

SADC PRIVATE SECTOR FORUM (SPSF) STATEMENT

How governments in the SADC region should respond to the COVID 19 Pandemic

I. Introduction

The COVID-19 crisis is a multi-layered health, economic and social crisis requiring responses from all sectors of society. It is unprecedented in both scope and pervasiveness of its impact because the world has never faced anything of this scale before.

The economic slowdown caused by COVID 19 is triggering revenue losses for business in Africa. Economies experience job losses in both the formal and informal sectors. At the same time, foreign direct investment in the continent is also projected to decline.

Many countries in the region, have narrow tax bases, weak tax collection mechanisms, and a heavy reliance on commodity revenues. All these sources are likely to come under significant pressure, placing further strain on already scarce resources. In such a situation policy flexibility is limited.

The African Continental Free Trade Area (AfCFTA) which is the first continent-wide African trade agreement and was to be launched in July 2020 will now be delayed. This is a real setback because one of the big challenges across the continent is the low level of intra- African trade. The crisis has specific impacts on key sectors in the region:

Oil and commodity prices

One of the most exposed sectors is mining.. Iron ore (South Africa), copper (Zambia) and oil (Angola) has been hardest hit. African mining companies have already noted decreasing demand caused by production shutdowns and global supply chain disruptions. The drop in oil prices and exports has put major strains on oil exporting African economies. It is likely to continue. On the positive side , the picture is somewhat more upbeat for gold.

Agriculture Sector

The likely impact on the agricultural sector is more complicated. The pandemic could disrupt food supply chains and trade. In particular, misinformation, panic, or unexpected border disruptions could trigger prices shocks. On the other hand, if borders remain open and trade continues to flow reasonably well, countries in the region could hold up better than economies in other parts of the world because demand for agriculture products is high.

Manufacturing Sector

Supply chain disruptions are an increasing reality with delays, raw material shortages, and increased costs and reduced orders already affecting manufacturing plants around the region. Demand for garments has dried up as a result of the coronavirus pandemic. This is particularly worrisome because the garment sector is labour intensive. Critically, the crisis may speed up automation. According to the (EY global survey), half of company bosses in 45 countries said they were investing in automation as businesses prepared for a post-crisis world.

Tourism Sector

Tourism sectors in countries such as South Africa, Mauritius, Madagascar, Kenya, Tanzania and the Seychelles, have all been hard hit. Our member associations in the hospitality sector have been very hard hit by the crisis. The World Travel and Tourism Council (WTTC) estimates that tourism and its associated activities generate about 9% of the continent's income. The sector employs 10 million Africans directly, and perhaps 14million more jobs are created by its knock-on impacts. In the long term, there are opportunities as Africa gets approximately 5% of global tourism flows.

II. The role of the Employers & Business Memberships Organizations (EBMOs) and Social Partnership

During the crisis, social partnership has proven to be an invaluable tool. It is doubtful that many of the momentous decisions would have been made without it. The ability of employer organisations to mobilize the views of private enterprise and develop prompt policy positions shouldn't be underestimated.

In all of the chaos it is reassuring to see key parts of society pulling together as one.

As we move into a new phase of the crisis where economies begin to open up, SPSF urges all our members to:

Promote a 'Safety first' culture: We urge our member organizations and their affiliates throughout the region to ensure that the government safety measures are implemented as speedily as possible, and to increase awareness and positive action wherever possible. Safeguarding the health and wellbeing of people remains the outstanding priority for all parties including business.

Support the most vulnerable: We underline the commitment of SPSF Members to the prevention and control of COVID-19 and to ensure that the response is comprehensive, and that no one is left behind, particularly people living with HIV, persons with disability, migrants and other vulnerable group. Business needs to work with government and trade union partners to optimise resources to mitigate the economic, health and social risks posed by the virus.

SPSF calls on governments to ensure that social partners are involved in decision making process as the crisis continues.

III. Policy measures

Many African countries face unique challenges due to the outbreak of COVID 19. Health-care systems on the continent are often under-resourced. Many people have underlying health issues—such as HIV, tuberculosis, malaria or acute malnutrition.

In order to manage the crisis and stave off the worst of its economic and social damage, SPSF proposes the following policy measures to governments across the region:

Measures to support the health system:

- ▶ Avoid bans and export restrictions especially for medical equipment and medicines.
- ▶ Enterprises can assist staff members with leave and other modalities to enable them to support critical health service work.
- ▶ Measures to support workers:
 - ▶ Businesses should ensure that guidance on social distancing measures to help avoid unnecessary gatherings, while preserving the delivery of essential services and supply chains are respected;
 - ▶ Government needs to ensure adequate support in particular towards households and workers with family responsibilities during school closures so that the economic hardship of the crisis is mitigated while it lasts.
 - ▶ Government should provide financial provision so employers can introduce or extend paid sick leave arrangements and eligibility for unemployment benefits.
 - ▶ Government should explore providing grants for immediate cash-flow boost and support prompt payments.
 - ▶ The introduction of additional wage subsidies and social welfare measures can provide a basic income to all workers impacted by the crisis and this should be explored by government.
 - ▶ National funds such as social security funds can be accessed at low-interest rates to provide some of these support schemes. Additionally, special national ‘COVID-19 national funds’ can be established that enable contributions from donors, philanthropists, the private sector and private citizens to support the above measures.

Measures to support enterprises:

- ▶ The government should extend liquidity support and forbearance measures through taxation authorities (and local government where relevant) and continue to adjust support to help preserve as many enterprises as possible through the crisis period.
- ▶ The government could provide a zero-interest loan programme to enterprises under a certain size that are impacted by COVID-19 (measured by industry and/or decline in revenue).

- ▶ The government could make direct grants to enterprises to cover some share of payroll expenses or revenue losses.
- ▶ The taxation authorities should provide flexibility to help distressed companies with their cash flow constraints.
- ▶ In order to free up cash for the payment of charges, a delay of several months (to be readjusted according to the evolution of the situation) in the payment of taxation should be considered.
- ▶ Measures to grant temporary leave without pay until recovery from COVID-19 should be considered for struggling businesses.
- ▶ Where discussions on minimum wage negotiations are scheduled these should be postponed until the crisis abates.

Measures to build the resilience of SMEs

- ▶ Ensure that hurdles that prevent businesses, particularly SMEs from accessing funds quickly enough to survive are identified and removed.
- ▶ Relax burdensome regulations that retard SME growth and development.
- ▶ Support Business continuity planning and approaches in particular for SMEs

Measures to support supply chains:

- ▶ The main issues concerning supply chain interruptions include:
 - ▶ Access to raw materials - cost and quality.
 - ▶ Minimise border delays to avoid loss of perishable products
 - ▶ Working capital disruptions – longer lead times..
 - ▶ Allow imports to address the spike in demand(in certain product groups).
- ▶ There is a need to ensure no disruption to essential supplies to combat COVID-19. We recommend the following measures:
 - ▶ Support for the manufacturing of essential medical products.
 - ▶ Financial support for trade finance to import essential medical products.
 - ▶ Making sure key public utilities suffer no disruptions e.g. (electricity, water).
 - ▶ Working with government to ensure that any emergency measures by government do not cause disruption of supply chains of essential services (food, medicines for example).

Measures to support the recovery now:

- ▶ The government should communicate its intent to deliver a significant fiscal and monetary stimulus (in coordination with national partners and donors). Prepare stimulus measures for when the public health emergency subsides.
- ▶ Seek international support for a range of fiscal stimulus measures to ensure V-shaped recovery .

- ▶ Upscale public investment employment intensive programmes for housing and other infrastructure.

Measures to support the informal economy:

- ▶ The informal employment is the main source of employment in Africa, accounting for 86% per cent of all employment (or 72% excluding agriculture). A shrinking formal economy will have serious implications on the labour market, government's revenue, and poverty will grow. SPSF believes it is vital to provide support to the informal economy during this crisis.
- ▶ As many informal workers are in contact with large numbers of people, they need to be provided with PPEs .
- ▶ Water points should also be set up in markets and other informal sector clusters.
- ▶ Means tested assistance to those in the informal economy (or those who receive no other form of social grant) needs to be considered.

The COVID-19 epidemic will have lasting economic, social and political consequences. The post-COVID-19 environment may look very different. The all-encompassing nature of the crisis is likely to accelerate current disruption trends, such as in politics and economics.

SPSF believes that, for almost all businesses, while the pandemic is wreaking havoc, it is a temporary event. Much of the spending and investment forgone today will take place when the pandemic subsides. It is critical at this moment that all parties - the government, employers and workers work together to overcome the pandemic.

We believe like all crises - that this too, shall pass.