

PRESS RELEASE

Waving or Drowning? The Impact of the COVID-19 Pandemic on East African Trade

Regional economies proved resilient but not yet out of the woods.

Nairobi, Friday, 17 February 2021: TradeMark East Africa (TMEA), in partnership with the UN Economic Commission for Africa (UNECA) and African Economic Research Consortium (AERC), today launched a flagship report titled, "**Waving or Drowning? The Impact of the COVID-19 Pandemic on East African Trade.**"

The virtual session of policy makers, researchers, academics, and non-state actors discussed the link between COVID-19 pandemic and trade within the East African region.

The report establishes that the EAC economies were resilient against the pandemic, with exports holding up well and the regional trade balance improving due to lower imports. Furthermore, the report notes that although intra-regional trade initially suffered serious disruptions, it quickly recovered, as Partner States ensured the movement of essential goods and adopted measures to minimize disruption on the main transport corridors while still observing the COVID-19 health protocols.

The report highlights the recovery in key export sectors. For example, Burundi raw coffee exports increased from an average of Burundian Franc (BIF) 654 in the second quarter to Burundian Franc (BIF) 4500 in the third quarter; while Uganda exports increased by approx. 21 percent between the second and the third quarter, while in Rwanda non-mineral exports increased by 46%.

Speaking at the event AERC **Executive Director Professor Njuguna Ndungu**, said; *"The advent of the COVID-19 sent shockwaves into the emerging new sectors, such as tourism, manufacturing and financial intermediation thus compromising the recovery. Several indicators from diverse studies seem to indicate that African economies may suffer significant economic contractions due to the pandemic. However, the full impact on livelihoods is yet to be ascertained as the uncertainty surrounding the behavior and the intensity of the pandemic is still unfolding."*

TMEA CEO Frank Matsaert said; *"Data from this research informs us of the important role trade facilitation plays in the region economy. We need to ramp up trade facilitation efforts to spur innovation, and we urge the government to incentivizes priority goods to protect lives."*

Director of UNECA in Eastern Africa, Dr. Mama Keita said, that, *"Given the potential of trade to promote economic growth and sustainable development, it is extremely important for us to take a close look at the impact of the COVID-19 pandemic on trade in East Africa. This report sends out important messages, notably the urgent need to diversify countries' economies and export base if they are to be more resilient to external shocks and register strong and sustained growth rates in the future."*

CEO of East Africa Business Community Dr. Peter Mutuku Mathuki, CEO, "Government of the EAC Partner States should prioritize vaccination for Truck Drivers, implement a regional coordinated approach in fighting the pandemic and harmonize testing charges to reduce cargo transit times."

Reversal of fortunes

Nonetheless, despite showing resilience, the pandemic has reversed some of the gains made in trade facilitation. The transport and logistics sector took a hit at the beginning of the crisis, with high levels of congestion at borders and ports. Immediately after the outbreak, the ship dwell time at Mombasa port *increased by 48% and Berth time increased by 52%*. Cargo transit from Mombasa Port to Malaba (the border between Kenya and Uganda) increased from 7 days to 11 days by the second quarter of 2020. The time taken to transport goods via the Mombasa-Busia route was nearly three times higher. On the Central Corridor, the transit time from Dar-es-Salaam to various cities in the neighbouring countries almost doubled. The marked increase in transit times highlights the challenges at border points

Another major casualty from the crisis has been informal cross-border trade, which has struggled to recover from the regional restrictions on cross-border travel even after the opening of borders. For example, report's analysis of Uganda data suggests that even the reopening of Uganda's borders in September 2020 did not revive informal cross border trade. The resultant impacts include loss of income in border communities and a reversal of women economic empowerment.

The report provides a set of recommendations for public and private sector to steer the region's economies to greater stability especially now that it is unclear when and how the COVID-19 pandemic will end.

Economic diversification in East Africa: Time to redouble efforts.

Firstly, the report notes despite growing fiscal pressures, the EAC governments should continue providing financial and regulatory support to key export sectors and more so to those that have shown resilience since the advent of the pandemic.

Secondly, the pandemic has exposed the vulnerability of certain global value chains. The relative resilience of intra-regional trade attests to the importance of **strengthening regional value chains (RVCS)**, particularly as the region moves into the implementation stage of the African Continental Free Trade Area (AfCFTA).

Thirdly, the EAC Partner States need to **double-down on policies to diversify their economies**. Unlike previous crises, the pandemic was fortunately not accompanied by an across-the-board decline in the relative prices of commodities. However, excessive commodity export dependence still exposes the regional economy to unnecessary risks. The AfCFTA could be instrumental in achieving this goal.

Fourthly, EAC governments and other relevant stakeholders should **address the challenges facing informal cross-border traders**. The pandemic has had a severe negative impact on communities that are heavily dependent on cross-border informal trade.

Fifthly, the EAC Partner States should **support the development and implementation of technological innovations** to address the bottlenecks that have arisen during the pandemic along the Northern and Central Corridor. One case of good practice is the Regional Electronic Cargo and Driver Tracking System (RECDTS), which facilitates the issuance of the COVID-19 digital certificates mutually recognised by the Partner States, and thus contributes to reducing delays at border points.

Finally, the report notes that from a trade perspective, the region is still not out of the woods. The pandemic's rapidly evolving nature and its spillover effects may still present a significant threat to trade and commerce within the EAC over the coming years. Therefore, Partner States must continue with a tightly coordinated approach to addressing the pandemic's challenges.

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