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SPES Focus – Work Package #6

Assessing the vulnerability to global energy shocks and policy measures at the macro and microeconomic level:

The case of Kenya

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Abstract

This paper assesses the macro- and microeconomic impacts of the Russia-Ukraine war (RUW) induced energy price shocks on Kenya, a lower middle-income country with high dependence on energy imports. By a macro-micro-simulation, we show that commodity prices shocks caused by the RUW macroeconomic negatively affects Kenya's macroeconomy. The microsimulation, shows that poor, rural, and unskilled households are disproportionately affected while women are slightly more effected than men due to their higher vulnerability. Simulations of pro poor policies in form of cash transfers to the poor and rural households reveal that these measures can help to mitigate the negative impacts of increasing poverty and inequality. These findings highlight that the RUW impacts exacerbate poverty and inequality in vulnerable countries. The paper underscores the importance of targeted mitigation strategies. The complementary usage of Computable Equilibrium General Model (CGE) model and behavioural micro simulation model represents a fruitful application which combines the strength of both modelling approaches.

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