



United Nations  
Economic Commission for Africa

# Impact of the COVID-19 Pandemic on Eastern Africa



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United Nations Economic Commission for Africa  
Office for Eastern Africa

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## Acknowledgements

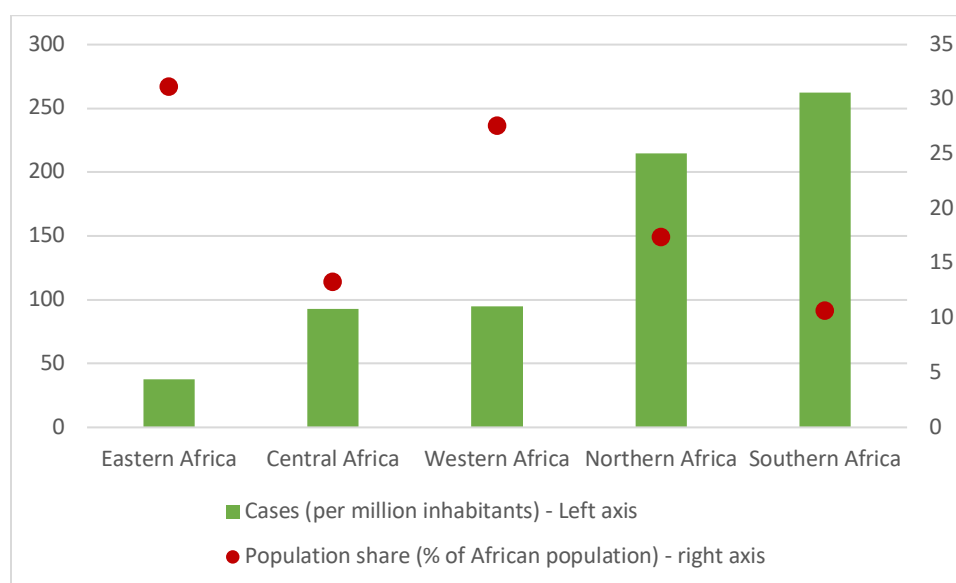
The report was prepared under the overall guidance of Vera Songwe, ECA Executive Secretary, with oversight by Mama Keita, Director, Sub-Regional Office for Eastern Africa (SRO-EA).

The drafting of the report was coordinated by Andrew Mold, Chief of the Regional Integration and AfCFTA Cluster, SRO-EA. The core team consolidating the report consisted of Daya Bragante, Emelang Leteane, Geoffrey Manyara, Jessica Atsin, Raquel Frederick, and Rodgers Mukwaya. Substantive contributions were provided by Didier Habimana, Jackline Ingabire, Martine Mukandekazi, Philemon Mugisha, Rachael Nsubuga and Rosemary Bagiza.

## 1. Overview

Thus far Eastern Africa has been spared the worst consequences of the Covid-19, as reflected in the low number of confirmed cases of Covid-19 for the region (14,814 on 31st May). On a per capita basis, this is the lowest in the continent at 38 cases per million inhabitants, which is not commensurate to the East Africa's share of the total African population (Figure 1). Although there is no room for complacency, this outcome is partly attributable to the strong leadership of governments and regional authorities, characterized by the early response and the quality of the security measures adopted by them, and good compliance by citizens. For instance, many countries were exposed through international flights. These presented a major risk in terms of importing COVID cases, which could have then spread widely in the largest cities. Had it not been the stringent measures adopted very early by the authorities, the outcome could have been quite different. A high level of communication and sensitisation has also been key. The measures adopted are summarized in the next Section and in **Error! Reference source not found.** and **Table** at the end of the report.<sup>1</sup>

**Figure 1: Regional number of COVID-19 cases and share of African population**



Source: Africa CDC; Note: As of 4 June 2020

<sup>1</sup> Although approaches to mitigating the crisis have differed across the sub-region, those measures range from full lockdowns to night curfews, from suspension of international flights and airport closures to borders closures and restriction of movement across the different provinces of a same country). There are also hygiene and sanitary measures imposed such as making mandatory to wear a mask, wash hands, protection of health personnel with special equipments; setting up of test facilities, isolation centers, hot lines, tracing systems, etc...and also repurposing of some manufactures to produce masks locally and not be hampered by shortages due to disruption in international trade, etc.

**Table 1: Dates of first containment measures and first confirmed cases in Eastern Africa**

<b>Country</b>	<b>Date of first confirmed case</b>	<b>Date of first containment measures</b>
<b>Burundi</b>	<i>31/03/2020</i>	<i>5/3/2020</i>
<b>Comoros</b>	<i>30/04/2020</i>	<i>20/03/2020</i>
<b>Democratic Republic of Congo</b>	<i>10/3/2020</i>	<i>24/03/2020</i>
<b>Djibouti</b>	<i>18/03/2020</i>	<i>18/03/2020</i>
<b>Eritrea</b>	<i>21/03/2020</i>	<i>2/4/2020</i>
<b>Ethiopia</b>	<i>13/03/ 2020</i>	<i>16/03/2020</i>
<b>Kenya</b>	<i>13/03/2020</i>	<i>20/03/2020</i>
<b>Madagascar</b>	<i>20/03/2020</i>	<i>20/03/2020</i>
<b>Rwanda</b>	<i>14/03/2020</i>	<i>20/03/2020</i>
<b>Seychelles</b>	<i>14/03/2021</i>	<i>10/3/2020</i>
<b>Somalia</b>	<i>16/03/2020</i>	<i>18/03/2020</i>
<b>South Sudan</b>	<i>5/4/2020</i>	<i>24/03/2020</i>
<b>Tanzania</b>	<i>16/03/2020</i>	<i>17/03/2020</i>
<b>Uganda</b>	<i>21/03/2020</i>	<i>20/03/2020</i>

Source: OCHA Southern and Eastern Africa COVID-19 Digest – Situation Report

Without underestimating the severity of the current crisis, and beyond the purposeful response of public authorities in the subregion, there are a number of key reasons why Eastern Africa may not be so heavily impacted long-term by this pandemic as many parts of the world and why hopefully the region will also be able to bounce back quickly. Ironically this is because of structural characteristics usually considered as reflecting developmental weaknesses. Among these structural reasons are region’s young demographic profile, the relatively low level of urbanisation<sup>2</sup> and the heavy dependence on subsistence agriculture for GDP and employment. It is also worthy of note that the majority of countries in Eastern Africa are net commodity importers, and hence decline in commodity prices precipitated by the crisis may have a more ambiguous effect.

Despite this potential resilience, this report stresses the severe challenges and threats posed by the pandemic. Firstly, most countries in the region become highly dependent on their services sectors, accounting for between 40-50 percent of GDP, and many branches of services have been badly impacted by the crisis. Secondly, within services, some countries in the region (Seychelles, Kenya, Tanzania, Uganda, Rwanda) have a very economic dependence on tourism. It is no coincidence that the country with the highest economic dependency on tourism in the region –

<sup>2</sup> Although there are large urban centres such as Addis Ababa, Kinshasha, and Nairobi, Eastern Africa is one of the least urbanised regions in the world – less than a third of the population, against a global average of 55 percent, lives in an urban environment.



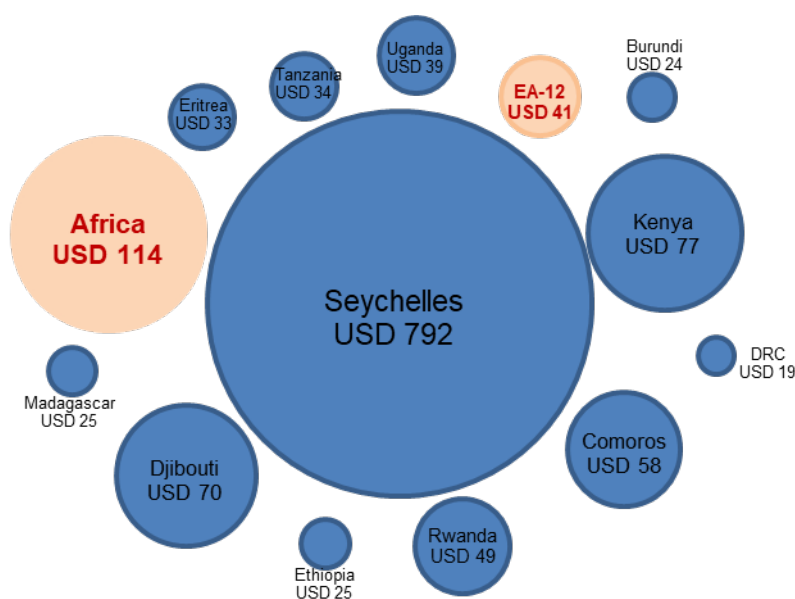
Seychelles- (contributing around 66% of GDP) is forecast by the IMF to be most negatively impacted by the crisis, with a fall of GDP in excess of -10%. Thirdly, the crisis has exposed the vulnerability of the region's insertion into the global economy, with a major negative impact on industrial parks, horticultural and floricultural exports, etc.). Fourthly, even prior to the crisis, debt levels were rising quite sharply in several countries in the region, and could now become quickly unsustainable in the light of the collapse in fiscal revenues and rise in crisis-related expenditures. Finally, the food security situation was already quite precarious in parts of Eastern Africa (particularly in the Horn), due to both severe climatic events and the current locust plagues which are affecting a large number of countries.

The region has thus far been spared worst health consequences, and has capacity to bounce back but going forward; i) more investment will need to be self-financed (domestic resource mobilization); ii) greater investment will be required into public health (which has hitherto been relatively neglected as a regional priority); iii) social protection measures should be expanded with a better coverage of urban poor; iv) finally, the region will need to look again at its model of insertion into the global economy ... and strengthen regional integration. The crisis is underpinning the importance of African market and urgency of implementing AfCFTA. These points will be elaborated upon in the following sections.

## 2. Health Impacts and Containment Measures

Being one of the least affected subregions on the continent at present, Eastern Africa has thus far been spared the worst health consequences. This could be attributed in part to both the strict containment measures adopted early on by some countries to mitigate the spread of the disease and avoid overwhelming their health systems and its relatively youthful population.<sup>3</sup> a. After the first cases were recorded in the region, most nations moved quickly to contain the virus, by launching high-profile public health campaigns, screening all travellers at points of entry, restricting movement and repurposing factories to produce protective equipment. This swift response is also a reflection of the fact that the region is no stranger to health crises. For instance, since August 2018, DRC has been grappling with the second largest Ebola epidemic on record, with 2200 lives lost and 3400 confirmed infections as of May 2020. Neighbouring countries such as Burundi, Uganda and Rwanda cite measures implemented to prevent the spread of the Ebola virus to their territories as highly instrumental in the fight against COVID-19. However, this crisis has at the same time exposed critical gaps in the regional health system. In terms of the financing, quality and adequacy of the health system, the region was unfortunately ill-prepared for a pandemic. Most Eastern African economies spend less than USD 50 per capita on health, which is less than half of the African average (Figure 2).

Figure 2: Current health expenditure per capita (USD), 2017



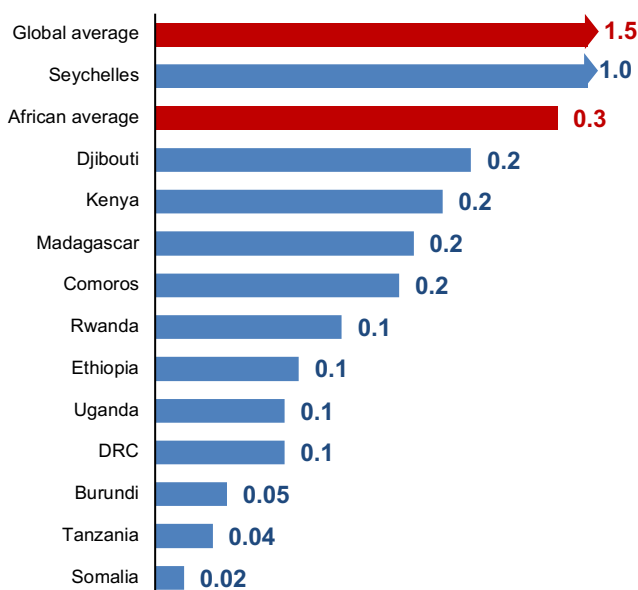
Source: Global Health Expenditure database (2020)

Note: Africa average as of 2015

<sup>3</sup> Older people and people with pre-existing medical conditions appear to be more vulnerable to becoming severely ill with COVID-19. The mortality rates are higher for people aged 55 and above. Meanwhile, young people are statistically less likely to suffer severe symptoms (WHO, 2020).

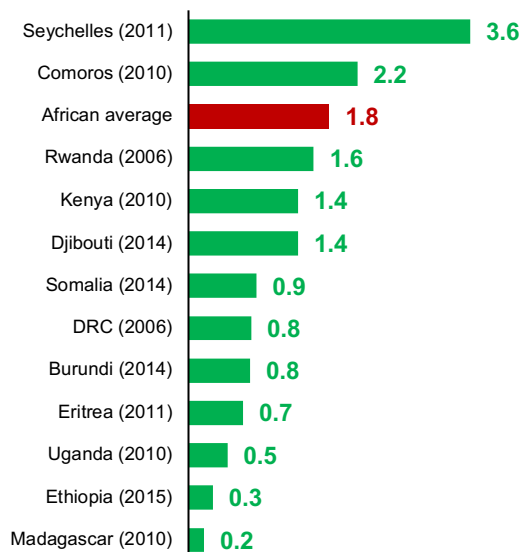
Further reflecting the relatively low healthcare spending are the low density of medical doctors and the poor hospital beds density (Figure 3 and Figure 4). Seven countries in the region are well below the African average of 1.8 beds, which itself is far from the EU rate of 5.1 beds per 1000 inhabitants (OECD and EU, 2018). Moreover, the shortage of healthcare workers in most countries (with less than 3 medical doctors per 10 000 inhabitants) is a serious constraint and increases the risk of fatalities in case of an upsurge in infections.

**Figure 3: Density of medical doctors (per 1000 inhabitants), 2009 - 2018**



Source: World Health Statistics 2019

**Figure 4: Hospital beds density (per 100 inhabitants), last available year**



Source: Global Health Expenditure database

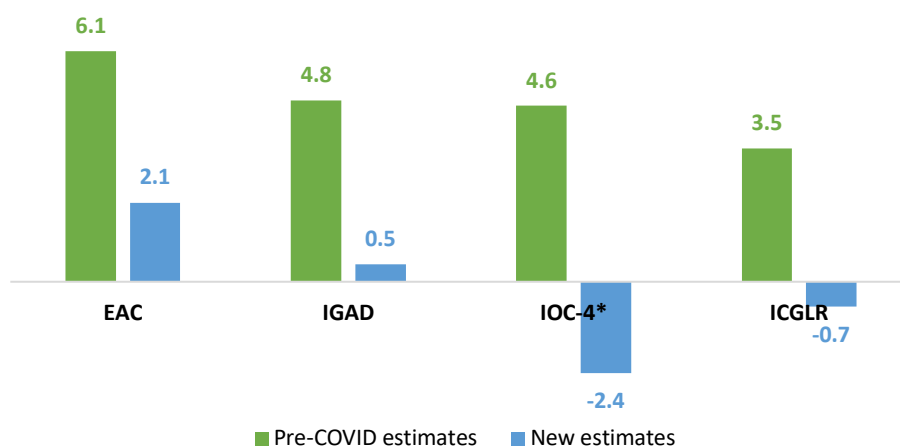
Despite these limitations, most countries in the region have, up to this point, been effective at slowing down the spread of the virus. Besides the lockdown restrictions, other measures commonly adopted across the region to flatten the virus include, *inter alia*: (i) systematic quarantine of recent travellers and suspected cases; (ii) isolation of contacts of confirmed patients identified through rigorous tracing; (iii) Expansion of testing and laboratory facilities; (iv) Establishment of hotlines and call centres; (v) the mandatory use of facemasks. Individual countries have also implemented different measures and taken different approaches to reducing the impact of the pandemic. For instance, in Rwanda, where at the beginning of June only two Covid-19 related deaths had been recorded, a COVID-19 Command Post in the capital Kigali gathering 400 professionals from different sectors have been set up to coordinate activities aimed at containing the pandemic. In addition, innovative technologies such as drones are used for communication in remote rural areas.

### 3. Macroeconomic Impact

The COVID-19 pandemic and containment measures have caused unprecedented economic and social disruption globally. So too in Africa, where the health and economic challenges threaten the region's recent progress and growth prospects. The United Nations Economic Commission for Africa (UNECA) (2020a) currently estimates that GDP growth for African economies in 2020 will slow to 1.8%, almost half the pre-COVID forecast of 3.2%.

According to IMF (2020) forecasts released in April, the Eastern African economy will also continue to expand by 1.4%, although this varies widely from country to country and from one Regional Economic Community (RECs) to another. The aggregated analysis indicates that all four major Regional Economic Communities or country groupings of the region will experience a significant drop in GDP in 2020 (Figure 5).

**Figure 5: 2020 GDP Growth Rates estimates for major Eastern African RECs (%)**



Source: IMF World Economic Outlook October 2019 and April 2020

Note: (\*)Data unavailable for Reunion<sup>4</sup>

The detailed analysis shows that at one end of the spectrum, four economies – Ethiopia, Rwanda, South Sudan, and Uganda – are each still expected to grow by over 3%. At the other end, five economies are expected to contract (Table 2). Most notable is Seychelles whose anticipated -10.8% contraction is linked to the temporary loss of a tourism industry that the economy is heavily dependent on. In addition to COVID-19, several economies in this region are also facing serious challenges from weather-related shocks and severe locust swarms.

<sup>4</sup> The East African Community (EAC) includes: Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda. The Intergovernmental Authority on Development (IGAD) includes: Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda. The Indian Ocean Commission (IOC) includes: Comoros, Madagascar, Mauritius, Reunion and Seychelles. The International Conference on the Great Lakes Region (ICGLR) includes: Angola, Burundi, Central African Republic, Democratic Republic of Congo, Republic of Congo, Kenya, Rwanda, South Sudan, Sudan, Tanzania, Uganda and Zambia.

**Table 2: Estimated and Forecasted GDP Growth Rates (%), 2010 to 2021**

	2010-2016	2017	2018	2019	2020	2021
South Sudan	-7.4	-5.5	-1.1	11.3	4.9	3.2
Rwanda	7.1	6.1	8.6	10.1	3.5	6.7
Uganda	4.9	5.0	6.3	4.9	3.5	4.3
Ethiopia	9.9	10.2	7.7	9.0	3.2	4.3
Tanzania	6.6	6.8	7.0	6.3	2.0	4.6
Djibouti	4.4	5.4	8.4	7.5	1.0	8.5
Kenya	6.0	4.9	6.3	5.6	1.0	6.1
Madagascar	2.6	3.9	4.6	4.8	0.4	5.0
Eritrea	6.5	-10.0	13.0	3.8	0.1	5.9
Comoros	3.2	4.2	3.6	1.9	-1.2	3.1
D.R. Congo	6.9	3.7	5.8	4.4	-2.2	3.5
Somalia	2.6	1.4	2.8	2.9	-2.5	2.9
Burundi	2.8	0.5	1.6	1.8	-5.5	4.2
Seychelles	5.0	4.4	3.8	3.9	-10.8	8.0
<b>Eastern Africa</b>	<b>6.5</b>	<b>5.7</b>	<b>6.6</b>	<b>6.4</b>	<b>1.4</b>	<b>4.8</b>

Source: IMF Regional Economic Outlooks, April 2020; UNECA calculations

Note: Average weighted by GDP

Growth rates for Africa and for the sub-region are expected to rebound by 2021. This is predicated on the success of efforts to contain the virus locally, regionally, and globally. A brisk and strong recovery in Eastern Africa requires recovery of the global economy, particularly in the key trading partners in Asia and Europe, and in the tourism and transport industries. Considering the demographic pressures faced by the region, the per capita growth rate estimates for 2020 show a more severe impact of the pandemic on Eastern African economies, with an average contraction of 0.7% of the per capita GDP compared to the initially forecasted expansion of 3.4% (Table 3).

**Table 3: Real per capita GDP growth estimates (%), 2020 - 2021**

	2020			2021		
	<i>Pre-COVID estimates</i>	<i>New estimates</i>	<i>Change</i>	<i>Pre-COVID estimates</i>	<i>New estimates</i>	<i>Change</i>
Seychelles	2.5	-11.6	-14.0	3.3	7.1	3.9
DRC	0.9	-5.1	-6.0	0.4	0.5	0.1
Burundi	-2.4	-8.3	-5.9	-2.4	1.2	3.6
Comoros	1.5	-3.7	-5.3	0.9	0.42	-0.5
Kenya	3.2	-1.7	-4.9	3.0	3.3	0.3
Djibouti	3.1	-1.8	-4.9	3.1	5.5	2.4
Madagascar	2.5	-2.1	-4.6	2.3	2.4	0.1
Rwanda	5.6	1.1	-4.5	5.8	4.2	-1.5
Ethiopia	5.5	1.6	-3.9	5.4	2.7	-2.7
Eritrea	2.0	-1.6	-3.7	2.3	4.1	1.8
Tanzania	2.6	-0.9	-3.6	2.9	1.5	-1.4

South Sudan	5.0	1.7	-3.2	1.9	0.1	-1.7
Uganda	2.6	0.01	-2.6	3.0	1.2	-1.8
<b>EA-13</b>	<b>3.4</b>	<b>-0.7</b>	<b>-4.1</b>	<b>3.4</b>	<b>2.2</b>	<b>-1.2</b>

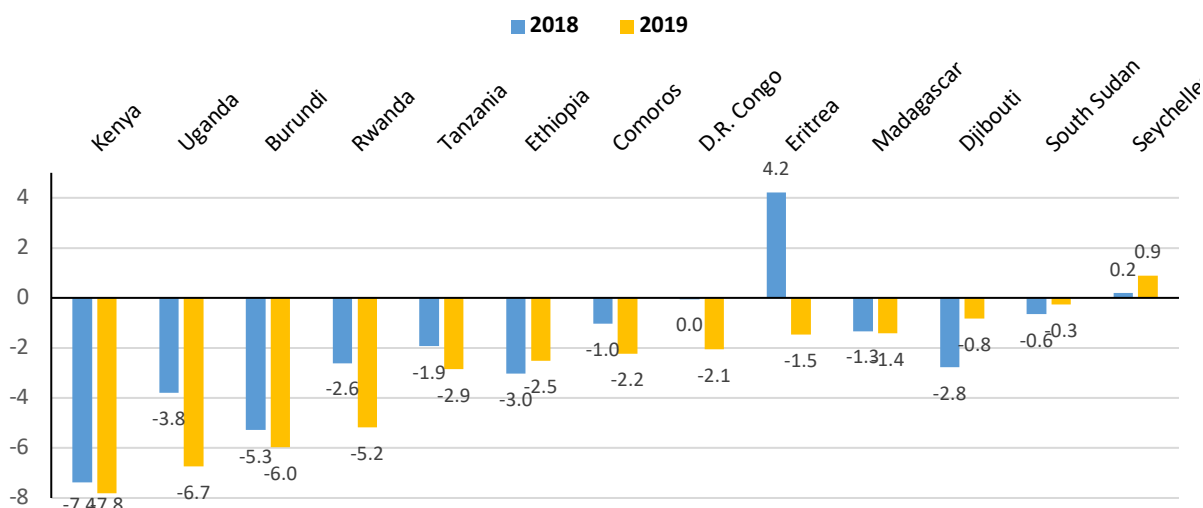
Source: IMF Regional Economic Outlooks, October 2019 and April 2020; UNECA calculations

Note: Average weighted by GDP. Data unavailable for Somalia

The devastating impact of the crisis is not even across all sectors. Most of the services sector faces significant losses in output and employment – which is very hard for Eastern African economies that have been promoting a service-led growth strategy. Travel and tourism industries have been particularly hard hit by travel restrictions and the decline in global demand. Seychelles is the most vulnerable Eastern African economy in this area where the direct and indirect impact of tourism is responsible for around two thirds of the country’s GDP. The indirect impacts associated with the collapse of the tourism sector in the region include the diminished demand for agricultural produce from hotels and restaurants, the loss of multiplier effects of tourism spending on the local economy, the sharp fall in demand for associated services, and the negative repercussions on the air transport sector.

Prior to the COVID-19 crisis, fiscal pressures were already acute in Burundi, Kenya and Uganda (Figure 6) and most governments in the region had recognized the importance of reducing their budget deficits in the short-medium term. For example, Kenya’s deficits were increasingly being financed by debt, but the government planned to improve its tax administration and cut spending to halve its deficit by 2024 (CGTN Africa, 2020). With the large fall in fiscal revenues due to the drop in economic activity, and the rise in expenditures due to compensatory social protection and health measures, the COVID-19 crisis is obviously heightening budgetary pressures this year. Fiscal deficits will deteriorate further as the lower domestic economic activity erodes the tax base and governments increase spending on social protection measures.

**Figure 6: General Government Net Lending/Borrowing (% of GDP)**



Source: IMF

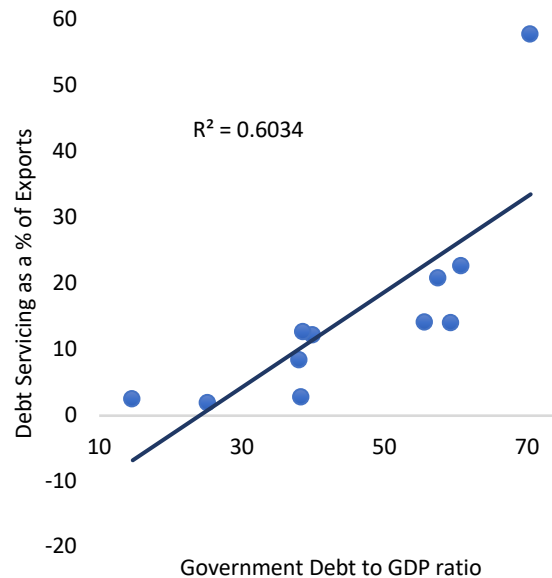
From a longer term perspective, the government debt-to-GDP ratio has been rising in several countries (Burundi, Ethiopia, Kenya, Rwanda and Uganda), raising concerns over the sustainability and overhang problems (ECA, 2020b). This higher debt has increased debt servicing payments. Recent data shows that for six countries in the region, over 10% of export revenue and primary income was spent on such payments (Table 4). There also appears to be a strong correlation for Eastern African countries between the level of debt and the burden of repayments, as expressed by debt servicing as a percentage of exports earnings (there is one outlier here, which is Djibouti, a country which not only has the highest level of public debt to GDP in Eastern Africa, but also seems to be paying more proportionately for that debt).<sup>5</sup> Some governments will have to take on additional debt to finance widening budget deficits this year. To meet the unusual needs of this crisis, there has been increased global conversation on providing some fiscal relief to some countries through emergency aid, concessional financing, and a moratorium on debt servicing (Okonjo-Iweala et al., 2020; G20 Finance Ministers and Central Bank Governors, 2020). This assistance will target the poorest countries, and will be available for all Eastern African countries, except Seychelles. The Paris Club endorsed the G20's Debt Service Suspension Initiative (DSSI) to suspend payments from countries eligible for support from the International Development Association to the end of this year. However, an increasing share of the African governments' debt burden is related to non-concessional loans from private lenders and other non-Paris club members, such as China. In 2018, approximately 20% of external debt in Africa was owed to China and more than half of external interest payments were to private creditors (Jubilee Debt Campaign, 2018). Therefore, suspension of these payments would depend on whether private lenders and China choose to collaborate on these debt relief efforts.

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<sup>5</sup> This of course also reflects the export performance of the economy – a stronger export performance will lead to needing to use a lower share of hard currency earnings to service debt.

**Table 4: National Debt Statistics, Latest Available**

	<b>Government Debt in 2019</b> (% of GDP)	<b>Total Debt Servicing</b> (% of Exports and Primary Income)
Djibouti	70.5	57.8*
Kenya	60.8	22.6
Burundi	59.4	14*
Ethiopia	57.6	20.8*
Uganda	40.0	12.2
Rwanda	38.6	12.6
Madagascar	38.4	2.7
Tanzania	38.1	8.4*
Comoros	25.3	1.9*
D.R. Congo	14.7	2.4



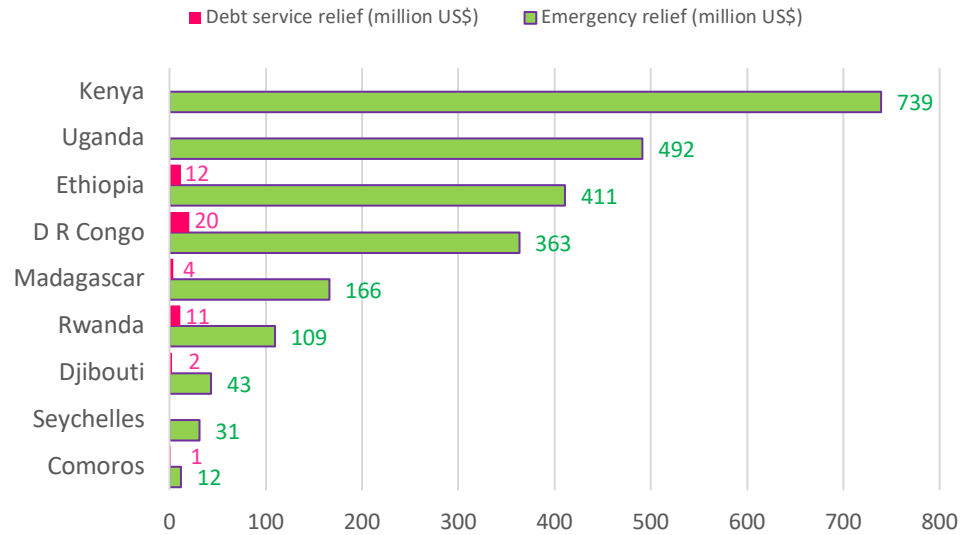
Source: IMF, World Bank

Note: Figures for 2018, except where denoted \*, which are for 2017

Global business confidence is being severely affected, leading to weaker foreign direct investment. UNCTAD (2020) predicts that COVID-19 could decrease global FDI from 30 to 40 percent. Additionally, the tightening of global financial conditions could cause deeper and longer-lasting downturns in aid flows and remittances. The region is still highly dependent on these financial flows. For example, in 2018 the average share of remittances in GDP was 3.8% per country. Tighter global financial conditions have increased the risk of capital outflows and a debt crisis, especially for those countries with low foreign exchange reserves and high debt levels. For example, the [IMF raised Kenya's risk of debt distress](#) to high from moderate due to the impact of the Covid-19 shock. In response to the COVID-19 the IMF has approved several loans to countries in the region (Figure 7) in order to assist the countries moderate the effects of the crisis.

**Figure 7: IMF COVID-19 loans to select countries in the region (USD millions, 2020)**





Source: IMF 2020

Depressed global demand and heightened uncertainty have also caused the main currencies in the region to lose value against the US dollar (Figure 8), particularly for the tourism-dependent and commodity-exporting countries. From the end of 2019 to 12 May 2020, the Kenyan shilling and the Ethiopian Birr depreciated by 4.4% and 4.9%, respectively. The Seychellois rupee has been one of the most challenged in the region, down 22% against the dollar over the same period. While the weakened currencies have helped to absorb some of the global market shocks, they will make imports more costly. Furthermore, it will be more costly to repay any foreign currency-denominated debt.

**Figure 8: Selected Currencies-to-USD Exchange Rates, Jan to 12 May 2020**

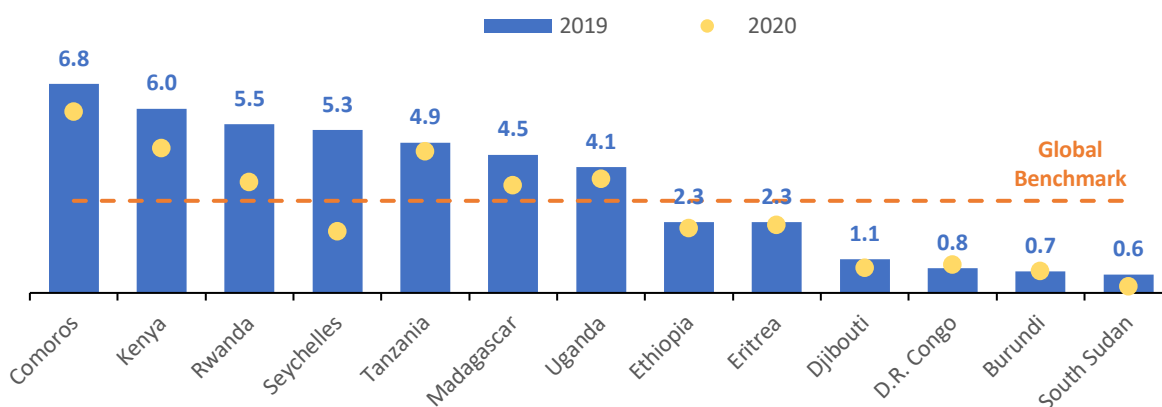




Source: XE currency tracker

At the end of 2019, six Eastern African countries did not have enough foreign exchange reserves to cover the internationally accepted benchmark of 3 months of imports and the forecast for 2020 is not encouraging (Figure 9).

**Figure 9: Import Cover, 2019**



Source: IMF

To help ease pressures on foreign exchange reserves, the IMF has recently approved a total of USD2.3 billion disbursements to Eastern African countries under the Rapid Credit Facility or the Rapid Financing Instrument.<sup>6</sup>Up to this point, most countries have not announced any foreign exchange market interventions. Only the Central Bank of Madagascar made some limited interventions and the exchange rate depreciated by about 4.5 percent vis-à-vis USD since the beginning of the year (IMF, 2020). While The Central Bank of Rwanda has maintained its commitment to keep exchange rate flexible and limit foreign exchange market interventions to avoid excessive exchange rate volatility (IMF, 2020); The Bank of Uganda has assured that it

<sup>6</sup> COVID-19 Emergency Financing approved by country as at 5 May 2020: Comoros (USD4.05 million), D.R. Congo (USD363.27 million), Djibouti (USD43.3 million), Ethiopia (USD411 million), Kenya (USD739 million), Madagascar (USD165.99 million) Rwanda (USD109.4 million), Seychelles (USD31.2 million), and Uganda (USD491.5 million)

stands ready to intervene in the foreign exchange market to smooth out excess volatility of the exchange rate (EABC, 2020a).

In contrast, countries have quickly adopted monetary and macro-financial measures aimed at mitigating the effects of the lockdown and the slowdown of activities on their economies and their populations. Monetary measures adopted across the region have been the reduction of policy rates, the restructuring of commercial loans, the reduction of reserve requirements and the provision of credit facilities to commercial banks allowing them to assist struggling businesses (Table ).

## 4. Impact on Merchandise and Service Trade

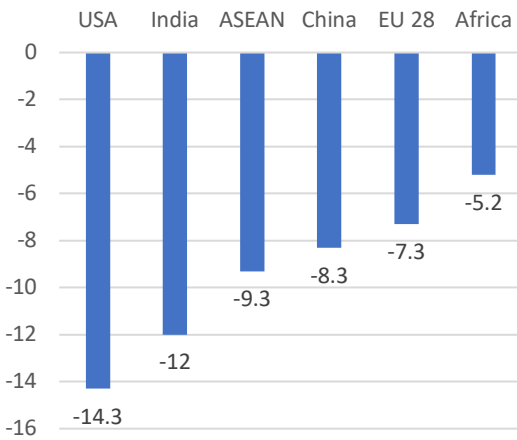
### 4.1 Merchandise trade

The WTO (2020) has forecast a steep decline in world merchandise in 2020 due to the COVID-19 pandemic. Exports from North America and Asia will be hit hardest, and likewise exports from Africa will decline by an average of 5.2%. Recent forecasts by the Economist Intelligence Unit (2020) predicts a far sharper decline in regional trade (Figure 10), with countries like Ethiopia, Rwanda, Eritrea and Uganda experiencing major drops in their exports and a smaller fall in their imports.<sup>7</sup> By sector, services trade will be the most directly affected by COVID-19 through transport and travel restrictions. Additionally, trade will likely fall in industries with complex value chains, particularly electronics and automotive products.

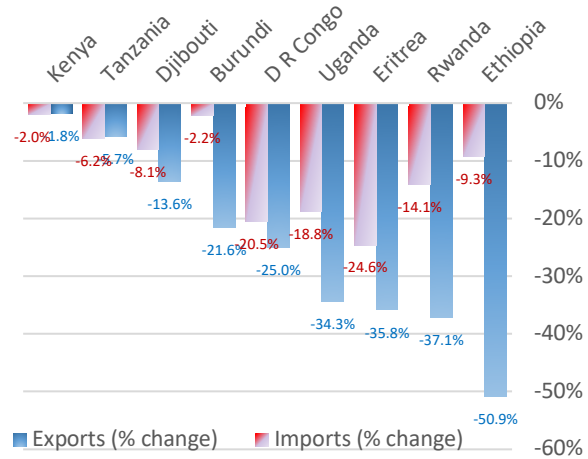
**Figure 10 : Predicted Change in Exports and Imports, 2020**

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<sup>7</sup> It should however be noted that because import volumes are much larger than export volumes in all countries in the region with the exception of DRC, the impact of the smaller percentage decline in import volumes may still manifest itself in an improvement in the trade balance of some countries in the region. This has already been the case of [Uganda in the month of April](#), where the Merchandise trade deficit narrowed in March 2020 to US\$ 177million from US\$ 192 million in February 2020, as imports fell faster than exports.



Source: WTO 2020



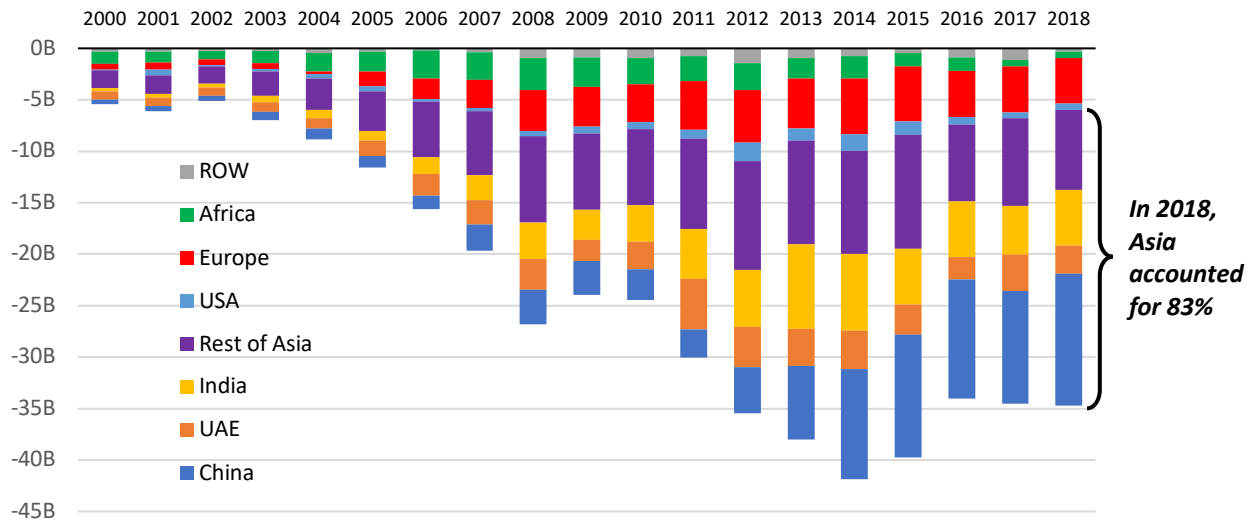
Source: EIU 2020

The decline in global trade will have major implications on the trade balance for countries in the region, which already sustain large trade deficits due to the structural weakness of their economies (Figure 11).<sup>8</sup> The size of the trade deficits is likely to widen as goods and service exports decline as a result of the shock to global growth from the pandemic. However, the exact extent of the decline in exports and imports remains uncertain because the prices changes in commodities will not be uniform across all sectors. For example, prices of gold, a major export from the region have increased while the price of oil, a major import have declined steeply (Figure 12 and Figure 13). Regarding agricultural commodities which are important exports for the region, overall global agricultural prices are expected to remain broadly stable in 2020 as production levels and stocks of most staple foods are at record highs (World Bank, 2020).<sup>9</sup>

<sup>8</sup> See [Mold and Naliaka \(2018\)](#), "Financing Growth in the Context of Sustained Balance of Payment Deficits: The Case of East Africa."

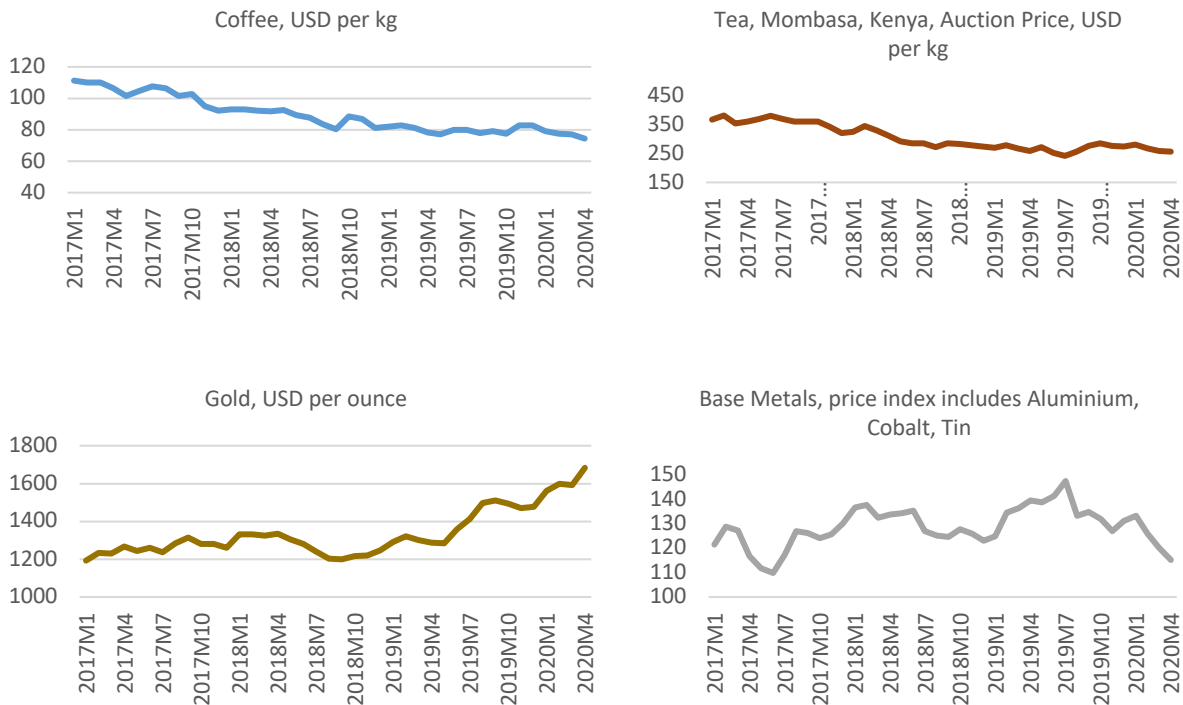
<sup>9</sup> We may well see a differential demand/price response in some traditional traded commodities. Thus, demand for coffee globally has slumped, partly because consumption patterns have become heavily to international coffee-chains like Starbucks, Costa-Coffee and Café Nero which are currently closed because of containment measures. Patterns of tea consumption are different - it is more commonly consumed at home - and in some major markets demand has increased significantly due to a shortfall in production in major producers like India.

**Figure 11: Merchandise trade balance between Eastern African countries and main trading regions, 2000-2018 (USD Million)**



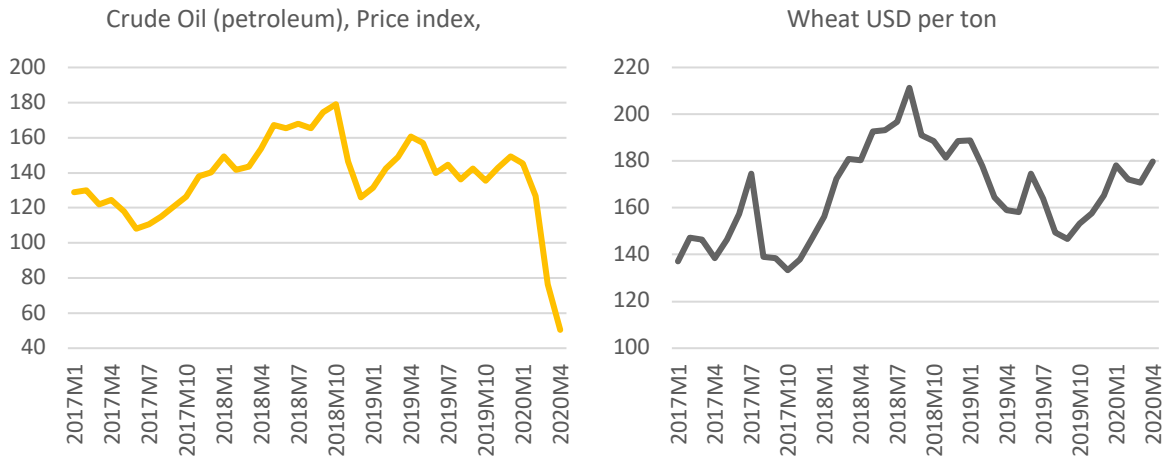
Source: UNCTAD (2020)

**Figure 12: Prices of Selected Commodity Exports of Interest to Eastern Africa**



Source: IMF(2020)

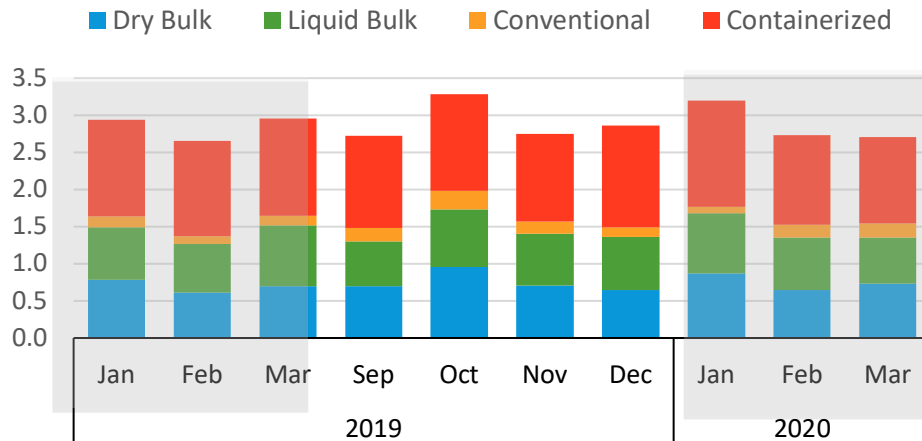
**Figure 13: Prices of Selected Commodity Imports**



Source: IMF(2020)

It is important to note that initial indicators of trade volumes passing through regional ports have not registered any sharp changes. Data from Mombasa port shows a slight decline between March 2020 and March 2019, while the Dar es Salaam port shows a slight increase in cargo through the ports (Figure 14 and Figure 15). The real scale of the declines will probably not be evident until the end of the second quarter of 2020.<sup>10</sup>

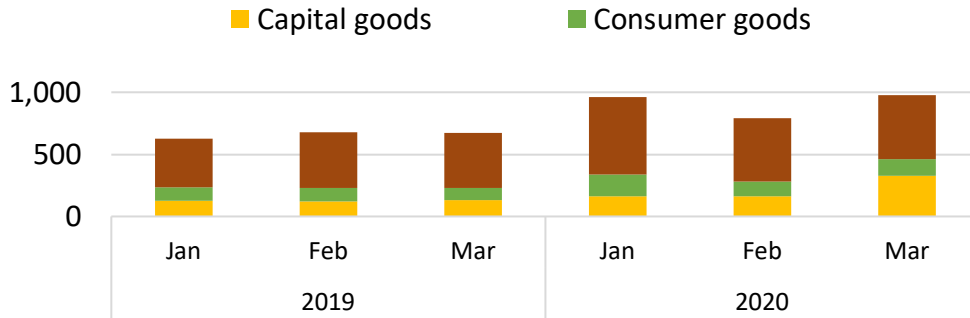
**Figure 14: Mombasa Port monthly Cargo (million metric tonnes)**



Source: Kenya Port Authority, 2020

<sup>10</sup> A recently released [Northern Corridor report](#) notes, Mombasa port received most of the notices of cancellation in March 2020 and this will affect the performance of the port in the coming month.

**Figure 15: Dar es Salaam Port monthly Cargo (million metric tonnes)**

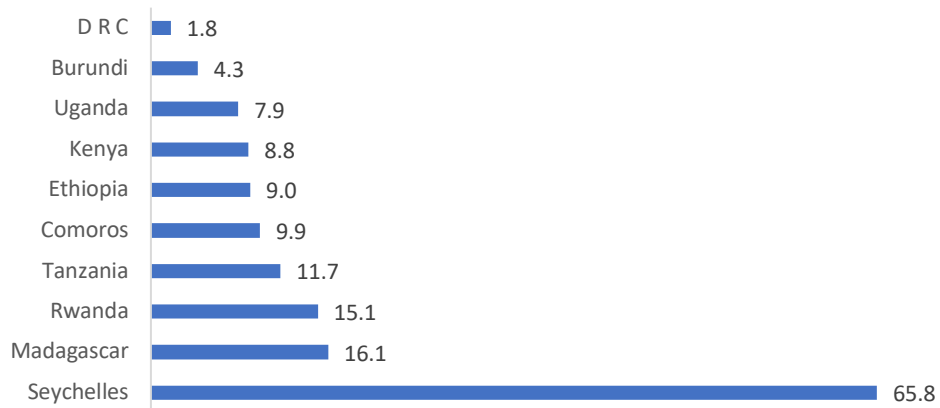


Source: Tanzania Revenue Authority, 2020

## 4.2 Services trade

Among the key drivers of economic growth in Eastern Africa, the service sector retains a prominent role. Unfortunately for the region, the service sector has suffered the most severe shocks as a result of COVID 19. For example, the median share of tourism in GDP was 9.4% for countries in Eastern Africa (WTTC 2020). In some cases the dependence on tourism both through its direct and indirect impacts on the local economy is even higher (Figure 16).

**Figure 16: Total contribution of Tourism in selected countries (2019, % GDP)**



Source: WTTC 2020

Consistent with this, a survey of Eastern African firms on the effects of the COVID-19 on average cash flows showed that the service sector, especially the tourism industry, was the most affected (Box 2). UNWTO indicates that by March this year tourist arrivals had declined by 44% which

could result in a drop of 50 million in 2020 and USD 36 billion loss of export earnings<sup>11</sup>. Hence, given the reliance by a number of member states on tourism in Eastern Africa, it should be expected that COVID-19 impacts will be severe with the East Africa Community (EAC) alone expected to lose upwards of USD5 billion of the tourism receipts in 2020.<sup>12</sup> In addition, the transport sector, in particular, aviation has been heavily affected by COVID 19 with a number of airlines turning to cargo to remain afloat. So severe is the problem that the International Civil Aviation Organisation (ICAO) estimates that the whole of African airlines could lose upto USD 13 billion resulting from a decline in seat capacity of 71.2% and a 64.46 million fall in passenger numbers using the 2019 baseline on what was originally planned (ICAO 2020). Coupled with this, airports are expected to lose over USD 2 billion on the same basis.

**Table 5: COVID-19 Impacts on the aviation sector for select African Member States**

	Passenger decline (millions)	Passenger revenue losses (billions)	Job losses (thousands)	Economic contribution loss (billions)
<b>South Africa</b>	<b>14.5</b>	<b>3.0</b>	<b>252</b>	<b>5.1</b>
<b>Nigeria</b>	<b>4.7</b>	<b>0.9</b>	<b>125</b>	<b>0.8</b>
<b>Ethiopia</b>	<b>2.5</b>	<b>0.4</b>	<b>501</b>	<b>1.9</b>
<b>Kenya</b>	<b>3.5</b>	<b>0.7</b>	<b>193</b>	<b>1.6</b>
<b>Tanzania</b>	<b>1.5</b>	<b>0.3</b>	<b>336</b>	<b>1.5</b>

Source: IATA

Given that a number of Member States in the region have national carriers and are international hubs, they will shoulder the bulk of the COVID-19 impacts. In fact, it is estimated with air transport numbers are expected to fall by more than 7.5 million leading to a decline in passenger revenues of over USD 1.4 billion, the sector's economic contribution in Eastern Africa could fall by over USD 5 billion (IATA 2020). Moreover, of the projected 3.1 million job losses in the aviation sector in Africa this year, over a third of these will be in Eastern Africa. Furthermore, with the average airlines having cash reserves of 2 months at the beginning of the year, these have already been depleted with a number seeking bailouts. Kenya Airways has, for instance, applied for

<sup>11</sup> UNWTO, 2020.

<sup>12</sup> EABC, 2020.

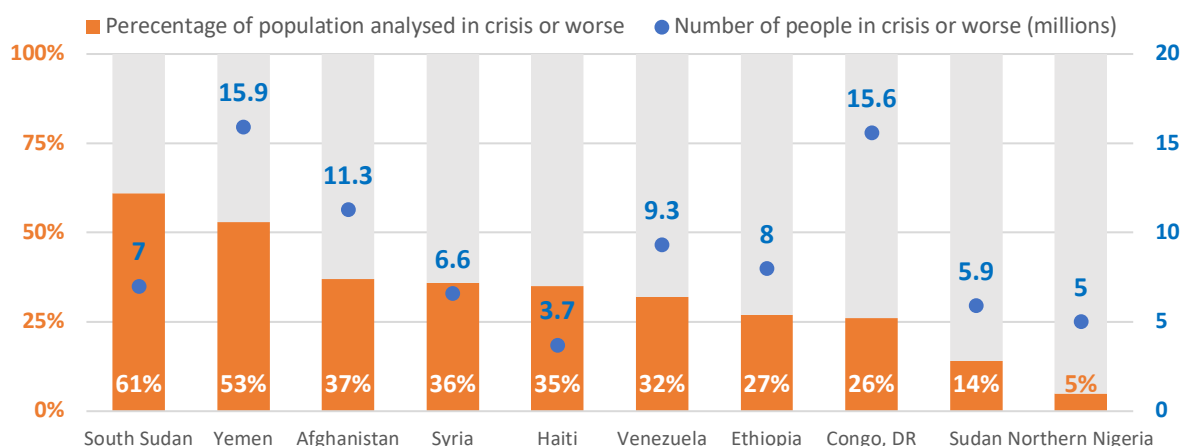


emergency bailout out of USD 70 million to meet its recurring expenditure<sup>13</sup>. Table 5 provides a summary of the projected COVID-19 impacts for select Member States in Africa.

## 5. Food Security Amidst COVID-19, Locust Infestation and Extreme Weather Events

Food security remains a global development concern. This is even more so in Eastern Africa, and the triple shock caused by the COVID crisis, the locust invasion and the floods exacerbates the threat. Globally, 135 million people were acutely food insecure and in crisis or worse in 2019. Out of this global total, 26 percent were in Eastern Africa. DRC, Ethiopia and South Sudan are among the top ten countries most severely affected by food insecurity in the world, with occurrence reaching 26, 27 and 61 percent of the populations respectively (Figure 17).

**Figure 17: Eastern Africa accounts for 26% of the global total number of people in crisis, emergency and famine (IPC/CH phase 3 or above)<sup>14</sup>**



Source: FSIN, GRFC 2020

The onset of COVID-19 exacerbated the food security challenge as countries struggle with conflicting priorities and increasingly limited resources. Governments' interventions to control its spread have driven a slowdown in economic and trade activity that has led to a sharp decline in household income and, in some cases, contributed to spikes in food prices. [The Famine Early Warning Systems Network](#) is warning that household food access, especially in urban areas, will most likely decline in the near- and medium-term. Household food availability from mid- to late 2020 could also be affected if access to seeds and agricultural inputs becomes constrained. In a region already characterized by severe food insecurity, reductions in household income to

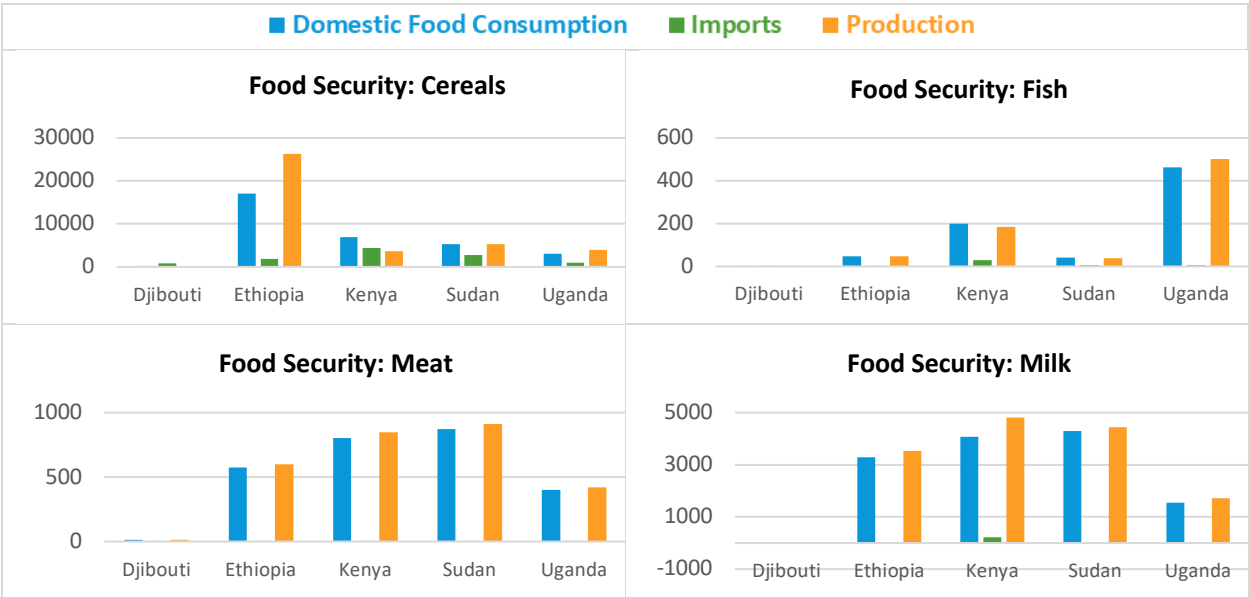
<sup>13</sup> Business Daily Africa, 2020

<sup>14</sup> The IPC food insecurity classification is as follows: 1= Minimal; 2= Stressed; 3= Crisis; 4= Emergency; 5= Famine.

purchase food and essential non-food commodities, coupled with limited coping options, are driving a sharp increase in vulnerability.

Addressing the structural vulnerability stemming from food security must be set as a top priority of the recovery process in the horn of Africa. Figure 18 suggests that domestic production can meet a large share of domestic demand for many basic food groups, including cereals in the Horn of Africa, because overall, the production of the region (all products combined) appears to be higher than its consumption. However, the surplus produced is not much and reliance on imports remains essential for the region. When the countries are taken separately, this is even more acute since not all countries have production levels higher than consumption. In connection to this, dependence on imported cereals has historically been highest in Djibouti and lowest in Uganda and Ethiopia. The dominant production varies from country to country. For example, Ethiopia is the largest producer of cereals of the region. In 2018, IGAD's total cereal production was 43 million tonnes and Ethiopia, with 25.2 million tonnes, represented more than half of it. Uganda, Kenya and Sudan are the top producers of fish, meat and milk respectively (Figure 18).

**Figure 18: Illustration of food security potential and threat in Eastern Africa: consumption vs local production and imports, 2017 (thousand tons)**

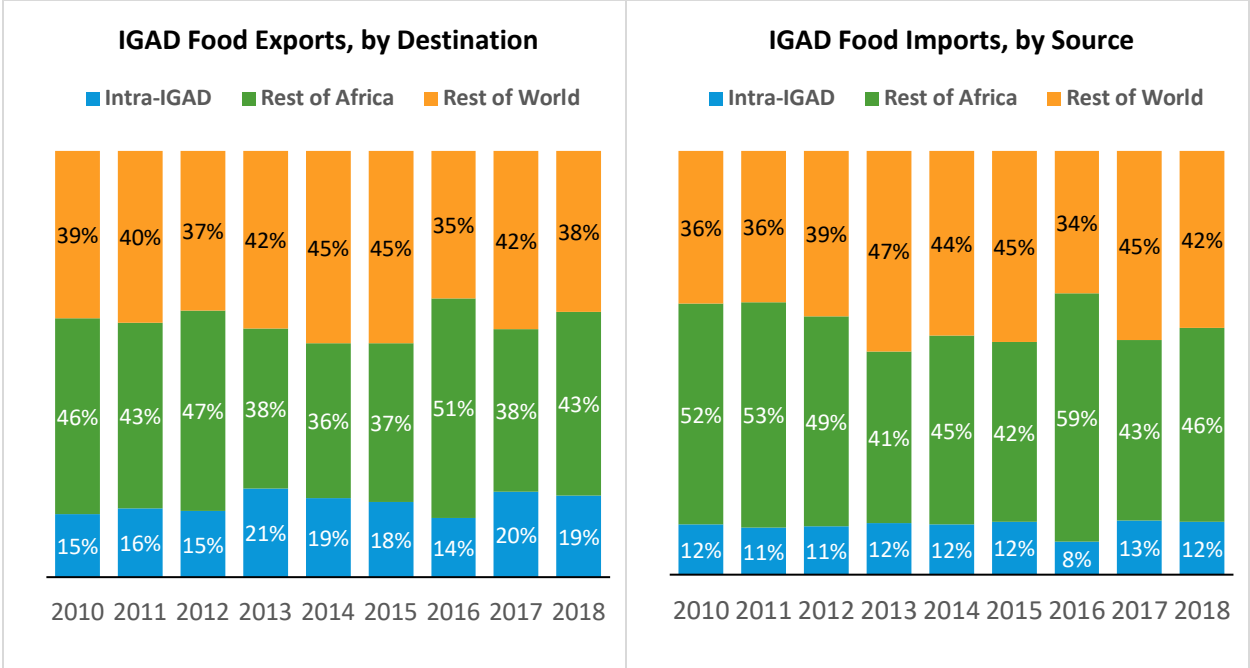


Source: FAO database and ECA

Despite these individual potentials per country, intra-IGAD trade accounts for a fairly low share of regional food imports and exports as is illustrated in Figure 19. Thus, deepening regional integration and intra-regional trade appears to be a good strategy for improving the distribution of food consumption across and within the countries of the Horn of Africa and thereby reducing the overall threat to food security. Removing tariff and non-tariff barriers to intra-regional trade could help to reduce the region’s dependence on food imported from outside the region. AfCFTA

is an opportunity in this regards. IGAD could develop a regional AfCFTA strategy which will complement national strategies being developed by countries.

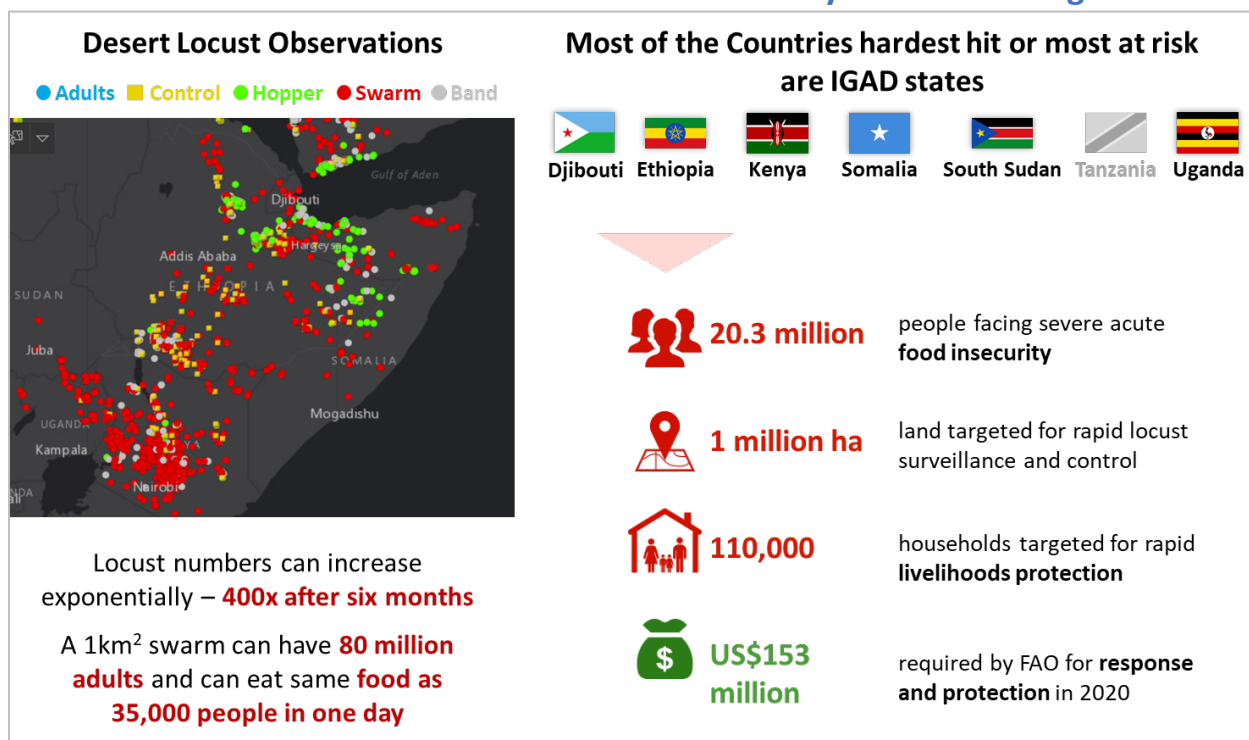
**Figure 19: Illustration of intra-regional food trade: IGAD’s food imports and exports by origin and destination in 2018**



Source: UNCTADStat, 2020

In addition to the COVID crisis, extreme weather events (flooding), locust plagues, and livestock diseases are exacerbating food insecurity threat in Eastern Africa. See Box 1.

## Box 1: The Locust invasion and food insecurity in the IGAD region



Source: FAO Locust Hub

Ethiopia, Kenya, Somalia, South Sudan, Uganda and Tanzania have been the worst affected by the locust invasion, with around 20 million people experiencing acute food insecurity and in need of food aid. IPC (2020) note that people facing acute food insecurity are located in areas affected by locust infestation. For Kenya, Uganda and Tanzania, in addition to Burundi and Rwanda, recent flooding is likely to affect food security adversely. Moreover, the current and expected rainfall is expected to provide fertile ground for more infestation by desert locusts. FAO (2020) warns of a second wave of infestation around June 2020 when farmers in Eastern Africa will be preparing to harvest their crops. The locust occurrence point to the need for governments to invest in resilient food systems and manufacturing of insecticides for use in agricultural production, but at the current juncture they are unlikely to have the financial resources to undertake the necessary measures.

The World Bank (2020) estimate locust-related losses could reach \$8.5 billion by the end of 2020 if control measures are not undertaken. Ethiopia, Kenya, and Sudan are countries expected to suffer most. Possible food price spikes threats that could result from COVID-19 need to be monitored and controlled where possible. Since January prices of staple cereals were generally on the rise except for maize in Burundi, Rwanda, Somalia and Tanzania (FPMA 2020). Lockdowns due to covid, harvest patterns as well as disruptions in markets and in cross-border trade contributed to the price hikes.

## 6. Employment Consequences

The global workforce is facing unprecedented times. The ILO is currently estimating that approximately [half the global labour force](#) risks losing its employment in the fall out from this crisis. The majority, 1.6 billion are in the informal sector (ILO 2020a). The picture looks bleak for youth, with young women more adversely affected. ILO (2020) estimates the not in employment, education or training (NEET) rate of young women at minimum 31 percent, and reaching almost 40 percent in lower middle income countries, compared with 13.9 percent for young men. They are overrepresented in the informal and care economies, both of which had been deeply impacted since lockdown measures took effect (Table 6).

**Table 6: Regional estimates of employment in hard-hit sectors**

Economic sector	Impact of crisis on economic output	Baseline employment estimates for 2020 (before COVID-19 crisis)		
		Level of employment (millions)	Share of women in total female employment (%)	Share of men in total men employment (%)
Wholesale and retail trade; repair of motor vehicles and motorcycles	High	20.0	12.9	8.7
Manufacturing	High	7.5	4.0	4.0
Real estate; business and administrative activities	High	2.1	0.7	1.6
Accommodation and food services	High	3.6	3.0	0.9
Transport, storage and communication	Medium-high	3.7	0.4	3.5
Arts, entertainment and recreation, and other services	Medium-high	10.7	8.1	3.5
Mining and quarrying	Medium	3.0	0.5	2.5
Financial and insurance services	Medium	0.6	0.3	0.4
Construction	Medium	5.1	0.6	4.7
Agriculture, forestry and fishing	Low-medium	121.8	65.8	64.2
Utilities	Low	0.5	0.3	0.3
Public administration and defence; compulsory social security	Low	2.4	0.6	1.8
Human health and social work activities	Low	1.9	1.0	1.0
Education	Low	4.6	2.0	2.9

Note: Regional figures exclude Seychelles (Data unavailable)

Source: ILO (2020)

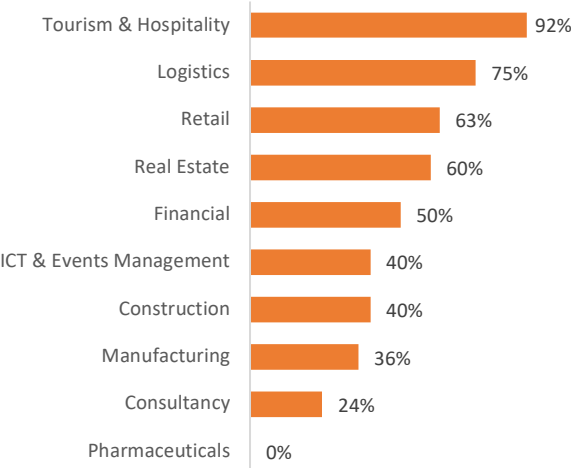
Within the EAC alone, already by mid-April, it was being conservatively estimated that [more than 500,000 workers in the region had lost their jobs](#) across all sectors. Export-oriented industries are of course in a particularly vulnerable situation. For example, in 2019, Kenya was the [largest exporter of cut flowers in Africa](#). In only a couple of weeks in early March, Kenyan flower exports

to the European Union fell 50 percent, putting about 1 million direct and indirect jobs at risk. But even in companies which have been repurposing production lines for the manufacture of goods to help fight the pandemic are operating well below capacity. As of May 7, Uganda’s Premier Distilleries—which repurposed production lines to make hand sanitizers—had only retained 20 percent of its employees. In Ethiopia, [Hawassa Industrial Park](#), one of the seven fully operational industrial parks in the country that takes the lion’s share in terms of the number of people employed (about 35,000 in direct production) has since the start of April closed up to 45% of its operations.

**Box 2: Impact of COVID-19 on regional firms: Survey Results**

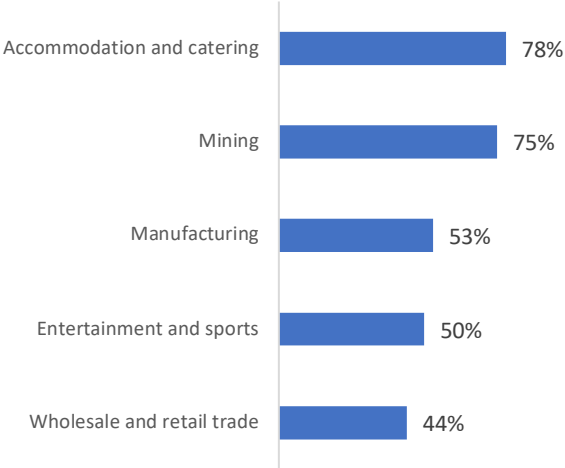
Three surveys have thus far been carried out on the effects of the COVID-19 by the East African Business Council (EABC), the Kenya Private Sector Alliance (KEPSA) and the Uganda Business Impact Survey. Results from the EABC (2020b) survey show that tourism, logistics, and retail have suffered the biggest reduction in cash flow of 92%, 75% and 63%, respectively (Figure 20). The results from the KEPSA survey show at least 60% of companies had to let staff go because of the crisis with tourism the most affected. 90% of medium sized firms in the tourism sector had to lay off staff. Additionally, the Ministry of Labour and Social Protection in Kenya has reported that [133,657 jobs have been lost so far](#) in the formal sector and the number excludes employees on unpaid leave and those who have taken pay cuts. Results from the Uganda business survey show that 62 percent of companies are considering or have already started cutting jobs, with tourism, mining and manufacturing the most affected industries (Figure 21). This trend would mean a loss of job for over 100,000 employees in the Ugandan formal sector.

**Figure 20: Average reduction in cash flows due to COVID 19, by sector (2020, %)**



Source: EABC 2020a

**Figure 21: Number of firms in Uganda that plan to cut jobs due to COVID 19 (%)**



Source: UNCDF and Makerere University (2020)

An additional consideration are the gendered impacts. Since globally women make up around 70 percent of healthworkers, the impact of public health emergencies falls heavily on women (WHO

2018). In addition, the OECD estimates that women must work an additional 4 hours due to the extra care work from home due to the lockdown. Women bear the burden of care in most societies, and the region is no exception. They carry most of the unpaid home workload and are often primary healthcare givers.<sup>15</sup>

## 7. National and Regional policy responses to COVID-19

This section highlights some of the national and regional initiatives that have been taken to address some of the challenges to the health sector, firms, consumers and trade sector that have been caused by the pandemic. At the national level, governments have put in place fiscal policies to support increased funding to the health sector, firms, the trade sector, and consumers while central banks initiated monetary policies to support increased credit flows to firms and consumers. Most countries have put in place comprehensive stimulus packages aimed to address most urgent socio-economic needs and ease post-Covid19 recovery. These countries have opted for a cautious and precautionary approach through the adoption of several rounds of home-made measures following the evolution of the pandemic and impacts of confinement, lockdown and other security set ups (curfews) on the populations. The approach helped in lessening potential negative reactions to extreme sanitary measures and increased salvaging of livelihoods, while contributing to a better control of the disease's propagation.

Burundi has launched a national contingency plan of USD 27.8 million partially funded by the World Bank. The country has also identified areas of intervention including road rehabilitation, the boosting of strategic food stocks and oil reserves as well as subsidies towards supporting vulnerable groups, which would require an investment of around USD 52,1 million, yet to be funded. Additional measures target the hospitality and industry sectors through tax deferral and relief, and subsidies to help pay salaries and avoid layoffs.

Comoros has highlighted investments in the health sector as top priority to address serious and recurrent shortfalls. They have also reduced import taxes on food, medicines and other hygiene items by 30 percent and increased transfers to vulnerable groups. They have also announced restructuring of commercial loans and related interest rates.

The Democratic Republic of Congo has adopted a preparedness and response national plan of USD 135 million to boost the health sector, in particular its reactivity. The country has established a Covid19 relief fund and enforced VAT exemption on pharmaceutical products and

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<sup>15</sup> It has also been noted that lockdowns have increased the risk of gender based violence, especially Violence against Women and Girls (VAWG). In recent years, some governments have instituted measures to tackle GBV. In Kenya, for instance, courts accelerated processes to consider early hearing dates for such cases. While data on VAWG during the pandemic are sparse, it is important for Governments to continue to prioritize measures against all kinds of VAWG during the pandemic.

basic goods as well as tax reliefs for businesses, and free provision of water and electricity for a given period. The Central Bank also made changes to the policy rate and requirements for deposits, and promoted the use of e-payments.

Djibouti has carried out the highest number of tests (per million of inhabitants) in Africa and is the most hit country with DRC in Eastern Africa. The government has adopted a package of measures and established a National Solidarity Fund with social interventions amounting USD 30 million focusing on support to the most vulnerable through cash transfers and food distribution, contributions to water and electricity bills; and maintenance of strategic food stocks. Due to a steep reduction on fiscal revenues and budgetary deficits, the country will need a net injection of USD 132 million to keep his programme of expenses and keep the economy afloat.

Eritrea has managed to keep the pandemic under control and has become one of the first African Covid19 free countries. It had decided to focus primarily its interventions on the sanitary security and social levels through the postponement of the payment of household bills. It is not clear whether additional socio-economic measures had been adopted.

Ethiopia has announced an aid package of USD 154 million as well as a Covid19 multi-sectoral preparedness and response plan of USD 1,64 billion, both yet to be fully funded and focusing on food distribution to 15 million vulnerable people, provision of shelter, revamping of the health sector, support to the agriculture and education sectors, among others. Additional measures were taken towards supporting firms and employment including tax amnesties and exemptions and the potential extension of the Urban productive safety net programme to 16 cities for a total cost of USD 134 million. The Central Bank has provided additional liquidity to the Commercial Bank of Ethiopia and private banks to avoid bankruptcies.

Kenya has earmarked USD 377 million in funds for additional health expenditure, food relief and cash flow for businesses. Given lower revenues due to decreased economic activity and the need to accommodate emergency spending, the government is currently reassessing the budget deficit target for FY 2019/20. A package of tax measures has been adopted, tax relief for lowest incomes and a reduction of the VAT rate from 16 to 14 percent. The Central Bank has also put in place various measures towards flexibility in granting loans to businesses and individuals. More recently, the country has adopted an eight point economic stimulus programme of USD 506 million focusing on the following areas: (1) hiring of local labour for the rehabilitation of access roads and footbridges; (2) hiring of 10,000 teachers and 1,000 ICT interns to support digital learning and acquisition of 250,000 locally fabricated desks; (3) fast track payment of VAT refunds and other pending payments to SMEs (SME Credit Guarantee Scheme); (4) hiring of additional 5,000 healthcare workers and expansion of bed capacity in public hospitals; (5) supply of farm inputs through e-vouchers targeting 200,000 small-scale farmers and support to flower and horticultural producers to access international markets; (6) support to the hotel industry, soft loans to hotels through the Tourism Finance Corporation (TFC), support to 160 community conservancies and hiring of 5,500 community scouts; (7) rehabilitation of wells, water pans and underground tanks in the arid and semi-arid areas, flood control measures, support to the



Greening Kenya Campaigning; and (8) enforcement of the policy “Buy Kenya Build Kenya”, and support to the purchase of locally manufactured vehicles.

Madagascar has attracted international attention towards the on-going testing of its homemade Artemisia-based medicine presented as a cure for Covid19. The country is seeking additional budget support from development partners to finance measures towards supporting social sectors estimated at USD 160 million (cash-transfers to the poorest and unemployed; tax relief, etc.). The government is also working on a revised budget law that will consider additional fiscal and support measures. The central bank provided monetary policy support and acted to safeguard financial stability, through further liquidity to the commercial banks and relaxed mandatory deposit limits.

Rwanda was the first African country putting in place a strict lockdown, credited with the low number of cases registered to date. The country has developed an Economic Recovery Plan including support to vulnerable households ( food distribution, cash transfers, subsidized access to agricultural inputs, etc.) and adopted various tax deferral and relief measures (including VAT refunds and exemptions for locally produced masks). The government is also preparing to launch a private sector support fund expected to target SMEs and hard-hit sectors such as the hospitality industry. Salaries of top civil servants for the month of April were redirected to welfare programs. The Central Bank of Rwanda launched liquidity support measures and waived charges on electronic money transactions for a given period. The Central Bank is also working closely with the Ministry of Economy and Planning to provide support to microfinance institutions.

Seychelles has opted for subsidized wages for companies facing distress and a revised 2020 budget with an additional USD 57 million allocation was approved by the National Assembly in late April 2020. The Agency for Social Protection was allocated with USD 2 million. The Central Bank of Seychelles launched a credit facility of USD 36 million to assist commercial banks, businesses and individuals. Repayment moratorium of principal and interest on loans as well as postponement of tax payments were also put in place.

Somalia introduced a tax holiday on specific basic commodities (including rice), and reduced consumption tax on other basic goods for a given period. The authorities have also made additional transfers to federal member states and the Banadir region to help them respond to the impact of the pandemic. The Central Bank has released funding-for-lending support for SMEs through commercial banks, initially for USD 2.9 million.

South Sudan has established a COVID-19 fund of USD 8 million, of which, USD 5 million was allocated to the Ministry of Health to combat the pandemic. The government has also redirected USD 7.6 million from the World Bank’s grant of USD 105 million to purchase items for pandemic prevention and treatment.

It seems that Tanzania has stopped any testing since end of April due to a controversy on the reliability of test kits used. The government has released USD 302 million for health spending and

expedited payment of arrears to affected SMEs. VAT and customs exemptions were granted for medical items. The Bank of Tanzania was to provide regulatory flexibility to banks and other financial institutions in relation to loan restructuring operations.

Uganda has used part of the Contingency Fund (FY2019/20 budget) to finance USD 1.3 million of the Ministry of Health Preparedness and Response Plan from January to June 2020. The government has also passed a supplementary budget of about USD 80 million to support critical sectors such as health and security as well as the vulnerable population. Key measures adopted and under consideration include food distribution campaign to the vulnerable in the urban areas; expedited repayment of domestic government arrears to the private sector suppliers; boosting the lending capacity of the Uganda Development Bank; the deferment of tax payment obligations for the most affected sectors; the introduction of tax exemptions for items used for medical use; the support with water and electricity utilities; and the expansion of labor-intensive public works programs. The Bank of Uganda committed to provide liquidity assistance for a period of up to one year to financial institutions in need; set-up a mechanism to minimize insolvency due to lack of credit; and waive limitations on restructuring of credit facilities. The Bank of Uganda has also worked with mobile money providers and commercial banks to ensure they reduce charges on mobile money transactions and other digital payment charges.

At the regional level, COVID 19 has created some frictions in movement across the EAC region. A survey by the East African Business Council (2020) on the effects of the COVID-19 shows that 56 percent of firms in the EAC were affected by cross border restrictions. Additionally, COVID 19 testing of cross border drivers across the region created extra delays and tensions with truck drivers from Kenya and Tanzania protesting (with threats of boycotts and strikes) against the strict measures in place at the Uganda and Rwanda borders. These border frictions extended to the Zambia-Tanzania border which was temporarily closed (for 5 days in May 2020) but later reopened. Consequently governments have adopted a regional approach to the COVID 19 pandemic. **Error! Reference source not found.** and [Table](#) highlight the policies initiated by Eastern African countries, EAC, and IGAD .

**Table 7: Summary of fiscal and monetary measures in Eastern Africa**

	<b>Monetary and Macro-Financial responses</b>	<b>Fiscal Policy responses</b>
<b>Burundi</b>	No measures have been officially announced	<ul style="list-style-type: none"> <li>• National contingency plan costing USD 27.8 million (or 0.9 percent of GDP)</li> <li>• Rehabilitation of roads to limit transportation bottlenecks (USD 15.8 million or 0.5 percent of GDP)</li> <li>• Boosting of strategic oil reserves (USD 6.3 million or 0.2 percent of GDP)</li> <li>• Increase of strategic stock of food supplies (USD 3.7 million or 0.1 percent of GDP)</li> <li>• Subsidies and transfers to support the most vulnerable (USD 26.3 million or 0.9 percent GDP)</li> <li>• Other measures taken to support specific hotels and industries</li> <li>• Subsidies to help pay salaries in struggling sectors and avoid massive layoffs</li> <li>• Government support for payment of salaries for suspended services such as those provided at the airport</li> </ul>
<b>Comoros</b>	<ul style="list-style-type: none"> <li>• Monitoring of the impact of the COVID-19 shocks on banks asset quality</li> <li>• Reduction of reserve requirements to 10 percent</li> <li>• Restructuring of commercial loans</li> <li>• Freezing of interest rates in some commercial loans</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of spending on healthcare in line with pandemic-related needs</li> <li>• Raise transfers to vulnerable households</li> <li>• Import taxes on food, medicines and hygiene-related items reduced by 30 percent</li> <li>• Fund to support employees associated with airport operations</li> </ul>
<b>Democratic Republic of Congo</b>	<ul style="list-style-type: none"> <li>• Reduction of the policy rate by 150 bps to 7.5 percent</li> <li>• Removal of mandatory reserve requirements on demand deposits in local currency</li> <li>• Creation of a new collateralized long-term funding facility for commercial banks of up to 24 months to support the provision of new credit for the import and production of food and other basic goods</li> <li>• Postponement of the adoption of new minimum capital requirements and push for the restructuring of non-performing loans</li> <li>• Promotion of the use of e-payments to reduce contamination risks in bank notes</li> </ul>	<ul style="list-style-type: none"> <li>• A three-month VAT exemption on pharmaceutical products and basic goods</li> <li>• Suspension of tax audits for companies</li> <li>• A grace period for businesses on tax arrears</li> <li>• Full tax deductibility of any donations made to the COVID relief fund</li> <li>• Provision of water and electricity for a period of two months, free of charge</li> <li>• Prohibition to evict renters in case of no payment of financial obligations from March to June 2020</li> <li>• Suspension of VAT collection on the production and on the sales of basic goods</li> </ul>
<b>Djibouti</b>	The Central Bank stepped up its financial sector surveillance	<ul style="list-style-type: none"> <li>• Increase in health and emergency spending in support of households and firms affected by the pandemic</li> <li>• Established a National Solidarity Fund with social interventions amounting USD 30 million focusing on support to the most vulnerable through cash transfers and food distribution</li> <li>• Deductions to water and electricity bills for the most vulnerable</li> <li>• Maintenance of strategic food stocks.</li> </ul>
<b>Eritrea</b>	No measures have been officially announced	<ul style="list-style-type: none"> <li>• Postponement of payment of household bills</li> </ul>

	<b>Monetary and Macro-Financial responses</b>	<b>Fiscal Policy responses</b>
<b>Ethiopia</b>	<p>Provision of Br 15 billion (0.45 percent of GDP) of additional liquidity to private banks to facilitate debt restructuring and prevent bankruptcies</p>	<ul style="list-style-type: none"> <li>• USD 154 million (or 0.15 percent of GDP) package to bolster healthcare spending</li> <li>• COVID-19 Multi-Sectoral Preparedness and Response Plan costing USD1.64 billion (about 1.6 percent of GDP), of which: <ul style="list-style-type: none"> <li>-USD 635 million (0.6 percent of GDP) for emergency food distribution to 15 million individuals vulnerable to food insecurity and not currently covered by the rural and urban PSNPs</li> <li>-USD 430 million (0.4 percent of GDP) for health sector response under a worst-case scenario of community spread with over 100,000 COVID-19 cases of infection in the country, primarily in urban areas</li> <li>-USD 282 million (0.3 percent of GDP) for provision of emergency shelter and non-food items</li> <li>-USD 293 million (0.3 percent of GDP) would be allocated to agricultural sector support, nutrition, the protection of vulnerable groups, additional education outlays, logistics, refugees support and site management support</li> </ul> </li> </ul>
<b>Kenya</b>	<ul style="list-style-type: none"> <li>• Lowering of the Central Bank policy rate by 100 bps to 7.25 percent, then by 25 bps to 7.0 percent</li> <li>• Lowering of banks' cash reserve ratio by 100 bps to 4.25 percent</li> <li>• Increase of the maximum tenor of repurchase agreements from 28 to 91 days</li> <li>• Flexibility to banks regarding loan classification and provisioning for loans that were performing on March 2, 2020, but were restructured due to the pandemic</li> <li>• Banks to extend flexibility to borrowers' loan terms based on pandemic-related circumstances and to waive or reduce charges on mobile money transactions to disincentivize the use of cash</li> <li>• A new minimum threshold of USD10 set for negative credit information submitted to credit reference bureaus</li> </ul>	<ul style="list-style-type: none"> <li>• Ksh 40 billion (0.4 percent of GDP) in funds earmarked for additional health expenditure, including enhanced surveillance, laboratory services, isolation units, equipment, supplies, and communication; social protection and cash transfers; food relief; and funds for expediting payments of existing obligations to maintain cash flow for businesses during the crisis</li> <li>• Current reassessment of the budget deficit target for FY 2019/20</li> <li>• Full income tax relief for persons earning below the equivalent of \$225 per month</li> <li>• Reduction of the top pay-as you earn rate from 30 to 25 percent</li> <li>• Reduction of the base corporate income tax rate from 30 to 25 percent</li> <li>• Reduction of the turnover tax rate on small businesses from 3 to 1 percent</li> <li>• Reduction of the standard VAT rate from 16 to 14 percent</li> <li>• Eight point economic stimulus programme of USD 506 million focusing on the following areas: <ol style="list-style-type: none"> <li>(1) hiring of local labour for the rehabilitation of access roads and footbridges;</li> <li>(2) hiring of 10,000 teachers and 1,000 ICT interns to support digital learning and acquisition of 250,000 locally fabricated desks;</li> <li>(3) fast track payment of VAT refunds and other pending payments to SMEs (SME Credit Guarantee Scheme);</li> <li>(4) hiring of additional 5,000 healthcare workers and expansion of bed capacity in public hospitals;</li> <li>(5) supply of farm inputs through e-vouchers targeting 200,000 small-scale farmers and support to flower and horticultural producers to access international markets;</li> <li>(6) support to the hotel industry, soft loans to hotels through the Tourism Finance Corporation (TFC), support to 160 community conservancies and hiring of 5,500 community scouts;</li> <li>(7) rehabilitation of wells, water pans and underground tanks in the arid and semi-arid</li> </ol> </li> </ul>

	<b>Monetary and Macro-Financial responses</b>	<b>Fiscal Policy responses</b>
		areas, flood control measures, support to the Greening Kenya Campaign; and (8) enforcement of the policy "Buy Kenya Build Kenya", and support to the purchase of locally manufactured vehicles.
<b>Madagascar</b>	<ul style="list-style-type: none"> <li>• Provision of liquidity to the private sector</li> <li>• Plan of up to MGA620 billion (about 1.2 percent of GDP) to allow banks to defer delayed payments on existing loans and increase lending to businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Increased spending on epidemic prevention and control</li> <li>• Cash-transfers and in-kind necessities to the poorest and those unemployed</li> <li>• Tax relief, suspension of government fees and waived social contributions</li> <li>• Actively seeking additional budget support from development partners, beyond what was already disbursed or committed</li> <li>• Working on a revised budget law that will consider additional fiscal and support measures to be presented to parliament</li> </ul>
<b>Rwanda</b>	<ul style="list-style-type: none"> <li>• Extended lending facility worth RWF 50 billion (0.5 percent of GDP) available to liquidity-constrained banks for the next six months. Under this facility, banks can borrow at the policy rate and benefit from longer maturity periods</li> <li>• Treasury bond purchases through the rediscount window for the next six months</li> <li>• Lowering of the reserve requirement ratio by 100 basis points, from 5 to 4 percent</li> <li>• Easing of loan repayment conditions for impacted borrowers</li> <li>• Waiver on charges on electronic money transactions for the next three months</li> <li>• Support from the central bank and Minister of Economy and Planning to microfinance institutions</li> <li>• Reduction of the policy rate by 50 basis points to 4.5 percent</li> </ul>	<ul style="list-style-type: none"> <li>• Emergency response plan, including scaled-up health spending, is estimated at about 3.3 percent of GDP</li> <li>• Support to vulnerable households in the form of regular in-kind transfers of basic food stuffs (door-to-door provision of rice, beans, and flour every three days) and cash transfers to casual workers that lost their jobs and to farmers for buying agricultural inputs</li> <li>• Preparation for the launch of a fund to support affected businesses through subsidized loans from commercial banks and MFIs, and credit guarantees</li> <li>• Redirection of the salaries of top civil servants for the month of April to welfare programs</li> <li>• Suspension of down payments on outstanding tax for amicable settlement and the softening of enforcement for tax arrears collection</li> <li>• Extension of the deadline for filing and paying corporate income tax</li> <li>• Fast-tracking of VAT refunds to SMEs</li> <li>• Removal of the 30-day maturity period for the public health insurance scheme premium to expedite access to medical services</li> </ul>
<b>Seychelles</b>	<ul style="list-style-type: none"> <li>• Reduction of the policy rate by 100 bps to 4 percent</li> <li>• A credit facility of approximately USD 36 million set up to assist commercial banks with emergency relief measures to assist businesses and individuals struggling with the financial impact of the pandemic</li> <li>• Agreement by commercial banks, the Development Bank of Seychelles (DBS) and the Seychelles Credit Union to consider a moratorium of six months on the repayment of principal and interest on loans to assist businesses in impacted sectors</li> <li>• Provision by the Central Bank of a limited credit to government up to SCR 500 million, preferably through purchase of securities, and subject to central bank Board approval</li> <li>• Extension of the maturity of credit to commercial banks to 3 years</li> <li>• Consideration of easing reserve requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Subsidies for wages for companies facing distress caused by COVID-19</li> <li>• Approval of a revised 2020 budget with upward allocation of USD 57 million by the National Assembly in late April 2020</li> <li>• The Agency for Social Protection was allocated with USD 2 million</li> <li>• Repayment moratorium of principal and interest on loans as well as postponement of tax payments</li> </ul>



	<b>Monetary and Macro-Financial responses</b>	<b>Fiscal Policy responses</b>
	<ul style="list-style-type: none"> <li>Monitoring by the Central Bank of potential market stress and any emerging risks to the financial sector and the economy</li> </ul>	
<b>Somalia</b>	<ul style="list-style-type: none"> <li>Release by the Central Bank of an initial USD 2.9 million funding-for-lending support for medium and small enterprises through commercial banks</li> <li>Commercial banks to use excess liquidity to support lending and employ existing CBRs to support remittance inflows</li> </ul>	<ul style="list-style-type: none"> <li>Seeking donor support to respond to the crisis</li> <li>Introduction of a three-month tax holiday on basic commodities</li> <li>Reduction of consumption tax on some additional goods by 50 percent</li> <li>Additional transfers made to federal member states and the Banadir region to help them respond to the impact of the pandemic</li> </ul>
<b>South Sudan</b>	No measures have been officially announced	<ul style="list-style-type: none"> <li>Established a COVID19 fund of USD 8 million of which USD 5 million was allocated to the Ministry of Health to combat the pandemic</li> <li>Redirected USD 7.6 million from the World Bank's grant of USD 105 million to purchase items for pandemic prevention and treatment</li> </ul>
<b>Tanzania</b>	<ul style="list-style-type: none"> <li>The Bank of Tanzania to provide regulatory flexibility to banks and other financial institutions in relation to loan restructuring operations</li> </ul>	<ul style="list-style-type: none"> <li>Release of USD 302 million for health spending, coming from cancelling and postponing some budgeted spending such as foreign travel and training; national ceremonies; and procurement of vehicles</li> <li>Expedition of the payment of verified expenditure arrears giving priority to affected SMEs, to support the private sector</li> <li>VAT and customs exemptions to additional medical items requested by the Ministry of Health</li> </ul>
<b>Uganda</b>	<ul style="list-style-type: none"> <li>Commitment by the central bank to provide exceptional liquidity assistance for a period of up to one year to financial institutions that might need it</li> <li>Contingency plans by supervised financial institutions guaranteeing the safety of customers and staff</li> <li>Mechanism to minimise the likelihood of sound business going into insolvency due to lack of credit</li> <li>Waiver on limitations on restructuring of credit facilities at financial institutions that may be at risk of going into distress</li> <li>Collaboration with mobile money providers and commercial banks to ensure they reduce charges on mobile money transactions and other digital payment charges</li> <li>Reduction of the Central Bank Rate (CBR) by 1 percentage point to 8 percent to counter the deteriorating economy, ensure adequate access to credit and smooth functioning of the financial markets</li> <li>All Supervised Financial Institutions (SFIs) to defer the payments of dividends and bonus for at least 90 days effective March 2020 to ensure adequate capital buffers are maintained</li> <li>Provision of liquidity to commercial banks for a longer period through issuance of reverse Repurchase Agreements (REPOs) of up to 60 days at the CBR, with opportunity to roll over</li> <li>Purchase of Treasury Bonds held by Microfinance Deposit taking Institutions</li> </ul>	<ul style="list-style-type: none"> <li>Part of the Contingency Fund in the FY2019/20 budget used to finance approximately USD 1.3million from the Ministry of Health Preparedness and Response Plan from January to June 2020</li> <li>Supplementary budget of about USD 80 million to support critical sectors such as health and security at the frontline of this pandemic, and support to the vulnerable population</li> <li>Increase in health spending</li> <li>Food distribution campaign to the vulnerable in the urban areas</li> <li>Expedition of repayment of domestic government arrears to the private sector suppliers</li> <li>Boost to the lending capacity of the state-owned Uganda Development Bank (UDB) to provide affordable credit to support private sector companies to reorient their production towards covid-19 response related items</li> <li>Deferment of tax payment obligations for the most affected sectors</li> <li>Introduction of tax exemptions for items used for medical use</li> <li>Support with water and electricity utilities</li> <li>Expansion of labor-intensive public works programs</li> </ul>

	<b>Monetary and Macro-Financial responses</b>	<b>Fiscal Policy responses</b>
	<p>(MDIs) and Credit Institutions (CIs) in order to ease their liquidity distress</p> <ul style="list-style-type: none"> <li>• Grant exceptional permission to SFIs to restructure loans of corporate and individual customers that have been affected by the pandemic, on a case by case basis</li> <li>• Loan repayment holidays for a maximum of 12 months</li> <li>• Suspension for 12 months of the prepayment of arrears as a condition for restructuring a credit facility</li> </ul>	

Source: IMF Policy Responses to COVID-19 tracker and national sources

**Table 8: Summary of Regional measures at EAC and IGAD**

<b>EAC</b>	<ul style="list-style-type: none"> <li>• The EAC has decided to adopt a harmonised system of certification and sharing of COVID 19 test results. Additionally, the Heads of State of the EAC have directed that the regional pandemic plan complements the national COVID-19 plans.</li> <li>• The EAC plans to adopt an EAC digital surveillance and tracking system for drivers and crew, in a bid to facilitate the movement on goods across the EAC.</li> <li>• In an effort to provide the critical pharmaceutical goods needed in the region, the EAC Heads of state have directed partner states to prioritise regional supply chains to support the production of essential medical products and supplies.</li> <li>• The EAC plans to establish special financial schemes to support small and medium firms in the region to cushion them from the negative effects of the pandemic.</li> </ul>
<b>IGAD</b>	<ul style="list-style-type: none"> <li>• Make funding available from domestic resources to increase disease surveillance and strengthen the institutional set up including scaling up the response to the COVID-19 and other similar socially and economically important outbreaks such as Rift Valley Fever and desert locusts.</li> <li>• Request the health private sector in the region to contribute to the fight against COVID-19 by promptly communicating changes to health procedures and implementing the said procedures in a coordinated and unified manner.</li> <li>• Launch the emergency fund for medical supplies with a call for support from Member States, development partners and the private sector.</li> <li>• Formulate a high-level joint taskforce comprising of members from the ministries of Finance, Health and IGAD to communicate and mobilize more resources in an effective and a coordinated manner to respond to COVID-19.</li> <li>• Endorse social protection and jobs' creation programs in response to the pandemic through social assistance programs, social insurance, cash transfer and supply-side labor market interventions.</li> <li>• Support Sudan, South Sudan and Somalia to be able to access concessional and grant funding from IFIs. Where these member states do not have direct relations with the IFI's or have no</li> </ul>



	<p>capacity to implement projects, the IGAD Secretariat could be used as a third party. The later institutional arrangement has been adopted by AfDB for release of funds to Sudan, South Sudan and Somalia in the past.</p> <ul style="list-style-type: none"><li>• Establish new and strengthen existing mechanisms and structures, with respect to the safeguard of remittances from the diaspora.</li><li>• Provide incentives to local manufacturers and producers to produce personal protective clothing and equipment, medical supplies and other necessary materials to respond to COVID-19 and other diseases.</li><li>• Ensure support to vulnerable populations including homeless families in urban areas, orphans, IDPs and refugees and pastoralists, through safety nets and direct support packages to households.</li></ul>
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Source: EAC and IGAD, 2020



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