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

<table>
<thead>
<tr>
<th>Region</th>
<th>Pre-COVID-19</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAC</td>
<td>6.1</td>
<td>1.2</td>
</tr>
<tr>
<td>COMESA</td>
<td>5.0</td>
<td>-0.7</td>
</tr>
<tr>
<td>IGAD</td>
<td>4.8</td>
<td>-0.6</td>
</tr>
<tr>
<td>CEN-SAD</td>
<td>4.2</td>
<td>-2.0</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>3.8</td>
<td>-3.0</td>
</tr>
<tr>
<td>UMA</td>
<td>2.7</td>
<td>-6.2</td>
</tr>
<tr>
<td>ECCAS</td>
<td>2.7</td>
<td>-3.4</td>
</tr>
<tr>
<td>SADC</td>
<td>2.3</td>
<td>-5.3</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Great Lakes Region</th>
<th>2020 Forecast</th>
<th>2021 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre-COVID</td>
<td>New</td>
</tr>
<tr>
<td>Angola</td>
<td>1.2</td>
<td>-4.0</td>
</tr>
<tr>
<td>Burundi</td>
<td>0.5</td>
<td>-5.5</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>5.0</td>
<td>-1.0</td>
</tr>
<tr>
<td>Republic of Congo</td>
<td>2.8</td>
<td>-8.6</td>
</tr>
<tr>
<td>DRC</td>
<td>3.9</td>
<td>-2.2</td>
</tr>
<tr>
<td>Kenya</td>
<td>6.0</td>
<td>-0.3</td>
</tr>
<tr>
<td>Rwanda</td>
<td>8.1</td>
<td>2.0</td>
</tr>
<tr>
<td>South Sudan</td>
<td>8.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Sudan</td>
<td>-1.5</td>
<td>-7.2</td>
</tr>
<tr>
<td>Tanzania</td>
<td>5.7</td>
<td>1.9</td>
</tr>
<tr>
<td>Uganda</td>
<td>6.2</td>
<td>1.8</td>
</tr>
<tr>
<td>Zambia</td>
<td>1.7</td>
<td>-5.1</td>
</tr>
<tr>
<td><strong>ICGLR Average</strong></td>
<td><strong>3.5</strong></td>
<td><strong>-1.9</strong></td>
</tr>
<tr>
<td><strong>Eastern Africa</strong></td>
<td><strong>6.1</strong></td>
<td><strong>0.8</strong></td>
</tr>
<tr>
<td><strong>Africa</strong></td>
<td><strong>3.2</strong></td>
<td><strong>-2.6</strong></td>
</tr>
<tr>
<td><strong>World</strong></td>
<td><strong>3.4</strong></td>
<td><strong>-4.9</strong></td>
</tr>
</tbody>
</table>

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)*

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

Source: UNCTADstat 2020
In 2018, Remittances to the great lakes region increased by 40 percent to $8.5 billion.

Source: WDI 2020
In 2018, ODA to the great lakes region declined by 3 percent to $15.5 billion.

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Reduction in Cash Flows (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism &amp; Hospitality</td>
<td>92</td>
</tr>
<tr>
<td>Logistics</td>
<td>75</td>
</tr>
<tr>
<td>Retail</td>
<td>63</td>
</tr>
<tr>
<td>Real Estate</td>
<td>60</td>
</tr>
<tr>
<td>Financial</td>
<td>50</td>
</tr>
<tr>
<td>ICT &amp; Events...</td>
<td>40</td>
</tr>
<tr>
<td>Construction</td>
<td>40</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>36</td>
</tr>
<tr>
<td>Consultancy</td>
<td>24</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>0</td>
</tr>
</tbody>
</table>

### Challenges faced by companies (A survey in Uganda) (in percentage)

- Insufficient protective equipment: 7.2%
- Existing loans cannot be extended: 9.8%
- Upstream and downstream chain disruptions: 12.5%
- Disruption of logistics: 24.9%
- Inability to deliver existing orders: 25.8%
- Increased difficulty of financing: 37.9%
- Reduction of orders: 51.3%

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 entreprise 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 Sector
  – Loans: Zero or Low interest rates loans

• Flexibility in loans repayments
• Debt restructurings
• Provision of guarantees
• 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
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: Intra-group trade
North American Free Trade Agreement: Intra-group trade
European Union (EU28): Intra-group trade
Association of Southeast Asian Nations: Intra-group trade

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

- EU-27: 51%
- UK: 3%
- India: 19%
- Switzerland: 8%
- China: 5%
- US: 4%
- Other: 9%
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

- Thailand, 38%
- India, stalled shipments, 25%
- Pakistan, 9%
- China, 8%
- Vietnam, 11%
- Other, 11%
- Myanmar, 2%

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

- Russia, 33%
- France, 16%
- Canada, 11%
- Ukraine, 8%
- US, 8%
- Other, 23%
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**

- Manufactured goods (excluding chemicals): 19%
- Chemical products: 5%
- Fuels: 40%
- Basic food: 12%
- Primary commodities (excluding basic food and fuels): 15%
- Other n.e.c.: 9%

**Africa’s total imports**

- Manufactured goods (excluding chemicals): 53%
- Chemical products: 12%
- Fuels: 13%
- Primary commodities (excluding basic food and fuels): 5%
- Other n.e.c.: 3%
- Basic food: 14%

Source: ECA based on UNCTADStat
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

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