



United Nations
Economic Commission for Africa

How Namibia can reap the benefits of the African Continental Free Trade Area under the Covid-19 context? Experience and lessons learnt from Africa

Annual Symposium Central Bank of Namibia

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Economic Commission for Africa**



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How Namibia can benefit from the AfCFTA within the Covid19 context?

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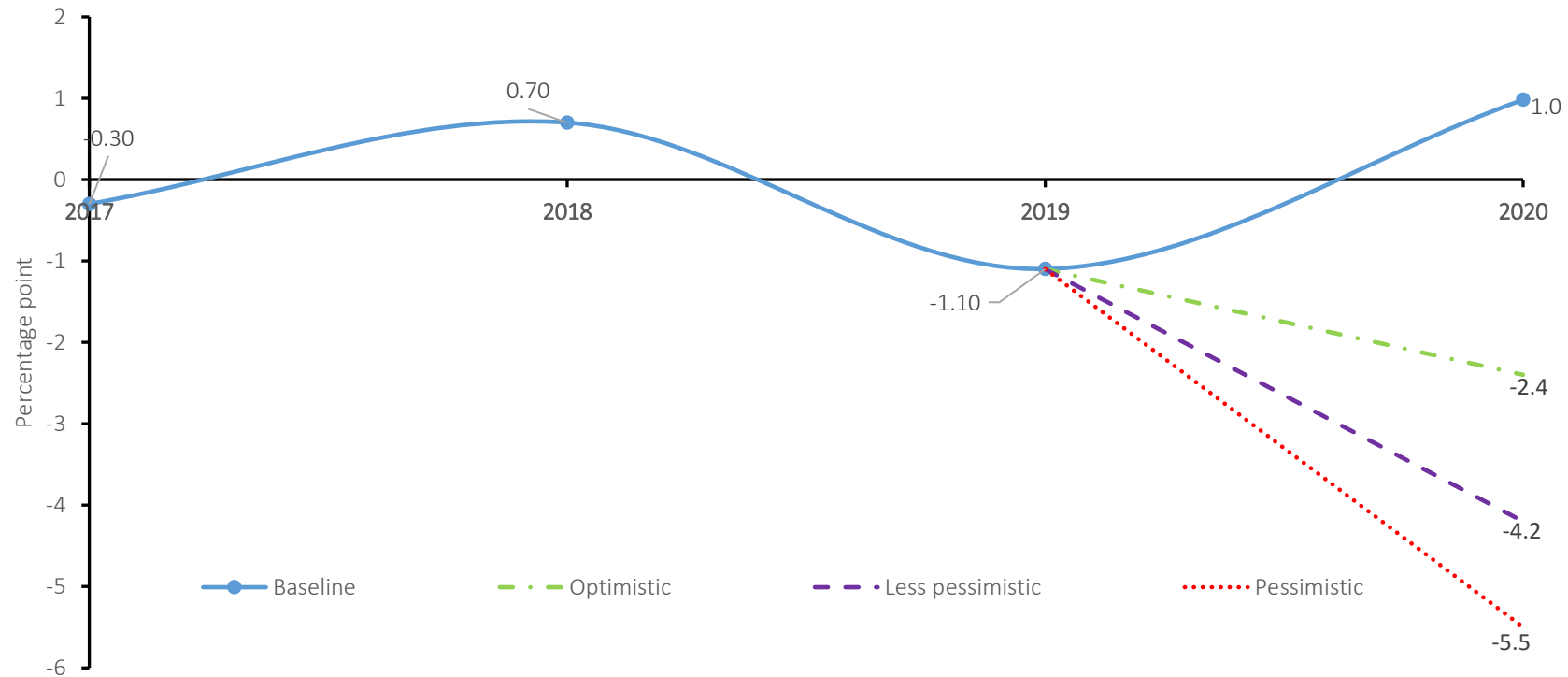
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Background and context

- The COVID-19 pandemic has resulted in an unprecedented global economic slowdown
- Global growth projected at – 4.9 per cent in 2020 and Africa GDP forecasted to decrease between – 1.4 percentage points changes (optimistic scenario) and -5.8 percentage points changes (pessimistic scenario)
- ECA projected that the impact of the COVID-19 will push 5 to 29 million people under the extreme poverty line of \$1.90 per day WEO (2020)
- Strong impact on fiscal space and SDGs
- Implementation of the AfCFTA along with ambitious worldwide trade facilitation reforms could mitigate social and economic impacts of the crisis

Macroeconomic impacts of the crisis in Namibia

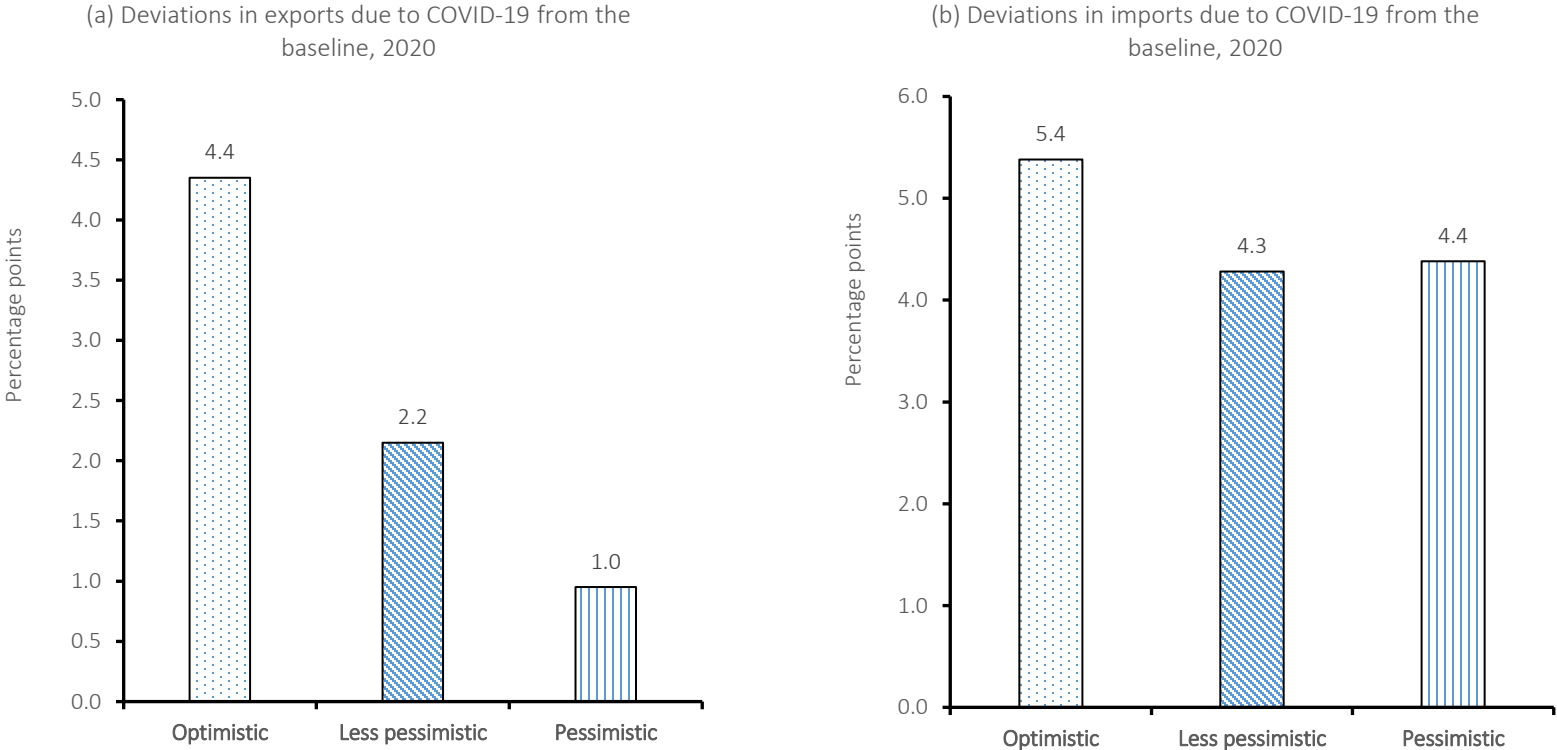
Impact of COVID-19 on real GDP growth, 2020



Source: ECA estimates, 2020

Trade impacts

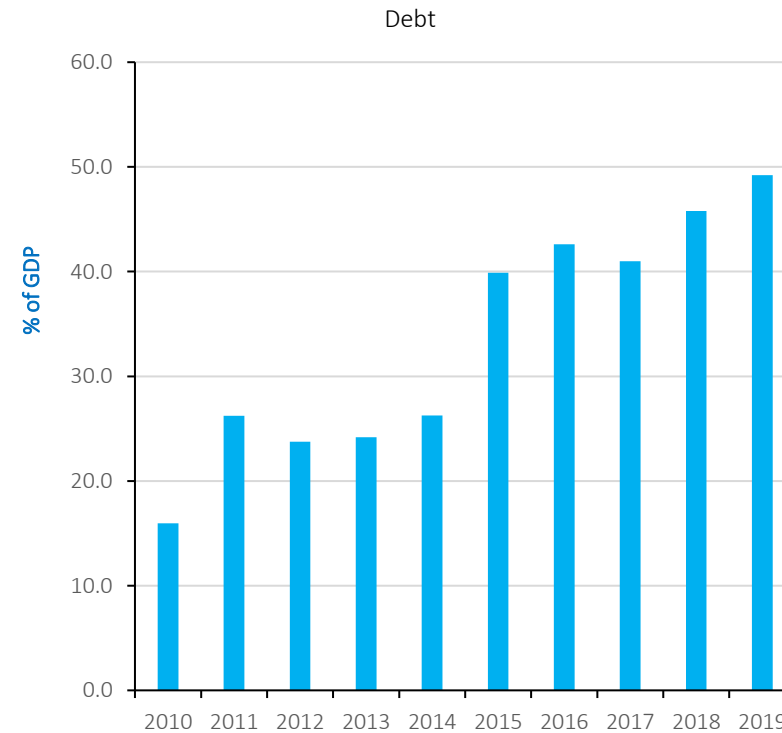
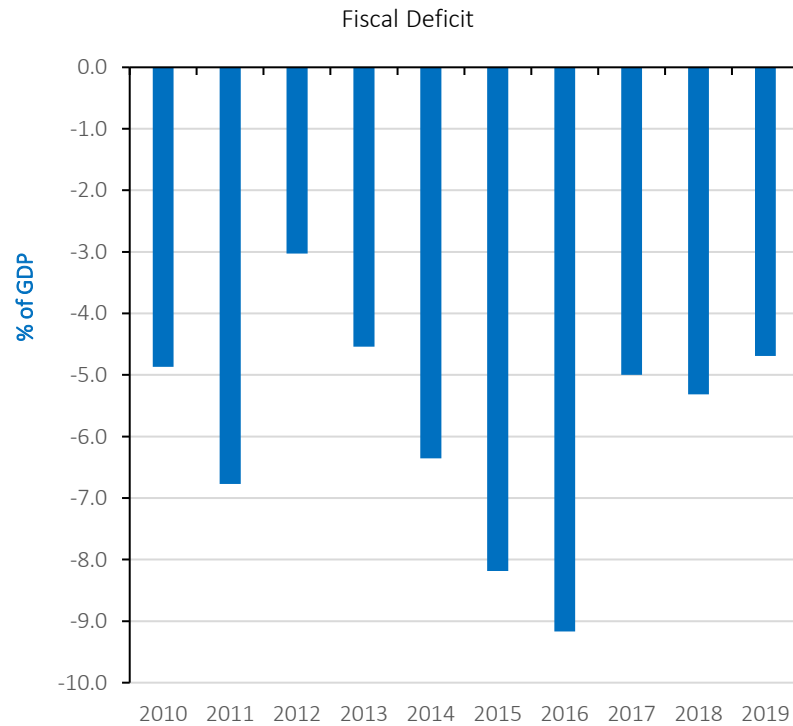
Impact of COVID-19 on real GDP growth, 2020



Source: ECA estimates, 2020

Fiscal and monetary impacts (1)

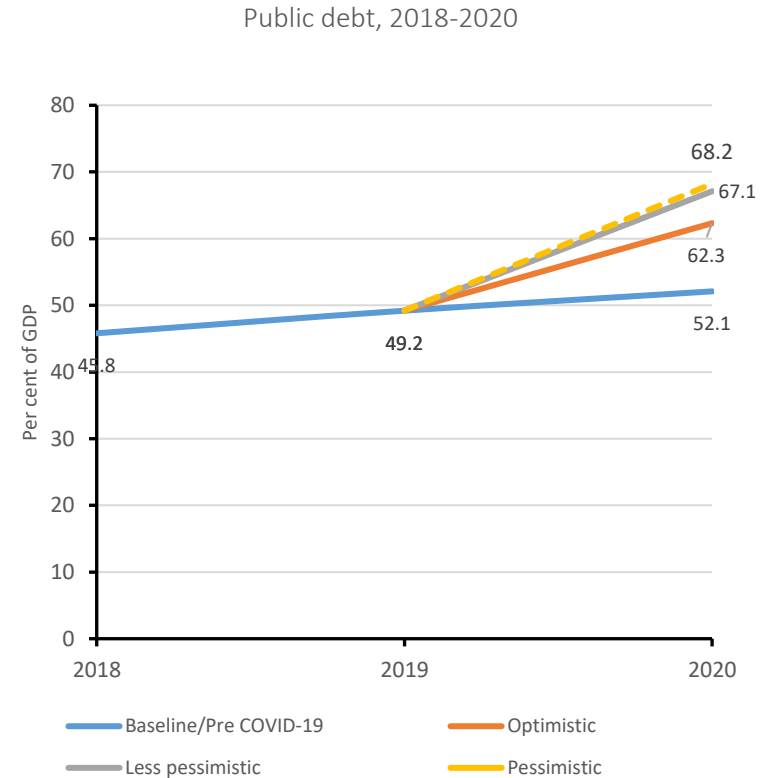
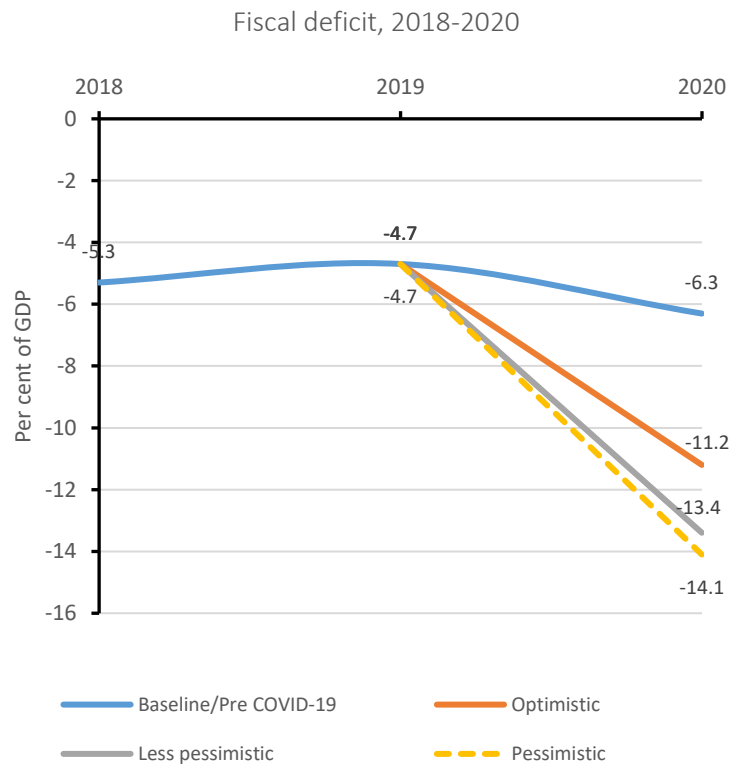
Narrow fiscal space may have constrained COVID-19 response



Source: ECA, World Bank, IMF, 2020

Fiscal and monetary impacts (2)

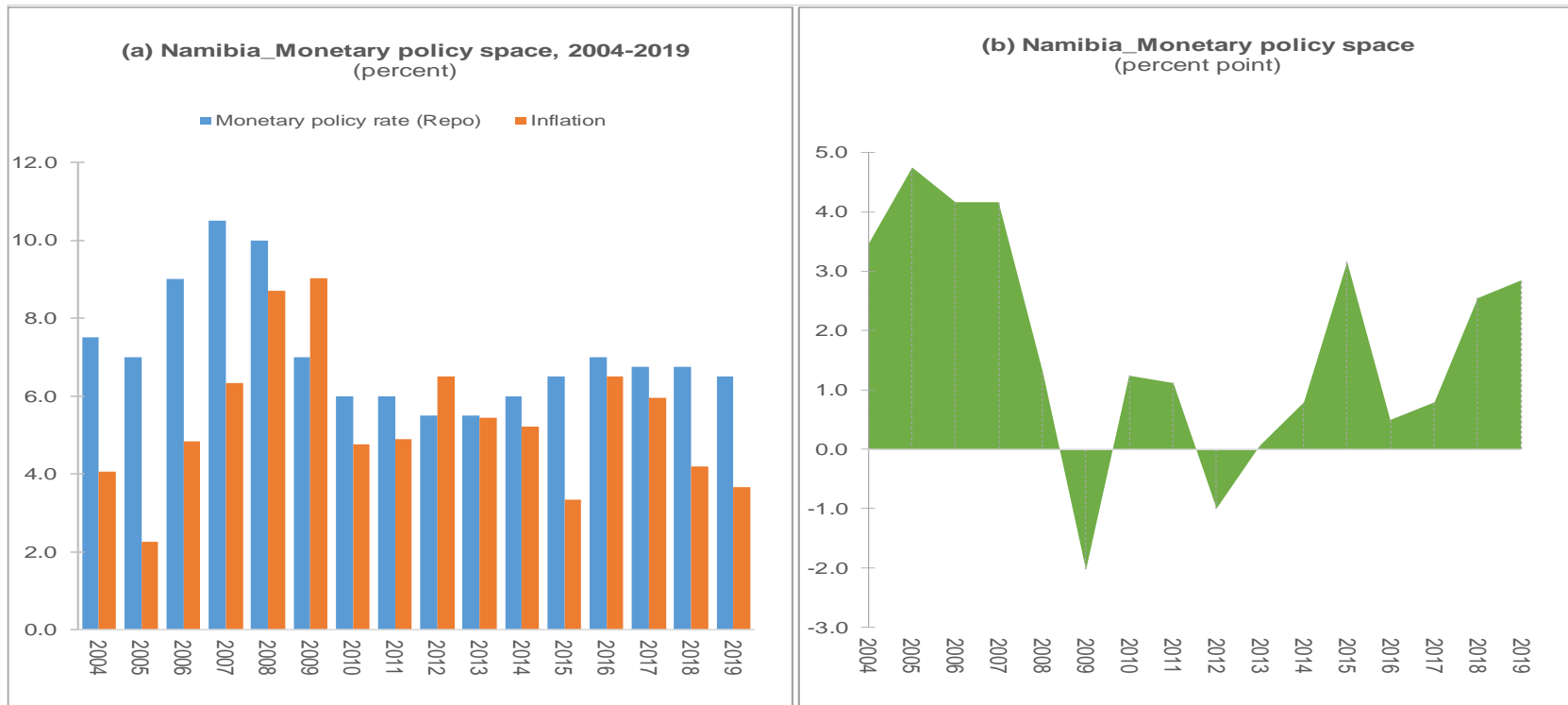
Fiscal pressure will worsen fiscal and debts positions



Source: ECA estimates, 2020

Fiscal and monetary impacts (3)

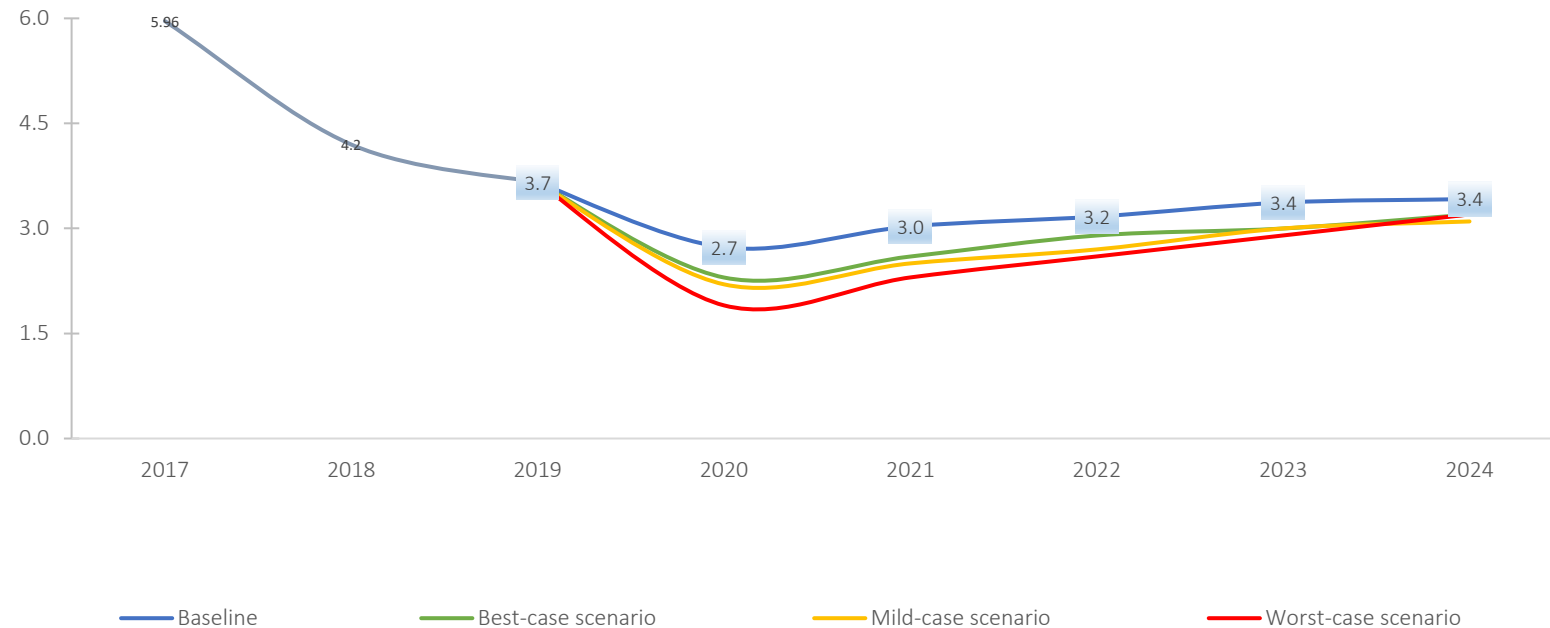
Monetary policy space in Namibia and impact of the easing monetary policy, 2019



Source: ECA estimates, 2020

What about inflation?

Inflation trend and forecasts allow use of easing monetary policy to address economic slowdowns, per cent, 2017-2024



Source: ECA estimates, 2020

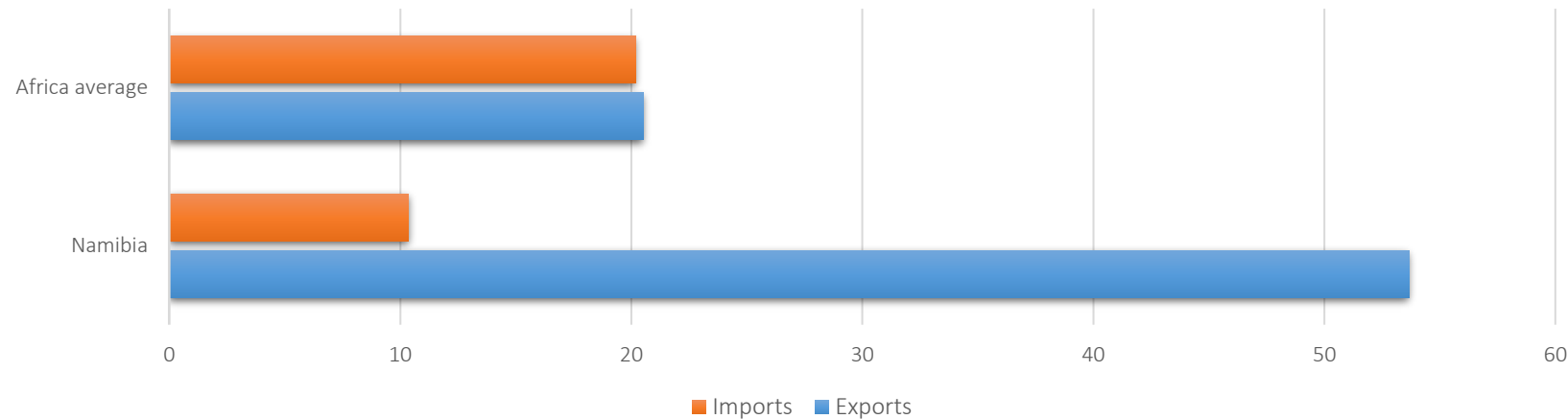
What about poverty and inequality?

Poverty will increase as well as domestic inequalities

- Prior to the COVID-19 crisis in 2019, leading to a **severe contraction by 3.7 per cent** decline of GDP-per-capita and contributed to an increase of 1.4 per cent in poverty rate in 2019. This direct impact of growth decline on poverty is due to the high Gini index namely 59.1 .
- Under the best-case scenario, ECA's empirical estimations suggest that the decline in GDP growth will lead to a **rise in income poverty by 2.3 percentage points**, increasing the share of people living below \$1.90 from 17.2 to 19.5 per cent.
- Under the worst-case scenario, the decline in GDP will rise the income poverty **by 4.4 percentage points**.
- A 6.5 percentage points contraction in economic performance will increase poverty estimates by more than 1.4 percentage point (worst scenario)

AfCFTA impact: Namibia will benefit both from demand and supply sides

Change in intra African exports/imports, Africa average versus Namibia-2040; intermediate ambition scenario



- Namibia's GDP is foreseen to increase by between 4.1% (or US\$ 1.85 billion) to 4.2% (or US\$ 1.93 billion); well above Africa's average
- Simulations also show that Namibia's exports could increase on average by between 2.8% (or US\$ 640 million) and 2.9% (or US\$ 664 million)
- Namibia would not suffer from tariff revenue loss and its welfare would increase significantly (between 3.9% and 4.1%).

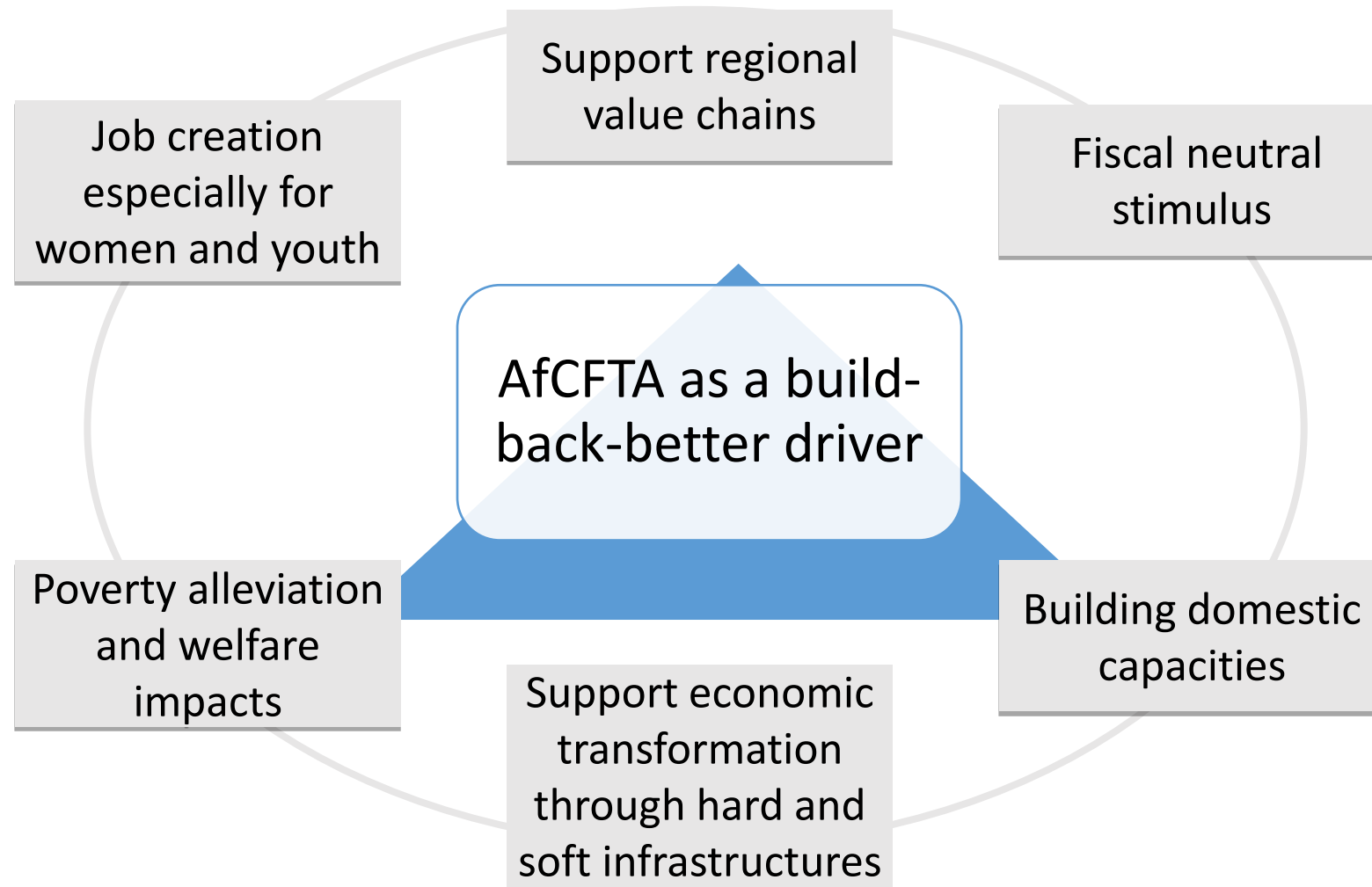
Source: ECA estimates, 2020

How to harness AfCTA: Lessons from Africa

- AfCFTA should be harnessed to secure medical and food supplies in view of mitigating the severity of the health and food security shocks. Such as s the Africa Medical Supplies Platform
- Some innovative initiatives such as the African Medical Supplies Platform and the AfCFTA -anchored Pharma Initiatives have been initiated by the African Union, ECA and other international and regional organizations exemplifies how the AfCFTA can be operationalized
- The best stimulus for COVID-19 African economies is the rapid implementation of the AfCFTA which has the potential to boost economic recovery and enhance Africa economic resilience

Source: ECA estimates, 2020

Harness the AfCFTA to build back better resilient economies



Key Action Areas

At the national level

- Namibia must develop climate-sensitive development strategy through innovative financing facilities in order to build back better its economy by leveraging the digital economy as a catalyst to a more sustainable growth

At the continental level

- Digital trade shall play a key role in boosting intra-African trade in support of better recovering from COVID-19. From that perspective, it is instrumental to bring AfCFTA e-commerce negotiations forward

At the global level

- Africa could redefine the global multilateral system around more sustainable development and shared prosperity
- Economic integration will attract more investment that should be channeled to support the structural transformation of the continent to leave no one behind
- Support the establishment of liquidity and sustainability facility



THANK YOU!