Debt relief is critical for govts to deal with Covid

United Nations Economic Commission for Africa (UNECA) director for eastern Africa shared insights into impacts of the pandemic and ongoing negotiations of the continental free trade bloc with Berna Namata

Q&A

Mama Keita

BIO

Current job: Director, United Nations Economic Commission for Africa (Uneca) sub-regional office for eastern African based in Kigali, Rwanda.
Professional stints: Keita joined UNECA in March 2011, but before that she worked as a poverty economist at the World Bank, Burkina Faso, between August 2009 and February 2011. She has also worked at Guinea's prime minister's office
Education: She has a background in statistics and holds a PhD in Economics from the University of Montreal, Canada.

Rising debt levels in Africa remain a constant concern as countries borrow to deal with the pandemic. While some are benefiting from debt relief, many others face the risk of defaulting. How can this be addressed?

Countries need to grow and spur economic growth including creating new wealth, without which there is limited public revenue, yet expenditure continues as governments have to provide public services.

Public resources will reduce if the economy is not growing. For countries to achieve growth, first countries need internal rigorous discipline in containing the pandemic; resorting to strict lockdown again means economic contraction and no growth which will reduce public revenues. If you do not create growth, you face the same poverty issues, so we need to find means to keep the economies growing.

Externally, we hope the newly-developed vaccine will be made available to contain the pandemic so that all economies can return to normal.

The G20 has come up with a new initiative to support countries with debt relief, this will be broadened to other countries; this time even China, a significant creditor to African countries, will contribute. This will help reduce the debt burden.

During the pandemic, commerce almost came to a halt, exposing the existing weaknesses in trade and transport logistics in the region. What lessons can be drawn from this crisis to improve regional trade?

Co-operation is critical. Putting resources together as well as sharing information to make sure countries have a common objective in keeping the flow of trade going.

In eastern Africa, initially countries unilaterally implemented lockdowns without knowing what their neighbours were doing. This impacted cross-border trade. Countries here learned this lesson very quickly and as soon as they started co-ordinating and co-operating, we saw the flow of trade almost coming back to normal. Sharing information, co-ordinating actions is key, so that there is no disruption in the free flow of imports and exports.

Trading under the AfCFTA agreement was due to commence on July 1, 2020, but as a result of the pandemic, it has been pushed to January 1, 2021. Looking at the progress of signing the agreement, ratification, and submission of tariffs, how feasible is this new date?

Countries have made a lot of progress and are determined to succeed. Recently we saw two major countries, Nigeria and Angola, ratify the agreement. The African Continental Free Trade Agreement (AfCFTA) being an agreement between 54 countries out of 55, is a major achievement and so far more than 30 countries have ratified it.

Countries need to deposit their instruments and specify their trade offers because the AfCFTA is about dismantling 90 percent of their tariffs. For the 10 per cent left: Seven per cent is sensitive products that need protection for a certain period under the agreed terms. Countries can protect a group of products from tariffs dismantlement which must represent three per cent of tariff lines with the possibility of revision every five years.

Eighteen countries have so far deposited their trade offers; this is good progress because countries have capacity to move first. Another important issue that is being discussed relates to the Rules of Origin; For the agreement to be meaningful, it must add value to African countries and not freely allow external products to come and take advantage of the market. The momentum should be maintained.

Looking ahead, what will it take for regional economies to recover quickly from the adverse impact of the pandemic?

We need to work on both the demand and supply side; we need to support the private sector which is the creator of wealth in an economy; the banking sector needs to be brought on board to facilitate access to finance.

Governments need to continue enforcing containment measures so that we do not close businesses all together. If it is well contained, the economy will continue to grow, if it is not contained people will go home and there will be no activity. It is critical to continue to address the crisis and facilitate the private sector for them to save jobs and continue production.

On the demand side, the eye must be kept on the consumers; those that are vulnerable and have lost their purchasing power need to be identified carefully and supported. Debt relief is important because it will free the space for governments to deal with the crisis and there is also a need to continue to improve the business environment to attract foreign direct investment.

Lamu Coal Plant in limbo after key financier exits

JAMES ANYANZWA
THE EAST AFRICAN

Industrial and Commercial Bank of China (ICBC), the major financier of Kenya's Lamu Coal Plant, has pulled out of the project.

This means Kenya's plan to develop the region's first coal fired power plant that was to be built at Kwasasi, Lamu County, through a public-private partnership now hangs in the balance.

ICBC had committed to meet an estimated 60 per cent ($1.2 billion) of the $2 billion development cost of the project.

The plant, which was expected to add 1,050 megawatts of energy on the national grid upon completion, had met resistance in Lamu, the country, and from international anti-coal lobbyists.

ICBC's withdrawal was announced by environmental lobby group Save Lamu in a statement posted on its website on November 16, 2020.

"We are very happy and grateful to hear that the ICBC will no longer fund Amu Power for the coal project. We as Save Lamu will always be there to defend Lamu people and our environment. We do not want a coal project in Lamu County and in Kenya at large," said Is'haq Abubakar, Save Lamu's vice chairperson.

Hyped-up project

ICBC through its global public relations firm FTI Consulting could not confirm or deny its withdrawal in the much hyped project but instead told *The EastAfrican* that the bank was not in a position to comment on the matter.

"I'm afraid it's a no comment from ICBC. Sorry not to be of more help this time round," said ICBC.

On the other hand, representatives of Amu Power Company that is tasked with developing the project opted to remain mum on the planned pullout by ICBC from the project.

Francis Njogu, the chief executive of Gulf Energy, developer and sponsor of the project, did not respond to our calls and text messages.

Information about ICBC's withdrawal from the Lamu plant comes barely three months after the US-based conglomerate General Electric announced its planned exit from the coal power market through a change of investment policy while in November last year the African Development Bank announced that it would also pull out from the project by withdrawing its partial risk guarantee for the project.

Lamu Coal plant is part of the government's blueprint for producing 5,000MW of power.

A coal plant construction site in Lamu in a picture taken February 1, 2018. Picture: File