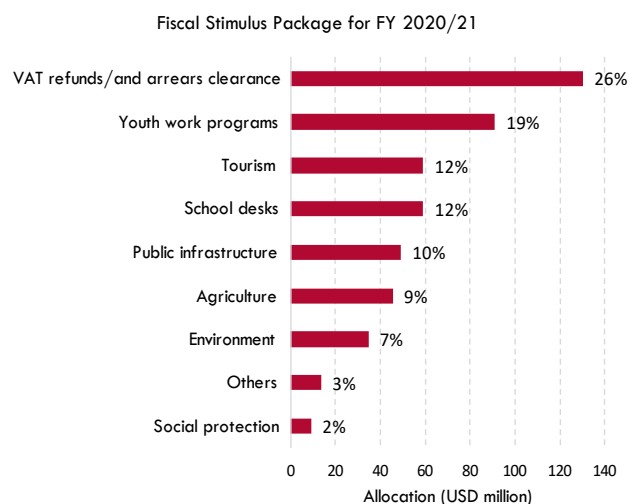


Figure 7: Percentage allocation of the Kenyan eight-point fiscal stimulus package in response to COVID-19

Source: World Bank.

⁶⁰ <https://www.africaglobalvillage.com/kenyan-consumer-sentiment-displays-pockets-of-potential/>

⁶¹ <https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/food-prices-and-spending/>

⁶² https://www.cahiersagricultures.fr/articles/cagri/full_html/2021/01/cagri200143/cagri200143.html

⁶³ <https://www.vox.com/future-perfect/21420357/kenya-mobile-banking-unbanked-cellphone-money>

⁶⁴ <https://www.one.org/africa/blog/covid-19-economic-impact-kenya/>

⁶⁵ <https://www.telecompaper.com/news/kenyan-mobile-money-transfers-rise-20-percent-in-2020--1371330>

⁶⁶ <https://www.worldbank.org/en/country/kenya/brief/monitoring-covid-19-impact-on-households-and-firms-in-kenya>

⁶⁷ <https://www.sciencedirect.com/science/article/pii/S0305750X21000176>

⁶⁸ <https://openknowledge.worldbank.org/bitstream/handle/10986/16003/WPS6570.pdf?sequence=1&isAllowed=y>

⁶⁹ <https://openknowledge.worldbank.org/bitstream/handle/10986/34819/Kenya-Economic-Update-Navigating-the-Pandemic.pdf?sequence=1&isAllowed=y>

⁷⁰ https://agra.org/wp-content/uploads/2020/12/COVID_SitRep_Nov_30.pdf

⁷¹ <https://www.reuters.com/article/uk-kenya-budget-idUSKBN2AA1P1>

sectors. The government, private sector, civil society, UN agencies and multinationals have taken several actions to support SMEs, especially in terms of cash flow and facilitating digital activities.

Government Policy Responses

Since November 2020, existing measures have been updated and new ones introduced by the government and the central bank to help support businesses, including food SMEs, such as:

- The Central Bank of Kenya originally issued a waiver of charges for transactions below KES 1000 (USD 9.1) at the beginning of the pandemic to facilitate the increased use of mobile money transactions by SMEs and households instead of cash.⁷² However, M-Pesa, a product of the largest mobile network operator in Kenya, reported a 14.5% decline in year-on-year revenues in 2020. Effective from January 2021, the Central Bank thus updated the directive to relieve payment service providers of the decline in revenue, reducing the extent of the charges waiver.
- As part of the third point of the eight-point stimulus package, the National Assembly of Kenya approved initial seed capital of KES 3 billion (USD 27.4 million) for MSMEs under the Credit Guarantee Scheme that was signed by National Treasury of Kenya on 8 December 2020. The scheme, done in partnership with seven commercial banks, has the goal of increasing the funds available for lending to MSMEs in the short term.⁷³
- In mid-February 2021, the Kenyan Ministry of Industrialization, Trade and Enterprise Development (MOITED) partnered with Microsoft and the Stanbic Kenya Foundation to train over 50,000 young entrepreneurs to address the digital skill gaps and reduce the risk of job losses and reduced income due to COVID-19. The initiative aims to reach 500,000 beneficiaries by 2024.⁷⁴

Private-Sector Responses

- Through GAIN's emergency response to the crisis, the KFMW programme is supporting SMEs within food systems. As of February 2021, the programme has provided emergency grants to improve household food security to over 7,000 vulnerable SME workers across Kenya, Tanzania, Nigeria, Mozambique and Ethiopia through their employers. The programme is also providing nutritious snacks and meals at work, food vouchers and nutritious food items.
- TechnoServe's Smart Duka programme, which provides tailored support to micro-retailers,⁷⁵ coupled with its one-year mSPARK programme⁷⁶ in partnership with Mastercard Foundation and 4G Capital seeks to help 28,000 MSMEs in Kenya access USD 4.4 million in repayable grants and technical support to adapt to COVID-19.⁷⁷ Beneficiaries of the mSPARK programme are predominantly youth and women.
- The Kenya National Chamber of Commerce and Industry (KNCCI) in partnership with Mastercard Foundation launched the MSME COVID-19 Recovery and Resilience Programme in December 2020⁷⁸ to assist 25,000 youth and women-owned MSMEs, including retailers and restaurants. The programme is a revolving fund that is interest free for loans of KES 20,000 to 30,000 (USD 182 to 273), repayable in two months, with the goal of ensuring business continuity and sustainability during the COVID-19 crisis.
- The Pan-African Youth Entrepreneur Development (PAYED) programme has been providing support to MSMEs in Kenya and other countries since 2017. The fourth cycle of the programme, in partnership with Citi Foundation and TechnoServe, is helping MSMEs build resilience and create a path to recovery during COVID-19. PAYED 4 includes a four-month intensive training programme that leverages a crisis toolkit and harnesses digital channels such as WhatsApp, the PAYED App and SMS platforms to improve youth's business skills, ensure their business survives the COVID-19 crisis and prepare them for future growth.⁷⁹

⁷² <https://kenyanwallstreet.com/expiry-of-waiver-for-mobile-transactions/>

⁷³ <https://www.microsave.net/wp-content/uploads/2021/02/210218-SCBF-Impact-of-COVID-19-on-MSMEs-Round-3.pdf>

⁷⁴ https://www.industrialization.go.ke/images/downloads/MOITED_Briefing_Notes_for_the_Computer_Donations_and_Digital_Skills_launch.pdf

⁷⁵ <https://www.technoserve.org/wp-content/uploads/2020/06/COVID-19-and-Entrepreneurs-Supporting-Business-Survival-and-Recovery-20200601.pdf>

⁷⁶ Micro-Enterprises Strengthened for Pandemic Adaptation and Resilience

⁷⁷ <https://www.technoserve.org/our-work/projects/supporting-micro-retailer-survival-during-covid-19/>

⁷⁸ <https://www.kenyachamber.or.ke/kncci-msme-fund/>

⁷⁹ <https://www.technoserve.org/news/renewed-partnership-to-strengthen-youth-owned-shops-and-build-resilience-during-covid-19-crisis/>

UN and other Multinationals

- On 15 February 2021, the IMF mission team and Kenyan authorities agreed on a combined USD 2.4 billion programme under the Extended Fund Facility and Extended Credit Facility. The programme runs for 38 months and aims to support the next phase of the country's COVID-19 response in safeguarding resources to protect vulnerable groups including MSMEs in the country.⁸⁰

7 CONCLUSION

This country-specific report indicated that year-on-year **food inflation rates** have been on the rise as the disruptions to Kenya's food system have persisted with the extension of COVID-19 control measures. The increasing food prices have continued to negatively impact the consumption of nutritious food by poor urban and rural households across the country. As of February 2021, **food shortages** differ between counties, with the highest incidence in Wajir, Bomet and Samburu counties and the lowest in West Pokot, Nyandarua and Nandi. **Agri-food SMEs have continued to face declines in sales**, particularly in fresh fruit and vegetable markets, across the country due to pandemic control measures. However, several measures have been put in place by the Kenyan government, local private companies and multinationals to cushion the effects of COVID-19 on the food system and improve the food security situation in the country. As of March 3, 2021, Kenya had received about 1 million doses of COVID-19 vaccine from the global COVAX initiative.⁸¹

⁸⁰ <https://www.imf.org/en/News/Articles/2021/02/15/pr2140-imf-and-kenyan-authorities-reach-staff-level-agreement>

⁸¹ https://www.washingtonpost.com/world/africa/kenya-receives-receives-1-million-vaccines-from-covax/2021/03/03/2e79d384-7bf1-11eb-8c5e-32e47b42b51b_story.html