Economic Effects of the COVID-19 on Intergovernmental Authority on Development (IGAD)

April 2020
Evolving Growth Forecasts

• COVID-19 crisis is expected to cause a significant slowdown in overall economic growth
• However, a possible recovery is expected as early as 2021
Drastic slowdowns in GDP growth rates are now anticipated in all IGAD countries.

Real GDP Growth 2010 – 2021

*In percentage: Pre-COVID Forecast  New Forecast*

**Djibouti**

- 2010-2016: 6.0%
- 2017: 6.0%
- 2018: 8.5%
- 2019: 1.0%
- 2020: 0.0%
- 2021: 5.9%

**Eritrea**

- 2010-2016: 3.9%
- 2017: 5.9%
- 2018: 4.0%
- 2019: 0.1%
- 2020: 0.1%
- 2021: 4.0%

**Ethiopia**

- 2010-2016: 7.2%
- 2017: 7.1%
- 2018: 3.2%
- 2019: 4.3%
- 2020: 6.0%
- 2021: 6.1%

**Kenya**

- 2010-2016: 6.0%
- 2017: 6.1%
- 2018: 1.0%
- 2019: 5.8%
- 2020: 5.8%
- 2021: 6.1%

Source: IMF
However most economies are expected to return to a positive trajectory from 2021.

Source: IMF

**Real GDP Growth 2010 – 2021**

*In percentage: Pre-COVID Forecast  New Forecast*

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**Somalia**

2010-2016: -2.5
2017: 3.2
2018: 3.5
2019: 2.9
2020: -7.2
2021: -3.0

**South Sudan**

2010-2016: -5.0
2017: 4.9
2018: 8.2
2019: 3.2
2020: 6.1
2021: 4.3

**Sudan**

2010-2016: -4.0
2017: -1.5
2018: 1.5
2019: 1.1
2020: -7.2
2021: -3.0

**Uganda**

2010-2016: 6.2
2017: 3.5
2018: 6.1
2019: 4.3

Source: IMF
A similar pattern is expected at the per capita level, where GDP growth is expected to contract for half of IGAD this year.

### Real Per Capita GDP Growth

*In percentage*

<table>
<thead>
<tr>
<th>Country</th>
<th>Pre-COVID Forecast</th>
<th>New Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Sudan</td>
<td>-9.6</td>
<td>-4.0</td>
</tr>
<tr>
<td>Djibouti</td>
<td>-1.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Kenya</td>
<td>-1.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Eritrea</td>
<td>-1.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Uganda</td>
<td>0.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1.6</td>
<td>5.5</td>
</tr>
<tr>
<td>South Sudan</td>
<td>-4.0</td>
<td>-9.6</td>
</tr>
</tbody>
</table>

**Source:** IMF
Debt and Fiscal Sustainability Trends

- Fiscal and debt pressures are expected to heighten this year.
- The COVID-19 crisis will impact both government revenues through tax/fees on diminished economic activity and expenditure through increased health, economic and social responses.
- UNECA has contributed to the calls for debt relief to free up scarce resources for the fight against COVID-19 and its impacts.
UNECA and others have called for some form of debt relief for African countries, where debt burdens hamper the fight against COVID-19

*Note: Djibouti estimates from Article IV in October 2019 and Sudan estimates from Article IV Mission in December 2019

Source: IMF

<table>
<thead>
<tr>
<th>Country</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020(^p)</th>
<th>2021(^p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Djibouti*</td>
<td>70.5</td>
<td>71.4</td>
<td>70.5</td>
<td>68.4</td>
<td>66.9</td>
</tr>
<tr>
<td>Eritrea</td>
<td>202.5</td>
<td>185.6</td>
<td>189.2</td>
<td>184.8</td>
<td>174.7</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>57.7</td>
<td>61.1</td>
<td>57.6</td>
<td>56.9</td>
<td>57.6</td>
</tr>
<tr>
<td>Kenya</td>
<td>55.2</td>
<td>60.1</td>
<td>60.8</td>
<td>64.5</td>
<td>66.8</td>
</tr>
<tr>
<td>South Sudan</td>
<td>82.8</td>
<td>57.7</td>
<td>41.8</td>
<td>35.3</td>
<td>30.5</td>
</tr>
<tr>
<td>Sudan*</td>
<td>154.5</td>
<td>180.8</td>
<td>198.2</td>
<td>204.3</td>
<td>n/a</td>
</tr>
<tr>
<td>Uganda</td>
<td>33.7</td>
<td>35.6</td>
<td>40.0</td>
<td>46.3</td>
<td>50.7</td>
</tr>
<tr>
<td>SSA Average</td>
<td>45.6</td>
<td>48.4</td>
<td>50.1</td>
<td>55.9</td>
<td>57.4</td>
</tr>
</tbody>
</table>

*Note: Djibouti estimates from Article IV in October 2019 and Sudan estimates from Article IV Mission in December 2019

Source: IMF
Fiscal deficits are expected to widen for most governments

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020(^p)</th>
<th>2021(^p)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Djibouti</strong></td>
<td>-4.5</td>
<td>-2.8</td>
<td>-0.8</td>
<td>-2.7</td>
<td>-1.7</td>
</tr>
<tr>
<td><strong>Eritrea</strong></td>
<td>-6.0</td>
<td>4.2</td>
<td>-1.5</td>
<td>-5.0</td>
<td>-4.5</td>
</tr>
<tr>
<td><strong>Ethiopia</strong></td>
<td>-3.2</td>
<td>-3.0</td>
<td>-2.5</td>
<td>-3.0</td>
<td>-3.4</td>
</tr>
<tr>
<td><strong>Kenya</strong></td>
<td>-7.9</td>
<td>-7.4</td>
<td>-7.8</td>
<td>-7.7</td>
<td>-6.9</td>
</tr>
<tr>
<td><strong>South Sudan</strong></td>
<td>3.3</td>
<td>-0.6</td>
<td>-0.3</td>
<td>-2.7</td>
<td>-1.2</td>
</tr>
<tr>
<td><strong>Sudan</strong></td>
<td>-6.5</td>
<td>-7.9</td>
<td>-10.8</td>
<td>-16.9</td>
<td>-20.6</td>
</tr>
<tr>
<td><strong>Uganda</strong></td>
<td>-3.2</td>
<td>-3.8</td>
<td>-6.7</td>
<td>-6.8</td>
<td>-6.6</td>
</tr>
<tr>
<td><strong>SSA Average</strong></td>
<td>-4.5</td>
<td>-3.6</td>
<td>-4.3</td>
<td>-7.0</td>
<td>-6.0</td>
</tr>
<tr>
<td><strong>MENA Average</strong></td>
<td>-6.7</td>
<td>-6.9</td>
<td>-7.3</td>
<td>-8.5</td>
<td>-7.0</td>
</tr>
</tbody>
</table>

Note: Data not available for Somalia; MENA Average is for oil importers
Source: IMF WEO, REOs April 2020
While the revenue expectations are mixed, most governments will see increased expenditure-to-GDP this year – especially Sudan.

*Note: 2020 and 2021 are projections
Source: IMF WEO, REOs April 2020; Djibouti estimates from most recent Article IV report
Price Trends

• Some basic foods are experiencing higher prices; their prices have risen since mid-February across IGAD

• However it is too early to see full impact of changes in demand and trade on the overall price level
There have not been significant changes recorded in overall price levels since the beginning of the crisis...

Month-on-Month Change in Prices (%)

<table>
<thead>
<tr>
<th></th>
<th>19-Sep</th>
<th>19-Oct</th>
<th>19-Nov</th>
<th>19-Dec</th>
<th>20-Jan</th>
<th>20-Feb</th>
<th>20-Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>0.2</td>
<td>0.3</td>
<td>0.5</td>
<td>0.6</td>
<td>0.5</td>
<td>0.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Somalia</td>
<td>0.6</td>
<td>0.2</td>
<td>-0.1</td>
<td>-1.3</td>
<td>-1.3</td>
<td>0.9</td>
<td>..</td>
</tr>
<tr>
<td>South Sudan</td>
<td>14.2</td>
<td>3.5</td>
<td>0</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Uganda</td>
<td>0.7</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Source: Official national sources
...However, within the last two months, the local prices of some basic goods have increased in most IGAD countries.

### Change in Local Prices (%) from Feb 14 to April 22, 2020

<table>
<thead>
<tr>
<th>MEAT-CATTLE (1KG)</th>
<th>RICE (1KG)</th>
<th>PROCESSED MILK (1L)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GLOBAL AVE.</strong></td>
<td>+5.9</td>
<td>+1.7</td>
</tr>
<tr>
<td>Djibouti</td>
<td>+0.5</td>
<td>Djibouti</td>
</tr>
<tr>
<td>Eritrea</td>
<td>-0.5</td>
<td>Eritrea</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>+15.4</td>
<td>Ethiopia</td>
</tr>
<tr>
<td>Kenya</td>
<td>+1.3</td>
<td>Kenya</td>
</tr>
<tr>
<td>Somalia</td>
<td>+6.9</td>
<td>Somalia</td>
</tr>
<tr>
<td>South Sudan</td>
<td>n/a</td>
<td>South Sudan</td>
</tr>
<tr>
<td>Sudan</td>
<td>+28.1</td>
<td>Sudan</td>
</tr>
<tr>
<td>Uganda</td>
<td>+3.7</td>
<td>Uganda</td>
</tr>
</tbody>
</table>

| **GLOBAL AVE.** | +5.7       | +62.2 |
| Djibouti        |            |       |
| Eritrea         |            |       |
| Ethiopia        | +2.4       |       |
| Kenya           | +2.0       |       |
| Somalia         | +19.3      |       |
| South Sudan     | +0.1       |       |
| Sudan           | +6.6       |       |
| Uganda          | +7.1       |       |

Source: Numbeo via FAO
Tourism and Transport Trends

• COVID-19 crisis is expected to cause sharp declines (or full disruptions) in *trade* and *tourism*

• Promoting regional *trade* and *tourism* (in line with the IGAD Tourism Masterplan 2013-2023) could help to catalyze recovery of these industries
Travel and tourism contribute GDP (5%) and job creation efforts (5%) in several IGAD countries.

**Recent Industry Trends**

<table>
<thead>
<tr>
<th></th>
<th>Travel and Tourism Contribution to 2019 GDP <em>(Direct and Indirect)</em></th>
<th>Travel and Tourism Contribution to 2019 Employment <em>(Direct and Indirect)</em></th>
<th>Top 3 Regional Source Markets in 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ethiopia</strong></td>
<td>6.7%</td>
<td>7.0%</td>
<td>Africa (30%); Europe (30%); North America (19%)</td>
</tr>
<tr>
<td><strong>Kenya</strong></td>
<td>8.2%</td>
<td>8.5%</td>
<td>Europe (52%); Africa (20%); Americas (12%)</td>
</tr>
<tr>
<td><strong>Sudan</strong></td>
<td>6.1%</td>
<td>6.2%</td>
<td>Middle East (51%); Africa (16%); Europe (10%)</td>
</tr>
<tr>
<td><strong>Uganda</strong></td>
<td>5.6%</td>
<td>5.8%</td>
<td>Africa (80%); Europe (8%); North America (5%)</td>
</tr>
</tbody>
</table>

*Note: Tourist Expenditure comprises Travel and Transport*

Source: WTTC, UNWTO

Some of the main tourist destinations rely heavily on non-regional source markets.

COVID-19 crisis likely to have a longer term impact on extra-regional travel than on travel within the region.

Intra-regional tourism will account for a greater share of activity in the industry, and governments should increase efforts on promotion.
In 2018, overnight tourist arrivals rose in most of the main destination countries in IGAD.

Source: UNWTO

Tourist (Overnight) Arrivals

Mode of Arrival

Ethiopia

Kenya

Uganda

Sudan

Source: UNWTO
Traffic through Djibouti and Mombasa ports have been in the rise, however COVID could reverse the trend.

**Annual Container Throughput, TEUs**

<table>
<thead>
<tr>
<th>Year</th>
<th>Djibouti</th>
<th>Kenya</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
<td>500,000</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td>1,000,000</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>1,500,000</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>2,000,000</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>2,500,000</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td>3,000,000</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>3,500,000</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td>4,000,000</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>4,500,000</td>
</tr>
</tbody>
</table>

**Early COVID-19 Impact**

- **Djibouti**
  - +41% from 2010 to 2018
  - Port currently operational
  - Accounts for over 90% of Ethiopia’s imports. Traffic will depend on Ethiopian trade

- **Kenya**
  - +87% from 2010 to 2018
  - Port currently operational
  - Serval ship cancellations reported, particularly from East Asia and Europe
  - Revenue shortfalls may impact loan servicing

Source: UNCTAD, local/regional news sources
Trends In the livestock sector

- The **Middle East** has become the main market for the **livestock** sector of IGAD.
- COVID-19 crisis will affect exports revenues of the sector if **trade routes** between IGAD and Middle East region get affected.
- Missing Periods of **High demand** in livestock such as **Ramadan** and **EID-EL-Adha** would affect the revenues the sector.
Livestock is mainly exported to the Middle East region

IGAD Live Animal Exports by Destination, 2012 – 2017

Source: UNComtrade
OUTLINE

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  GROWTH · FISCAL & DEBT · PRICES · TOURISM & TRANSPORT

02 EXTERNAL SECTOR IMPACT
  TRADE · REMITTANCES · INVESTMENT · RESERVES

03 SOCIAL IMPACT
  FOOD SECURITY · PROGRESS TO THE SDGs

04 REGIONAL INTEGRATION
  IGAD IN THE AFRICA REGIONAL INTEGRATION INDEX

05 CONCLUSIONS AND POLICY SUGGESTIONS
Trade Trends

- Most countries operate under **trade deficits**
- Overall, the region is heavily involved in **food exports** (which may be impacted by depressed global demand) and dependent on **merchandise imports** (which may be impacted by supply chain disruptions)
- COVID-19 triggered global trade challenges may negatively impact IGAD **exchange rates** and domestic **inflation rates**
Intra-IGAD trade accounts for 15% of merchandise exports and 4% of merchandise imports in the bloc

Source: UNCTAD
Most IGAD countries have recurring current account deficits
IGAD has a significantly wider trade deficit in Goods than in Services

**IGAD Trade in Goods**

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>-55B</td>
<td>-45B</td>
<td>-10B</td>
</tr>
<tr>
<td>2006</td>
<td>-45B</td>
<td>-35B</td>
<td>-10B</td>
</tr>
<tr>
<td>2007</td>
<td>-35B</td>
<td>-25B</td>
<td>-10B</td>
</tr>
<tr>
<td>2008</td>
<td>-25B</td>
<td>-15B</td>
<td>-10B</td>
</tr>
<tr>
<td>2009</td>
<td>-15B</td>
<td>-5B</td>
<td>-10B</td>
</tr>
<tr>
<td>2010</td>
<td>-5B</td>
<td>5B</td>
<td>10B</td>
</tr>
<tr>
<td>2011</td>
<td>5B</td>
<td>15B</td>
<td>20B</td>
</tr>
<tr>
<td>2012</td>
<td>15B</td>
<td>25B</td>
<td>40B</td>
</tr>
<tr>
<td>2013</td>
<td>25B</td>
<td>35B</td>
<td>60B</td>
</tr>
<tr>
<td>2014</td>
<td>35B</td>
<td>45B</td>
<td>90B</td>
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<td>2015</td>
<td>45B</td>
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<td>120B</td>
</tr>
<tr>
<td>2018</td>
<td>75B</td>
<td>85B</td>
<td>130B</td>
</tr>
</tbody>
</table>

**IGAD Trade in Services**

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>-5B</td>
<td>-15B</td>
<td>-20B</td>
</tr>
<tr>
<td>2006</td>
<td>-15B</td>
<td>-25B</td>
<td>-40B</td>
</tr>
<tr>
<td>2007</td>
<td>-25B</td>
<td>-35B</td>
<td>-60B</td>
</tr>
<tr>
<td>2008</td>
<td>-35B</td>
<td>-45B</td>
<td>-80B</td>
</tr>
<tr>
<td>2009</td>
<td>-45B</td>
<td>-55B</td>
<td>-100B</td>
</tr>
<tr>
<td>2010</td>
<td>-55B</td>
<td>-65B</td>
<td>-120B</td>
</tr>
<tr>
<td>2011</td>
<td>-65B</td>
<td>-75B</td>
<td>-140B</td>
</tr>
<tr>
<td>2012</td>
<td>-75B</td>
<td>-85B</td>
<td>-160B</td>
</tr>
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<td>2013</td>
<td>-85B</td>
<td>-95B</td>
<td>-180B</td>
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<tr>
<td>2014</td>
<td>-95B</td>
<td>-105B</td>
<td>-200B</td>
</tr>
<tr>
<td>2015</td>
<td>-105B</td>
<td>-115B</td>
<td>-220B</td>
</tr>
<tr>
<td>2016</td>
<td>-115B</td>
<td>-125B</td>
<td>-240B</td>
</tr>
<tr>
<td>2017</td>
<td>-125B</td>
<td>-135B</td>
<td>-260B</td>
</tr>
<tr>
<td>2018</td>
<td>-135B</td>
<td>-145B</td>
<td>-280B</td>
</tr>
</tbody>
</table>

Oil exports have enabled **South Sudan**’s positive merchandise trade balance – the only IGAD country to achieve this.

**Djibouti, Kenya, and Sudan** have sustained service trade surpluses in recent years.

Note: Services data unavailable for Eritrea
Source: UNCTAD
Overall trade performance has been mixed across IGAD states

### Goods and Services Trade, 2016 – 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Djibouti</strong></td>
<td>544.7M</td>
<td>560.8M</td>
<td>603.1M</td>
<td>-0.9B</td>
</tr>
<tr>
<td><strong>Eritrea</strong></td>
<td>653.3M</td>
<td>872.9M</td>
<td>1002.0M</td>
<td>-1.1B</td>
</tr>
<tr>
<td><strong>Ethiopia</strong></td>
<td>5.9B</td>
<td>6.6B</td>
<td>7.6B</td>
<td>-20.5B</td>
</tr>
<tr>
<td><strong>Kenya</strong></td>
<td>9.9B</td>
<td>10.4B</td>
<td>11.6B</td>
<td>-20.2B</td>
</tr>
<tr>
<td><strong>Somalia</strong></td>
<td>813.0M</td>
<td>651.2M</td>
<td>744.6M</td>
<td>-2.7B</td>
</tr>
<tr>
<td><strong>South Sudan</strong></td>
<td>1.6B</td>
<td>2.4B</td>
<td>3.2B</td>
<td>-2.1B</td>
</tr>
<tr>
<td><strong>Sudan</strong></td>
<td>4.6B</td>
<td>5.9B</td>
<td>5.0B</td>
<td>-8.2B</td>
</tr>
<tr>
<td><strong>Uganda</strong></td>
<td>4.5B</td>
<td>4.7B</td>
<td>5.1B</td>
<td>-8.2B</td>
</tr>
</tbody>
</table>

Note: Services data unavailable for Eritrea
Source: UNCTAD
Many IGAD countries primarily export food products, and are susceptible to global demand.

Food items and agricultural raw materials accounted for 56% of IGAD exports in 2018.

Lower oil production in South Sudan explains the declining share of fuel in IGAD exports.

Source: UNCTAD
Despite some diversification in destination, exports may fall as national lockdowns continue in major trading partners.

Export partners are relatively diverse in the main IGAD economies. However, national lockdowns may reduce demand in most countries.

IGAD exports to these countries may slow down leading to increased currency pressures.

Source: IMF DOTS
IGAD imports mainly manufactured goods, which will get more expensive as COVID-19 disrupts global supply chains.

Manufactured goods accounted for almost 70% of IGAD imports in 2018.

Global supply chain pressures could cause the price of manufactured goods to rise – leading to imported inflation.

Source: UNCTAD
IGAD heavily relies on imports from countries that are currently on national lockdowns due to COVID-19.

**Source Markets for Imports into main IGAD Economies, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Ethiopia Share of Imports from</th>
<th>Kenya Share of Imports from</th>
<th>Sudan Share of Imports from</th>
<th>Uganda Share of Imports from</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>China</td>
<td>Saudi Arabia</td>
<td>China</td>
<td>China</td>
</tr>
<tr>
<td></td>
<td>20%</td>
<td>19%</td>
<td>21%</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td>Middle East (not specified)</td>
<td>India</td>
<td>UAE</td>
<td>India</td>
</tr>
<tr>
<td></td>
<td>12%</td>
<td>9%</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td>India</td>
<td>Saudi Arabia</td>
<td>India</td>
<td>UAE</td>
</tr>
<tr>
<td></td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td>Saudi Arabia</td>
<td>Japan</td>
<td>Japan</td>
<td>Kenya</td>
</tr>
<tr>
<td></td>
<td>8%</td>
<td>6%</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>UAE</td>
<td>Egypt</td>
<td>Tanzania</td>
</tr>
<tr>
<td></td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

- **Source**: IMF DOTS
- China and the Middle East are the main source markets for IGAD imports. National lockdowns may **disrupt supply** from these countries.
- IGAD imports from these countries may see increased prices, leading to **increased inflation**.
On average in 2018, Food and pharmaceuticals accounted for 15% and 4% of total merchandise imports in IGAD, with huge country disparities.

**IGAD Food Imports**

*US$ Billions (left); Share of Product Imports (right)*

At the country level, the highest food bill share of imports in 2018 was in **Somalia (48%)** and **Eritrea (35%)**.

It was lowest in Ethiopia (9%) and **Uganda (11%)**.

**Source:** UNCTAD

**IGAD Pharmaceuticals Imports**

*US$ Billions (left); Share of Product Imports (right)*

At the country level, the highest pharmaceuticals share of imports in 2018 was in **Uganda (6%)** and **Sudan (5%)**.

It was lowest in Djibouti and Eritrea (1%).

**Source:** UNCTAD
Remittance Trends

• Aggregate remittances into IGAD has increased in recent years

• However, COVID-19 could, in the short term, reduce the flow of remittances in the region and affect both living standards and available foreign currencies
In recent years, aggregate personal remittances repatriated to IGAD has risen in absolute and as a share of total GDP.

**Remittance Inflows, 2008 - 2019e**

- **Total, US$ Billions (left)**
- **Share of GDP (right)**

Notes: (1) Data unavailable for Eritrea and Somalia; (2) Share of GDP is across all IGAD, except for 2019e which is a weighted average.

Source: World Bank Migration and Remittances Data
On Average, remittances account for 2.2% of GDP in IGAD, however important disparities exist across countries.

**Personal Remittances Received, 2000-2018**

*Share of GDP (%)*

- Middle East and North Africa (excluding high income), 5.7%
- Lower middle income, 4.4%
- Sub-Saharan Africa, 2.8%
- IGAD, 2.0%

**Personal Remittances Received in 2019**

*Share of GDP (%)*

- South Sudan: 6.7
- Uganda: 5.0
- D.R. Congo: 4.0
- Madagascar: 3.8
- Kenya: 2.9
- Rwanda: 2.7
- Djibouti: 2.6
- Sudan: 1.8
- Seychelles: 1.4
- Burundi: 1.0
- Tanzania: 0.7
- Ethiopia: 0.5

**IGAD Weighted Ave. 2.2%**

Source: World Bank Migration and Remittances Data
Migrants to the UK and US accounted for almost half of remittance inflows in 2017, despite being 11% of all migrants.

Outward Migrant Stock from IGAD countries 2017, by Destination Country:
- US: 7%
- Rwanda: 1%
- Canada: 5%
- Saudi Arabia: 7%
- Chad: 6%
- Other: 21%
- Within-IGAD: 53%

Remittance Inflows into IGAD countries 2017, by Source Country:
- US: 22%
- UK: 24%
- Canada: 5%
- Rwanda: 6%
- Saudi Arabia: 6%
- Other: 24%
- Intra-IGAD: 12%

Source: World Bank Migration and Remittances Data; Pew Research Center
Investment Trends

• Overall FDI inflows to IGAD were **on the rise since 2013**
• The COVID-19 crisis may disrupt this trend
Efforts to improve the business climate has enabled relatively high FDI share of GDP for most IGAD countries.

FDI Net Inflows in 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Share of GDP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Djibouti</td>
<td>9.0</td>
</tr>
<tr>
<td>Somalia</td>
<td>8.7</td>
</tr>
<tr>
<td>Uganda</td>
<td>4.9</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>4.0</td>
</tr>
<tr>
<td>Sudan</td>
<td>2.8</td>
</tr>
<tr>
<td>Kenya</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Notes: Data unavailable for Eritrea and South Sudan
Source: World Bank
The trend of FDI flows into IGAD has been positive in recent years, but the COVID-19 crisis may change this.
The ratio of FDI to Gross Fixed Capital Formation is also relatively high in IGAD, particularly in Djibouti.
Foreign reserves to cover imports in IGAD countries fall below regional averages and the global benchmark.

### Official FX Reserves, 2018 and 2019e

*In Months of Imports*

<table>
<thead>
<tr>
<th>Country</th>
<th>2018</th>
<th>2019</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>MENA</td>
<td>10.5</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>SSA</td>
<td>8.5</td>
<td>8.4</td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td>4.5</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>3.9</td>
<td>3.8</td>
<td></td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1.7</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>Eritrea</td>
<td>2.4</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>Djibouti</td>
<td>1.1</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Sudan</td>
<td>1.3</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>South Sudan</td>
<td>0.2</td>
<td>0.4</td>
<td></td>
</tr>
</tbody>
</table>

Note: Somalia data unavailable
Source: IMF REOs
Food Security Trends

• Despite the high (and largely stagnant) levels of production, IGAD imports nearly 8x the value of cereals that it exports
In aggregate, IGAD imports far more cereals than it exports. The converse is true in the meat trade.

**IGAD Trade in Key Food Groups, 2016 – 2018**

### Cereals Trade

- **2016**: $0.2B Cereals Exports, $1.9B Cereals Imports
- **2017**: $0.4B Cereals Exports, $3.0B Cereals Imports
- **2018**: $0.3B Cereals Exports, $2.6B Cereals Imports

### Meat Trade

- **2016**: $199.2M Meat Exports, $29.7M Meat Imports
- **2017**: $182.1M Meat Exports, $26.8M Meat Imports
- **2018**: $200.8M Meat Exports, $32.4M Meat Imports

Source: UNCTAD
In 2018, Ethiopia accounted for more than half of IGAD cereals production – which was primarily maize, sorghum or wheat.

**Total Cereals Production in 2018**

- **Ethiopia**: 25.2M tonnes
- **Sudan**: 8.3M tonnes
- **Kenya**: 4.8M tonnes
- **Uganda**: 3.8M tonnes
- **South Sudan**: 0.7M tonnes
- **Eritrea**: 0.3M tonnes
- **Somalia**: 0.3M tonnes
- **Djibouti**: 18 tonnes

**IGAD Cereals Production in 2018**

- Maize: 34%
- Sorghum: 26%
- Wheat: 12%
- Millet: 9%
- Other: 19%

**Total Production**: 43M tonnes

Source: FAO
Production levels for the main grains have either remained generally flat or trended slightly upwards in the main IGAD-producing states.

Trends in Top 3 Producing Countries, 2012 – 2018

**Maize**

- **Ethiopia**
- **Kenya**
- **Uganda**

**Sorghum**

- **Ethiopia**
- **South Sudan**
- **Sudan**

**Wheat**

- **Ethiopia**
- **Kenya**
- **Sudan**

**Millet**

- **Ethiopia**
- **Sudan**
- **Uganda**

Source: FAO
Data from FAO suggests that domestic production may be able to meet a large share of domestic demand for many basic food groups.

Source: FAO

Note: Consumption includes imports that are consumed directly for food; Production includes exports, and food produces for animal feed, etc.
Historically, imported cereal dependency has been highest in Djibouti, in contrast to the major producers in the region.

**Cereal Import Dependency Ratio**

*Percent; 3-year average*

- **Djibouti**: fully dependent on imports for local cereal consumption
- **Kenya**: dependence on cereal imports has trended upwards
- **Ethiopia** and **Uganda**: dependence is lowest

While long-term trends are not available, Sudan’s cereal import dependency ratio was also quite low – 18.3% on average in 2011 to 2013.

Source: FAO
Food Security Trends – Desert Locusts

- The Desert Locust infestation poses an additional threat to food security and livelihoods
In addition to climate and COVID-19, the locust infestation poses an unprecedented threat to food security and livelihoods.

Desert Locust Observations

IGAD has a total population size over 230 M people; 5 of 6 of its Countries Most at Risk with locust

- Ethiopia
- Kenya
- Somalia
- South Sudan
- Tanzania
- Uganda

- **20.3 million** people facing severe acute food insecurity
- **1 million ha** land targeted for rapid locust surveillance and control
- **110,000** households targeted for rapid livelihoods protection
- **US$153 million** required by FAO for response and protection in 2020

Source: FAO Locust Hub

Locust numbers can increase exponentially – **400x** after six months

A 1km² swarm can have **80 million adults** and can eat same **food as 35,000 people in one day**
Between 1958 and 1959, heavy swarms of desert locusts infested parts of northern Ethiopia prompting national and international action.

In 1986, numerous swarms invaded the Sahel from Mauritania to Sudan, northern Ethiopia and Eritrea where summer breeding caused more swarms to form and damage crops.

A pronounced desert locust outbreak began in late 1992 along the Red Sea coastal plains of Sudan and Eritrea following several years of drought.

In 1995, swarms of desert locusts were reported along the Red Sea coastal plain and infested parts of Sudan and Somalia.

In 2007, spring-based swarms from Yemen invaded Kenya’s arid northeastern region.

The worst desert locust outbreak in 25 years has caused significant pasture losses across East Africa, mainly in agro-pastoral areas of eastern Ethiopia, central Eritrea, Djibouti, Somalia and northern Kenya.
Desert locusts have been breeding and spreading through farmland and rangeland in Somalia, Ethiopia, Kenya, Uganda, South Sudan, Djibouti, Eritrea, and Tanzania.

Desert locust poses an unprecedented risk to agriculture-based livelihoods and food security in an already fragile region.

Affected areas can experience up to a 100% loss in crops and fodder.

An estimated 20.2 million people are now facing severe acute food insecurity in Ethiopia, Kenya, Somalia, South Sudan, Uganda, and the United Republic of Tanzania.
In desert locust-affected countries of the Greater Horn of Africa, the vast majority of the population depend on agriculture for their livelihoods (for example, up to 80% of the population in Ethiopia and 75% in Kenya).

Desert locust impacts could lead to a deterioration in food security towards the end of 2020 with a peak during the first half of 2021 (during the height of the lean season).
Two strategies are being implemented in response to the locust invasion: curbing the spread and safeguarding livelihoods.

Note: 10 countries are supported – the IGAD-8, plus Tanzania and Yemen
Source: FAO Locust Hub
A mixture of bilateral, multilateral, and philanthropic aid has been pledged to overall response efforts.

Ethiopia and Somalia have received 52% of funding.

Over a third of the funding came from Germany and the U.S.

Note: Tanzania has not received any of the pledged support so far.

Source: FAO Locust Hub
Other Social Indicators

- COVID-19 has triggered an economic and social crisis, particularly in countries with high poverty, poor infrastructure, and insufficient safety nets.
- COVID-19 crisis will also negatively impact progress towards the SDGs.
COVID-19 is impacting all SDGs

Source: UNDESA
Example SDG4: All IGAD countries have closed schools nationwide, impacting over 51 million learners.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>TOTAL AFFECTED LEARNERS</th>
<th>BREAKDOWN BY LEVEL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Females</td>
</tr>
<tr>
<td>Djibouti</td>
<td>142,564</td>
<td>65,483</td>
</tr>
<tr>
<td>Eritrea</td>
<td>667,452</td>
<td>306,529</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>24,686,497</td>
<td>11,518,107</td>
</tr>
<tr>
<td>Kenya</td>
<td>15,257,191</td>
<td>7,436,884</td>
</tr>
<tr>
<td>Somalia</td>
<td>544,061</td>
<td>189,454</td>
</tr>
<tr>
<td>South Sudan</td>
<td>1,548,811</td>
<td>630,498</td>
</tr>
<tr>
<td>Sudan</td>
<td>8,824,167</td>
<td>4,294,534</td>
</tr>
<tr>
<td>IGAD Aggregate</td>
<td>51,670,743</td>
<td>24,441,489</td>
</tr>
</tbody>
</table>

74% of affected learners are primary school-aged or younger, which may slow progress to SDG 4 if alternative channels are not explored.

Note: Uganda excluded due to data issue
Source: UNESCO
Example SDG6: In most IGAD countries, more than half of the population do not have access to basic sanitation services.

Hand hygiene is essential to containing the spread of COVID-19. Slow progress on SDG 6 counteracts this. This is particularly challenging in IGAD where the vast majority of the population has limited access to basic sanitation services.

Source: World Bank
However, many governments have initiated or planned social protection measures in response to COVID-19.

**Example Government Interventions**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>MEASURES</th>
</tr>
</thead>
</table>
| ETHIOPIA | **Public Work**: Beneficiaries of the Urban Productive Safety Net Project will receive advance 3 months payment while on leave from their public works obligations, and other benefits.  
**Utilities**: National Expansion of free public transport; moratorium on evictions, and reduction of rents by half.  
**In-kind Support**: Amhara Regional State started providing basic food items to the most vulnerable in Adama. The Addis Ababa City Administration allocated 600 million ETB for purchasing stockpile of food/other essential good. |
| KENYA    | **Cash Transfer**: The National Treasury appropriated an additional Ksh10B for supporting the elderly, orphans and other vulnerable members.  
**Financial waivers**: Fee waivers on person-person mobile money transactions on M-PESA were approved. A 100% tax relief for persons earning less than Ksh.24,000 is planned. |
| UGANDA   | **Financial waivers**: The National Social Security Fund is allowing employers facing economic distress due to COVID-19 to reschedule NSSF contributions for the next 3 months without accumulating a penalty. |

Source: Local sources
Regional Integration performance in IGAD

Some existing efforts of Regional Integration exist. They will be useful to attenuate COVID effects and will have to be enhanced in order to limit dependency in Rest of the world and strengthen economic resilience.
IGAD is Top among RECs on certain aspects of Regional Integration (Regional electricity trade)

Source: Africa Regional Integration Index
Kenya, Uganda and Djibouti are above IGAD average in several aspects of Regional Integration

Dimensions Breakdown for IGAD

This chart shows how each country is performing for overall integration. The inner segments show the scores for each dimension.

Source: Africa Regional Integration Index
Conclusions

- Having strongly hit major trading partner including China, Europe, the US, COVID-19 will inevitably impact IGAD trade;
- Under the worst case scenario, IGAD could witness significant drop in GDP growth due to the COVID-19 pandemic (initial estimates indicate drops of over 5 Points in some countries);
- Fiscal and debt pressures are expected to heighten this year.
- Tourism related sectors and Transport sector revenues will shrink due to COVID-19; Livestock also likely to be affected.
- In short run, IGAD may experience reduction in FDI and remittances, with adverse effects on living standards;
- Food security already weakened by locust invasion is at risk with COVID impacts on access to food and on purchasing powers.
Recommendations

- *Short term response measure could include:*
  - Review and revise national budgets to reprioritize spending towards mitigating expected negative impacts from COVID-19 on the economy;
  - Prepare fiscal stimulus packages with support to businesses to maintain jobs; and support to vulnerable households to support consumption;
  - Central banks to support government efforts in easing access to credit for both public and private sectors
Recommendations

▪ Explore debt payment rescheduling or Debt relief possibilities for both public and private actors

▪ As a safety net, providing incentives for importers to forward purchase to ensure sufficient food and medicines reserves in key basic items;

▪ Main port countries (Djibouti and Ethiopia, Kenya) should coordinate with other IGAD members on COVID responses, in order to limit impact of COVID via utilization of the Ports;

▪ Endeavor to preserve trade routes with Middle East to preserve revenues from the livestock sector and livelihood of many households
Recommendations

- **Medium term measures:**

- COVID crisis re-emphasizes the need for urgently implementing the AfCFTA.
  - In the medium term the intra-African market should be promoted for limiting dependence on Rest of World; for diversifying economies and building resilience;
  - Looking at local content, local transformation and production, especially agricultural production and supply of food and pharmaceutical stuff should become a top priority;
  - Revisit trade and industrial strategies of countries; reinforce regional integration and trade facilitation

- IGAD should oversee Design, Implementation and M&E of COVID response frameworks of countries and ensure coordination
THANK YOU!