



CONCEPT NOTE ON THE THEME FOR THE SADC PARLIAMENTARY FORUM (SADC PF) 49TH PLENARY ASSEMBLY VIRTUAL SESSION

“Leveraging the AfCTA for Post-Covid Economic Recovery in Southern Africa: The Role of SADC Parliamentary Forum and National Parliaments.”

1.0 INTRODUCTION

The COVID-19 pandemic’s impact on the global economy has been unprecedented, with many countries experiencing steep recessions and rapid economic downturns. The widespread social-distancing measures have resulted in sharp contractions of financial conditions including steep declines in remittance flows and massive outflows of capital, a slip down in foreign demand, massive disruptions of global trade, supply chains, travel, tourism, and finance, decline in consumption of goods and services leading to lost production, operational challenges for companies caused by delays in input deliveries, compounded by increased reliance on global supply chains. The baseline forecast envisages a 5.2 percent decline in global gross domestic product (GDP) – the deepest global recession in eight decades – while Emerging Markets and Developing Economies (EDME) GDP is expected to experience a contraction of about 2.5 percent, including in per capita income, resulting in several thousands of people slipping back into poverty.¹

2.0 THE IMPACT OF COVID-19 IN SOUTHERN AFRICA

It must be remembered that most Southern African countries were already facing economic challenges before Covid-19. The pandemic has therefore, aggravated the vulnerability of citizens of the region, a significant percentage of whom were already living in extreme poverty as countries grapple with climate shocks, energy deficit, rising debt levels, acute food and water insecurity, high chronic malnutrition, livestock diseases and crop destruction caused by dry spells, flash floods and migratory locusts.

¹ Global Economic Prospects [Internet]. World Bank. Available at: <https://www.worldbank.org/en/publication/global-economic-prospects>

The COVID-19 pandemic has adversely affected key social and economic development in the SADC region, with commodity and export dependence, declining foreign direct investment, low tourist arrivals and rising debt levels as the primary ways through which regional economies will be undermined. The gloom picture of the impact of the pandemic on the SADC region is aptly captured by the United Nations Economic Commission for Africa (UNECA), which in its analysis of the impact of COVID-19 on socio-economic development patterns in Southern Africa observes thus:

... declining growth prospects in the major export markets of China, the United States and the European Union due to the virus has led to lower commodity prices and hence lower export revenues for the highly commodity dependent region. Consequently, the already challenged Southern African Development Community economy is expected to contract by about 3.3 percent in 2020, debt levels are expected to increase to 90 percent of regional gross domestic product (GDP) and budget deficits will balloon to 9 percent of GDP due to the increase in health spending as well as the provision of stimulus packages to sustain economies. The depreciation of local exchange rate will result in accelerating price increases for imported products, including medicines and medical equipment required to fight COVID-19, and will increase foreign currency-denominated debt burden, making debt management and servicing more challenging. The economic contraction of the highly informalized regional economies will result in higher levels of unemployment, especially among women and the youth, who are the principal entrepreneurs in cross border trade and micro, small and medium enterprises. The pandemic will increase financial fragility in Southern Africa, as foreign investors pull money from the local markets, further undermining the regional economies. Similarly, the already strained healthcare systems, the struggling education sectors, and the high levels of inequality and poverty will be worsened.²

3.0 NEED FOR POST- COVID RECOVERY AND RECONSTRUCTION FOR SADC COUNTRIES

Countries have justifiably been preoccupied with addressing the immediate economic shocks from the COVID-19 pandemic, including providing emergence and social protection measures to families that have been rendered more vulnerable and providing financial support to businesses so that they avoid collapsing. However, there is need to start focusing on post-Covid recovery and reconstruction to kick-start production and push economies towards recovery. It has been argued that fighting this coronavirus is like fighting a war and to recover after that war, countries will need to study the lessons of previous post-war reconstructions as they will require a modern Marshall Plan to rebuild after COVID-19. That means there will be need for a

² United Nations Economic Commission for Africa (UNECA), May 2020. Socio-Economic Impact of Covid-19 in Southern Africa. Lusaka ZAMBIA.

public-led reconstruction plan to rebuild the economy and create opportunities.

Post-Covid reconstruction in SADC should seek to build local capacities not just for industry and trade but also for the state. The Covid-19 experience has revealed significant capacity gaps our state institution states, and it was not a coincidence that where state institutions were weak, the country's response to the Covid-19 pandemic was also poor. Thus, there is need to give priority to building the capacity of the state to respond to future pandemics and natural disasters.

In this regard, SADC Member States should strengthen the international, regional and national solidarity shown in the efforts to contain the pandemic through stronger regional coordination to complement national level efforts. SADC countries should employ multipronged approaches collectively and individually, including appealing to debtor nations and institutions for moratorium on debt and debt servicing arrangements including debt-standstill and cancellation and expansionary monetary policies to boost economies taking advantage of the moderate inflationary environment in most countries.

The intensification of economic diversification, value addition and beneficiation must be prioritised, coupled with accelerated rollout of regional industrialisation programmes to boost industry, cushion economies against the decline in global economic growth and support the growth of micro, small and medium enterprises. Member States should also intensify support to local micro, small and medium enterprises and domestic private sector (both formal and informal) through fiscal stimulus packages consisting of grants, concessionary loans and tax reductions.

Countries should also implement conducive and consistent economic policies in order to create stable macroeconomic environments with fiscal sustainability which is critical for good economic governance and boosting investor confidence for local and foreign investment in large, medium and small enterprises.

Post-Covid recovery and reconstruction programmes should also prioritise inclusive governance by addressing poverty, inequalities, access to affordable medicines and improving health infrastructure and introduce means-testing for access to free health and education services. This calls for a collaborative approach and coordinated responses with private sector, CSOs, academia, women and youth.

There is also need to accelerate the digitalisation of services including health and education to reduce disruptions in social services provision through investments in digital infrastructure and facilitate the rollout of e-learning and e-commerce platforms for business and other economic activities to continue.

4.0 LEVERAGING ON THE AfCFTA FOR A POST- RECOVERY AND RECONSTRUCTION

SADC countries must leverage the AfCFTA – the world’s largest free-trade area which is a market of 1.2 billion people and the eighth economic bloc in the world with a \$3-trillion combined GDP – to boost intra-regional trade, which currently stands at a low 19.3 percent, by deepening regional value chains, expand intra-African trade and to invest into the diversification of export destinations beyond China, Europe and the United States, as part of their post-Covid recovery and reconstruction.

The AfCFTA should assist SADC and other African countries to address the traditional teething trade and economic development challenges such as market fragmentation, smallness of national economies, over reliance on the export of primary commodities, narrow export base due to shallow manufacturing capacity, lack of export specialisation, under-developed industrial regional value chains, and high regulatory and tariff barriers to intra-Africa trade amongst others.

The AfCFTA, which was signed on 21 March 2018 and entered into force on 30 May 2019, is not only a trade liberalising instrument but is also an enabler of inclusive growth and sustainable development and therefore, offers an inclusive trade regime where women and youth are the principal beneficiaries.

SADC Member States should, therefore, take full advantage of the AfCFTA as a development enabler and accelerator to move the region beyond COVID-19 and create stronger and more resilient, inclusive and green economies in the SADC region with stronger local and regional value chains and accelerated industrialisation programmes for rising incomes, jobs, more balanced trade, and better returns from the region’s abundant natural resources.

In post-Covid recovery and reconstruction, Member States must build new and sustainable collaboration to address inequalities, promote value addition and create jobs by eliminating critical hurdles faced in exporting within Africa such as SME export competitiveness; rules of origin; technical and product safety standards.

5.0 THE ROLE OF SADC PF AND NATIONAL PARLIAMENTS IN LEVERAGING THE AfCFTA FOR POST-COVID ECONOMIC RECOVERY IN SOUTHERN AFRICA

In order to ensure that Parliaments of the region continue to play a leading role in regional policy making, in particular in shaping the post-Covid policy environment, the SADC Parliamentary Forum’s 49th Plenary Assembly Virtual Session will be held under the theme “*Leveraging the AfCFTA for Post-Covid Economic Recovery in Southern Africa: The Role of SADC Parliamentary Forum and National Parliaments.*” The Session will be hosted by the Parliament of Botswana from 25th to 27th June 2021.

To put into perspective the role of SADC PF and national Parliaments in leveraging the AfCTA for Post-Covid Economic Recovery in Southern Africa, it is critical to understand that the AfCFTA does not replace the existing regional economic communities (RECs). In fact, the AfCFTA Agreement explicitly recognises the RECs as building blocks for the AfCFTA. Since most of the intra-African trade is conducted within RECs, regional blocs like SADC will, therefore, be important in the finalisation, implementation and application of the AfCFTA.

As the apex parliamentary body in the SADC region, the SADC Parliamentary Forum has a critical role in ensuring a coordinated and collaborative approach by Parliaments and in building the requisite capacity for parliaments and relevant parliamentary committees on how they can utilise their law-making and oversight mandate to ensure effective the implementation of the AfCFTA and build a more inclusive and equitable post-Covid SADC region.

One of the critical aspects regarding the implementation of the AfCFTA is the financing question. In the pre-Covid and Covid environment, access to finance especially for SMEs was a major challenge. There is therefore, need to engage financing and multilateral institutions such as the African Development Bank (AFDB) and UNECA regarding sustainable and accountable financing options for SADC Member States.

Another critical aspect for parliamentary attention is the awareness raising and amplifying citizen's voices in the AfCFTA processes. To be legitimate, AfCFTA processes should guarantee inclusion and participation by the people of the region, in particular for women and youth. SADC PF and national Parliaments must therefore, the post-Covid recovery and reconstruction processes address the traditional challenges facing SMEs, including export competitiveness and understanding of technical trade issues such as rules of origin and technical and product safety standards. In this regard, SADC PF and National Parliament must collaborate with the AfCFTA Secretariat, media and CSOs.

Other areas requiring parliamentary interventions in the post-Covid recovery process include the following:

- i) harmonization transport regulation across countries to expedite the movement of essential goods and services such medical equipment, medicines, fuel and food;
- ii) coordination of cross border management to facilitate smooth passage of citizens;
- iii) simplifying mechanisms to govern essential health service delivery in line with the SADC Protocol on Health (1999);
- iv) implementation of the pooled procurement of medicines and supplies in line with the SADC Protocol on Health and the SADC Strategy for Pooled Procurement of Essential Medicines and Health Commodities and the SADC Pharmaceutical Business Plan (2007); and

- v) supporting the growth of Micro- Small and Medium Enterprises (MSMEs) to participate in the pharmaceuticals value chains and produce some of the medical supplies as part of the SADC Industrialization Strategy and Roadmap.

6.0 METHODOLOGY AND EXPECTED OUTCOME

The SADC Parliamentary Forum Plenary Assembly which comprises Speakers and 5 Members from each Member-Parliament and is the highest policy making body of SADC PF will deliberate on the theme following presentations from the AfCFTA Secretariat, Southern African Customs Union (SACU), SADC Secretariat and the Government of Botswana as the host for the 49th Plenary Assembly Virtual Session.

The meeting will serve to expose national parliaments to the key issues regarding the AfCFTA and start discussion on the role that SADC PF and national Parliaments should play to facilitate implementation of the AfCFTA, in particular the domestication process, capacitation of Members, awareness raising, accountability and participation. The Plenary Assembly will also make recommendations on what Member States must do to leverage on the AfCFTA.

Ends.