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FINANCE, DATA, AND TECHNOLOGY INNOVATIONS FOR AN EQUITABLE WORLD

## Kenyans & COVID-19

### Financial Diaries Follow Up Calls

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# Summary

- Kenyan families were struggling before COVID set in. They were coping with **demand contractions** related to macro issues and costly and disruptive **health issues**.
- Many are getting hit hard by virus-related economic contraction. They didn't have the **liquidity** to manage a protracted crisis affecting everyone, including remitters. Many were **already leveraged** or had defaulted on digital loans. Savings were limited. Shop credit froze quickly. Many chamas (savings groups) paused operations.
- Many urban people thought **going to rural homes** would be a good way to cope. Some are now stuck in cities. Some are home, creating some **extra burdens** for women who must feed them. They come home empty handed.
- **Rural impacts** are quite different from **urban impacts**.
- Some urban people are reporting an uptick in business last week as **compliance** with distancing directives wanes (even as we see an uptick in infections).
- Response should include **direct cash transfers**, ensure continuity of **contraception and girls' education**, and ensure ordinary men and women are **engaged in recovery** sectors.



# 01

## Background





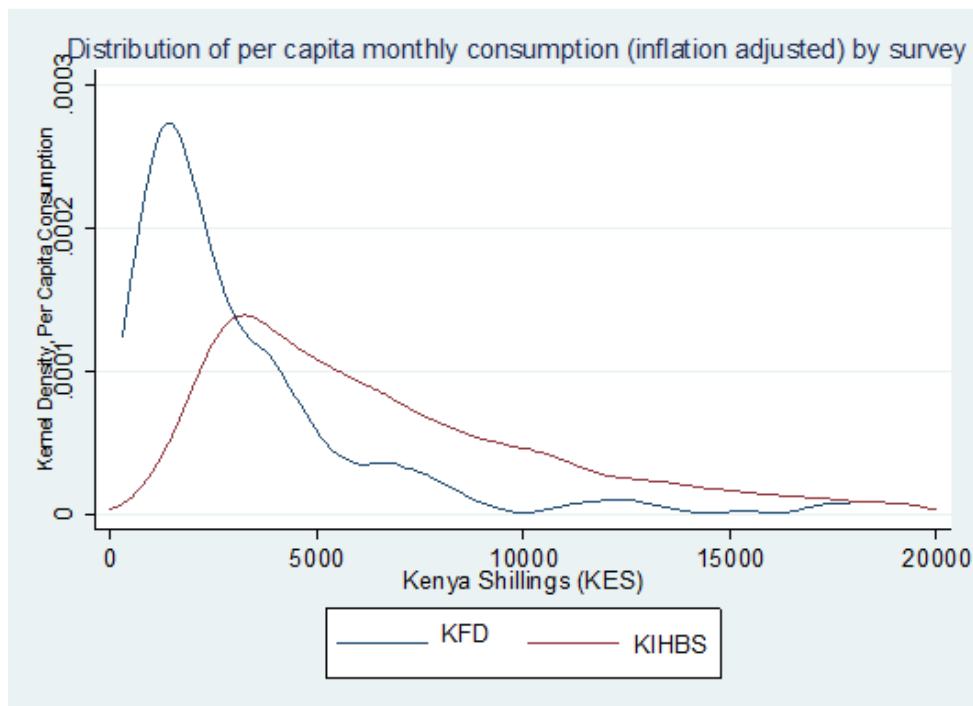
## Kenya Financial Diaries

- Started in 2012
- 298 HH visited every 2 weeks for 1 year;
- Follow up in 2015 (286 HH)
- Data on cash flows, HH changes, income, balance sheets, narratives



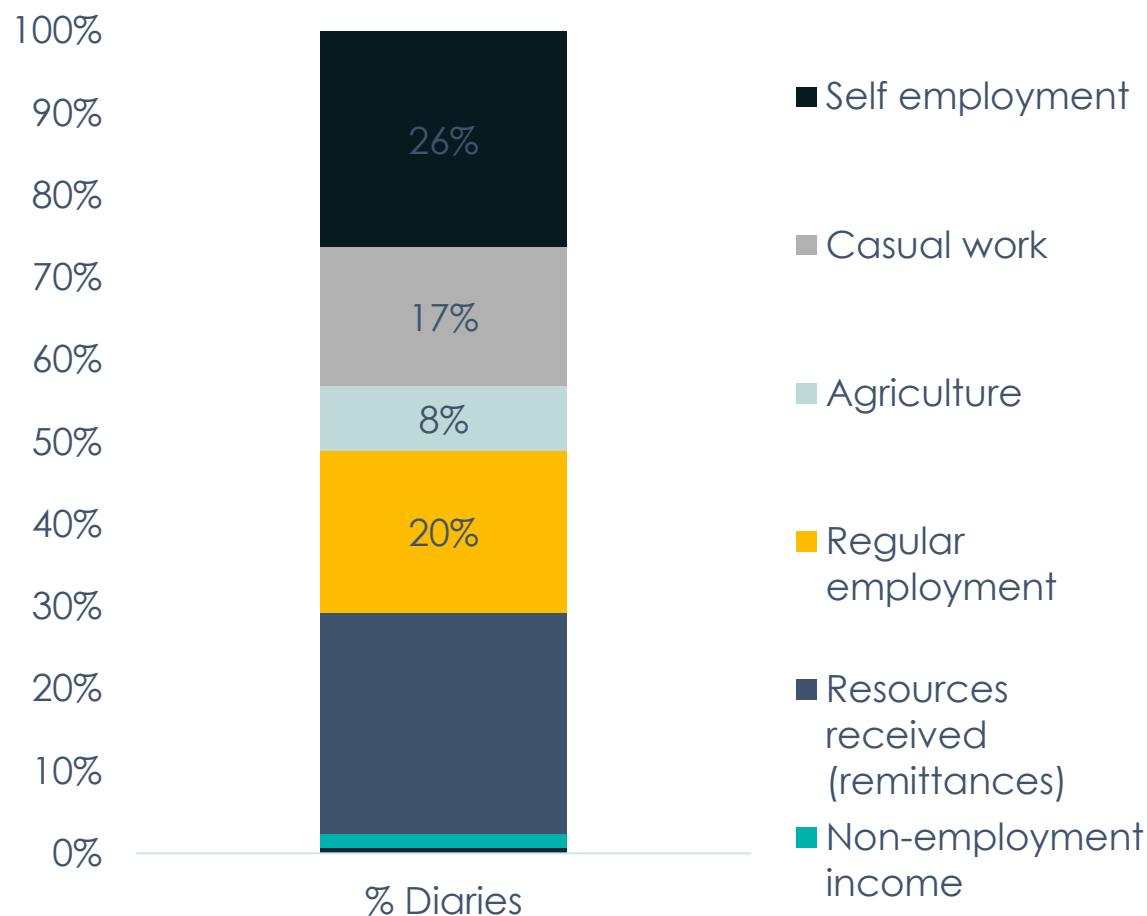
# Diaries sample.

Poorer than Kenya as a whole; Livelihoods rely heavily on domestic remittances, self employment, casual work.



**Median HH Income in 2015  
was about  
KES 11,000/mo (~\$100)**

Main source of income measured through  
Diaries cashflows (%)







## Advantage of Diaries Sample for COVID research:

- Relationships
- Unexpected impacts
- Historical context





# COVID Diaries

## Method & Sample.

- **5 interviewers** all from past team
- **Phone** interviews ~35-90 mins
  - Round 1: 27 March-27 April
  - Round 2: From 3 June (not complete)
- **Qualitative** with guided prompts & few structured questions
- **200** (out of 286 HH in 2015) interviewed—no one declined, but some numbers have changed; several deaths since 2015; might find more in person; two separated couples-- we spoke to both individuals
- 34% urban; 66% rural
- Avg age: 38 urban; 41 rural



# 02 Findings

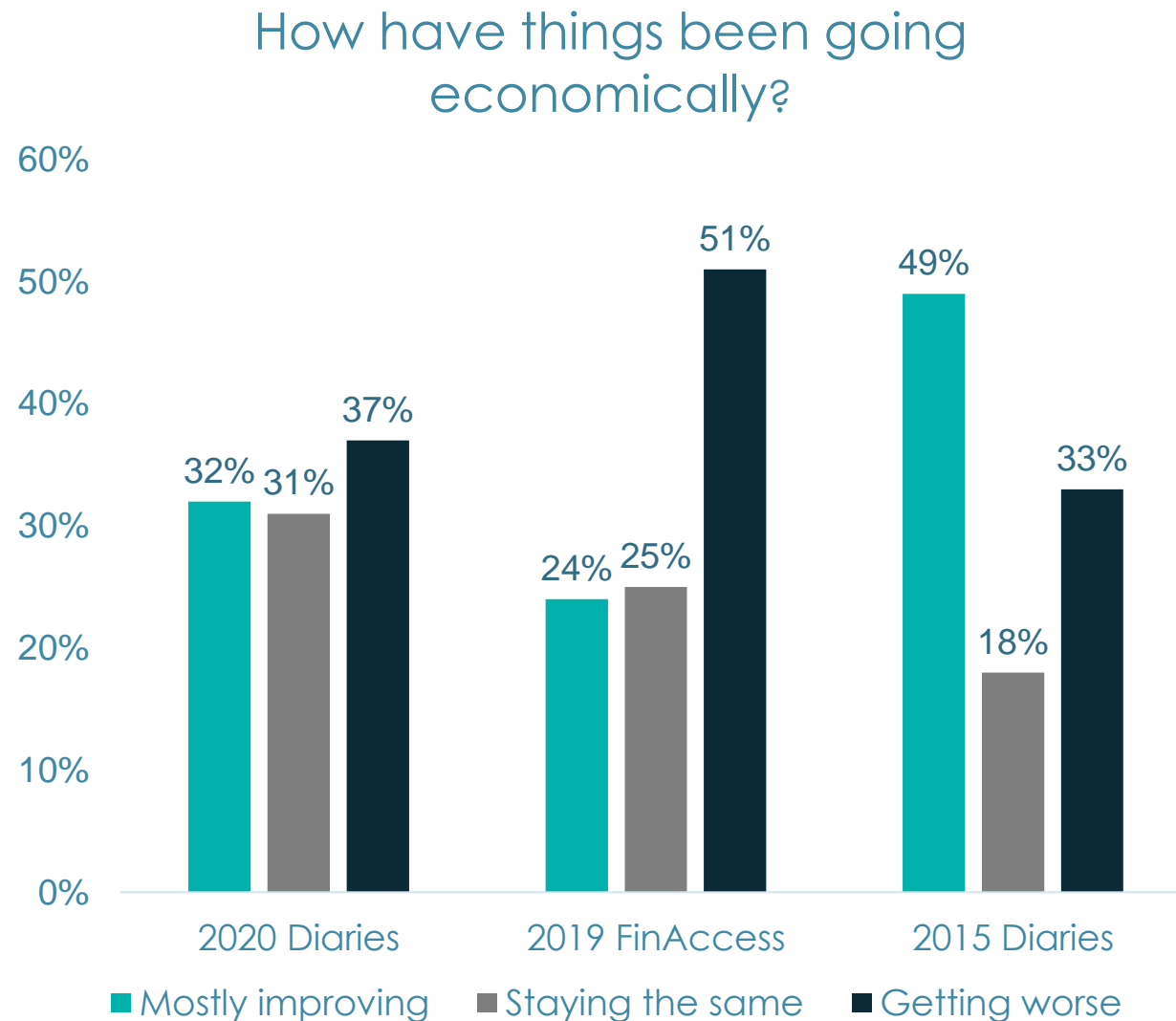


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- A woman wearing a green and white checkered apron over a patterned shirt is standing in a cluttered indoor space. She is holding a black plastic jug with a yellow cap in her right hand and pouring water into a blue plastic cup held in her left hand. In the background, there are various items including a large blue water bottle, a white container, and some hanging clothes.
- “Leonita” (62) lives in a **packed house** in Kiamaiiko, staying with two daughters and their six children. The daughters both left abusive husbands. Leonita is anxious for them to move out and be on their own. Economic conditions haven’t allowed for this.
  - She is HIV+ but has been healthy for some time. For now, her **care is intact**.
  - She has a business selling porridge; her daughters sell chapati and tea.
  - Her **customer volumes dropped** dramatically with the onset of coronavirus and fell further during Ramadan. The local slaughterhouse also closed for a time due to the curfew. The closure was devastating to her and other neighborhood businesses.
  - After coronavirus, her **monthly income fell by half** from about 15K (~\$150) to about 7K. She had more than KES 35,000 in debt outstanding. She borrowed KES 40k from her mother to help her daughter in an emergency and still owes KES 28K. She owes her brother another KES 7K. She has basically no savings (less than 1K) to get through this rough period.



# How were Diaries Families doing before COVID-19?

Not great—but better than average across Kenya

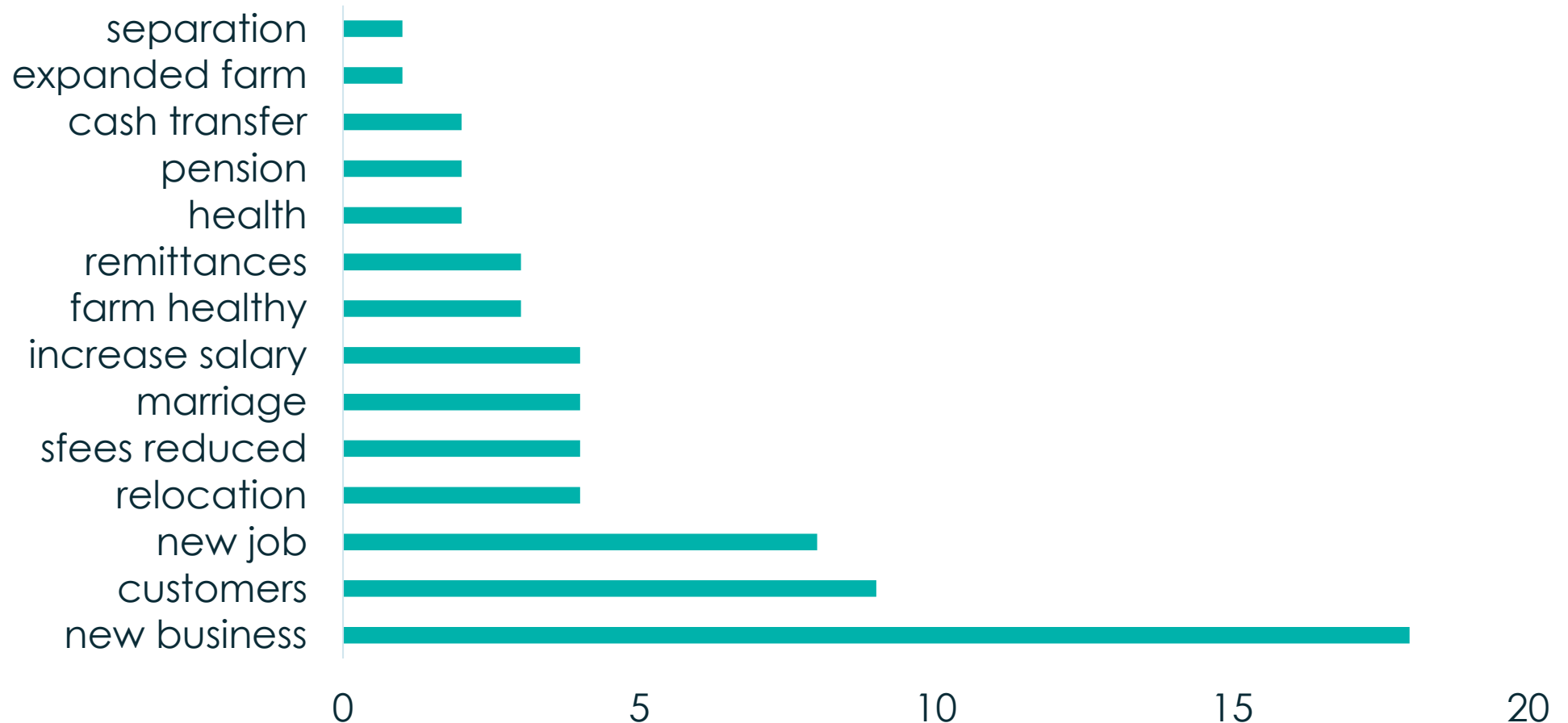




# Why?

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Reasons things were getting **better**...

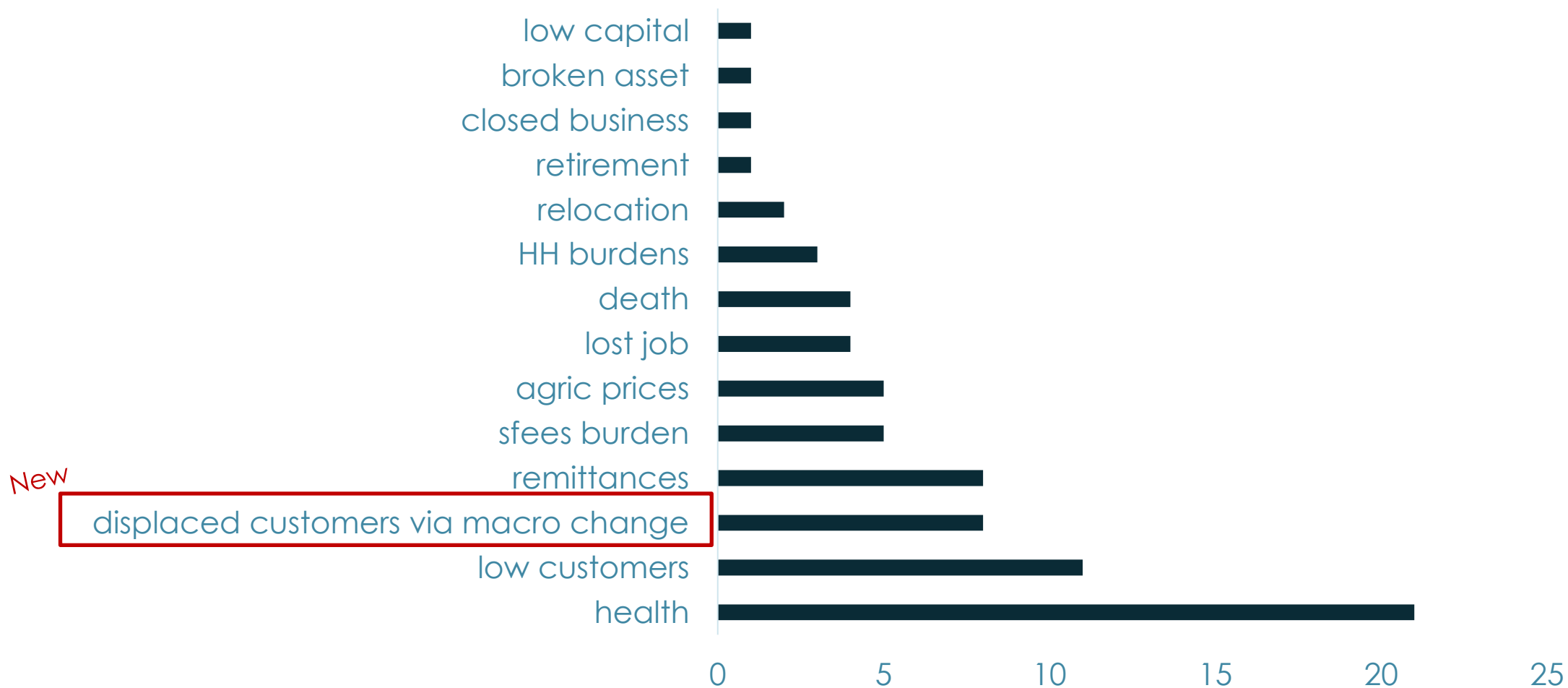


Starting a new business (different than existing) is the main reason things got better for people. Second was expanding demand for an existing business. In 2015, customers/business expansion and employment (mostly from decentralization) were bigger.

# Why?

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Reasons things were getting **worse...**



Poor health—the cost and the impact on ability to work—is the main reason that things are worse, followed by suppressed demand and incomes displaced by macro changes and government regulatory enforcement (ex: forcing trucks to SGR, violent crackdown on brewers)



In 2015, we heard about **macro changes** lifting many ships. In 2020, we heard about government policy choices depressing livelihoods.

SGR

When SGR cargo section became operational, all business activities in the community were reduced.

Brewing

She is no longer selling illicit brew. The Police were too hard on them. "They kept asking for bribes, and I could no longer afford to pay them."

Regulation

I had to close my carpentry workshop as the country came up so many requirements that required money to comply. Since I did not have the money I had to close shop.

Elections

He generally cites the economic situation being bad since last general election especially for small business.



# Echoes of the same sentiment in slum demolitions during COVID crisis. *Why was there no displacement assistance?*

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- A few households near demolition area in Korogocho
- Believe landlords were told to leave, but wanted to keep collecting rents
- No assistance to evicted families, who roamed neighborhoods begging and taking if not given (later “Sonko Rescue Team” came with food, but housing assistance is more critical)
  - Cases of rape of girls in neighborhood while families sleeping outside
  - One respondent's house had two extra unrented rooms. Thought uninhabitable, but displaced families now staying in both for KES 500 each. He is worried about the security of his own family with such desperate people sharing the building.
- Rumors that Light Industry will also be destroyed, and thousands of jobs with it.

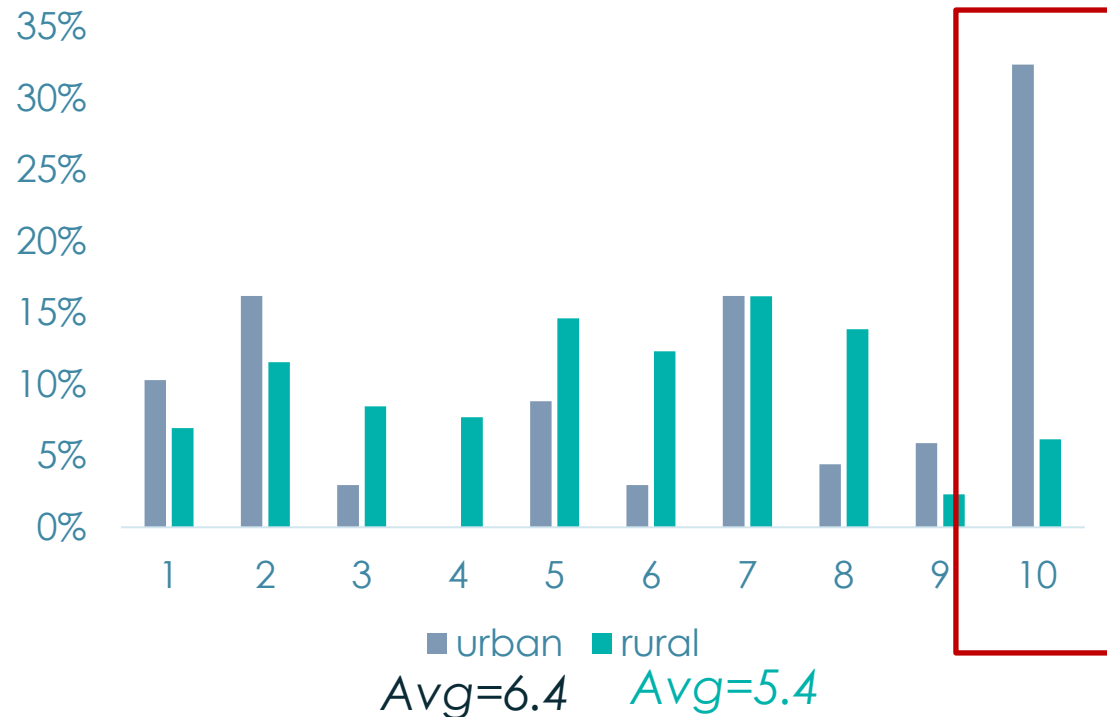




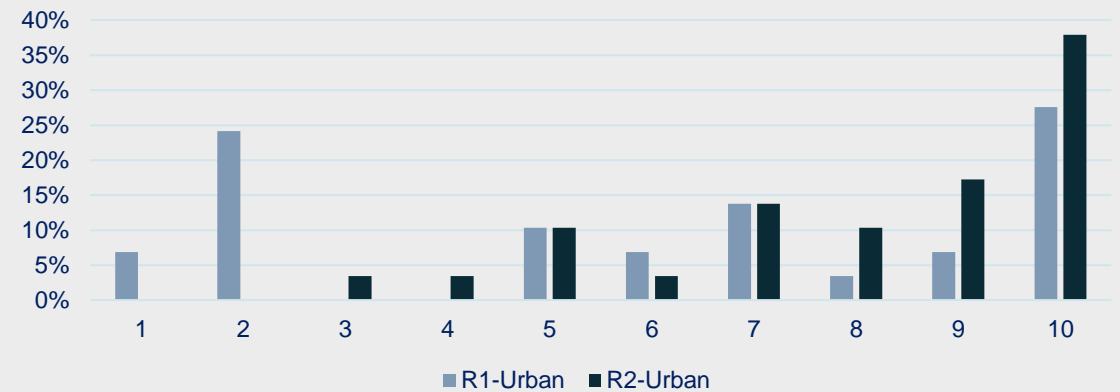
# COVID disruption significant in both rural and urban areas.

More frequent extreme cases in cities. Getting worse in both.

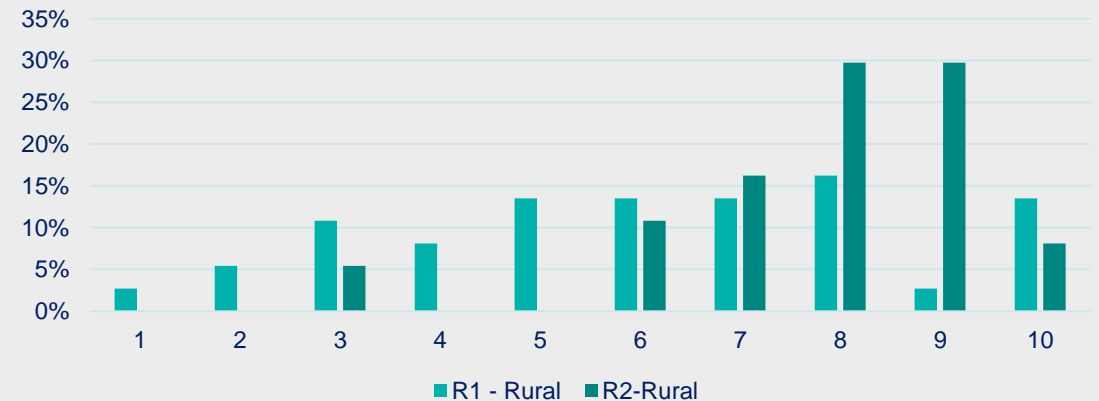
ROUND 1: On a scale of 1-10, (where 1 is not at all, and 10 is completely) how much has your life been disrupted already by the corona virus?



Worsening conditions in Urban areas... (First ~60 R2)



Worsening conditions in Rural areas... (First ~60 R2)



# What does a “10” look like?

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## **Lost jobs, lost customers:**

She relies on casual work which she cannot find now because even the people who give her work don't want outsiders to come to their home.

“I have a whole acre of land with vegetables that I don't know what to do with.”

## **New dependents:**

Her expenses just went up with her daughter back.

Her other sons and wives coming home suddenly has thrown her off balance. “They came with nothing, no food, no money.”

## **Diverted capital:**

She used part of her stock for business money to buy food, and it has not been easy to stock up. She is only selling a few items in her kibanda.

## **Unable to access liquidity:**

She has zero access to place she could borrow essential items like tomatoes, vegetable, salt etc.

She has already borrowed from the people she would have gone to for help so they are no longer an option.

## **Hunger (R2):**

“I sold my 13 kgs gas cylinder at 3500, to buy food. That day my family was to sleep hungry.”

Life has become tougher let alone what I told you last time. We take one meal in a day at times we go hungry



# Disruption is different in rural & urban

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	Urban	Rural
Advantages	<ul style="list-style-type: none"> <li>• Business is dropping, but still <b>some inflow</b></li> <li>• Initially, had <b>back up plan</b> of going to the rural home</li> <li>• Access to most <b>services</b> remains intact</li> <li>• Some <b>expectation of government support</b></li> </ul>	<ul style="list-style-type: none"> <li>• Few pay <b>rent</b></li> <li>• Many have <b>plots</b> where they are growing maize, some planting vegetables</li> <li>• Less <b>crowding</b></li> <li>• Possibilities for <b>sharing and barter</b> of food (NOT cash)</li> </ul>
Disadvantages	<ul style="list-style-type: none"> <li>• Paying <b>rent</b>, worried about eviction</li> <li>• <b>Dense</b> settlements</li> <li>• <b>Toilets</b> and water points are shared</li> <li>• Tend to be remittance <b>senders</b> without relatives ready and able to send resources to them</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of <b>casual work</b>, many businesses closed, other businesses have seen revenues drop</li> <li>• Some have <b>spent planting resources</b> on food</li> <li>• <b>Remittance inflows</b> have reduced</li> <li>• Children and some urban <b>relatives</b> have returned home</li> <li>• <b>Market access</b> has become constrained for vegetables, milk, and tea</li> <li>• Worry about availability of <b>livestock markets</b></li> <li>• <b>Few expect government</b> help</li> </ul>

In ordinary times, Kenyans keep limited liquidity as they try to focus saving on forward-looking investment.





# All “Stretch” mechanisms are extremely strained.<sup>18</sup>

Shop credit	Frozen, except for those retaining salary
Remittances	Urban workers often hit even harder
Chamas	Many on hold; stop lending; savings unavail.
Savings	Liquid savings very small
Borrowing from friends	Friends also stuck
Sale of assets	Prices very low
Go “home”	Movement restricted
Social sharing	Tightened; everyone struggling

The covariate, national nature of the shock cripples social coping mechanisms.

*“It’s shameful to be borrowing as everyone is having financial difficulties.”*

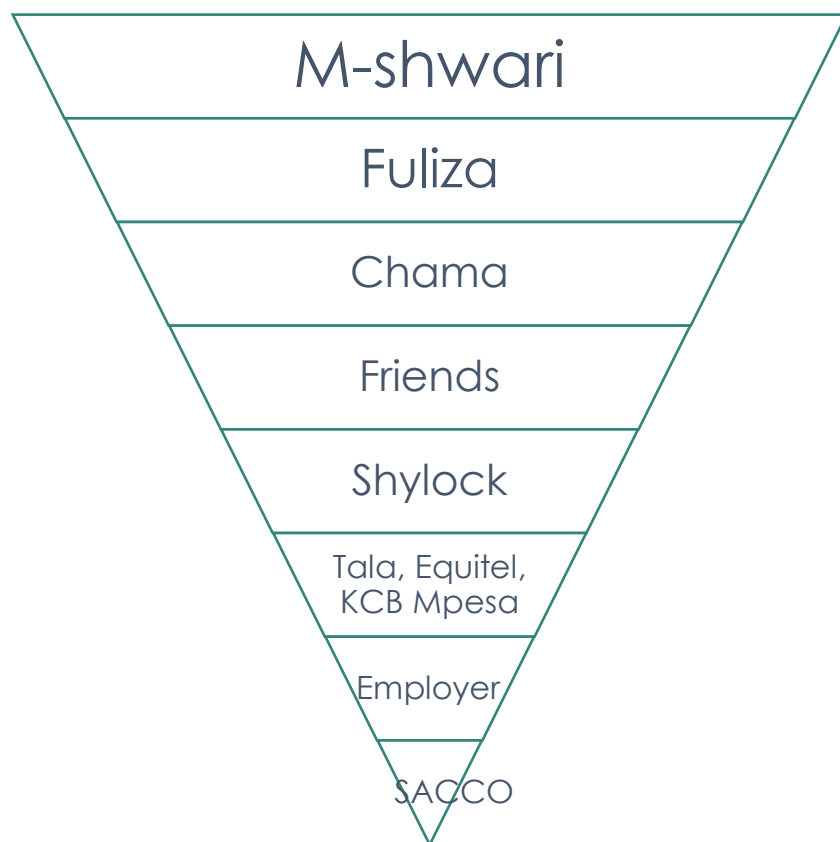
*“Everyone is trying to deal with their own situation.”*

# Digital loans are not providing mass relief.

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20% have taken a loan as part of their coping strategies. (10 applied for loans and were denied.)

Most prominent borrowing sources



Evidence of **moral hazard** in new regulation:

*"I borrowed sh4000 from Tala. I will not pay it back until after the COVID disruption. A friend told me they are not giving out new loans, so I will not prioritize it. I will not be blacklisted because the government ordered them not to blacklist people who borrowed less than sh20,000. I borrowed sh10,000 from Mshwari on behalf of Mzee Charles. It is due on 26th April. I will not pay it back until he is able to get the money to pay it back. Once again I will not be blacklisted."*



# While food prices, transport prices rise.

*Food is still available everywhere, but 68% report that food prices have increased for unga, cooking oil, sukuma.*





# Impacts are strongly gendered.



HH Consumption responsibility



Potential reconfiguring of roles



Depletion of more liquid assets



Teen pregnancy & school drop outs



# Weekly calls. (5 of 12 so far)

- Some relaxing of distancing, uptick in business;
- Still very low K availability, very little aid, low cashflow;
- Social repercussions emerging.

27 April

Some increase in **business** activity;  
Also reduction in police patrols, increases in **theft**.

4 May

Further increase in **business**;  
Growing concerns over outstanding **debt**;  
Concerns of impact of **lockdowns** on non-food prices & spousal fidelity.

11 May

Evidence of HIV+ resp. **delaying care**;  
“Go-slows” at health facilities  
Shopkeepers unable to finance **restocking**.

18 May

Relaxing of **precautions and enforcement** of curfew in rural area;  
One family **robbed** and lost all 8 layer chickens;  
Some EPZ workers back to work;  
Mombasa: “Our village elder keeps telling us that **aid will come**”  
Lots of **care delaying/fear of testing** in Mombasa;  
Loss of **capital** sources: “I am eating my stock.”

25 May

Life getting **back to normal in rural areas**—worrying about produce markets;  
Still very **low casual work & cashflow** to small businesses;  
Much **anticipation for 6<sup>th</sup>**—some rural fear reducing travel restrictions;  
Rising **teen pregnancy** reported in one rural area;  
Re: Aid: “The village elder keeps telling them us to **be patient**.”

## Follow up **ROUND 2.** (of 4)

Things are getting **significantly harder** for most people,  
Because of duration of disruption. Significant deterioration in rural areas.

- Disruption from **5.7 to 8.0** (out of 10) on average
- **81%** say it's getting worse—More in the rural areas
- Deteriorating financial health measures
- **84%** still getting some income, but median only about **KES 500/week**
- **40%** got some kind of aid so far, only 18% in rural areas

Based on first 60 responses; will be revised.



# Follow up Round 2.

Some **relaxing of distancing**, business activity in cities (but low volume);

- “The situation is looking better than the last time we made call and more people have accepted that corona is here to stay.”

Still very **low K availability**, very little aid, low cashflow

- She is still selling maize. Though she does not have enough stock. She can only buy 1 bag each time.

More instances of **theft**;

- Thieves broke into his house when he had gone to look for work. They stole his only blanket, cooking pot and some maize flour. He now uses a heavy coat to cover himself at night.

Emerging **service interruptions** in healthcare and water;

- Mombasa cement stopped supplying the community with free water. It has been more than two years. “I guess the donkey is tired (*punda amechoka*).”

Worsening psychological & identity **stress**

- “Imagine, I am a man. I cannot stay in the house even if I am not earning anything. My self esteem will be hugely affected.”

## Follow up Round 2.

### Confusion and **anger** over who benefits from aid...



- *"They distribute the aid secretly at night."*
- *"It's done by the Wazee wa Mtaa, and they register their people."*
- *"All the aid goes to people originally from this area. Migrants like us are left out."*
- *"I have been registered more than 30 times, but still there's nothing!"*

*"In the community there is an initiative for Kazi kwa Vijana (work for youth). I went to ask for a vacancy, and was told I don't qualify as a youth. In the other hand, when I request for Pesa za Wazee (funds for elderly), I am told I don't qualify. I wonder in which category am I and why are there no benefits for my age group?"*



## Follow up Round 2.

Which is a **missed opportunity** when we have ubiquitous mobile money & algorithmic poverty scores targeting.

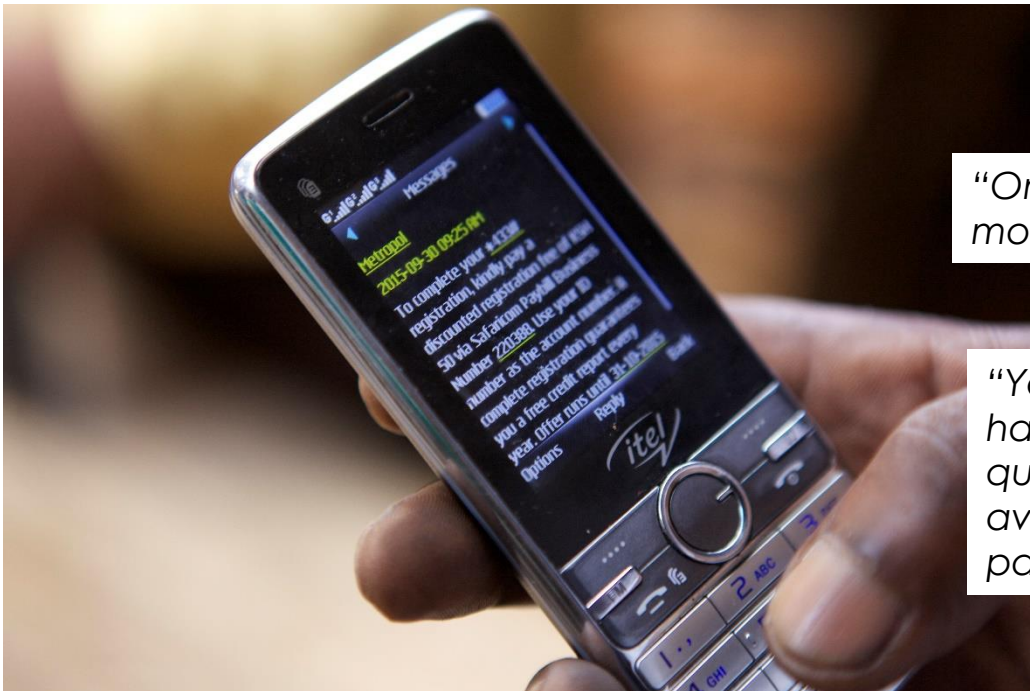


## Follow up **Round 2.**

### **Debt pressure** is mounting After 3 mo, growing **fear of eviction**

- Some expected restrictions would ease 6 June, and they could repay
- More conversations about which debts are negotiable

He borrowed yesterday from Mshwari 16,125 KES to offset some rent arrears for the 2 shops, so last month after he repaid they didn't give him a new loan so he has been trying until yesterday is when he got. He was so happy at least he hopes to have gathered money to repay by next month when it will due. (Was expecting restrictions to lift on 6 June)



*"On M-shwari, I am late, but I can't negotiate with them as they mostly communicate through text messages, which I cant reply to."*

*"Yesterday my landlord called and told me if by 15th I have not have paid, he will send his boys to come lock my house. He kept quiet when I told him I will pay once I get money, since I am not avoiding to pay intentionally. I don't know what will happen if I don't pay as his silence makes me nervous."*

# Follow up Round 2.

## Things have become very dire for “Jennifer” in Nairobi;

- She is pregnant (due in October), and the baby's father has blocked her calls;
- She is sick and self-medicating for malaria;
- She used to get her own income from washing in Eastleigh, but they are under a separate lockdown, and she can't afford the KES 50 bribe to enter daily and risk not being able to get work;
- As a single mother, she needs to be working now to save up for when the baby arrives and she can't work. That's not possible.
- Her debts are mounting:
  - House rent- KES 7,500
  - Shop credit – KES 850
  - Various people- more than KES 5,000
  - Fuliza- KES 435
  - Mshwari-KES 500
  - KCB-Mpesa- KES 500
  - School fees for her two daughter- About KES 10,000
- After three months of not being able to pay rent, she suspects she is on the verge of eviction.
- Last week, there were two full days where she didn't eat anything.
- The only aid she has received is a bar of soap from SHOFCO early in the project.

### Anne's Notes:

*“Jennifer” was so weak and sad because of what has been happening to her not being able to work and get money for her family...*

*The man who impregnated her blocked her and he doesn't support her in any way, she told me that they were in a relationship though he had another family. She hates herself for being tricked by him...*

*She is yet to receive any help from the government but their names were taken and she hopes that she will be selected so that she can be able to provide for her family- she said all they do is sit at the door with her children hoping someone will give them something for food.*



03

Priority interventions

# Respond

- **Cash transfers** STILL not reaching people and are STILL necessary
- **Employ ordinary people in relief & recovery** (ex: distribute food/sanitizer/soap via platform boda riders);
- Health insurers & pharmacies getting **family planning continuity** in place
- Leniency on **mortgages, land rates** to pass to renters
- Media work to help ignite more discussions on family roles, solidify **positive norm** change

# Recover

- Demand stimulus (**cash transfers**) still needed to reach the informal sector workers & businesses
- **Asset transfers**, recovery transfers
- **Targeted scholarships**, especially for girls; intensive efforts to get girls back in school
- **Workfare** in diverse sectors with diverse skills for gender parity

# Rebuild

- Build **efficiencies of the digital bureaucratic state**, particularly for informal sector; simplify processes & establish ex ante crisis response capabilities
- **Small business interventions**: coaching on sector choice, digital finance for MSMEs, apprenticeships, micro-consulting, linking MSMEs to macro growth
- Reorient attention for **pro-poor growth**.
- Improve **policy transitions** when new govt actions displace livelihoods
- Intentional **building assets** for emergencies in future

# Rebuilding stronger must remarry GDP & ordinary people's well-being.

*“In fact, if we continue this way, in the next coming three years, the level of poverty, the gap between the rich and the poor, will be so wide. Very wide, because government is trying to kill the small-scale people. They want them to be the only ones—like one person in government—will start a gas company then they want to bring up rules to be able to finish all the small traders so that only the big fish can be the ones selling.”*

Nairobi retailer

## Opportunities:

- Where are the **business & employment opportunities** for the poor linked closely with high growth sectors?
- Can we do better at **easing policy transitions**, so that development happens in partnership *with* the poor, rather than by steamrolling over them?



# 04 Next

# Project **continues.**



## **Round 1**

March & April 2020

In depth qualitative calls to all HH.

1



## **Weekly Calls**

May-August

Weekly calls to 10 HH across country to monitor pulse.

2



## **Tracker**

June, August, October

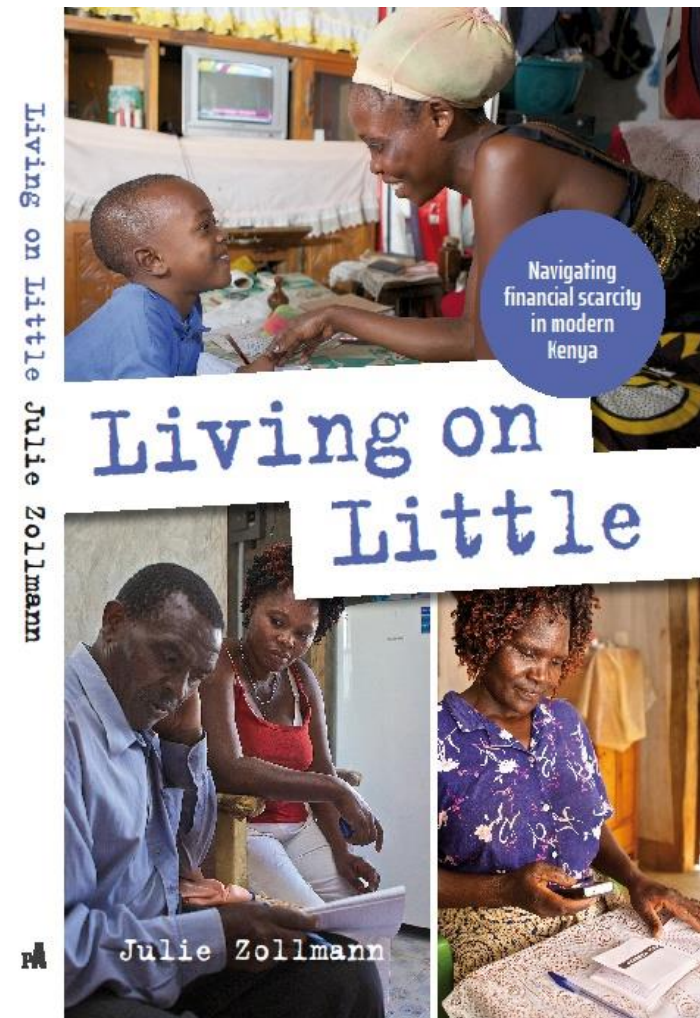
15 min. Check in calls with entire sample.

3

# Learn more.



<https://fsdkenya.org/kenya-covid-19-diaries/>



Coming out in July 2020