



United Nations
Economic Commission for Africa

Strategy and road map for the industrialization of the SADC region: options, opportunities, challenges and prospects



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First printing July 2020

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Designed and printed by the ECA Printing and Publishing Unit. ISO 14001:2015 certified.

Table of Contents

List of abbreviations.....	v
Executive summary	vi
I. Introduction and background	1
Introduction	1
Background	1
Methodology.....	2
II. Review of the SADC Industrialization Strategy and Roadmap, the Industrial Upgrading and Modernization Programme, the Industrial Development Framework and the Regional Indicative Strategic Development Plan	3
A. SADC regional industrialization policy frameworks.....	3
B. SADC Industrialization Strategy and Roadmap (2015–2063).....	5
C. Strategic interventions	7
D. Implementation responsibilities	8
III. Review of industrialization policies of selected Southern African States.....	11
A. Angola.....	11
B. Mozambique.....	13
C. United Republic of Tanzania.....	15
D. Namibia	15
E. Zimbabwe.....	16
F. South Africa.....	17
G. Zambia.....	20
H. Summary	22
IV. Review of the COMESA-EAC-SADC Tripartite Programme on Industrial Development	23
A. Three core pillars	23
B. Objectives	23
C. Scope	23
D. Principles.....	24
E. Specific areas of cooperation.....	24
F. Implementation of the work programme for the Tripartite Programme on Industrial Development	26
G. Summary	26
V. Progress in the Implementation of the Industrialization Strategy and Roadmap (2015–2063) ..	27
A. Profiles of priority sectors identified in the Roadmap	27
B. Development of the costed action plan.....	28
C. Development of the Mining Vision	29
D. Resource mobilization for industrialization.....	29
E. Publicizing the SADC Industrialization Strategy and action plan	30
F. Summary	31
VI. Challenges of implementing the Roadmap.....	32
A. Ownership of the Roadmap.....	32
B. Overcoming the binding constraints.....	32
C. Communicating the Strategy and Roadmap.....	33

D. National costing of the action plan.....	33
E. Financing industrial development.....	33
F. Spreading benefits to all member States.....	34
G. Vulnerability to global business cycles.....	34
H. Research and development, and innovation.....	34
I. Summary.....	35

IV. Conclusions, and national and regional-level recommendations for accelerated implementation of the Roadmap..... 36

A. Introduction.....	36
B. Regional-level actions.....	36
C. Recommended regional actions.....	36
D. National-level actions.....	37
E. Addressing concerns raised by the private sector.....	37
F. Financing industrialization.....	39
G. Developing national action plans.....	39
H. Institutional development.....	40
I. Summary.....	40

References..... 41

List of abbreviations

COMESA	Common Market for Eastern and Southern Africa
ECA	Economic Commission for Africa
EFTA	European Free Trade Association
GDP	gross domestic product
MVA	manufacturing value added
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAPP	Southern African Power Pool
ZIMASSET	Zimbabwe Agenda for Sustainable Social and Economic Transformation

Executive summary

The member States of the Southern African Development Community (SADC) have been pursuing programmes to deepen regional integration through creating higher value tradable goods and leveraging their rich natural resource endowment. This is in line with the beneficiation and value addition of natural resources thrusts of continental and regional industrialization frameworks as the most sustainable way of raising the standards of living of citizens. These frameworks include: the SADC Treaty, the Regional Indicative Strategic Development Plan as revised, the SADC Protocol on Trade, the Industrial Upgrading and Modernization Programme, and the SADC Industrial Development Policy Framework. The SADC regional integration agenda has been revised to frontload industrialization.

Generally speaking, the national industrialization policy documents of SADC member States are also geared towards beneficiation and value addition. None of their policies or strategies have the same long-term reach as the regional strategy. The policies also differ in terms of their level of guidance, however: the South African policy is much more detailed and comprehensive.

The South African policy clearly brings out the relevant policies and is very specific regarding the sectors and actual products of concern. Generally, there is room for the realignment of national industrialization policies with regional policy frameworks, in particular regarding regional value chains.

The monitoring and evaluation frameworks of member States' industrialization policies are varied, and in some instances are altogether lacking. South Africa has an elaborate framework, while Mozambique and Namibia have very general approaches. As part of the harmonization of policymaking in the region, the crafting of such frameworks needs to be incorporated in policy training schedules.

The Tripartite Programme on Industrial Development has strong linkages to the SADC

Industrialization Strategy and Roadmap and played a key role as a reference document in its drafting. The Tripartite Programme is of relatively short duration, focusing on only five years, representing the first five years of the Strategy and Roadmap, which has a 40-year life-span. At the same time, just like the Strategy and Roadmap, the Tripartite framework for cooperation and the work programme are merely frameworks providing guidance in the elaboration of national industrial development strategies and, in so doing, they cover more or less the same areas.

Progress has already been achieved in implementing the SADC Industrialization Strategy and Roadmap. This may be seen in such areas as profiling of the minerals and pharmaceutical sectors; development of the costed action plan; development of the Regional Mining Vision; resource mobilization for industrialization; and popularizing the Strategy and Roadmap through the organization of the SADC Industrialization Weeks, which produced the Esibayeni and Sunninghill Declarations, among others.

Forty-eight years is a long time and it is likely that global economic developments may change the trajectory from that set out in the present Strategy and Roadmap document. However, the ultimate objective of having an industrialized region will not change. A critical aspect of the implementation of the Strategy and Roadmap is the assumption of total ownership of the process by the member States in their individual and then collective capacity, with the Secretariat playing a coordinating role. The Strategy and Roadmap, the revised Regional Indicative Strategic Development Plan (2015–2020), and other SADC policy documents acknowledge the critical constraint of inadequate infrastructure (in particular power and transport networks), industrial skills and industrial financing.

The formation of the Southern Africa Business Forum was a noble initiative, coming as it did at the start of the implementation phase of the Strategy and Roadmap. Currently, challenges are

being posed by the degree to which the Forum is fully representative, and this is acknowledged by the Forum's leadership. This in turn makes it more difficult to communicate messages about the Strategy and Roadmap.

In costing the action plan, in addition to the problem of calculating the public coordination costs, calculating the investment costs is likely to present a bigger challenge to the member States. The Strategy has identified a number of sources of finance, including domestic funds, foreign investment and support from international cooperating partners. All three broad sources pose problems, however. The adoption of the Strategy at the summit meeting of SADC Heads of State and Government (hereinafter "the Summit") was also premised on the distribution of benefits to all member States. However, the Strategy failed to spell out the mechanism for ensuring that this would happen.

Deeper integration into the global economy also implies that Southern African countries are more vulnerable to international business cycles that may occur as a result of policy changes in the significant countries. At the same time, the attainment of the 1 per cent of GDP investment in research and development by the 2010 target as proposed by SADC remains a challenge.

This paper has outlined a number of proposals that, if carried out, could see the faster implementation of the Industrialization Strategy and Roadmap. Some of the issues have been raised by the

private sector, while others represent the results of analysis of where the region sees its future.

Hard and soft infrastructure issues raised by the private sector need urgent attention. Other issues that also need urgent attention include: facilitating the free movement of skills and capital; implementing trade facilitation measures that focus on already identified transport and development corridors; adopting a regulatory environment that encourages innovation; and upskilling to support the movement of industries into higher value-added activities.

The initiative to develop a regional development fund must be implemented without further delay. Regional development banks need changes in their mandates so as to provide financing for long-term capital requirements of new and existing industries.

National action plans for industrialization must be drawn up and aligned with the regional Strategy and Roadmap. The national plans must include innovative ways of raising funds from the local market, including developing mechanisms that would encourage long-term financiers such as pension funds to provide long-term capital for industries.

Governance structures at both regional and national levels must also be strengthened. These levels include the Summit of Heads of State and Government, the Industrial Development Forum (regional level), the secretariat, and public-private engagement at both regional and national levels.

I. Introduction and background

Introduction

The Southern African Development Community (SADC) has been pursuing programmes aimed at deepening regional integration since its transformation from its predecessor, the Southern African Development Coordination Conference. The underlying conviction has been that development initiatives in the region are likely to bear better fruit if they are implemented in a coordinated and integrated manner than if implemented by individual countries. To that end, several protocols have been signed, touching on many aspects of development, including the social, political and economic spheres. Since 2014, however, the issue of realizing better returns for the region's citizens has taken centre stage through the call for more beneficiation and value addition to the region's resource endowments. The Economic Commission for Africa (ECA) has been collaborating with SADC in the pursuit of programmes aimed at reducing poverty and raising the standard of living of the region's population. The present paper builds on that effort by examining the implementation of the SADC Industrialization Strategy and Roadmap for the region.

Background

At their extraordinary meeting in April 2015, in Harare, the SADC Heads of State and Government changed the region's long-term development trajectory by adopting the SADC Industrialization Strategy and Roadmap (2015–2063 (hereinafter “the Strategy”), which seeks to achieve the technological and socioeconomic transformation of SADC economies through beneficiation and value addition, as a key priority of the region's integration agenda.

This development came on the backdrop of declining revenues from falling international commodity prices. At that Summit, participants also considered and approved the revised Regional Indicative Strategic Development Plan (2015–

2020), which, among other things, prioritizes industrial development and market integration and places industrialization at the centre stage of the SADC regional integration agenda.

The Industrial Upgrading and Modernization Programme had been adopted in 2009 to enhance competitiveness, strengthen production capabilities and reinforce the institutional support structure of industry in the region. In addition, following its adoption by the Committee of Ministers of Trade, the SADC Industrial Development Policy Framework had been approved by the SADC Council of Ministers in 2013, to enhance sectoral interdependence and economic and trade diversification. SADC also adopted a number of protocols and declarations to foster economic development, many of the elements of which have direct or indirect bearing on accelerating industrialization in the region. The exercise has been further informed by the work on profiling mineral beneficiation, the minerals skills study, feasibility study on regional production of generic drugs and medical commodities, and other studies on value addition and value chains in the region.

The implementation of the SADC Industrialization Strategy and Roadmap will be guided at the regional level by an action plan, which has already been drawn up. To enable effective implementation of the Strategy and Roadmap, the SADC Summit, at its August 2015 meeting, directed the secretariat:

To finalize the development of the costed action plan for the implementation of the SADC Industrialization Strategy and Roadmap to be submitted to the SADC Council of Ministers in March 2016;

To ensure that the implementation of the SADC Industrialization Strategy and Roadmap remains a standing item on the agenda of Summit meetings, at which the SADC Heads of State

and Government receive progress reports on key milestones;

To design and develop an appropriate institutional framework to support the implementation of the SADC Industrialization Strategy and Roadmap, aligned with the Regional Indicative Strategic Development Plan (2015–2020), to be established within a comprehensive and consolidated organizational structure. The institutional framework must aim at enhancing the capacity of the secretariat to deliver on the Strategy, including the institutional infrastructure requirements of the organization.

In view of the need to ensure full stakeholder participation in the industrialization effort, the SADC Summit urged member States to popularize the SADC Industrialization Strategy and Roadmap at the national level.

The present paper examines issues surrounding the implementation of the Strategy and Roadmap and does not concern itself with its possible merits or demerits. In other words, it seeks to answer such questions as the following: Is the Roadmap implementable? What are the preconditions?

Are there examples elsewhere in the world that can serve as lessons for this regional initiative? How does the implementation of the Roadmap affect other regional industrial development programmes? Are there opportunities arising out of the implementation of the Strategy? What are the challenges? How can these challenges be overcome?

Methodology

The paper is primarily based on secondary data and was compiled through a desk review of material on national and regional industrialization policies and frameworks available in the public domain. Specifically, the paper examines the implementation Strategy as set out in the Roadmap with a view to assessing the practicability of the proposed broad implementation measures. This is particularly important because, at the time of writing, the detailed action plan for implementation of the Strategy and Roadmap was still being developed for submission to SADC for approval. The plan was duly approved at a special Summit meeting on 18 March 2017 in Lozitha, Eswatini.

II. Review of the SADC Industrialization Strategy and Roadmap, the Industrial Upgrading and Modernization Programme, the Industrial Development Framework and the Regional Indicative Strategic Development Plan

A. SADC regional industrialization policy frameworks

SADC member States have been pursuing programmes aimed at deepening the level of regional integration through the creation of higher value tradable goods, leveraging the member States' rich natural resource endowment. The overall frameworks are as follows:

- a. SADC Treaty: this provides for an integration approach in the region which seeks sustainable use of natural resources;
- b. Regional Indicative Strategic Development Plan (2015–2020): this, among other things, advocates the diversification of regional economies through such measures as industrial development and value addition (see p. 27 of the Plan) and puts industrialization at the forefront of the region's integration agenda;
- c. SADC Protocol on Trade: this makes a strong push for industrialization in its article 4 (2);
- d. Industrial Upgrading and Modernization Programme: this Programme, adopted in 2009, is the overarching framework for current regional initiatives to achieve accelerated industrialization;
- e. SADC Industrial Development Policy Framework: this blueprint for the region's industrialization marks a bold step towards fostering industrial development in the region;
- f. SADC Industrialization Strategy and Roadmap (2015–2063): this sets out a long-term action programme linking the regional body's industrialization drive to the African Union Agenda 2063.

The Regional Indicative Strategic Development Plan adopted in 2003 but implemented from 2005 reaffirms the commitment of SADC member States to a number of priority intervention areas, including the development of deliberate policies for industrialization, with a focus on promotion of industrial linkages and efficient utilization of regional resources through increased value addition. The Plan was revised over the period in 2012–2013 to provide guidance for the last phase of implementation, namely 2015–2020.

The new priorities under the Regional Indicative Strategic Development Plan (2015–2020) are:

- a. Industrial development and market integration;
- b. Infrastructure in support of regional integration;
- c. Peace and security cooperation;
- d. Special programmes.

The special programmes cover the following domains:

- a. Education and human resource development, health, HIV and AIDS and other diseases of public health importance;
- b. Food security and transboundary natural resources;
- c. Environment;
- d. Statistics;
- e. Private sector;
- f. Gender equality;
- g. Science and technology;
- h. Innovation, research and development.

Each of these priority areas has a strategic objective and specific objectives and these priorities will be pursued in a synergistic manner.

The Regional Indicative Strategic Development Plan is therefore a much broader programme than other regional frameworks and programmes in that it covers the entire spectrum of the SADC integration agenda. This is the main difference between it and the other more focused frameworks discussed below.

The SADC Industrial Development Policy Framework seeks to implement the industrialization component of the Regional Indicative Strategic Development Plan and sets out areas of cooperation at regional level to build a diversified, innovative and globally competitive industrial base that contributes to sustainable growth and employment creation for the benefit of the population. It endeavours to promote the development of an integrated industrial base in the region through exploiting regional synergies in value-added production and enhancement of export competitiveness. The Policy Framework thus underscores the importance of value addition and beneficiation as industrialization strategies. Specifically, the Policy Framework seeks to promote collaboration in the development of regional value chains, with targeted interventions on, but not exclusively, identified priority sectors, so as to:

- a. Increase intraregional trade and expansion of markets;
- b. Diversify the region's manufacturing base through efforts to stimulate and encourage value addition on local primary resources;
- c. Stimulate investment flows into productive sectors in which the region has a comparative advantage, and to function as a strategy for acquiring modern technology to support value addition, innovation and technology transfer into the regional economy;
- d. Strengthen national and regional institutional frameworks and capabilities for industrial policy design and implementation, with specific emphasis on enhancing evidence-

based research processes between the public and the private sector;

- e. Strengthen research and development, technology and innovation capabilities and skills to facilitate structural transformation of the manufacturing sector;
- f. Facilitate the upgrading of existing industries, in particular small and medium-sized enterprises, towards more competitiveness, including improvements in the quality and standards infrastructure necessary to ensure international competitiveness of goods produced in the SADC region;
- g. Promote export diversification of goods and services;
- h. Facilitate regional public and private investments in infrastructure and services in order to reduce the costs of doing business in the region;
- i. Position the region to exploit opportunities arising out of collaboration with other parts of the world.

The regional Industrial Upgrading and Modernization Programme, which was developed after extensive consultations, seeks to reinforce institutional support infrastructure for improving productivity and competitiveness for the success of beneficiation and value addition. The extensive consultations and analytical work confirmed both comparative and competitive advantage in promoting the development of regional value chains and their linkages with global supply chains. Nine priority sectors were identified:

- a. Agrifood processing;
- b. Fisheries;
- c. Wood and wood products;
- d. Textiles and garments;
- e. Leather and leather products;
- f. Beneficiation of mineral products;
- g. Pharmaceuticals and chemicals;
- h. Machinery and equipment;

i. Services.

Overall, the Industrial Upgrading and Modernization Programme seeks to promote industrial upgrading through innovation, skills development, technology transfer and research and development. Implementing the SADC Protocol on Science, Technology and Innovation, which emphasizes cooperation in the development and transfer of science, technology and innovation in the member States, is a key starting point. This Protocol, however, still requires ratification by the member States, nine years after it was signed.

What the frameworks have in common is the absence of an implementation plan with a visible monitoring and evaluation mechanism. The programmes largely remain just statements of good intent.

The focus of the Industrial Upgrading and Modernization Programme on value addition and beneficiation of natural resources is re-emphasized in the revised Regional Indicative Strategic Development Plan, which frontloads industrialization. In 2014, the SADC Council also requested the Committee of Ministers of Trade to review the sequencing of targeted outputs on Industrial Development and Trade Liberalization in order to accord centre stage to industrialization in the current stage of integration in SADC.¹

This change in priorities was further buttressed by the directive issues at the 2014 SADC Summit that industrialization should take centre stage in the SADC regional integration agenda. Thus, at that Summit meeting, the Ministerial Task Force on Regional Economic Integration was mandated to develop a regional strategy and road map for industrialization. The Council further directed the secretariat to facilitate implementation of all pillars of the development integration agenda, in particular, to fast-track the coordination of measures for the effective implementation of the SADC Industrial Development Policy Framework and the Industrial Upgrading and Modernization Programme, in order to boost productive competitiveness and industrial capacity,

and promote equity, fairness and balance in intraregional trade.

B. SADC Industrialization Strategy and Roadmap (2015–2063)

At that Summit, however, SADC Heads of State and Government noted the impact of recent world events – in particular falling commodity prices – on the performance of regional economies. They called for the development of a regional collaborative programme focusing on the structural transformation of the SADC region through industrialization, modernization, upgrading and closer regional integration. That would be achieved through the shift from reliance on resources and low-cost labour to increased investment and enhanced productivity of both labour and capital. The regional integration agenda was revised to place industrialization and trade liberalization at the forefront. The transformation has been seen as a way of realizing better value from the region's rich natural resource endowments in order to raise the standards of living for citizens of the region and eliminate poverty. The 48-year Industrialization Strategy and Roadmap (2015–2063) is aligned with Agenda 2063 of the African Union.

The Strategy is positioned within the global and regional production dynamics of the twenty-first century, where industry is becoming increasingly skills and technology driven, and also capital-intensive; barriers to entry are rising; there is premature de-industrialization – meaning that the shift to services is setting in earlier, i.e., at lower per capita income levels, and at lower shares of manufacturing employment in total employment than was the case in the now developed world; and manufacturing is now characterized by a shift from full product manufacture to task manufacture, characterized by participation in global and regional value chains. There is also a shift from stand-alone factory locations to clusters. Another notable feature has been the decline in the contribution of manufacturing value-added to GDP as shown in Table 1.

¹ Record of SADC Council of Ministers meeting, held on 14 and 15 August 2014 at Victoria Falls, Zimbabwe.

The Strategy seeks to engender major economic and technological transformation at national and regional levels and to accelerate the growth momentum and enhance the comparative and competitive advantages of the economies of the SADC region.

1. Pillars

The Strategy is anchored on three pillars:

Industrialization as a champion of economic and technological transformation;

Competitiveness as an active process to move from comparative advantage to competitive advantage;

Regional integration and geography as the context for industrial development and prosperity.

2. Growth scenarios (phases)

The Strategy has a longer-term perspective, covering the years 2015 to 2063, and is aligned with Agenda 2063 of the African Union, with the following three growth scenarios:

- a. Phase I: covering the remaining period of the Regional Indicative Strategic Development Plan – 2015 to 2020. This period constitutes a period of active frontloading of the Industrial Development and Market Integration component of the Plan and related infrastructure and services support to industrialization, together with initiation or continuation of interventions to strengthen integration and competitiveness.
- b. Phase II: covering the period 2021 to 2050, during which focus will be on diversification

and enhancement of productivity and competitiveness.

- c. Phase III: covering the period 2051 to 2063, when SADC economies would move into the innovation-driven stage, characterized by advanced technologies and increased business sophistication.

3. Quantitative goals and growth targets

The Strategy sets out the following quantitative goals and growth targets for the region:

- a. To lift the annual regional growth rate of real GDP from 4 per cent (since 2000) to a minimum of 7 per cent;
- b. To double the share of manufacturing value added (MVA) in GDP to 30 per cent by 2030 and to 40 per cent by 2050, including the share of industry-related services;
- c. To increase the share of medium-and-high-technology production in total MVA from less than 15 per cent at present to 30 per cent by 2030 and 50 per cent by 2050;
- d. To increase manufactured exports to at least 50 per cent of total exports by 2030 from less than 20 per cent at present;
- e. To build market share in the global market for the export of intermediate products to East Asian levels of around 60 per cent of total manufactured exports;
- f. To increase the share of industrial employment to 40 per cent of total employment by 2030.

The other goals are qualitative, and include:

Table 1: Share of manufacturing in gross domestic product (percentage)

Years	1990	2000	2013
SADC	17.6	15.5	13.0
Sub-Saharan Africa	15.4	13.0	10.0
East Asia	25.0	24.0	19.0
Latin America	21.0	18.6	16.0
World	19.8	18.7	16.1

Source: SADC Industrialization Strategy and Roadmap, 2015.

-
- a. To achieve major socioeconomic and transformation at the national and regional levels;
 - b. To accelerate the growth momentum and enhance the comparative and competitive advantage of the economies of the region;
 - c. To diversify and broaden the industrial base and interdependences;
 - d. To enhance the productive capacity, productivity and competitiveness of SADC economies;
 - e. To provide a framework for technological and industrial catch-up, export diversification, natural resources beneficiation, enhanced value addition and increased regional trade and employment generation.

The Strategy outlines the essential elements for industrialization, including:

- a. Factor productivity;
- b. Technological upgrading and innovation;
- c. Geography and natural resources;
- d. Crucial role of the government as a developmental agent;
- e. Establishment of a compact for industrialization and development, consisting of the government, private sector, civil society, development partners and prospective investors;
- f. Central role of the private sector, among other critical elements.

C. Strategic interventions

The Strategy outlines strategic interventions in the following broad areas which are detailed as activities in the Roadmap. These include the following:

- a. Macroeconomic stability within a developing State;
- b. Sequencing trade liberalization alongside policy actions to build private-sector productive capacity;

- c. Removing binding constraints of inadequate infrastructure, industrial skills shortage, and shortage of industrial financing;
- d. Economic diversification;
- e. Prioritizing the growth paths: agriculture-led growth including agricultural value chains; natural resource-led growth including mineral beneficiation and value additions, including regional and global value chains;
- f. Public-private compact for industrialization;
- g. Mainstreaming gender and youth;
- h. Strengthening small and medium-sized enterprises;
- i. Enhancing competitiveness at firm, national and regional levels;
- j. Adoption of three growth scenarios ending with the knowledge economy;
- k. Mobilizing financial resources for implementing the Strategy.

The quantitative goals are ambitious, however, and necessarily call for decisive action on the part of all those involved. If the quantitative goals are to be attained, the business-as-usual approach must be abandoned, with the main players fully incorporating the initiative in their areas of responsibility.

D. Implementation responsibilities

The Strategy lays out a framework for its implementation, the details of which are to be set out in the action plan, still under development. There is recognition that the actions of the various parties are interdependent.

1. Responsibilities of the SADC secretariat

The SADC secretariat is responsible for coordinating regional actions and for creating the necessary regional forums for member States. It is also responsible for driving the process of value chains, in particular as it relates to profiling of the priority sectors. In addition to its coordinating role,

it the secretariat is expected to be responsible for monitoring and evaluating progress in the industrialization process. This, however, entails making regular reports to the relevant SADC structures, including to the Summit. This activity must be carried out in close consultation and collaboration with member States.

2. Responsibilities of member States (Governments)

Member States have a primary responsibility to ensure that the macroeconomic environment is suitable for the development thrust upon which the region has embarked. They should ensure macroeconomic stability, incorporate the regional industrialization framework in their domestic law and, in the same vein, develop national priorities in line with available resources. They should work very closely with the private sector and ensure that an industrialization pact is forged between the private and public sectors. This is particularly important, as noted in the SADC Industrialization Strategy and Roadmap (p. 21), in discovering and easing constraints on business and employment growth and in improving the climate for doing business and attracting investment.

The actual role of the Governments will differ from country to country, depending on the extent of their development, with some Governments being more involved in directing production activities than others. It is, however, the primary responsibility of the State to engage other member States in ensuring that non-tariff and tariff barriers are removed. Governments have the ultimate responsibility to overcome the binding constraints, which have already been identified as inadequate infrastructure (in support of industrialization), and overcoming the skills shortage, especially in view of the envisaged higher levels of industrial sophistication. They should also play a lead role in securing the financial resources to support industrialization.

Governments will also necessarily take the lead in promoting the development of micro, small and medium-sized enterprises. The Strategy identifies the key areas of focus as training programmes, access to information, financing, favourable fiscal

policy environment and assistance in accessing modern technology. (p. 22) It has been observed that women and young people dominate in this sector and that its promotion will therefore tap into their energy and innovative thinking.

3. Responsibilities of the private sector

The private sector will be expected to be the main developers of industries to define the new trajectory. It will work hand in hand with the public sector in creating a business-friendly macroeconomic environment, especially in the identification of obstacles to doing business. It is expected to play a lead role in building industrial capacity and enhancing capabilities, in particular in view of the challenging international business environment. It is expected to establish linkages with the industrial and academic research communities to translate their findings and innovations into competitive products. It is also expected to play its role in formalizing business linkages with the small and medium-sized enterprise sector. This is particularly crucial for enabling that sector to build its capacities to participate in national, regional and global value chains.

4. Value chain strategy

The development of value chains forms a key part of the Strategy. The Strategy puts emphasis on the employment of regional value chains for ensuring that industrialization takes place across most of the region. Its operationalization is expected to be anchored in the development of regional value chains, initially focused on three key sectors: agro-industry, mineral beneficiation and pharmaceutical industries. It is expected that there will be developments in other sectors, such as fisheries, and that these will follow the same format.

What is notable in all these frameworks is the emphasis on value addition, beneficiation and industrial development. As will be evident in the following chapter, some member States have not yet aligned their policies with the regional blueprints while others are already doing so to create a harmonized environment. The Strategy in

particular requires a significant change in the focus of national development plans, in particular with regards to the building of regional value chains. It marks a departure from the previous exclusive focus on national development to encompass a regional outlook, thereby also creating a deeper interdependence.

5. Developing the action plan for the Strategy

The greatest distinguishing feature of the Industrialization Strategy and Roadmap is the development of the costed action plan for its implementation. The plan, which at the time of writing was under development, is mainly based on the activities outlined in the Roadmap and also includes activities in the industrial development section of the revised Regional Indicative Strategic Development Plan (2015–2020), i.e., covering the first five years of the Strategy's implementation. It also includes activities relating to the Industrial Upgrading and Modernization Programme.

The costed action plan rationalizes the actions to be undertaken by the public sector, the private sector and the secretariat. Although still in draft form, it sets out the costs associated with public coordination costs as requested by the Ministerial Taskforce on Regional Economic Integration.

The Strategy was adopted in 2015, with unrealistic expectations about the pace of implementation. In particular, there was an expectation by the SADC Summit that a costed action plan could be developed within a year, a tall order given the limited resources available to the secretariat. It is no secret that the secretariat has had to use resources from cooperating partners to secure the human resources necessary for drawing up the costed action plan. This is less than ideal and exposes the region to accusations of lack of seriousness. The region has made a political commitment to the Strategy but this needs demonstration by way of allocating the requisite resources for the process to seriously get underway.

As of December 2016, there was no evidence that member States are preparing their national industrialization action plans. This is because the

regional costed action plan being developed by the secretariat is a generalized framework which needs to be brought into line with the situation obtaining in individual member States. The draft plan covers the first two phases of the Strategy, namely, 2015–2020 and 2021–2030. In terms of national development plan chronology, 15 years may be considered a long-term perspective and should be given the serious consideration that it deserves at member State level. This is because the key actions that will result in the industrialization of the region reside in member States. At regional level, most of the actions relate to coordination of member State activities in those actions that are best dealt with by the member States as a collective.

The region has adopted the development of value chains as a key strategy for the development of industry. In manufacture, however, relate to task manufacture rather than the manufacture of complete products. Task manufacture enables firms to concentrate on a very limited set of tasks which, when combined with other tasks of linked firms, results in the production of a complete product. The attractiveness of this approach is that it requires technology that is focused on maybe one or two processes only. This is suitable for the region given its limited resources and less than satisfactory access to modern technology.

In this regard, there is limited understanding among member State Governments of how the value chain processes actually work. From the sentiments that they have expressed at various regional forums, it is evident that there is an urgent need for serious capacity-building for government officials, and also for the private sector on the functioning of value chains as a starting point in the development of regional value chains.

Linked to the issue of capacity-building on value chains and the development of national action plans is the identification of national priorities, relating in particular to value chains. In their contributions to the development of the regional costed action plan, member States have expressed interest in the wholesale production of certain products such as leather goods. There has

been no indication, however, as to whether their interest and expertise lie in the production of hides, or tanning (wet blue), or production of fine leather material, or finishing with the production of consumer items such as shoes and handbags. A key difficulty arises from the realization that value chains entail value addition at each stage, with more value being realized higher up the production stages. Identifying entry points is a function of the capabilities of local firms, linked with the development of linkages with lead firms.

Another challenge, related to the successful implementation of agroprocessing value chains, is the need to ensure certainty of supply of raw materials, in terms of both value and quality. By extension, what this means is that a successful

value chain requires that farmers guarantee the availability of output by moving away from highly unpredictable rain-fed agriculture to irrigated crop output. Successful value chains will also require competitively priced inputs, meaning that investment in farm productivity is a definite requirement for any agroprocessing value chain. The cotton to clothing value chain is currently facing serious viability challenges in countries such as Zimbabwe where the productivity of cotton farmers is so low that, at existing international price levels (according to IndexMundi, 78 US cents per pound – <http://www.indexmundi.com/commodities/?commodity=cotton>), the sector is no longer sustainable. Similarly, for the soya bean value chain, it is necessary to guarantee supply at competitive price levels.

III. Review of industrialization policies of selected Southern African States

The national application of the regional industrialization agenda through national policy frameworks is of key importance for their implementation. The present chapter reviews the policies of some SADC member States, with a view to establishing their complementarity with the regional industrialization agenda. As observed by the independent South African-based think tank, Institute for Global Dialogue, for member States of SADC the crucial question is whether industrialization is a policy priority for their Governments and, if so, to what extent are these initiatives embedded in national development policies. A second and related question is whether there are specific policy tools and instruments that Governments have adopted to stimulate local beneficiation and value-addition. Third, there is need to ascertain whether Southern African countries have been or are pragmatically pursuing industrialization policy cooperation (or coordination), as this marks an important point of departure in the analysis of industrialization in the region. The present study seeks to establish if the policies incorporate the strategy of adding value to domestically produced primary products, together with the development of national and regional value chains. The following sections examine the industrialization policies of some of the member States and draws extensively on related work undertaken for the 20th meeting of the Intergovernmental Committee of Experts.

A. Angola

1. Industrialization initiatives in Angola Vision 2020–2025

The strategic outline of national policy to promote and diversify the economy, as set out in the document Angola Energia 2025: Angola Power Sector Long Term Vision, included the following objectives for the period until 2017:

- a. To promote balanced growth of the various sectors of economic activity centred on economic growth and expansion of employment opportunities;
- b. To enhance natural resources, enabling the expansion of value chains and the construction of clusters based on local resources;
- c. To boost the self-sufficiency of the country through the competitive and gradual replacement of select imports.

The priority sectors for industrialization are identified in the Angola Global Strategic Model for Development 2025, also known as Agenda 20–25. These sectors were chosen according to a set of criteria that match their contribution to national objectives, including the generation of added value, meeting the basic needs of the population, job creation, equitable and balanced regional development and the net effect on the trade balance, but also the multiplier effect that can boost the process of industrialization and economic activity. They are mostly based on adding value to locally available resources.

- **Food and drink industry:** This sector is chosen for its strong links with agriculture and fisheries. The activities will involve production of meat, fish, vegetables, oils, fats, milk, dairy products, flour, pasta, bread, cakes and other products for human and animal consumption., production of spirits, wines, beverages based on malt and soft drinks, including mineral water and soft drinks.
- **Textile and clothing manufacturing:** This sector, dealing with the production of textiles and garments, has strong links with agriculture.
- **Leather and footwear:** Comprising the entire production chain from tanning and finishing of leather to the manufacture of footwear and its components, this sector has strong links with livestock production and the rubber and plastics industry.

- **Wood and furniture:** The production of wood products used in construction, containers, coffins, and furniture, board and other wooden panels, has strong links with the forestry industry.
- **Pulp and paper:** The production of paper and paperboard goods (including packages) also has strong links with the forestry industry.
- **Chemical manufacturing, including pharmaceuticals:** This sector, comprising the manufacture of basic chemicals (including petroleum) and other chemicals (paints, perfumes, pesticides, etc.), resulting from the transformation of the former, has strong links with the petroleum industry.
- **Non-metallic mineral products and building materials:** The manufacture of glass and glass products, ceramic products, tiles, bricks, roof tiles, cement and derivatives, lime, plaster, concrete, production of ornamental rocks, abrasive products and other non-metallic mineral products has strong links with the mining industry.
- **Metals and metal products:** This sector covers the primary processing of metal ores, such as steel and aluminium casting, and also the manufacture of structures, doors, windows, tanks, boilers, steam generators, forged products, cutlery, hardware, hand tools, packaging, wire products, springs, chains, crockery and other metal products, including agricultural implements and other working tools.
- **Transport equipment manufacturing:** Activities covered by this sector include shipbuilding and repair, operating equipment for railways, iron chassis, trailers and semi-trailers, and also widely used equipment such as motorcycles or bicycles.

2. Constraints to be overcome

Angola seeks to overcome a number of constraints to industrial development, such as:

- Generally inadequate industrial infrastructure;
- Inadequate policy space for development of new industries;
- Institutional weaknesses to deal with non-oil economy;
- Hostile business environment for private industrial investment;
- Restrictive credit policies for the productive sector;
- Serious skills shortage for industrialization;
- Very weak business linkages with other SADC member States.

Angola's reindustrialization process favours the development of light industry, which can be achieved with the use of unsophisticated production equipment. Beverages and food products account for over 80 per cent of the sectorial production measured by their value added. The agro-industry requires low-tech equipment, and therefore represents the bulk of the current industry.

The implementation of priorities will be based on the following action programmes:

- **National production diversification programme:** A programme for building a strong and diverse economic base that allows reduced dependency on imports of consumer goods and high dependency on imports of consumer products and high dependency on oil exports;
- **Clusters priority creation programme:** This is aimed at the development of sectors that can create dynamic comparative advantages to sustain the position of Angola in the production chain segments of higher added value;
- **"Angola Investe" programme:** Promotion of the establishment of a strong national business structure, in particular with regard to small and medium-sized enterprises, to generate employment and wealth for Angolans.

Complementary programmes that are designed to enhance achievement of the same objective include an entrepreneurship

promotion programme; a credit access facilitation programme; a support programme for emerging economic activities; a conversion programme for the informal economy; a programme for the relocation of companies in Angola; and a medium term development programme for the agricultural sector.

Angola's industrial development initiatives need to be properly aligned with the SADC Industrialization Strategy. In particular, the identified constraints to industrial development are similar to those identified under the SADC Industrialization Strategy and Roadmap. Overcoming some of the identified constraints such as infrastructure, business environment and skills shortages would greatly benefit from the alignment of national approaches with regional approaches.

B. Mozambique

The overall development strategy for Mozambique is outlined in its national development strategy for 2015–2035 and the industrialization strategy in its 2007 industrial policy and strategy. The national development strategy is based on four pillars: first, development of human capital; second, development of infrastructure to support industries; third, research, innovation and technical development; and, fourth, institutional articulation and coordination.

The strategy suggests the following steps:

- a. Expansion of higher and technical education;
- b. Development of cooperation with the private sector to promote apprenticeships and “learning on the job”;
- c. Creation of a public job-information and clearing service.
- d. As for scientific and technological development, the strategy observes that this includes:
- e. Research and development;
- f. Education and training for human capital;

- g. Technological transfer;
- h. Installation and expansion of scientific and technological centres;
- i. Financial support for research, innovation and technological development;
- j. Management of knowledge existing in the country, of technology and of research and development projects.

The specific objectives of the industrial policy and strategy are the following:

- a. Creation of mechanisms for the coordination, articulation, implementation and economic and impact analysis of public policies, strategies and interventions and of complementary competitive investment, and for the rationalization and development of policy institutions and industrial promotion organizations;
- b. Development and supply of technological and informational services;
- c. Development and strengthening of coherence and consistency for infrastructure, economic, social and horizontal policy, institutional and educational support programmes and the priorities and requirements for industrial development;
- d. Mobilization of public and private finances for development of the industrial base;
- e. Identification and elimination of administrative and bureaucratic redundancies and irrelevancies, simplification of administrative processes, and the construction of a public-service culture to render useful, cheap, efficient, timely and good-quality services favouring the development of competitive productive activities.

The industrial policy and strategy emphasizes the use of national resources and capabilities, the reinforcement of industrial linkages, the gradual modernization of the industrial base, import substitution and export promotion on an ample, interlinked and competitive basis. Its priority sectors include: food industry value chains, furniture manufacturing; construction-materials industry; metal-mechanical, electro-technical

Table 2: Mozambique: GDP by sector (percentage)

Sector	2008	2012
Agriculture, hunting, forestry, fishing	29.3	32.6
of which:		
Fishing	1.9	1.9
Mining	1.5	2.4
Manufacturing	15.3	11.9.

Source: SADC Statistical Yearbook, 2012.

and chemical industries; and industrial waste recycling.

The policy emphasizes value-addition in cooking oils, stock-feeds and other derivatives (such as soap) from cashew nuts, sunflowers and cotton; the basic processing of pulp, juices and canned food from fruits and vegetables; the canning and processing of fish products, including the production of fishmeal for animal feeds; diversification of the sugar industry, in particular with a view to strengthening the linkages with other branches of the food and drinks industry. It seeks to ensure the development of programmes to widen the use of sugar-derived alcohol, including its use as fuel; and development of the salt industry, focusing on consolidation of the quality and iodization programme.

Other resource-based value-adding activities that the policy aims to develop include the furniture and wood products industries; the building materials and equipment industry; the consolidation of diversified industrial uses of the energy created by natural gas extraction; and the textiles and clothing industries. The policy suggests that these value-adding activities can be realized through institutional development at central and provincial government level to provide the necessary coordination mechanism; the reorganization of the integrated support system for small and medium enterprises to enable development of clusters and production and value chains.

The economy remains mainly anchored at the bottom of global value chains for most commodities, however, driven by megaprojects which are predominantly funded by foreign direct investment, focused on aluminium, extractive

industries (mainly coal), and the gas sector. The extractive sector was the fastest growing in 2013 at 22 per cent, propelled by coal exports. This growth has not translated into many new employment opportunities because the projects are capital intensive and are enclave in nature, with limited links with the rest of the economy. Table 3 shows that the contribution of value-adding activities actually declined between 2008 and 2012.

The industrial policy is complemented by sector-specific development strategies, which are set out in other national documents, including the strategic plan for agricultural development 2010–2019; the 2000 national energy strategy; the 2006 science, technology and innovation strategy; the 2007 strategy for the development of small and medium-sized enterprises; the 2008 strategy for integrated development of the transport network; and the 2008 natural gas master plan.

From the foregoing, it can be seen that Mozambique has already identified areas where value addition can be promoted with a focus on development by the small and medium-sized enterprise sector. Fisheries and other marine foods, cashew nuts, and textiles are some of the areas identified. The gas sector and the minerals sector (in particular, coal), are identified mainly for the large corporations.

C. United Republic of Tanzania

The short-term goals of the Tanzanian industrial policy include: human development and the creation of employment opportunities; economic transformation for achieving sustainable economic growth; environmental sustainability

and equitable development. The policy seeks to support agro-allied industries (resource-based industries) in which the country could potentially have competitive advantages if mixed with the correct technologies. In the medium term (ending in 2010), the policy sought to establish new capacities in areas with clear potential for gaining competitive advantages, though it does not mention any specific sectors other than iron ore. The policy will lead to development of the country's iron ore deposits, depending on available technology. Although only on a small scale, the development of those deposits has already taken off. This is also in line with one of the objectives of the country's mining policy, namely, to promote and facilitate value-addition activities within the country to increase income and employment opportunities.

Although the policy lacks detail on exact strategies, in the long term (up to 2020), it expects to support the establishment of fully fledged capital goods industries based on experience gained in the short and medium-term implementation phases of the Industrialization policy. This will involve modernization of the iron and steel industries.

D. Namibia

The Namibian industrial policy gives impetus to private sector-led industrialization, export orientation, value addition, skills development and economic diversification. It recognizes national processes and strategies in this endeavour within the wider framework of regional integration in both the Southern African Customs Union (SACU) and SADC, and highlights the need to develop cross-border industrial cooperation with neighbouring countries on a bilateral basis so as to extend the supply and value chains across borders to spread industrial development.

The mineral policy of Namibia provides direction for the sector in terms of value addition and beneficiation. It reviews the export of minerals in raw and semi-processed forms and observes that adding value to minerals would increase national economic activities. The policy observes that the country's extensive mineral endowment makes it a good candidate for further processing,

despite constraints imposed by the shortage of local capital, in particular risk capital; scarce fresh water supply; shortage of technical skills; long distances between the mineral deposits, markets and export destinations; and the large size of many operations. The supporting fiscal framework defines incentives to support beneficiation and value addition in the minerals sector.

The Namibian industrialization policy framework, known as the Growth at Home strategy, provides a road map for implementing the national industrial policy in a phased approach. The phases cover the periods 2015–2020 (laying the foundations), 2020–2025 (operating on a regional scale), to 2026–2030 (operating on a global scale in selected areas), and the period beyond 2030.

Growth at Home comprises three strategic intervention areas and sets targets in line with the guiding policy and strategy documents. The three strategic intervention areas are, first, supporting value addition, upgrading and diversification for sustained growth; second, securing market access at home and abroad; and, third, improving the investment climate and conditions.

The key features of Growth at Home include local value addition to local raw materials such as minerals and agricultural produce through national and regional value chains, the development of regional value chains, infant industry protection and reform for competitiveness. There are proposals for a targeted approach leading to industrialization, the initial sectors of which are to include: mining and mineral beneficiation; agriculture and agroprocessing; fish and fish processing; chemical industries linked to locally available minerals; and steel manufacturing and components of automotive industries.

In addition, the general reforms to be pursued under Growth at Home include the following:

- a. Industrial upgrading and modernization programme to provide support to majority Namibian-owned entities with at least 10 employees in four sectors, namely agrifood processing, pharmaceuticals and cosmetics, fish processing and minerals beneficiation;

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- b. Supportive incentive schemes and financing instruments;
 - c. Targeted investment promotion in the defined priority sectors and to support the diversification process;
 - d. Local procurement support initiative;
 - e. Retail charter development for best practices;
 - f. Trade competitiveness programme (single window system documentation);
 - g. Practical training and import of skilled labour (Namibian Training Authority);
 - h. Operationalization of the ten-year industrial infrastructure development master plan for Namibia;
 - i. Small and medium-sized enterprise support and creation of a platform for joint efforts to tackle remaining challenges in the business environment.

The Namibian focus is generally in line with the key aspects of the SADC Industrialization Strategy and Roadmap. The focus on priority sectors, value chains development, skills development and infrastructure development for industrialization are aligned with the key intervention areas in the strategy.

E. Zimbabwe

The Zimbabwean industrial development policy for 2012–2016 sets value addition as a priority in its vision statement: “To transform Zimbabwe from a producer of primary goods into a producer of processed value-added goods for both the domestic and export market.” In its objectives, the policy document seeks to replace obsolete machinery with new technology so as to increase the level of value addition to domestically produced primary products.

For Zimbabwe, the issue of value addition is not new, having been part of the previous industrial policy. The current industrialization policy notes that, since post the elaboration of the 2004–2010 policy, the contribution by the manufacturing sector to GDP continued to

decline, notwithstanding the implementation of appropriate interventions such as assistance to distressed and closed companies, import substitution and value addition, the development of integrated industrial clusters and the creation of subsector task forces that were developing detailed action plans for each subsector. It is now important to establish whether the policy achieved the intended outcome and, if not, what elements of the current policy will make a difference in terms of implementation outcomes.

The main obstacle to the success of the 2004–2010 industrial development policy was the absence of a dedicated financing mechanism designed to revive the industrial sector and support new policy initiatives. The collapse of the Zimbabwe dollar during the period 2007–2008 resulted in the financial institutions completely losing the ability to finance any productive activities.

By 2009, when the multi-currency regime was introduced, the banks had no solid deposit base on which to provide any form of lending beyond 30 days and industrial capacity utilization plummeted to as low as 5 per cent. As the distressed industries fund, financed through the national budget, had insufficient funds, many industrial firms folded because of the lack of working capital. The Government negotiated lines of credit and the rise in banking sector deposits enabled them to resume short-term lending (for up to 90 days) and industrial capacity utilization rose to around 40 per cent by 2014.

Following the massive de-industrialization of the decade 2004–2014, the industrial development policy for 2012–2016 outlines its key strategies as follows:

- a. Establishment of a dedicated financial mechanism through the remodelling or restructuring of the Industrial Development Corporation or another new bank to provide long-term funding for recapitalization;
- b. Identification of additional lines of credit of a medium to long term nature to provide working capital;

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- c. Provision by the Government of short-term revival packages for distressed companies through budgetary allocations;
 - d. Review of import tariffs to level the playing field between local and foreign competitors;
 - e. Strengthening of existing institutions that support research and technology.

In line with the 2012–2016 industrial development policy, the Government developed a supportive programme called the Zimbabwe Agenda for Sustainable Social and Economic Transformation (ZIMASSET). The programme puts beneficiation and value addition of primary products at the centre of Zimbabwe's transformation efforts. It proposes to grow the economy through recapitalizing and capacitating institutions, such as the Industrial Development Corporation, the Infrastructural Development Bank of Zimbabwe, Agribank, the Small Enterprise Development Corporation, the Minerals Exploration Company, the Zimbabwe Mining Development Corporation and the Minerals Marketing Corporation of Zimbabwe, to provide critical support for industrial development. (ZIMASSET, p. 35).

The strategies in the programme provide for the creation of a sovereign wealth fund from mineral resource revenues and the enhancement of public-private partnerships to support value addition and infrastructure development efforts. The targeted sectors in the programme include biodiesel from jatropha, biogas, fertilizers, fruit juice production, edible oils, avocado oil, meat and dairy products, diamond cutting and polishing and value-added steel products.

The Government has been reviewing the mining policy landscape and is emphasizing value addition and beneficiation as industrialization strategies. The fiscal framework in the proposed minerals sector framework will incentivize value addition and beneficiation.

The main impediment to the success of the precursor to the current policy was the absence of a dedicated financing mechanism set in place to revive the industrial sector and to support new policy initiatives.

F. South Africa

As observed by the South African Department of Mineral Resources, the country's economy experienced an average growth rate of 3.3 per cent during the democratic dispensation. Growth in itself was not able, however, to address the deep inequalities inherited from the apartheid regime. The economy continued to suffer from low levels of employment, while poverty and income inequality remained more widespread than in other middle-income economies. South Africa has been a resource economy in excess of a century. An independent evaluation of its Africa's non-energy in-situ mineral wealth was estimated by Citibank in 2010 at \$2.5 trillion, making the country the wealthiest mining jurisdiction. However, a considerable portion of its mineral resources are exported as raw ores or only partially processed.

Although South Africa has steadily improved its ratio of beneficiated to primary products exported since the 1970s, these ratios are still well below the potential suggested by the quality and quantity of its mineral resources endowment. The Government's industrialization policy calls for a paradigm shift in mineral development, strategic investment in assets to maximize long-term growth beneficiation projects, enhance value of exports, increase sources for consumption of local content, and create opportunities for sustainable jobs. Minerals are a vital input to an industrialization programme, which is intended to accelerate manufacturing in South Africa, both for local consumption and for export. Competitive access to minerals for local beneficiation is one of the key success factors for the country's industrialization initiative.

Already the biggest economy in the region, accounting for 60 per cent of regional GDP and 65 per cent of regional exports, a population which is about one fifth of the region and GDP per capita of over \$6,000, South Africa is still highly dependent on the export of unprocessed and partly processed mineral commodities. In other words, despite its regionally superior manufacturing sector, the greater part, by value, of its economic output consists of products at

or near the bottom of global commodity value chains.

This country, however, is the continent's best resourced country in terms of reserves of known minerals, including platinum group metals, gold, diamonds and chromite. The Department of Mineral Resources estimates the in situ value of known reserves of the various minerals at some \$2.5 trillion. The country is also notable, however, for its position as one of the world's most unequal societies, with a Gini coefficient of 65.0 per cent in 2011. The rate of unemployment is reported at above 25 per cent.

For these reasons, the South African Government adopted a developmental economic policy known as "The New Growth Path", which seeks to place the national economy on a production-led growth trajectory in order to tackle the country's developmental challenges of unemployment, inequality and poverty.

1. National industrial policy framework

The principal industrial policy document in South Africa is the national industrial policy framework, which is implemented through the 2013–2015 industrial policy action plan. The plan, outlining government initiatives to accelerate the industrialization of the South African economy, was approved by cabinet in 2013. It provided one of the key pillars of the New Growth Path, an economic policy framework for 2010–2020 whose overriding objective was employment.

Furthermore, it was informed by the vision set out by the national development plan, a policy blueprint for eliminating poverty and reducing inequality in South Africa by 2030. The industrial plan had stabilized South Africa's clothing sector, turned around the automotive sector, and added jobs in the business process services sector through strategies such as procurement designation to boost local manufacturing, by designating certain products as requiring minimum levels of local production and content in order to qualify for procurement by the State by 2015. Other sectors added included electrical valves, manual and pneumatic actuators, electrical

and telecommunication cables, and components of solar water heaters to the list of designated products.

The key objectives set out in the national industrial policy framework are the following:

- To promote diversification beyond the economy's current reliance on traditional and non-tradable services via the promotion of value addition, characterized in particular by the movement into non-traditional tradable goods and services that can compete effectively in export markets and against imports;
- To promote a labour-absorbing industrialization path, with the emphasis on tradable labour-absorbing goods and services and the systematic building of economic linkages that create employment;
- To promote industrialization characterized by the increased participation of historically disadvantaged people and marginalized regions in the industrial economy;
- To contribute towards industrial development in Africa, with a strong emphasis on building the continent's productive capacity and securing deeper regional economic integration;
- To ensure the long-term intensification of South Africa's industrialization process and movement towards a knowledge economy.

The key areas of intervention include: beneficiation, infrastructure development, regional economic development and industrial integration, new export markets, local procurement and supplier development and stronger collaboration with other countries in the BRICS grouping of countries (Brazil, Russian Federation, India, China and South Africa).

The policy recognizes the challenges of industrial financing and considers the domains of policy intervention to be introduced to encompass: cost-based interventions (interest rates, transport, utilities), inclusion-based interventions (support to labour intensive sectors and activities, small businesses and cooperatives, broad-based

black economic empowerment) and industrial upgrading interventions (sector-specific financing, manufacturing excellence support, industry specific technical and industrial infrastructure, skills development, innovation and technology support).

The national industrial policy framework focuses on a set of principles and processes through which sector strategies are to be developed, strengthened and prioritized. The following are the five broad sectoral groupings identified with potential for diversification:

- Natural resource-based sectors
- Medium technology sectors (including downstream mineral beneficiation)
- Advanced manufacturing sectors
- Labour intensive sectors
- Tradable services sectors.

The sector strategies include industrial upgrading and support for the development of technology. In addition, the policy puts regional integration at the centre, including by supporting productive competitiveness in members of SACU.

2. Mineral beneficiation strategy

The Government approved the development of a beneficiation strategy for 11 mineral commodities that was designed to strengthen the value-added component of the mineral sector. The minerals to be included in this plan were chromium, coal, diamond, gold, iron, manganese, nickel, platinum, titanium, uranium, and vanadium. Currently, as reported by the United States Geological Survey, up to 89 per cent of the potential value of South Africa's raw minerals is lost through premature exports.

The beneficiation strategy for the minerals sector of South Africa proposes a coordinated approach to encouraging the increase in the beneficiation of minerals through the development of specific value chains. The strategy is rooted in the Government's various policy provisions and regulatory framework, some of which may

be reviewed or further strengthened, where required, to enable a seamless implementation of beneficiation policy. These include:

- a. The concept of beneficiation is articulated within the minerals and mining policy of 1998, which aptly identified the need to adopt a policy that will create an enabling environment for the development of the country's mineral wealth to its full potential;
- b. The 2002 Mineral and Petroleum Resources Development Act, which enunciates the minerals and mining policy of 1998 but is being amended to further clarify and strengthen its provisions to ensure that downstream industries have a reliable supply of input materials for conversion into higher value goods;
- c. The Mining Charter, a broad-based socioeconomic empowerment charter for the mining industry, as amended in 2010, which encourages both downstream and sidestream value addition through provisions that trade off broad-based black economic empowerment targets against specified levels of procurement from black economic empowerment entities;
- d. The 2005 Precious Metals Act, whose provisions ensure that priority will be given to those applicants whose beneficiation processes are at the last stage of the mineral beneficiation value chain or will have a positive impact on those beneficiating in the last stage of the mineral value chain;
- e. The Amendments of Income Tax Act, which provides for incentives to new manufacturing concerns, training for workers, and research and development activities;
- f. The manufacturing investment programme, an incentive designed to stimulate investment growth within the manufacturing industry through grants to manufacturing investment projects by small enterprises and to support large to medium-sized investment projects that are on the borderline of sustainability;
- g. Establishment of a new State-owned mining company to participate in and implement

the Government's developmental agenda, including security of supply for local mineral beneficiation.

Multi-stakeholder structures set up to identify and investigate specific value chains in support of various aspects of beneficiation also provide support. In the same vein, South Africa's trade agreements also seek to support the beneficiation policy of the Government. These include the Beijing Declaration on the Establishment of a Comprehensive Strategic Partnership between the Republic of South Africa and the People's Republic of China; the African Growth and Opportunity Act; the Trade Agreement between the European Union and South Africa; the Southern African Development Community Trade Agreement; the Generalized System of Preferences; the Trade Agreement between Zimbabwe and South Africa; the Trade Agreement between SACU and the European Free Trade Association (EFTA) States; and the Rules of Origin Guides / Trade Agreements.

The beneficiation strategy for South Africa also includes such instruments as special economic zones, research and development incentives, tax inducements and international trade agreements, which have been set in place to encourage downstream value-addition and investment. The Government has also committed itself to providing transport, electricity and water infrastructure to enable greater beneficiation growth.

G. Zambia

The country's 2030 national long-term vision articulates possible long-term alternative development policy scenarios at different points which would contribute to the attainment of the desired social economic indicators by the year 2030. The vision is operationalized through five-year development plans and annual budgets and underpinned by sectoral policies and strategies.

The goal of Zambia's national industrial policy is to develop a competitive, export-led manufacturing sector that contributes 20 per cent of GDP by 2015. The overall policy objectives as stated

in the commercial, trade and industrial policy document are as follows:

- a. To stimulate and encourage value-addition activities on primary exports as a means of increasing national export earnings and creating employment opportunities;
- b. To transform the Zambian economy into a diversified and competitive economy which is well integrated into the international trading environment;
- c. To stimulate investment flows into export-oriented areas in which Zambia has comparative advantages as a strategy for inducing innovation and technology transfer in the national economy;
- d. To support the effective development and use of domestic productive capacities as a means of increasing output and expanding employment opportunities;
- e. To facilitate the acquisition of modern technology to support value-adding industrial processes by domestic firms;
- f. To facilitate public and private investments in testing infrastructure to support improvements in the quality and standards of Zambian products;
- g. To assist domestic firms to increase their levels of efficiency and competitiveness, and therefore withstand increasing competition in domestic and international markets;
- h. To formalize, monitor and regulate domestic trade activities with a view to promoting and stimulating a vibrant domestic trading sector; in particular by ensuring fair competition in the domestic market, and also protecting the welfare of consumers.

According to Mudenda (2009), "Since the late 1980s, successive Zambian Governments have continued to emphasize export diversification as a way of reducing export instability. The Export Board of Zambia was established to promote the production of non-traditional exports and the Zambia Development Agency Act (2006) introduced special tariff exemptions for designated priority sectors, mostly in the

manufacturing sector. Other measures included: zero rating duty rate on all machinery and equipment for five years, duty exemptions for manufacturing materials, machinery, fixtures and equipment, tools for motor vehicle assembly, textiles and clothing, cement, roofing sheets and computer parts. Furthermore, manufacturing under bond ensures that manufacturers of ready-made exports are allowed to import their required inputs duty and tax free”.

As part of the implementation of the Zambia Development Agency Act, the Government has embarked upon the establishment of multi-facility economic zones, under which developers, operators and tenants benefit from a number of fiscal and non-fiscal allowances such as tax holidays and import duty exemptions. The purpose is to promote manufacturing, exports, technological development, skills transfer and job creation. The zones are designed to support firm clusters that can benefit from spatial proximity throughout various industrial processes, from primary production and processing to marketing and sales, and ultimately distribution.

Mining is one of Zambia’s major economic sectors and copper is the country’s key mineral, accounting for some 75 per cent of export earnings mainly as refined copper and unwrought alloys. The sector still only accounts for 9 per cent of GDP. Over the last decade, mining accounted for over 85 per cent of all foreign direct investment into Zambia. Between 1996 and 2011, a total of \$5 billion was invested in the mining sector.

The Government’s policy in the sector focuses on attracting investment for both mining and beneficiation. The 2013 minerals and mining development policy, which replaced the 1995 mining policy and draws on Zambia’s Vision 2030, seeks to promote a mining sector that is integrated into the domestic economy and which promotes local entrepreneurship, increased demand for local goods, promotes value addition and creates employment for Zambians. The policy emphasizes the promotion of linkages between mining and agriculture, mining and tourism, and mining and value-addition industries.

The policy has a specific theme on value addition, under which the Government commits itself to promoting and facilitating the development of downstream processing capacity for minerals through such mechanisms as: “(i) providing a supporting fiscal regime; (ii) exploring the opportunities for the establishment of local metallurgical plant capacity; and (iii) identifying markets for national and regional consumption of value added products” (Minerals and Mining Development Policy, 2013). To support research and development in the sector, the Government commits itself to facilitating research by creating the necessary conditions and by encouraging partnerships between mining companies and research and training institutions. The importance of regional cooperation is also underlined in the sectoral strategy.

H. Summary

The positive impact of domestic or regional industrialization policies and frameworks within Southern Africa can, in part, be gauged by the extent to which they have led to the creation of domestic or regional value chains and the generation of jobs. This section of the report explores the importance of value chains and also the participation of SADC member States in regional and global value chains.

The general thrust of the national industrialization policy documents is towards beneficiation and value addition, which is in line with both regional and continental policy frameworks. At the same time, none of the policies or strategies is long term in the same sense as the regional strategy. In addition, the policies differ on the level of guidance with the South African policies, which are much more detailed and comprehensive. The South African policy clearly brings out the related policies and is very specific regarding the sectors and actual products of concern. Generally, there is room for the realignment of national industrialization policies with regional policy frameworks. In particular, the articulation of regional value chains is a recent development in the regional context which requires serious domestication by member states.

Monitoring and evaluation frameworks of member States' industrialization policies are varied and in some instances do not even exist. South Africa has an elaborate framework, while Mozambique and Namibia have very general approaches. As

part of the harmonization of policy-making in the region, the crafting of monitoring and evaluation frameworks needs to be part of a possible policy training schedule.

IV. Review of the COMESA-EAC-SADC Tripartite Programme on Industrial Development

(Compatibility with the SADC industrialization strategy)

The Tripartite Programme on Industrial Development is defined by the framework for cooperation and the work programme of the Industrial Development Pillar. The overall objective of this cooperative venture is to attain economic transformation for sustainable and inclusive development in member and partner States of the Tripartite Programme.

The SADC strategy played a key role when the programme was being drawn up, as it had already been approved. The framework for cooperation is based on three pillars which are directly derived from the SADC Industrialization Strategy and Roadmap:

A. Three core pillars²

The three pillars underpinning the Tripartite Programme are the following:

- a. Industrialization as a champion of economic and technological transformation;
- b. Competitiveness as an active process in the shift from comparative advantage to competitive advantage;
- c. Regional integration and geography as the context for industrial development and economic prosperity.

B. Objectives

The overall objective of tripartite cooperation in industrial development is to attain economic transformation for sustainable and inclusive development in the Tripartite Programme's

member and partner States. Specifically, the cooperation aims at the following:³

- a. Enhancing productive capacity and addressing supply side constraints;
- b. Promoting value addition and diversification of the industrial base;
- c. Increasing intra and extra-regional trade;
- d. Contributing to job creation and poverty reduction;
- e. Strengthening of research and development, technology and innovation capabilities to support structural transformation of the industrial sector;
- f. Enhancing the capacity for industrial policy formulation, implementation and monitoring and evaluation;
- g. Fostering the development of regional value chains.

C. Scope

Cooperation among Tripartite Programme member and partner States will cover the following broad areas:

- a. Industrial policy coordination, policy advocacy and best practice sharing;
- b. Development of regional and cross-border industrial value chains and linkages;
- c. Micro, small and medium-sized enterprise development;
- d. Capacity-building and industrial skills development;
- e. Standards, quality assurance, accreditation and metrology systems and infrastructure;

² Framework for Cooperation, p. 3; SADC Industrialization Strategy, page 6.

³ Framework for Cooperation, p. 2. The Framework for Cooperation is reproduced here by courtesy of the COMESA-EAC-SADC Tripartite Programme.

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- f. Science, research and development to stimulate technology transfer, and marketing of innovations;
 - g. Industrial statistics and information dissemination systems;
 - h. Intellectual property rights and indigenous knowledge systems;
 - i. Sustainable use of resources, including the blue ocean economy;
 - j. Industrial collaboration and partnerships;
 - k. Resource mobilization and financing for industrial development.

D. Principles

The following principles are to guide cooperation in industrial development:

- a. Policy coherence and consistency between the industrial development programme, market access and infrastructure pillars;
- b. Complementarities and synergies with ongoing national and regional industrial development initiatives;
- c. Optimization of comparative and competitive advantages in resources and productive capacities within the Tripartite Programme member and partner States;
- d. Cooperation in the mobilization of resources, investment and capacity development;
- e. Mutual benefit with regard to cooperation in industrial development;
- f. Environmental consideration.

E. Specific areas of cooperation

To achieve the objectives set out in the framework for cooperation, member/partner States undertake to pursue the following:

Creation of a coherent and enabling policy environment for industrial development

1. Tripartite Programme member and partner States will collaborate in formulating and implementing appropriate policies to support industrial development, and to achieve economic diversification, regional integration, and competitiveness.

Development of regional and cross-border industrial value chains

2. Creating a competitive business environment for investment and the development of priority cross-border value chains through reforms of the legal, regulatory and administrative frameworks governing these sectors and investing in appropriate infrastructure.
3. Cooperating and sharing best practices in order to promote investment in regional and cross-border value chains. A Tripartite Programme investment promotion forum will be established to facilitate public-private sector dialogue.

Micro, small, and medium-sized enterprise development

4. Creating an enabling policy, legal, and regulatory environment for the development of rural based micro, small and medium-sized enterprises. Developing a programme to promote linkages between micro, small and medium-sized enterprises and large enterprises.

Collaboration in promoting local content through the development of regional supply chains

Collaborating in formulating policies and regulatory frameworks for local content to support regional and national supply chain development.

5. Exploring the strategic use of government procurement to promote industrial and small and medium-sized enterprise development.

Industrial skills development

6. Collaborating in providing technical assistance to support capacity-building in relevant areas of cooperation.
7. Collaborating in the development of appropriate industrial skills.

Standards, quality assurance, accreditation and metrology systems and infrastructure

8. Collaborating in the development of appropriate technical infrastructure and systems in the areas of standards, quality, accreditation and metrology, with a view to facilitating intra-Tripartite Programme trade and improving the competitiveness of industries.

Science, industrial research and development, technology and innovation

9. Reviewing innovation systems to create an enabling environment for technology transfer and the marketing of innovations.
10. Developing a programme to strengthen research and development capacities and to promote technology acquisition, adaptation and transfer in the prioritized value chains.

Industrial statistics

11. Collaborating in the development of harmonized industrial statistics to facilitate information sharing, monitoring and evaluation of industrial performance within the Tripartite Programme.

Intellectual property rights and indigenous knowledge systems

12. Collaborating in the application of an effective intellectual property regime that fosters innovation, technology transfer, promotion and protection of intellectual property rights and indigenous knowledge systems for industrialization.

Promotion of the green economy and sustainable growth, and the development of green industry

13. Cooperating and formulating frameworks for mainstreaming green and sustainable industrial development approaches across all aspects of industrial development.
14. Cooperating and formulating frameworks for developing green industrial value chains and green jobs.

Harnessing blue ocean economy resources for sustainable industrial growth

15. Sharing best practices in the application of blue ocean economy to promote industrial development and economic diversification.

16. Formulating strategies and collaborating in sustainable use and management of blue ocean economy resources relevant for industrial development.

Fostering industrial collaboration and partnership

17. Strengthening industrial collaboration within South-South and North-South cooperation frameworks.

18. Prioritizing support for industrialization in bilateral and multilateral engagements.

19. Pursuing cooperation between the public and the private sector to contribute to and optimize synergies for industrial development.

20. Exploring possibilities for collaboration between State-owned enterprises.

Resource mobilization and financing for industrial development

21. Exploring alternative financing mechanisms including the establishment of a Tripartite Programme industrial development fund to support the implementation of industrial projects, in particular those which require long-term financing.

22. Cooperating in developing financing mechanisms including industrial development funds at national levels to complement financing schemes at regional levels.

Organs for the implementation of the framework for cooperation in industrial development

23. The implementation arrangements will be in accordance with article 29 of the Tripartite Free Trade Area Agreement. Implementation will be carried out by developing a programme of activities covering the scope of cooperation.

Road map for implementation of the framework for cooperation

24. The implementation of the framework for cooperation will be based on a five-year work programme.

System for monitoring and evaluating implementation of the road map

25. The Tripartite Technical Committee on Industrial Development will develop a monitoring and evaluation framework to facilitate tracking of the progress of implementation of the five-year Tripartite Programme work programme and road map for industrial development.

F. Implementation of the work programme for the Tripartite Programme on Industrial Development

The work programme of the Industrial Development Pillar covers implementation of the Tripartite Programme on Industrial Development. It is expected to take place over a five-year period, although most of the areas for implementation suggest a much longer period of time.

The programme covers the specific areas of cooperation noted above, that are broken down into activities and 99 sub-activities. Tripartite Programme member and partner

States, the secretariats of the regional economic communities, the Tripartite Technical Committee on Industrial Development and the Tripartite Taskforce will jointly and severally implement the 99 sub-activities.

G. Summary

The Tripartite Programme on Industrial Development has strong linkages to the SADC Industrialization Strategy. The key reason for this is that the Strategy document is a key reference document in the crafting of the Tripartite Programme. The Tripartite Programme is of relatively short duration, however, compared with the SADC Industrialization Strategy and Roadmap, focusing on only five years, covering only the first five-years of the Strategy and Roadmap which has in all a 40-year life-span. Just like the Strategy and Roadmap, however, the Tripartite framework for cooperation and work programme are merely frameworks providing guidance for drawing up national industrial development strategies. The areas that they cover are more or less the same. The plan for the implementation of the Tripartite Programme is covered in the five-year work programme.

V. Progress in the Implementation of the Industrialization Strategy and Roadmap (2015–2063)

A. Profiles of priority sectors identified in the Roadmap

In developing the Industrialization Strategy and Roadmap (2015–2063), the SADC secretariat drafted some detailed reports analysing cross-border minerals value chains and feasibility studies on the regional manufacturing of medicines and health, and identified the following as potential areas for developing regional value chains:

- a. **Energy mineral value chain:** Coal, oil and gas can be used for power generation and also for manufacturing polymers;
- b. **Regional ferrous minerals value chain:** The abundant ferrous metals such as iron ore, zinc, chromium, nickel, manganese, tungsten and vanadium can be used to build select regional integrated mills, numerous mini-mills to produce different types of steel which can be used in manufacturing processes and in infrastructure development (construction, ICT, transport, water);
- c. **Base-metals mineral value chains:** Copper and aluminium can be used to produce products that can be used in manufacturing processes and infrastructure development;
- d. **Regional fertilizer mineral value chain:** Minerals such as nitrogen from coal and gas, phosphate and potassium can be used to develop select fertilizer plants with numerous blending plants in a number of SADC countries to boost the agricultural sector;
- e. **Cement value chain:** Limestone resources could be used to produce cement; the abundant limestone resources could be used to develop several additional cement plants in the region and cement will be used in the construction industry, in particular social and economic infrastructure, thereby bettering the lives of regional citizens;
- f. **Value chains on minerals:** This being an area where SADC has producer power, SADC countries can use this producer power on minerals such as diamonds, cobalt and platinum group metals to ensure that beneficiation takes place at source, and also have a significant input in setting their prices;
- g. **Regional minerals inputs strategy:** There is a huge market in the SADC region for upstream linkages between capital goods for the mining sector, consumables and services industries.

The work undertaken so far is pre-feasibility and serves to make information available to the wider investing public and also to regional governments. Further work needs to be done and includes undertaking detailed value chain mapping on each product or mineral and the development of regional value chain strategies.

The detailed mapping exercise should aim to achieve the following:

- a. Identify the strength, weaknesses, opportunities and threats to mineral beneficiation and value addition on selected minerals;
- b. Develop a strategy to address the challenges identified and facilitate cross-border value chains;
- c. Assess the availability of mineral resources for mineral beneficiation in light of the fact that some of the mineral resources may be tied to futures contracts;
- d. Develop model legislation and regulatory framework for value chains and value addition;
- e. Identify the policy reforms and other requirements such as infrastructure, skills and finance that will be required to operationalize the value chain;
- f. Develop value chain projects and bring them to the bankability stage and then market

them to development finance institutions and investors.

The exercise on profiling the pharmaceutical sector has identified the following as potential areas for developing regional value chains:

- a. Antiretrovirals value chain;
- b. Anti-tuberculosis drugs value chain;
- c. Artemisinin value chain for production of anti-malaria drugs;
- d. Condom manufacture value chain;
- e. Bed net value chain.

The above work was inspired by the need to deal firmly with the scourge of communicable diseases prevalent in the SADC region. Further work required includes:

- a. Undertaking detailed feasibility studies on each identified value chain and develop bankable projects that could be funded by investors or development finance institutions;
- b. Developing programmes and strategies with a view to:
 - i. Increasing regional production and the availability of quality and affordable essential and generic medicines and health commodities for communicable and non-communicable diseases;
 - ii. Strengthening local producers' capacity to meet current good manufacturing practices;
 - iii. Removing tariff, non-tariff and policy barriers on raw materials for producing essential medicines and imported medicines;
 - iv. Establishing joint ventures and public-private partnerships for the regional production of essential medicines and health commodities;
 - v. Strengthening regulatory capacity in national medical regulatory authorities;

- vi. Facilitating and promoting mutual recognition, joint inspection and registration among member States;

- vii. Fully operationalizing the SADC pooled procurement system;

- viii. Promoting and supporting operational research into pharmaceutical issues.

The SADC secretariat is currently working on the profiling of the agroprocessing sector within the SADC region. The study is scheduled for completion in 2018. It aims to:

- a. Provide a comprehensive description of the agroprocessing and related agribusiness industry in the SADC region;
- b. Assess opportunities and risks for the SADC agroprocessing industry in the global, continental and SADC regional context and provide a risk and opportunity outlook for the key product groups that can serve as a basis for developing value chain assessments and strategies.

B. Development of the costed action plan

The costed action plan for the implementation of the SADC Industrialization Strategy and Roadmap was adopted at the Extraordinary Summit in March 2017. Subsequently, the secretariat has made progress in the roll-out of the action plan through a number of activities, including the meetings detailed below.

1. Meeting of international cooperating partners strategic partners supporting value chain development in SADC member States, 11 May 2017, Johannesburg

Among the objectives of the meeting were the following:

- To understand and appreciate the focus of each international cooperating partner at the member State level in order to facilitate effective coordination;

- To avoid duplication of efforts and resources and to realize positive synergy among international cooperating partner value chain support programmes;
- To encourage international cooperating partners and other organizations to align their value chain support for member States with the regional value chain development work outlined in the action plan;
- To explore the possibility of establishing a consultative forum for supporting regional value chain development efforts in SADC.

The meeting agreed to the following:

- International cooperating partners are to provide information on their activities in support of the development of national and regional value chains;
- The secretariat is to use the information to develop a database of international cooperating partners and their activities at national and regional levels;
- The secretariat is to coordinate work undertaken by international cooperating partners at the national level, in particular on trade facilitation and the development of trade corridors;
- International cooperating partners that are already undertaking work for the benefit of the SADC region are to mainstream their work into the SADC work programme.

2. Forum of chief executive officers of the SADC development finance institutions network, 6 July 2017, Dar es Salaam

The meeting raised awareness among development finance institutions of their role in supporting industrial development, inclusive of small and medium-sized enterprises, as it is imperative that these institutions play their mandated role, specifically in mobilizing financial resources and targeting the priority sectors to ensure the achievement of national and regional development goals.

The secretariat has received requests for determining national indicative public coordination costs for the costed action plan from 13 member States. Determination of the public coordination costs has started, alongside the roll-out of the action plan by member States. As of February 2018, the roll-out has taken place in Angola, Botswana, Eswatini, Lesotho, Madagascar, South Africa and Zimbabwe.

C. Development of the Mining Vision

The secretariat, in collaboration with ECA, is developing a regional mining vision and action plan. The overall objective of the SADC regional mining vision is to maximize the development impact of mineral resources extraction within the overarching context of the African Mining Vision and the SADC Industrialization Strategy and its action plan.

D. Resource mobilization for industrialization

It is expected that resource mobilization will be a continuous effort to support activities at regional, national and enterprise levels. The costing of regional-level activities has already shown that the secretariat will require in excess of \$200 million to cover regional coordination costs over the first 15-year period.

As part of the programming for the European Union subregional envelope of regional economic integration, €18 million has been allocated for support of industrialization and productive sectors. Project formulation for the support is complete. The proposal has been submitted to the European Union for consideration and feedback.

In addition, the African Development Bank has agreed to assist the secretariat in the following areas:

- a. Operationalization of the Development Fund: the Bank will assist in the operationalization of the SADC Development Fund through the development of all necessary instruments

for operationalizing the Fund, including the terms of reference for the fund managers, the board of directors, committees of the board of directors, and the chief executive officer;

- b. Identification of priority projects with the regional infrastructure development master plan: the African Development Bank, working in consultation with SADC, will identify priority projects within the regional infrastructure development master plan so as to determine appropriate strategies for funding the projects. A team from the Bank will visit SADC to consult on the project identification and prioritization process. Consideration will also be given to the identification and prioritization of industrial development projects;
- c. Provision of equity: the African Development Bank will consider the feasibility of providing equity to the SADC Development Fund;
- d. Project preparation and development facility migration plan: the African Development Bank will also assist in the development of the plan for the migration of the project preparation and development facility to the industrialization window;
- e. Economic corridors: the meeting also agreed that the African Development Bank would assist SADC in preparing proposals for consideration by the Bank on technical assistance in capacity-building in the development of value chains, focusing in particular on economic corridors that combine infrastructure and regional value chains.

E. Publicizing the SADC Industrialization Strategy and action plan

Progress has been made in publicizing the SADC Industrialization Strategy and action plan, starting with the celebration of the 2016 SADC Industrialization Week, which culminated in the Esibayeni Declaration. Four common messages emerged from the Declaration:

- a. Hard and soft infrastructure shortcomings must always be addressed together. Hard

infrastructure is only as useful as the regulatory environment that surrounds it, and either facilitates or hampers its application;

- b. Policy certainty, including stability, predictability, consistency and transparency, is a prerequisite for attracting investment for regional industrialization, regardless of sector or scale. Large companies and small and medium-sized enterprises from all sectors demand policy certainty regarding the use of tariffs, fees and levies at borders; mining houses and agroprocessors call for stable and predictable export regimes; and infrastructure developers and agro-enterprises highlight the need for consistent and transparent land-use rights;
- c. Prioritization and sequencing are key to successful implementation. Prioritization should take into account geographical links, opportunities for incremental implementation to allow for short-term gains, and industry-specific requirements to support priority value chains;
- d. Enabling trade through the removal of non-tariff barriers, coordinated border management and a solid regional transit system is a prerequisite for industrialization in all sectors.

The private sector celebrated the 2017 SADC Industrialization Week in Johannesburg, South Africa, which resulted in the Sunninghill Declaration. The Declaration has the following key messages:

- a. Conventional policy approaches are not always appropriate for rapidly changing conditions. Responsible policymaking requires considered and careful research and thorough groundwork, taking into account the evolving regional political economy;
- b. There is need to acknowledge the inequalities that exist within member States, and in particular between member States in the SADC region. Genuine deeper regional integration can help smaller and weaker economies to overcome their vulnerabilities and limitations by pursuing different strands

of specialization along specific regional value-addition chains;

- c. Regional protocols, strategies and plans must be implemented at domestic level, subject to the sensitivity to the changing socio-political, economic and technological environments;
- d. It is essential to develop common awareness among the public and private sectors on the main elements of 'quality infrastructure' for SADC (and the African context), assessing the net long-term benefits and trade-offs;
- e. The dearth of information serves in particular to discourage micro, small and medium-sized enterprises from participating in regional and global value chains. Accordingly, an active exchange of information should be facilitated

between governments, the private sector and their intermediaries (including chambers of commerce, business associations, and investment agencies).

F. Summary

Progress has already been made in the implementation of the action plan for the SADC Industrialization Strategy and Roadmap. This may be seen in such areas as profiling of the minerals and pharmaceutical sectors, development of the costed action plan, development of the Regional Mining Vision, resource mobilization for industrialization, and publicizing the Strategy and action plan through the celebration of SADC Industrialization weeks, which have resulted in the Esibayeni and Sunninghill Declarations.

VI. Challenges of implementing the Roadmap

Implementing the Roadmap was always going to be a major challenge to both the member States and the SADC secretariat, because of the Strategy's ambitious nature. A critical condition of the successful attainment of the objectives is policy consistency. This plan spans 48 years and, during such a long period of time, the political and social landscape can be expected to change.

It is likely that policy changes along the way may alter the trajectory so that, in the end, the outcome is likely to be different from that envisaged in the current documents. The region has just had the experience of its Regional Indicative Strategic Development Plan, which has undergone revision with a reordering of its priorities.

A. Ownership of the Roadmap

A critical aspect of the implementation of the Roadmap is the assumption of total ownership of the process by the member States in, first, their individual and then their collective capacity, with the secretariat playing a coordinating role. Currently, this is not clear. The secretariat took a leading role in developing the action plan and, as of February 2018, was still involved with the roll-out to member States. Ownership of the action plan will be critical, for it is in the member States that implementation actually takes place, with the national private sector playing the key role. It cannot be business as usual at member State level inasmuch as it is not business as usual at the secretariat level. In the latter case, an appropriate institutional setup that responds to the needs of the industrialization effort has been adopted.

B. Overcoming the binding constraints

Most SADC documents, including the Industrialization Strategy and Roadmap and the revised Regional Indicative Strategic

Development Plan (2015–2020), acknowledge the critical constraint of inadequate industrial skills, infrastructure, in particular power, transport networks, and financing of industrialization. These collectively constitute the binding constraints because of their high impact on industrialization activities.

1. Industrial skills

There are two aspects to this subject: first, identification of specific skills in short supply and, second, skills training to fill the identified gaps. Making the skills available is a completely separate issue, which requires substantial resources and time. There may be a need to use expatriates in the short term. The identification of specific skills also has a bearing on the priority sectors that SADC has identified. Under the implementation of the industrial development policy framework, ECA has worked in partnership with the SADC secretariat in carrying out a skills study in mining and minerals beneficiation. This needs to be replicated in the other priority areas of agroprocessing and pharmaceuticals development. This means that, over the next few years, there is a real danger that developments in the priority sectors may be constrained by inadequate skills, affecting in particular those programmes starting between 2016 and 2018.

2. Infrastructure

The largest constraint in this area is the SADC power deficit, which was by March 2015 had risen to 8,247 MW (SAPP Annual Report 2015). While the region continues to install new generation capacity, the major point to note is the expectation this will meet demand by 2027 at current growth rates. If, however, the industrial take-off envisaged in the Strategy is to be realized, the power deficit will be even greater, thereby acting as a potential constraint on realization of the Strategy objectives.

3. Financing of industrialization

This was recognized from the outset as a key binding constraint which requires creative thinking and acting. Further considerations may be found in the section below, on financing industrial development.

C. Communicating the Strategy and Roadmap

Key aspects of implementing any strategy include communicating it, clarifying it and cascading it (Edinger, 2015). Regarding the implementation of the SADC Industrialization Strategy and Roadmap, the SADC secretariat is already trying to ensure that all the relevant structures of SADC are kept informed of all developments surrounding the process. These structures include the Industrial Development Forum, the Ministerial Task Force, the Committee of Ministers of Trade, the SADC Council, and the Summit of Heads of State. A key aspect of the Strategy is implementation by the private sector. There is a recent effort by the private sector to put together a forum for liaising with the secretariat on the industrialization issue in the form of the Southern Africa Business Forum.

The formation of the Southern Africa Business Forum was a timely initiative, as it coincided with the start of the implementation phase of the Roadmap. The initiative has already produced results with the Esibayeni Declaration on addressing hard and soft infrastructure issues already receiving attention at meetings of SADC structures. Another key outcome relates to the formation of working groups that are looking at ways of developing regional value chains in the priority sectors (SABF, 2016).

The current challenges relate to the representativeness of the Southern Africa Business Forum, as has been acknowledged by the Forum leadership. It is essential that the Forum be able to reach out to key decision makers in the private sector at national level. This means that, as part of its activities, the Forum must develop an outreach programme to inform the private

sector in general about this important initiative and the roles that members of the private sector can play in it. Most of the business membership associations are weak and only represent a small proportion of the formal business community, especially in other SADC countries outside South Africa. This, therefore, presents a challenge for communicating the message about the Roadmap and, by deduction, another challenge arises in clarifying the message and also in cascading the Strategy. It means the roles that are supposed to be played by the private sector are in danger of not being understood.

D. National costing of the action plan

A key aspect of developing the action plan is the need to determine the costs of implementing the Roadmap. The costs to be calculated include the public coordinating costs at both national and regional levels, and also the investment costs. While this is work in progress as the secretariat attends to it, the public coordinating costs may be easier to determine. The investment costs are likely, however, to present a real challenge to all involved. In particular, much of the work hinges on identifying potential regional value chains.

This is a necessary first step to be followed by viability tests of the identified value chains. Critically, value chains, whether national, regional or global, are all anchored on viability and profitability. The latter is best determined by the private business and investment sector. Technical assistance has, however, been provided to some member States to enable them to calculate national coordination costs. At the time of writing, a few countries had submitted their estimated national coordination costs.

E. Financing industrial development

The lack of noticeable success in the implementation of some of the regional industrial development programmes and, indeed, national industrial development programmes can be traced back to poor availability of financial

resources. In recognition of this fact, the Strategy has identified a number of sources of finance, including domestic, foreign investment and support from international cooperating partners. There are challenges in all three broad sources, however.

On the domestic front, it is evident that the per capita annual incomes of the majority of SADC citizens still falls below \$1,000. The challenge here is to design savings programme which can make a difference to industrialization on the back of such low standards of living. This is particularly so given the expected high levels of resource requirements by the corporate sector. In such instances, personal long-term savings are greatly diminished, posing a big challenge to finance ministers. Foreign investment in plant and machinery is faced with a choice of the region or other more attractive investment places in the world. Investment on stock exchanges is vulnerable to the slightest bad news and should therefore not be relied upon. On the other hand, international cooperating partners represent constituencies that may not particularly enjoy seeing their resources being used to finance competitive industries that may put them or their children out of a job.

F. Spreading benefits to all member States

The adoption of the Strategy by the Summit was also premised on the distribution of benefits to all member States. The mechanism for ensuring that this will happen, however, has not been spelled out. There is some expectation that the development of the action plan will include this aspect as one of the practicable items on a continuous basis. This is key as it is evident that part of the reason why the consolidation of the SADC Free Trade Area continues to be a challenge is the perception or concerns by some member States that their economies are not really benefiting from the free trade area.

Voices of discord are likely to emerge unless there is evidence that there is benefit flowing to all other regional countries. Countries such as Mauritius and Seychelles are already disadvantaged in that

they are separated from the mainland by the ocean, and it is not feasible for them to derive benefit from certain regional activities, such as SADC regional infrastructure projects in support of industrialization.

G. Vulnerability to global business cycles

In her contribution to the Third International Conference on Financing for Development, Durano (2015) focuses on an issue that is likely to confront the region in implementation of the Roadmap: vulnerability to business cycles. She contends that deeper integration into global value chains may sound exciting when all is well. Deeper integration also means, however, that countries – in this case, Southern African countries – are more vulnerable to business cycles that may occur as a result of policy changes in the significant countries among them. Depending on the level of exposure, this may adversely affect the performance of firms deeply enmeshed in the global value chain unless the firms have alternative avenues for offloading their products. In any event, the Roadmap itself is a long-term programme that will see some firms falling by the wayside and thereby compromise the extent to which other companies remain committed to the programme.

H. Research and development, and innovation

Technological upgrading is one aspect of industrialization that has been included in all previous and current industrialization frameworks. This is because technology is one of the most critical enablers of industrialization and a key factor in determining the level of competitiveness of firms. Manufacturing technologies are changing rapidly and the region's desire to catch up poses a major technological challenge. Product research and development, as well as innovation are keys to technological advancement. As Durano also notes, however, "technological capabilities are learnings accumulated over time so that there is first-mover advantage. Two, there are agglomeration economies in building

technological capabilities. Three, technological production and research and development are highly concentrated in certain regions or in small groups of firms. Four, intellectual property rights regimes create monopolies that heighten this concentration”.

Empirical evidence has shown that large multinational companies can afford to finance technology development and innovation. For small and medium-sized enterprises, this is a real challenge which will require active involvement of national governments. Expenditure on research and development for both public and private sectors in the region is far from adequate. Attainment of the 1 per cent of GDP investment in research and development by the 2010 target proposed by the SADC Protocol on Science Technology and Innovation (SADC, 2008) remains a challenge. SADC policy documents call for the creation of a framework for public private partnerships in science, technology and innovation and this also remains a challenge.

I. Summary

Forty-eight years is a long time and it is likely that global economic developments may change the trajectory from that which we have anticipated in the present documents. The ultimate objective of having an industrialized region will not change, however. A critical aspect of the implementation of the Roadmap is the assumption of total ownership of the process by the member States in their individual and then collective capacity, with the secretariat playing a coordinating role.

The Industrialization Strategy and Roadmap, the Revised Regional Indicative Strategic Development Plan (2015–2020), and other SADC policy documents acknowledge the critical constraint of inadequate infrastructure, (especially power, transport networks,) industrial skills and industrial financing (the binding constraints). The formation of the Southern Africa Business Forum is a good initiative, coming as it does at the beginning of the implementation phase of the Roadmap. The current challenges relate to the representativeness of the Forum and this is acknowledged by the Forum’s current leadership. This, therefore, presents a challenge for communicating the message about the Roadmap.

In costing the action plan, in addition to problems of calculating the public coordination costs, calculating the investment costs is likely to present a bigger challenge to the member States. The Strategy has identified a number of sources of finance including domestic, foreign investment and support from International cooperating partners. However, there are challenges in all three broad sources. The adoption of the Strategy by the SADC Heads of State Summit was also premised on the distribution of benefits to all member States. However, the Strategy does not spell out the mechanism for ensuring that this will happen. Deeper integration into the global economy also means that countries – in this case, Southern African countries – are more vulnerable to business cycles that may occur as a result of policy changes in the significant countries among them. At the same time, attainment of the 1 per cent of GDP investment in research and development by 2010 target as proposed by SADC remains a challenge.

IV. Conclusions, and national and regional-level recommendations for accelerated implementation of the Roadmap

A. Introduction

The implementation of the Industrialization Strategy is anchored in the action plan, which clearly spells out the responsibilities for each of the main stakeholders, namely, governments, the business sector and the SADC secretariat. None of these main stakeholders, however, can work independently of the others. Indeed, the Strategy document refers to the synergistic roles of the State and the private sector as “a Compact for Industrialization”. These two are the main actors on the ground, with the secretariat playing a regional coordination role. This chapter makes some national and regional recommendations that would assist in quickening the pace of industrialization of the SADC region.

B. Regional-level actions

The Strategy describes the role for the SADC secretariat as key in the coordination of projects and programmes. It adds: “Evaluation of all components, enablers and drivers of the Strategy should be subject to regular monitoring and reporting”. The flow of information that informs the regular monitoring and reporting can be coordinated only by the secretariat. Indeed, in approving the Strategy, the SADC Summit in 2015 gave the secretariat the first assignment, which was to coordinate the development of the costed action plan for implementing the Strategy.

The main actions to be undertaken fall roughly into the following action categories:

- Industrialization
- Competitiveness
- Macroeconomic management
- Institutional arrangements

- Regional integration
- Cross-cutting issues (including monitoring and evaluation).

C. Recommended regional actions

The Strategy presents a framework within which all member States are expected to develop or align their own national industrialization strategies. The SADC secretariat needs to be empowered to play an advisory role in this process. The secretariat should, when requested, work with member States to align national industrial policies with the principal provisions of the Strategy.

The area of macroeconomic policy coordination has seen ministries responsible for finance and investment and economic development, along with the Committee of Central Bank Governors, cooperating to ensure that a conducive environment subsists in the region as a basic requirement for the success of any development initiatives. This effort at regional coordination of the actions of member States to bring about a stable regional macroeconomic environment has had some significant measure of success and must continue.

It is of the utmost importance that the secretariat monitor the development of national action plans in terms of their linkages with the regional action plan. The role of the secretariat is to ensure that the proposed actions are harmonized. The development of national action plans on industrialization is urgent, given that the implementation period for the first phase of the Strategy has reached its midway point.

The secretariat has led the way in profiling potential value chains in minerals processing, along with the study on the potential production

of medicines in the pharmaceutical sectors. Member States should now translate the outcome of this work into practical actions. Some work on identifying the next steps has already started, with the SADC secretariat engaging with the Southern African Business Forum. It is imperative that individual companies should seize the initiative and undertake the required in-depth studies to convert the study findings into bankable projects.

In addition to the work on value chains and given that the majority of countries in the region are highly dependent on the agricultural sector, it is imperative that profiling of the agricultural sector be undertaken without delay to identify potential agroprocessing regional value chains. The SADC secretariat is set to lead the way in profiling the agroprocessing sector. Cooperating partners have made funding available for this work. The work should, however, take into consideration other work on mapping agroprocessing value chains that was undertaken in 2016 and 2017 under the banner of the COMESA-EAC-SADC Tripartite arrangement.

The Strategy is clear that one of the key binding constraints behind the failure of member States to implement previous industrial development strategies has been insufficient financing. The secretariat has been coordinating efforts to seek alternative financing mechanisms for regional integration activities in general and for industrial development in particular.

It is imperative that the initiative to develop a regional development fund be implemented without further delay. The fund is expected to have a dedicated industrial development financing window. This had to be operationalized by 2018 at the latest to give some momentum to the first phase of the Industrialization Strategy.

D. National-level actions

The categorization of national-level actions includes broader involvement of other non-

State entities, in particular the business sector. National-level actions include the following:

- a. Development of national industrialization strategies that are a domestication of the regional Industrialization Strategy and Roadmap 2015–2063;
- b. Development of national action plans for implementing national industrialization strategies;
- c. Translating work on profiling potential value chains in minerals processing as well as the work on the production of medicines in the pharmaceutical sectors into bankable industrial projects;
- d. Implementation of free movement of capital and skills, as required for the development of regional value chains – this is the responsibility of member States;
- e. Conduct by SADC member States of the necessary actions to operationalize the SADC Development Fund as a critical window for financing industrial projects;
- f. Steps by all SADC member States to develop or maintain a stable macroeconomic environment.

E. Addressing concerns raised by the private sector

The private sector, under the banner of the Southern Africa Business Forum, convened a meeting alongside the celebration of Industrialization Week in Swaziland in August 2016 to deliberate on how to improve the business environment in the region. The outcome was a set of recommendations commonly referred to as the Esibayeni Declaration.⁴

The Declaration outlines deficiencies in hard and soft infrastructure that are negatively affecting business activities and recommends how these could be overcome. The interesting part is

⁴ Although the private sector presented another declaration at the 2017 Industrialization week held in South Africa, the issues raised at Esibayeni with regard to hard and soft infrastructure remain key until they are finally resolved.

that the issues proposed by the private sector, including actions by the private sector itself as well as those needing attention by the member States' Governments, tie in very well with those in the Roadmap and, by extension, the draft costed action plan.

Some of the issues raised in the Declaration and which need attention at regional and member State level include the following [partially paraphrased]:

(a). Infrastructure

- Provide regulatory and legal certainty and transparency around infrastructure projects. Governing frameworks for all projects must be readily available and consistently implemented.
- Address the lack of coordination between authorities and improve their competencies in the design and execution of projects. Engaging first-rate transaction advisers for all major projects should become the regional standard.
- Ensure regular consultation between the public and private sectors using regular, cost-efficient and swift means from the outset of project planning. National documents such as integrated resource plans should be prepared and shared with the private sector.
- Ensure that promising approaches such as those tested under the SADC Programme for Infrastructure Development in Africa Acceleration Programme are continued, extended and replicated across sectors.
- Soft issues, especially along major trade corridors, need to be addressed alongside planning and implementation of hard infrastructure projects.

(b). Corridor development

- Implement trade facilitation measures that focus on already-identified corridors.
- Implement a functional regional transit system.
- Prioritize projects that do not require lengthy processes or legislation, which may include

alignment of border-post operating hours, interconnectivity, and coordinated border management.

- Prioritize work on regional hot spots along corridors, for instance, the border posts of Beitbridge and Kasumbalesa, and prioritize the work itself by conducting needs assessments for hard and soft infrastructure simultaneously.

(c). Movement of skills and innovation

- Skills development, and research and development for innovation, support competitiveness within industries. In this regard, the Declaration calls upon member States:
 - To facilitate the movement of businesspeople and skilled personnel across the region.
 - To prioritize mutual recognition of qualifications, including on a bilateral basis and between professional associations.
 - To invest in centres of excellence and adopt a regulatory environment that encourages innovation and upskilling to support movement of industries into higher value-added activities.

The above issues raised by the private sector remain challenges to be addressed.

F. Financing industrialization

1. Development finance institutions

Most of the countries in the region have development finance institutions which are currently providing long-term financing mostly for infrastructure development. In 2015, the development finance Institutions of the region met to consider how they could play a role in financing industrialization, which is now at the forefront of the regional integration agenda. It is clear that what these regional development banks need is a change in their mandates so they provide financing for long-term capital requirements of new and existing industries. As observed by Durano, "Development banking is

not only about concessional lending. It is also about credit allocation towards productivity-enhancing industrial activities as opposed to say, real estate development, including providing investment guarantees to small and medium-sized enterprises” (Durano, 2015).

2. Sovereign wealth funds

SADC member States should leverage their resource endowments to create sovereign wealth funds, which could partly be used to support industrialization programmes by providing long-term capital, which is in seriously short supply.

3. Financial services levy

SADC member States should introduce a levy on financial transactions and related services to raise funds to support industrial development projects. The levy should be a small percentage of the value of each transaction, which can be collected by the Central Bank and channelled through appropriate intermediaries.

4. Long-term savings institutions

There is scope for insurance firms and pension funds to commit some of their long-term funds to industrial infrastructure.

5. Manpower development fund

Member States can levy the wage bills of their firms to create funds for training skilled work force in identified shortage areas as directed by surveys of priority industrial development sectors. Some member States have been implementing such a scheme for many years, such as Zimbabwe, with its Zimbabwe Manpower Development Fund.

6. SADC development fund

The operationalization of the SADC Development Fund required it to be operational by 2018 at the latest (the Fund has long been agreed upon). The Fund should be structured in such a way as to attract funding from international and other

financial institutions. It would open two windows, one to fund development infrastructure and the other to finance industrial infrastructure, as well as capital items of an industrial nature (machinery).

G. Developing national action plans

SADC member States should develop national action plans that encapsulate the actions suggested in the regional action plan.

Actions could include the following:

- Investigating the viability of long-term investors like pension funds in financing of industrial infrastructure;
- Using sovereign wealth funds to finance key value chains;
- Investigating the viability of establishing a financial services levy to fund long-term capital development;
- Levying a wages and salaries bill to fund skills development;
- Giving science, technology and innovation priority treatment in national and regional programmes as the major catalyst for industrialization. To this end, SADC member States should ratify the Protocol on Science, Technology and Innovation;
- Ensuring that policymakers have continuous engagement with the private sector to ensure successful development of value chains.

H. Institutional development

Echoing the calls of the Strategy, the SADC Ministerial Task Force on Regional Economic Integration called for the creation of an effective governance structure to support the implementation of the action plan and a monitoring framework for the realization of the objectives of the Strategy.

The ideas that were explored in this context included the following:

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- At the regional level, it is important to have a dedicated summit on industrialization and regional economic integration, to emphasize the seriousness that the region attaches to these initiatives. The ordinary summit is seized with a multitude of issues and the Heads of State do not have adequate time to reflect on developments on industrialization. The SADC Treaty provides for an additional summit, hence there is no need to change anything but simply to implement the provision.
 - At both regional and national levels, it is critical to establish a wider platform for engagement between the public and private sector, think tanks, the academic world and research institutions. Already the Industrial Development Forum has been modified to include other institutions.
 - At the regional level, there is a critical need to strengthen the capacity of the secretariat to be able to drive implementation of the industrialization Strategy effectively. This issue has been dealt with in the context of the wider restructuring of the secretariat to reflect the changed priorities. It has included strengthening of technical capacity, human resources and financial resources to enable the secretariat to drive implementation of the Strategy and costed action plan.

I. Summary

This paper has outlined a number of proposals that, if implemented, could see the faster implementation of the Industrialization Strategy and its action plan. Some of the issues have been raised by the private sector, while others

represent the results of analysis of where the region sees its future.

Hard and soft infrastructure issues raised by the private sector need urgent attention. Other issues that need urgent attention include: first, facilitating free movement of skills and capital; second, implementation of trade facilitation measures that focus on already-identified transport and development corridors; and, third, adopting a regulatory environment that encourages innovation and upskilling to support the movement of industries into higher value-added activities.

It is imperative that a regional development fund be implemented without further delay. Regional development banks need changes in their mandates so as to provide financing for long-term capital requirements of new and existing industries.

National action plans for industrialization must be drawn up and aligned with the Regional Strategy. The plans must include innovative ways of raising funds from the local market, including developing mechanisms that would attract long-term financiers such as pension funds into providing long-term capital for industries.

It is important to implement strengthened governance structures at both regional and national level. This includes at the level of the Summit of Heads of State, at the level of the Industrial Development Forum (regional level), at the secretariat organizational level, and public-private engagement at both regional and national levels.

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