



# ECA POLICY BRIEF

## Alignment and harmonization of the frameworks of the Southern African Development Community, the Common Market for Eastern and Southern Africa and their member States on industrialization to support industrial development in Southern Africa (cases of Malawi, Zambia and Zimbabwe)

### Key messages

1. Policy coherence between countries and regional economic communities is a critical enabler of industrial development.
2. Harmonization of industrialization strategies and policies by regional economic communities is crucial for sustainable and inclusive development to be achieved in Southern Africa.
3. Fragmented and inconsistent industrialization policies and strategies hinder integration and limit the potential for regional value chains and trade.
4. A coordinated effort from all stakeholders – including Governments, supranational Organizations, the private sector and development partners – is needed for industrialization policies and strategies to be harmonized and aligned across the member States of the Southern African Development Community and the Common Market for Eastern and Southern Africa.
5. Supranational infrastructure and logistics, supranational trade agreements and capacity-building for industrial development are important focus areas in the harmonization and alignment of industrialization policies and strategies.
6. By working towards a common industrialization vision, Southern Africa can unlock its full potential and contribute to the attainment of the Sustainable Development Goals and the aspirations of Agenda 2063: The Africa We Want, of the African Union.
7. All stakeholders, including the private sector and civil society, can play a crucial role in driving policy implementation by advocating policy coherence, providing feedback on policy implementation and contributing to policy formulation.

### 1. Introduction

Southern Africa is one of the least industrialized areas of the world. The manufacturing sector contributes only about 11 per cent of gross domestic product (GDP) in the Southern Africa subregion, as defined by the African Development Bank, and employs a small percentage of the population (African Development Bank, 2021). Southern African countries have identified industrialization as a key priority for development, with the Common Market for Eastern and Southern Africa (COMESA) having adopted its Industrialization Policy (2015–2030) in 2015 and its Industrial Strategy (2017–2026) in 2017; and the Southern African Development Community (SADC) having developed its Industrialization Strategy and Roadmap 2015–2063 (SADC, 2015) and the

corresponding Action Plan in 2017 to provide a framework for industrial development. Industrialization policies and strategies remain fragmented, however, resulting in missed opportunities for collaboration, coordination and shared benefits. Several Southern African countries have industrialization-oriented policies and strategies that are not aligned or synchronized with the SADC and COMESA frameworks, and are not harmonized, even though they have expressed a commitment to adopting a multi-country approach to industrialization and the development of value chains.

Southern African countries recognize the need to coordinate their industrialization policies and strategies. In the context of the regional economic communities, harmonization of policies and strategies refers to the process of creating consistency and coherence across member countries. This involves aligning policies and strategies to ensure that they complement each other and do not conflict with the aim of achieving a common goal. This alignment is critical to ensure that the policies and strategies of the regional economic communities have a maximum impact, and to avoid conflicts during the implementation stage. The SADC Industrialization Strategy and Roadmap 2015–2063 highlights the importance of policy harmonization and coordination at regional, national and sub-national levels for sustainable and inclusive industrial development in its member countries. Despite this recognition, harmonization and alignment of industrialization policies in Southern Africa remain limited. In a study by the United Nations Conference on Trade and Development, it was found that the lack of coherence and consistency in industrialization policies and strategies across different Southern African countries was a major obstacle to integration and the development of regional value chains (Karingi, Oulmane and Lang, 2018).

Malawi, Zambia and Zimbabwe have made commitments to harmonize their national industrialization policies and align them with SADC and COMESA policies and frameworks, though some countries have made more progress than others in this alignment process. The Economic Commission for Africa (ECA) undertook a study in 2022 to investigate the extent to which the aspirations and strategies set out in national industrial policies and the strategies adopted by COMESA and SADC member States – in particular Malawi, Zambia and Zimbabwe – were consistent with the industrialization policies of the two regional economic communities.

This policy brief is based on the findings of the ECA study on the extent, progress and lack thereof on alignment, harmonization and implementation of the industrialization-oriented policies and strategies in Malawi, Zambia and Zimbabwe with the regional industrialization strategies and attendant implementation plans, and is buttressed by the recommendations made during the Regional Industrialization Policy Dialogue in Southern Africa, held in December 2022. The policy brief provides an overview of the industrialization-oriented policies and strategies, an assessment of the extent to which the industrialization policies and strategies of the three countries are harmonized and aligned with the SADC and COMESA industrialization frameworks, an overview of the challenges faced, and a presentation of policy options to promote alignment and harmonization in industrialization policies and strategies in Southern Africa, drawing on the lessons learned from the three case studies.

## 2. Overview of industrialization-oriented policies and strategies in Malawi, Zambia and Zimbabwe

### 2.1 Malawi

#### 2.1.1. National Industrial Policy

Malawi introduced its National Industrial Policy in 2016 to increase the contribution that manufacturing makes to GDP through a structural transformation of the economy. The other goals of the Policy are to enhance the provision of appropriate skills and technology, improve the business environment for the manufacturing sector and widen access to key business services. In addition, the policy prioritizes the provision of infrastructure to facilitate the participation of micro-, small and medium-sized enterprises in manufacturing, and to provide a platform for market linkages. Further, the policy commits the Government to address the environmental and social sustainability concerns associated with industrialization and the governance challenges regarding policy formulation and implementation.

#### 2.1.2. National Trade Policy

In the same year, Malawi also introduced its National Trade Policy to build a robust productive base and thus generate enough output for the domestic market and facilitate integration in regional and global markets through value chains. The goal was to create a globally competitive

export-oriented economy, thus generating higher and more sustainable livelihoods through industrialization and trade. Five priority focus areas were identified in the policy document: market access (especially non-tariff barriers), the business environment, the narrow productive base, the high entry cost for small-scale producers and traders, and the implementation gap. The document also stated that Malawi had fully implemented customs modernization and cooperation arrangements and trade facilitation instruments in both COMESA and SADC.

### 2.1.3. National Export Strategy

The country's National Export Strategy II, for the period 2021–2026, provides a road map for Malawi to build its productive base in a manner that drives export growth on a scale that supports a net positive balance of payments. The strategy prioritizes growth clusters in such sectors as manufacturing,<sup>1</sup> agroprocessing,<sup>2</sup> mining, tobacco and tea, and tourism, in line with the industrialization agendas of both COMESA and SADC. Furthermore, the Strategy promotes cluster products by supporting the development of high-quality national infrastructure, the implementation of the national trade facilitation action plan, and the development and maintenance of a trade portal and a commodity price information system. It also aligns educational priorities at all levels of technical, entrepreneurial and vocational education and training with industrial needs and the productive base of the economy.

### 2.1.4. Policy on micro, small and medium-sized enterprises

The country's policy on micro-, small and medium-sized enterprises for the period 2019 to 2024 was designed to create a modern and effective framework to guide the development of profitable, competitive and sustainable micro-, small and medium-sized enterprises in the country. It promotes Indigenous entrepreneurship, absorbs labour, facilitates the transfer of modern technological skills, fosters innovation and enhances international competitiveness. The central tenet of the policy is to create "an enabling environment that combines minimum regulation with maximum openness and provides equal incentives for all enterprises".

## 2.2 Zambia

### 2.2.1. National Industrial Policy

The National Industrial Policy of Zambia (2018) envisages an industrialized and competitive country with a diversified, innovative and globally competitive industrial base that contributes to sustainable growth and employment creation, with manufacturing jobs projected to double by 2027. The policy encourages value addition activities for primary commodities, and identifies manufacturing subsectors as priority drivers of industrialization to increase export earnings and create jobs. It also envisages investment flows into an export-oriented industrial sector and supportive infrastructure (transport, communication, energy and education) through public-private partnerships; innovation and the invention of new products through industrial research; and the development and protection of intellectual property. The country's industrial policy is aligned with its trade policy, export strategy and national local content strategy, and in some respects, it is aligned with the COMESA and SADC industrialization strategies.

### 2.2.2. National Trade Policy

The National Trade Policy 2018 was adopted by Zambia to transform the economy from a producer and exporter of primary products into a net exporter of value added goods. This value addition would be generated using local primary resources and additional participation by people in Zambia. The policy document includes a commitment to create a conducive environment to stimulate private sector dynamism, growth and development, and assert the role of the private sector in trade. The document also highlights the importance of eliminating barriers to trade and creating a conducive environment through which the private sector can develop the capacity to produce high-quality goods and services.

### 2.2.3. National Local Content Strategy 2018–2022

Zambia adopted its National Local Content Strategy 2018–2022 to promote the utilization of local products and services, business linkages and sustainable commercial bonds between micro-, small and medium-sized enterprises and large domestic and foreign enterprises. The Strategy encourages the mining, construction, tourism and manufacturing sectors to procure a certain percentage of their production and processing inputs locally. An increase in the local procurement of inputs would reduce the country's import bill and ensure that the benefits that Zambia seeks to achieve from foreign direct investment (better technology and managerial skills) are integrated into the domestic market and distribution networks.

1 Oil seeds, soya, groundnuts, sunflower and cotton.

2 Sugar cane, dairy, cassava, pigeon peas, rice, maize and wheat.

## 2.2.4. National Export Strategy 2018

The objectives of the Zambia National Export Strategy 2018 include increasing the market share of traditional and non-traditional exportable products in regional and global markets. The Strategy envisages a structurally transformed, diversified and competitive export sector. It prioritizes agroprocessing activities, building materials, chemicals and pharmaceuticals, engineering products, and the non-metallic minerals and gemstones subsectors.

## 2.3 Zimbabwe

### 2.3.1. National Industrial Development Policy: 2019–2023

The Zimbabwe National Industrial Development Policy: 2019–2023 prioritizes participation in regional and global supply value chains, value addition on raw materials, and mineral beneficiation. The policy also focuses on financing for industrial development, local content, innovation, technology and green industrialization. Some of the key elements of the policy are cluster initiatives, micro-, small and medium-sized enterprises, rural industry development, and competitiveness. Industrial skills and training, the mainstreaming of gender and young people and the development of the services sector are also emphasized.

### 2.3.2. National Trade Policy (2018–2022)

The main thrust of the National Trade Policy (2018–2022) of Zimbabwe is to transform the country from an exporter of commodities and semi-processed products into an exporter of high-value products that are competitive in SADC and COMESA countries and further afield. The policy highlights the joint implementation of SADC- and COMESA-wide infrastructure projects and programmes, as well as legal and institutional arrangements entered into either on a bilateral basis or on a multilateral basis under SADC, COMESA, the African Continental Free Trade Area or the World Trade Organization (WTO).

### 2.3.3. Competition policy

Competition policy in Zimbabwe promotes the development of a dynamic private sector by redressing prevalent problems associated with the control of mergers and acquisitions, anti-competitive agreements (cartels) and the misuse of market power (monopolization) in key sectors of the economy. It also promotes and protects effective competition in the market and prevents unfair

and misleading market conduct throughout the economy. The policy further promotes free market entry for investors and businesses of all sizes, the attraction of domestic and foreign investment, innovation and transfer of technology from intellectual property rights holders, unfettered competition and fair business practices.

### 2.3.4. National Trade Policy Vision and Export Promotion Strategy

The Zimbabwe National Trade Policy Vision and Export Promotion Strategy is a policy document that envisages a transformed, dynamic and internationally competitive economy driven by robust domestic and international trade. The document is focused on export development and promotion, and the diversification of export products and export markets. It prioritizes sector value chains and cluster development, especially sectors with a high-potential competitive advantage in the export market. The mining sector is recognized as a key driver of the country's economic turnaround.

## 3. Alignment, harmonization and implementation

This section compares the industrialization-oriented policies and strategies of Malawi, Zambia and Zimbabwe, on the one hand, with the industrialization strategies of the two regional economic communities on the other, to review the implementation of the countries' national industrialization policies and the extent to which they are harmonized and aligned with the industrialization frameworks of SADC and COMESA. The analysis is divided into sections on various aspects: industrialization, natural resources, trade, investment, infrastructure, technology enhancement, skills development and financing sources.

In its industrialization-oriented policies and strategies, Malawi expresses its intention to increase the contribution of manufacturing to GDP through economic structural transformation, competitive industrial production and exports. Stakeholders, however, have lamented that there is no collective total commitment to implementing industrialization-oriented policies and strategies that have the potential to drive the country towards alignment with the instruments of COMESA and SADC.

The industrialization goals of Malawi Vision 2063 are aligned with the industrialization strategies of COMESA and SADC. Its implementation will depend on the strength of the national framework and institutions.

## Industrialization objectives and commitments

<b>COMESA</b>	COMESA considers industrialization to be crucial for structural transformation, job creation, poverty alleviation and value addition on commodity exports, and reduces external shocks. Its objective is to develop a vibrant and sustainable industrial sector that ensures equitable benefits for all people in its member States.
<b>SADC</b>	<p>SADC considers industrialization to be essential for its member States to diversify their economies, develop their productive capacities, create jobs, reduce poverty and set their economies on a more sustainable growth path. The goals of the strategy are as follows:</p> <ul style="list-style-type: none"> <li>• To identify areas of cooperation to build a diversified, innovative and globally competitive industrial base;</li> <li>• To guide the coordination of complementary policies, activities and processes, and communicate the aspirations of SADC.</li> </ul>

Zambia adopted industrialization-oriented policies and strategies that ensured that the implementation of the national industrialization agenda coincided with the incorporation of the industrialization strategies of COMESA and SADC into national policy. In this regard, the country has since prioritized value chain development (leather and leather products, wood, pharmaceuticals and oilseeds, textiles, aquaculture, rice, pineapples, cashew nuts and cassava) and mineral beneficiation (gemstones, copper and gold panning). The country's interests in value chains are aligned with those of the two regional economic communities. With support from COMESA, Zambia established leather and textile clusters in the Copperbelt and Lusaka Provinces, and purchased and installed machinery and equipment at the Cooperative College in Lusaka. Furthermore, joint industrial cooperation between Zambia and Zimbabwe is being spearheaded by the COMESA secretariat.

As part of its efforts to align with COMESA, Zimbabwe prioritized the implementation of cluster value chains – namely, agroprocessing, textile and garments (cotton value chain), leather and leather products, mineral beneficiation, pharmaceuticals, chemicals and agro-chemicals. In the same context, Zambia and Zimbabwe expressed a

commitment to implement the industrialization strategy of COMESA when they initiated a cooperation agreement on industrialization, which they signed in March 2021. Among other things, this joint agreement was drawn up to pave the way for industrial parks (special economic zones, multi-facility economic zones and industrial clusters) with a proper legal and institutional framework, and to allow the development of infrastructure (both physical and soft) to reduce the cost of doing business and improve the country's industrial competitiveness. Another goal of the cooperation agreement is to enhance standardization, quality assurance and quality management systems to facilitate the export of processed goods between the two countries, to the other COMESA countries and to the rest of the world.

By acceding to the SADC Protocol on Industry in 2019, Zimbabwe demonstrated its commitment to aligning itself with the SADC industrialization strategy, which is export-led. Zimbabwe stated that its support would prioritize the development of several industrial value chains: agroprocessing (including dairy products, potatoes, textiles and clothing, and leather and leather products), pharmaceuticals (drugs and personal protective equipment), mineral beneficiation (including fertilizer, cement and ferrous and non-ferrous minerals), cotton-to-clothing, hides-to-leather products, and oil seeds-to-cooking oil. In its National Industrial Development Policy, Zimbabwe prioritizes industrial sectors to develop value chains and add value to raw material-based products. The value chains selected are fertilizers, pharmaceuticals, sugar, dairy products, soya and packaging. Furthermore, Zimbabwe has identified strategies and focus areas that could help to develop and boost value chains, value addition and mineral beneficiation based on the country's abundant resource endowments. Zimbabwe has also identified its defensive industrial interests and committed itself to protecting infant industries, including selected industrial, agricultural and mineral production in the country.

The Government of Zimbabwe has been supporting the involvement of micro-, small and medium-sized enterprises in value addition through the Small and Medium Enterprise Development Corporation. The development finance institution was created to grow and develop the country's micro-, small and medium-sized enterprises by providing affordable funding and decent workspace-related infrastructure. The Corporation is a member of the SADC Development Finance Institutions Network.

## Natural resources policies and strategies

<b>COMESA</b>	<p>COMESA calls upon its member States to promote local content and local sourcing by:</p> <ul style="list-style-type: none"> <li>• Developing policies that increase local content in natural resource-based production and manufacturing;</li> <li>• Aligning local content policies with other economic development policies;</li> <li>• Promoting the consumption of locally manufactured products by applying local content requirements.</li> </ul>
<b>SADC</b>	<p>SADC has highlighted the importance of natural resource-led growth, including mineral beneficiation and processing, and the development of value chains that are linked with other countries, both in SADC and the rest of the world.</p>

Malawi has limestone deposits and unexploited uranium, coal and bauxite deposits. The shortage of arable land is placing the agriculture-based economy under increasing strain. Although the country has abundant water resources, the availability of water in some rural areas remains a challenge. The country is transitioning from subsistence farming to commercial agriculture supported by mechanization and irrigation.

In Zambia, natural resources drive growth and have high economic potential. The country's resources include land, minerals and water. Another important economic sector is tourism. The copper mining sector has made a significant contribution to GDP, foreign currency earnings and job creation for many years. Agriculture has grown significantly over the last two decades. Full implementation of industrialization-oriented policies and strategies will allow Zambia to attain the aspirations of both the COMESA and SADC industrialization frameworks.

Zimbabwe has adopted policies and legal instruments aimed at responding to the goals set out in the industrialization strategies of COMESA and SADC with respect to exploiting natural resources for the purposes of industrialization. In this respect, the Zimbabwe National Industrial Development Policy includes the tenets of Zimbabwe National Competition Policy and competition

law to eliminate anti-competitive behaviour. The National Competitiveness Act, for instance, drives firms towards production competitiveness, and has the potential to generate import substitution industrialization, a strategy that promotes the purchase of Zimbabwean products for industrial and human consumption. The country also adopted a local content strategy in 2017 to encourage local value addition through the utilization of domestic resources and the localization of supply chains.

Zimbabwe has an industrial defensive interest designed to protect infant industries until they become competitive vis-à-vis foreign products, and to encourage the use of natural and local resources in production processes, in particular in agriculture and mining. Targeted support for the involvement of micro-, small and medium-sized enterprises in value addition is supposed to encourage the exploitation of natural resources for industrial development. Notwithstanding the country's inherent challenges, positive confirmations of good intentions in industrialization-oriented policies and strategies reflect the expectations set out in the COMESA and SADC industrialization strategies.

The industrialization-oriented policies and strategies of Malawi facilitate the participation of micro-, small and

## Trade policies and strategies

<b>COMESA</b>	<p>COMESA supports trade facilitation among its member States and market access opportunities by:</p> <ul style="list-style-type: none"> <li>• Strengthening standardization, quality assurance and quality management systems;</li> <li>• Increasing the manufacturing base and product diversification;</li> <li>• Strengthening value addition and value chains at the country and regional economic community levels.</li> </ul>
<b>SADC</b>	<p>SADC emphasizes cooperation to:</p> <ul style="list-style-type: none"> <li>• Increase intra-SADC trade and market expansion;</li> <li>• Diversify the manufacturing base of SADC countries through efforts to stimulate and encourage value addition to local primary resources;</li> <li>• Promote the diversification of exports of goods and services.</li> </ul>

medium-sized enterprises in the manufacturing sector. The facilities that Malawi has provided include market linkages with large entrepreneurs, export-oriented clusters for diversification, cross-border market access opportunities and support for priority industries. The country has also developed a vibrant local entrepreneurial sector.

Zambia focuses on leather and textiles, natural resource endowments, raw materials and human capital as anchors of industrialization. This is supported by the country's business-friendly environment, many years of peace and security and an impressive record of constitutionalism and democratic governance. The implementation of industrialization-oriented policies and strategies allows Zambia to incorporate the agendas of SADC and COMESA with minimal effort.

The progress that Zimbabwe has made in aligning its industrialization strategies with those of COMESA and SADC is a sign that the country intends to boost industrial productive and export capacities, and improve market competitiveness at home and abroad. Improved export capacities generate the necessary foreign currency to meet national import requirements. In its industrialization-oriented policies and strategies, Zimbabwe has emphasized value addition, value chain development and mineral beneficiation. This strategy is intended to spur the country's competitiveness in its regional economic communities and globally.

When Zimbabwe adopted the industrialization strategies of COMESA and SADC, it was already implementing its sanitary and phytosanitary policy, which contains measures to ensure technical compliance with the annexes to the SADC Protocol on Trade and the WTO agreements on technical barriers to trade and the application of sanitary and phytosanitary measures. These measures are designed to remove any barriers to imports and exports, encourage export growth and diversification, and promote imports of raw materials, machinery and equipment, which are currently critical to support any export-oriented production strategy.

In its industrialization-oriented policies and strategies, Zimbabwe has already identified critical sectors that, if supported, would spur industrial and trade growth and development. Furthermore, engagements on sectoral

industrial developments have been linked with problems related to trade and investment liberalization, deregulation and privatization, which are intended to prohibit unfair business and trade practices. Scrutiny of the objectives, however, shows that Zimbabwe could better align its industrialization strategies with both COMESA and SADC.

## Investment policies and strategies

COMESA	<p>COMESA recognizes that it is important to improve the business climate in its member States by:</p> <ul style="list-style-type: none"> <li>• Reducing or eliminating regulations that impede investment flows and opening up investment regimes;</li> <li>• Eliminating investment barriers and promoting investment in green technologies.</li> </ul>
SADC	<p>SADC believes that its member States should:</p> <ul style="list-style-type: none"> <li>• Stimulate investment flows into productive sectors with a comparative advantage as a strategy to acquire modern technology to support value addition, innovation and technology transfer;</li> <li>• Encourage public and private investment across SADC countries for infrastructural development and services.</li> </ul>

The investment agenda of Malawi is institutionalized and driven largely by the Malawi Investment and Trade Centre, which operates under the policy and technical directions of the Ministry of Trade. The Centre was actively involved in the formulation of the National Industrial Policy, but it faces constraints that undermine industrialization, including the use of outdated laws and policies by some stakeholders, often in a way that is not in line with the modern demands of industrialization or investment requirements. For example, the 1981 mining laws were not repealed until 2019. The Centre advocates the harmonization of local laws and policies, and actively engages with both SADC and COMESA. It sits on one of the high-level boards of COMESA.

Zambia has promoted investment in such key sectors as agroprocessing. Its efforts in this regard have been

facilitated by investment missions to other countries by the Zambia Development Agency; the signing of State-to-State investment promotion and protection agreements by the Ministry of Commerce, Trade and Industry; and a drive to attract investors. The Zambia Development Agency promotes investment in export-led sectors and provides support to domestic and foreign investors.

In Zimbabwe, private sector companies of all sizes have been involved in implementing industrialization policy frameworks and strategies. Some stakeholders argue that the weak economy is the main cause of the slow pace at which linkages are being developed between large companies and small and medium-sized enterprises, and informal businesses are being transformed into formal small and medium-sized enterprises. In reality, however, macroeconomic distortions are the main hindrance to the formalization of business. Nevertheless, the Government is committed to the industrialization strategies of both COMESA and SADC, and it continues to support the implementation of several projects through fiscal allocations to the ministry responsible for micro-, small and medium-sized enterprises.

The Industrial Development Corporation of Zimbabwe has been identifying and promoting opportunities for commercially viable investments in joint ventures through partnerships with local and international investors. The opportunities mainly target agro-industrial value chains. The current economic challenges, however, undermine the Corporation's efforts to partner with investors in SADC and COMESA countries and further afield, and they hinder the country's access to the resources that global financial institutions allocate to support local industrial development. Similarly, industrialization has been undermined by limited funding from the Infrastructure Development Bank of Zimbabwe to support energy, transport, the construction of dams (water and sanitation), information and communications technology (ICT), housing development and other infrastructure.

The current transport infrastructure of Malawi is inadequate for modern industrialization for a number of reasons, including its age. The Ministry of Transport and Public Works drives the transport agenda and the coordination of stakeholders, especially private sector companies, including a host of contractors involved in the construction and maintenance of roads, bridges, railways, seaports and airports. Several infrastructure projects have been implemented, including the expansion and modernization of airports and the dualling of selected city

## Infrastructure policies and strategies

COMESA	COMESA understands that transport, energy, water and ICT are important enablers of industrialization that lower the cost of doing business and increase industrial competitiveness.
SADC	The Regional Infrastructure Development Master Plan of SADC recognizes that continued growth will largely depend on SADC countries diversifying the commodities they produce and increasing their beneficiation and value addition, which will create local employment. The Master Plan also states that it is essential to improve distribution networks among member countries, strengthen institutional capacities to attract sustained capital, and increase domestic savings and investment. In addition, the Master Plan acknowledges that efficient, integrated, cost-effective infrastructure is necessary to harness opportunities in the global economy.

roads. Some analysts, however, blame the Government for failing to implement its planned infrastructure projects.

The Government has formulated and adopted the Malawi National Transport Master Plan, which stakeholders concur will soon ensure that transport becomes a trade enabler and facilitates industrialization through the movement of industrial goods. As a landlocked country, Malawi must work around its transport corridors with its neighbours to improve transport corridors and facilitate the movement of cargo. Through the Master Plan, the Ministry of Transport is shifting its focus away from roads and towards the construction of railways to reduce transport costs, which the private sector believes are a major hindrance. Improved transport links could bring industrial linkages further in line with the SADC and COMESA agendas.

According to the goals of COMESA and SADC, a robust industrialization development regime requires excellent access to technology, skills and technical know-how to support industrial development and market competitiveness. COMESA recognizes those incentives and innovations, including research and development subsidies,<sup>3</sup> and support for technological and scientific fields; SADC acknowledges science, technology and

<sup>3</sup> Tax rebates, low interest rates and grants.



innovation as an enabler of industrial development and market competitiveness.

### Technology-enhancement policies and strategies

<b>COMESA</b>	<p>COMESA believes that its member States should:</p> <ul style="list-style-type: none"> <li>• Prioritize the formulation of supportive science, technology and innovation policies that are integrated into industrial development and national development plans;</li> <li>• Increase their spending on science, technology and innovation to at least 3 per cent of their national budgets;</li> <li>• Identify funding agencies that have dedicated finance for public and private research, development and innovation activities;</li> <li>• Forge linkages with global manufacturers of equipment and machinery for technological and skills transfer at concessional rates.</li> </ul>
<b>SADC</b>	<p>SADC believes that its member States should:</p> <ul style="list-style-type: none"> <li>• Improve their regulatory environments while encouraging community participation in ICT;</li> <li>• Build the necessary technological infrastructure to advance the ICT sector;</li> <li>• Ensure that the infrastructure they deploy serves rural and remote areas, underprivileged urban areas, educational institutions and other selected communities.</li> </ul>

Malawi is on track with its technology uptake, especially ICT use, and ICT is a key pillar in the third Malawi Growth and Development Strategy. In addition, the National Planning Commission has embraced ICT as a key pillar in the development of the Malawi Vision 2063 (Malawi, 2020). The country has also recently reviewed its ICT policy, which it regards as a cross-cutting theme and a crucial enabler of industrialization. ICT is now considered as an industry in its own right. The Government of Malawi has fast-tracked the institutionalization of the e-government

process, including the establishment of a full-fledged Department of E-Government. The installation of fibre-optic cables is expected to boost industrialization.

To facilitate access to technology, skills and technical know-how, the National Industrial Policy of Zambia, the National Trade Policy 2018 and the National Export Strategy 2018 prioritize innovation and new inventions through industrial research and development, the protection of intellectual property, the promotion of investments in ICT, the development of human resources capacity in ICT, and the advocacy of partnerships. The National Technology Business Centre and the Patents and Companies Registration Agency are responsible for rolling out and demonstrating new technology-enhancement products through industrial research and the development and protection of intellectual property. More effort is needed, however, on knowledge and information transfer through interaction with transnational corporations.

Zimbabwe responds to the technology-enhancement priorities of COMESA and SADC through three industrialization-oriented policies and strategies. This has meant supporting public-private research institutes, including the Scientific and Industrial Research and Development Centre, to create a strong industrialization knowledge base. However, a number of areas have not been implemented in accordance with the promises set out in the country's industrialization-oriented policies and strategies. ECA (2022) identified gaps that required attention in several areas: research and development subsidies; improvements in the public-private research and innovation network; the trade capacities of small and medium-sized enterprises; and innovation and technology transfer from intellectual property rights holders.

Although Malawi has a skills shortage, skills development programmes are being designed, which is essential for the country's industrialization. The installation of fibre-optic cables will lead to an upsurge in the number of ICT skills development centres and training institutions in the country, including at private and public technical colleges and at the University of Malawi and the Malawi University of Science and Technology.

## Skills development policies and strategies

<b>COMESA</b>	<p>COMESA encourages its member States to:</p> <ul style="list-style-type: none"> <li>• Step up their national investment in science, engineering and entrepreneur skills training;</li> <li>• Strengthen human and institutional capacities in each country and throughout the SADC area.</li> </ul>
<b>SADC</b>	<p>SADC encourages its member States to:</p> <ul style="list-style-type: none"> <li>• Strengthen research and development, technology and innovation capabilities and skills;</li> <li>• Upgrade technical and vocational skills to bridge the gap in the science, technology, engineering and mathematics curriculum;</li> <li>• Identify and strengthen SADC-wide centres of excellence;</li> <li>• Facilitate the movement of skills among member countries;</li> <li>• Promote mutual recognition of skills among member States.</li> </ul>

The goal of implementing a skills development and entrepreneurship project is to support industrialization, especially the agenda of increasing the productive and market competitiveness of local products. In the industrialization-oriented policies and strategies of Zambia, the expressed intentions are designed to satisfy the industrialization-specific goals on skills development of both COMESA and SADC.

Zimbabwe is currently developing a technical and vocational education and training policy with technical assistance from the International Labour Organization. This policy will help to address all facets of the skills systems and define strategic priorities for investment. The National Skills Audit of 2018 provided the evidence base for developing a technical and vocational education and training policy that addresses all aspects of the country's skills system.

Inadequate funding is a major constraint hindering the adoption of the COMESA and SADC industrialization strategies by Malawi. A study found that funding levels for ministries, departments and agencies have always been low. The following have been underfunded, despite their key role in industrialization: the Ministry of Trade and Industry (the policyholder); the Department of Mines;

## Financing

<b>COMESA</b>	<p>COMESA identified the primary funding sources as:</p> <ul style="list-style-type: none"> <li>• International development partners;</li> <li>• COMESA member States' investments;</li> <li>• Diaspora remittances;</li> <li>• Regional and national financial institutions;</li> <li>• Public-private partnerships.</li> </ul>
<b>SADC</b>	<p>SADC identified public expenditure as the primary funding source.</p>

the Ministry of Local Government, Unity and Culture; and especially the Directorate of Rural Development, which is responsible for cooperatives. Low funding has also undermined implementation of the Malawi National Transport Master Plan at the Ministry of Transport and Public Works.

Access to industrial financing remains a challenge for micro-, small and medium-sized enterprises in Malawi. These enterprises struggle to access business investment loans. Informants also observe that small-scale business loans are often compromised by local politics with respect to the selection of beneficiaries, leading to inefficiencies in the allocation of available finances. This is usually because of mistargeting. It means that, when large industries obtain financing, it is at the expense of micro-, small and medium-sized enterprises, which is detrimental to equitable development and economic empowerment, given the role that microenterprises play in development.

SADC has identified public funding as the primary source of funding for countries to adopt its industrialization strategies, whereas COMESA has listed a basket of funding sources for countries to adopt its strategies. In Zambia, only the National Industrial Policy of Zambia has identified a basket of funding options, almost in line with COMESA. Zambia thus makes adaptation to the industrialization strategy of COMESA the responsibility of the National Industrial Policy.

In Zimbabwe, the prevailing economic conditions – a growing informal sector, the scaling down and downsizing of operations, high unemployment and lower disposable income – make it difficult for the Government to increase its revenue through income tax. Furthermore, there is no engagement with domestic and international financiers on lines of credit, no access to group financing, and no

engagement with development partners. As a result, domestic and international financiers have not been extending lines of credit to the industrial sector to support technological re-equipment and the modernization of production systems. This has prevented the country from scaling up its implementation of industrialization-oriented policies and strategies, and incorporating the industrialization agendas of SADC and COMESA into its own agenda. The country has not been allocating sufficient financial resources to support the implementation of its industrial development plans in synergy with the COMESA and SADC industrialization strategies.

The 2021–2027 funding cycle of the European Union has presented an excellent opportunity for Zimbabwe to obtain the grant resources it needs to support its industrialization agenda, as prioritized in its National Development Strategy. Through the International Trade Centre, the European Union has supported the development of specific strategies in the textile and leather sectors; and through the TradeComII programme, it has funded market competitiveness and compliance in seven value chains. Zimbabwe has also benefited from European Union-supported regional funding envelopes, especially under the SADC Trade Related Facility. In the Zimbabwe National Industrial Development Policy, three sources of funding are identified: government, the private sector and development partners. No sources of funding, however, are mentioned in the other three industrialization-oriented policies and strategies.

## 4. Opportunities and challenges for the harmonization of national industrialization-oriented policies and strategies, and alignment with the SADC and COMESA frameworks

### 4.1 Opportunities and challenges

All three countries that are the subject of this report have opportunities to align themselves with the industrialization strategies of COMESA and SADC. These opportunities include ensuring that several industrialization-oriented policies and strategies currently being implemented are properly aligned, and assigning clear roles and responsibilities to stakeholders so that they can drive the respective countries' industrialization agendas. These developments can be supported by development partners. Despite these opportunities, the three countries are faced

with many challenges in their alignment efforts, which vary from one country to another.

There are opportunities for enhanced alignment with the COMESA and SADC Industrialization Strategies in all the three countries that are the subject of this report. The presence of several industrialization-oriented policies and strategies -currently being implemented, present a critical basis for alignment. In addition, the existence of relevant stakeholders with clear roles and responsibilities necessary to drive the respective countries' industrialisation agenda is also a significant milestone. Another opportunity lies in the presence of development partners to support such development efforts. However, the three countries are faced with many challenges in their alignment efforts, which vary from one country to another.

Malawi faces three main challenges. The first is its unreliable and erratic energy supply to support large-scale industry, which reduces the number of industrial machines that it has in operation and slows down the pace at which it can align its industrialization strategies with those of the two regional economic communities. The second main challenge is the limited access to business investment loans in the country, coupled with political interference in determining the beneficiaries of small-scale business loans from the National Economic Empowerment Fund Limited.<sup>4</sup> The country's third main challenge is the failure of its National Industrial Policy to set growth targets and identify potential growth paths, as stipulated in the COMESA and SADC policies and strategies. In addition, since the Policy was implemented in 2016, it needs to be reviewed so that it can be brought in line with COMESA and SADC policies. The National Industrial Policy of Malawi supports targeted product clusters – especially leather and leather products, pharmaceuticals, and textiles and clothing – all of which have high potential to drive import substitution, generate significant spillovers and structurally transform the economy.

Zambia faces two challenges. First, limited foreign currency negatively affects the highly import-dependent domestic industrial production sector, which curbs industrialization, technology adoption, and skills transfer, slowing the pace of adaptation to the industrialization agendas of both COMESA and SADC. Second, the country is fiscally unstable, with a huge debt overhang from global

<sup>4</sup> The National Economic Empowerment Fund Limited is a government-owned microfinance institution created to economically empower ordinary and underserved Malawians (in particular women, young people and persons with disabilities) by providing good-quality, affordable and sustainable microfinance services that improve livelihoods.

financial institutions, international creditors and shrewd but calculative bilateral creditors.

Zimbabwe faces three challenges. First, political polarization has a direct bearing on harmonization and coordination among key stakeholders driving the country's industrialization agenda. Second, macroeconomic instability deters domestic and foreign capital investment and erodes companies' financial assets, thereby discouraging the private sector from investing in priority sectors. Third, overregulation of the business environment creates a confused and fatigued business sector, which undermines awareness-raising, buy-in and collective ownership of the industrialization process.

Three additional challenges are common to all three countries. The first is the weak collaboration among industrialization-oriented ministries and between the ministries and industrialization-oriented non-State actors. The second is weak cooperation among all key stakeholders that work on industrialization,<sup>5</sup> leading to low buy-in and ownership by other stakeholders. The final additional challenge is that limited finances have constrained the implementation of industrialization-oriented policies and strategies, and alignment with the aspirations of the COMESA and SADC industrialization strategies.

## 4.2 Key action points to support alignment and harmonization in the three member States

The Government of Malawi should:

- a). Conduct a fully transparent and participatory process to revise its NIP to include growth targets and potential paths to industrialization in line with the COMESA and SADC frameworks and Malawi Vision 2063;
- b). Mobilize development partners and international investors in the energy and transport infrastructure sectors;
- c). Negotiate sustainable lines of credit from global financial institutions and other creditors in SADC and COMESA countries and further afield to support industrial development.

The private sector in Malawi should:

- a). Mobilize domestic and foreign investment finance in priority industrial sectors;
- b). Continue negotiations for better lines of credit from institutions in Malawi, COMESA and SADC countries, and the rest of the world.

The Government of Zambia should:

- a). Continue negotiations on lines of credit from global financial institutions and other creditors in SADC and COMESA countries and further afield;
- b). Carefully strike a balance between supporting the generation of foreign currency through industrialization-oriented trade and servicing its debt. This will require sustained trade-debt dialogue involving the Government and all relevant stakeholders.

The private sector in Zambia should:

- a). Explore borrowing options from SADC and COMESA countries and from further afield for the sole purpose of importing necessary inputs into industrial production;
- b). Explore the potential to improve productivity and efficiency by reorganizing or prioritizing industrial production processes.

The Government of Zimbabwe should:

- a). Enhance professionalism in the public service to ensure inclusive consultations, proper coordination and a sincere commitment to work with all non-State actors, irrespective of their divergent views;
- b). Intensify inclusive political dialogue with stakeholders and re-engagement with Western Governments, global financial institutions and other development partners, guided by a clear road map and milestones.

The Parliament of Zimbabwe, the private sector and civil society organizations should develop and roll out capacity-building programmes targeting Members of Parliament who sit on the Portfolio Committee on Trade, Industry and Development, since, through their oversight of ministerial directives and administrative procedures, they can ensure that adequate and inclusive consultations take place between the Government and key industrialization stakeholders before related Statutory Instruments are gazetted.

<sup>5</sup> Government, the private sector, civil society organizations, labour unions and research and tertiary institutions.

## 5. Conclusion and recommendations

### 5.1 Conclusion

The three countries have adopted largely harmonized national industrialization policies and strategies that are broadly aligned with the aspirations of COMESA and SADC. Malawi did so in 2016, and Zambia and Zimbabwe in 2018. The three countries have also been implementing industrialization-oriented policies and strategies, albeit at different levels and paces, to incorporate the COMESA and SADC industrialization frameworks into their own frameworks. Furthermore, official reports from COMESA and SADC meetings have confirmed that the countries have adopted the COMESA and SADC industrialization agendas via their respective official reports in related meetings.

The efforts made by Malawi to adopt the COMESA and SADC industrialization agendas have had the following results:

- a. The country has sound funding relationships with global financial institutions, development partners, United Nations bodies (the United Nations Development Programme, ECA and the United Nations Industrial Development Organization) and international non-governmental organizations. Through these bodies, relevant ministries, departments, statutory bodies and non-State actors mobilize external resources to support the implementation of industrialization-oriented policies and strategies, and the alignment of policies and strategies with the industrialization agendas of COMESA and SADC. Fiscal allocations to support such alignment, however, have remained very low;
- b. Technology uptake in Malawi, especially ICT use, is on track. ICT is a key pillar in the Malawi Growth Development Strategy III. In addition, the National Planning Commission has embraced ICT as a key pillar in the development of the Malawi Vision 2063. The country has also recently revised its ICT policy, treating it as a cross-cutting theme and a crucial enabler of industrialization. ICT is now considered an industry in its own right in Malawi. The Government has fast-tracked the institutionalization of e-government, including the establishment of a full-fledged Department of E-Government. The installation of fibre-optic cables is expected to boost the country's industrialization.

The adaptation efforts of Zambia have had the following results:

- a). The fiscal budgets of relevant government ministries, departments and quasi-autonomous organizations reflect their industrialization-oriented programmes and activities;
- b). The United Nations Industrial Development Organization, together with the African Development Bank, has established a programme for country partnership for Malawi;
- c). The German Agency for International Cooperation established a country office in 2020 to support the country's industrialization agenda, including adaptation to the industrialization agenda of SADC and COMESA;
- d). The political environment is conducive for the business community to engage directly with political actors and other key stakeholders involved in industrialization and alignment with the SADC and COMESA industrialization strategies, with a view to redressing inconsistencies in the implementation of industrialization-oriented policies and strategies, and legal regulations;
- e). The joint industrialization programme entered into with Zimbabwe reflects the two countries' commitment to address their industrialization agendas and bring them in line with the industrialization strategies of SADC and COMESA.

The adaptation efforts of Zimbabwe have had the following results:

- a). Calls have increased for an inclusive political dialogue and re-engagement with Western Governments and global financial institutions, so that government and the private sector can have access to the lines of credit they need to support the country's industrialization agenda;
- b). The joint industrialization programme entered into with Zambia encourages the harmonization of industrial development and subsequent alignment with the industrialization strategies of SADC and COMESA;

c). Value addition and value chain developments have been prioritized, especially in agroprocessing, pharmaceuticals and mineral beneficiation.

## **5.2 Key policy recommendations to accelerate the harmonization of national industrialization-oriented policies and strategies and their adaptation to the SADC and COMESA frameworks, based on the experiences of Malawi, Zambia and Zimbabwe**

Policy recommendations for countries:

- a). All relevant stakeholders should collectively monitor the implementation process so that their industrialization strategies are aligned with those of both COMESA and SADC. Clear interventions and strategies should be formulated with clear targets and properly costed activities, as well as a monitoring and evaluation framework based on timelines and indicators;
- b). All relevant government ministries, non-State actors (including the business community), labour organizations, research institutions and academia should work in harmony to adapt national industrialization strategies to the strategies of COMESA and SADC;
- c). Governments should continue or restart engagement with global financial institutions to obtain access to lines of credit, thus strengthening the operations of the development finance institutions;
- d). Countries should incorporate the aspirations of COMESA and SADC policies into their respective country policies at the policy design and development stage;
- e). Countries should strengthen their policy implementation systems to anchor the harmonization and alignment of the industrialization policies of COMESA, SADC and their member countries;
- f). Countries should provide adequate resources for the implementation of industrialization strategies through deliberate budgetary allocations and resource mobilization strategies;
- g). Countries need to incorporate the aspirations of COMESA and SADC policies into their own industrialization policies at the design and development stage;
- h). Countries should establish or strengthen public-private dialogue forums to spearhead policy discourse between the private sector and government.

## **5.2 Policy recommendations for SADC and COMESA**

The regional economic communities should assess national policies and ensure that they incorporate their integration strategies;

The regional economic communities should devise and strengthen methods to track the harmonization and alignment of country policies;

The regional economic communities should continue to lobby for a friendly political, investment and regulatory environment that attracts domestic and foreign investment, and is geared in particular towards encouraging technology and skills transfer in priority sectors or clusters.

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