REPORT OF THE STANDING COMMITTEE ON TRADE, INDUSTRY, FINANCE AND INVESTMENT OF THE SADC PARLIAMENTARY FORUM TO THE 50th PLENARY ASSEMBLY SESSION HELD FROM 10TH TO 12TH DECEMBER, 2021

Theme: "Enhancing the Role of Parliament in Promoting Domestic and Foreign Direct Investment"

Mr President, I beg to move that this Plenary Assembly do adopt the Report of the Standing Committee on Trade, Industry, Finance and Investment (TIFI) to the 50th Plenary Assembly Session of the SADC Parliamentary Forum, laid on the table on 10thDecember, 2021

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1.0 COMPOSITION OF COMMITTEE

The Committee consisted of the following Members:

1.	Hon Ruth Mendes	(Vice Chairperson)	Angola
2.	Hon Dumelang Saleshando		Botswana
3.	Hon Sen. Isaac MmemoMagagula		Eswatini
4.	Hon. Tsepang Tsita-Mosena		Lesotho
5.	Hon. Denis Namachekecha		Malawi
6.	Hon Marie Joanne Sabrina Tour		Mauritius
7.	Hon Jimmy Donovan		Madagascar
8.	Hon Carlos Moreira Vasco		Mozambique
9.	Hon. Vipuakuje Muharukua		Namibia
10.	Hon Audrey Vidot		Seychelles
11.	HonHlengiwe Mkhaliphi		South Africa
12.	Hon Dr Afred James Kimea		Tanzania
13.	Hon Anele Ndebele	(Chairperson)	Zimbabwe

During the period under review, Zambia had not yet nominated a Member to sit on the Standing Committee on Trade Industry Finance and Investment (TIFI) Committee following the general elections held on 12th August, 2021.

2.0 TERMS OF REFERENCE

The Standing Committee on TIFI, guided by its mandate in terms of Rule 42(2) of the Rules of Procedure, convened on Monday, 11thOctober, 2021 virtually via the zoom platform.

3.0 NUMBER AND DATES OF MEETINGS

The Committee held one meeting on Monday, 11th October, 2021 to consider the topic "Enhancing the Role of Parliament in Promoting Domestic and Foreign Direct Investment."

4.0 BACKGROUND

FDI in Africa had generally been unstable over the years. However, prior to the COVID-19 pandemic, FDI flows to Africa in 2017 had continued to slide, reaching $42 billion, down 21 per cent from 2016.[1]In the wake of the unprecedented effects of the Pandemic, global FDI flows were reported to have dropped by 35 per cent to $1 trillion, from $1.5 trillion in 2019. This was almost 20 per cent below the 2009 trough after the global financial crisis.[2] Specifically for Sub-Saharan Africa, although FDI inflows were already dwindling in most SADC countries, the COVID-19 pandemic had brought forth

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[1]UNCTAD World Investment Report 2018, Investment and New Industrial Policies

[2] Africa in focus, COVID-19 impacts on foreign investments in sub-Saharan Africa

unprecedented effects on the economies and caused a drastic decline in FDI. In particular, FDI flows to Africa fell by 16 per cent to $40 billion while overall, FDI inflows to Sub-Saharan Africa decreased by 12 per cent to $30 billion, with investment growing in only a few countries.[3] Lockdowns, reduction in economic activities, disrupted supply chains, loss of jobs and a general slowdown in various existing investment projects contributed to the recorded low FDI and domestic investment.

While the SADC Protocol on Trade and Investment (2006) attempted to promote an investment-friendly climate, the investment drive had arguably been to support FDI inflows, with less emphasis on domestic and intra-SADC investment. This was exacerbated by the fact that most investment policies and strategies in SADC countries seemed to favour foreign investors by offering tax holidays and other investment incentives which had the shortcoming of investors pulling out once the incentives had lapsed. Further, domestic and FDI limiting factors such as conflict and terrorism, policy uncertainty, macroeconomic instability, corruption and inadequate legal systems in specific African countries together with the COVID-19 pandemic cast a shadow over an already investment starved African economy that had an anticipated downturn in the short to medium term except for SADC countries that would be able to successfully diversify their economies.

To pull out from this debacle, hope had been placed on the massive vaccination of the populous and re-investment strategies to anchor and reignite economic activity. Notably, among the most important instruments for attracting investment were Special Economic Zones which acted as key policy instruments for the attraction of investment for industrial development.[4]

The theme for the TIFI was selected with the view to exploring how both domestic and FDI could be enhanced, especially taking into account the surge of the COVID Pandemic, and in particular the role of Parliament in this endeavor.

This activity was undertaken by an interactive virtual meeting, at which the Committee received expert presentations from the Southern African Development Community (SADC) Secretariat, a former Zimbabwean Parliamentarian, Dr Gorden Moyo, and selected investment promotion agencies from Botswana, Mauritius and Zambia. With the expert presentations, it was expected that the Members of the Committee would gain a deeper understanding on investment in general and the investment framework in the SADC Region in particular. It was anticipated that the Members would learn best practices in the SEZs model of investment attraction. Against this background, the Standing Committee on TIFI deliberated on the theme

[3] Africa in focus, COVID-19 impacts on foreign investments in sub-Saharan Africa
[4]UNCTAD World Investment Report 2020,Special Economic Zones

"Enhancing the Role of Parliament in Promoting Domestic and Foreign Direct Investment."

5.0 SUMMARY OF PRESENTATIONS ON THE THEME ENHANCING THE ROLE OF PARLIAMENT IN PROMOTING DOMESTIC AND FOREIGN DIRECT INVESTMENT

a) Highlights of the presentation by SADC Secretariat on the investment framework in the SADC Region

The Committee received a presentation from the Senior Programme Officer for Finance and Investment at the SADC Secretariat, Mr Mario Lironel. The summary of the presentation was at outlined below.

The Committee noted from the presentation that the SADC Vision 2050 was built on a firm foundation of peace, security and good governance. The Vision was expressed in three pillars, namely; Industrial Development and Market Integration, Infrastructure Development in Support of Regional Integration, and Social and Human Capital Development.

The Committee also noted that the Regional Indicative Strategic Development Plan (RISDP 2020-2030) covered a number of strategic priority areas, including Pillar I of the Vision. In particular, Strategic Objective 5 of the RISDP was focused on deepening financial market integration, monetary cooperation and investments and increased domestic, intra-regional and FDI.

The Committee took note that the SADC Protocol on Finance and Investment (as amended on 31 August, 2016) was another important instrument that governed investment in the Region. The Protocol sought to foster harmonisation of the financial and investment policies of the state parties in order to make them consistent with the objectives of SADC and ensure that any changes to financial and investment policies in one state party did not necessitate undesirable adjustments in other State Parties. The Regional Action Programme on Investment (RAPI) and the Support to Improving the Investment and Business Environment (SIBE) Programme also formed part of the available investment framework.

The Committee learnt of the existence of the SADC Regional Development Fund (RDF), whose overall purpose was to create a regional financing mechanism for economic development and sustainable growth in SADC. Regarding ratification of the Fund, it was noted that although a total of nine Member States (Angola, DRC, Eswatini, Lesotho, Malawi, Mozambique, Tanzania, Zambia and Zimbabwe) had signed the Agreement, sadly, none of the Member States had deposited instruments of ratification with the SADC Secretariat.
Regarding the role of the SADC Secretariat in supporting national Investment Promotion Agencies (IPAs) in the facilitation of investment, the Committee took

note that the SADC Secretariat was supporting Madagascar, Democratic Republic of Congo, Eswatini, Lesotho and Zimbabwe through technical support to assist these countries domesticate the investment framework and ultimately develop national investment programmes. A plea was made to the remaining Members States to join the initiative in order for them to also domestic the Framework and develop national action plans on investment.
Finally, the Committee learnt that low intra-SADC investment (inflows and outflows) and slow implementation of the regional investment policy framework by Member States, among others, were some of the major obstacles to achieving greater levels of investment at regional level.

b) Summary of the presentation by Dr Gorden Moyo on the role of Parliament in facilitating and promoting domestic investment and FDI

Following the presentation, the Committee noted that the measures that most counties had employed to contain the COVID-19 Pandemic had regressed investment and disrupted economic activities. As such, there was need to ensure that the Special Drawing Rights that most SADC Members States had received should as much as possible be used proactively to contain the Pandemic and support local businesses and investors.

The Committee further noted that corruption was highly ranked as an impediment to investment inflow as well as domestic investment. Regrettably, the rate at which the SADC Region was losing resources as a result of illicit financial flows from foreign investors was alarming. In addition, evidence from various investigations had established that in the Region, the prevalence of transfer of money to offshore accounts, including transfer pricing, was quite significant and involved huge amounts, at the expense development of the countries hosting foreign investment.

In relation to Special Economic Zones (SEZ), the Committee took note that while there was excitement about these Zones, the domestic investors were not receiving equal opportunities with foreign investors. To achieve meaningful investment returns, therefore, a balance must be maintained between domestic investment and FDI. The Committee noted that SADC governments tended to sign investment agreements or contracts in the absence of public scrutiny and without due diligence as regards the provisions of the agreement. This resulted in communities being disrupted due to investment activities. To that end, the Committee took note of the proposal for the SADC Parliamentary Forum to consider developing a model law or similar guidelines which should outline the independence of Parliaments and provide for the institution of Parliament to demand information on FDI contracts, especially those entered into by the Government outside the investment framework.

c) Presentations by Selected Investment Promotion Agencies

i. Mauritius - Economic Development Board

Following the presentation by Dr Margaret, Director Sectors and Markets at Economic Development Board, the Committee noted that Botswana did not have a foreign investment law and relied on sectoral laws to implement policy on entry of FDI. The legislation on investment was still in draft form and was aimed at protection of investors, provision of transparent, consistent and predictable investment facilitation and management.

The Committee took note that the national strategies on investment were guided by the existing comprehensive Regional investment framework such as the SADC Protocol on Finance and Investment, SADC Regional Investment Policy Framework and SADC Model Bilateral Investment Treaty Template.

With regard to SEZs, the Committee learnt that an incentive package had been designed to attract investors in Botswana. Some of the incentives included a 5 percent corporate tax for the first ten years, 10 per cent corporate tax, zero-rated Value Added Tax on raw materials for manufacturing for export, duty-free imports of specialist plant and machinery for manufacturing purposes. However, Despite the measures in place, investment inflow had declined leading to the country's deteriorating doing business ranking from 2016. The ranking had negatively affected the investment climate.

Further, the Committee took note of the major obstacles of attracting investment in Botswana which included non-tariff barriers, high transportation costs,a mismatch between the available skills and industry requirements and limited land access.

ii. Mauritius - Economic Development Board

The Committee received a presentation from Mr Vinnay Gudye, the Director - Global Outreach at the Economic Development Board in Mauritius.
From the presentation, the Committee noted that the Economic Development Board operated under the aegis of the Ministry of Finance, Economic Planning and Development. The Board was largely in charge of business facilitation, and trade and investment promotion, country branding and strategic economic planning. The presentation highlighted that Mauritius had a Population of 1.3 million people, real GDP Growth Rate of 5.4 per cent (forecast 2021). The Committee further noted that Mauritius had attractive incentives for investors such as the opportunity of incorporation of a company within two hours, no minimum capital requirements and no foreign exchange controls. Other incentives included no estate duty or wealth tax, no capital gains tax, free repatriation of profits, dividends and capital and a conducive tax regime. Even with the attractive incentives in place, the Committee noted that perceptions on corruption practice, inadequate trade financing, poor connectivity and red tape

were some of the major factors hindering achievement of greater investment levels.

Regarding the investment framework, the Committee took note that FDI grew at a steady pace, excluding the 2020 outlier, where FDI dropped significantly to MUR 142 billion. This shortfall was attributed to factors resulting from the Covid 19 Pandemic, including lack of mobility of resources and closure of borders. In a bid to contain the effects of the Pandemic, the government of Mauritius set up a business support facility to provide facilitation and advisory services to all businesses in Mauritius through the EDB. In addition, incentives were provided to promote exports and trade.

Pertaining to the SEZs, the Committee took note that establishment of the Export Processing Zone (EPZ) in Mauritius commenced in the early 1970s and the creation of the freeport in 1992. Since 2016, the Government had embarked on a regionalization SEZ campaign as part of its outward investment strategy in selected countries.

iii. Zambia - Zambia Development Agency

The Committee received another presentation from Mr Innocent Melu, the Director of Research and Planning at the Zambia Development Agency (ZDA).
Arising from the presentation, the Committee noted that the Ministry of Commerce, Trade and Industry was responsible for promoting and facilitating investment through policy formulation and implementation through Statutory bodies such as ZDA. The Committee further noted that Zambia had undertaken a number reforms and that the country had made substantial progress in terms of strengthening the policy and legal framework on investment over the past few years.

To stimulate private sector investment, the Committee observed that the Government had put in place a package of investment incentives through the ZDA Act and was focused on enhancing both domestic and FDI. Some of the investment strategies included development of SEZs, private sector reforms, enhancing economic diplomacy through bilateral and multilateral trade and investment treaties and facilitating and promoting Investment Promotion and Protection Agreements (IPPAs). Other strategies that the country was implementing were of the Vendor Development Programme to foster forward and backward linkages, establishment of a one stop shop for investment facilitation, establishment of reservation schemes and provision of fiscal and non-fiscal investment incentives.

Despite all the strategies in place, the Committee took note that obstacles to attracting and enhancing investment still existed in Zambia. Some of the obstacles included inadequate fiscal incentives compared to other countries in the region like Botswana, policy inconsistency, especially mining tax policy, limited access to finance and high tax rates, among others.

With regard to SEZs, the presentation highlighted that 114 companies had been successfully established in the Multi-Facility Economic Zones MFEZs and Industrial Parks (IPs) and were fully operational with a total actualized investment of US$ 3 billion, thus contributing to economic growth and development. MFEZs and IPs had created 13,238 jobs, thus contributing to poverty alleviation.

The challenges associated with SEZs were characterized by under subscription of MFEZs and IPs due to inadequate fiscal incentives, lengthy MFEZ declaration process and exorbitant property rates by local authorities.

A call was made on the SADC Parliamentary Form to enhance information exchange and sharing of good practices on investment policy among member states and other Regional Economic Communities outside the region.

6.0 RECOMMENDATIONS

In view of the foregoing deliberations, the Committee resolved to recommend that the 50th Plenary Assembly of the Forum that the Assembly:

(i) **Urge** SADC Member States to domesticate international investment Agreements and the SADC Investment Policy Framework and harmonise international and regional frameworks with the national investment framework in order to enhance the flow of FDI especial intra- SADC FDI;

(ii) **Encourage** SADC Parliamentarians to familiarise themselves with investment policies, regulatory and institutional frameworks as well as various incentives available in the region and at national level in order to adequately provide oversight on matters of domestic investment and FDI;

(iii) **Urge** SADC Members States to play an active role in investment promotion and facilitation through participation in global networks to brand and promote the SADC region as the preferred investment destination;

(iv) **Urge** national Parliaments to play an active role in facilitating the ratification process of the Agreement on the Operationalisation of the SADC Regional Development Fund, and Member States to ratify the Agreement in order for the Fund to facilitate mobilisation of meaningful resources to support regional value chains, mineral beneficiation and other industrial projects in the Region;

(v) **Call** on SADC countries to leverage on available opportunities through trade agreements to which the Region is party and strengthen diplomatic relations among SADC Countries in order to boost intra-regional investment and optimise the potential benefits of intra-regional investment;

(vi) **Strongly encourage** SADC Parliamentarians in collaboration with the civil society to advocate for foreign investment that prioritised the interests of the people and recognised participation of the local investors;

(vii) **Recommend** a collaborative approach among SADC Parliamentarians, the civil society and the media in scrutinising investment terms between SADC Governments and investors in order to ensure that contract terms were designed to create opportunities for promotion of sustainable development and were favourable to people;

(viii) **Urge** SADC governments to be deliberate about eradicating corruption, which had a corrosive impact on business operations and investment, in order to provide a fair environment for competition by all investors and boost investor confidence;

(ix) **Further Urge** Parliamentarians to probe governments to put in place a package of investment incentives specifically meant for local investors to stimulate domestic investments;

(x) **Resolve that the** SADC Parliamentary Forum in collaboration with national Parliaments should consider facilitating capacity building programmes to strengthen the capacity of Parliamentarians on issues relating to trade and investment and the SADC investment framework;

(xi) As a best practice, **urge** Member states to establish one stop investment shops to provide both local and foreign investors with fast, efficient and business friendly services, especially at start stage;

(xii) **Urge** Member States to embrace the model of SEZs as a key investment promotion tool in a bid to accelerate diversification and export expansion; and

(xiii) **Urge** SADC governments to regularly assess the performance and economic impact of SEZs so as to ensure that these economic zones could remain relevant even for local investors.

7.0 Conclusion

Investment, whether domestic or FDI, is a fundamental economic driver. In the SADC Region, investment expansion is a key policy objective as evidenced from the available investment framework. Although SADC plays an essential role in attracting investment through various strategies and frameworks, Member States have the sovereign responsibility of creating an investment friendly atmosphere for both domestic investment and FDI in their jurisdictions.

While domestic investment and FDI may have similar impact on an economy such as job creation and infrastructure development, FDI is known to enhance the benefits of domestic investment and bring along unique benefit such as advanced technological transfer, unique expertise, and diverse markets for various products. The drawn connection demonstrates the fact that domestic investment and FDI can be complementary and not substitutes for each other. In terms of provision of incentives, SADC Governments must strive to provide equal opportunities for both domestic and foreign investors.

The Committee wishes to place on record its gratitude for the support rendered to it by various cooperating partners who are listed in the Appendix to this Report, without whose support the work of the Committee would not have been successfully executed.

APPENDIX I – OBSERVERS

1. Faith Shange - Groutville Youth Organisation
2. Johannes Chiminya – ActionAid Mozambique

APPENDIX II – LIST OF OFFICIALSSADC PARLIAMENTARY FORUM SECRETARIAT

1. Ms Boemo M Sekgoma, Secretary General
2. Ms Yapoka Mungandi, Director - Administration, Finance and Human Resources
3. Ms Clare Musonda, Director Corporate Governance
4. Mr Sheuneni Kurasha, Programme Manager – Democracy, Governance and Human Rights
5. Mrs Edna K Zgambo, Committee Secretary- Trade, Industry, Finance and Investment
6. Sharon B M Nyirongo, Committee Secretary - Food, Agriculture and Natural Resources
7. Ms Betty Zulu Committee Secretary- Gender, Women, Youth and Development
8. Ms Luziela Fernandes – Committee Secretary – Regional Women's Parliamentary Caucus
9. Ms Paulina Kanguatjivi, Programmes Coordinator
10. Mr Toivo Mwaala, Assistant Accountant

NATIONAL PARLIAMENTS

1. Ms Veronica Ribeiro - Angola
2. Jabulile Malaza– Eswatini
3. Mr Tsiliva D Christophe – Madagascar
4. Lantonirina Randriamampionontsoa- Madagascar
5. Ms Liva N H Raharison– Madagascar
6. Mr Bao T Ratahirisoa– Madagascar
7. Mr Soatsara M D Benandrasana - Madagascar
8. Mr Andriamitarijato C Randriamahafanjary - Madagascar
9. Natalie Leibrandt-Loxton – South Africa
10. Tanyaradzwa Linda Manyemba– Zimbabwe

APPENDIX III - RESOURCE PERSONS

1. Mr. Mário Lironel, SADC Secretariat
2. Dr GordenMoyo, Former Zimbabwean Parliamentarian
3. Mr. Innocent Melu, Zambia Development Agency
4. Mr Vinay Guddye, Economic Development Board
5. Dr. Margaret Sengwaketse, Botswana Investment and Trade Centre