



# SADC INDUSTRIAL DEVELOPMENT POLICY FRAMEWORK

## **LIST OF ABBREVIATIONS AND ACRONYMS**

|        |   |
|--------|---|
| AIDA   | Accelerated Industrial Development of Africa          |
| AU     | African Union   |
| COMESA | Common Market for Eastern and Southern Africa         |
| CMT    | Committee of Minister of Trade                        |
| DFI    | Development Finance Institution                       |
| EAC    | East African Community                                |
| FDI    | Foreign Direct Investment                             |
| FIP    | Finance and Investment Protocol                       |
| FTA    | Free Trade Area                                       |
| GDP    | Gross Domestic Product                                |
| IUMP   | Industrial Upgrading and Modernization Programme      |
| IDF    | Industrial Development Forum                          |
| MVA    | Manufacturing Value Chain                             |
| ODA    | Official Development Assistance                       |
| RIDMP  | Regional Infrastructure Development Master Plan       |
| RISDP  | Regional Indicative Strategic Development Plan        |
| SADC   | Southern African Development Community                |
| SME    | Small and Medium Enterprises                          |
| SQAM   | Standardization, Quality, Accreditation and Metrology |
| TBT    | Technical Barriers to Trade                           |

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# 1 INTRODUCTION

- 1.1 Industrial development has been placed at the core of the developmental integration agenda of SADC. SADC Member States acknowledge that industrial development is central to diversification of their economies; development of productive capacity; and the creation of employment in order to reduce poverty and set their economies on a more sustainable growth path.
- 1.2 All the developing countries that have been able to make the transition from low income to upper middle and high income status, primarily in Asia, have relied on the manufacturing sector as the main source and engine of growth. A key challenge for SADC as a region is to move off an economic growth path built on consumption and commodity exports onto a more sustainable developmental path based on industrialization. Linked to this is the need to build economic infrastructure; enhance the technology base, economies of scale and scope, and the competitiveness of industries, leveraging on, among others, the regional infrastructure programme.
- 1.3 In this respect, the SADC Industrial Development Policy Framework is of paramount importance. It sets out areas of cooperation at regional level to build a diversified, innovative and globally competitive industrial base, which contributes to sustainable growth and employment creation for the mutual benefit of its people. The framework provides a reference point and will guide coordination of complex complementary policies, activities and processes which will form part of the regional industrial development framework. It also aims to communicate the region's industrialization aspirations and provides direction to the private sector, both within and outside of the region. It outlines a regional vision and mission for the industrial economy in SADC, and key interventions for implementation in the short, medium and longer term to move towards this vision.
- 1.4 This framework recognizes that formulation and implementation of industrial policy is essentially a national prerogative. It further recognizes that industrial policy, i.e., government action through appropriate policy instruments and interventions in support of dynamic manufacturing growth remains a legitimate instrument for development. The SADC Industrial Development Policy Framework therefore encourages Member States to continue to formulate and implement national policies and strategies for stimulating and enhancing their productive capacities as these policies are important in informing and supporting the regional framework. The framework therefore seeks to leverage and build on SADC mutually beneficial opportunities as well as addressing the common challenge of industrialization through development of strategies or activities coordinated at regional level.
- 1.5 The SADC Industrial Policy Framework also recognizes that there is no blueprint and 'no-one-size-fits-all' approach for a region's industrialization process. The term 'framework' is adopted to encompass a set of policy components and interventions

which directly and indirectly influence industrial structure and performance within diverse contexts at national and regional levels. However, an integrated regional market is critical in generating economies of scale necessary to unlock the region's industrial potential and enhancing the competitiveness of domestic firms. This would result in economies of scale in the provision of support infrastructure and services required for regional manufacturing development as well as building industrial competitiveness. Within this context, the promotion of value chains and production network linkages across borders has the potential to stimulate efficiency gains that can be generated through integrated regional markets built on comparative and competitive advantages.

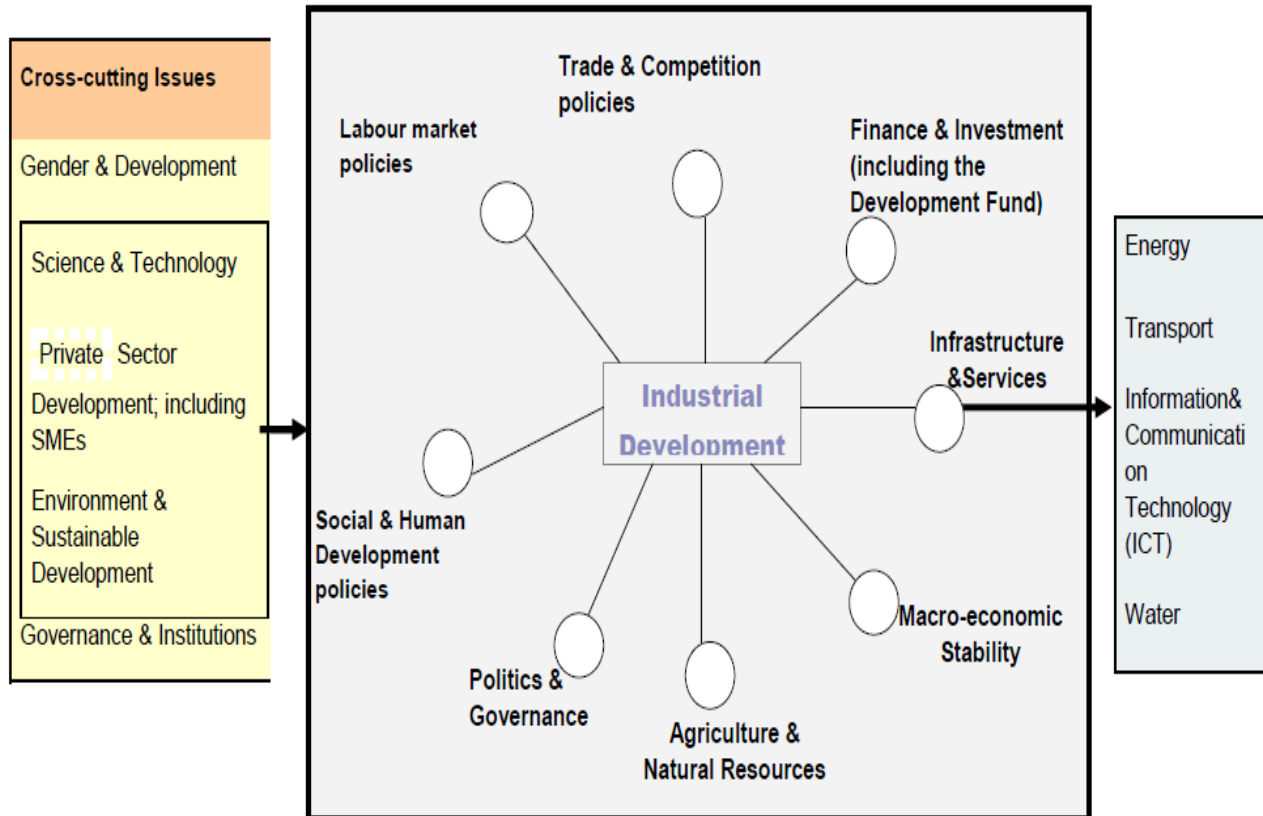
- 1.6 The departure point for the SADC Industrial Policy Framework is the Industrial Upgrading and Modernisation Programme (IUMP), adopted by the SADC Committee of Ministers of Trade (CMT) in June 2009. The objective of the IUMP is to enhance the competitiveness of existing industrial capacity and promote the development of regional value chains in selected sectors across the region. Nine priority sectors have been identified under the IUMP and the focus of the programme would be to upgrade existing manufacturing capacities, modernise productive facilities, reinforce the institutional support infrastructure, and strengthen the region's capacities for research and innovation.
  
- 1.7 The SADC Industrial Policy Framework therefore facilitates enhanced cooperation to take advantage of backward and forward linkages or synergies, gradually building a diversified, innovative and globally competitive industrial base across the region. It outlines the following broad cross cutting and sector specific interventions for implementation at regional level:
  - (i) Developing and exploiting SADC mutually beneficial opportunities;
  - (ii) Improving standards, technical regulations & quality infrastructure;
  - (iii) Promoting cooperation on innovation, technology transfer, and research and development activities;
  - (iv) Developing mechanisms to improve access to finance for manufacturing and related sectors;
  - (v) Improving support for small and medium-sized enterprises (SMEs);
  - (vi) Integrating infrastructure and services into the regional industrialization strategy;
  - (vii) Attracting local regional and foreign direct investment (FDI) and promoting exports;
  - (viii) Developing strategies to exploit opportunities emerging in the region's strategic cooperation with global partners; and
  - (ix) Promoting alignment of this policy with existing complementary policies.

## **2. BACKGROUND AND SITUATIONAL ANALYSIS**

### **2.1 Historical Background and Policy Context**

- 2.1.1 Both the SADC Treaty and the Regional Indicative Strategic Development Plan (RISDP) provide for a development integration approach in SADC which seeks to address production, infrastructure and efficiency barriers to growth and development of the region. Specifically, industrialization is prioritized as a major tool for sustainable growth, development and eradication of poverty.
- 2.1.2 The SADC Protocol on Trade, which came into effect in 2000, specifically calls for an industrialization strategy to accompany implementation of the SADC Free Trade Area (FTA).
- 2.1.3 The RISDP adopted in 2003 further re-affirmed the commitment of SADC Member States to a number of priority intervention areas, including development of deliberate policies for industrialization with a focus on promotion of industrial linkages and efficient utilisation of regional resources through increased value addition. The Plan further calls for SADC Member States to pursue national industrial policies and strategies in a manner that fosters regional coherence and reduces regional inequalities.
- 2.1.4 Sector-specific analysis, including value chains analysis, was conducted with a view to inform the development of sector specific strategies. This led to the adoption of a programme in 2009 to upgrade and modernise existing industries as well as reinforce institutional support infrastructure for improving productivity and competitiveness – the IUMP. At its 23<sup>rd</sup> meeting in November 2011, in Luanda, Angola, the CMT prioritized the finalization of the SADC Industrial Development Policy Framework and implementation of the IUMP. Thus, the need to develop the SADC Industrial Development Policy Framework has long been recognized by SADC policymakers.
- 2.1.5 The Industrial Development Policy Framework recognizes policies, protocols and other regional frameworks which are provided for in the SADC Treaty and the RISDP as illustrated in Fig.1.

**Figure1: SADC Development Policy Mix**



- 2.1.1 Implementation of the SADC Industrial Policy Framework will require alignment with all these policies in order to complement regional efforts aimed at enhancing the pace of industrial development. In addition, the operationalization of the SADC Regional Development Fund, as provided for under the SADC Treaty, will serve as a financial mechanism to mobilise resources to support regional development and deeper integration, including industrial development. The details of key cross-cutting issues are elaborated in Annexure 1.
- 2.1.2 SADC Member States as part of the African Union (AU), adopted the *Action Plan for Accelerated Industrial Development of Africa (AIDA)* in January 2008. The AIDA implementation strategy focuses on creating coherent industrial policy frameworks at national, regional and continental levels that are well-focused and sensitive to local endowments. SADC Member States together with members of the Common Market for Eastern and Southern Africa (COMESA) and the East African Economic Community (EAC) have also adopted industrial development as one of the pillars underpinning regional cooperation under the Tripartite Arrangement. The SADC Industrial Development Policy Framework enhances synergies with all these processes.



## 2.2 Situational analysis

### The manufacturing sector

The structure of production of SADC countries is characteristic of a developing region where large shares of Gross Domestic Product (GDP) originate from primary production sectors, mainly agriculture and mining. The contribution of these sectors to GDP is relatively high, averaging close to 50 per cent of GDP. Fishing has equally grown to be important in a number of countries. However, value addition in these primary sectors remains low, on average remaining at 14 per cent of GDP in 2009 (World Bank, 2011). With the exception of South Africa and Mauritius, which have sizeable manufacturing sectors, the SADC industrial sector remains relatively undiversified.

**Table 1: Contribution of Manufacturing to Gross Domestic Product (GDP),%**

|              | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  |
|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Angola       | 3     | 4     | 4     | 4     | 4     | 4     | 4     | 5     | 5     | 6     | 6     | 6     |
| Botswana     | 5     | 4     | 4     | 4     | 4     | 4     | 3     | 4     | 4     | 4     | 4     | 4     |
| DRC          | 5     | 5     | 5     | 5     | 6     | 7     | 6     | 6     | 6     | 5     | NA    | NA    |
| Lesotho      | 14    | 19    | 23    | 22    | 22    | 20    | 22    | 20    | 19    | 16    | 13    | 12    |
| Madagascar   | 12    | 12    | 13    | 14    | 14    | 14    | 14    | 14    | 14    | 14    | NA    | NA    |
| Malawi       | 13    | 12    | 11    | 12    | 10    | 9     | 11    | 10    | 10    | 10    | NA    | NA    |
| Mauritius    | 23    | 23    | 22    | 22    | 21    | 20    | 20    | 20    | 20    | 19    | 18    | 18    |
| Mozambique   | 12    | 14    | 14    | 17    | 18    | 15    | 16    | 15    | 14    | 14    | 13    | 13    |
| Namibia      | 13    | 13    | 13    | 15    | 14    | 14    | 16    | 17    | 14    | 15    | 8     | 8     |
| Seychelles   | 19    | 18    | 18    | 16    | 17    | 13    | 12    | 12    | 12    | 11    | NA    | NA    |
| South Africa | 19    | 19    | 19    | 19    | 19    | 18    | 17    | 17    | 17    | 15    | 15    | 13    |
| Swaziland    | 39    | 42    | 41    | 41    | 40    | 40    | 43    | 44    | 44    | 46    | 42    | 41    |
| Tanzania     | 9     | 9     | 9     | 9     | 9     | 9     | 9     | 9     | 9     | 10    | 10    | 10    |
| Zambia       | 11    | 11    | 12    | 12    | 12    | 12    | 12    | 11    | 10    | 10    | 9     | 9     |
| Zimbabwe     | 16    | 15    | 13    | 14    | 16    | 17    | 18    | 17    | 17    | 16    | 14    | 11    |
| <b>SADC*</b> | 14.20 | 14.67 | 14.67 | 14.73 | 15.07 | 14.40 | 14.87 | 14.73 | 14.33 | 14.07 | 14.60 | 13.90 |

*Source: World Bank (2012)*

\* For 2010 and 2011, the average does not include DRC, Madagascar, Malawi and Seychelles due to unavailability of data.

2.2.1 As illustrated in Table 1, in all SADC Member States, the manufacturing sector's contribution to GDP is less than 20 per cent, and even in some cases, lower than 5 per cent. Industrialization intensity is fairly low with industrial output heavily

concentrated on low-technology products such as food, beverages, textiles, clothing and footwear. In most countries, the contribution of manufacturing to GDP has relatively remained unchanged over the last decade, despite some small upward and downward movements across countries.

2.2.2 Table 2 below illustrates Manufacturing Value Added (MVA) per capita<sup>1</sup> in SADC countries. Between 1990 and 2010, four SADC countries recorded a decline in MVA per capita and only two have registered a growth rate of more than 5 per cent. Individual country performance also shows varied levels of development in terms of MVA amongst SADC countries.

**Table 2: Manufacturing Performance in SADC Countries (US\$)**

| Country      | MVA per capita (1990) | MVA per capita (2010) | MVA per capita (compound annual growth rate, 1990-2010) |
|--------------|-----------------------|-----------------------|---|
| Angola       | 26                    | 66                    | 4.8   |
| Botswana     | 124                   | 171                   | 1.6   |
| DRC          | 16                    | 5                     | -5.7  |
| Lesotho      | 44                    | 103                   | 4.3   |
| Madagascar   | 30                    | 25                    | -0.8  |
| Malawi       | 21                    | 17                    | -1.0  |
| Mauritius    | 522                   | 801                   | 2.2   |
| Mozambique   | 15                    | 52                    | 6.2   |
| Namibia      | 92                    | 348                   | 6.9   |
| Seychelles   | 692                   | 1,193                 | 2.8   |
| South Africa | 551                   | 581                   | 0.3   |
| Swaziland    | 311                   | 451                   | 1.9   |
| Tanzania     | 19                    | 29                    | 2.2   |
| Zambia       | 36                    | 44                    | 1.1   |
| Zimbabwe     | 106                   | 34                    | -5.5  |

**Source: UNCTAD / UNIDO database**

2.2.3 The lack of diversification of the region's industrial sector is perhaps most evident in its export composition to the rest of the world, in general, and also in the region's inability to grow intra-SADC exports. The top ten export products to the rest of the world are dominated by resource based, non-value added products. While recognizing the need to strengthen foothold in international markets, commodity export is unlikely to sustain economic growth.

<sup>1</sup> Manufacturing refers to industries belonging to International Standard Industrial Classification (ISIC) divisions 15 -37. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs.

2.2.4 The above analysis highlights core challenges confronting the manufacturing sector in SADC Member States and the critical need for its structural transformation. These range from limited domestic markets; insufficient productive capacity and diversification; limited cross-border industrial linkages; over-reliance on primary production with limited value addition and beneficiation, low levels of investment in manufacturing activities and, therefore, low levels of intra-SADC and external trade in diversified products. In addition, industrial competitiveness continues to be hampered by shortage of skills at firm and policy making levels; inadequate access to capital; dated technologies and methods of production; poor standards, quality and conformity infrastructure; and inadequate logistics infrastructure. While these challenges are critical and will be addressed in this policy framework, the transport and logistics and services are highlighted in the paragraphs that follow because of their peculiarity and cross-cutting contribution to industrialization.

### **Infrastructure**

2.2.5 An efficient, integrated, and cost-effective infrastructure remains a prerequisite for regional industrial development.

2.2.6 The structural transformation of the SADC industrial sector has all along been hampered by inadequate infrastructure and high-cost services. The region is not coping with current infrastructure requirements, including those related to expansion of industrial capacity such as energy, transport and logistics services, and information and communication technologies. A diagnostic study to determine the prevailing infrastructure gaps in the region undertaken in 2011/12 revealed serious gaps in infrastructure provision, including, amongst others:

- Insufficient energy supply to serve increased production and to extend access;
- Highly priced, unpredictable transport and logistics services, especially for landlocked states;
- Lack of low-cost access to information and communication technologies; and
- Inadequate meteorological services for effective and efficient planning and management of water resources, energy production, transport services and other climate-sensitive sectors.

2.2.7 The 2012 SADC Summit adopted the SADC Regional Infrastructure Development Master Plan (RIDMP). The RIDMP will serve as a key strategic framework to guide implementation of efficient, seamless and cost-effective trans-boundary infrastructure networks in an integrated and coordinated manner, and amongst others, serve as a catalyst to industrial development in the region. The

- 2.2.8 The RIDMP should be leveraged to increase manufacturing capacity in the region through prioritisation of regional sourcing of goods and services in its implementation. be

### **Services**

- 2.2.9 All services sectors have strong linkages to industrialization. However, network-based sectors of transport, telecommunications and energy have a symbiotic relationship to manufacturing industries. These are crucial intermediate inputs into manufacturing and affect its competitiveness. In fact, services offer the main source of competitiveness or productivity growth to various sectors of the economy. In addition to financial services and tourism, the transport, communications and energy sectors have also been prioritized as critical in the SADC trade in services agenda. Globally, it is becoming evident that as services become more integrated in many spheres of the economy, the contribution of the services industry rises in relation to a country's total output and employment. This has been demonstrated in the post-industrialization phase of developed countries where the services sectors are absorbing the largest share of employment. Recent growth in countries like India also follows this pattern, where economic growth is largely being driven by services and services exports. Experience from the current global economic crises shows that those countries with a strong manufacturing sector were more resilient than those with a weak manufacturing sector whose growth was mainly from service sectors. This therefore highlights the importance of a robust manufacturing sector supported by an efficient services sector.
- 2.2.10 The SADC objective of promoting regional value chains and production networks can only be realized in the context of efficient services sector development, suggesting the need to integrate infrastructure services into the region's industrial development strategy.

## **3. VISION, MISSION, PRINCIPLES AND OBJECTIVES OF THE POLICY FRAMEWORK**

### **3.1 Vision**

“An integrated regional economy with a diversified, innovative and globally competitive industrial base, which contributes to sustainable growth and employment creation”

## 3.2 Mission

To provide a framework for enhanced cooperation and exploitation of synergies among SADC Member States to build a diversified, innovative and globally competitive industrial base, which contributes to sustainable growth and employment creation.

## 3.3 Principles

The SADC Industrial Development Policy Framework is premised on the following guiding principles:

- (i) **Regionality** which requires that policy interventions and measures should have a regional focus and allow policy space and flexibility for national industrial policies and strategies.
- (ii) **Additionality** which requires that regional industrial cooperation should add value to national industrial policies and strategies.
- (iii) **Diversity** of Member States which creates an opportunity for enhancing regional industrial integration, growth and broad based manufacturing.
- (iv) **Responsiveness** which requires that regional interventions and measures should be aligned to the broader SADC objectives of reducing poverty, creation of employment and sustainable livelihoods.
- (v) **Realism and Implementability** which requires that regional interventions and measures be based on a realistic action plan with measurable targets biased towards short term interventions and subject to results based monitoring.
- (vi) **Inclusiveness** which requires engagement with a broad base of stakeholders, including private sector participation.
- (vii) **Complementarity** which enables countries to transform comparative advantage into competitive advantage for the region.

## 3.4 Objectives

- 3.4.1 The objective of the SADC Industrial Development Policy Framework is to promote the development of an integrated industrial base within SADC through the exploitation of regional synergies in value-added production and enhancement of export competitiveness.

3.4.2 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:

- (i) increase intra-regional trade and expansion of markets;
- (ii) diversify the region's manufacturing base through efforts to stimulate and encourage value addition on local primary resources;
- (iii) stimulate investment flows into productive sectors in which the region has a comparative advantage, and as a strategy for acquiring modern technology to support value-addition, innovation and technology transfer into the regional economy;
- (iv) strengthen national and regional institutional frameworks and capabilities for industrial policy design and implementation, with specific emphasis on enhancing evidence-based search processes between the public and the private sector;
- (v) strengthen research and development (R&D), technology and innovation capabilities and skills to facilitate structural transformation of the manufacturing sector;
- (vi) facilitate the upgrading of existing industries particularly SMEs towards more competitiveness, including improvements in the quality and standards infrastructure necessary to ensure international competitiveness of goods produced in the SADC region;
- (vii) promote export diversification of goods and services;
- (viii) facilitate regional public and private investments in infrastructure and services in order to reduce the costs of doing business in the region; and
- (ix) positioning the region to exploit opportunities arising out of collaboration with other parts of the world.

#### **4. KEY INTERVENTION AREAS**

4.1 A coordinated region-wide approach to address challenges confronting the manufacturing sector in SADC Member States remains an important pillar for regional integration. Regional collaboration has the potential to deal with problems related to limited domestic markets; a narrow manufacturing base, limited value addition and beneficiation; competitiveness bottlenecks; and insufficient infrastructure.

4.2 Key intervention areas for implementation of the policy framework are detailed below:

**a) Developing sector-specific strategies**

4.3 The SADC IUMP provides the basis for sector specific approach to industrialization in the region focusing on upgrading existing manufacturing capacities, modernising productive facilities, reinforcing the institutional support infrastructure, and strengthening the region's capacities for research and innovation. The programme has identified nine (9) priority sectors, namely, agro-food processing; fisheries; forestry (wood and wood products); textiles and garments; leather and leather products; processing of mineral (metallic and non-metallic) products (beneficiation); pharmaceuticals and chemicals; machinery and equipment; and services. These sectors were selected following extensive consultations and analytical work which confirmed both comparative and competitive advantage in promoting the development of regional value chains and their linkages with global supply chains.

4.4 In view of the limited resources to implement the programme in full, the CMT in November 2011 decided that a pilot programme of the IUMP, focusing on agro-food processing, mineral beneficiation and pharmaceutical sectors be developed and implemented. Specific actions under this key intervention area will include:

- (i) Profiling the priority sectors for the region, starting with agro-food processing; mineral beneficiation and pharmaceutical industries, to identify regional development potential as well as bottlenecks and constraints to development of regional value chain development;
- (ii) Identifying key interventions to promote development of specific regional value chains starting with the three priority sectors, using a broader participatory and evidenced-based approach;
- (iii) Identifying strategic instruments which can be used by member states to promote mineral beneficiation and pharmaceutical sector development in selected value chains;
- (iv) Assessing the potential for regional in-sourcing through the development of a regional public procurement framework; and
- (v) Advocating for regional sourcing of goods and services by international donor agencies particularly food aid.

## **b) Promoting Industrial upgrading through innovation, technology transfer and research and development**

- 4.5 SADC Member States need to increasingly invest in innovation and technology capabilities to enable them to upgrade and expand their manufacturing base. Innovation and technology processes are knowledge, skills and resource intensive and remain critical areas where market failures are more evident. The SADC Protocol on Science, Technology and Innovation emphasises cooperation in the development and transfer of science, technology and innovation in the Member States. It is important therefore that measures are undertaken towards effective implementation of this Protocol.
- 4.6 Current public spending on R&D remains very low in most SADC countries and the region lags behind the global frontier in research and development. This has led to inability to deepen technology linkages within key sectors in the region, loss of commercialisation opportunities of indigenous knowledge to other parts of the world and limited participation of the region in global supply chains. Collaboration is therefore key to facilitate development and commercialization of products given limited research funding and facilities. This will further promote exploitation of synergies at regional level and sharing of best practice in order to add to regional capabilities.
- 4.7 Specific actions under this key intervention area will include:
- (i) Developing Regional Centres of Excellence taking into account existing pockets of excellence within the region within the nine priority sectors, with a view to promote innovation, technology development and transfer within the region;
  - (ii) Developing mechanisms to facilitate the commercialisation of technologies including fostering collaboration among relevant institutions within the region; and
  - (iii) Developing a dedicated window in the SADC Regional Development Fund to support industrial innovation and research with regional applicability.

## **c) Improving standards, technical regulations and quality infrastructure**

- 4.8 Standards, quality assurance, accreditation and metrology (SQAM) infrastructure is critical in enhancing manufacturing capabilities and international competitiveness, hence it is an integral part of the SADC industrialization strategy. Given the limited capacities in the quality infrastructure of most SADC Member States, regional cooperation on strengthening technical infrastructure capacity is likely to add greater value to the region's industrialization efforts.



- 4.9 SADC has been implementing a SQAM programme since 2000, and this has culminated into an Annex on Technical Barriers to Trade (TBT) adopted by CMT in July 2008. The SQAM programme encompasses standardization, accreditation, conformity assessment, metrology, technical regulations and related matters. Its objectives are to progressively eliminate TBT amongst Member States; promotion of a quality infrastructure in SADC Member States and create a suitable environment for the production of quality goods and services in the region. Strengthening the regional SQAM infrastructure will also prevent the dumping of cheap, sub-standard manufactured goods in the regional market, which can harm consumers and undermine the development of local industries. Regional structures on SQAM are fully operational.
- 4.10 National quality infrastructure, including standards bureaus, metrology institutes, legal metrology organizations, conformity assessment and accreditation bodies will be strengthened and supported to play a meaningful role in assuring quality for regionally produced goods, starting with the agro-food processing, mineral beneficiation and pharmaceutical industries. Special attention will be given to SMEs as they face inherent challenges with meeting quality and conformity requirements, particularly in the case of importer-mandated product standards. Specific actions will include:
- (i) Fast-tracking progress on the work being done under SQAM with particular emphasis on the priority sectors;
  - (ii) Assessing regional and national SQAM infrastructure needs in selected value chains, with particular attention to agro-food processing; mineral beneficiation and pharmaceutical sectors;
  - (iii) Strengthening SQAM infrastructure to support production of quality products in selected priority value chains and building awareness for accredited conformity assessment services particularly among SMEs.

#### **d) Developing and upgrading skills for industrialization**

- 4.11 Successful formulation and implementation of industrial development initiatives requires deliberate action to build and enhance the skills base throughout the economy over time. A critical structural constraint to manufacturing in the SADC region is an acute shortage of requisite skills. Availability of vocational training in the region lags behind most other developing country regions in the world. There is also inadequate coordination and articulation of actions across the region to ensure necessary cross-border synergies in skills development in support of industrialization. Regional interventions for development and upgrading of skills for industrialization should cover a broad range of programmes necessary for industrial development such as managerial, entrepreneurial and technical skills, including apprenticeships and internships. This must also include development of

programmes to build capacity within Member States to increase their capacity to successfully formulate and implement industrial development initiatives. Specific actions will include:

- (i) Developing regional support mechanisms to address shortage of key skills required for industrialisation, particularly artisanal training;
- (ii) Establishing light manufacturing (including food industries, leather, metal, garments/textile) training programmes that can be offered across the region;
- (iii) Facilitating development of specialized training in the priority sectors with particular emphasis on mineral processing and pharmaceutical production in institutions of higher learning; and
- (iv) Facilitating capacity building for industrial policy development, analysis and implementation for policy makers at Member State level.

#### **e) Developing a mechanism for industrial financing**

4.12 In all SADC countries, inadequate access to capital for industrial activities is an impediment to industrial development, particularly for small and medium sized enterprises (SMEs). Most Development Finance Institutions (DFIs) are not channelling resources to the real sectors of the economy. In addition, most DFIs in Member States have an expressed limited mandate to operate only at national level. Furthermore, Official Development Assistance (ODA) flows are largely directed towards the social sectors with limited support directed at industrial activities. There is therefore need for regional interventions on industrial financing, which are especially biased towards the promotion of cross-border industrial linkages as well as accommodating the needs of the SME sector.

4.13 SADC recognizes that the operationalization of the SADC Regional Development Fund would be important in providing, among others, resources for industrial development. In this regard, the financing structure for the fund prioritises the operationalization of the infrastructure and industrial development windows. SADC should also harness South-South cooperation as a potential source of development finance; and encourage traditional donors to direct more ODA towards promoting industrial development in recipient countries and the region. Such a multi-pronged strategy on industrial financing is likely to lay the foundation for sustained and robust industrial growth in the region. Specific actions in this area will include:

- (i) Facilitating the creation of a financing window within the SADC Regional Development Fund to support industrial development within the Region,

including the development of criteria which prioritises projects of a regional nature, particularly the development of regional value chains;

- (ii) Facilitating the review of mandates of DFIs by Member States to include specific emphasis on support for value added activities and operations across the region; and
- (iii) Advocating for a more strategic use of ODA resources in support of development of regional productive capacity in recipient countries and at regional level.

#### **f) Improving provision of infrastructure for industrial development**

- 4.14 Regional cooperation in infrastructure has been recognized as a key intervention area in SADC's development integration process. Building of infrastructure should be seen as an important opportunity to further diversify and build the regional manufacturing base. To this end, the implementation of the SADC Regional Infrastructure Development Master Plan must prioritise stimulation of production activities and regional sourcing.
- 4.15 Effective implementation of the Regional Infrastructure Development Master Plan will further address regional supply-side constraints, including reducing the cost of doing business. Key priority sectors such as mineral beneficiation, agro-processing and related value-addition capacities will stand to be stimulated by an efficient, integrated, cost-effective infrastructure in the region. Regional in-sourcing of infrastructural inputs should also be a trigger for industrial development.
- 4.16 A specific action under this intervention area is to ensure that the SADC Regional Infrastructure Development Master Plan catalyses industrial development in the Region, maximising impact in the short, medium and long term through regional procurement.

#### **g) Enhancing support to small and medium-sized enterprises**

- 4.17 Small and medium-sized manufacturing enterprises (SMEs) constitute a substantial component of the industrial sector and are recognized as the backbone of most SADC economies. SMEs play an increasingly important role in employment creation and income generation. They mostly produce for national markets and, to a limited extent, regional markets as they continue to face significant constraints in expanding their supply-side base due to challenges related to capital and other business related support, including quality infrastructure.

4.18 A regional approach to SME support and development is an important aspect of the region's industrial development policy framework. Efforts to facilitate SME access to market and industrial information; participation in joint investment and export promotion initiatives; improved access to SQAM services, improvements in the quality and meeting conformity requirements are key to enabling SMEs to participate in regional trade and global supply chains.

4.19 Specific actions under this key intervention area will include:

- (i) Developing a portal for SMEs as a tool to provide access to trade and industrial information and for use as a marketing tool;
- (ii) Facilitating joint investment and export promotion initiatives for SMEs;
- (iii) Finalising development of an SME component in the IUMP pilot program to improve industrial competitiveness of SMEs in agro-food processing, mineral beneficiation and pharmaceutical sectors; and
- (iv) Organising a series of buyer-sellers meets to facilitate supply chain linkages between SMEs and large enterprises.

#### **h) Promoting local and foreign direct investment and exports**

4.20 As part of its industrialization drive, SADC will need to attract significant foreign direct investment (FDI) and regional investment into manufacturing. A targeted regional investment promotion programme focusing on specific priority sectors, particularly agro-processing, mineral beneficiation, pharmaceuticals as well as green industries such as renewable energy and bio-fuel manufacturing, amongst others, has the potential of enhancing the region's productive base.

4.21 Regional cooperation that promotes a flexible and transparent investment climate and which reduces regulatory costs should be strengthened. Effective operationalization and implementation of the SADC Protocol on Finance and Investment (FIP) could be an important stimulus towards the enhancement of prospects for manufacturing sector growth through foreign investment flows in the region. Similarly, effective implementation of the SADC Protocol on Trade could enhance prospects for trade among Member States and promote intra-SADC trade.

4.22 To deepen industrial development, there is need to build capacity in a way that diversifies and expands exports of manufactured goods both within and outside the region. Trade negotiations will need to support and align to this priority.

4.23 Focus under this intervention area will be on:-

- i) identifying regional investment opportunities in which to attract regional and foreign direct investment and promote intra and extra SADC trade; and
- ii) developing a targeted regional investment promotion programme focusing on priority sectors, starting with agro-processing, mineral beneficiation, and pharmaceutical sectors as well as identified investment opportunities.

**i) Developing regional strategies to exploit opportunities in cooperation with other regions of the world**

4.24 SADC should seize new opportunities emerging from cooperation with other regions of the world to, among others, further the region's industrialization agenda.

4.25 In this regard, a specific action will be developing a regional strategy aimed at facilitating the participation of regional firms in global value chains through access to finance, technology, and markets in relation to South-South cooperation and in cooperation with other regions of the world, including an assessment of associated costs and benefits.

**5. INSTITUTIONAL CAPACITY AND RESOURCE REQUIREMENTS FOR IMPLEMENTATION**

5.1 The SADC Industrial Development Policy Framework starts from the premise that government action through appropriate policy instruments and interventions in support of dynamic manufacturing growth remains a legitimate instrument for the region's development.

5.2 Successful implementation of any policy instrument will require adequate provision of resources and capacity for implementation. Therefore SADC Member States must ensure that the necessary capacity and resources, both at national and regional levels are provided for the effective implementation of the SADC Industrial Development Policy Framework.

**a) Institutional Structures for Implementation**

5.3 The following institutional structures are envisaged:

- (i) SADC Stakeholders' Forum on Industrialization which will be at a strategic policy level, involving the Committee of Ministers responsible for industry matters, captains of industry and industry experts of the region, to examine options for advancing industrial development, addressing competitiveness constraints and identifying possible solutions. The Forum will meet at least once in two years.

- (ii) SADC Committee of Ministers responsible for industry matters which will oversee implementation and provide policy guidance. The Committee will meet once a year.
- (iii) Committee of Seniors Officials responsible for industry matters which will provide technical policy support to the Committee of Ministers responsible for industry in policy development and implementation, including strategic intervention and action plans on regional industrial development.
- (iv) The Industrial Development Forum (IDF) which will report to the Committee of Senior Officials responsible for industry matters will be a body which is technically responsible for the elaboration of regional industrial development strategies and action plans.
- (v) The SADC Secretariat which will shall coordinate and support the effective functioning of all the afore-mentioned bodies for the successful implementation of agreed strategic intervention areas and action plans.

#### **b) Institutional capacity for implementation**

5.4 Recognizing the relevance and critical importance of industry in economic development and growth of the SADC region, there will be need to ensure that in support of effective implementation of the SADC Industrial Development Policy Framework, the following institutional capacity requirements are met:

- (i) A deliberate programme aimed at enhancing capacity in industrial policy making and implementation at both national and regional levels. Such an intervention should also encourage the sharing of best practices in industrial policy development from within and outside the region;
- (ii) Specifically at regional level, there will be need to improve the capacity of the Secretariat to coordinate implementation of the SADC Industrial Development Policy Framework. In this regard, there will be need to establish a separate Directorate responsible for Industry matters whose work programme will be dedicated to the implementation of this framework and overseeing its periodic review. The work of the Directorate will also include facilitating the design and implementation of policies, strategies and programmes to deepen regional industrial development. Working together with Member States, the Directorate will design and coordinate implementation of region wide measures to improve investments, competitiveness, job creation and value addition in the region. The Directorate will also have to build strategic partnerships to exploit opportunities from cooperation with other regions in the implementation of the regional industrial agenda. Creation of this Directorate will have to be considered within the context of the review of the RISDP.

### **c) Monitoring and Evaluation**

- 5.5 Monitoring and Evaluation is critical to ensure that implementation of the SADC Industrial Development Policy Framework remains focused to attain the desired results and check whether the results have had any impact. The essence of monitoring is to provide evidence based research and knowledge required for more effective performance management, while evaluation is about decision making and action. The SADC Secretariat will coordinate monitoring and evaluation of the implementation process and ensure that all institutional structures established in the context of this Policy Framework are equipped with the necessary information to keep track of key performance targets and deliver the strategic objectives.
- 5.6 Council approved the SADC Policy for Strategy Development, Planning, Monitoring and Evaluation in March 2012. This will remain a guiding instrument for planning, monitoring and evaluation of the SADC Industrial Development Policy Framework. Key indicators to be evaluated include industrial diversification and job creation.
- 5.7 Implementation Plans for the Policy will be developed covering a period of five years of implementation. The Plans should outline targets, timelines and resource requirements for implementation. A mid-term review of the Implementation Plans to assess progress in implementation will be essential, while on an annual basis, the Committee of Ministers responsible for Industry matters will receive a report outlining progress made and challenges. The Policy Framework will be reviewed every five years to assess if it still subscribes to the vision, mission, principles and objectives as outlined therein as well as the overall strategic direction of SADC.

## **Annexure 1: CROSS-CUTTING ISSUES**

### **Macroeconomic stability**

Macroeconomic stability is a critical pre-requisite for industrialization. Macroeconomic instability hampers resource allocation decisions, investment and growth. Stability in macro-economic conditions creates predictability and is a critical pre-condition for enhanced investment and economic growth. The regional industrial base economy will be undermined if there is wide disparity in macroeconomic conditions. This pre-requisite is recognized by the SADC Finance and Investment Protocol. The SADC Macroeconomic Convergence programme involves a commitment by Member States to meet a set of macroeconomic convergence criteria, which include restricting inflation to low and stable levels; maintaining prudent fiscal stance that avoids large fiscal deficits; and high debt servicing ratios to facilitate and maintain a stable regional macroeconomic environment. Member States must, therefore, continue to strive towards maintaining macro-economic stability and improving convergence across the agreed indicators as a necessary condition for the enhancement of the region's diversified productive capacity.

### **Competition policy**

Competition policy is specifically related to dealing with anti-competitive conduct of firms, including public entities. A dynamic regional industrial sector requires competitive outcomes. Situations of anti-competitive practices including exertion of market power in a number of concentrated input sectors in both the private and public spheres are common in many SADC Member States. The movement to free trade resulting from the multilateral trading system and regional trading arrangements imply that domestic products in any Member State face competition from abroad. It is important therefore that Member States have competition policies and laws to level the playing field in the market and hence support industries. Such policies can also protect small and medium-sized businesses from being driven out of business through anti-competitive practices. Member States should continue to work towards the realization of the SADC Declaration on Competition that supports cooperation in this area.

### **Public procurement**

Public procurement is another area where regional collaborative measures can be devised in support of the region's drive towards industrialization. To date, this is an exclusive national policy issue, and SADC has not engaged on activities related to cooperation in public procurement. In fact, a tendency exists to exclude regional suppliers from participating in public bids in pursuit of national and local



development objectives. If the objective of the SADC industrial policy framework is to promote regional value chains, it is important that a strategy is agreed upon on how government procurement can facilitate the realization of this objective. Options exist which may entail allowing regional competition in public procurement or developing a regional public procurement policy as a way to leveraging enhanced productive capacity in the region. Public procurement may also serve as a catalyst for innovation especially with regard to uptake in technologies, and facilitating the creation of markets for such innovations.

## **Trade Policy**

Trade policy relates a set of government policies that govern the exchange of goods and services across borders, including the overall structure of incentives to produce and consume; and hence import or export tradable goods and services. Industrial growth has always been driven by incentives such as the expansion of domestic demand and increasing exports. Therefore, closer coordination and alignment of trade policy with industrial policy interventions is critical in the promotion of industrial development.

## **Environment and climate change**

Another complementary policy area relates to environment and climate change. The economies of many SADC countries are mainly resource-based, mostly depending on agricultural, fishing, mineral, oil, and gas resources. Therefore, the region should enshrine the principle of sustainable development in the exploitation of resources, and ensure appropriate governance and institutional frameworks as well as corporate social responsibility. Environment and sustainable development is one of the key intervention areas in the RISDP and a critical element in the fight against poverty and food insecurity. A number of Protocols and Policy Frameworks on environment and sustainable development have been developed to foster regional cooperation and their effective implementation will further address sustainable industrial development challenges.

The growing concerns about climate change present challenges for industrial development, and regional cooperation towards the development of a cleaner and resource efficient industrial environment is important. Emerging international debate suggests that pressures on cutting greenhouse gas emissions will accelerate and environmental friendliness is likely to emerge as another component of industrial competitiveness. Green interventions are increasingly required and this can be an opportunity for SADC to base its industrial path on low energy – intensity, low- carbon emissions and clean technologies.

## **Gender**

SADC recognises that gender inequalities impact negatively on economic growth, exacerbate poverty and deny the disadvantaged full access to fundamental human rights. For this reason, one of the objectives of the SADC Protocol on Gender and Development is the promotion of women's access to, and control over, productive resources in order to reduce the level of poverty among women. There is need to mainstream gender into the region's industrialization strategy, through deliberate actions to empower women to participate in the productive sector. Regional interventions such as on industrial financing, industrial upgrading, skills development, and support to SMEs, should be responsive to the SADC gender policies and strategies.

## **HIV/AIDS**

The SADC region has high prevalence of HIV and AIDS. The population in the SADC Member States only makes up for roughly 3.5% of the world population, yet it accounts for more than 37% of the world's population living with HIV and AIDS. HIV and AIDS have an impact on all sectors, including the industrial sector, in most SADC Member States. Within industry, the mining sector - a key sector of most national economies in the SADC region for employment and foreign exchange generation, is one of the sectors mostly affected by the HIV/AIDS epidemic. The effects of the epidemic are substantial losses in its labour force, thus reducing the already small skills base and causing declines in productivity.

## Annexure 2: SADC INDUSTRIAL DEVELOPMENT POLICY FRAMEWORK IMPLEMENTATION MATRIX, 2013-2018

| Key Intervention Area 1- Developing Sector specific strategies  |                             |                         |                 |                   |                       |                         |  |
|---|-----------------------------|-------------------------|-----------------|-------------------|-----------------------|-------------------------|--|
| Specific Actions  | Responsible Agency          | Budget Estimate (US \$) |                 |                   |                       | Time Frame              | Measurable Indicators  |
|   |                             | Total Budget            | MS Contribution | ICPs Contribution | 2013/2014 Requirement |                         |  |
| <p>i) Profile the priority sectors for the region, starting with agro-food processing; mineral beneficiation and pharmaceutical industries, to identify regional development potential as well as bottlenecks and constraints to regional value chain development</p> <p>ii) Identify key interventions to promote development of specific regional value chains starting with the three priority sectors using a broader participatory and evidenced-based approach</p> <p>iii) Identify strategic instruments which can be used by member</p> | Secretariat - Member States | 817,000                 |                 | 817,000           | 544,000*              | <p>2013</p> <p>2014</p> | <p>a) 3 comprehensive studies on:</p> <p>i) Agro food processing<br/>ii) Pharmaceutical sector<sup>1</sup></p> <p>And</p> <p>iii) Mineral beneficiation</p> <p>- Profiling each sector; identifying key interventions to promote regional value chains; strategic instruments to promote mineral beneficiation and pharmaceutical sector development; and assessing potential for regional in-sourcing through a regional public procurement framework</p> <p>b) 3 validation workshops convened</p> |

<sup>1</sup> ADB is currently working with the Secretariat through the Social Human Development and Special Programmes Directorate (SHD & SP) to implement an action plan which objective, amongst others, is to facilitate production and access to medicines and commodities for tuberculosis, malaria, HIV and AIDS. A study to examine existing capacities and potential for production as well as accessibility, is due to be commissioned.

| Key Intervention Area 1- Developing Sector specific strategies   |                                  |                         |                 |                   |                       |            |  |
|--|----------------------------------|-------------------------|-----------------|-------------------|-----------------------|------------|--|
| Specific Actions   | Responsible Agency               | Budget Estimate (US \$) |                 |                   |                       | Time Frame | Measurable Indicators  |
|  |                                  | Total Budget            | MS Contribution | ICPs Contribution | 2013/2014 Requirement |            |  |
| states to promote mineral beneficiation and pharmaceutical sector development in selected value chains<br><br>iv) Assess the potential for regional in-sourcing through the development of a regional public procurement framework |                                  |                         |                 |                   |                       |            |  |
| v) Advocate for regional sourcing of goods and services by international donor agencies particularly food aid.   | Member States<br><br>Secretariat | 20,000                  | 20,000          |                   | 20,000                | 2014       | Regional Strategy to promote sourcing of regional goods and services by donor agencies developed |

| Key Intervention Area 2- Promoting industrial upgrading through innovation, technology transfer and research and development |                    |                         |                 |                   |                       |            |  |
|--|--------------------|-------------------------|-----------------|-------------------|-----------------------|------------|--|
| Specific Actions   | Responsible Agency | Budget Estimate (US \$) |                 |                   |                       | Time Frame | Measurable Indicators  |
|  |                    | Total Budget            | MS Contribution | ICPs Contribution | 2013/2014 Requirement |            |  |
| i) Develop Regional Centres of Excellence taking into account existing pockets of  | Secretariat        | 30,000                  |                 | 30,000            |                       | 2013       | i) Paper to facilitate the development of guidelines for identification and recognition of Regional Centres of Excellence prepared |

|   |                             |           |        |  |        |      |   |
|---|-----------------------------|-----------|--------|--|--------|------|---|
| excellence within the region within the nine priority sectors, with a view to promote innovation, technology development and transfer within the region | Member States               | n/a       |        |  |        | 2014 | ii) Member States propose potential regional Centres of Excellence  |
|   | Secretariat                 | TBE       |        |  |        | 2014 | iii) At least two Regional Centres of Excellence recognized   |
| ii) Develop a mechanism to facilitate commercialisation of technologies including fostering collaboration among relevant institutions within the region | Secretariat – Member States |           |        |  |        | 2016 | Mechanism to facilitate commercialisation of technologies developed   |
| iii) Develop a dedicated window in the SADC Regional Development Fund to support industrial innovation and research with regional applicability.        | Secretariat Member States   | 20,000*** | 20,000 |  | 20,000 | 2013 | Technical Committee established to facilitate operationalization of the industrial development window (operational guidelines and criteria for selection of industrial projects for funding prepared) |
|   |                             |           |        |  |        |      |   |

| Key Intervention Area 3- Improving standards, technical regulations and quality infrastructure  |                             |                         |                 |                   |                       |            |   |
|---|-----------------------------|-------------------------|-----------------|-------------------|-----------------------|------------|---|
| Specific Actions  | Responsible Agency          | Budget Estimate (US \$) |                 |                   |                       | Time Frame | Measurable Indicators   |
|   |                             | Total Budget            | MS Contribution | ICPs Contribution | 2013/2014 Requirement |            |   |
| i) Fast-track progress on the work being done under SQAM with particular emphasis on the priority sectors<br><br>ii) Assess regional and national SQAM infrastructure needs in selected value chains, with particular attention to agro-food processing; mineral beneficiation and pharmaceutical sectors | Secretariat – Member States | 987,000****             |                 | 987,000           | 382,200               | 2013-2017  | i) Awareness raising campaigns on the availability and use of SQAM conducted<br><br>ii) Assessment of the readiness of Conformity Assessment Bodies (CABs) for accreditation done<br><br>iii) Regional strategy to prepare CABs for accreditation developed   |
| iii) Strengthen SQAM infrastructure to support quality development in selected priority value chains and building awareness for accredited conformity assessment services particularly among SMEs.  |                             | 1,057,000****           |                 | 1,057,000         | 254,800               | 2013-2017  | i) Number of CABs applying for admission to the Technical Assistance (TA) programme<br><br>ii) Implementation of the strategy (training and coaching)<br><br>iii) Study to identify Technical Regulations hindering free flow of goods conducted<br><br>iv) Number of technical regulations and standards requiring harmonisation identified and harmonised |

| Key Intervention Area 4- Developing and upgrading skills for industrialization   |                               |                         |                 |                   |                       |            |   |
|--|-------------------------------|-------------------------|-----------------|-------------------|-----------------------|------------|---|
| Specific Actions   | Responsible Agency            | Budget Estimate (US \$) |                 |                   |                       | Time Frame | Measurable Indicators   |
|  |                               | Total Budget            | MS Contribution | ICPs Contribution | 2013/2014 Requirement |            |   |
| i) Develop regional support mechanisms to address shortage of key skills required for industrialisation, particularly artisanal training<br><br>ii) Establish light manufacturing(including food industries, leather, metal, garments/textile) training programmes that can be offered across the region | Secretariat & Member States & | 325,000                 |                 | 325,000           |                       | 2016       | i) Study to assess skills requirements and potential training institutions to provide artisanal, light manufacturing training and specialised skills for mineral beneficiation and pharmaceutical sectors conducted |
|  | Secretariat & Member States   | TBE**                   |                 |                   |                       | 2017       |   |
| iii) Facilitate development of specialized training in the priority sectors with particular emphasis on mineral processing and pharmaceutical production in institutions of higher learning  |                               |                         |                 |                   |                       |            | ii) Training programmes developed and institutionalized in SADC training institutions/regional centres of excellence  |
| iv) Facilitate capacity building for industrial policy development, analysis and implementation for policy makers at Member State level  | Member States                 |                         |                 |                   |                       | 2014-2015  | Tailor-made capacity building programmes for industry policy makers developed in partnership with specialized organizations and institutionalized.  |

| Key Intervention Area 5- Developing a mechanism for industrial financing  |   |                         |                 |                   |                       |                       |   |
|---|---|-------------------------|-----------------|-------------------|-----------------------|-----------------------|---|
| Specific Actions  | Responsible Agency                      | Budget Estimate (US \$) |                 |                   |                       | Time Frame            | Measurable Indicators   |
|   |   | Total Budget            | MS Contribution | ICPs Contribution | 2013/2014 Requirement |                       |   |
| i) Facilitate the creation of a financing window within the SADC Regional Development Fund to support industrial development within the Region, including the development of a criteria which prioritises projects of a regional nature | Secretariat - & Member States           |                         |                 |                   |                       |                       | Indicators Same as for 2.iii) above   |
| ii) Facilitate the review of mandates of DFIs by Member States to include specific emphasis on support for value added activities and operations across the region  | Member States & SADC DFRC & Secretariat | 100,000<br><br>n/a      |                 | 100,000           |                       | 2014<br><br>2015-2018 | Work with DFRC to assess the level of funding directed to value-added activities and propose how increased funding could be directed to these value-added activities. |
| iii) Advocate for a more strategic use of ODA resources in support of development of regional productive capacity in recipient countries and at regional level  | Secretariat & Member States             | n/a                     |                 |                   |                       | 2013-2018             | Identify and engage strategic organizations and donors to advocate for an increased allocation of ODA resources towards the regional industrial development agenda.   |



| Key Intervention Area 6- Improving provision of infrastructure for industrial development   |                             |                         |                 |                   |                       |            |  |
|---|-----------------------------|-------------------------|-----------------|-------------------|-----------------------|------------|--|
| Specific Actions  | Responsible Agency          | Budget Estimate (US \$) |                 |                   |                       | Time Frame | Measurable Indicators  |
|   |                             | Total Budget            | MS Contribution | ICPs Contribution | 2013/2014 Requirement |            |  |
| i) Implement the SADC Regional Development Master Plan, in a manner that maximises impact in the short- and medium to long term through regional procurement. | Member States & Secretariat | n/a                     |                 |                   |                       | 2013-2018  | i) Potential Suppliers from Member States registered on the SADC Database of approved suppliers.<br>ii) No. of SADC firms involved in PPP arrangements for implementation of infrastructure projects<br>iii) No. of firms participating in supply arrangements for infrastructure projects |

| Key Intervention Area 7- Enhancing support to small and medium-sized enterprises   |                             |                         |                 |                   |                       |            |   |
|--|-----------------------------|-------------------------|-----------------|-------------------|-----------------------|------------|---|
| Specific Actions   | Responsible Agency          | Budget Estimate (US \$) |                 |                   |                       | Time Frame | Measurable Indicators   |
|  |                             | Total Budget            | MS Contribution | ICPs Contribution | 2013/2014 Requirement |            |   |
| i) Develop a portal for SMEs as a tool to provide access to trade and industrial information and for use as a marketing tool | Secretariat & Member States | 100,000                 |                 | 100,000           |                       | 2013       | i) SMEs portal established and operationalized in the SADC Website                        |
|  |                             | 100,000                 | 100,000         |                   |                       | 2014-2018  | ii) Portal updated on annual basis  |
| ii) Facilitate joint investment and export promotion initiatives for SMEs  | Member States & Secretariat | 60,000                  |                 | 60,000            |                       | 2014       | i) Strategy for joint investment and export promotion initiatives for SMEs developed      |
|  |                             | 80,000***               | 80,000          |                   |                       | 2014-2018  | ii) One buyer-seller meeting convened annually to facilitate supply linkages between SMEs |

|  |                             |           |  |           |             |           |   |
|--|-----------------------------|-----------|--|-----------|-------------|-----------|---|
|  |                             |           |  |           |             |           | and large enterprises   |
| iii) Facilitate implementation of the SME component in the IUMP pilot programme to improve industrial competitiveness for SMEs in agro-food processing, mineral beneficiation and pharmaceutical sectors | Member States – Secretariat | 4,650,000 |  | 4,650,000 | 450,000**** | 2013-2017 | At least 200 SMEs assisted to improve industrial competitiveness at the end of 5 years. |

| <b>Key Intervention Area 8- Promoting local and foreign direct investment and export</b>  |                             |                                |                        |                          |                              |                   |   |
|---|-----------------------------|--------------------------------|------------------------|--------------------------|------------------------------|-------------------|---|
| <b>Specific Actions</b>   | <b>Responsible Agency</b>   | <b>Budget Estimate (US \$)</b> |                        |                          |                              | <b>Time Frame</b> | <b>Measurable Indicators</b>  |
|   |                             | <b>Total Budget</b>            | <b>MS Contribution</b> | <b>ICPs Contribution</b> | <b>2013/2014 Requirement</b> |                   |   |
| i) Identify regional investment opportunities in which to attract regional and foreign direct investment and promote intra and extra SADC trade                                     | Member States – Secretariat | 100,000                        |                        | 100,000                  |                              | 2014              | Regional investment promotion strategy identifying investment opportunities developed |
| ii) Develop a targeted regional investment promotion programme focusing on the nine priority sectors, starting with agro-processing, mineral beneficiation, pharmaceutical sectors. | Member States – Secretariat | 100,000***                     | 100,000                |                          |                              | 2015              | Investment promotion missions to 2 targeted countries outside the region.             |

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|

| <b>Key Intervention Area 9- Developing regional strategies to exploit opportunities in South-South cooperation</b>  |                             |                                |                        |                          |                              |                   |   |
|---|-----------------------------|--------------------------------|------------------------|--------------------------|------------------------------|-------------------|---|
| <b>Specific Actions</b>   | <b>Responsible Agency</b>   | <b>Budget Estimate (US \$)</b> |                        |                          |                              | <b>Time Frame</b> | <b>Measurable Indicators</b>  |
|   |                             | <b>Total Budget</b>            | <b>MS Contribution</b> | <b>ICPs Contribution</b> | <b>2013/2014 Requirement</b> |                   |   |
| i) Develop a regional strategy aimed at facilitating the participation of SADC firms in the global value chains through South-South cooperation and cooperation with other regions of the world, including an assessment of associated costs and benefits | Member States – Secretariat | 60,000                         |                        | 60,000                   |                              | 2016              | Regional strategy to facilitate South-South co-operation developed. |

**NOTES:**

- i) \* Funds partly available
- ii) \*\* Related expenses to be borne by host Member State
- iii) \*\*\* Funds budgeted for are to facilitate work of the Secretariat only
- iv) \*\*\*\* Funds are available
- v) LT: - means Long Term. The activities will be undertaken after the first two years of implementation
- vi) TBE: - Means budget still To Be Established

