



Topic: Roadmap for Implementation of the SADC Protocol on Finance
and Investment (FIP) to
Facilitate Regional Industrial Development

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Introduction

- The SADC Finance and Investment Protocol (FIP) was entered into force in April 2010, an annex on the agreement which was signed by 8 members out of the 16, before the new amendments can be enforced. The research paper will focus strategies to promote harmonization in the region to implement tangible outcomes that will lead to industrialization. The key drivers of industrialization is the private sector and the member states have a role to play in implementing strategies to draw *Secure, Sound and Sustainable* investments to the region.
- The aim is not to reinvent the wheel through proposing a complex implementation roadmap but fully utilize the current tools, protocols and policies such:
 - SADC Policy on Trade 1996 (Liberalization of goods).
 - SADC Protocol on Trade in Services 2012 (liberalization of services)
 - Protocol on Finance and Investment 2010 (to Promote investment, protect investment)

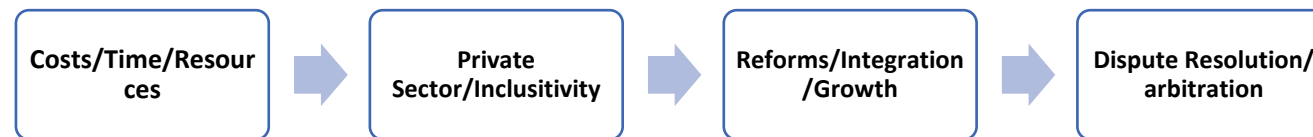
1. ANALYSIS OF REGIONAL INTEGRATION USING CURRENT SADC POLICIES

- In all my years in trade this was perhaps one of the least highlighted chapter of the SADC protocol, we wonder why:
- Is there a capacity issue?
- Are there systematic and political challenges.
- Is there enough buy in from private sector or is there too much restrictive investment and financial regimes without clear sign of harmonization?

Protocol/Agreement	Objective	Monitoring	Industrialization potential
SADC Trade Protocol (1996)	To liberalize the flow of goods in the region	Movement of goods are tracked via import and export volumes across member states.	-Need to curb imports. - Reduce import barriers and reduce tariffs. - Transformation of goods in the region, from semi-finished to finished.
Trade in Services (2012)	Liberalize Services in the region	Services data are checked through national accounts and GPD data.	-Fastest growing sector globally. - Requires growth in investment and skills
Protocol on Finance and Investment (2010)	Conducive investment environment and harmonized policies	Focus can be banking laws, taxation, remittance, CMA, PPP, FDI	-It unlocks a countries industrial capacity - Short term and long-term investment potential Most importantly investment confidence in the region is needed, for SADC to discover how to use its own capital and resources to drive Industrialization in the region.

2. CHALLENGES

- **Costs, Time and Resources** - It is costly and requires awfully a lot of time and resources.
- **Private sector Participation** - Finance is cross sectoral, and is part an puzzle of all SADC wide growth, which requires strong private sector and global business sector buy in.
- **Reforms** - It requires very deep and continuous policy reforms at a constant pace which brings about growth through integration.
- **Dispute Resolution/Arbitration** - Need for regional dispute resolution to protects parties from various member states.
- **Peer Review** - The peer review is by Ministers and Central bank governors only, there is need to invite various business forums, commercial bodies, sme representatives, investment bodies from within the region. Governors and ministers have their hands full.



3. PRIORITY SECTORS

- Some services, products and infrastructure support must be implemented at regional level. The SADC members have however drafted integration strategies and cooperation agreements on some sectors but there is no tangible implementation, there is need for advocating regional implementation/regionalization of this service, before we can export them globally/globalization.

1. Financial Services and Infrastructure, Technology (Skills)
2. Renewable Energy
3. Water Infrastructure
4. Transport and Rail
5. Manufacturing

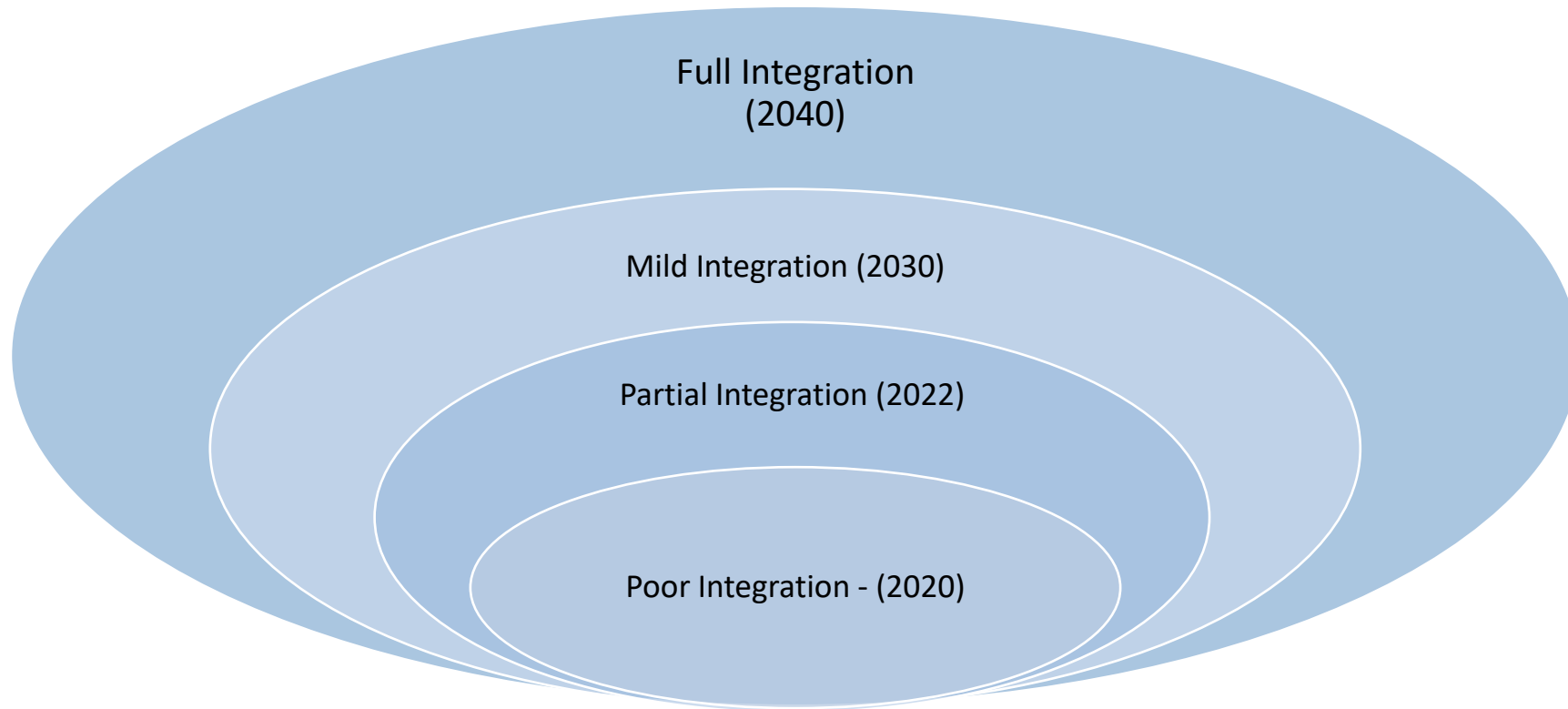
Regionalized Financial Services with Infrastructure	Regionalized Renewable Energy Services and Infrastructure	Regionalized Water infrastructure and Services
Regionalized Rail Services for commuters and commodities	Regionalized Air-Travel Services and harmonized tourist incentives	Regionalized Manufacturing Products, Machinery, Value Addition.

4. TRACKING IMPLEMENTATION OF THE INVESTMENT PROTOCOL

Objectives of the Protocol on Finance	Enablers	Timeline	Challenges
		Executables	Dependables
1. Favorable investment climate	Ease of doing business		
	Transparency measures		
	Incentives		
	Investment mediation		
	Policy changes		
	Government Institutional Support, Taxes		
2. Macroeconomic stability	Debt Reliance, credit rating, political stability, formalization of businesses or fair categorization, inflation		
3. Cooperation in taxation	Tax holidays, less bureaucracy		
4. CB cooperation on exchange control, clearing, settlement	Clearing ease, due diligence, interbank harmony, common currency, ease of clearing		
5. Bank Supervision	Interest rate control, reduction of inflation rates, inter-bank trust, information sharing, SADC banking registration or subscriptions		
6. Cooperation on DFI	Policy implementation, business facilitation, harmonization of FDI rules, corporate taxing and retention		
7. Non-banking cooperation	Harmonization of non-bank services, market growth		
8. Development of capital markets	Commodity safeguards, pricing, market growth		
9. Cooperation of stock	Treasury bill exposure, stock market expansion, regional listing, dual listing,		
10. Anti-Money laundering	Crime detection, whistleblowing, clearing and verification,		
11. SADC Development Fund	Institutional setup/support, funding, investment, growth, marketing, sustainability.		

Rating Parameters - Favorable to Non-Favorable (1 to 5), Needs Improvement. (1 to 5)

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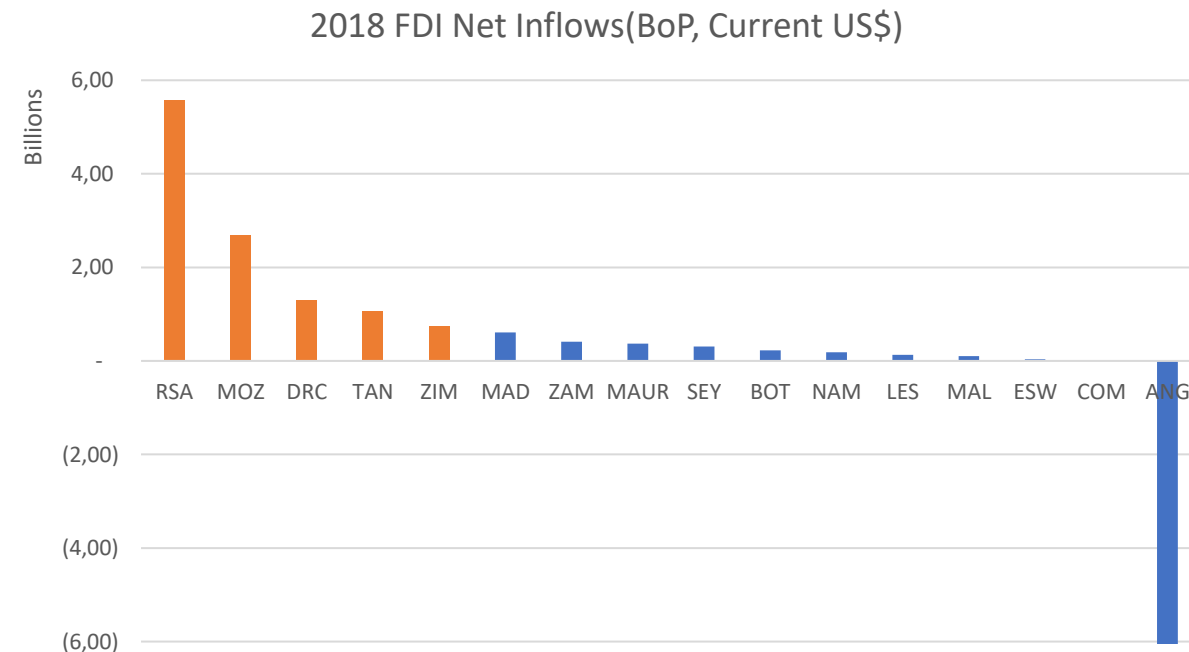
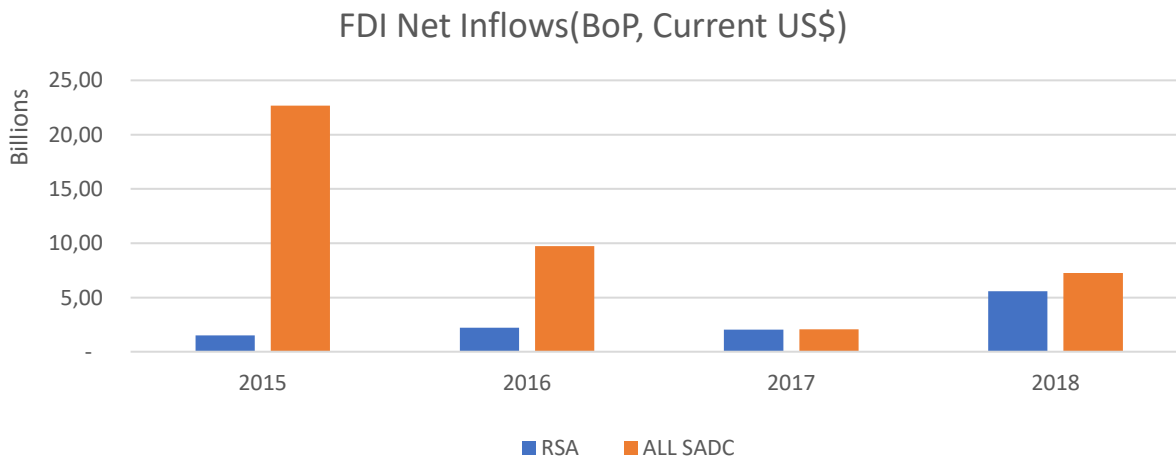


5. POLICY RECOMMENDATIONS FOR DEEPER/ FULL REGIONALIZATION

- SEZ (Special Economic Zones) – Investment, Manufacturing, accelerates the creation of industrial parks with possible incentives and targeted policies.
- PPP (Public Private Partnership) – Investment, Manufacturing, enables strategic investment cooperation and skills support between government and private sector, ideal for infrastructure growth.
- INVESTMENT PROTECTION AND ARBITRATION – set of policies to safeguard investment in a safe, sound and sustainable way (SSS).
- UNLISTED INVESTMENT INITIATIVES – expand the mandate of domestic fund managers to grow their footprint in supporting intra-regional unlisted investments for better service delivery.
- INCENTIVES FOR INVESTMENT – attracts investors to come into the region, they vary from tax holidays, to infrastructure like land, water, energy, subsidies, rebates, etc.

6. FDI STATS - SADC

- In 2018 the total amount of acquired by South Africa made up 77% of all SADC FDI of \$ 5.5 billion out of \$ 7.2 billion, compare to 22% in 2016.
- As per chart2, South Africa Mozambique, DRC, Tanzania and Zimbabwe are the top 5 competitors of FDI in 2018. South Africa accumulate a total of 5.5 billion US\$ in FDI in 2018 alone which was their highest since 2013, followed by 4.6 billion US\$ in 2019. Subsequently, Angola experienced an FDI deficit of \$ -6.4 billion in 2018.



Thank you

