

Regional Gaps Analysis and Development of Regional Programme to Improve Industrial Competitiveness of SADC Member States

Proposed Program for Improving Competitiveness of Member States

Contract Reference NO: SADC/IDT/CONSULTANCY/01/2018

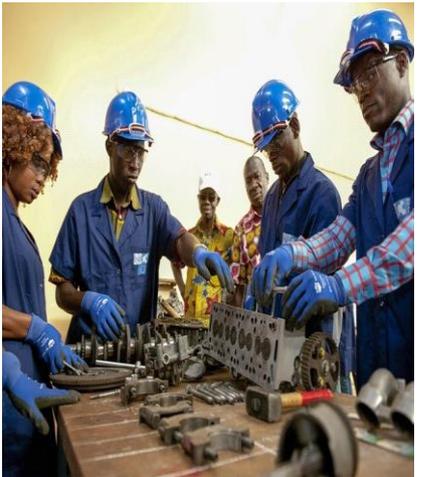
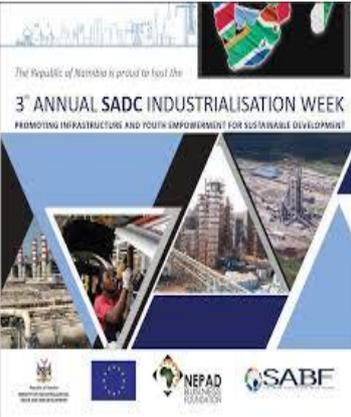


TABLE OF CONTENTS

TABLE OF CONTENTS	I
LIST OF FIGURES AND TABLES	II
FIGURES.....	II
TABLES	II
LIST OF ABBREVIATIONS AND ACRONYMS	III
1.0 INTRODUCTION AND BACKGROUND	1
2.0 PROPOSED THEMATIC AREAS	2
2.1 INDUSTRY MANAGEMENT	2
2.1.1 <i>Linking industrial Production Systems to the Needs of Modern Consumer</i>	2
2.1.2 <i>Targeted Support to Enable MSME's Advocate for Favorable Policies</i>	4
2.2 PROMOTING SUSTAINABLE AND COMPETITIVE VALUE CHAINS	7
2.2.1 <i>Strategic Value Chain Diagnosis</i>	8
2.2.2 <i>Development and Promotion of Industry Clusters</i>	10
2.2.3 <i>Promoting Value Chain Integration</i>	12
2.4.4 <i>Improving Business Investment Climate and Conditions</i>	15
2.5 PROMOTE INDUSTRY DIVERSIFICATION AND SECTORAL LINKAGES	25
2.5.1 <i>Promote Initiatives for Linking Small Holder Operations to the Large Companies</i>	25
2.5.2 <i>Capitalizing On the Benefits of Non-Traditional Sectors</i>	26
2.5.3 <i>Capitalizing on the Opportunities from the Fourth Industrial Revolution</i>	27
2.6 TRADE PROMOTION	31
2.6.1 <i>Trade Capacity Building Program</i>	32
2.6.2 <i>Capitalize on the Benefits of Rules of Origin Principle</i>	32
2.6.3 <i>Strategic Market Linkages</i>	33
2.6.4 <i>Specialised Support to Increase the Benefits of International Trade Agreements</i>	34
2.7 STRENGTHEN INDUSTRY OPERATIONS	34
2.7.1 <i>Change in Orientation to Soft Infrastructure Support Activities</i>	35
2.7.2 <i>Value Chain Management (VCM)</i>	35
2.8 TARGETED SUPPORT FOR INSTITUTIONAL UPGRADING	36
2.9 INDUSTRY OBSERVATORY INITIATIVE FOR SADC MEMBER STATES.....	37
2.9.1 <i>Context and Rationale</i>	37
ANNEXES	38
ANNEX 1: MAURITIUS INDUSTRY OBSERVATORY.....	38
ANNEX 2: LIST OF PEOPLE CONTACTED DURING STAKEHOLDER CONSULTATIONS.....	42

LIST OF FIGURES AND TABLES

Figures

Figure 1:	Per Capita GDP in SADC (US \$ per head).....	3
Figure 2:	How MSMEs can improve their position in the chain and types of intervention strategies	4
Figure 3:	The Global Competitiveness Index 4.0 2018: Enabling environment for SADC countries	16
Figure 4:	Institutional performance scores for SADC Member States.....	17
Figure 5:	ICT adoption scores for SADC Member States	18
Figure 6:	Infrastructure scores for SADC Member States	19
Figure 7:	Macroeconomic stability scores for SADC Member States.....	20
Figure 8:	SADC countries rank on the ease of doing business.....	22
Figure 9:	Share of manufacturing GDP (%) for SADDCC region	26

Tables

Table 1:	Region Profile of SADC Doing Business 2019 Indicators	21
Table 2:	Youth unemployment rates for selected SADC countries	23
Table 3:	Youth Population (Age 15 – 35 years) in Tanzania, 2013.....	24

LIST OF ABBREVIATIONS AND ACRONYMS

AGOA	Africa Growth and Opportunity Act
AI	Artificial Intelligence
AM	Additive Manufacturing
ASCCI	Association of SADC Chambers of Commerce and Industry
B-2-B-	Business to Business Linkages
BDS	Business Development Services
BMZ	German Federal Ministry for Economic Cooperation and Development
BUBU	Buy Uganda Build Uganda (Uganda)
CE	Conformité Européene (European Conformity)
COMESA	Common Market for East and Southern Africa
CSFs	Critical Success Factors (CSFs)
CSR	Corporate social responsibility
DP	Digital Product
DRC	Democratic Republic of Congo
EAC	East African Community
EDB	Economic Development Board (Mauritius)
EM	Enterprise Mauritius (Mauritius)
ET	Electronically Transmitted
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GAFAA	Google, Apple, Facebook, Amazon and Alibaba
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GVC	Global Value Chain
HS	Harmonized System
IaaS	Infrastructure as a service
ICT	Information and Communications Technology
ILO	International Labour Organization
ISID	Inclusive and Sustainable Industrial Development
ISO	International Organization for Standardization
ITC	International Trade Centre
IUMP	Industrial Upgrading and Modernization Programme
LGA	Local Government Authority
LED	Local Economic Development
M&E	Monitoring and Evaluation
MAURITAS	Mauritius Accreditation Service (Mauritius)
MCCI	Mauritius Chamber of Commerce and Industry (Mauritius)
MICCP	Ministry of Industry, Commerce and Consumer Protection (Mauritius)
MSB	Mauritius Standard Bureau (Mauritius)
MSME	Micro, Small and Medium Enterprises
MSTQ	Metrology, Standards, Testing and Quality Assurance

MVA	Manufacturing Value Addition
NBS	National Bureau of Statistics (Tanzania)
ODI	Organization Development International
OECD	Organization for Economic Cooperation and Development
PaaS	Platform as a service
PPD	Public Private Dialogue
PSO	Private Sector Organization
R&D	Research and Development
RoO	Rules of Origin
RVC	Regional Value Chain
SaaS	Software as a service
SACU	Southern African Customs Union
SADC	Southern African Development Cooperation
SCP	Sustainable Consumption and Production (Mauritius)
SDGs	Sustainable Development Goals
SIB	Seychelles Investment Board
SIDS	Small Island Developing States
SISR	SADC Industrialization Strategy and Roadmap
SME	Small and Medium Enterprises
SPS	Sanitary and Phyto-Sanitary
SSDC	South-South Development Cooperation
TBT	Technical Barriers to Trade
TOR	Terms of References
TRF	Trade Related Facility
UNCTAD	United Nations Conference on Trade and Development
VCM	Value Chain Management
WTO	World Trade Organization

1.0 INTRODUCTION AND BACKGROUND

This document presents the proposed capacity building program for improving competitiveness of SADC Member States in general and the key thematic areas to anchor the proposed program in particular. It draws from findings of literature review, the gap analysis study as well as the key emerging issues which were identified in the duration of the assignment.

The proposed capacity building program will be targeted to various institutions¹ responsible for industrial policy and strategy formulation, implementation, monitoring and evaluation. It is expected that the program will accelerate structural changes in respective countries and enable SADC countries to catch up with industrializing and developed countries.

Consideration has been taken to ensure that the proposed program first and foremost contributes in the facilitation of the operationalization of the SADC Industrialisation Strategy and Road Map 2015-2063 (SISR.) as well as the SADC- wide industrial development policy. We have also ensured that the program contributes in the achievement of key outputs and outcomes spelled out in the major national industrialisation policies and strategies.²

1 These include government ministries, SADC Business Council and Private Sector Apex Bodies at national and regional levels. Specific examples of such institutions are: Ministries in charge of Industrialization, Association of Manufacturers/Industrialist, National Bureau of Statistics, Other Public Sector institutions engaging in Industrial policy cycle (Agencies of Ministries in charge), Research Institutes with output in Economic and Industrial Development, Private Sector Foundations, Chambers of Industry and Commerce and Any other relevant National Institutions.

2 Particularly for those countries which have such policies and strategies in place.

2.0 PROPOSED THEMATIC AREAS

In the paragraphs below, is a synopsis of thematic areas for consideration under the proposed capacity building program for increasing competitiveness of SADC Member States. Where possible, potential illustrative activities and specific capacity interventions are also provided. These will be refined on the “ongoing basis” to accommodate other emerging issues as advised by the relevant institutions as well as other evolving dynamics in the operating space. It is advised that all future refinements on this document be conducted in consultation with key stakeholders in the public institutions, the private sector and other industry experts on the ground.

2.1 Industry Management

The capacity of staff within the various ministries and government institutions interviewed to providing support targeted to specific needs of the industry is particularly limiting. There are significant gaps in this area. Against this background, the capacity building program will focus on linking support from such institutions to the demand side of the equation (i.e. specific needs of the industry). The responsible institutions should take proactive measures to provide these services as part of their service delivery, and in particular, those which are linked to its function and a regulator. To this end, the training program will serve a dual purpose. First, to build the capacity of internal staff within the ministries and other public agencies, and secondly, to address the needs of the industry. In other words, the capacity building program will be demand driven.

Examples of specific interventions under this theme is presented below

2.1.1 Linking industrial Production Systems to the Needs of Modern Consumer

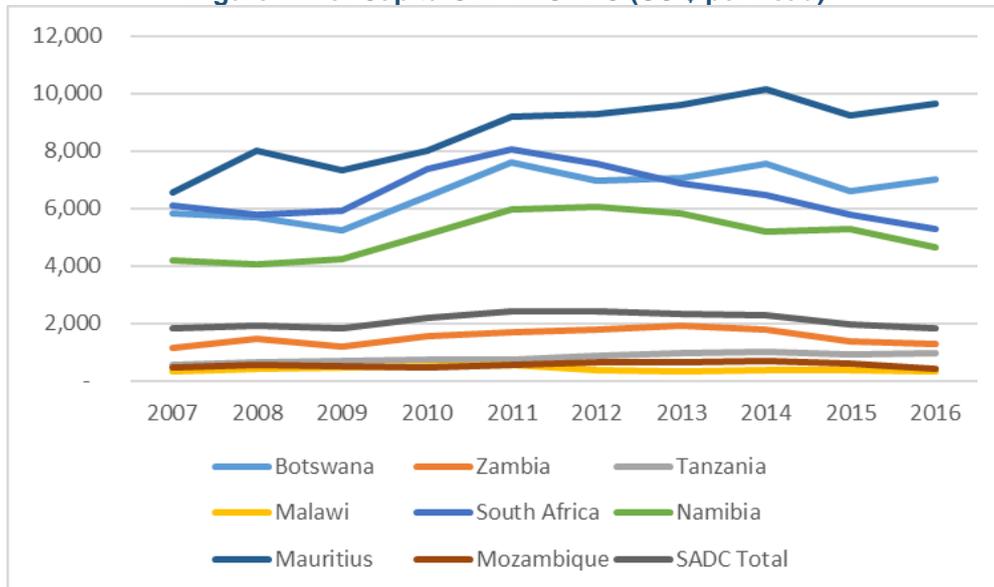
This program activity seeks to link production systems to consumer trends and develop appropriate and targeted production related policies to promote increased consumption. This is against the background that increased urbanization³ and per capita income (see **Figure 1** below) has brought with it rapid changes in consumption patterns especially among the young population. This is typical of a growing middle class in any emerging economy. Going forward, value chain interventions in SADC countries should be geared to developing products which attract a critical mass of consumers. Of particular importance to these institutions to influence the industry to manufacture products which could trigger demand as well as creating downstream employment for the young population.

More SMEs in the SADC region, should be supported to produce as much good products as bigger multinationals who current import the goods outside of individual countries. To this end, public institutions should be empowered to monitor the key trends of consumption and advise the industry on how they should re-orient their production processes. The institutions should be able to consult the

3 Urbanization is increasingly being acknowledged as one of the defining issues of the twenty-first century. More than half of the world’s population now live in towns and cities and that figure is projected to rise to 75% by 2050 with most of this urban growth concentrated in Africa and Asia. In the developing world, Africa has experienced the highest urban growth during the last two decades at 3.5% per year and this rate of growth is expected to hold into 2050. Projections also indicate that between 2010 and 2025, some African cities will account for up to 85% of the population.

industry and device business re-engineering strategies to tap into the unfolding consumption opportunities presented by growing middle class. Most importantly, they will need to be more innovative to help industrial researchers to embrace “innovation for consumption” as opposed to mere “scientific” breakthroughs. The two should be linked across all the SADC countries.

Figure 1: Per Capita GDP in SADC (US \$ per head)

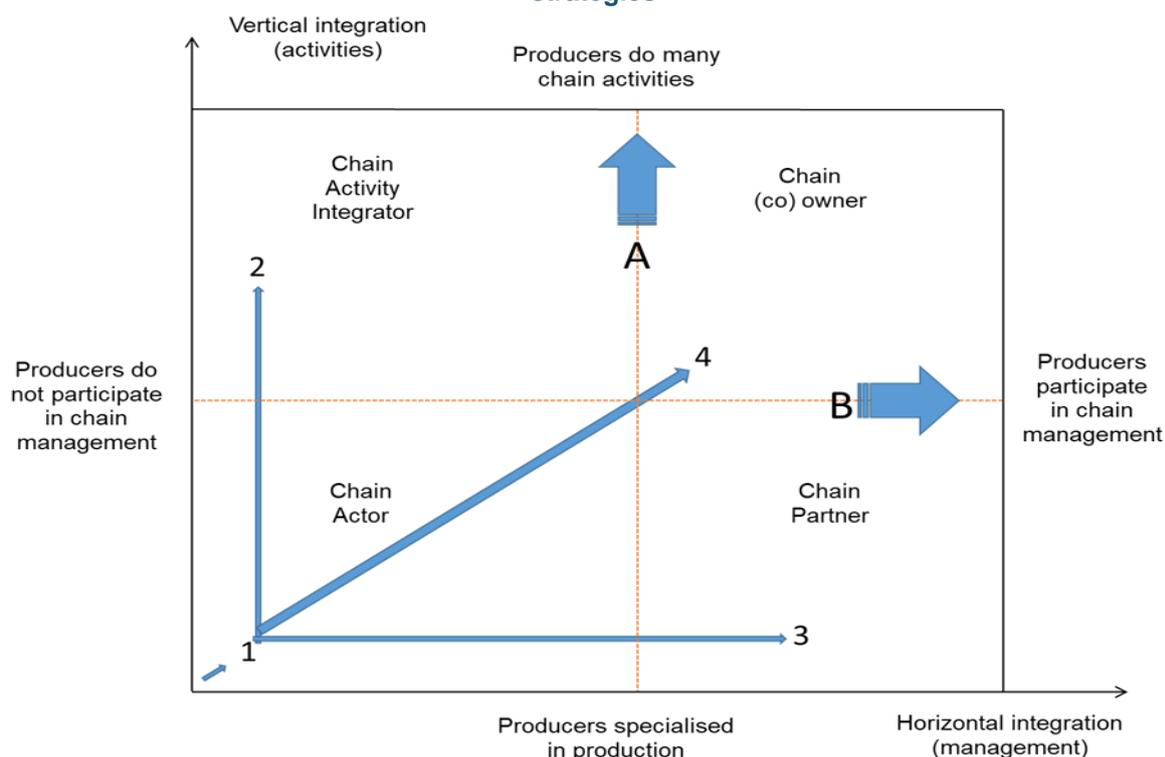


Source: SADC Selected Economic and Social Indicators, 2016

The Strategy

Our proposed intervention is a two dimensional process which seeks to: improve the position of MSMEs in the value chain (vertical integration); and / or assist them to move onto another form of chain development (horizontal integration or chain management). As shown in Figure 2 below, we assume that at current stage most MSMEs producers are at the bottom of the left corner of the rectangle. Initial support to help them grade their product moves them upwards in the rectangle, so increasing the vertical integration. They also move a bit to the right, reflecting greater chain management (because they e improve quality management) but they still remain within the area of chain actor (1). If the same MSMEs producers starts processing and packaging the product, he/she may move into the activity integrator segment (2). They may organize as a group and negotiate deals with traders, input suppliers and credit agencies, and start working with local research institute to test new technologies. This would move them into the chain partner quadrant (3). A combination of vertical (more activities) and horizontal (more management) movements would push the vulnerable MSMEs into the chain co-ownership quadrant (4).

Figure 2: How MSMEs can improve their position in the chain and types of intervention strategies



Source:

2.1.2 Targeted Support to Enable MSME's Advocate for Favorable Policies

This program activity will focus on building the capacity of government institutions to address issues affecting the MSMEs sector and in particular advocate for policies and programmes which can enable them to increase their participation in the national economies. MSMEs are the lower segment of the industrial sector. In most SADC countries, this is believed to be the sector in which previously disadvantaged persons have the greatest chance of making an impact through effective participation.

Establishing an effective Public Private Dialogue (PPD) forum for bring the challenges facing the private sector and in particular the MSMEs to the fore will be the central objective of this program activity. The program activity seeks to equip respective institutions with requisite skills to engage and facilitate policy dialogue between private and public sector on issues related to industrial and trade development. This is against the background that often times skills needed are beyond developing the right industrial policies and strategies. Private Sector organisations (PSOs) as well as public institutions need to be equipped with requisites skills to negotiate and facilitate negotiation as well.

The private sector must be consulted and involved in implementing the Industrialization Strategy. Public- Private Partnerships are crucial in discovering and easing constraints on business and employment growth and in improving the climate for Doing Business and attracting investment.
 Source: SADC Industrialisation Strategy and Road Map, 2015-2063

The program will demonstrate how the public and private sector can work together as business partners. The targeted audience will be expected to understand the framework for dialogue in the context of Local Economic Development (LED). As well as these, they will be expected to use the structures of PPD to enhance LED in the respective areas of industrial operations. The training program will expose them on the key concepts of communications in PPD and LED.

Rationale

Despite the various challenges faced by MSMEs in the individual SADC countries, there is a big “value opportunity” within the MSME sector. The value opportunity for the sector lies on the presence of significant market size and demand for industrial products. The prevalence of MSMEs in the SADC wide economy means there are significant number of participants in the market, particularly at the lower end of the pyramid (mass consumers). If targeted support is provided to the MSMEs, many consumers will be presented with wider product choices, especially in instances where MSMEs are involved in manufacturing activities. In the end, this will result in a “win-win” situation. The individual producers (i.e. MSMEs) capacity will be enhanced, thereby increasing employment opportunities and consequently household income levels will be enhanced. On the other hand, governments will have an increased opportunity to derive “tax” incomes from the expanded business opportunities.

In the context of MSMEs, Public Private Dialogue (PPD) provide opportunities for the exchange of information and for discussion of issues, challenges and problems, and potential or intended solutions to these problems. In the respective SADC Member States, these discussions are intended to bridge the gap between those who deliver services (industrial products manufacturers) and those who consume or need these services (MSMEs). This is against the background that increase industrial competitiveness is a continuous business reform process which should ensure that individual manufacturing entities within the SADC countries remain ahead of the curve in developing products which meet the needs of mass consumers. Some of these reforms will include skills development, process reviews, review of incentives, labour market reforms and other. The starting point for any PPD effort in this context is to assess industry needs. This will create interest and engagement of target stakeholders.

For those countries which already have already an ongoing Industrial Upgrading and Modernisation Program (IUMP), PPD is expected to contribute to improving the public-private dialogue resulting directly in enhanced promotion of investment, employment and exports in the industrial and trade sector. At macro-level: ministry staff should be empowered with skills level to undertake PPD. At Meso level, government ministries should be able to execute result enhanced investment promotion activities – targeting specific value chains while at micro level MSMEs have to be assisted in and linked to international buyers through for example: Business to Business Linkages (B-2-B linkages).

It is commonly accepted that the business communities of each locality would have needs and problem which are, somewhat different from those of ordinary citizens. Typically, private businesses are subject to special legislation and policies that shape their business

decisions, the cost of doing business, and their growth potential. At the same time, they generate income, create employment, pay local taxes and levies, and contribute to economic growth. Regular forums such as PPD meetings are thus critical in linking local policy makers and business owners.

Elsewhere, research has shown that most private sector organisations (PSOs), Local Government Authorities (LGAs) as well as the Civil Service Organisations in developing countries do not have the requisite skills, experience or resources to engage effectively in Public Private Dialogue (PPD).⁴

Furthermore, it has been widely documented that PSOs are most effective when they can:

- Identify issues that inhibit private sector growth and job creation,
- Support public officials by providing detailed and objective research evidence,
- Articulate compelling proposals to reform public policy:
- Persuade the private sector of the merit of specific public policies.

On the other hand, most LGAs within the SADC region do not have requisite skills to identify potential economic opportunities related to industrial development within their localities. They also do not have requisite skills to engage with the private sector in developing “win-win” investment opportunities which can ultimately result in a meaningful and sustainable local industrial economic development. This disconnect has been further complicated by a lack of mutual “trust” between private and public sector. These challenges present a need to support the development of a sustained effective and efficient organization and coordination of PPD at local levels within the SADC region where most of the MSMEs operates (e.g. District and LGA levels). Emphasis will be placed on developing the requisite knowledge and practical skills needed by the different actors to meaningfully engage in promoting Local Economic Development (LED) as related to industrial production.

The overall objective of PPDs is to promote the business environment for all, hence PPDs are a platform for diagnosing problems and opportunities for economic development. Not only that, PPDs can create awareness of the root causes of certain problems among the public and private sector. Moreover, PPDs are a mechanism to ensure that issues are taken up at the appropriate decision making levels in both private and public sector organizations. Decision makers are more receptive of tackling issues if they are provided with possible solutions at the same time. The most important part of PPDs is to translate those issues into policies, strategies and plans to resolve them effectively.⁵

Advantages of PPD

- PPD brings together government, private sector, and relevant stakeholders, in a formal or informal process, to achieve shared objectives and play a transformational role for a particular set of issues

⁴ MS-TCDC- BEST Dialogue, Tanzania

⁵ Eldon Eiseb and Hileni Shifotoka, “PPD as part of the Local Economic Development (LED) Initiative in Namibia” a Paper Presented at the Public-Private Dialogue 2014 Workshop (Frankfurt, March 3-6 2014)

- PPD approach can be used in designing joint industrial economic and development programmes between the LGAs and PSOs.
- PPD is a pre-requisite for effective advocacy.
- Implies regular contact between the public and private sectors to ensure that each party understands the other.
- Promotes mutual understanding, trust and builds confidence.
- It also provides ready means of communication.

2.2 Promoting Sustainable and Competitive Value Chains

Competitive value chains are central to industrial development in the SADC region. This program activity is intended to equip the respective institutions with skills to formulate policies and strategies which can promote the supply-side capacity of their respective countries

Value chain participation is a crucial element of the Industrialization Strategy because it has the potential to extend production possibilities and enable cross-border utilization of natural and human resources of the region. Most importantly, policymakers should seek to ensure that SADC firms and industries can progress up the technology ladder to avoid being locked indefinitely into low-technology, low-wage “screwdriver” activities. Source: SADC Industrialisation Strategy and Road Map -2015-2063

manufacturing industry and ultimately enable the sector to participate in the SADC regional value chains and increase trade with other SADC member states as well as other regional blocks.⁶

The program is premised on the fact that by positioning industries at the right stage of global value chains, individual SADC countries may benefit from opportunities offered by global trade, including more jobs, exports, and foreign direct investment (FDI). In addition to enhanced resilience, market access can bring the much needed capital and technology essential for growing a strong, inclusive, transformative economy. Participation in global trade is an important aspect of any country’s strategic approach to Inclusive and Sustainable Industrial Development (ISID).⁷

The proposed capacity building program is in line with the overall objective of Industrial Development Strategy for most SADC countries which generally falls under three broad categories of intervention:

- Supporting value addition, upgrading and diversification for sustained growth.
- Securing market access locally and abroad; and
- Improving the investment climate and conditions.

In the following paragraphs, we provide some of the illustrative activities proposed under the program activity.

⁶ Including for example, the EU under the EPA

⁷ <https://www.unido.org/our-focus/advancing-economic-competitiveness>

2.2.1 Strategic Value Chain Diagnosis

The objective of this activity is to equip relevant institutions with practical skills for conducting “value chain diagnosis” and come up with issues for regulator intervention. In particular, it seeks to empower them to identify anomalies and inefficiencies in the value chain and come up with solutions to address them.

Among other things, participants will be exposed to various techniques for assessing the value chain structure relevant to their individual countries and thereby create the dynamic elements through the choices they make in response to the value chain structure. These dynamic elements may include but not limited to:

Option for providing support to targeted sectors: The objective is to equip participants with skills to identify the kind of support to be provided to targeted sectors. In order to leverage their countries competitive advantages and opportunities and to maximize the impact of the interventions, selected sectors will receive targeted support focusing in particular on value addition. Part of the technical support will involve developing the criteria for identifying the sectors. To make the intervention more relevant and practical, the sectors will be selected from a list of priority sectors in the individual countries.

There are a number of examples which can be drawn from the existing industrial value chains in individual SADC countries. In Namibia for example, leather value chain presents a classical example of non-reversible challenges presented by the traditional value chains. It has been observed that the skin from free roaming cattle in Namibia are not a good source of raw materials for a leather processing plant for the manufacture of shoes, belts etc. This explains why companies in the leather industry end up importing “pearls” which in large measure are not affordable to the large population. A most viable option would be, for example, to identify “low hanging” fruits such as focusing on processing leather for small automobile parts.

Options for value addition: Under this capacity building component, institutions from respective countries be exposed to various techniques for identifying policies and other strategic interventions which will lead to increased value addition to selected value chains. Value addition can be achieved by strengthening the local and national value chains, and even regional value chains by creating more and efficient back and forward linkages to the raw material base in respective countries. The main objective is to make the most of available natural resources and to add as much as possible value to raw materials before they are exported from individual countries. Central to value addition is the manufacturing sector. This is because the export of raw materials equates to the export of job opportunities. Options to discourage this tendency should be explored.⁸

⁸ Promotion of local value addition is perhaps the most important feature of promoting the competitiveness of value chains SADC region is well endowed with numerous raw materials and this presents a tremendous opportunity for value addition, job creation, accelerated economic growth and reduction in inequalities. In the context of the proposed program, whatever raw materials a country has, whether minerals; agricultural commodities or any other commodity, significant local value addition should take place before it is exported.

Options for value chain upgrading:⁹ This program component will equip participants with practical skills for value chain analysis and assist them in locating links in the chain that are weaker than others and which can subsequently be improved or upgraded. It thus deals with the competitive position of a chain link within the chain and across chains. In real terms the performance of a link is determined by its effectiveness of performing its core task or the bargaining power in the chain, which is captured in the notion of value chain governance structures. Against this background, the objective of this activity is to identify what parties external to the chain, e.g. government agencies, can do to aid and set in motion the processes of value chain upgrading.¹⁰

Upgrading can occur on four levels within a value chain.¹¹

- Process upgrading: Making processes within chain links more efficient than those of rivals. This notion of upgrading also involves the improvement of processes between chain links, for example the coordination of orders and delivery times.
- Product upgrading: Introducing new products or improving the quality of old products faster than rivals.
- Functional upgrading: Changing the mix activities within a chain link, e.g. outsourcing accounting or taking charge of logistics to customer, or moving to different links in the chain through vertical integration.
- Chain upgrading: Moving to a new value chain, where the link or chain core competence can be leveraged in a new way

The capacity building program will focus in identifying appropriate policy options and strategies for upgrading industrial value chains in the individual SADC countries for the purpose of increasing their competitiveness.

Options for value chain deepening: In deepening the value chain, firms address gaps including unmet market demand and value, opportunities for vertical or horizontal integration, greater specialization, and the expansion of services to other value chain member. Under this module participant will be equipped with necessary analytical tools to conduct “gap analysis” methodology which provides a means to identify additional operations that may usefully be added to the value chain. The methodology also provides guidance on how best to prioritize opportunities and adjust or expand operations.

It should be noted that, adding value is often incremental, but it can often be accelerated by FDI and joint ventures—especially with previous buyers. As well as increasing specialization, adding value also frequently means bringing operations in-country that were previously

⁹ Increasing the competitiveness of the value chain by moving it in a new direction—toward a new market, market segment, or customer; toward increased efficiency within the value chain; or toward adding operations within the value chain, for example—is referred to as upgrading.

¹⁰ This may include promotion of Business Development Services (BDS). BDS are often used especially in the developing country context. These measures include consulting, training, business planning and funding. There is debate whether these services actually contribute positively to upgrading processes, but it seems that when that when combined with aid in inter-link coordination and business relationship building, they do have positive effects (Schmitz (2005).

¹¹ Kaplinsky, R., & Morris, M. (2002). IDRC. Retrieved from <http://www.ids.ac.uk/ids/global/pdfs/Vch>

conducted abroad. Against this background, different policy options for value chain deepening will be considered as a way of increasing the competitiveness of selected industrial value chains in respective countries. These may include for example, “deepening through adding operations” and / or “deepening through specialization”.

Options for diversification: At the moment there are value chains which are already in the priority list of individual SADC countries. However, there is scope to add more non-traditional value chains including

Options for benchmarking: This program activity will equip participants with various tools for benchmarking key value chains in their respective countries. At both the company and value chain levels, benchmarking is crucial. Benchmarking compares the performance of a company or value chain to itself at different points in time, to another value chain in the country, or to a value chain in another country in order to establish the current baseline position and provide comparative data to guide decisions and actions.

Benchmarking allows practitioners and stakeholders to understand the performance of particular value chains in comparison to competitors, and especially to global best performers. Knowing what competitors do differently, and whether these differences are important drivers of value chain performance, gives clues as to beneficial changes that could be made to improve performance of the value chain. Benchmarking can be used by all members of the value chain to build a common understanding and vision as the basis for prioritizing objectives and decisions. Members can benchmark against each other to determine whether their performance is up to par and pinpoint areas of improvement. They can also benchmark the entire value chain against other value chains in the same industry.

2.2.2 Development and Promotion of Industry Clusters

The aim of this program activity is to equip key institutions with requisite skills and tools applied in the world of industrial trade and economic policy, customs and logistics, and direct enterprise support. It offers a new way of dividing and understanding an economy and formulating policies and practices.

A cluster is a system of interconnection between private and public sector entities. It usually comprises a group of companies, suppliers, service providers, and associated institutions in a particular field, linked by externalities and complementarities. An example would be a country’s auto industry, with its manufacturers and all their supporting services, such as parts and equipment suppliers, transportation companies, retail distributors, educational institutions and R&D firms, public relations and advertising agencies, etc.¹²

¹² International Trade Department, Clusters for Competitiveness, a Practical Guide & Policy Implications for Developing Cluster Initiatives, February 2009.

Rationale

Cluster analysis encourages engagement with a diverse group of stakeholders through which they may develop a shared understanding of the underlying public policy issues and act on them jointly. This approach is very relevant to SADC countries where the Government Ministries, through the Ministries responsible for industrial and trade development work with a diverse range of stakeholders to promote industrial competitiveness. Developing such a joint platform with strong ownership by the public and private sector stakeholders is often crucial in jump starting more comprehensive economic reform processes.

Creation of industrial linkages through clusters helps find an effective formulation and sequencing of policy reforms. Thus, Member States may pursue cluster initiatives along with policy reform, because together they may create positive externalities by informing them of the policy implications and possible business responses. This improved understanding helps governments develop a compelling pitch for policy reform. Without the simultaneous move of a critical mass of industrialists to set up and function as an initial cluster, isolated policy reforms might be difficult, because there will be little feedback on the positive and negative impacts they have had on industries.

A cluster-based approach enables the policy debate and actions to be more strategic and incremental. Understanding the state of clusters within an economy makes it easier to diagnose economic inefficiencies and to specify and prioritize various shortages and impediments to competitiveness and growth. It can focus attention on the unique challenges that may be sector-specific and can address institutional and coordination-related issues to leverage additional benefits of positive spillovers.

Cluster Initiatives for Export Competitiveness

Industrial clusters often evolve spontaneously over decades. However, well-designed cluster initiatives can expedite the process and provide a much-needed initial platform on which to grow in output and sophistication. Such initiatives should draw from and feed into the spillovers influencing economic performance within and across clusters. A cluster initiative offers a comprehensive assessment of a cluster's markets, products, linkages, externalities, and synergies to help identify regulatory and business constraints, tap new and wider market opportunities, and develop sound business strategies to tackle its main competitors. Strategic initiatives vary by country and cluster, but often focus on improving market information, workforce development, supply chain improvements, quality standards, branding, forward integration, and process improvements.

A cluster-based approach is a realistic way to identify the policy and institutional impediments to competitiveness and can be an effective vehicle for catalyzing reform. Through dialogues at the cluster level, new partnerships can be forged between cluster leaders and various public sector organizations (e.g., organizations working on industrial development, infrastructure development, research, innovation and training, etc.) that help expedite policy reforms. The growth of a cluster is often the catalyst for complementary development in such areas as: the provision of specialized infrastructure; and additions to

the country's technology and knowledge base. It also may result in the foundation and expansion of training and science institutions, and agencies for export promotion, setting standards and regulations, etc.

Results can include improved operational efficiency, yielding more and better jobs, higher exports, and above all, better coordination between the public and private sectors on addressing productivity bottlenecks and sustaining market-oriented reforms. Moreover, the benefits spread beyond the cluster through its linkages, externalities, and synergies.

Analyses show that a dense network of domestic firms can compensate for potential negative side effects of policy reforms. Where reforms help remove industry biases, a cluster initiative will help firms make full use of the new opportunities. It is also possible that cluster leaders, when provided with appropriate communication channels and prevented from acting as lobbyists for the conservation of policy biases, may be a sounding board through which to understand a policy reform's positive and negative impacts. Above all, clusters may act as search mechanisms that initiate a process through which public-private partnerships can be gradually fine-tuned to enhance overall productivity.¹³

2.2.3 Promoting Value Chain Integration

The program activity will seek to reorient industrial value chains in respective Member States to respond the growing requirements of "regionally integrated" value chains.¹⁴ Key policy makers in individual Member States need to be equipped with requisite skills to undertake value chain analysis, research, and compare these with their country's comparative advantage at any point in time so as to accurately determine where in the regional value chain their products will be pitched. As part of this effort, the policy makers will be assisted in mainstreaming the development and promotion of regional value chains in their development action plans.

Frontloading industrialization will be promoted by the implementation of a conscious strategy of developmental regionalism – sequencing trade liberalization alongside policy actions to build productive capacity, primarily in the private sector.
Source: SADC Industrialisation Strategy and Road Map, 2015-2063

The choice of this capacity building program is also informed by the recent shifts in the regional and global economies following the financial crisis of 2008/2009, including the proliferation of regional and global value chains. For this reason, Member States need to re-assess the performance of their existing industrial policies as well as relevant programmes and instruments and make the necessary adjustments to accommodate the increasing requirement to participate in regional markets. It is also in line with SADC wide policy and strategy on regional and global value chain participation.

¹³ -ibid-

¹⁴ Value chain analysis, which focuses on the dynamics of inter-linkages within the productive sector, especially the way in which chain elements are globally integrated, takes us a great deal further than traditional modes of economic and social analysis.

Context

Unlike previous decades where enterprises prized independence, this, and the subsequent decades will be one of business alliances and competing, end-to-end value chains. Enterprise value chains comprised of powerful business alliance partners will exceedingly compete as single entities for customers. Such extended corporations reach out not only with business relationships; they must integrate their business processes and information systems.¹⁵

The above argument calls for a “well integrated” value chain as a prerequisite to achieving the objectives of developing a competitive and integrated value chains in the SADC region. To cope with market demands and changes and maintain their competitive advantage, forward-thinking SADC companies try to find new ways of working together with partners to provide customers with a range of services that knot together so seamlessly that they amount to more than the sum of their parts. As a consequence, businesses increasingly in the region will need to integrate their value chains by redesigning their structures to move from hierarchical — with a focus on management control — to horizontal organizations — built around business processes, teamwork and empowerment.

Regionally economic communities, such as Common Market for East and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC), provide a unique opportunity to coordinate cross-border production in a mutually beneficial way to benefit the region. The emergence of the SADC Industrialisation Strategy and Roadmap is the beginning of such an initiative to coordinate and consolidate regional industrial development needs of SADC Member States. The SADC Regional Industrialisation Roadmap 2015-2063 speaks of beneficiation of the region’s vast natural resources as well as the urgent need to integrate into regional and global value chains for industrialisation.¹⁶ However, at the moment, it is hard to identify a sector in SADC region where true regional value chains have been created. The fact that intra-SADC trade has not increased significantly also demonstrates that these chains have not really gained traction in recent years.¹⁷ The bulk of the current initiatives focuses on domestic value chains and then link these chains to export markets. Strictly speaking these efforts are only confined to export promotion or export strategy analysis and have little to do with a regional value chain integration.¹⁸

¹⁵ Decision Support Systems: Integrated value chains and their implications from a business and technology standpoint

¹⁶ This policy is supported by a large body of recent work commissioned by SADC and other research institutes and donors like the EU, ODI, the OECD, the World Bank, the AfDB etc.

¹⁷ Gereffi, G. (2014). Global value chains in a post-Washington Consensus world. *Review of International Political Economy*, 21(1), 9-37.

¹⁸ There is the one exception of the proliferation of South African supermarkets into the SADC region but many analysts have written that these chains still predominantly import from South Africa and seldom source more than 20% from the local markets they find themselves in. And there is almost no re-export from SADC States to South Africa or between Supermarkets based in SADC states

According to UNCTAD,¹⁹, approximately 60 percent of global trade comprises of intermediate goods and services that are integrated to the production of final products and services. Such globalized production networks have come to be known as global value chains (GVCs). Global value chains (GVCs) describe the full range of cross-national value addition processes and activities that firms and workers engage in to transform raw commodities into final products or services. The global value chain framework provides a useful methodology for tracing patterns of value creation and understanding power and governance within an industry by exploring the linkages amongst geographically dispersed economic activities and actors.

With the globalization of capitalism and production networks many firms have become internationalized and, in some cases, industrial production no longer occurs within one country. This has had a strong influence on the emergence of the regional and global value chains.²⁰

Regional value chains (RVCs) emphasize increased regional trade, regional investment and regional corporate ownership. The logic of regional value chains as development tool is closely linked to the logic of regional integration, and views increased market size and greater economies of scale as potential growth drivers.²¹ Despite the potential for coordinated regional value chains to drive growth in many sectors, policymaking has not yet grasped the potential for regional cooperation to bring win-win outcomes through increased value addition and upgrading at the firm, value chain, and industry levels across national boundaries.²²

The concept of integrated system if well implemented in the SADC Region, is expected to have major impact, allowing companies and ultimately customers, to benefit from reduced inventories, cost savings, improved value added goods and services to customers, and tighter links with business partners. Furthermore, value chain integration supports individual country's efforts to achieve some level of industrialisation because when they operate as an economic block, they are able to get more benefits from economic trade partnerships and subsequently plough back the proceeds in their individual industrialisation efforts. This means value chain integration allows individual countries to leap-frog the process of industrialisation as opposed to when they operate individual entities.

¹⁹ UNCTAD, 2013. 'World Investment Report 2013: Global Value Chains: Investment and Trade for Development', United National Conference on Trade and Development: New York and Geneva. Available At: <http://unctad.org>

²⁰ While a value chain can be contained in one country, region, or even within a single firm – a global or regional value chain is so titled as the many activities involved in the production of the final product are spread across multiple locations and potentially many different firms

²¹ Firms generally face lower barriers when entering regional value chains which tend to be less concentrated and have less powerful lead firms compared to lead firms in global value chains (Keane, 2015).

²² Fessehaie, J., Roberts, S., & Takala-Greenish, L. (2015). Key findings from case studies of mining capital equipment, infrastructure inputs and soy agro-processing in Southern Africa and implications for regional industrial development agenda. Pretoria: TIPS

2.4.4 Improving Business Investment Climate and Conditions

In order to promote the competitiveness of the industrial sector, SADC countries need to become more attractive to enterprises and investors both domestic and foreign. This program activity aims at fostering a climate and conditions that are conducive to the sustained development and expansion of businesses in the region. Key emphasis should be placed on addressing individual countries major competitiveness gaps—particularly in the areas of: business regulation; skill development; access to land and registration of businesses and intellectual property.

In the hyper-competitive global economy of the 21st century, improved competitiveness at both national and enterprise levels is central to revitalizing industrialization and rebuilding market share lost to foreign competitors, especially from Asia. Public-Private co-operation and dialogue will be an essential input into elevating competitiveness to the top of the economic policy agenda.
Source: SADC Industrialisation Strategy and Road Map, 2015-2063

In addition, this program activity recognizes the vital role that MSMEs play in SADC Member States industrialisation and socio-economic development. In this regard, it aims at creating an efficient institutional set-up which ensures collaboration between the private and public sectors and other stakeholders to jointly address remaining challenges in the business environment.²³

Different stakeholders, including Government ministries responsible for industrial and trade development have a role to play in creating a conducive business environment for enterprises to thrive and operate successfully. In particular, they need to design policies and formulate strategies which are favorable for increased investment, particularly in the industrial sector.

In view of the above, the proposed capacity building program will address the skill gaps related to the formulation of appropriate policies to trigger the conducive business environment needed to foster the competitiveness of their industrial sectors. This proposal assumes that the top leadership in the Government are willing and will remain committed to create space for the staff to invest quality time in developing their skills in the identified area on the one hand and that the staff are committed to invest time in developing their skill base on the other.

Illustrative activities may include but not limited to:

Providing specific support to the regulators / improve the regulation functions: In general, Africa has made positive strides in improving the overall investment climate.²⁴ Relevant institutions within SADC Member States and in particular, the Ministries responsible for promoting industrial development and trade who are the primary custodians of the industrialisation agenda, should use these important gains as a “launching pad” for continuous improvement of the investment climate. Against this background, this program

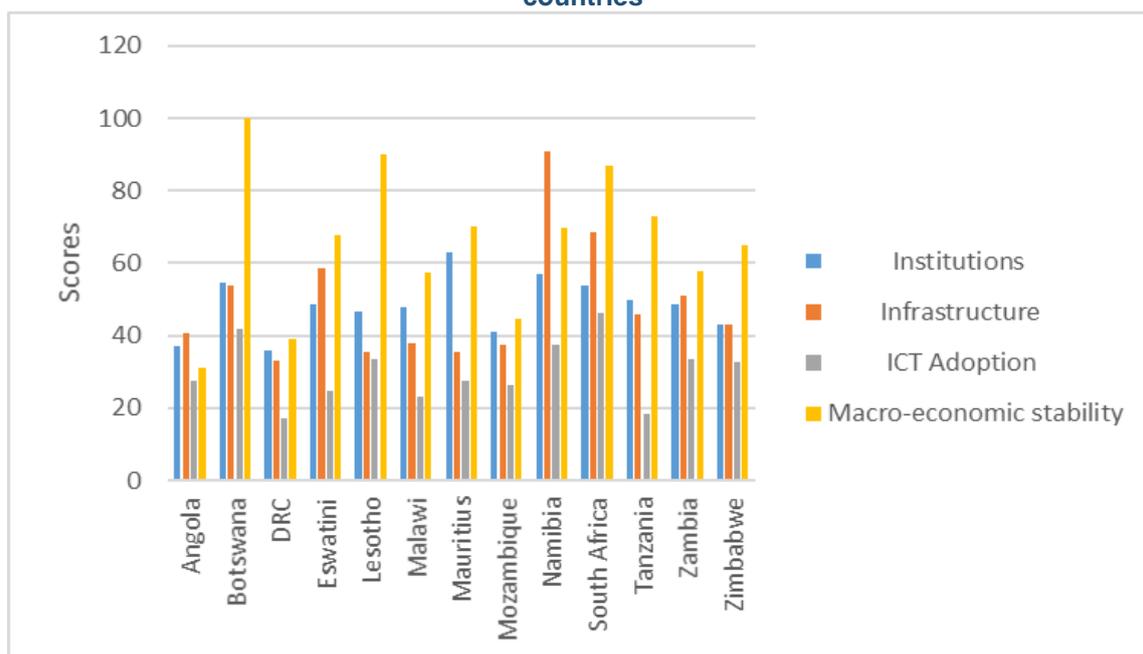
²³ -ibid-

²⁴ The Africa Competitiveness Report, 2017

activity seeks to build the capacities of respective institutions in the Member States in formulating policies and strategies targeting key components of the “enabling environment.”²⁵

The enabling environment of a nation/country is usually measured under the four main thematic areas namely: institutions, infrastructure, ICT adoption and macroeconomic stability. A most commonly applied measure of the countries competitiveness is the Global Competitiveness Index (GCI).²⁶ A comparison of the relative scores of key “enabling environment” parameters for the SADC Member States is presented below.

Figure 3: The Global Competitiveness Index 4.0 2018: Enabling environment for SADC countries



Source:

There four factors of the enabling environment in the SADC region are discussed in turn below.

Institutions: Weak institutions have continued to hamper the competitiveness of African economies in general and those of the SADC Countries in particular. Weak institutions—defined as including

Accelerated industrialization is being hampered by three binding constraints - inadequate and poor quality infrastructure, a severe deficit of the skills needed for industrial development and insufficient finance. Increased investment in new infrastructure, soft as well as hard, allied with improved management, performance and additional spending on maintenance, are prerequisites for industrial take-off. Source: SADC Industrialisation Strategy and Road Map 2015-2063

²⁵ The most recent 2018 edition of Global Competitiveness Report assesses 140 economies. The report is made up of 98 variables, from a combination of data from international organizations as well as from the World Economic Forum’s Executive Opinion Survey. The variables are organized into twelve pillars with the most important including: institutions; infrastructure; ICT adoption; macroeconomic stability; health; skills; product market; labour market; financial system; market size; business dynamism; and innovation capability. The GCI varies between 1 and 100, higher average score means higher degree of competitiveness.

²⁶ Covering 140 economies, the Global Competitiveness Index 4.0 measures national competitiveness—defined as the set of institutions, policies and factors that set the current and medium term.

security, property rights, social capital, checks and balances, transparency and ethics, public-sector performance and corporate governance—continue to hinder competitiveness, development and well-being in many countries in the region. The Institutions pillar is the second-lowest scoring pillar of the 12 GCI pillars (after the Innovation capability pillar), with a median score of 53—just over halfway to the frontier. As seen in **Figure 4** below, most SADC countries score below this point. There is therefore a need for concerted efforts to strengthen the capacities of key institutions within SADC member States so as to make them more accountable and deliver their respective mandates, On their part, Governments must pay attention to both traditional and emerging knowledge about strengthening the institutional environment as a factor of productivity.²⁷

Figure 4: Institutional performance scores for SADC Member States

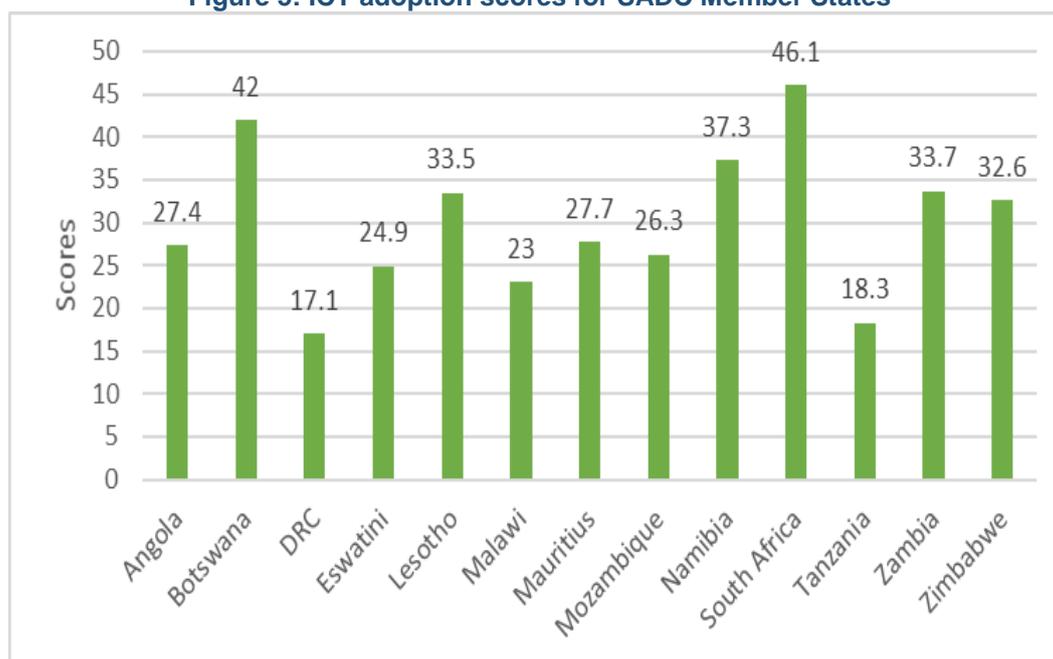


Source: *The Global Competitiveness Report, 2018*

ICT adoption: The global median score on the Innovation capability pillar is 36, by far the lowest score across the 12 pillars. For 77 of the 140 economies studied under the most recent edition of the Global Competitiveness report, Innovation capability is the weakest pillar. In the vast majority of countries, innovation capacity remains extremely limited, very localized and/or restricted to very few sectors. As seen in Figure 5 below, most SADC countries score below the 36 threshold except for South Africa, Namibia, and Botswana.

²⁷ Global Competitiveness Report, 2018.

Figure 5: ICT adoption scores for SADC Member States



Source: *The Global Competitiveness Report, 2018*

It should be noted that there are certain specific ICT components where significant gains have been made. This is particularly the case with mobile phones penetration. The wide uptake of mobile phones has made most African countries, and by extension, SADC countries to access services that they could not imagine before. Technological readiness (especially mobile phone penetration) is one of the areas where the region has improved the most in absolute terms. The combination of the decreasing costs of mobile devices and tariffs and the low electricity and skills required to operate a mobile phone, along with investments that have been made in the grid infrastructure, have made this rapid diffusion possible. Access to mobile-phone technology has equipped millions of people in the region with new tools for managing their businesses and households. For example, mobile banking has created a concrete and feasible reason for households to acquire and use a mobile phone, which at the same time fosters financial inclusion.

Despite these advances, the gap with advanced economies on ICT usage has continued to increase, hindering the capacity of the region to embrace the Fourth Industrial Revolution. There is therefore a need for improving the capacities of policy makers in the SADC region to develop policies and strategies appropriate for promoting ICT adoption in their respective countries.

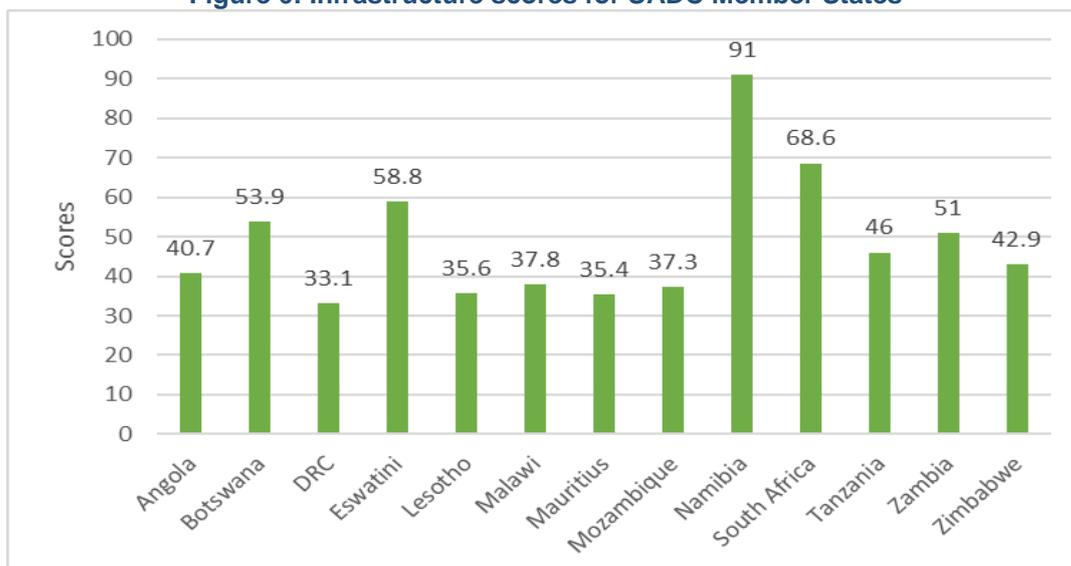
Infrastructure: Infrastructure development is a major means for improving competitiveness of African economies.²⁸ According to the opinion of African business leaders, only the quality of roads has improved over the past 10 years, while the quality of ports, airports, and electricity infrastructure has remained poor. In some cases, new investments are just

²⁸ The Action Agenda for Africa's Competitiveness, 2017

sufficient to keep up with increasing demand but not sufficient to reach the level required to support economic growth.

Lack of appropriate infrastructure in areas such as transport, electricity, and water prevents people from accessing markets and holds back the development of industry and agri-business, limiting their ability to create employment opportunities across the SADC region. More specifically, infrastructure backwardness in rural areas prevents rapid connection between farmers and markets; in urban areas, infrastructure deficits in transport, housing, and electricity limit intra-city connection and the efficiency of the labor force.

Figure 6: Infrastructure scores for SADC Member States

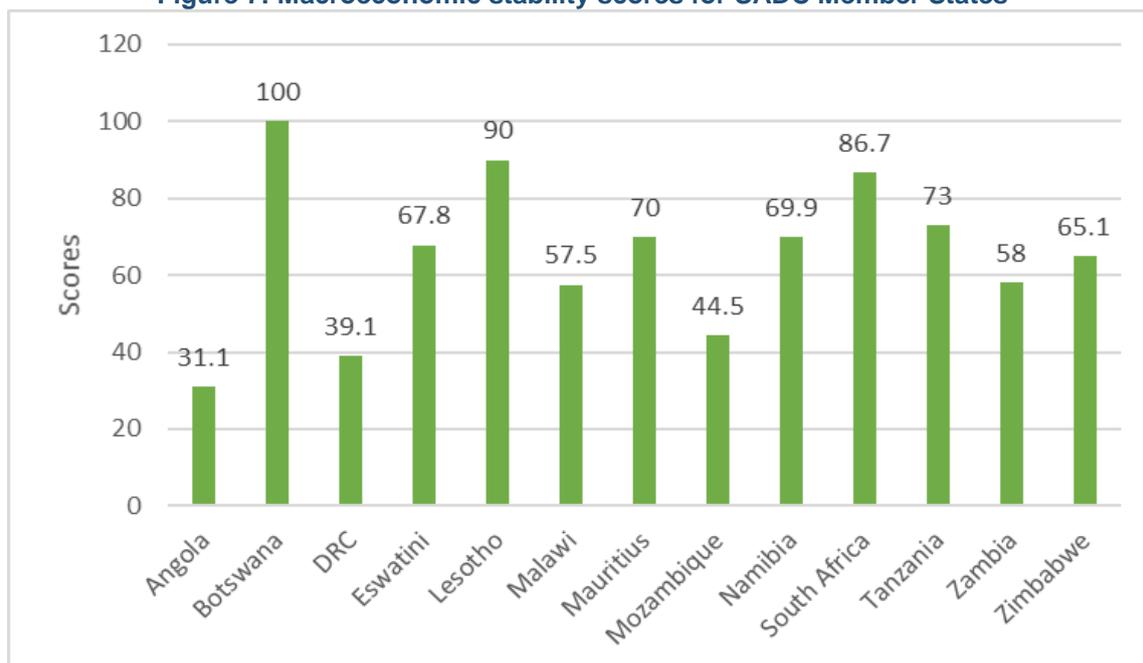


Source: *The Global Competitiveness Report, 2018*

Macroeconomic stability: At the heart of the competitiveness agenda is the recognition that economic growth is a core driver of human development. There is overwhelming evidence that growth has been the most effective way to lift people out of poverty and improve their quality of life. The importance and policy relevance of growth has been re-affirmed through the United Nations’ Sustainable Development Goals (SDGs). Goal 8 calls for “sustained, inclusive and sustainable economic growth” and sets an ambitious target of 7% growth for least-developed countries.

SADC countries must invest in broader measures of competitiveness today to sustain growth and income in the future. However, some economies are over-performers and others under-performers when it comes to putting in place the building blocks of competitiveness at their current level of income. Botswana provides an outstanding example in the SADC region with regards to Macroeconomic stability. The rest of the SADC economies should emulate this example.

Figure 7: Macroeconomic stability scores for SADC Member States



Source: *The Global Competitiveness Report, 2018*

Formulation of targeted policies and strategies to improve the business environment

This program activity seeks to improve the overall “business climate” of respective economies in the SADC region. Good business environment is particularly important for MSMEs who comprises the majority of the business operators in the SADC member States. The activity is also good for promoting increased Foreign Direct Investment (FDI) in the industrial sector in the SADC region in general and to individual countries in particular.²⁹

The activity is proposed against the background that Industrial development requires predictable policies on a set of indicators which are considered as “ideal” measurements of “good business environment”. In this regard, policy makers in respective SAC countries need to know where their economy stands in the aggregate ranking on the ease of doing business. Also useful is to know how their countries ranks compared with other economies in the region and compared with the regional average. Subsequently to developing a good understanding of their country status, policy makers need to develop appropriate policies and strategies targeted to a set of “doing business indicators”. In this way, their actions can make significant contributions in improving the business environment in their respective countries.

²⁹ In most cases, investor considerations include the following factors: Government promotes and encourages foreign investment; all forms of business entities are available to foreigners; the same incentives are available to foreign and local investors; favorable incentives exist for manufactures and exporters; established professional service skills of international standard; and a well-established and resilient business community.

In the context of the proposed capacity building program, selected indicators of the “Doing Business Survey” will be targeted.³⁰ The activity will consider the indicators which are considered more relevant to industrial development. The dynamics of individual countries in the region will be taken into consideration in order to make the program more relevant. In sum: the interventions under this program activity will be “country specific” and “tailored” to the needs of individual countries.

A summary of key indicators of “Doing Business” for SADC region is presented below.

Table 1: Region Profile of SADC Doing Business 2019 Indicators

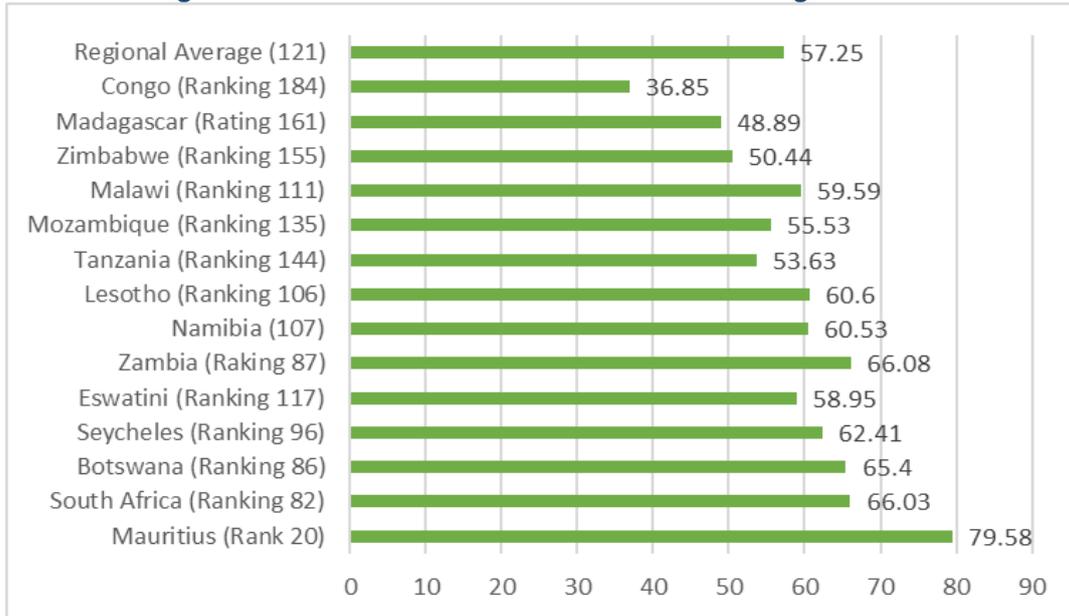
Doing Business Indicators	Key considerations
Starting a business	Procedures, time, cost and paid-in minimum capital to start a limited liability company
Dealing with Construction Permits	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
Getting electricity	Procedures, time and cost to get connected to the electrical grid, the reliability of the electricity supply and the transparency of tariffs
Registering property	Procedures, time and cost to transfer a property and the quality of the land administration system
Getting credit	Movable collateral laws and credit information systems
Protecting minority investors	Minority shareholders’ rights in related-party transactions and in corporate governance
Paying taxes	Payments, time and total tax rate for a firm to comply with all tax regulations as well as post-filing processes
Trading across borders	Time and cost to export the product of comparative advantage and import auto parts
Enforcing contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes
Resolving insolvency	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency

Source: SADC, *Doing Business’ Report, 2019*

The figure below shows how the economies in the SADC region rank on the ease of doing business

³⁰ Ease of Doing Business Survey is annual survey conducted by the World Bank Group under the Doing Business Project. The project provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level. The Doing Business project, launched in 2002, looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle. Doing Business captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Doing Business also measures features of labor market regulation. The ease of doing business score captures the gap of each economy from the best regulatory performance observed on each of the indicators across all economies in the Doing Business sample since 2005. An economy’s ease of doing business score is rated on a scale from 0 to 100, where 0 represents the lowest and 100 represents the best performance.

Figure 8: SADC countries rank on the ease of doing business



Source: Source: Doing Business database, 2019

The economy's ease of doing business score is reflected on a scale from 0 to 100, where 0 represents the lowest and 100 represents the best performance.³¹ The average for SADC region is 57.25 implying that SADC is basically an "average" performer on this account. It should be further noted that a number of countries fall below the average point. These include: DRG, Madagascar, Zimbabwe, Mozambique, and Tanzania. The rest of the countries scores above regional average with Mauritius being the best performer. This variation provides a further justification for considering individual country circumstances in designing the capacity building program. Against this background, concerted efforts are needed to lift the status of the SADC region with regards to ease of doing business. This conclusion provides a business case for the proposed activity.

Increase the level of "demand driven" skills among the youth population

This program activity seeks to address the myriads of challenges faced by youth in the SADC region, and in particular the problem of youth unemployment. The main focus of the program is to promote demand driven skills among the youth populations ensure a critical mass of youth are being absorbed in the job markets and most importantly, an increase in enterprises run and owned by the youth.

The primary objective of SADC's employment strategy is to stimulate the demand for labour, or increase the rate of labour absorption in the economy. Challenges to meeting this objective have been identified through the SADC Regional Indicative Strategic Development Plan and the majority of these challenges are directly linked to social and human development. A number of studies conducted at global, regional and country levels have documented the rising growth of youth unemployment and the challenges it presents to both to the economic growth and peace and stability of countries.

³¹ The ease of doing business ranking ranges from 1 to 190

From the global context, it is estimated that the global youth unemployment rate is 13.1 percent and the number of unemployed youth is 73.4 million.³² The youth share in total global unemployment is 36.4 percent and the ratio of youth-to –adult unemployment rate is 2.9 percent.³³ Africa is the fastest growing and most youthful population (Over 60% of the population is currently younger than 25 years) in the world with implications of job creation and stability.³⁴ The youth unemployment rate in Sub-Saharan Africa was at 11.5 % in 2011. According to the International Labour Organization, in 2011, three out of four workers were considered to be in vulnerable employment.³⁵

At the moment, employment levels and labour productivity in the SADC region are generally low and this trend is directly linked with social and human development challenges. Youth and women are the most affected by unemployment and underemployment. The centrality of youth employment has long been recognized by SADC countries as one of the major means to alleviate poverty and empower people to be part of the social, economic and political processes. Youth unemployment is part and parcel of the overall problem of unemployment and underemployment that afflicts all SADC countries.³⁶

Table 2: Youth unemployment rates for selected SADC countries

Country – by gender	Youth unemployment rate (%)
Angola (total usual unemployment)	28
Botswana (2011)	46.1
Lesotho (total)	47.40
Lesotho (male)	37.90
Lesotho (female)	58.50
Mauritius - male, usual unemployment	19.2
Mauritius - female, usual unemployment	26.0
South Africa (total)	55.80
South Africa (male)	57.9
South Africa (female)	53.30
Mswatini (total)	64.0
Mswatini (male)	41.7
Swaziland (female)	41.7
Zambia - total, usual unemployment	28.0

*Source: ILO Key Indicators of the Labour Market Version 3; UNECA, 2005 plus others. *youth unemployment rates quoted vary depending on source.*

³² According to 2015 figures

³³ International Labour Organisation (ILO 2015a): Global Employment Trends for Youth: Scaling up Investments in Decent Jobs, ILO Geneva, pp.79-81. --- (ILO 2015b): op.cit, pp. 85-88.

³⁴ United Nations (2013): World Population Ageing 2013, UN, New York UNDP (2011): Regional Integration and Human Development: Pathway for Africa, UNDA, New York, USA, p 61

³⁵ Vulnerable employment can be characterized by inadequate earnings, low productivity and difficult conditions of work that undermine fundamental worker rights.

³⁶ Southern African Development Community Decent Work Programme, 2013 – 2019 - Promoting Decent Work for all in the SADC Region

Studies conducted elsewhere in the SADC region have also documented the significant high youth unemployment rates. For example, youth unemployment in Zambia is estimated at 17.7 percent.³⁷ A recent survey in Namibia indicates the unemployment of 56% of youths between 15 and 19 and 49% of those

Industrialization should hold more promise for women and youth. Increased spending on formal academic education is a necessary, but not a sufficient condition for industrialization. To support industrialization, education systems would indeed need to be restructured and re-purposed with focus on technical and vocational skills of all kinds, especially those appropriate for a modern, knowledge economy. Source: SADC Industrialisation Strategy and Road Map, 2015 - 2063

between 20 and 24. Tanzania on the other hand, has found to have the tenth largest youth population globally, with 66% under the age of 25 already, and the figure is set to rise significantly.³⁸ In Tanzania, the age group 15 to 35 years forms huge proportion of the Tanzanian population.³⁹ The 15.6 million youth aged 15 to 35 years present an important demographic group that should not be ignored in any way. Unfortunately, however, this important group suffers high unemployment and faces huge and many constraints in their bid to be self-employed through entrepreneurship. About 53.3% of youth in Tanzania are unemployed⁴⁰ and the number of youth accessing microcredit is only 4%. Yet the group presents a labour force at its prime years. Furthermore, available official statistics from the latest survey by Tanzania's National Bureau of Statistics (NBS, 2013)⁴¹ show that youth unemployment rates are higher than that of none-youth.⁴² This means understanding young people and their situation in Tanzania is very critical. This applies to the rest of SADC countries.

Table 3: Youth Population (Age 15 – 35 years) in Tanzania, 2013

Population	Tanzania		Mainland		Zanzibar	
	Number	%	Number	%	Number	%
Total	44,928,923	100%	43,625,354	100	1,303,569	100
15 -35 years	15,587,612	34.7%	15,115,987	34.6%	471,634	36.20%
Male (15-35 years)	7,314,116	33.7%	7,096,862	33.40%	217,254	34.40%
Female (15 – 35 years)	8,273,505	35.9%	8,019,125	35.80%	34.4	37.80%

Source: National Bureau of Statistics and Office of Chief Government Statistician Zanzibar:

The analysis presented above demonstrate a case for increased investment in building the capacities of key institutions in the SADC region to formulate appropriate policies and strategies which can increase the skill base of the youth population. In particular, in calls for increased investment on schemes which can trigger increase in demand driven skills among the youth populations.

³⁷ -ibid-

³⁸ Restless Development, State of the Youth in Tanzania, 2011

³⁹ Of these, the majority are in Mainland Tanzania and are female

⁴⁰ UNSTATS Millennium Development Goals, July 2011

⁴¹ Employment and Earnings Survey 2012: Analytical Report

⁴² Additionally, the situation on the ground is likely to show higher unemployment figures for youths than those reported in the official statistics because they do not take into account the underemployment phenomenon

2.5 Promote Industry Diversification and Sectoral Linkages

This program activity seeks to build the analytical skills of key institutions in revisiting the countries productive structure and designing appropriate policies and strategies to promote business activities linked to different sectors of the economy.

Frontloading industrialization should be a function of diversification – enterprises breaking into new industries, utilizing new processes and producing new and better quality products for domestic and foreign markets. Economic diversification is a discovery process dependent on close private-public sector collaboration. Source: SADC Industrialisation Strategy and Road Map, 2015- 2063

In order for SADC countries to achieve the long term development goal, and especially to move significantly up the scale of human development and ranked among the developed countries, changes in the structure of the economies through diversification of economic activities, expansion of markets and enhancement of capital efficiency are necessary. However, observations have been made to the effect that at the moment, key sectors of the national economies in the SADC region are not well aligned (linked). The inability to optimize benefits from deferent economic sectors presents a ‘lost opportunity’ to these economies in general and to the individual business men and women in particular. This situation needs to be addressed.

Across the board in the SADC region, and as part of the structural transformation process, the national economies are expected to have reduced dependence on agricultural and mining products and increased their share of manufacturing and services products in output and employment. A gradual shift of labour from low factor-productivity primary industry (agriculture and mining) to manufacturing and services, is envisaged, thereby increasing resource allocation and utilization efficiency in higher value-added sectors. This transformation, it is argued, would occur through diversification of production and venturing into new markets.

It should be noted that, the share contribution of industry to growth is a function of the relative growth rates of the different industries which also depend critically on their productive capacities. Therefore, facilitating the growth of industry may require policy interventions to change the structure of the national economies though increased capital investment in the manufacturing and services industries.

In view of the above, the following thematic areas will be considered for the purpose of developing the regional capacity building program.

2.5.1 Promote Initiatives for Linking Small Holder Operations to the Large Companies

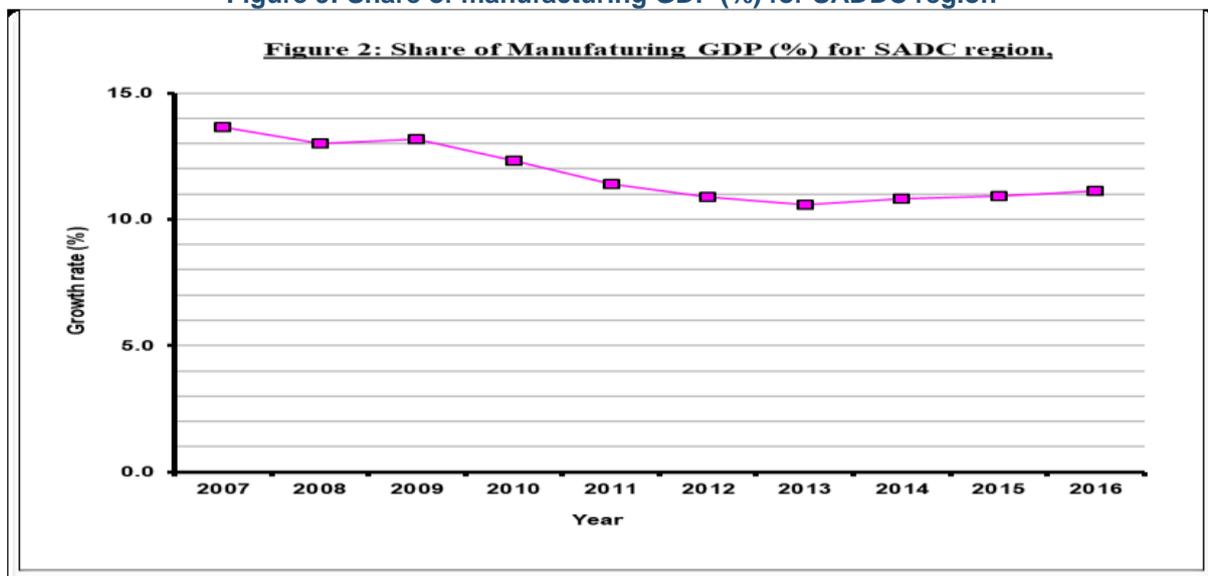
- Provide examples from breweries and cassava schemes in Zambia
- Coper belt initiatives
- e.t.c.

2.5.2 Capitalizing On the Benefits of Non-Traditional Sectors

For several decades, manufacturing has been viewed as a ‘panacea’ for industrialisation in the SADC region.⁴³ Traditionally, the main areas of emphasis are agro-processing, pharmaceuticals (including cosmetics), metal fabrication and mineral beneficiations. While this is true to some extent, there are other sectors of the economy which have proved to be a “game changer” in transforming world economies and as such should not be ignored. A case at hand is service sector, including the ICT.

The fall in productivity in the manufacturing sector in recent years has translated to a gradual shift from manufacturing to service sector. Indeed, the share of the manufacturing sector to overall GDP in SADC region has steadily been declining since 2007 from 13.6% to reach its lowest point to 10.6% in 2013. As shown in **Figure 9**, the share of manufacturing sector to overall GDP in 2016 stood at 11.1%.

Figure 9: Share of manufacturing GDP (%) for SADDC region



Source: SADC. *Selected Economic and Social Indicators, 2016*

SADC has recognized the above structural changes and is now going through de-industrialisation process. The region is gradually moving to the service industry. One of the key driver to this change is that manufacturing value addition (MVA) as a percentage of GDP is falling around the globe and particularly so in the SADC countries. In the last couple of years, industrial growth, especially in the manufacturing sector, has been lower in Southern Africa than in other parts of the continent. Services are absorbing most of the people moving out of agriculture, with employment in industry stagnant, at well below 10 per cent of the labour force. In practical terms, the fall in productivity in the manufacturing sector is being absorbed by the service sector. Individual countries within the SADC region need to follow suit by diversifying gradually and make a shift from manufacturing which is more capital intensive.⁴⁴

⁴³ Manufacturing is both labor and capital intensive.

⁴⁴ SADC. *Selected Economic and Social Indicators, 2016*

In view of the above, there is a need to build the capacities of the policy makers within the SADC region by equipping them with requisite skills to formulate appropriate policies and strategies to guide the transition to the service sector. This is particularly important given the fact that most of the economies of the region are insufficiently diversified and dependent on a few, and unsophisticated, commodity exports.

2.5.3 Capitalizing on the Opportunities from the Fourth Industrial Revolution

This program activity seeks to equip staff within the respective national institutions with skills to formulate policies and strategies to respond to the challenges and opportunities presented by the Fourth Industrial Revolution. Over the past decade or so, the revolution has embraced “artificial intelligence” as its center stage. The fundamental question is how could these institutions play a leading role in helping their countries to keep pace with this “real” development? The answer to this questions lies on the ability to develop appropriate policies and strategies to tap into the unfolding opportunities.

The Industrial Upgrading and Modernisation Programme (IUMP) adopted in 2009 objective is to promote regional value chains in nine (9) sectors with three (3) priority sectors identified as agro-food processing; processing of mineral products and pharmaceuticals. SADC together with COMESA and EAC have also adopted industrial development as one of the pillars underpinning regional cooperation under the Tripartite Arrangement. However, there is no mention of Digital industrialization/Cooperation.

Overview

The Fourth Industrial Revolution is the fourth⁴⁵ major industrial era since the initial Industrial Revolution of the 18th century. It is characterized by a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres, collectively referred to as cyber-physical systems.⁴⁶

Today, human population live in an unequal world where the gap between the rich and poor is widening. As the Fourth Industrial Revolution transforms the world, it is more important than ever to embrace the challenges of automation and the major disruption it will cause the labour market. According to the Future of Jobs report, around 75 million jobs may be displaced by a shift in the division of labour between humans and machines. Many fear that artificial intelligence (AI) systems will replace human workers who currently carry out routine tasks. This state of affairs creates a risk of an even more unequal world, where only the people with sufficient technical abilities and access to basic digital education can thrive.

⁴⁵ The First Industrial Revolution used water and steam power to mechanize production. The Second used electric power to create mass production. The Third used electronics and information technology to automate production. Now a Fourth Industrial Revolution is building on the Third, the digital revolution that has been occurring since the middle of the last century. It is characterized by a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres. There are three reasons why today’s transformations represent not merely a prolongation of the Third Industrial Revolution but rather the arrival of a Fourth and distinct one: velocity, scope, and systems impact. The speed of current breakthroughs has no historical precedent.

⁴⁶ Wikipedia

When compared with previous industrial revolutions, the Fourth is evolving at an exponential rather than a linear pace. Moreover, it is disrupting almost every industry in every country. And the breadth and depth of these changes herald the transformation of entire systems of production, management, and governance.

Growing Digitization

Digitization is being termed as a “revolution” as it affects the entire value chain of production, i.e., what to produce, how to produce and where to sell. It is also changing the way consumers take their decisions. It is affecting labour and capital markets and disrupting the existing patterns of production, consumption, investments and international trade. This fast revolution leaves no Governments with no choice but to act. For example, across the globe, companies have become global leaders in providing car services without owning a single car (e.g. uber), accommodation services without owning a single hotel (e.g. AirBnB) and retail services without holding any stocks (e.g. Alibaba).⁴⁷

Digital infrastructure

Digital economy is built on digital infrastructure. The latter is composed of:

- ICT infrastructure: Internet access; connectivity and affordability forms the base upon which the digital economy is built. This is complemented by ICT education and skills. The next step is building/using mass market 'internet software's' (e.g., operating systems, office suites, etc) and 'internet applications' (e.g., search engines and social media).
- Cloud computing infrastructure – This is a soft infrastructure which can remotely provide computing services as a general utility to all internet users. It comprises of the following services:
 - Infrastructure as a service (IaaS),
 - Software as a service (SaaS) and
 - Platform as a service (PaaS).

Data Infrastructure: 'Big data' and 'data intelligence'.

Digital infrastructure builds Digital Economy as it enables transforming big data into information and knowledge that can be converted into value (e.g. UBER). This value which is generated from data is unique and forms the basis of 'Artificial Intelligence (AI)' producing unique products and services which are more efficient and less costly to produce and consume. The infrastructure also leads to “Rise of Monopolies”- example: GAFAM- (Google, Apple, Facebook, Amazon and Alibaba). A key feature of GAFAM is ownership of data and capability of intelligently transforming Big Data into unique products which generate monopolistic power.

⁴⁷ UNCTAD: SADC's Regional Value Chains: Need for Cooperation Framework for Digital Industrialisation, 2017

Digital Products

Digital Products (DP) falls into three categories

- e-commerce products,
- electronically transmitted products (ET products); defined at the WTO as those “content-based products that were formerly delivered in tangible form but now can be delivered in electronic form via internet download”
- remote additive manufacturing products (AM) products -3-D printing.

Currently, there are no official estimates on the size of digital economy. UNCTAD has estimated the size of the e-commerce market as \$23 trillion in 2015, which amounts to around 32% of global GDP.⁴⁸

Challenges and opportunities presented by the Fourth Industrial Revolution

The advent of the Fourth Industrial Revolution has brought along an unprecedented confluence of interconnected technologies that are changing the way people live and societies are organized. Deployment of these technologies, however, requires a concerted effort on the part of all stakeholders involved – government, businesses, innovators, intellectuals, and the people – to ensure that the outcomes are beneficial to the broader society.⁴⁹

The revolution has created the possibilities for billions of people to be connected by mobile devices. Opportunities for unprecedented processing power, storage capacity, and access to knowledge, are unlimited. And these possibilities will be multiplied by emerging technology breakthroughs in fields such as artificial intelligence, robotics, the Internet of Things, autonomous vehicles, 3-D printing, nanotechnology, biotechnology, materials science, energy storage, and quantum computing. Every single day, humans produce a huge amount of data; about 2.5 quintillion bytes' worth, according to research by technology writer Bernard Marr. Google processes over 40,000 searches every second and around 1.4 billion people use Facebook every day. Every minute, 16 million text messages are sent, 154,200 calls are made on Skype, 990,000 Tinder swipes happen, 156 million emails are sent, 45,788 trips occur on Uber, and 600 new pages are created in Wikipedia.⁵⁰ In sum: The Fourth Industrial Revolution is driving Globalization 4.0.

The growth of data creation is expanding, as we use more and more devices with the Internet of Things. In recent years, we have created more data than all human history combined. Despite this amazing production of data, the producers of the data – we, the

⁴⁸ -ibid-

⁴⁹ <https://www.weforum.org/>

⁵⁰ <https://www.weforum.org/agenda>

people – receive no value for it apart from some "free" services, like Facebook, which, in reality, works to gather yet more data. The big tech companies are the real winners in a free data world and that could create a more unequal world, at a time when we need inclusive capitalism.⁵¹

The revolution has created major disruptions to labour markets. New categories of jobs are emerging, partly or wholly displacing others. The skill sets required in both old and new occupations will change in most industries and transform how and where people work.⁵² People in developing countries practically give data away free of charge, to the big tech companies. The latter use the data to create more personalized products or services for the former, but their real business is when they commercialize it. At this stage time, one needs to ask some important questions: who does data really belong to, who is the owner of the data, and why don't we get paid for it?

Implications for SADC Countries

The Industrial Upgrading and Modernisation Programme (IUMP) adopted in 2009 objective is to promote regional value chains in nine (9) sectors with three (3) priority sectors identified as agro-food processing; processing of mineral products and pharmaceuticals. SADC together with COMESA and EAC have also adopted industrial development as one of the pillars underpinning regional cooperation under the Tripartite Arrangement. However, there is no mention of Digital industrialization/Cooperation.

In view of the above, SADC's Industrial Development Policy Framework needs a new dimension to prepare for the Industry 4.0. The framework should seek to build regional market as well as address the common challenge of industrialization through development of strategies coordinated at regional level.

There are a number of options available for capitalizing on the benefits presented by the non-traditional sectors. All what is needed is for the responsible institutions within the SADC region to think through carefully and systematically. For example, options for establishing "Call Centers" or other ICT type of centers should be explored. A good case study can be drawn from India where they have set up call centers for every major Fortune 500 companies in the US. The centers have absorbed many young people. On a day to day basis, they handle all telephone related queries for the companies. This business model can be replicated, modified and adopted to the individual countries within the SADC region as way of dealing with a growing problem of youth unemployment.

NB: Some of the capacity building services for this program component could be outsourced to specialised entities/ service providers.

⁵¹ -Ibid-

⁵² <https://www.weforum.org/reports/the-future-of-jobs-report-2018>

2.6 Trade Promotion

This program activity will seek to equip participants, (i.e. government institutions, regulators and industry operators) with practical understanding of the economic and development issues in their individual countries, from a trade perspective. It will highlight ‘where’ and ‘how’ trade can contribute to achieving the national developmental aspirations as related to industrial promotion on the one hand, and how appropriate policies and strategies can be developed to foster industrial competitiveness on the other.

The program activity also complements the achievement of the SADC wide Industrial Upgrading and Modernisation Programme (IUMP) and also contributes towards the realization of the objectives of the Industrial Development Strategies for individual countries. In particular, the program activity will contribute towards achieving the following strategic goals:

- To improve global competitiveness of enterprises based in each Member State;
- To promote the inflow of FDIs;
- To create conditions that promote job creation; and
- To promote and facilitate skills development.

Rationale

Trade is vital to the overall SADC economy – in terms of its size, contribution and linkages. Trade can play a critical role in delivering Development Visions of individual countries in the region. A survey of trade’s contribution in the past and present to the national economies suggests that it is indispensable to any development strategy. But its future potential will largely rest on policy choices of today and tomorrow. There are a number of strengths that will need to be harnessed, and a number of constraints that will need to be addressed.⁵³

Enhancing the capacity of developing countries and countries with economies in transition to participate in global trade is becoming increasingly critical for the economic growth of these countries. The ability of national enterprises to trade internationally depends increasingly more on their ability to enter into global value chains that are established by transnational corporations. On the one hand, this requires working on the supply side, enabling enterprises to manufacture products with high-export potential in the quantities and at the level of quality required by the markets. On the other hand, it requires evidence of market conformity, enabling these same enterprises to ensure that their products conform to the relevant international standards, in particular private buyer requirements, and technical requirements.⁵⁴

Illustrative activities/components

⁵³ UNDP, 2011

⁵⁴ <https://www.unido.org>

2.6.1 Trade Capacity Building Program

Trade capacity building program will focus on the supply side of trade. More specifically, it will support Member States enterprises in their efforts to offer competitive, safe, reliable and cost-effective products in world markets. This requires identifying sectors and products that have competitive potential and are suitable for local value addition as well as analyzing and assessing trends in industrial performance at national, regional and global level, and formulating strategies and policies designed to improve industrial competitiveness and to overcome technical barriers to trade (TBT) and comply with sanitary and Phyto-sanitary measures (SPS).

The program will also assists firms to upgrade their manufacturing processes in sectors with high-export potential to internationally acceptable levels and support the creation of export consortia, a specialized form of SME network as well as designing and implementing national and regional commodity-based trade capacity-building programmes.⁵⁵

With respect to conformity, the program will help enterprises comply with international standards and market requirements, and to develop the conformity infrastructure needed, in particular, to fulfill the requirements and obligations under the World Trade Organization Technical Barriers to Trade (WTO TBT) agreement and the agreement on the Application of SPS measures. It will do so by developing capacities of the national standards bodies to perform internationally-recognized product testing and calibration based on analyses of infrastructural and service gaps in metrology, testing and inspection services, and by developing accreditation institutions to accredit laboratories, system certifiers and inspection bodies.

The program will also provide assistance to address the growing significance of private sector requirements for enterprise systems and product standards. Of particular importance are the standards regarding food hygiene and food safety (ISO 22000), but there are also other important international systems standards such as quality management (ISO 9001), environmental management (ISO 14001), and social accountability (SA 8000). It will also support producers in performing self-declarations of conformity such as the CE markings and others. Corporate social responsibility (CSR) is also an area where international buyers are increasingly requiring exporter compliance, especially in light of the international standard on social responsibility (ISO 26000).

2.6.2 Capitalize on the Benefits of Rules of Origin Principle

This intervention would seek to improve the understanding of RoO concepts both to the respective trade and industry ministry officials as well as industrialists. In particular, how the rules can help them get the best out of what they do and benefit more by changing the orientation of their production processes. Under the current free-trade agreements (FTAs), it is difficult for a country to manufacture a product and benefit at the same time if there is not enough knowledge on the RoOs.

⁵⁵ Opportunities for working with in cooperation with international partner agencies such as WTO, ITC, FAO and CFC will also be explored.

In the context of the individual country trade support programs, RoO can be used as a catalyst for industrial development. Ideally, the objective is to ensure that Government procurement systems are utilized domestically to its maximum benefit. Currently, most governments in the SADC region are the largest procurement vehicle. This can in turn stimulate establishment of newer domestic enterprises and therefore spur enterprise including MSMEs. Efforts should be made to ensure as far as possible there is retention of a certain percentage of local content as well. For this to happen, however, quality must come above quantity.

NB: Some of the capacity building activities under the trade component may be outsourced to specialised bodies.

2.6.3 Strategic Market Linkages

Access to domestic and foreign markets is one of the key success factors for businesses as well as economic transformation processes. This is one of key challenges facing most firms in the SADC region. Against this background, this program activity entails providing local firms with an all-encompassing support to secure markets at home and abroad in order to stimulate the development and diversification of local industries.

Consideration will be given to reviewing the existing procurement system/practices and other measures, such as supplier development programmes, with the view of exploring scope for using them to strengthen linkages and enhance opportunities for local products and services. Another main focus will be on improving trade competitiveness by increasing the regulatory efficiency, streamlining procedures and providing relevant information and targeted support to enhance the export competitiveness of businesses. These interventions aim at optimizing on the benefits that regional economic integration presents.

This activity will explore a number of options including the “business to business linkages” (B-2-B-) and “matchmaking”. Experience will also be drawn from the existing market linkage schemes in individual Member States with the view of either replicating or customizing the same in the context of industrial goods. For example, the Government of Namibia has initiated a number of schemes to promote local consumption of locally produced products. One such initiative is the “Retail Charter”, a multifaceted plan aimed at progressively raising local procurement of horticulture products from 6% of purchases of all retailers, traders and hospitality sector enterprises to 20%. A key aim of the Charter is to increase the retailer shelf space devoted to local products. The aim is to re-engineer the way retailers undertake their procurement. An initial target for all retailers is to devote 6% of each retailers’ procurement bill to locally produced goods, in line with the current average level of local supply. Ultimately however the aim is to ensure that 20% of products are locally sourced.⁵⁶ Options for extending the Charter to cover other sectors will be explored under the proposed capacity building program.

⁵⁶ <http://epamonitoring.net/namibias-retail-sector-charter-and-the-strengthening-of-local-supply-chains/>

Elsewhere in the region, these are examples of successful scheme whose experience could be used in the SADC region. For example, the East African Community (EAC) has rolled out a major agenda for promoting consumption of locally produced goods in the leather, cotton, textiles and apparel sectors. Similarly, individual countries within EAC have successfully implemented similar schemes. Uganda for example, have recorded a lot of success under the “Buy Uganda Build Uganda” (BUBU) scheme.

2.6.4 Specialised Support to Increase the Benefits of International Trade Agreements

Most SADC Member States are currently signatories to a number of international trade agreements. Capacity building is required to help them negotiate for better trading terms from such agreements and/or initiatives. The increased capacity of trade practitioners within key national institutions will enable their respective countries to reap the full benefits of these trade agreements.

Below is a list of organisations to which most of the SADC Member States are signatory to:

- Southern African Customs Union (SACU).
- SADC Protocol on Trade.
- SADC Economic Partnership Agreement (EPA).
- Africa Growth and Opportunity Act (AGOA).
- Southern African Customs Union (SACU)/
- SACU-EFTA Free Trade Agreement.
- SACU-Mercosur Preferential Trade Agreement
- SACU-USA Trade, Investment and Development Cooperation Agreement
- World Trade Organization (WTO)
- Cotonou Agreement

2.7 Strengthen Industry Operations

Activity Description: This program activity will be targeted Member States implementing the competitiveness capacity building programme and Industrial Upgrading Modernization Programme (IUMP): In particular, it will be dedicated to industry operators which comprise of manufacturing enterprises and companies providing related services (Component 1 of the IUMP): The objective is to help them improve their productivity, quality management and export capacities, upgrade their equipment and enhance their competitiveness. The major beneficiaries are the companies of the priority industrial sectors largely contributing to their national economies. They will benefit from activities on upgrading and improving their competitiveness.

The support program will seek to solve the following problems:

- Low productivity, competitiveness and attractiveness of Namibia industrial sectors;
- Weak diversification of the industrial sectors and marginal transformation;
- Weak internal managerial, technical and financial capacities of local enterprises;

- Lack of effective marketing activities, product innovation and weak cooperation and distribution networks at regional and international levels.

Some of the potential areas of coverage include the following:

2.7.1 Change in Orientation to Soft Infrastructure Support Activities

This program activity emphasizes on the need to change the orientation of IUMP support to industrial enterprises. The previous phase of the IUMP project and in particular, the pilot phase focused more on the hard infrastructure support (equipment's and machinery for upgrading). For example, in Namibia, the project has spent about N\$ 50 million to support over 75 enterprises under this mode since the project inception in 2012.⁵⁷ The results have been mixed, and what has emerged more prominently is insufficient management capacity on the part of enterprise managers/owners. In view of this, there is a need to transition from hard infrastructure support to soft infrastructure support:

Significant level of support should be devoted to the soft infrastructure part including for example, management training to enterprise owners and employees. However, it will be prudent to ensure that the support to the industry is demand driven. Therefore, appropriate measures will be incorporated into the activity plan to ensure there is no oversupply of interventions which may ultimately lead to industrial inefficiency and other market distortions.

2.7.2 Value Chain Management (VCM)

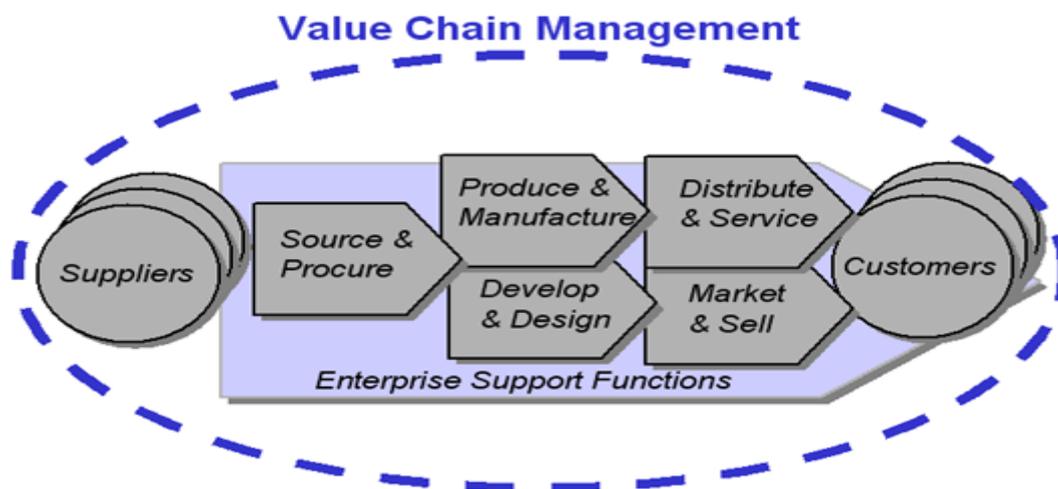
The activity will help MSMEs in respective Member States to identify each part of its production process and where improvements can be made.⁵⁸ These improvements can either reduce costs or improve production capacity. The additional value creation results in a company's customers deriving the most benefit from the company's product or service for the lowest cost. Through analysing the five primary value chain activities, a company can ensure that the value it is creating exceeds the cost to create that value.

A strong VCM team helps companies to create high value and a strong competitive advantage. It applies to all the value chain's five steps namely: inbound logistics, operations, outbound logistics, marketing, and sales and service. Inbound logistics include the receiving, warehousing and inventory control of raw input materials. Operations include the value-adding activities that turn inputs into a final product. Outbound logistics include activities required to get the finished product to a customer. Marketing and sales are the activities associated with getting a potential buyer to purchase a product, including channel selection, advertising and pricing. Service includes activities that maintain and enhance a product's value, such as customer service.

⁵⁷ The support took the form of 80% of total project cost as grants and remaining 20% owners' equity/contribution.

⁵⁸ The program will cover selected MSMEs under the pilot IUMP project.

Proper VCM is key to optimizing business operations and maximizing profit. Companies can optimize value for themselves, their vendors and their end customers when they effectively manage the flow of production and sales from inbound logistics to operations, outbound logistics, marketing and sales and services.



2.8 Targeted Support For Institutional Upgrading

As part of this program, a number of activities focusing on building the capacity of support institutions will be identified. These will feed into Component II of the IUMP program... “Strengthening institutional capacities of technical support institutions (public, sectoral and private) involved in enhancing productive and exports capacities of the manufacturing and service enterprises within the SADC region, and ensuring compliance of their production with international standards.

Upgrading technical support institutions is a key prerequisite to improve marketing and productive capacities and competitiveness of industries. One of the main reasons for the poor competitiveness of companies in the SADC region appears to be the weak technical skills and qualification of the technical support institutions. Their technical capacities are insufficient to satisfy the real needs of the industrial sector. As a result, the companies do not get the quality of technical support they need to produce goods that can respond to the current market needs and meet international quality standards, sanitary and safety requirements.

A situational analysis shows that most R&D and training institutions, the specialized technical centers and laboratories, the controlling, auditing and certification bodies do not possess the necessary capacities to support the companies, which, consequently, have to seek foreign expertise at additional costs and thus affect their competitiveness.

2.9 Industry Observatory Initiative for SADC Member States

2.9.1 Context and Rationale

This program activity seeks to establish “industry observatory” function as a way of enhancing “Knowledge Management” among key actors responsible for promoting the industrialisation agenda in the SADC region. The objective of the initiative, to be rolled out both at regional and Member State level is to address the prevailing challenges of information gap between business operators, policy-makers, the academia and the public at large.

Knowledge is among key resources in the process of industrialization for the actors to make informed decisions. This is particularly crucial at all stages of the industrial policy cycle where information is needed throughout the entire spectrum (i.e. diagnostic process, policy design, implementation, monitoring, evaluation and review processes. Institutions will continually rely on good information and data to optimise on their operations and business strategies.

Business community and policy-makers have time constraint to access relevant, up-to-date and pertinent information, which are dispersed and often in complex formats. This is also evident from the findings of the needs assessment study. Timely and reliable information increase scope for making informed decisions at every stage of business growth.

It is against this background that the “Industry observatories” are being proposed. It is envisaged that the proposed function will be supported by respective governments under the auspices of the lead Ministries.

Industry Observatories is a best practice currently operating in Mauritius. The details of its operation are presented in **Annex 1** to this report.

Annex 1: Mauritius Industry Observatory

Background

Industry Observatories is a best practice currently operating in Mauritius. It is run through a “web-portal” hosted and managed by the Ministry of Industry, Commerce and Consumer Protection in the country. It receives inputs from the online-based information from other institutions including: ministries and agencies, private institutions and international organizations. The Government Programme 2010-2015 and the Industrial Strategic Plan 2010-2013 provided the setting up of an Observatoire de L'Industrie (Industry Observatory).

The Mauritius Industry Observatory tool has seven categories and/or chapters which define its operations and functions:

Category 1: Economic watch

This chapter depicts trends in major economic variables among developed, emerging and African economies. It is premised on the fact that Economic data are changing rapidly and economic forecasts are often proved wrong by unforeseen and unpredictable events. Globalisation, demands that business and policy decisions take into consideration key developments in the global economic and business landscape. Industrial policy formulation and the need for informed business decisions also justify a “close watch” on new challenges and opportunities from the global economic and business environment, through a constant scanning process of economic and business data.

Category 2: Starting and Planning a Business

This category covers five areas as described below:

- i. Planning to start a business: The following information can be accessed via the portal;
 - a. Potential market
 - b. Availability of finance
 - c. Support from institutions available
 - d. Licenses required
 - e. Buyers for your product
 - f. Whether your potential business will fall in category small or large
 - g. Intellectual property protection required, if any
- i. Doing Business in Mauritius: A link is provided to MCCI website where more information is obtained
- ii. Trade: A link is provided to Commerce Division in MICCP where there are more details on
- iii. Support Services to Industry Sector:
 - a. Enterprise Mauritius (EM): EM, as a gatekeeper for export, focus on export promotion and development of new markets, particularly in Africa and emerging economies
 - b. Mauritius Standard Bureau (MSB): responsible for standards formulation and is the national focal point for Metrology, Standards, Testing and Quality Assurance (MSTQ) services in Mauritius.
 - c. MAURITAS: It provides accreditation services for testing and calibration laboratories, certification and inspection bodies and recognizes formally their competence to carry out their specified tasks.
 - d. Assay Office: regulate the production, imports and sales of gold jewellery.

- e. Legal Metrology Services: Major functions include ensuring that weighing and measuring instruments used in trade and industry are accurate and traceable to international standards and undertake control of prepacked goods to ensure that they are properly labelled and contain the quantity declared on the packages.
- iv. Schemes for Industry Sector: this has been linked to Economic Development Board (EDB) website where following schemes are observed:
 - Smart city scheme
 - Property development scheme
 - SME refund scheme
 - Film rebate scheme
 - Mauritian diaspora scheme
 - Regulatory sandbox licence
 - Speed to market scheme
 - Freight rebate scheme
 - Export credit guarantee scheme

Category 3: Market Intelligence

Through a link in the industrial observatory portal, the information is accessed from Mauritius Trade Easy, which is a website supported by the Ministry of Foreign Affairs, Regional Integration and International Trade of Mauritius. This section offers a series of trade facilitations tools to help someone expand the business overseas, such as country and market information, sources for business opportunities, import or exports partners' databases, landed-cost calculations and more. The category has three main components:

- i. International Trade Centre
 - a. Trade map: trade statistics for international business development
 - b. Market access map: improving transparency in international trade and market access
 - c. Trade competitiveness map: analyze country and product competitiveness with trade flow
 - d. Standard map: analyse and compare voluntary standards, research materials and generate maps
 - e. Investment map: for better foreign investment attraction and targeting
 - f. Trade obstacles alert: alert relevant authorities of the obstacles faced
- ii. Explore markets
 - a. 186 countries profiles
 - b. 30,000 market reports
 - c. Business alerts
 - d. Imports/exports flows
 - e. Best countries for trade
 - f. 40,000 trade shows
 - g. 3,000 professional associations
- iii. Find Counterparts
 - a. 350 online marketplaces
 - b. 3000 business directories
 - c. Find importers in US, China, India, Latin America
 - d. Find suppliers worldwide
 - e. Blacklisted companies

- f. Landed cost calculator – import
- g. Converters (currency and measurement convertors)

Category 4: Trade agreements

Through a link in the industrial observatory portal, the information is accessed from Mauritius Trade Easy, which is a website supported by the Ministry of Foreign Affairs, Regional Integration and International Trade of Mauritius. This section provides an overview of trade agreements that Mauritius has signed including preferential access to key markets such as Southern African countries (via COMESA -Common Market for Eastern and Southern Africa and SADC - South African Development Community agreements), the U.S., EU, India and Sub-Saharan Africa, etc. The information provided include:

- i. Multilateral trade agreements: WTO, GSP Scheme
- ii. Regional Trade Agreements: AGOA, Interim EPA with EU, IOC, COMESA, SADC, IORA
- iii. Bilateral Trade Agreements: Pakistan, Turkey, USA

Category 5: Sustainable Development

In the Industry observatory portal, the information on 'Maurice Ile Durable' (MID), which was introduced in Budget 2008-2009 with the main objective of making Mauritius a world model of sustainable development, particularly in the context of Small Island Developing States (SIDS) has been detailed discussed within this category. Government is emphasising on sustainable development from a long term perspective. In this context, the Ministry of Environment & Sustainable Development is implementing the National Programme for Sustainable Consumption and Production 2008-2013 (SCP). The SCP Programme aims at promoting greater efficiency in production and consumption pattern in Mauritius.

Category 6: Global competitiveness

In this category, the World Bank Competitiveness Report is analyzed, particularly focusing on Mauritius performance. The overall Global rank of a country is based on a set of factors, namely the 12 pillars of competitiveness, as depicted below under three sub-headings:

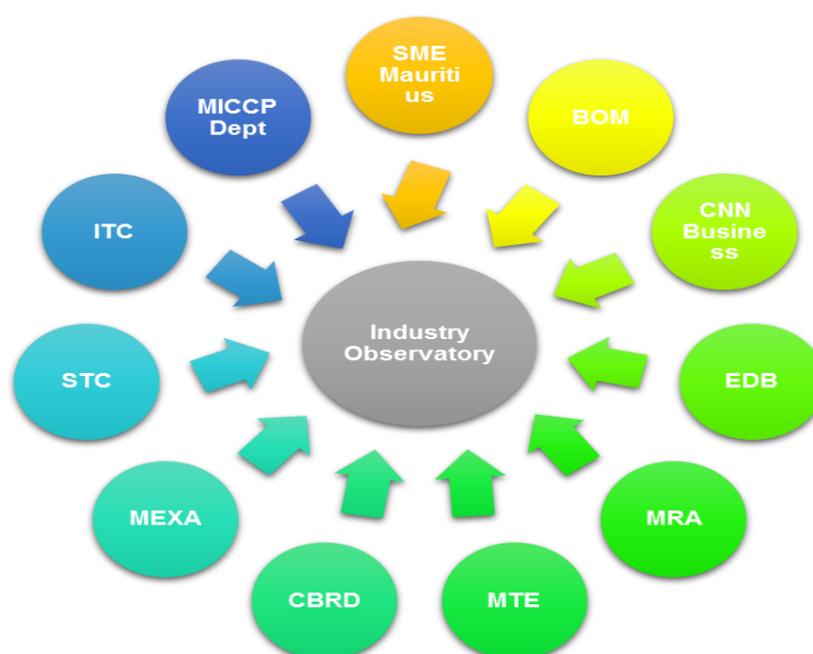
- i. Basic requirements:
 - a. Institutions
 - b. Infrastructure
 - c. Macroeconomic environment
 - d. Healthy and primary education
- ii. Efficiency enhancers
 - a. Higher education and training
 - b. Goods market efficiency
 - c. Labour market efficiency
 - d. Financial market efficiency
 - e. Technological readiness
 - f. Market size
- iii. Innovation & Sophistication factors
 - a. Business sophistication
 - b. Innovation

Category 7: Trade flow

The portal is linked to the International Trade Centre website where Trade Statistics are provided. Under there, one can access the Trade Map. The database is free to use and provides trade statistics and market access information for export development. By transforming the large volume of primary trade data into an accessible, user-friendly, web-based format, Trade Map provides indicators on export performance, international demand, alternative markets and the role of competitors. Trade Map covers yearly trade data for 220 countries and territories and all 5,300 products of the Harmonized System.

Monthly and quarterly trade data is also available at the tariff line level for around 110 countries, and annually for an additional 50. A limited version of Trade Map is accessible without registration for yearly product trade flows up to the 4-digit level of the [Harmonized System \(HS\)](#), for monthly product trade flows at HS 2-digit level and for trade in services. Trade Map is part of a suite of [Market Analysis Tools](#) developed by ITC

The Framework for Industrial Observatory in Mauritius is presented below



The role of different entities is presented below:

- Bank of Mauritius (BOM): provide exchange rate information
- Mauritius Revenue Authority (MRA): provides taxation information
- Economic Development Bank (EDB): provides information on the existing schemes and investment opportunities in Mauritius
- CNN Business: provides information on commodity prices such as energy, metals, agriculture, meat and livestock, consumers
- SME Mauritius: presents an SME portal
- Mauritius Trade Easy (MTE): The web-portal is supported by the Ministry of Foreign Affairs, Regional Integration and International Trade of Mauritius. It provides information on the market intelligence and trade agreements
- Company and Business Registration Department (CBRD): facilitates business name search and registration process
- Mauritius Export Association (MEXA): a private association aims to promote and defend the interests of the Export Community of Mauritius at national, regional and international level
- State Trading Corporation (STC): facilitate local and international trade for selected products
- MICCP Departments: MSB, Assay Office and MAURISTAT
- International Trade Centre: facilitates trade statistics

Annex 2: List of People Contacted During Stakeholder Consultations

Name	Organization	Position	Email	Tel/mobile
Mauritius				
B. A Sedoyal	Ministry of Industry, Commerce, and Consumer Protection	Analyst (Industry)	baseedoyal@govmu.org	(230) 2107100
Z. Mandann	Ministry of Industry, Commerce, and Consumer Protection	Analyst (Industry)	zmandann@govmu.org	(230) 2107100
K. Manna	Ministry of Industry, Commerce, and Consumer Protection	Analyst (Industry)	kmanna@govmu.org	(230) 2107100
B. R. Domun	Ministry of Industry, Commerce, and Consumer Protection	Principal Analyst	bdomun@govmu.org	(230) 2128816
L. P. Wing	Ministry of Industry, Commerce, and Consumer Protection	Ag Director	llan-pin-wing@govmu.org / marcelwing@hotmail.com	(230) 2128816/ 210 7100
B. Ramdoyal	Ministry of Industry, Commerce, and Consumer Protection	Analyst	brramdoyal@govmu.org	(230) 2128816
K. Aubeeluck	Ministry of Foreign Affairs and Regional Integration	Analyst	kaubeeluck@govmu.org	
T. Ramnorum	Ministry of Industry, Commerce, and Consumer Protection	Business Enterprise Analyst	tramnorum@govmu.org	230) 2128816
V. Veeramah	Ministry of Industry, Commerce, and Consumer Protection	Business Enterprise Analyst	vveeramah@govmu.org	230) 2128816
S. Nowbustine	Ministry of Industry, Commerce, and Consumer Protection	Business Development Officer	snowbustine@govmu.org	230) 2128816
Dibray Mathara	Ministry of Finance and Economic Development	Senior Analyst	dmadhara@govmu.org	260-4300 ext. 5090
Shardhanjali Bedacee (Mrs.)	Ministry of Finance and Economic Development	Senior Analyst	sbedacee@govmu.org	260 1300 ext. 5091
V. Pareatumbea	Ministry of Finance and Economic Development	Lead Analyst	careatumbea@govmu.org	201 1601 and 260 1300

Name	Organization	Position	Email	Tel/mobile
P. Rojoa (Mrs.)	Ministry of Finance and Economic Development	Lead Analyst	projoa@govmu.org	2013946 / 2601300
D. Ramphul	Statistics Mauritius	Statistician	dramphul@govmu.org	208 1800 ext. 129
R. Faner	Ministry of Finance and Economic Development	Senior Statistical Officer	faner@govmu.org	211 53 56
K. Manna	Ministry of Industry, Commerce, and Consumer Protection	Analyst (Industry)	k.manna@gomu.org	2107100
Pradeep Dunson	Business Mauritius	Chief Operating Officer	p.dursun@businessmautitius.org	230 466 3600
Rooma Pillay Narrainen	Mauritius Chamber of Commerce and Industry	Manager – Trade Division	marrainen@mcci.org	230 203 48 30
R. Venktasawny	Business Mauritius	Program Lead	venktasawny@businessmautitius.org	4663600
P. Nauainer	Mauritius Chamber of Commerce and Industry	Manager	mcci@mcci.org	2034830
Malawi				
Derek Zikapanda	Ministry of Industry, Trade and Tourism	Industrial Officer, Intern	dereckzipanda@gmail.com	+265 992 213 661
Madalo Moya	Ministry of Industry, Trade and Tourism	Investment promotion Officer	Madalomoya92@gmail.com	+265 994 079160
Shakira Phiri	Ministry of Industry, Trade and Tourism	Investment promotion Officer	Phirishakira50@gmail.com	+265 992808354
Silas Sindi	Ministry of Industry, Trade and Tourism	Deputy Director - Industry	sisindi@yahoo.co.uk	+265 999 860 996
Joseph Chisala	Ministry of Industry, Trade and Tourism	Under Secretary	jbchsala@hotmail.com	+265 99764 6495
Modie Chanza	Malawi Investment and Trade Centre	Planning and Research Officer	mchanza@mitc.mw	+265-995 465 540
Joshua Nthakomwa	Malawi Investment and Trade Centre	Director, Investment Promotion & Facilitation	jnthakomwa@mitc.mw	+265 888 858 374

Name	Organization	Position	Email	Tel/mobile
Chris Matembe	Ministry of Energy, Mining and Natural Resources	Planning Statistician	matembechris@gmail.com	+265 992 782 2576
Wilson Nyasulu	Ministry of Finance, Economic planning and Development	Economist	nyasuluz@gmail.com	+265 884 327 308
Moses Mtambo	Ministry of Finance, Economic planning and Development	Economist	mosesmtambo@yahoo.com	+265 998 098 462
Amina Shabani	Ministry of Finance, Economic planning and Development	Economist	Miltashawani93@gmail.com	+265 888 242 124
Zambia				
Amos Mumba	Ministry of Commerce Trade and Industry	Principal Economist	Amos.mumba@gmail.com	+ 260 974 282 455
Aaron Muntale	Ministry of Commerce Trade and Industry	Chief Economist	aaronmutale@gmail.com	+260 976 386 029
Humphrey Kaunda	Ministry of Commerce Trade and Industry	Principal Economist	Hkaunda13@gmail.com	+260 977 460 412
Innocent Melu	Zambia Development Agency	Manager – Enterprise Development	Innocent.melu@zda.org.zm	+260 977 824 605
Prisca Chikwaashi	Zambia Chamber of Commerce and Industry	Chief Executive Officer	ceo@zacci.co.zm	+260 966 757 668
Matongo Matamwandi	Zambia Development Agency	Director - Investments	Matongo.matamwandi@zda.org.zm	+260 966 771 046
Hellen Mwanza	Zambia Empowerment Commission	A/Director Business Development	helenmasiye@gmail.com	+260 965 853 138
Muma B Munansangu	Zambia Development Agency	Manager	Muma.munansangu@hotmail.com	+260 977 474 255

Name	Organization	Position	Email	Tel/mobile
South Africa				
Mr. Andrew Mukandila	Department of Industry and Trade	Deputy Director (Research Directorate of the Industrial Policy)	AMukandila@thedti.gov.za	012 394 3312
Ms. Bianca Mokuena	Department of Industry and Trade	Researcher (Industrial Policy Unit)	BMokuena@thedti.gov.za	012 394 1374
Mr. Tshepo Semanya	Department of Industry and Trade	Deputy Director (Industrial Policy Unit)	TSemanya@thedti.gov.za	012 394 1315
Mr. Peter Varndell	SADC Business Council	Chief Executive Officer (NBF)	peter.varndell@thenbf.co.za	(27) 72 6315721
Mr. Tulo Makwati	SADC Business Council	Researcher (NBF)	Tulo.makwati@thenbf.co.za	(27) 71 1022232
Eswatini				
Mr. David Mabuza	Ministry of Commerce, Industry and Trade	Acting Director (Industry Department)	dvdmabuza@gmail.com	
Ms. Bachazile Mtetwa	Ministry of Commerce, Industry and Trade	Director (Industry Department)	Mtetwa.bachazile@gmail.com	+268 24043201
Ms Siphwangubani Sikhondze	Ministry of Commerce, Industry and Trade	Industrial Officer	sphiwa@gmail.com	78122858
Mr. Mthayiphi Dlamini	Ministry of Commerce, Industry and Trade	Industrial Officer	mtype444@gmail.com	76131831
Mr. Musa Maseko	Business Eswatini	Trade and Business Support Coordinator		

Name	Organization	Position	Email	Tel/mobile
Namibia				
Dr. Michael Humavindu	Ministry of Industrialization, Trade and SME Development	Deputy Executive Secretary (Industrial Development Directorate)	humavindu@mti.gov.na	(264) 61 2837258
Ms. Rebeca Talohole Shiimi	Ministry of Industrialization, Trade and SME Development	Senior Private Secretary (Industrial Development Directorate)	shiimi@mti.gov.na	(264) 61 2837258
Ms. Ilona Nkandi-Asino	Ministry of Industrialization, Trade and SME Development	Acting Director (Industrial Development Directorate)	Ilona@mti.gov.na	+264 81 149 2586
Ms. Anna-Liisa Amweelo	Ministry of Industrialization, Trade and SME Development	Chief Statistician	amweelo@mti.gov.na	+264 81 277 8688
Mr. Sakeus Kapenda	Ministry of Industrialization, Trade and SME Development	Chief Trade Policy Analyst (International Trade Development Directorate)	kapenda@mti.gov.na	+264 81 1487 7844
Mr. Lynnox Mwiya	Ministry of Industrialization, Trade and SME Development	Chief Trade Promotion Officer (International Trade Development Directorate)	mwiya@mti.gov.na	(264) 811684463
Ms. Ndiitah Nghipondoka-Robiati	Namibia Trade Forum	Chief Executive Officer	nrobiati@ntf.org.na	(264) 61 235327
Mr. Maurice Garde	Namibia University of Science and Technology	Registrar (Office of the Registrar)	mgarde@nust.na	(264) 81 8409165

Name	Organization	Position	Email	Tel/mobile
Mr. Aloysius Tsheehama	Namibia Statistics Agency	Manager: Prices Statistics	atsheehama@nsa.org.na	(264) 81 1291196
Mr. Peter von Kuhne	Namibia Statistics Agency	Executive: Human Resources	pvonkuhne@nsa.org.na	(264) 81 1559774
Mr. Ronnie Varkevisser	Namibia Manufacturers Association	Chief Executive Officer	nma@nmanamibia.com	(264) 81 2489626
Tanzania				
Mr. Cleophas Ruhumbika	Ministry of Industry and Trade	Director: Industry Development	Cleophas.ruhumbika@mit.go.tz	0754299100
Ms. Elly Pallangyo	Ministry of Industry and Trade	Assistant Director: Industry Development	Eli.pallangyo@mit.go.tz	0784819812