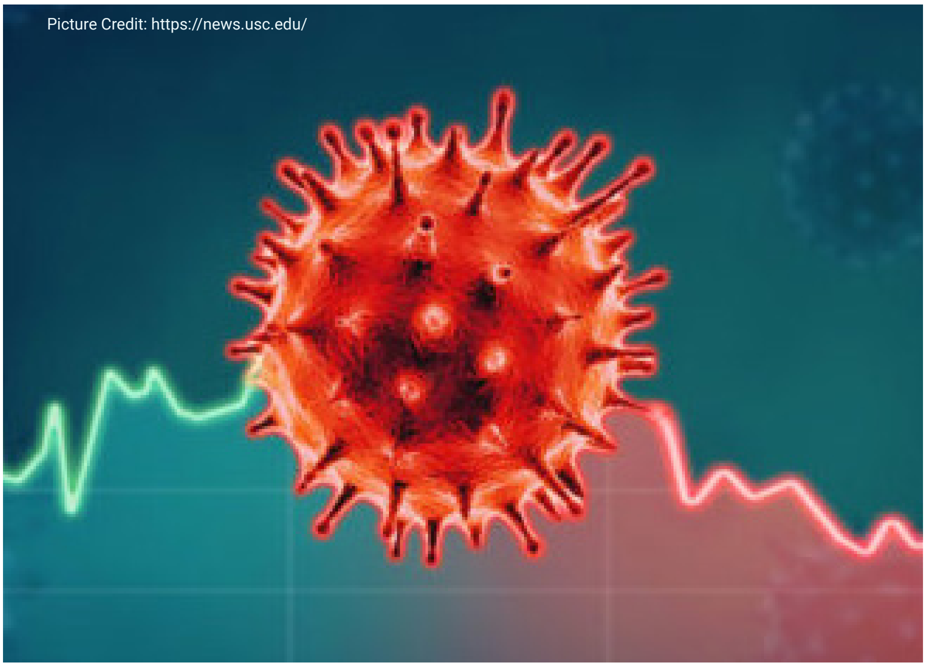
e-COMESA newsletter

Issue #: 467 Nov 30, 2020

Study on the Socio-Economic Impacts of Covid-19 Pandemic in COMESA Region Completed



Picture Credit: https://news.usc.edu/

COMESA Secretariat has conducted a study on the socio-economic impacts of the COVID-19 pandemic in the region. The study is expected to help Member States in developing policies to address the impacts of the pandemic on their economies.

According to the study, only six Member States: Egypt, Ethiopia, Kenya, Malawi, Rwanda and Uganda are projected to have positive growth rates post COVID-19 pandemic. The resultant contraction in economic growth in countries is likely to hit hard countries that are resource intensive, oil exporters, and tourism dependent. Non-resource intensive countries will be more resilient.

Specifically, the fall in commodity prices affected COMESA oil and mineral products exporters thereby leading to sharp declines in export earnings and balance of payment challenges , according to the report.

The study identified the services sector as the most affected due to travel restrictions and lockdowns. These include business services, air transport, road transport and tourism. Comoros, Seychelles, Mauritius, Kenya, Ethiopia, Egypt and Madagascar, which heavily rely on services sectors have been the most affected.

"Available data pointed to a double-digit reduction of 22% in the travel and tourism sector during the first quarter of 2020, with arrivals in March down by 57%," the report stated. "This translates into a loss of 67 million international arrivals and about USD 80 billion in receipts. Current scenarios point to declines of 58% to 78% in international tourist arrivals for 2020."

> The study is expected to help members states in developing policies to address the impacts of the pandemic on their economies.

A brief on the study was presented to the 41st meeting of the Council of Ministers last week. In their decision, the ministers urged Member States to fast-track implementation of the protocol on free movement of persons and easing regional movement. Specifically, they cited the movement of professionals like medical personnel, engineers, technicians, essential goods and services across borders and the development of a regional strategy to encourage and promote domestic and regional tourism.

The study found that financial services were more resilient due to digitization including the use of the internet and mobile banking. It recommended greater liberalization of financial and telecommunication services to help reduce costs of services provision which are currently high.

On inflation, the study found that the regional rate increased from 31.6% to 60.4% in the first of 2020, with some countries registering double digit month on month inflation.

"Inflation was largely driven by drastic changes in consumption of housing, water, electricity, gas and other fuels (89%), health (78.3%) and communication (69.6%) due to supply shortages and confinement measures," the report says.

However, many economies experienced increase in nonperforming loans (NPLs) especially in the following sectors: tourism, restaurant and hotels, transport and communication, trade, real estate, personal/household, building and construction and manufacturing sectors.

In addition, there was a cut down in remittance inflows in the region, attributed to shut down in economic activities in key source countries including France, Italy, Spain, United States, United Kingdom, Middle East and China. These account for a quarter of total remittances to Sub Saharan Africa.

Steep declines in foreign direct investment (FDI) were noted with delays in approved development projects linked to external financing mechanisms, and an increasingly high risk of financial sector contagion due to the decreased ability of businesses and individuals to meet their financial obligations.

Expansionary policies undertaken in combating the COVID-19 pandemic worsened the fiscal deficits and external debt situations in most countries. Increased spending was notable in health and support to businesses and vulnerable populations.

Despite the challenges, the pandemic created opportunities for firms to innovate, develop new strategy and products, for example, through repurposing production lines to produce COVID-19 essential products.

Following the study, the Council on Ministers directed speedy digitalization of trade

Expansionary policies undertaken in combating the Covid-19 pandemic worsened the fiscal deficits and external debt situations in most countries.

instruments which include electronic trade (e-trade), e-logistics and e-legislation under the COMESA Digital Free Trade Area initiative. The Council urged Member States to enhance investments in internet infrastructure and penetration to promote online supply of services and reduce costs of communication – mobile, internet and financial services to increase/expand the benefits of digital technology.

eCommerce has Sustained Economies During COVID-19, Zambia VP

There is need for more development of electronic education (e-Education) and e-Health infrastructure especially in rural areas to ensure marginalized people are not cut off from development enjoyed in cities and urban areas at this time of COVID-19.

According the Vice President of Zambia Mrs. Inonge Wina, improvements in telecommunications have come to the rescue in the COVID-19 era through widespread use of electronic commerce and business transactions that have increased tremendously thereby sustaining businesses and economies.

She was speaking during the opening of the 41st COMESA Council of Ministers meeting on Thursday, 26 November 2020.

The VP emphasized that the quest for solutions to the challenges caused by COVID-19 should remain a priority in all Member States, given its catastrophic impacts on regional economies.

She said: "The main priority in this era of COVID-19 is to synchronise efforts by ensuring that trade corridors allow for quick movement of essential medicines, staple foods and other commodities in the COMESA region while reducing tariffs and other non-tariff barriers so that tradeable goods become more affordable and benefit citizens."

She added: "While the recent progress in the search for COVID-19 vaccines and cure is commendable, the endpoint was not yet clear, especially in view of the impact due to the high cost of vaccines in developing countries."

The VP called upon all Member States to honour their obligations to accelerate regional integration in tandem with the commencement of the African Continental Free Trade which comes into force in 2021.

In her statement, Secretary General Ms Chileshe Kapwepwe urged Member States to come up with smart initiatives to upgrade existing regional integration programmes to address the negative effects of COVID-19 on trade facilitation, which contribute to the economic wellbeing of the region's citizens.

"These programmes not only help unlock cross-border business transactions but stand right at the centre of offering long-term solutions to the challenges brought about by the COVID-19 pandemic," she noted. She added that it is such programmes that have provided opportunity to implement automation of customs operations and effectively upscale the use of technology and update of the envisaged in the COMESA Digital Free Trade Area.

She concluded that effective implementation of these programmes will require seamless coordination between the Secretariat and Member States as well as effective coordination amongst implementing agencies.

The two day virtual meeting was chaired by the Minister of Trade and Industry of Madagascar, Hon Lantosoa Rakotomalala. Ministers and their representatives from the 21 Member States attended.

COVID-19 Food and Nutrition Security Response Plan Endorsed

The Council of Ministers has endorsed the COMESA COVID-19 Food and Nutrition Security Response Plan developed to help the region deal with the impacts of COVID-19 on regional food security.

The plan is designed to address immediate, short-term and medium-term food security and livelihoods needs while integrating the response effort to the long-term regional agriculture development and integration agenda.

In its 41st meeting last week, the Council noted that the COVID-19 pandemic had occasioned unprecedented disruption on the entire food supply chains: from production to processing, packaging, transportation, marketing and consumption resulting in rising staple food prices, food insecurity, loss of livelihoods and income, and increased need for social safety nets.

It directed the COMESA Secretariat to constitute a task force to monitor and evaluate the Response Plan and mobilize resources to support its implementation

Further, the Council called upon development partners, private sector and Civil Society Organizations to support the implementation of the Plan and mainstream biodiversity in all the initiatives.

To enable its successful rollout, the Council urged Member States to commit resources to implement it and develop mechanisms to address the challenges of water scarcity for production in the region.

The draft response plan was first adopted by Ministers responsible for agriculture, environment and natural resources in August this year before presentation to the Council.

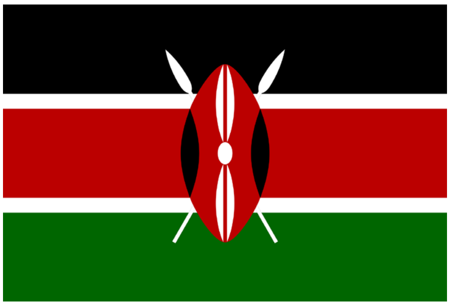
Kenya Gets Sugar Safeguard for Two More Years

COMESA Council of Ministers has granted Kenya a two year extension of the sugar safeguard beginning March 2021 to February 2023. In its 41st meeting conducted virtually on Thursday, 26 November 2020, the Council urged Kenya to share the modalities used in calculating the projected sugar deficit with other Member States by 30 November 2020.

Kenya had made a presentation of the sugar safeguard implementation progress through the COMESA technical committees and requested for a two years extension after the current one lapses in February 2021.

In its decision, the Council urged Kenya to give priority to COMESA originating sugar noting that the region produces enough to meet the deficit. The country will be allowed flexibility on the sugar safeguard allocated quota implementation during importation from COMESA Member States.

Kenya informed the meeting that all its factories are currently on production hence it expects



an increase in available sugar for domestic consumption.

Other conditions given to Kenya were: to provide a detailed roadmap on how to enhance the sugar sector competitiveness during the extended safeguard period, ensure the import permit issuance process is transparent, fast and efficient; and provide the projected deficit in January of each year based on production and consumption data from ISO.

Council also urged Kenya to disaggregate the World Customs Organization Harmonized System (HS Codes) for refined white sugar and mill white/ brown sugar. The safeguard should only be applicable to mill white/brown sugar.
The Council also directed that any unavoidable full or partial suspension of COMESA quotas or of the East African Community import tariff for sugar, or interruption of preferential access established under this agreement, be preceded by prior consultation with affected parties. This should be done through the Kenya Safeguard Sub-Committee and includes a reasonable notice period of at least three months.

Kenya thanked the Member States for the extension and re-assured that it will honour all the allocated quota allocations.

Kenya delegation to the meeting was led by the Principal Secretary, Ministry of Industry, Trade and Cooperatives, Ambassador Johnson Weru.

COMESA Sub-delegates to Zambia, the Upgrading of Selected Border Posts

Nakonde border post

COMESA and the government of Zambia have signed an agreement that sub-delegates the implementation of coordinated border management activities and trade and transport facilitation programme in three border posts in the country.

The sub-delegated activities are worth Euro 6,688,560 and will support upgrading of priority cross-border infrastructure and equipment at Mwami, Chirundu and Nakonde borders between Zambia on one hand and Malawi, Zimbabwe and Tanzania on the other.

This is part of a broader 48 million euros Trade Facilitation Programme (TFP), financed under the 11th European Development Fund (11 EDF) through a Grant Agreement signed between the European Union and COMESA in November 2018.

The TFP has five key result areas on deepening regional integration, improving inclusive regional economic growth and enhancing the competitiveness of the COMESA region.

Permanent Secretary, Ministry of Commerce, Trade and Industry, Zambia, Mr. Mushuma Mulenga and COMESA Secretary General, Chileshe Kapwepwe separately signed the sub-delegation agreement in Lusaka last week.

Appreciating the EU and COMESA for the support, the PS said the interventions at the three border posts will enhance efficiency and ultimately reduce the cost of doing business.

"The desire of the Zambian Government is to build on current trade facilitation efforts through programmes such as the COMESA EDF 11 Trade Facilitation Project" he said. "The support is therefore, timely as Zambia grapples with the negative effects of the COVID-19 Pandemic."

The Secretary General explained that the modalities of implementation of the sub-delegated activities envisage the beneficiary Member State taking ownership and lead in the implementation of the activities.

The delegated works which includes contracts, supplies and services are expected to be processed by the Member State with COMESA providing the necessary technical guidance. This will ensure that implementation takes place in line with the EDF procurement procedures.

> The sub-delegated activities are worth Euro 6,688,560 and will support upgrading of priority cross-border infrastructure and equipment at Mwami...

"The benefits for sub-delegation are that the Zambia Ministry of Commerce, Trade and Industry and its agencies will improve its own systems. It is also an opportunity to upgrade the border infrastructures on the basis that the Ministry is best placed to understand the challenges and provide the best decision of mitigating these challenges," she said adding that COMESA will facilitate financial, logistical and administrative processes.

The funds will also support capacity building for stakeholders on modern border operations and the implementation of information awareness campaign on customs cooperation and trade facilitation instruments among other deliverables.

The signing of the sub-delegation provides an opportunity to use the flexible measures in the application of EDF procurement procedures, considering the COVID19 challenges. This means that on a case by case basis, waivers will be considered to the Rules of Origin and Rule of Nationality as well as use of negotiated procedures for procurement instead of calling for tenders. This will enable fast-tracking some of the planned activities under the sub-delegation agreement.

By the end of the implementation period of the project, it is expected that clearance time and costs for passengers and goods processed through the border posts will be reduced. Likewise, the number of reported non-tariff barriers and cases of corruption and harassment will go down.

"We foresee increased collection of revenue through increased trade flows," the SG projected.

The signing of the sub-delegation followed an assessment of existing challenges conducted at all three targeted border posts in early 2020.

Impacts of COVID-19 in Focus at the 2020 COMESA Policy Organs' Meetings

Zambia`s Minister of Commerce, Trade and Industry Hon. Christopher Yaluma

The COVID-19 pandemic constituted a key discussion point in the just concluded COMESA policy organs meetings, owing to its predominant negative impacts on regional integration and more so on the movement of goods and services.

As he opened the 41st Meeting of the Intergovernmental Committee, Monday 23rd November, Zambia's Minister of Commerce, Trade and Industry Hon. Christopher Yaluma said the region has witnessed a dramatic decline and destabilization in domestic, regional and international trade, requiring the employment of comprehensive economic recovery strategies.

"COVID-19 has hit hard countries that are sources of major imports and export destinations for the COMESA region," Hon. Yaluma noted. "This has negatively impacted not only on availability of supplies, but also on prices that have risen sharply in some instances."

He cited a recent study conducted among businesses and tourism enterprises in Zambia, which indicated that 71% partially closed while 14% were totally closed.

His sentiments were reinforced by the Secretary General Chileshe Kapwepwe, who stressed the need to shift efforts towards adapting and creating solutions for business in a post COVID-19 era as the region implements economic recovery strategies.

"It is our belief that part of the reasons for the depressed intra-COMESA trade is due to prevailing restrictions in various services sectors," she said. "We therefore encourage Member States to focus more attention on capacity building in services sector in order to conclude ongoing negotiation in services."

The meeting appreciated the renewed attention towards deepening liberalization of the services sector by Member States as evidenced by the steps towards concluding negotiations of all the identified seven priority sectors. These are: business, communication, financial, transport, construction, energy-related and tourism services.

> "COVID-19 has hit hard countries that are sources of major imports and export destinations for the COMESA region"
>
> -Hon. Christopher Yaluma

"Liberalization of services presents an opportunity to mainstream services in national development and diversification of production and exports in the COMESA region," the SG stressed.

The meeting also discussed how Member States could move forward amidst the pandemic and plan for the future, by making informed decisions that respond to challenges in solidarity and harmony.

On trade facilitation, the meeting noted the significant progress made especially on automation of customs operations and digitalization of processes and procedures, simplification of cross-border trade to support women and small-scale traders and monitoring and addressing non-tariff barriers to trade.

On infrastructure, the meeting noted that COMESA was collaborating at the tripartite level – with East African Community and the Southern Africa Development Community - to facilitate trade and transport of goods and services. This is by adopting the harmonised tripartite guidelines on trade and transport facilitation guidelines for safe, efficient and cost-effective movement goods and services.

"We call upon you as Member States to continue implementing these guidelines in order to ensure smooth flow of goods and services across our region," the SG implored the delegates.

The two days virtual meeting brought together Permanent/Principal Secretaries from the Ministries that coordinate COMESA programmes at the national level.

Region Projects 0.6% Growth in 2020

COMESA region is projected to grow by 0.6% in 2020 down from 5.2% attained in 2019. This is according to a report on the macroeconomic developments in the region presented at just concluded COMESA policy organs' meetings.

The low projected growth in 2020 reflects largely the impact of COVID-19 containment measures that includes quarantine, lockdowns, travel restrictions and border closures, among others.

The projections considered the development in economic growth, monetary policy and exchange rate, external current account including grants, overall fiscal balance, government debt, inflation rate, reserve accumulation, medium term prospects and recommendations and risks to outlook.

In 2019, for example, monetary policy stance varied depending on the extent to which countries were exposed to domestic and external shock. However, in 2020 the region's Central Banks face new challenges posed by COVID-19 pandemic including a shift of priority to crisis management objectives instead of strictly price stability.

According to the report, external current account including grants improved slightly in the region, averaging about -4.8 percent of GDP in 2019 as compared to -5.2 % in 2018. This was attributed to persistent trade imbalances due to a combination of declining export demand and relatively inelastic import bills, and in some cases late disbursement of external aid flows faced by most countries in the COMESA region.

"The region's average fiscal deficit including grants as a percentage of GDP widened slightly from -4.3% in 2018 to -4.9% in 2019 as the region continued to increase infrastructure investment," according to the report prepared by the Secretariat.

The low projected growth in 2020 reflects largely the impact of COVID-19 containment measures that includes quarantine...

COMESA's average inflation rate was 13.3% in 2019 as compared to 9.2% in 2018 and is projected to increase to 15.2% in 2020 due to plummeting commodity prices and disruptions in food supply chains.

The external reserve position for the region in 2019 was an average of 3.8 months of import of goods and services compared to 3.1 months of import of goods and services in 2018 and is expected to decline to just three months of import of good and services in 2020.

The report concludes that the immediate challenge for most countries in the region will be stopping the COVID-19 pandemic. This should entail continued effort to sustain public health gains including contact tracing, quarantine and isolation, treatment and stopping the spread.

The Secretariat urged member countries to use macroeconomic policies to speed up post-COVID-19 recovery.

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

+260 211 229 725

www.comesa.int

info@comesa.int

facebook.com/COMESA/

@twitter.com/comesa_lusaka