

## Diaspora Remittances for Covid-19 Recovery is critical But the region has to Undertake Reforms to Secure it

Remittance flows to Sub Saharan African countries will drop by 23.1% from \$48 billion in 2019 to \$37 billion in 2020 in the wake of the Covid-19 economic crisis, according to the World Bank. Globally, the top remittance recipients' countries, last year were, India (\$79 bn), China (\$67 bn), Mexico (\$36 bn), the Philippines (\$34 bn), and Egypt (\$26.7 bn) among other countries.

In COMESA region, the leading recipients of remittances were Egypt (US\$ 26,791 million), Kenya (US\$ 2,819 million), Tunisia (US\$ 1,912 million), DR Congo (US 1,823 million) and Zimbabwe (US\$ 1,730). In terms of contribution of remittances to GDP, Zimbabwe led with 13.5%, Comoros (11.5%) and Egypt (8.2%).

Further, the World Bank estimates that foreign direct investment will drop by around 35% due to travel restrictions, disruption of international trade and decline in the stock prices of multinationals. Thus, diaspora remittances will remain crucial to many countries in the region.

**"Migrants in the diaspora have lost jobs and taken pay-cuts amidst the corona virus outbreak and subsequent lockdown leading to the drastic fall in remittances.."**

-Dr Christopher Onyango

COMESA Director of Trade and Customs Dr Christopher Onyango observes:

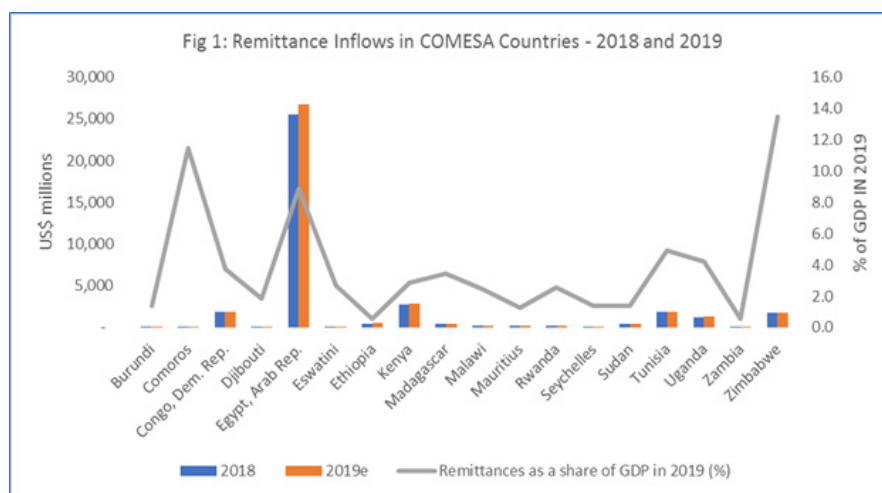
"Diaspora remittances are a key source of investments and enabler of economic growth and sustainable development. They have multiplier effects in the economy through

savings, investments, fiscal and debt sustainability."

In his report on the impact of COVID-19 on diaspora remittances, he notes that affluent countries such as the USA, France, United Kingdom, Italy and China, which account for up to a quarter of all funds remitted to African countries are among the worst hit by the pandemic.

Dr Onyango adds: "About 13% of essential workers, including ICT technicians, teachers, health professionals, sports men and women, cleaners, drivers and other general workers in Europe are immigrants. Stringent immigration policies are therefore likely to close out immigrant workers and therefore reduce diaspora remittances."

The other challenge has been the high cost of sending remittances. According to the



"Migrants in the diaspora have lost jobs and taken pay-cuts amidst the corona virus outbreak and subsequent lockdown leading to the drastic fall in remittances. Thus, many countries have suffered a double blow more so those that remittances constitute a significant share of the GDPs," he says.

Further, the COVID-19 pandemic has tremendously constrained mobility and travelling across countries, and this may reverse the gains already made in promoting greater openness and flexibility in migration. This is because a range of professionals and semi-skilled workers are needed to provide various services.

World Bank's Remittance Prices Worldwide database, the global average cost of sending \$200 stood at around 7% in the first quarter of 2019. No wonder the reduction of remittance costs to 3% by 2030 is a global target under the SDGs.

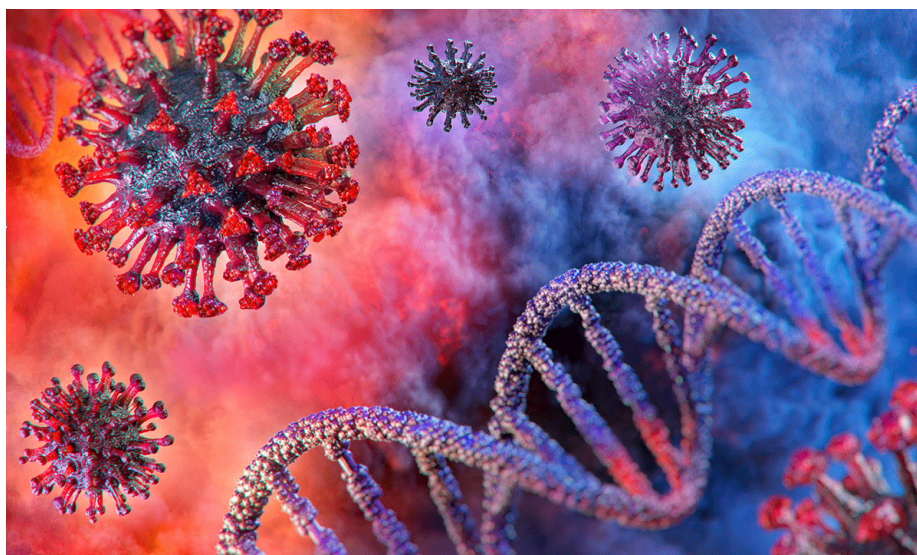
For many countries in Africa and the small islands in the Pacific, the costs are above 10% thus encouraging the use of informal channels or even illegal transactions, including money laundering. In addition, actual data is not captured in most cases leading to under estimations.

The report identified banks in Africa as

the most expensive remittance channels, charging an average fee of 11% in the first quarter of 2019. Post offices were the next most expensive, at over 7%. Remittance fees tend to include a premium where national post offices have an exclusive partnership with a money transfer operator.

Within Africa and by extension COMESA, Dr Onyango says the commitments to remove restrictions on the movement of persons across the region specially professionals and other essential workers is now paramount. Restrictions hinder productivity and growth of both migrant source and destination countries and subsequently the associated remittances.

Going forward, the Director says Member States needs to undertake financial regulatory reforms to streamline and effectively reduce the costs of sending remittances. In addition, Member States should not only fully implement the protocols



on free movement persons, labour and services and that of elimination of visa requirements, but also develop specific rules and regulations to guide and harness remittances as a critical source economic growth and development. At the global level, he notes, there is need for sustained migration reforms considering

the role played by migrants during the pandemic, with many of them being in the front line. Even more importantly, such reforms will enhance peaceful coexistence of humanity to foster global economic development.

## Malawi, Zambia Records Drop Trade Flows

Malawi and Zambia recorded reduced trade flows in March and April according to the latest report from the COMESA Statistics on 'COVID 19 Impacts on Trade'. These were the first two months in which COVID-19 spread to the countries.

This is part of a series of reports providing initial results on tracking trade flows in the COMESA region with the view to provide evidence on the impacts of COVID-19. According to the report, imports into Malawi declined by 32% in April compared to March while imports in May are forecasted to decline by 25%. Customs duty receipts declined by 27% in April compared to March. The largest borders in terms of customs revenue, that is Songwe between Malawi and

Tanzania and Mwanza between Malawi and Mozambique, recorded declines in duty receipts of 42% and 16% respectively.

The statistics report, which is the first in a series of country by country surveys, further states that Dedza border between Malawi and Mozambique is likely to lose 40% in customs duty revenue in May. As a result, Malawi Revenue Authority has introduced key measures which include the introduction of a COVID-19 criterion in the ASYCUDA World Customs System, which directs a list of low risk importers and a list of specified essential goods for the management of the crisis as provided by the government.

For Zambia, the main declines were recorded at Kazungula border with Botswana and Zimbabwe and the Nakonde border with Tanzania. Volumes of import traffic declined overall by 25% between April and March and this was mainly due to a decline of 83% in volumes recorded at Kazungula and a 42% decline recorded at the Nakonde border.

Export traffic volumes also declined by 3%.

Zambia Revenue Authority (ZRA) has introduced various measures including processing of exports at inland ports and heightened awareness for importers/exporters to conduct pre-arrival clearance and registration. At the same time, ZRA is promoting the use of electronic payment processes which is yet to catch on.



Nakonde border point





# Two COMESA Countries Record Zero COVID-19 Cases for Close to a Month

Seychelles and Eritrea have not recorded a new case of the Coronavirus for more than three weeks and this has been attributed to several factors which includes strong health institutions, early response, proper coordination, tracing, testing and treatment. Mauritius was also in this group but recently recorded two new imported cases.

According to an analytical report by Governance, Peace and Security (GPS) Unit at the COMESA Secretariat, these countries established early restrictive measures to minimize the spread of the virus.

In Mauritius, flights from China and Europe, were restricted early and mandatory screening at airports and other public places was introduced.

Data from the COMESA Early warning System (COMWARN) indicates that over the years Mauritius and Seychelles have built strong...

"These measures and the strict adherence to guidelines by citizens ensured that the spread of the virus was contained and in addition, prevented community transmission," says the report.

In Seychelles, all travel to the country by foreigners was stopped from 10th March 2020 and no cruise ships were allowed entry in its waters. These early measures limited the spread of additional infections from outside the country. Eritrea on its part enforced a total lockdown.

"It should also be noted that the relatively low population and the geographical positioning of Mauritius and Seychelles gave them a comparative advantage in containing the spread of the virus as it was also easier for them to close their borders," the report notes.



Eritrea



Seychelles

The strict adherence especially in Mauritius and Seychelles has been supported by a highly literate population. The early response in these countries was also buttressed by a legal framework to support the implementation of some of the measures.

A COVID-19 Bill was enacted in Mauritius to guide the enforcement of social distancing, wearing of masks in public spaces, restriction of movement, among others. Tracing, mass testing and treatment have emerged as one of the most effective ways of managing the spread of COVID-19 among the population. By 26 May 2020, Mauritius had conducted 104,639 tests, that is equivalent to 82,292 per million, the highest attained so far in the region.

Data from the COMESA Early warning System (COMWARN) indicates that over the years Mauritius and Seychelles have built strong health institutions through adequate budgetary allocations, prioritized training of healthcare workers and established adequate health facilities. The investments in the health sector have enabled these countries to build resilience to such shocks and ensured that Mauritius and Seychelles are able to adequately trace, test and treat.

## Public Private Partnerships Needed in Fighting Coronavirus

COMESA Countries should consider forming Public Private Partnerships to reduce the burden of the impact of the COVID-19 pandemic on the limited government resources. These partnerships will also help the governments to assist the people most affected such as women in the micro and small-scale trading sector.

According to Gender Expert at COMESA Secretariat, Ms. Mekia Redi, governments in the region need to take the initiative and invite the private sector and philanthropists to be on board and support the COVID-19 response in a comprehensive manner.

"Partial or total lockdowns have led to loss of jobs and income for most people especially those in micro and small-scale businesses hence the need for the private sector to be brought on board to help tackle the impact of this disease," she said in a statement issued in Lusaka.

To restore the social and business environment as quickly as possible, she noted, adequate information and support should be provided to Small and Medium Enterprises (SMEs). This is in addition to establishing a national fund (in each country) to mitigate the impact of the pandemic the communities.

Further, Member States should consider developing joint action plans to tackle the Covid-19 to enable countries to support one another by sharing experiences, good practices and document statistics. Although the coronavirus affects all groups of the population, the socio-economic effect is more detrimental to small businesses including small scale cross border traders of whom the majority are women.



Women traders

## COVID-19 Affects Small-Scale Cross Border Trade Programme

The spread of the coronavirus in the COMESA region which has forced some countries to take measures such as closing borders to contain it has continued to negatively affect the operations of Small-Scale Cross Border Traders whose livelihoods depend on frequently crossing borders buying and selling goods.

The restrictions which includes bans on inter-country movement of buses and cross-border movement of persons means that small-scale trade at border points has been negatively affected.

This is expected to cause a major disruption on the livelihood of the people especially those who live around the border areas in the long term, notes the COMESA Cross Border Trade Expert Mr. Tasara Muzorori.

"The region should brace for the effects of this major disruption on the economic activities of this large community of small-scale cross border traders who depend on the activities of buying and selling goods and products to sell across the borders," he said.

COMESA has been working with the traders through the Small-Scale Cross Border Trade (SSCBTI) programme which was launched in 2018 to increase cross-border trade flows among the COMESA/tripartite region. One of the activities under this programme is the systematic collection and analysis of data on small-scale trade.

The SSCBTI is a 15 million Euros programme funded by the European Union aimed at developing the small-scale trade given its significant contribution to the total trade in the region (40%) and provides a livelihood for many people who do not have formal employment.

Mr Muzorori, who is the team leader of the SSCBTI notes that in the recent past, the growth and development of the small-scale cross-border trade has been largely hindered

by high costs occasioned by lengthy clearance processes, complex procedures, high duties and other non-tariff barriers.

To address the challenge, COMESA and other regional economic communities are implementing the Simplified Trade Regime to formalize the small-scale trade. The advent of the Covid-19 pandemic and the consequent closure of borders presents the biggest challenge to the gains that have been achieved.



Cross Border Traders

## International Center on Small Hydro Power Donates 5,000 Masks

COMESA has received 5,000 surgical masks worth \$4,500 from the International Center on Small Hydro Power (ICSHP). The masks will support small scale cross border traders at selected border posts for COVID-19 prevention.

Secretary General Chileshe Kapwepwe received the masks in Lusaka, Tuesday 26 May from Mr. Jerro Zhou of the Jiangxi Zambia Chamber of Commerce Official, representing ICSHP's Director General Prof. Lui Deyou.

In a letter to the SG, Prof. Deyou expressed gratitude to COMESA for their support and solidarity during the outbreak of the Coronavirus in China.

SG Kapwepwe appreciated the support from ICSHP saying it would go a long way in fighting COVID-19 especially among small-scale cross border traders. The masks will be targeted at selected borders such as Kasumbalesa, Mchinji, Chirundu and Victoria falls.



Mr. Jerro Zhou of the Jiangxi Zambia Chamber of Commerce presents surgical masks to COMESA Secretary General Chileshe Kapwepwe

### The COMESA Diary

8

June 2020

World Bank Online Supervision Mission on Great Lakes Trade Facilitation Project

**Organised by:** GLTFP **Venue:** Teleconference

17

June 2020

COMESA /EU Virtual Portfolio Meeting

**Organised by:** EDF **Venue:** Teleconference



COMESA SECRETARIAT  
COMESA Center  
Ben Bella Road  
P.O. Box 30051. Lusaka, Zambia



+260 211 229 725



[www.comesa.int](http://www.comesa.int)



[info@comesa.int](mailto:info@comesa.int)



[facebook.com/COMESA/](https://facebook.com/COMESA/)



[@twitter.com/comesa\\_lusaka](https://twitter.com/comesa_lusaka)