

Socioeconomic Effects of the COVID-19 in the Great Lakes Region

Prepared by ECA Sub-regional Office for Eastern Africa

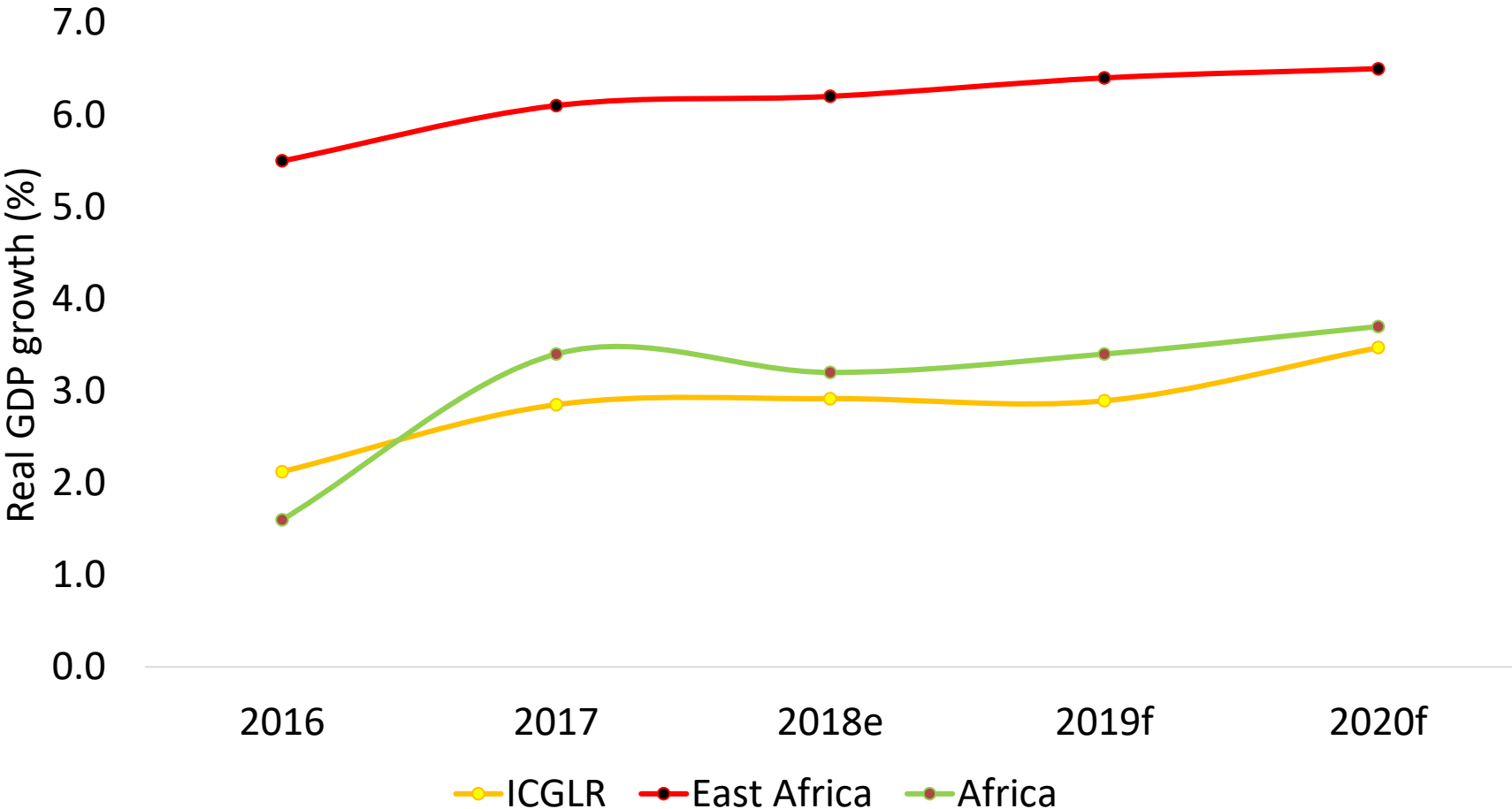
July 2020

HEALTH IMPACTS

- The number of COVID-19 confirmed cases is spreading still in Africa, with over **844,542** confirmed cases and **17,682** deaths as of 27 July 2020;

Before COVID GDP was showing positive trends for the sub-region....

GDP growth before COVID: Growth Outlooks

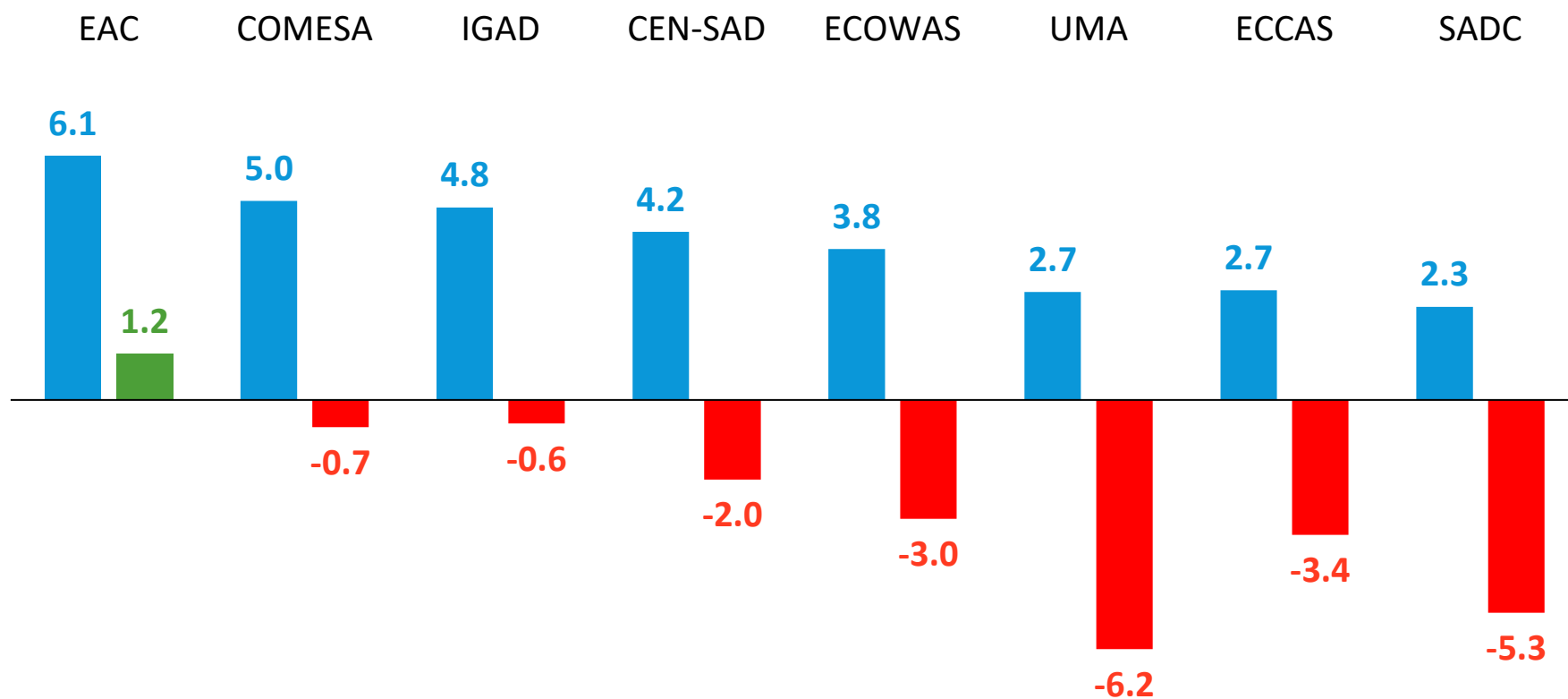


Source: Index Mundi, 2020
(www.indexmundi.com)

Evolving growth forecasts: COVID-19 crisis is expected to cause a significant slowdown in economic growth for every REC in Africa

GDP Growth Forecasts Pre-COVID-19 and Latest Available, 2020

Pre-COVID-19 vs. Latest



Sources: ECA calculations based on IMF REOs
October 2019 and June 2020

Evolving growth forecasts: In the Great Lakes region, GDP growth will slow in 2020 for all countries; but most of them may recover in 2021

GDP Growth Forecasts Pre- and Post-COVID, 2020 and 2021

Great Lakes Region

| | 2020 Forecast | | | 2021 Forecast | | |
|--------------------------|---------------|-------------|-------------|---------------|------------|-------------|
| | Pre-COVID | New | Gain/Loss | Pre-COVID | New | Gain/Loss |
| Angola | 1.2 | -4.0 | -5.2 | 2.9 | 3.2 | 0.3 |
| Burundi | 0.5 | -5.5 | -6.0 | 0.5 | 4.2 | 3.7 |
| Central African Republic | 5.0 | -1.0 | -6.0 | 5.0 | 3.0 | -2.0 |
| Republic of Congo | 2.8 | -8.6 | -11.4 | 1.9 | -1.1 | -3.0 |
| DRC | 3.9 | -2.2 | -6.1 | 3.4 | 3.5 | 0.1 |
| Kenya | 6.0 | -0.3 | -6.3 | 5.8 | 4.0 | -1.8 |
| Rwanda | 8.1 | 2.0 | -6.1 | 8.2 | 6.3 | -1.9 |
| South Sudan | 8.2 | 4.7 | -3.5 | 5.0 | -1.0 | -6.0 |
| Sudan | -1.5 | -7.2 | -5.7 | -1.1 | -3.0 | -2.0 |
| Tanzania | 5.7 | 1.9 | -3.8 | 6.0 | 3.6 | -2.4 |
| Uganda | 6.2 | 1.8 | -4.4 | 6.1 | 2.6 | -3.5 |
| Zambia | 1.7 | -5.1 | -6.8 | 1.7 | 0.6 | -1.1 |
| ICGLR Average | 3.5 | -1.9 | -5.4 | 3.8 | 2.3 | -1.6 |
| <i>Eastern Africa</i> | <i>6.1</i> | <i>0.8</i> | <i>-5.2</i> | <i>6.0</i> | <i>2.7</i> | <i>-3.3</i> |
| <i>Africa</i> | <i>3.2</i> | <i>-2.6</i> | <i>-5.8</i> | | | |
| <i>World</i> | <i>3.4</i> | <i>-4.9</i> | <i>-8.3</i> | <i>3.6</i> | <i>5.4</i> | <i>1.8</i> |

Sources: IMF REOs October 2019 and June 2020 (Sudan new projection as at April 2020); 2019 IMF Staff Reports; Africa's projection is from ECA, April 2020

Note: Sub-regional Averages are weighted by GDP current PPP of given year forecast in October 2019 or in April 2020

Debt and Fiscal Sustainability Trends

- Reduced economic activities stemming from lockdowns, curfew as well as disruption in international trade will lower government revenues. On the other hand the expenditures for health and socioeconomic response and recovery plans will require significant resources, and may lead to more indebtedness.
- ECA calls for **standstills on debt service payments for all African countries** to free up fiscal space for the fight against COVID-19 and its impacts

FDI, Remittances and ODA Trends

- The flows of FDI and Remittances were showing **upward trends** before 2020 (**+10 and +40%**). With the COVID crisis, they will be **affected adversely**.
- In contrary before 2020, the level of ODAs **was going down (-3)**, this could be exacerbated with in the crisis.

In 2019, FDI flows to the great lakes region increased by 10 percent to \$6.5 billion. The level for 2020 is likely to be affected by the COVID crisis

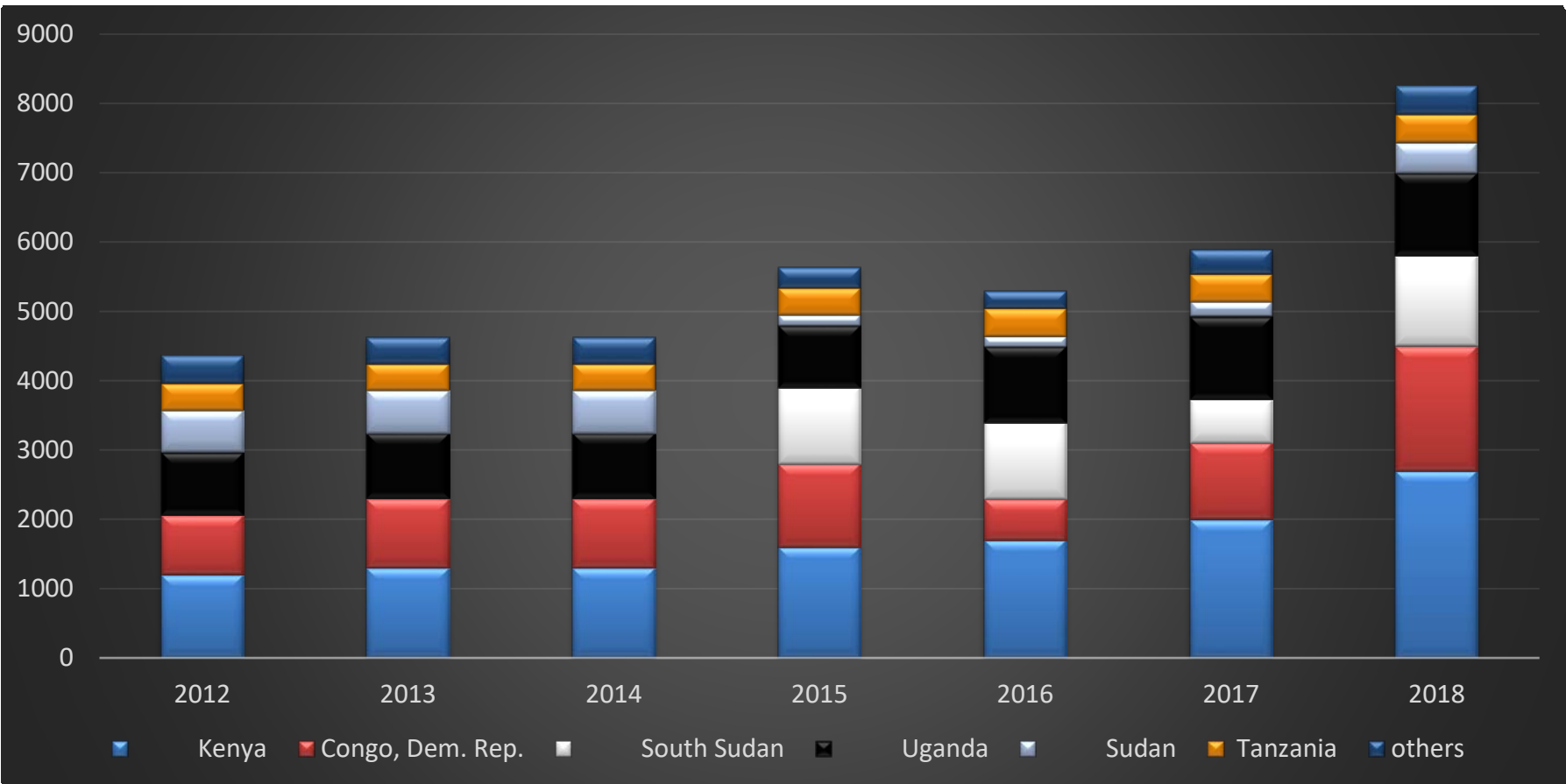
FDI (USD, Millions)

| Country | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------|--------------|-------------|--------------|--------------|-------------|-------------|-------------|-------------|
| Congo | -283 | 609 | 1659 | 3803 | 1611 | 4406 | 4313 | 3366 |
| Dem. Rep. of the Congo | 3312 | 2098 | 1843 | 1674 | 1205 | 1340 | 1494 | 1478 |
| Kenya | 1380 | 1119 | 821 | 620 | 681 | 1275 | 1626 | 1332 |
| Uganda | 1205 | 1096 | 1059 | 738 | 626 | 803 | 1055 | 1266 |
| United Republic of Tanzania | 1800 | 2087 | 1416 | 1561 | 864 | 938 | 1105 | 1112 |
| Sudan | 2311 | 1688 | 1251 | 1728 | 1064 | 1065 | 1136 | 825 |
| Zambia | 1732 | 2100 | 1489 | 1305 | 663 | 1108 | 408 | 753 |
| Rwanda | 255 | 258 | 459 | 380 | 342 | 356 | 398 | 420 |
| Central African Republic | 70 | 2 | 3 | 3 | 7 | 7 | 18 | 26 |
| South Sudan | 161 | -793 | 44 | -71 | -17 | 1 | 60 | 18 |
| Burundi | 1 | 7 | 47 | 7 | 0 | 0 | 1 | 1 |
| Angola | -1465 | -7120 | 3658 | 10028 | -180 | -7397 | -5732 | -4098 |
| Total | 10479 | 3151 | 13749 | 21776 | 6866 | 3902 | 5881 | 6499 |

Source: UNCTADstat 2020

In 2018, Remittances to the great lakes region increased by 40 percent to \$8.5 billion.

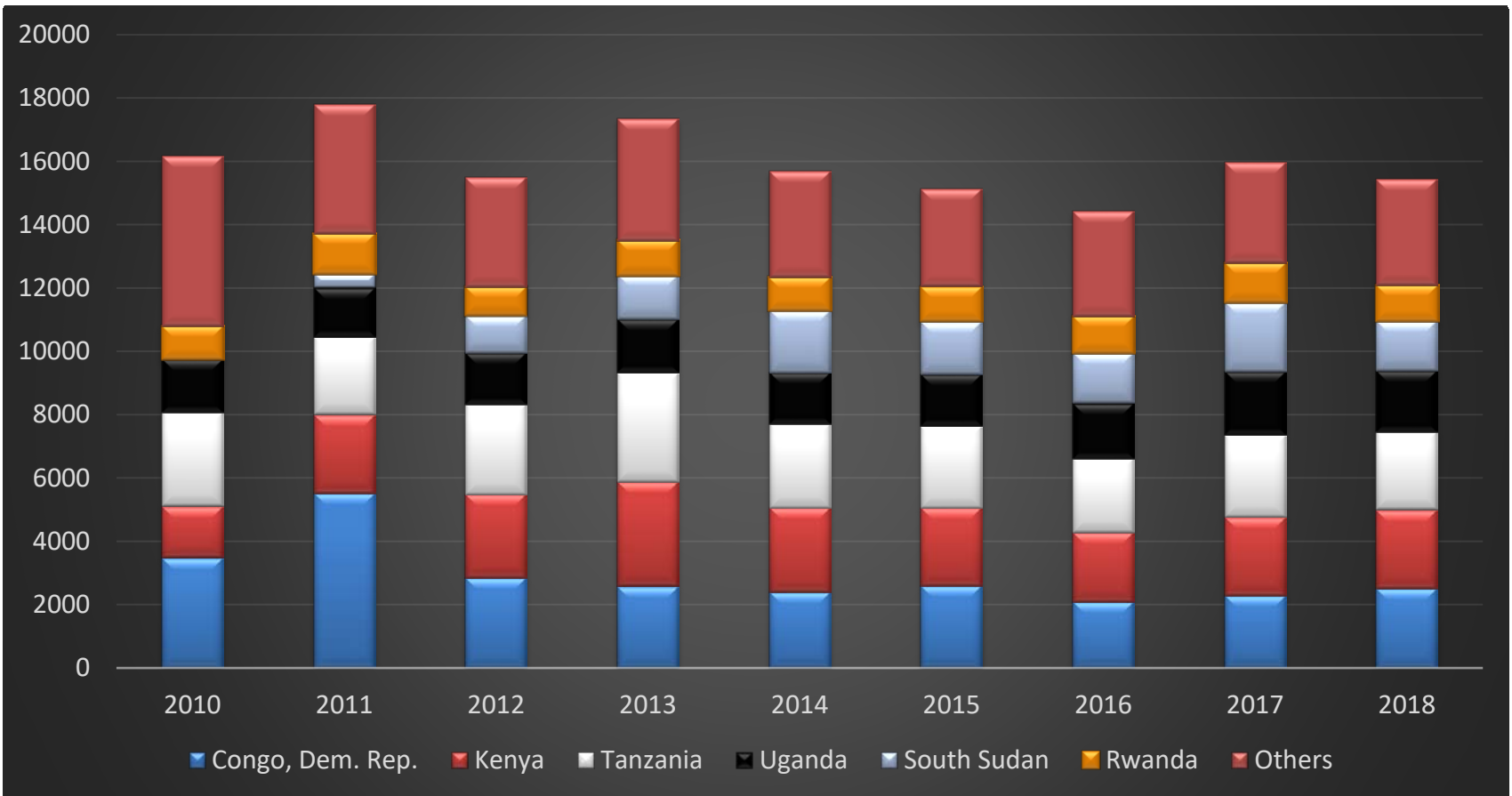
Shares of Remittances in the great lakes region(USD millions)



Source: WDI 2020

In 2018, ODA to the great lakes region declined by 3 percent to \$15.5 billion.

ODA flows to the great lakes region(USD millions)



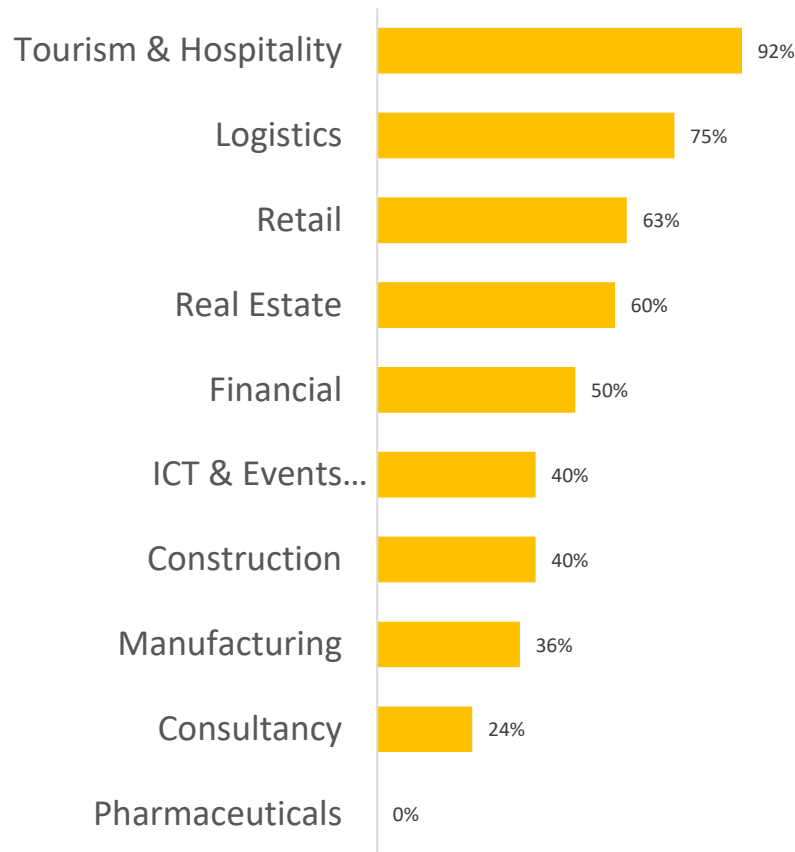
Source: WDI 2020

Impacts of COVID on businesses

- **Tourism** and **hospitality, aviation,** and **logistics** are among the most affected activities
- Impacts varies with the **size** and **type** of Business
- Reduction of **domestic demand** is a major challenge for businesses

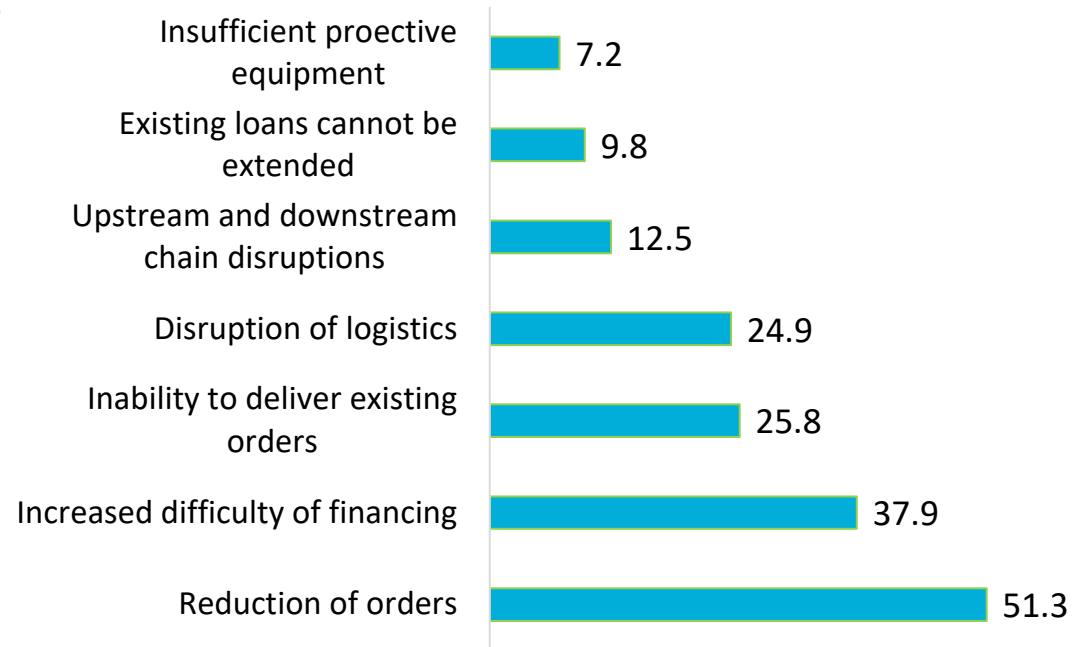
Risks of Revenues losses per activity - Transmission channels of COVID impacts on businesses :

Average reduction in cash flows due to COVID 19, by sector (2020, %) in East Africa



challenges faced by companies (A survey in Uganda)

(in percentage)



ECA based on WTTC, 2020

National and Regional responses

- *Response plans have been adopted at RECs and country levels;*
- They include **health** security measures; coping measures for **businesses, households** and **governments**;
- The objectives include:
 - to save **lives, livelihoods** and **jobs**;
 - To Support **supply** and **demand**
 - To Create **fiscal space** for government

Some examples of measures adopted by countries – support to businesses and Households

- Targeting: distinction made by sector ; by type of enterprise and households
- Type of support measures include: Fiscal, monetary and financial
 - Subsidies
 - Flexibility in taxation and tax payment modalities
 - Reduction of tax rates (corporates, income, VAT)
 - Accelerated Payment of arrears to Private Secor
 - Loans: Zero or Low interest rates loans
- Flexibility in loans repayments
- Debt restructurings
- Provision of garantees
- Etc;

Practical examples of measures adopted by countries in Great Lakes

Burundi - Subsidies to private sector to help pay salaries in struggling sectors and avoid layoffs

DRC : Suspension of tax audits for companies ; Deferment of tax payment obligations for the most affected sectors;

Rwanda : Fast-tracking of VAT refunds to SMEs

Uganda: Expedition of repayment of domestic government arrears to the private sector suppliers, giving priority to affected SMEs

Example of Regional Responses to COVID-19: Case of SADC

Coordination of transit facilitation through:

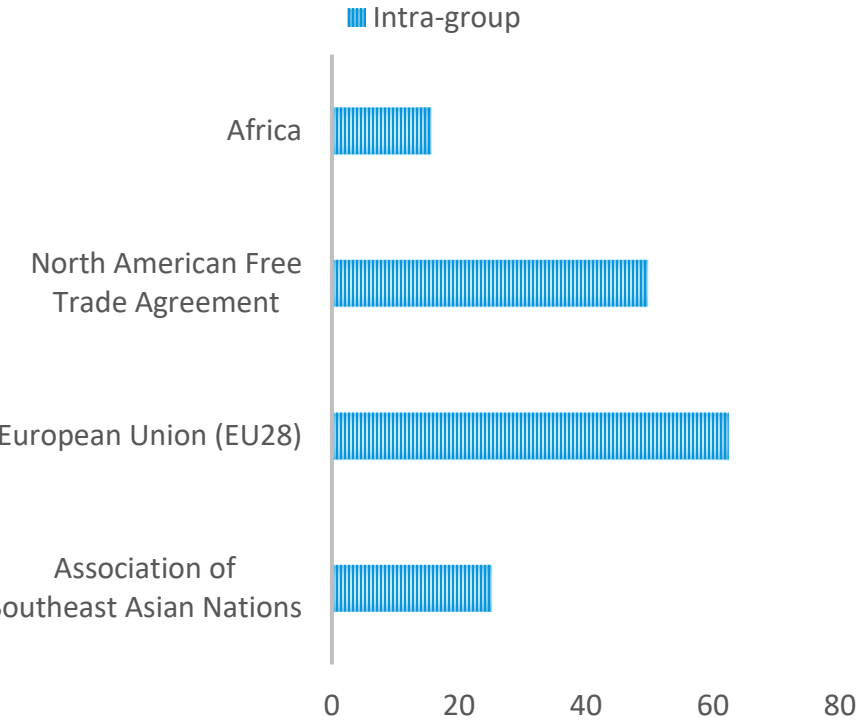
- i. removal of restrictions on cross border cargo vehicles for food; medical equipment, medicines, supplies, ppe, fuel & coal; agricultural inputs & supplies; chemicals, packaging, equipment, spares, maintenance materials; inputs for production & processing of food products; and security, emergency & humanitarian relief services;
- ii. simplification & automation of trade & transport facilitation processes;
- iii. introduction/enhancement of pre-clearance of goods & single window processing; and
- iv. acceleration of creation of e-applications & platforms for handling imports & exports, application, issuance & renewals of licences, permits, registration of drivers, operators, vehicles & loads, payment of fees; and, information dissemination & sharing.

Trade and AfCFTA have great potential to boost Africa's development

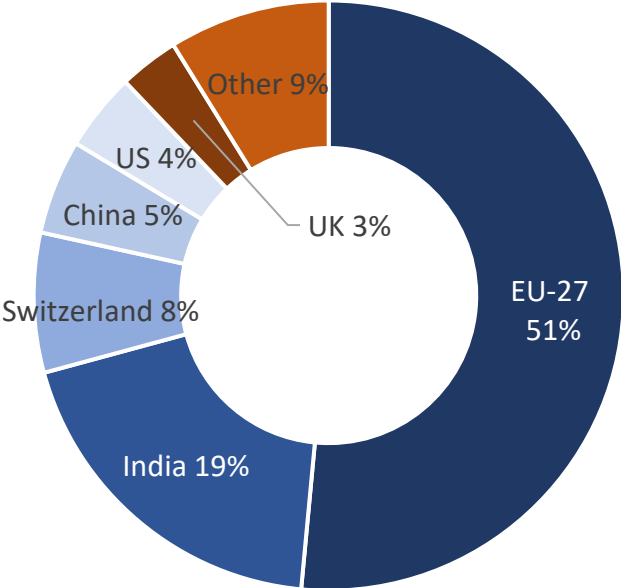
- intra-Africa trade is **very low** at less than 20%
- High **dependence on imports** of essential food, medical and pharmaceutical items
- Most countries are **net importers** of basic foods
- ***Women*** have a big role to play in boosting intra-African trade

Intra-African trade is the lowest in the world - For example most of the pharmaceutical and medical products are imported from the Rest of the World

Trade in merchandise : Intra—group trade (% , average 2012-2016)



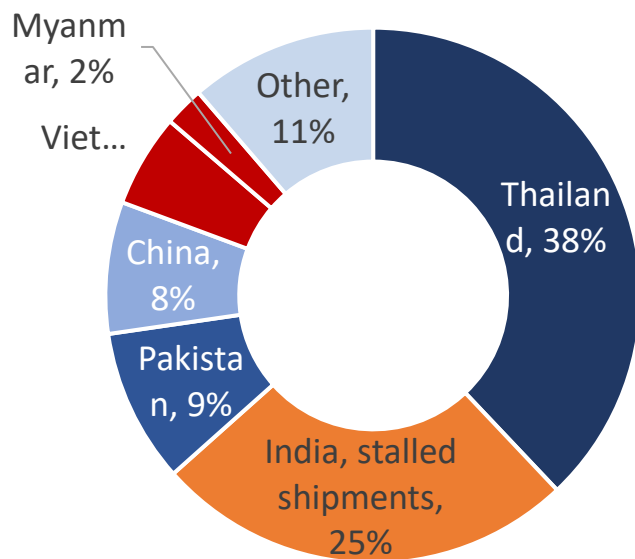
Africa’s origin of import of medicinal and pharmaceutical products, 2016–2018: More than half of these products come from the EU



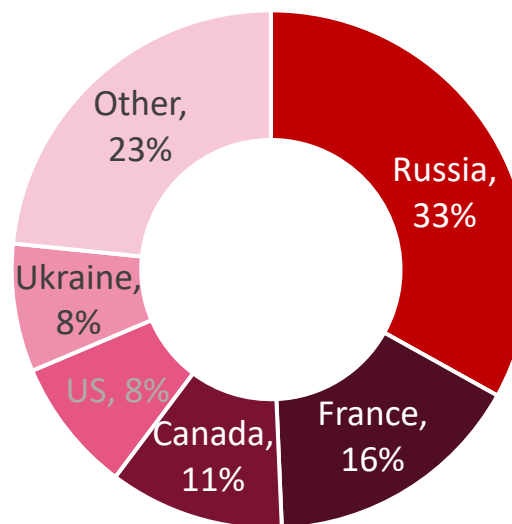
Percentage

There is high dependence on imports of essential food, this needs to be addressed by enhancing local production and supporting AfCFTA implementation

Africa's rice imports, by origin, average 2016-18



Africa's wheat imports, by origin, average 2016-18

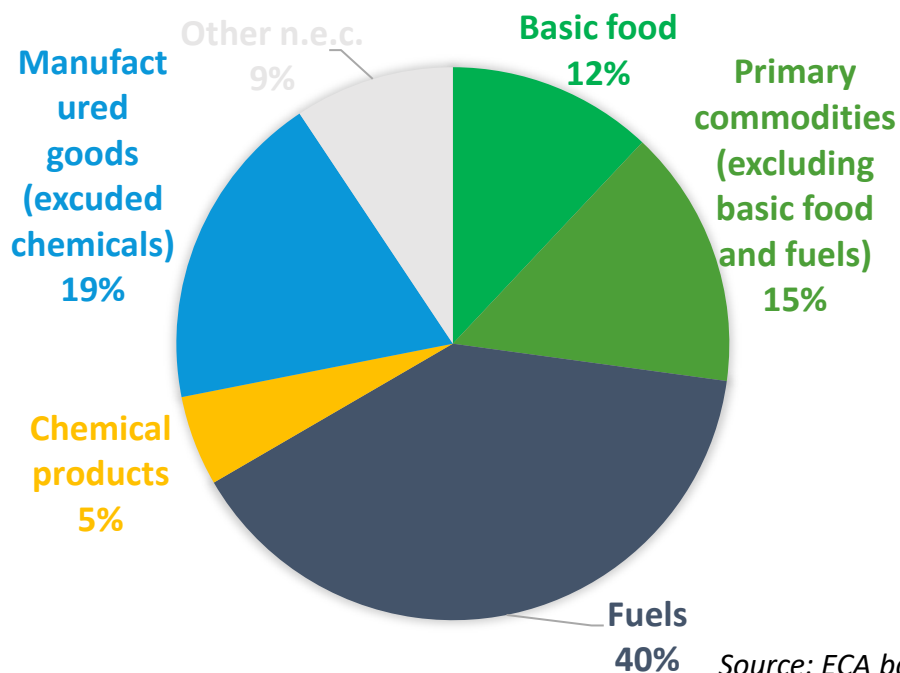


What does Africa trade?

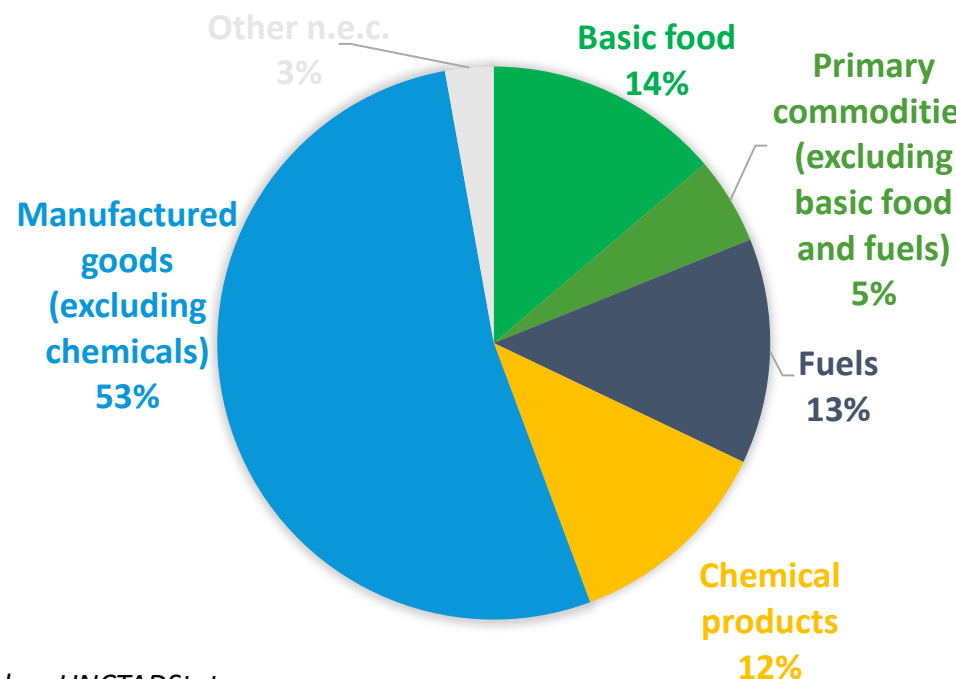
- Africa's exports are dominated by fuels, whereas Africa's imports are largely manufactured goods:

Composition of Africa's total exports vs. imports of goods – Average (2016-18) – %

Africa's total exports



Africa's total imports



Source: ECA based on UNCTADStat

Africa was among world fastest growing region before. has capacity to bounce back

- **Prioritizing after COVID: Turn Vulnerabilities into opportunities:**
- **High dependence on imports of essential food, medical and pharmaceutical items to be addressed by enhancing local production, developing RVCs and supporting AfCFTA implementation;**
- ***Recovery plans and Future National Development Plans To build back both demand and supply capacities (consumption and production) ; And promote increased investments into:***
 - **Health & social protection systems; Digital transformation; Agricultural transformations; climate friendly activities**



THANK YOU!