The Role of The Private Sector

...in The Development Agenda

The Southern Africa Development Community (SADC) Regional Indicative Strategic Development Plan (RISDP) and the SADC Industrialisation Strategy and Roadmap have identified the private sector as one of the key enablers of development, facilitating the production of and trade in goods and services. Through enhanced Industrial and value chain development including on such priority sectors such as agro-processing, mineral beneficiation, pharmaceuticals, leather, textile and clothing, tourism, and services, the private sector occupies a pivotal role not only in development but also in regional integration thereby facilitating inclusive industrialisation. Despite this important role, the sector has been heavily impacted by the COVID-19 pandemic with devastating effects on the operations of many companies with significant loss of jobs and unemployment; political instability; and escalated income inequality. Notwithstanding the challenges, the region remained vigilant and committed towards attainment of the objectives as enshrined in the priority areas of the Regional Indicative Strategic Development Plan (RISDP) the SADC Vision 2030. This policy brief assesses the impact of COVID-19 on the state of the private sector in the region and evaluate its role in development. The brief also explores potential synergies between the private sector and civil society in the region and provide recommendations for possible collaboration and reforms necessary to ignite a non-state actor led domestic demand driven developmental strategy for the region.

Introduction and Background

The private sector is one of the key stakeholders in economic development, as it is a major contributor to national income and the principal job creator and employer. It also contributes to job creation by providing around 90% of employment in low to middle income countries (including formal and informal jobs), delivering essential goods and services and contributing to tax revenues and the efficient flow of capital (Avis W. R, 2016). Research and development expenditure, collaboration with tertiary institutions and technology diffusion that comes with foreign direct investment enhance the role of private sector in the development agenda. Through producing goods and services, the private sector contributes to national income and its role in the development agenda is therefore to stir economic activity which finances development. The development priorities of any country, depending on the context, have the potential to provide business opportunities for the private sector which makes the development agenda and business mutually enabling and beneficial.

The Southern African Development Community (SADC) values the importance of the private sector in the broad objective of ensuring regional integration as a means for achieving developmental objectives of the region. As such, regional integration entails cooperation among

SADC member States in various areas including trade, finance, infrastructure, tourism, health, education, peace and security, movement of people and a myriad of other transboundary issues. In this regard, the private sector is viewed as an important piece of the puzzle especially in catalysing economic growth as the SADC member states liberalise their economies. Thus SADC member states and the private sector have identified several areas in which private sector involvement can benefit the region as shown in Box 1 below.

Box 1: Role of the Private Sector in Regional Integration and Development

Infrastructure and Transportation

Developing infrastructure is a primary target for SADC, as it enables other economic sectors to perform and grow, as well as improves the mobility of people in the region, especially for those in impoverished rural areas. While plans for improvements to rural infrastructure already exist, SADC has turned to the private sector for assistance in their funding and implementation. Through public-private partnerships, SADC Member States are able to gain funding and technical capacity for these planned infrastructure projects while generating employment for people and economic gains for the region as a whole.

Agriculture and Food security

Agriculture is the primary source of livelihood for many people in Southern Africa, either as a commercial venture or as subsistence farming. The private sector is directly able to contribute to the agricultural sector through partnerships with small-scale subsistence farmers, offering them training and technical assistance to increase their productivity and providing them with funding for expansion and distribution. Likewise, the private sector is uniquely positioned to identify barriers to trade and to make recommendations to SADC on how to improve regulations that foster growth in the agricultural sector.

Tourism

Tourism is a key growth industry for Southern Africa and important for economic growth and employment. Through such policies as the Protocol on Tourism SADC attracted private sector investment the industry provides increasing employment in the region.
The private sector has identified areas that inhibit tourism, such as lack of infrastructure and complex visa regulations, and offered suggestions to SADC for addressing these issues in pursuit of improving the industry.

Employment

Unemployment is widespread through the SADC region. In establishing new businesses, the private sector creates opportunities for employment, both directly and indirectly. These jobs provide training that builds the employable skills of people in the region, increasing regional technical capacity. Furthermore, the private sector is able to identify legislation that inhibits employment and entrepreneurship and to make recommendations to SADC that will enhance the region's ability to create jobs and employ its population.

The Role of Women

SADC believes increased gender parity can boost the Southern African economy and combat poverty. Toward this end, the private sector is capable of offering employment, technical training, and mentorship to women that enables them to raise their status in society. SADC 15 year plan included having women constitute 20% of decision-making positions at large private firms by 2005, increasing to 30% by 2010 and 40% by 2015. Furthermore, SADC also supports the private sector by investing in women entrepreneurs, intending to increase the amount of credit available to women entrepreneurs.

Source: SADC Secretariat, https://www.sadc.int/themes/economic-development/private-sector/

By identifying the above sectors as critical for the development of the region, SADC member states re-affirmed the collaboration needed and the leadership of the private sector in those areas. A closer look at the sectors show that they are critical not only in enhancing the wellbeing of people, but are also necessary for the achievement of Sustainable Development Goals (SDGs) as espoused by the United Nations.

The Better Business, Better World report estimated that achieving the 17 SDGs could open up an estimated US$12 trillion in market opportunities in four economic systems: food and agriculture, cities, energy and materials, and health and well-being (Business & Sustainable Development Commission, 2017).

An Overview of the Private Sector in Southern Africa

The private sector denotes a part of the economy which consists of industries and commercial companies that are not owned or controlled by the government. In reality, however, the private sector in Southern Africa as may be the case in other countries, does include industrial and commercial entities where government holds significant stake. In most cases theese entities are not wholly owned by the governments as there is a mix of private and government capital as a result of industrial policy strategies that took a venture capital approach by governments in order to grow strategic industries or joint venture initiatives that are used to attract foreign investment. In some cases, pension funds, which may be public ones, are also invested in private enterprise. This is validated by the membership of business member organisations in Southern Africa where entities with government interests and in some cases public sector entities may be included as members of the business community. This leads one to define the private sector as business that is part of an economic ecosystem. The concepts of inclusive growth and sustainable business have been used as the vehicles for the participation and contribution of business to the development agenda.

SADC Enterprise Demographics

The enterprise demographics in the SADC region comprise mainly of the following:

- Multi-National Corporations (Some of whom have strong home country sustainability policies and drive)
- Large Local enterprises (Largely former colonial capital and usually older than the independent age of the countries with a few post-independence firms)
- SME Local enterprises (Operating in almost all sectors of the economies as supply chain and value chain actors. These are generally younger companies that were started post-independence with a large number of them still at risk of enterprise mortality)
- Regional Enterprises (Mainly South African companies operating in the region)
- State enterprises (Where governments have a stake)
- Small and Medium enterprises
- Informal enterprises (Largely nascent and representing self-employment rather than enterprise development in most cases)

Larger companies have demonstrated a fair level of enterprise resilience as they are better able to implement sustainability measures which continues to give them a competitive edge ahead of the smaller and newer enterprises. The interdependence between the large and small enterprises is of importance to the interconnectedness and catalytic potential of the relationship between enterprises across value chains and across sectors.

Economic Integration Initiatives

The collective of business in the Southern African Region exist under the framework of SADC, an inter-governmental body promoting political and economic integration among the 16 countries. However, Eswatini, Malawi, Zambia and Zimbabwe belong to both the Common Market for East and Southern Africa (COMESA) and SADC. All the SADC countries have been progressing towards open markets including through the Tripartite Free Trade Area (TFTA) which adds the East Africa Community (EAC) into the mix of economic integration in the region. The business and trade context is now a mix of regional, tripartite and continental free trade with the advent of the recently signed Africa Continental Free Trade Area (AfCFTA). Of relevance to companies is the regional policy provisions that are meant to move the SADC private sector to more competitiveness to participate in the AfCFTA with the SADC Industrialisation Strategic Framework and the African Union Agenda 2063.

The regional private sector groupings include, the Mining Industry Association of Southern Africa (MIASA), Southern Africa Confederation of Agricultural Unions (SACAU), Regional Tourism Organisation of Southern Africa (RETOSA) among others and there is mechanism for these regional private sector organisations to engage with the regional development agenda through SADC and this is facilitated by the SADC Business Council. It is important to note that the SADC Business Council in this case is mainly representative of the sectors outside of mining, agriculture and banking that did not traditionally have a formal engagement with SADC structures of the sector and cluster ministerial committees.

The Regional Indicative Strategic Development Plan (RISDP) 2020 – 2030 is derived from the SADC visions 2050 "a peaceful, inclusive, middle to high income industrialised region where all citizens enjoy sustainable economic well-being, justice and freedom". The RISDP specifies areas of private sector involvement as:

- Development of policy guidelines on public-private sector partnerships
- Initiation of an institutionalisation of public-private dialogue
- Incorporation of private sector representatives in the SADC National Committees.
- Institutionalisation of regional competitiveness and business climate surveys in the SADC region.
- Institutionalisation of the SADC biannual business forum; and facilitation of regional dialogue mechanisms aimed at improving investment and business environment.

The African Union's Agenda 2063 spells out all the SDGs underpinned by inclusive and sustainable growth. The regional and nation state social, economic and industrial development agendas are therefore very much guided by the continental agenda. All the countries in the SADC and COMESA regional economic communities (RECs) are driving regional and national development, economic growth and industrialisation plans that align with the inclusive and sustainable growth agenda as espoused in agenda 2063. The following are the flagship projects under Agenda 2063:

- African Continental Free Trade Area: Creating one African market
- African Commodities Strategy: Value addition for global competitiveness
- Cyber Security
- Silencing the Guns by 2020: Towards a peaceful and secure Africa
- African Economic Platform: Africa's premier business forum
- Great African Museum
- Grand INGA Dam Project: Africa's energy powerhouse
- Pan African e-Network: Transforming Africa through innovative technology
- African Financial Institutions: Accelerating economic integration
- Integrated High Speed Train Network: Interconnecting Africa
- African Passport: Free movement of persons in Africa
- African Virtual and e-University: Increasing access to higher education
- Single African Air Transport Market: Towards one African sky
- Africa Outer Space Strategy: Harnessing space technology for development

The SADC Industrialisation strategy leans heavily on the tenets of Agenda 2063 recognising the role of industrialisation and economic growth in the achievement of the Agenda 2063 goals and has a corresponding timeline as well. While it is relatively easy to link a continuum across the continental, SADC and National industrialisation policies and strategies, it is not so easy to establish an obvious link between any level of these with the firm level strategies given the demographics of enterprises in the region whose growth or existential trajectory may not fit squarely into the focus of these. However, the SADC industrialisation imperatives remain relevant to all firms in the region including technology transfer and uptake, economic transformation, industrial upgrading and modernisation, skills Development, and financial strengthening.

Local and regional value chains are an integral part of the beneficiation and value addition imperative of the industrialisation strategy making both small and large firms important to the whole agenda. Environmental and social sustainability are stated as key objectives in the strategy as well as the upliftment of women and youth.

The continental and regional development agenda is also very much premised on the global agenda which is the SDGs and the strategies and approaches are meant to deliver outcomes that would contribute to the achievement of the SDGs for the region and for the members states.

As collective private sector bodies, the business associations that make up the regional economy can contribute to economic resilience through areas where they can take collective and or collaborative action and this may contribute to the achievement of SDGs particularly SDG 5: Gender Equality; SDG 8: Decent Work and Economic Growth; SDG 9: Industry, Innovation and Infrastructure and SDG 10: Reduced Inequalities.

Regional Integration and Private Sector Contribution to Economic Development

Below is a synopsis of the benefits of regional integration which include inter – alia but not limited to improved market access, welfare gains, growth effects and economies of scale.

Welfare Gains

Regional integration is seen as a way of improving welfare in the economy through high quality cheaper goods. Enhanced competition in the trade zone may prompt firms outside the regional trade bloc to lower prices to maintain exports within the trade bloc, thereby creating positive terms of trade effects for member countries hence improvement in welfare. Khandelwal et al (2013) noted that institutions that support trade such as customs officers may amplify welfare losses through corruption, bureaucratic red tape and withholding of goods in bonded warehouses thereby negating the development agenda.

Growth Effects of Regional Integration

Higher degree of competition in the FTA may lead to firms' efficiency and economies of scale where firms become rational in their production decisions. However, member countries' current technology may be obsolete compared to current and future needs of the regional markets and this will negate the growth effects economic integration. Firms may then decide to penetrate new markets by deploying new technology in the process contributing to development. Technology and skills transfer would expand the production frontier of the host country.

Market Access

Regional integration offers access to markets to member countries. Economic integration has the effect of removing trade barriers among the integrators. Producers belonging to a regional integration bloc can benefit from an expanded market size, which is an important factor facilitating technological innovation, the fixed costs of which can be spread across a larger market. Moreover, consumers will also benefit from greater competition in product markets as well as a wider choice of products to choose from.

Infrastructure Development

Infrastructure development is a benefit also deriving from economic integration. A country that belongs to a regional group is forced to develop and rehabilitate its infrastructure in order to minimise obstructions to regional integration. The rehabilitation and development of infrastructure will assist integrators to increase value addition initiatives in order to meet the growing needs of larger and constantly evolving markets. Countries are forced to invest in energy, transportation and Information Communication Technology (ICT) infrastructure in order to reap the benefits of regional integration.

Regional Integration Challenges

There is a myriad of challenges in regional integration that may limit the private sector's contribution to the development agenda.

Box 2: Challenges Limiting Private Sector Contribution to Development

Membership Overlap

This has an effect of duplicating effort and resources and non-implementation of protocols. Nine of the ten members of SADC are also part of the 22-member COMESA. Some members in SADC and COMESA are also members of SACU. While characterized by ambitious targets, they have a dismally poor implementation record due to membership of each country to various trade blocs and lack of political will.

Balance of Payments Difficulties

The dislocation in macroeconomic fundamentals arising from balance-of-payments difficulties or reductions in government revenue is another economic ill of trade liberalisation. Trade liberalization following regional integration, may result in unintended negative consequences resulting in the creation of adjustment costs, encompassing a wide range of potentially disadvantageous short-term outcomes. These outcomes may include a reduction in capital dearth, employment and output.

Loss of Revenue

The fear of loss of revenue by countries with a narrow tax base where customs duties form a major source of revenue is an impediment to regional integration.

Import Substitution Strategies and Structural Bottlenecks Effect

The need to protect local industries from import competition and dumping may limit the benefits of economic integration to the development agenda. Less developed economies in Sub Saharan Africa may find it difficult to take advantage of regional integration due to structural bottlenecks inherent in their economies. These include infrastructure deficits, weak institutions and dearth of capital which contribute to heightened deindustrialization and informalisation of economies.

Geographic, Demographic and Governance Issues

Many SADC countries, suffer from adverse geographic and demographic conditions, low rates of domestic savings and lack of institutional transparency, that negatively influence the development agenda.

Uneven Rate of Economic Development

The uneven rate of economic development makes it difficult for integrated economies to benefit from economic integration. In Sub-Saharan Africa, weak economies in SSA, including Zimbabwe are likely to receive the brunt of economic integration if they were to open their economies to Nigeria and South Africa which are the continental giants

Public Sector Dominance and Institutional Weaknesses

These two factors exert negative influences on the development agenda through crowding out the private sector.

Behind-The-Border Challenges

While regional integration tries to at least address obstructions to trade at the border, behind-the-border challenges are those challenges that affect the competitiveness of a country when doing business with other integrators. Non-tariff behind-the-border barriers include among others, regulatory hurdles, business registration procedures, intellectual property laws and complicated export permits according to AsDB, (2014). These barriers increase transaction costs hence inhibit trade by reducing the volume of exports and ultimately economic development.

How Economic Integration Leads to Economic Development

Economic integration plays a catalytical role in the development agenda through the following channels and sub channels

Key SADC Regional Value Chains

Agro processing, Mining, and Manufacturing remain key anchors of the economies of the SADC countries. All the countries have a common trading partner in South Africa which is the largest economy in the region and the largest component of their imports and exports of both finished products and raw materials is with South Africa. Sustainable growth in these sectors and value chains countries is likely to have a regional catalytic effect through the South African economy which has a symbiotic market relationship with these countries.

The Small and Medium Enterprises (SMEs)

Have been accorded sector status to give them the requisite policy and institutional attention and support. The SMEs are an entry point for inclusive growth as the underrepresented groups like women and youth are found

mainly in this rung of enterprise scale. They also present an opportunity to create jobs thereby mitigating jobless growth by creating again jobs for the unemployed and under employed mainly found among women and youth. Women and youth unemployment is an acknowledged problem in all the SADC member states. SMEs are also found at the base of most value chains with the increase of small-scale producers who in the past years have also created economic activity multipliers by creating the need for aggregators in certain value chains.

According to UNIDO, several internal and external factors play a critical role in the performance and competitiveness of SMEs. The external factors relate to business environment, industrial and economic policies and support institutions, which are as important as internal factors influencing production and growth of SMEs. In order to transform these SMEs, a holistic strategy aimed at promoting competitiveness and diversification of manufacturing sectors along with improving regulatory frameworks and the business environment, and reinforcing institutional capacities of technical and business support infrastructure is important as shown in figure 1 below.

Figure 1: Factors Affecting Competitiveness of SMES

Source UNIDO (undated)

The Agro-Processing Sector

Is an important sector for food security and livelihoods security as well as for industrialisation and growth. This sector is facing the headwinds of climate change with increased weather variability in the region and environmental and social sustainability therefore become important throughout the value chain, to sustain the means of production and to sustain jobs. Value chain analyses in the sector includes economic, social and environmental analysis providing a basis for participating companies to have an idea of their level of interaction and impact with these variables.

Companies operating in these value chains have participated in producer support initiatives through contract farming and more could be done. The various contract farming currently operating are mainly for vertical integration and supply chain guarantees to ensure adequate raw material supply but they provide a basis for making them more comprehensive sustainability and decent work partnerships between the actors. There are initiatives in this sector that are guided by global good practice like the NETSLE NESPRESSO Reviving origins project that has been implemented in partnership with Technoserve in Zimbabwe while others provide great potential like the Delta Corporation Out-grower Schemes for Barley, The United Refineries Soya Bean Out growers Alliance. The sugar cane industry in Zambia, Zimbabwe and Mozambique has out grower schemes.

Most of the small and medium enterprise actors are found in the Agro-processing value chains and in these women and youth participate in large numbers. Generally more than 40% Zimbabwe 43% of the SMEs are agro based and less than half of them operate as registered businesses. There is however a fair number of medium enterprises that are formal and in their growth phase which can work with larger companies to drive the development agenda.

The Manufacturing Sector

Is a key job multiplier in the economies in the SADC countries through agro-processing and other value addition activities.

The Mining Sector

Is a significant contributor to GDP in the SADC countries which have relatively abundant natural resources. Mining activities in these countries are concentrated in primary mining activities with little or no value addition. However even as primary mining activities, the mining sector remains a key economic contributor due to the high value associated with the commodities. Resultantly the contribution of mining jobs to national employment figures is sizeable.

Thus, the contribution of the private sector in the development of the SADC region has been mainly through the sectors identified above. The private sector therefore is a key player in economic development and there exists a dual causality between economic and private sector development. Development is not free and needs to be funded. The development agenda can be viewed in a hierarchy or continuum of development objectives from national level to the global level and vice versa as it is both bottom up and top down. It can also be viewed as a universe in which the various agendas co-exist and interrelate to create a global picture or context of development.

The development agenda is premised on economic growth which would be the source of funding for all development. Economic development is the source of financing for any development agenda and business is the engine of economic activity in any economy. The role of the private sector in the development agenda is to employ all the factors of production to produce foods and service. These factors of production include labour, capital, land and entrepreneurship.

Impact of Covid 19 on the Private Sector in Southern Africa

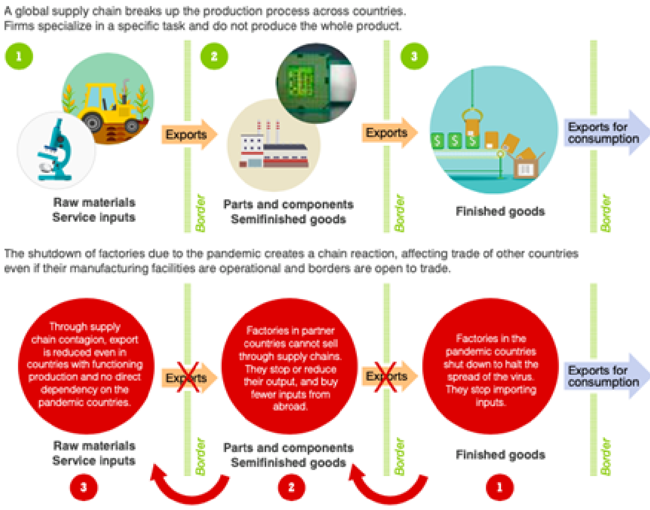
The UK based Economic Observatory sought to understand why the lockdown and other measures implemented to contain the covid 19 pandemic have had varied effects across industries in the country? It noted that lockdown rules and social distancing requirements have affected sales for some firms more than others (mostly negatively, but positively for some firms). This has largely been attributed to the ability of workers to work from home "due both to the type of business and limitations on employees – for example, workers with children may struggle to work productively while also home schooling" (Economics Observatory, 2021). Evidence from their research concluded that:

- Higher-income workers are more likely to be in jobs that can be done from home;
- Workers in a large and industrialised city are more likely to be in jobs that can be done from home;
- Working from home has been more prevalent in sectors such as finance, insurance, professional and scientific, and information and communications;
- Women are more likely to be in a job that can be done from home;
- Women are more likely to have increased childcare and other homework duties, which reduces their productivity when working from home;
- The workers who are least likely to be able to work at home are the young, the less educated and ethnic minorities (Bell and Blanchflower, 2020).

This conclusion and evidence from empirical research more or less mirrors the situation in the SADC region. The majority of workers (with the exception of essential services) who could work from home included those in finance, insurance, ICT, research, among others. This means mostly the tertiary sector. The majority of those in the primary and secondary sectors (agriculture, manufacturing) could not work from home hence were mostly affected by the lockdown. In addition, many women in the SADC region are involved in the informal sector (which differs from industrialised countries) and have been affected more by the pandemic as they could not work from home but needed to be out where customers are for their informal economic activities.

The major impact of the COVID-19 pandemic on businesses has been mostly through "a supply shock (reduced labour supply as workers stay at home, unavailability of inputs, disrupted supply chains); a demand shock (reduced demand from laid off and homebound consumers, precautionary savings, investor caution); uncertainty (unable to count on a stream of future revenues that justifies replacement of workers or machinery for example); and the unavailability of finance which interact to create a downward spiral of firm activity" (World Bank, 2020:7). Figure 2 below illustrates the impact of the lockdown measures on supply chains.

Figure 2 Impact of COVID-19 on Supply Chains



Source: ITC, 2020

The COVID-19 pandemic is having a momentous negative impact on the private sector in southern African economies and businesses. The pandemic has developed rapidly from a health emergency alone to a global economic crisis, spreading through the real sector and posing growing risks to financial systems. Notable sectors that have been greatly affected include tourism, manufacturing, agriculture, financial sector and mining.

Tourism Sector

The tourism industry in the Southern African Development Community (SADC) has grown rapidly in recent years, contributing US $940 billion to the world economy in

2010 (SADC, report). While Southern Africa currently sees only a small percentage of these receipts, recent shifts have positioned the region as a potential preferred destination in coming years. Southern Africa is a major tourist destination (for nature, sport, recreation and conferencing). The tourism sector was massively affected by COVID 19, South Africa, Zambia and Zimbabwe recorded sharp drops in tourist arrivals. According to UNCTAD the number of international tourist arrivals declined by 74% in 2020 compared with the previous year. In many developing countries, arrivals were down by 80-90%.The beginning of the year 2021 has been worse for most destinations, with an average global decline of 88% compared with pre-pandemic levels, although the northern summer and autumn may see a significant improvement for some destinations, in particular for domestic and regional travel. In Livingstone and Victoria Falls, hotel occupancy rates were as low 30% as tourists cancelled bookings and short-term/contract staff were being laid-off.

In most developing countries, trade in services is dominated by tourism activities. In October 2020, UNCTAD noted that tourism is considered a key sector of the economy in 42 of the 47 Least Developed Countries (LDCs) (UNCTAD, 2020).

The United Nations Committee for Development Policy has noted that globally, tourism was most affected by the COVID-19 crisis, owing mainly by the many restrictions on travel around the world. The number of commercial flights fell by 74 per cent between January and April 2020 and have only recovered to a very low level to date (United nations, 2021).

Mining

Mining is a sector of strategic importance in Southern Africa. Roughly half of the world's diamonds, vanadium and platinum originate in the region, along with 36% of gold and 20% of cobalt. These minerals contribute immensely to several Southern African Development Community (SADC) Member State gross domestic product and employment, and many of them depend on mineral exports for their foreign exchange earnings. Mining employs just 5 % of the population but contributes 60 % to the foreign exchange earnings and 10 % of gross domestic product for the SADC region. A decline in commodity prices in the second quarter of 2020 affected the mining sector. However, the commodity market prices are recovering in 2021 and a positive outlook for 2022 is expected (World Bank, 2020).

The analysis by the IMF, which group countries into three different categories namely oil exporters, other resource intensive (minerals, metals etc) and non-resource intensive countries shows how countries will be affected by the pandemic. The effect of COVID-19 is expected to cause the contraction of the economies of the region due to the factors mentioned earlier on (declining commodity prices) exacerbated by existing supply side constraints. The three tables below show the likely impact of the COVID-19 on SADC countries assessing different factors namely global financial conditions, trade linkages with China and Europe, changes in terms of trade (imports and exports), tourism dependency, health system quality as well as debt rating.

SADC region: vulnerability of countries to COVID-19 shocks

OIL EXPORTERS						
	Global financial conditions	Trade linkages with China and Europe	Change in terms of trade	Tourism dependent	Health system quality	LIC-DSA debt rating
Angola						
OTHER RESOURCE INTENSIVE COUNTRIES						
Botswana						
DRC						
Namibia						
South Africa						
Tanzania						
Zambia						
Zimbabwe						

KEY

- High vulnerability
- Medium vulnerability
- Low vulnerability
- No data

Note:

1. Global financial conditions: all frontier and emerging markets with Eurobond issuances classified as highly vulnerable, others are classified as having low vulnerability.
2. Trade linkages with China and Europe: highly vulnerable if exports and imports from China and Europe exceeds 20 percent of GDP in 2018, medium vulnerability if measure lies between 10 and 20 percent, and low vulnerability if below 10 percent.
3. Change in terms of trade: highly vulnerable if expected decline in terms of trade in 2020 is greater than 10 percent, low vulnerability if terms of trade expected to improve, medium vulnerability otherwise.
4. Tourist dependent: highly vulnerable if tourism contributes more than 5 percent of GDP and 30 percent of exports, low vulnerability if contribution to GDP is less than 2 percent and contribution to exports is less than 5 percent, medium vulnerability otherwise.
5. Health system quality: based on Global Health Security Index with high vulnerability corresponding to an index value of less than 33.3, medium vulnerability for scores between 33.3 and 66.6, and low vulnerability for scores greater than 66.6.
6. LIC-DSA debt rating: based on latest IMF-World Bank Debt Sustainability Analysis with high vulnerability if country is in debt distress or at high risk of debt distress, medium vulnerability if country is at medium risk of debt distress, and low vulnerability if country is at low risk of debt distress.
7. LIC-DSA = low-income countries de*bt stability* analysis.

Source: Adapted from IMF, 2020

Horticulture Sector

Agriculture plays a major role in SADC economies, employing almost half of the total population of the region. However, much of this agriculture is subsistence farming, rather than large-scale production of (high-value) crops for export. The horticulture sector suffered, significant and extensive fresh produce losses due to containment measures, reduced access and demand, closed restaurants/hotel and tourism sector. Horticultural producers experienced reduced labour supply by 50% due to restrictions on movement (SADC, report).

Manufacturing Sector

The share of manufacturing sector to overall GDP for SADC region in 2019 was estimated at 10.7% (SADC, 2020).The manufacturing sector suffered mainly through supply chain disruptions. Southern Africa has a diverse set of trading partners in which the EU and China are the main trading partners. Closing of boarders and lockdowns affected Southern Africa's export and import of products. Production was affected, a survey by the ECA and IEC in April 2020 for 210 African firms indicated that on average, businesses in Africa reported to be operating at only 43%

between 10 and 14 April 2020 due to covid19. Larger firms however, reported to be operating at a slightly better capacity.

Restaurants and Accommodation

Lockdowns measures to contain the spread of COVID19 severely affected restaurants and accommodations sector. This sector offers support services to tourism, the decline in tourism had a massive impact on the sector.

Responses and Navigating COVID 19 Pandemic

Businesses have spent much of the past one and half years scrambling to adapt to the new normal. While the fight against the COVID-19 pandemic is not yet won, the availability of vaccines has given business hope that there is at least a faint light at the end of the tunnel. However, the next normal is going to be different. It will not mean going back to the conditions that prevailed in 2019. The private sector has to adapt to the new normal through:

- **Digital Transactions**
  - Southern African companies are embracing online selling and advertising. Using media platforms such as Facebook and Twitter
- **Agriculture Mechanisation**
  - Farmers should embrace new technology and move from labour intensive to more capital intensive farming
- **Localisation of value chains**
  - Manufactures must invest in localising value chains to minimise the impact of supply chain disruptions of raw materials especially where local producers are exposed to high raw material import content
- **Value addition and beneficiations**
  - Intensifying concerted economic diversification efforts through value addition and beneficiation. As well as faster rollout of regional industrialization programmes.
- **Diversification of export destinations**
  - Southern African countries should invest into the diversification of export destinations, including through deepening intra-African trade and faster execution of regional and continental trade protocols such as the AfCFTA.
- **Vaccination**
  - Private sector should support the vaccination program throught their own employee vaccination programs to ensure minimal disease transmission at the workplace.
- **Government support**
  - Creating conducive and consistent economic policies and stable macroeconomic environments with fiscal sustainability to endear good economic governance and boost investor confidence thereby encouraging local and foreign investment in large, medium and small enterprises

Opportunities for Collaboration Between Civil Society and Private Sector

Collaboration can reduce the structural inefficiencies systemic in Civil Society Organisations (CSOs) and the private sector, a necessity to better manage and mitigate problems, and deliver effective development assistance. Cooperation in partnership will prove an excellent strategic option for both CSOs and private sector companies to engage in. Partnership specific long and short term outputs may be achieved more effectively and efficiently, with regard to resource expenditures including human, financial and technological.

Knowledge Management, Sharing, Dissemination and Capacity Development

The private sector can provide data and information on market trends and emerging technologies. Civil society can facilitate the flow of global knowledge, making it accessible to all sectors of society. Private sector can also capitalize on the detailed knowledge CSOs have from the grassroots to the regional, which complements the stock of knowledge and technical expertise for companies.

Mobilization of Resources

Private sector entities may provide human, logistical, managerial and financial resources to specific activities in various ways. Partnership with a range of civil society actors, from large international and national CSO's grassroots organizations, can leverage a wide variety of contacts and resources, human and financial, which may be very effective, including in emergency situations.

Policy Advocacy

Civil society and the private sector combined can reach a wider audience, with a strengthened scope and impact across broader sections of the population. They can jointly raise public awareness and build strong support and political will.

Monitoring and Evaluating Public Policies

Private sector and civil society can collaborate to monitor and evaluate the implementation of public policies.

Fighting Income Equality

The fight against poverty and food insecurity will be beneficial for both private sector and civil society

Fighting Corruption

Corruption is a cancer to economic development. Fighting corruption needs collaboration rather than fighting in silos. Southern African companies lose billions of dollars annually due to corruption, resources which could have been used to develop the countries.

Conclusions and Recommendations

The private sector in the region need to be more united than ever before to confront the challenges. One of the ways this unity could be achieved is working through business member and support organisations like the chambers of commerce and industry. As the International Trade Centre has observed "Business support organizations deliver services to and represent the interests of enterprises to promote their growth. These include chambers of commerce, sector associations, trade promotion organizations and investment promotion agencies, as well as cooperatives (International Trade Centre, 2020:40). In working together, the private sector can harness their different complementarities and share best practices in the following:

Digitalisation

The majority of businesses in the SADC region were already embracing digital technologies way before the pandemic erupted. However, during lockdowns whole parts of the economy including some businesses that were still not digitalised, shifted onto digital platforms. "Teleworking, remote learning, teleconferencing, online health services, e-commerce and digital payments all kept the world going in the first half of 2020 in many places" (International Trade Centre, 2020). The rise in online opportunities may increase the resilience of businesses to the COVID-19 challenges. Therefore businesses need to invest and improve on their digital technologies.

Innovation and Creativity

The adoption of new technologies enhances the chances of businesses to invest in innovative and creative skills and ideas. These are critical in this age where competition is cut throt but where consumers are also demanding value for money. Businesses will be able to weather some of the storms created by the pandemic through value added products.

Adopting new technology to produce cheaper and quality goods

- Commit resources towards research and development. Help Cultivate entrepreneurship
- Greening operation for sustainable development.
- Speeding up the vaccination process, Southern African countries have been slow at rolling out vaccines except for countries like Zimbabwe, which has done remarkably well.
  - Herd immunity is the biggest imperative for the reopening of economies and a return to normal levels of production and economic activity.
- Governments must continue supporting the private sector through
  - Guaranteed bank loans to assist in the acquisition of raw materials and retooling. Working capital of firms has been negatively affected by the pandemic.
  - Support of local firms so that they can produce more goods through import substitution. COVID 19 has taught us that import substitution is the way to go.
  - Tax holidays for companies that are being involved in value addition and beneficiation. Relying on primary goods is dangerous and Southern Africa countries must diversify
  - Cash bail outs for struggling companies
  - Creating conducive and consistent economic policies and stable macroeconomic environments with fiscal sustainability to endear good economic governance
- Governments must invest in the health sector to save lives and livelihoods
- Governments must support the Agriculture sector, through mechanisation
  - Farmers must move from labour intensive to capital intensive farming

The interconnectedness and the symbiotic relationship between business and the development agenda makes for a virtuous cycle of cause and effect. This means that there is a great need for effective coalition between business and government in the development agenda of the region. In the face of COVID-19, there are key policies that could spur an inclusive development strategy where business associations like chambers of commerce and industry can push. These include, as articulated by UNIDO:

- Using already existing registries and platforms to channel aid to businesses on the verge of collapse.
- Improving access to finance for small firms and – even more difficult - those in the informal sector to help them maintain economic activities, retain jobs and maintain links to local and global supply chains.
- Refocusing policies on helping businesses to develop higher value, and more sustainably produced goods that can be marketed with fewer risks to less volatile nearby markets. This calls for a renewed push towards diversification, using reshoring and nearshoring to shorten supply chains and moving towards greater regionalization.
- Creating more structured business linkages to domestic, regional and global suppliers to allow for more reliable sourcing of products.
- Investing in digital infrastructure to enable small and informal businesses to access information and services.
- Increasing spending on science, technology and innovation capabilities to boost productivity and competitiveness.
- Advising industrial policy policymakers in LDCs on the development of targeted programmes to diversify and strengthen the industrial sector

Source Hartwich F, Larsen J, (2021)

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