



**ACTION PLAN  
FOR  
SADC INDUSTRIALIZATION STRATEGY AND ROADMAP**

Approved by Summit in Lozitha, Swaziland  
on 18 March 2017

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## EXECUTIVE SUMMARY

At its Extra-Ordinary Summit, held on 29 April 2015, in Harare, Zimbabwe, the SADC Heads of State and Government adopted the SADC Industrialization Strategy and Roadmap 2015 – 2063<sup>1</sup>. The Summit also directed the SADC Secretariat to develop a detailed and costed Action Plan for the implementation of the Strategy, and design and develop an appropriate institutional framework to implement the Strategy. Pursuant to these decisions it was resolved that the Costed Action Plan should cover Phase I and II of the Strategy, with specific focus on the first fifteen years (2015-2030). It is within this context that the Costed Action Plan is hereafter elaborated.

The Industrialization Strategy was developed as an inclusive long-term modernization and economic transformation scheme that enables substantive and sustained raising of living standards, intensifying structural change and engendering a rapid catch up of the SADC countries with industrializing and developed countries. It is anchored on three interdependent and mutually supportive strategic pillars – industrialization as champion of economic transformation; enhancing competitiveness; and deeper regional integration. The Strategy sets out three potential growth paths – agro-processing; mineral beneficiation and downstream processing and industry-and service-driven value chains. The paths are mutually supporting and inclusive, encompassing the combination of downstream value addition and backward integration of the upstream provision of inputs, intermediate items and capital goods.

The central challenge facing Africa is how to transition from the commodity-dependent growth path in which African countries find themselves to value-adding, knowledge-intensive and industrialised economies. The goal is to occupy a higher place in the global division of labour. Africa at present is predominantly viewed as a producer and exporter of primary commodities and an importer of value-added manufactured goods.

There are deep structural fault-lines in the economies of the SADC countries that remain entrenched, characterised by resource-dependence, low value-addition and low levels of exports of knowledge-intensive products. This is reflected in the low levels of private sector investment into the manufacturing sector of the economy. The concern of policymakers is that if the declining share of manufacturing (11.3% in 2014 across SADC, down from 15.9% in 2004), is not reversed, the “ladder” to address the deep structural problems in these economies will be effectively removed.

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<sup>1</sup> See SADC Industrialization Strategy and Roadmap 2015-2020

A key focus of the SADC strategy is to develop targeted and selected industrial policies that create conditions that will enable higher rates of investment by the public and private sectors into economic infrastructure, which in turn will enable crucial sectors of the economy, particularly value-adding manufacturing, to grow. The policy toolkit should include a review of existing trade, investment and industrial policies, with a view to these being deepened and broadened. This will, amongst others, entail the more strategic use of tariffs, incentives and industrial financing, targeted foreign direct investment, stronger customs controls, compulsory specifications and standards, public procurement policies and other measures.

Within this context, the Strategy sets out ambitious, but highly feasible growth targets (of 6 percent annual growth in per capita income) and significant transformation of the industrial sector and allied services – through doubling of the share of manufacturing value added (MVA) in GDP to 30 percent by 2030 and to 40 percent by 2050, raising the share of medium-and-high technology from its current level of less than 15 percent to 30 percent by 2030 and 50 percent by 2050. To achieve these targets, the share of manufactured exports in total exports should rise from the present 20 percent to at least 50 percent by 2030, and the share of industrial employment in total employment increase to 40 percent. This should be underpinned by a strong industrial diversification drive, the development of viable and competitive regional value chains capable of interacting with global value chains, as well as supporting measures to enhance capital and labour productivity and efficiency.

Emphasis on value chains promotion arises from the desirability of moving development perspectives from a national to a regional focus. Secondly, the greater share of global exchange is currently carried out through value chain participation, reflecting the profound structural changes in modern manufacturing systems and their complex product and geographical interdependencies.

The fundamental issue is not whether or not SADC countries are integrated into global value chains (GVC's); rather, it is where the SADC countries are integrated in GVC's. The key objective of the Action Plan is to facilitate the movement of SADC participation up the value chains where the highest value is derived. This will be accomplished by working with and supporting industry players and investors to diversify into higher value-addition activities. This needs to be supported by the application of well-harmonised industrial policies at both a member state level that is supported by a strong regional integration agenda.

In light of the above, the Action Plan proposes an approach that calls for very decisive actions by SADC Member States to promote investment, trade, and industrial regionalisation. This requires national policies that, as a collective, are coherent and support the growth of productive capacities of the regional economy and achieve regional industrial integration for a more effective participation at higher levels within RVC's and GVC's. This will depend on a functional free trade area

(FTA) which facilitates export diversification, enhanced competitiveness, inclusive growth (with greater participation of women, youth and persons with disabilities), movements of goods and services and macroeconomic convergence within the regional integration arrangements and promote economies of scale.

Experience suggests that the best development outcome for SADC countries will be achieved by a combination of increased value chain participation with simultaneous upgrading. Participation in value chains may start at regional level and graduate to the global level. Within this context, the key challenge for corporate and government policy makers is to identify and prioritize entry points into value chains, as well as tasks that can be undertaken competitively and how they might be shared within value chains in the region.

Deeper regional integration is an essential pre-requisite for the development of regional value chains and integration in global value chains. Close public-private collaboration is pivotal. The industry 'discovery' process in value chain policymaking is heavily reliant on close collaboration between the two main actors to remove the infrastructural, institutional and financial constraints to value chain development, and to encourage investment by private sector players.

Central to attracting more targeted investment is the access which a regional market will provide, supporting – as it must – a far greater advantage in its economies of scale. SADC Member States have committed themselves to investment-led trade and regional economic and industrial integration. This also requires addressing the many physical and soft barriers to investment-led trade. From an implementation perspective, the emphasis therefore needs to shift to some of the microeconomic elements underpinning future growth, with a particular emphasis on moving up regional and global value chains supported by regionally coordinated procurement; targeted domestic and foreign investment; technology transfer; skills development; and the development of a friendly investment and regulatory environment.

Specific investment and industrial opportunities emerge from integrating value chains and ensuring specialisation across the region. Judicious and strategic development of domestic and regional value chains will also allow supply companies to increasingly explore higher value-added export opportunities and enter into global value chains. The investment opportunities that arise from the regional value chain work will need to be underpinned by a significantly ramped-up focus on industrial finance and incentives, particularly with the strengthening of the role of national and multilateral development finance institutions (DFIs) to leverage and secure investment in the productive sectors of national economies, and in catalytic projects that facilitate regional trade and industrial integration.

A significant focus of the past decade has been on expediting investment into major infrastructure projects. The focus moving forward should also emphasise ensuring that private sector investment is leveraged in key economic infrastructure (with strong conditional reciprocal conditions) and unlock major economic activity in the productive sectors of the regional economy. State Owned Enterprises (SOEs) also have a major role to play in supporting infrastructure development and enabling economic infrastructure (energy, rail, road and port, and telecommunications) and crowding in investment. To achieve this, strong support for localisation and support for regional supplier development is essential.

To encourage the entry of domestic players into new industrial activities, particularly into higher value-added activities, will require the application of smart and responsive trade measures to create a dynamic regional market. This for example, would require the rapid response to the dumping of sub-standard products in the region or the flooding of markets of second hand clothing and vehicles. Without protection against these forms of market penetrating strategies it would be exceptionally challenging for emerging producers to be able to compete in what is an unequal playing field.

There should also be a deliberate policy to promote national and regional clusters as vehicles for developing the SMEs sector, enhance competitiveness and innovation and facilitate interface and complementarity between firms and value chains. A critical mass of competitive enterprises with high aptitude and readiness to operate regionally and globally is a precondition for successful interface between clusters, SMEs and regional and global value chains. To strengthen capabilities and interfaces, the Action Plan proposes two linkage programmes: (i) action programme to strengthen SMEs, clusters and regional value chains; and (ii) a business linkage programme.

Capabilities and capacities development require massive investments especially in education, innovation, institution building and physical assets to create strong knowledge economies in SADC countries, and raise productivity and competitiveness. The Action Plan therefore indicates important areas for capabilities and capacities development, comprising of: i) a business environment and competitiveness programme; and ii) a programme for enhancing the quality of education, training and innovation and related support institutions including the strengthening/creation of Centres of Excellence and Centres of Specialization. The policy focus should target raising productivity and competitiveness, laying emphasis on research and development (R&D) and the science, technology and mathematics (STEM) education and leveraging them to support industrialization.

Focus areas for value chain policymaking should be on facilitating: i) entry into regional/global value chains; ii) expanding and strengthening cross-border value

chain participation, and iii) embedding value chains in the domestic economy. This requires strong cooperation between governments, the private sector and other critical role-players to address the medium-term challenge of building consensus among Member States to determine which policy functions should be prioritized and to what extent. Policy must also be value chain-specific and maximize national gains rather than those of a specific sector or industry or firm.

The implementation of the Action Plan would require significant financial, technical and logistical resources, which for the sake of greater economic and social prosperity, should be situated within a long-term macroeconomic equilibrium path. Analysis for the Plan suggests that the SADC region has a financing gap amounting to 11.3 percent of GDP in 2014. Resource needs projections for the period 2015-2030 reveal that investment will need to rise substantially to 41.3 percent as compared to 23.6 percent of GDP (2014), in line with the targeted high growth rate of 6 percent in per-capita income and the assumed improved capital efficiency. Assuming that savings rates, FDI and ODA remain at their historical averages for the period 2000-2014, the financing gap will rise to 18.2 percent of GDP. These projections have important implications for resource mobilization. To close the financing gap, action will be needed across the policy spectrum. To this effect:

- Efforts will be needed to boost savings rates, enhance FDI flows and ensure fiscal consolidation
- Specific measures to increase the flow of risk capital to SMEs
- Institutional reforms and incentives
- Governments will need substantial funding for infrastructure development, notably energy, transport, skills and technological development
- SMEs will need large amounts of capital for output expansion, technology upgrading and the replacement of obsolete plant and equipment, and
- Special provisions will also have to be made for financing start-ups.

The relative importance of these sources of demand for finance will naturally vary according to the stage of a country's development, its resource endowments, macroeconomic challenges and the sophistication of the private sector. Given the funding constraints, the Action Plan prioritizes those activities most crucial to the successful implementation of the Industrialization Strategy.

The implementation of the Strategy also requires a strong, capable, cohesive and accountable governance body. The Action Plan is of the view that this structure should consist of four interdependent tiers, namely: SADC statutory bodies; national structures; private sector associations; and industry-related Centres of Excellence and Centres of Specialization. A new dispensation is needed, functionally and institutionally. The Strategy and its Action Plan recognize the critical role of the private sector in industrial development. Efforts to create knowledge economies across the region also underscore the role of technological and scientific inputs. The

Strategy also calls for efficient functioning and inclusiveness of the industrialization decision-making process. It is therefore imperative that these singular and complementary roles be formalized and institutionalized.

The Action Plan outlines the specific functions of these bodies. In particular, it calls for the reconfiguration of the Industrial Development Forum to consist of Member States, the private sector, think tanks and other stakeholders. The technical capacity of the Secretariat should be substantially enhanced to cope with the heightened coordination and monitoring responsibilities. To this effect, the Action Plan strongly recommends the establishment of an Industrial Development and Trade Directorate within the Secretariat to provide guidance to implementation. In line with this, the industry related functions currently residing in different units would need to be structurally aligned.

The Action Plan Framework (Part II) outlines the numerous actions and policy interventions embodied in the goals and objectives of the Strategy. Without such framework and direction, there is obvious risk that the interventions, while competing for financial, technical and time resources, may not impact synergistically or result in unpredictable outcomes that will inhibit industrial and overall development of the region. To this end, the Action Plan utilizes a number of guiding principles on form and content.

Among the most important principles are:

- A developmental state perspective as an essential driving force for advancing industrialization, while recognizing the critical role of the private sector.
- The strengthening of trade and industry capacity across Member States to support and manage the application of cohesive industrial policy tools.
- Strong complementarity and interdependence of the three strategic pillars of the Industrial Strategy.
- The recognition that targeted outcomes are a function of the quality of deployed assets (physical, human and technological) and policies.
- Prioritization of actions embracing the three growth paths identified by the Strategy, namely: agro-processing, minerals beneficiation and manufacturing value chains development.
- The Action Plan also attaches equally high priorities to removing the three binding constraints indicated in the Strategy (i.e. infrastructure, skills and finance). The prioritization of these focus areas arises from their combined positive impact on deepening regional integration and speeding up the tempo of industrialization.
- The critical need for initiation and sustainability of industrial clusters and regional value chains and their integration into global value chains, including upgrading and deepening of existing value chains.

- The recognition that value chain development and sustainability will depend on a number of parameters, notably: the nature of value chain positioning (raw material, low-tech, high-tech, etc), the extent of value addition; upgrading potential; the willingness of Member States to accept deeper integration; and necessity of longer-term up-scaling from regional to global levels.
- Recognition of the stage of development, size and geographic location of Member States and the need for inclusive industrialization and development.
- The importance of the private sector as wealth creator and policy partner.
- Clarity of requisite responsibilities of the various development agents involved in the development and implementation of the Action Plan.
- The necessity of establishing a coherent and effective industrial development-supporting environment, for the public as well as for private involvement.

The Action Plan templates (in Part II) detail the key actions, organized with reference to the three pillars of the Strategy, and the requisite activities as well as the key enablers needed to unlock industrial potential. Whilst some of these measures and interventions need to be undertaken immediately, the majority target the medium to long term.

Built in the Action Plan is the flexibility of implementation of the Strategy, where beyond collective action on regional projects, national development (a preserve of the countries) would take into consideration the capacities and constraints they face individually. Ultimately, the far-reaching changes and the long-term transformations envisaged in the Strategy (production, distribution, policies, institutions and the global and regional engagements) would assist Member States to converge into the unified and developed SADC economy of the future by 2063. By then SADC countries would be readier to operate and compete at the demanding developed country standards of high business and economic sophistication and innovation.

The total indicative public coordination cost for the Action Plan over the period 2016-2020 is estimated at about 102 million US dollars.

#### Indicative Action Plan Public Coordination Costs (In Thousands of US Dollars)

	Phase 1 (2016-2020)	Phase 2 (2021-2030)	Total (2016-2030)	Percentage of Total
Industrialization	25,464	19,292	44,756	43.72%
Competitiveness	11,382	14,958	26,341	25.73%
Regional Integration	19,722	3,862	23,584	23.04%
Cross-cutting Issues	2,119	658	2,777	2.71%
Institutional Arrangements*	-	-	-	0.00%
Monitoring and Evaluation	4,521	400	4,921	4.81%
<b>Grand Total**</b>	<b>63,208</b>	<b>39,171</b>	<b>102,379</b>	<b>100.00%</b>

\* The Institutional Cost will be determined based on the Structure approved by Council.

\*\* The relatively higher total cost in Phase 1 (2016-2020) is attributed to setting up activities which will not recur during the 2021-2030 period.

### **Priority Project Sequenced Matrix**

Although the 50 projects in the Draft Action Plan are split into Phases, there is need to prioritize and sequence the interventions within each phase. The importance of the sequencing of interventions has been strongly made in the Strategy and Roadmap. Considering that a fully functional Industrial Directorate will take some time to be established and operationalized, it is recommended that a limited number of projects are prioritized for the period up to 2020 corresponding to Phase 1 of the Strategy and Roadmap as well as the RISDP.

Many of the projects in the Action Plan are to be undertaken by Member States and/or the private sector with the Secretariat playing the regional coordinating role. It will also be critical to ensure the alignment between the projects and to re-enforce the linkages between programmes.

Having a limited number of projects to focus on should allow a more realistic alignment of budgets to the income potential that is anticipated, and ensure greater impact during the kick-start phase.

In light of the above, the interventions in this prioritized list have been selected on the following basis:

- 1) Short-term kick-starter projects for Phase 1 (such as Value Chain studies; Value Chain coalitions etc.),
- 2) Projects of long duration that will be essential for Phase 3 (such as skills development; and R&D, innovation and technology transfer), but must start during Phase 1 in order to avoid a bottleneck in the future,
- 3) Quick-win projects addressing the binding constraints (such as a particular priority infrastructure project or quickly implemented reform to the Power Pool, and access to finance by SMEs etc).

	Expected Results/Outcomes	Main Tasks/Activities	Type of Intervention (Sub-activity)	Indicative Cost (Phase 1)
<b>Sustainable Industrial Development</b>				
1.	Improved policy environment for industrial development	Review and align national industrialization strategies and policies with the SADC Industrialization Strategy	Capacity building and support to Member States on SADC Industrialization Strategy	369,400
2.	Increased participation in value chains for regional value addition	Develop and implement value chains and value addition strategies for each priority value chain identified and selected	Develop and coordinate implementation of 10 value chains value addition strategies by 2020	7,441,760
3.	Improved policy environment for industrial development	Develop Protocol on Industry	Develop and implement the Protocol on Industry	100,000
4.	Enhanced competitiveness through the use of selected industrial policy instruments	Develop and implement programmes and policy instruments for improving competitiveness	Develop regional programme to improve competitiveness of Member States Provide overall coordination and capacity building at Member State level	3,774,580
5.		Member States develop and implement national IUMPs	Update SADC IUMP  Coordinate implementation across Member States	500,000
6.	Agro-processing: the development of a vibrant agricultural sector that will stimulate domestic and regional production of essential inputs, and improved investment in productive agro-industry value chains	Identification and targeting of key agri value chains for analysis and support under the Regional Agricultural Investment Plan (RAIP) that implements the RAP	Support Member States in implementation of RAP/RAIP	1,614,000
7.	Higher level of minerals beneficiation and downstream processing	Develop and implement the SADC Mineral Beneficiation Plan	Develop and implement the SADC Mineral Beneficiation Plan	650,000
			Lead the development and approval of Regional Mining Vision	100,000
8.	Increased regional manufacturing of generic medicines and health commodities for communicable and non-communicable diseases taking place in SADC	Develop and implement Action Plan for SADC Regional Manufacturing of Medicines and Health Commodities for Communicable and Non-Communicable Diseases, to implement the SADC Pharmaceutical Business Plan and the Strategy for Regional Manufacturing of Generic Medicines and Health Products for Communicable Diseases	Develop Action Plan for regional manufacturing of medicines and health commodities	453,480

9.	Capacities and capabilities of SMEs enhanced to participate in industrialization and value chains	Member States submit national measures and proposals for regional collaboration	Develop and implement Regional SME Development Programme and Coordinate programme implementation	1,100,000
10.	Self-sustaining national and regional industrial clusters and SME sectors developed and operating in the region	Develop a framework for encouraging and supporting industrial clusters to facilitate SMEs development	Develop and domesticate Master Plans for establishment of regional industrial clusters  Develop Business linkages programme aligned to prioritized VCs	4,550,000
11.	Improved public-private dialogue and collaboration	Develop and implement Regional Private Sector Development Strategy in line with Savuti Declaration	Develop regional strategy for the development of the Private Sector  Support establishment of the platform for PPD and Monitor effectiveness of PPD	1,230,000
<b>Competitiveness</b>				
12.	Improved skills, specialization relevant for industry	Develop and implement relevant skills programmes for industry	Coordinate assessment of industry-related skills needs and  Develop programmes and Coordinate programme implementation  Establish and maintain regional platform for industry-academia linkages and Monitor effectiveness	3,506,000
13.	Centres of Excellence (CoEs) and Centres of Specialization (CoSs) for selected priority sectors	Strengthen existing CoEs and CoSs to serve the region and Establish new CoEs/CoSs, leveraging on comparative advantage	Identify/ propose strengthening/ establishment of CoEs/CoSs	886,000
14.	Enhanced innovation and business sophistication to advance technological readiness	Develop and implement programme for promoting R&D, innovation and commercialization by SMEs	Develop R&D and Innovation programmes and monitor investment in R&D and Innovation	703,480
			Develop technology transfer framework and support programmes	
			Develop programme for promoting and capacitating SMEs on Information Technology and Operational Technology	
15.	Industrialization supported by strengthened Regional SQAM and SPS infrastructure	Improve quality infrastructure services that support industrialization and enhance competitiveness	Facilitate development and/or adoption of standards	727,000

16.	Accelerated industrialization promoted by addressing the key infrastructural constraints (Energy, Transport, ICT Water and Meteorology)*	Accelerate implementation of RIDMP and PIDA priority development projects with particular focus on industrialization	Co-ordinate project identification & implementation	N/A
17.	Infrastructure development leveraged to catalyse industrialization	Develop and implement Strategy for SMEs to effectively participate in the implementation of major infrastructure projects	Develop the Strategy	940,000
18.	Enhanced access to finance by SMEs	Develop and implement strategy for financial inclusion and SMEs access to finance	Develop the strategy and Coordinate implementation	273,000
<b>Regional Integration</b>				
19.	Improved logistics to support trade, transport and transit facilitation priority sectors	Develop priority transport corridors by improving hard and soft infrastructure	<p>Develop the prioritization and sequencing of Trade, Transport and Transit facilitation measures on the basis of priority assessments</p> <p>Coordinate implementation of soft and hard infrastructure activities, especially along the priority corridors</p> <p>Facilitate establishment of corridor-wide management institutions</p>	16,122,000
<b>Advocacy and Communication</b>				
20.	Effective communication in support of industrialization	Develop communication strategy	<p>Develop and implement advocacy and communication strategy</p> <p>Establish platform for dialogue on industrialization and monitor effectiveness</p>	474,300
<b>Institutional Arrangements</b>				
21.	Effective governance mechanism for implementation of the Industrialization Strategy in place	Establish a new Industrial Development Directorate to coordinate implementation of the Industrialization Strategy	Establish new Directorate	tbd
<b>Monitoring and Evaluation</b>				
22.	Effective Monitoring and Evaluation (M&E) system in place	Develop and install an effective M&E system for assessing and evaluating progress	<p>Develop and install an effective M&amp;E framework</p> <p>Install, build capacity in Member States and manage the electronic information system</p>	4,520,960

\* Implementation of RIDMP and other facilities, including PIDA, are being handled under other initiatives

## **I. BACKGROUND AND CONTEXT**

### **1. Background**

#### **1.1. Mandate**

At its Extra-Ordinary Session, held on 29 April 2015, in Harare, Zimbabwe, the SADC Summit of Heads of State and Government adopted the SADC Industrialization Strategy and Roadmap 2015-2063. The Strategy seeks to engender a major economic and technological transformation of the SADC region through the instrumentality of advanced industrialization. The April 2015 Summit also adopted the Revised Regional Indicative Strategic Development Plan 2015-2020 (RISDP), which provides for a development integration approach in the SADC region, with a focus on promotion of industrial linkages and efficient utilisation of regional resources through increased value addition.

The Industrial Upgrading and Modernization Programme (IUMP) was adopted by the Committee of Ministers of Trade (CMT) in 2009 to enhance competitiveness, strengthen production capabilities and reinforce the institutional support structure of industry in the region. Furthermore, CMT in 2013, adopted the SADC Industrial Development Policy Framework (IDPF), to enhance sectoral interdependence and economic and trade diversification. The IDPF recognises that industrial development is essentially a national prerogative and encourages Member States to continue to formulate policies and strategies that stimulate and enhance their productive capabilities. These two instruments are complementary to the SADC Industrialization Strategy and Roadmap 2015-2063.

The mission, vision and guiding principles permeating the SADC industrial orientations call for the establishment of a strong innovative and competitive regional economy that contributes to economic sustainability, employment creation and inclusiveness with recognition of the need for regional focus, industrial cooperation and responsiveness for addressing regional development concerns.

These as formalized in the IDPF are:

#### **Vision**

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

## **Mission**

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

## **Principles**

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

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

In approving the SADC Industrialization Strategy and Roadmap 2015-2063, Summit directed the SADC Secretariat to:

- (i) Develop a detailed and costed Action Plan for the implementation of the Strategy and Roadmap to be submitted to Council in March 2016; and
- (ii) Design and develop an appropriate institutional framework to support the implementation of the Industrialization Strategy and Roadmap and the

Revised RISDP. The institutional framework was to aim at enhancing the capacity of the Secretariat to deliver on the Strategy, including the institutional infrastructure requirements of the organization.

## **1.2 Overall Objective**

The overall objective is to develop and cost an Action Plan for implementation of the Industrialization Strategy. The Action Plan should be elaborated in line with the long-term perspective and quantitative goals stipulated in the SADC Industrialization Strategy and Roadmap while taking the following into consideration:

- (a) the transformation of the region, which should be driven by the process of manufacturing, value addition, and value chains;
- (b) the growth targets and quantitative goals set out in the Strategy;
- (c) the partnership between states and the private sector, and a consideration that industrialization will essentially take place at the national level;
- (d) the three binding constraints that need to be tackled to accelerate industrialization, namely, infrastructure, skills and finance;
- (e) priorities for industrialization, namely, agriculture-led, natural resource led and environmentally sustainable growth and enhanced participation in value chains;
- (f) the need to link national and regional priorities as well as coordination of industrial policies towards convergence in the medium to long term as a way to ensure that all Member States benefit from SADC membership;
- (g) the need to recognize the vital role to be played by both public sector and private sector at national and regional levels; and
- (h) The need for effective financing mechanisms.

## **1.3 The Industrialization Strategy and Roadmap**

The SADC Industrialization Strategy and Roadmap (2015 – 2063) was developed as an inclusive long-term modernization and economic transformation scheme that enables substantial and sustained raising of living standards, intensifying structural change and engendering a rapid catch-up of the SADC countries with industrializing and developed countries. It is anchored on three interdependent strategic pillars (Figure 1): industrialization as champion of economic transformation; enhanced competitiveness; and deeper regional integration. The quantitative and qualitative goals of the Strategy are outlined in Box 1.1.

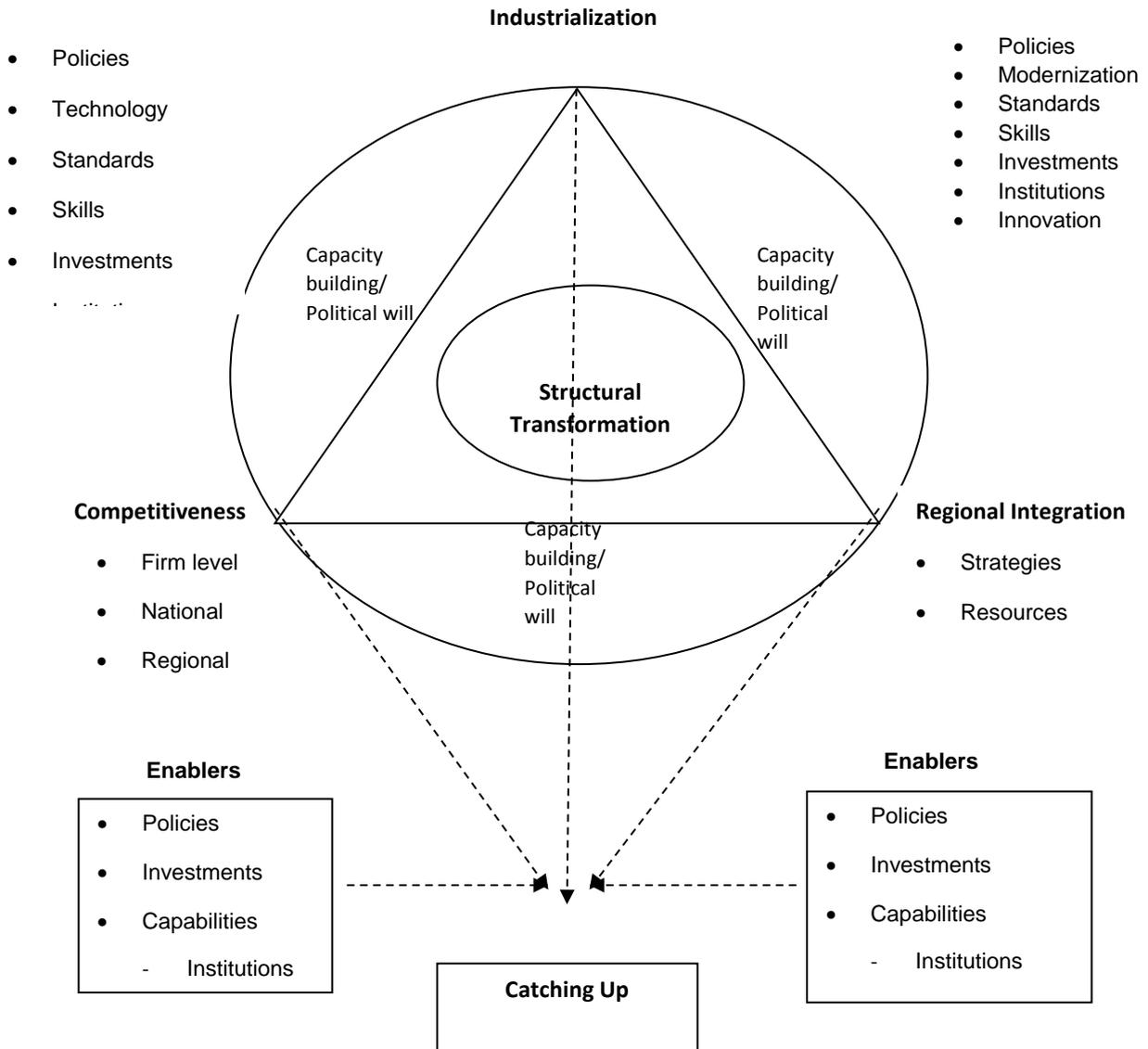
Deeper regional integration should involve the use of industrial policy levers to enhance competitiveness that will drive industrialization over the planning horizon to 2063. To deliver this process greatly hinges on the adoption of appropriate long-term

macroeconomic policies that unlock economic potential, sustained growth at high levels and ensure fast catching up and the transformation of the SADC economy.

The use of industrial policy tools to move upwards and strengthen regional value chains (RVCs) and take positions in critical segments of global value chains (GVCs) should constitute one of the major drivers of industrialization in SADC.

Demonstrated political commitment as well as strong and cohesive institutional, social, governance and environmental frameworks are critical to underpin the strategic interdependence and successful implementation of the Strategy.

**Figure 1.1: Transformational Interdependences**



Source: SADC Industrialization Strategy and Road Map 2015-2063

## Box 1.1 Strategic Objectives of the Strategy

### (a) Quantitative

The quantitative goals are:

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

### (b) Qualitative

The qualitative goals seek to:

- Achieve a major socio-economic transformation at the national and regional levels.
- Accelerate the growth momentum and enhance the comparative and competitive advantage of the economies of the region.
- Diversify and broaden the industrial base and interdependences.
- Enhance the productive capacity, productivity and competitiveness of SADC economies.
- Provide a framework for environmentally friendly and climate resilient technological and industrial catch-up, export diversification, natural resources beneficiation, enhanced value-addition and increased regional trade and employment generation.
- Develop viable regional value chains capable of interacting with global value chains and identify areas where the SADC region can have the greatest success in capturing high opportunities based on present and future strengths and capabilities.
- Build a collaborative but challenging strategic partnership between governments, the private sector, the civil society and the development partners as a compact for industrialization.
- Ultimately, build firm and enduring foundations for a modernized SADC economy

Source: SADC Industrialization Strategy and Roadmap 2015-2063

The Strategy outlines three corresponding time-framed growth scenarios underpinning this process, referenced as:

Phase I: Years 2015-2020. This phase covers the remaining period of the Revised RISDP and constitutes a period of active frontloading of the Industrial Development and Market Integration component and laying firm foundations for long-term development.

Phase II: Years 2021-2050. This phase will focus on diversification and enhancement of productivity of factors of production and competitiveness.

Phase III: Years 2051-2063: During this phase, the economy would further transform, with its strength based on high levels of innovation and business sophistication.

#### **1.4 The Action Plan**

The Action Plan addresses the following issues:

- (i) Identification of high potential areas for value chains and value addition.
- (ii) Infrastructural needs and removal of constraints on trade and industry.
- (iii) Making regional integration the fulcrum for collective industrialization and competitiveness.
- (iv) Involving and leveraging the resources and ingenuity of the private sector for industrial transformation.
- (v) Competitiveness constraints of the business environment.
- (vi) Enhancing productive capacities within the context of industrial cluster and small and medium enterprises (SMEs) development while ensuring resource efficiency, environmental sustainability and climate resilience.
- (vii) Benchmarking the Action Plan to high performance comparators.
- (viii) Strategic and investment planning.
- (ix) Costing and financing the Action Plan.
- (x) Institutional structure to drive, support, monitor, evaluate, and govern the industrialization process in SADC.

To this effect, the costed Action Plan identifies the outputs that are required to implement the SADC Industrialisation Strategy. For each key measure, it indicates the core actions and Key Performance Indicators (KPIs) that are necessary for the Strategy to succeed. To support effective implementation and monitoring, the Action Plan includes only specific, achievable and agreed-on KPIs that are reflected in the Industrialisation Strategy and Roadmap. It takes on board relevant elements of the SADC Industrialization Strategy that are managed under other processes, most importantly:

- The SADC Trade Protocol;
- The Industrial Policy Development Framework (IPDF)
- The Regional Infrastructure Development Master Plan (RIDMP)
- The Industrial Upgrading and Modernisation Programme (IUMP)
- The protocol on Trade in Services
- The Action Plan for Regional Manufacturing of Medicines and Health Commodities (African Union – AU)

- The Standardisation, Quality Assurance, Accreditation and Metrology (SQAM) initiative
- The Regional Action Programme on Investment (RAPI)
- The Regional Agricultural Plan (RAP)
- The Mineral Linkages & Beneficiation Plan
- Digital SADC 2027
- Strategic Water Supply Infrastructure Development Programme
- Regional Green Economy Strategy and Action Plan for Sustainable Development

It also includes measures to ensure that they are aligned, and promote industrialisation. In addition, national industrial policies would need to be realigned across the region for accelerated implementation of the above initiatives.

To this end, the Action Plan also identifies more precisely the activities that need coordination at the regional level, while acknowledging that industrial policy remains a national prerogative.

The results-based framework has been utilized to define more precisely:

- The targeted outcomes and outputs
- KPIs and key actions
- Timeframes
- Responsibilities
- Indicative direct costs

These aspects constitute the elements of the Action Matrices outlined in the part on the Action Plan Framework.

By situating the Action Plan within the context of current and future challenges, the following measures should be prioritized:

- Ensure that macroeconomic policy supports industrialization through appropriate counter-cyclical approaches, support inclusive growth, economic diversification, enhanced competitiveness and promote regional integration.
- Ensure that Member States, supported by the SADC Secretariat, target support to industrialization with a particular emphasis on enabling infrastructure development; investment-led trade; strong and enabling regulation; industrial finance and incentives; local procurement and the

strategic use of a toolbox of policy measures to support regional industrialisation more effectively.

- Identify mechanisms to strengthen demand for local and regional products, secure investment in large, strategic catalytic industrial projects that will act as anchor projects around which development can be spurred, and promote the development of regional value chains.

Finally, the Action Plan advances, as an imperative, a “developmental integration” approach whereby SADC Member States promote investment, trade, and industrial regionalisation. This entails policy coherence, alignment and certainty which, as a collective, strengthens the productive capacities of companies in the regional economy and achieve regional industrial integration. Sustainable diversification and integration to facilitate effective participation in the higher levels of regional and global value chains will require a functional free trade area (FTA) which facilitates movements of goods and services, capital and business people within the region and promotes economies of scale.

The focus, moving forward, should also ensure that private sector investment is leveraged in key economic infrastructure (with strong reciprocal conditions) to unlock major economic activities in the productive sectors of the regional economy. State Owned Enterprises (SOEs) also have a major role to play in supporting infrastructure development and enabling economic infrastructure (energy, rail, road, port, and telecommunications) and crowding in investment. To achieve this, strong support for localisation and for regional supplier development is essential.

## **II. VALUE CHAINS AND INDUSTRIALIZATION STRATEGY**

### **2.1 Introduction**

Value chain participation is a crucial driver of the Industrialization Strategy in view of its potential for expanding production possibilities and enhancing cross-border utilization of the natural and human resources of the region. This participation can be of regional or global nature.

By nature, global and regional value chains involve the ‘unbundling’ of factories across international borders so that individual tasks are performed in different countries, which enjoy competitive advantage in a specific activity. A key element in the evolution of global and regional value chains is outsourcing by firms in mature economies of unskilled-labour-intensive activities and their relocation in low-wage economies. Typically, firms seek to retain high value-added tasks at home where the necessary skills and intangible capital are available.

The focal point of the SADC Industrialization Strategy is participation in regional and global value chains. The strategy sets out three Resource-Based Industrialization (RBI) preferred growth paths towards industrialization in the region – agro-processing, minerals beneficiation and industry and service-driven value chains. The three paths are mutually inclusive, encompassing the combination of downstream value addition and backward integration or the upstream provision of inputs, intermediate items and capital equipment.

The key challenge for corporate and government policymakers is to identify and prioritize entry points into value chains, which from a SADC perspective involves identifying tasks that can be undertaken competitively and how they might be shared within regional value chains in SADC.

From an implementation perspective, the emphasis therefore needs to shift to some of the microeconomic elements underpinning future growth, with a particular emphasis on moving up regional and global value chains supported by procurement localisation; targeted domestic and foreign investment; technology transfer; skills development; and the development of a friendly investment and regulatory environment.

Specific investment and industrial opportunities emerge from integrating value chains and ensuring specialisation across the region. Judicious and strategic development of domestic and regional value chains will also allow supply companies to increasingly explore export opportunities for higher value-added products and services, and a more effective entry into global value chains.

Competitiveness is crucial to the success of value chain participation, and may mean where imported inputs are cheaper, better quality or more readily available than those produced locally do, firms that rely on foreign suppliers will produce at lower cost and/or at higher quality than those relying on locally supplied inputs.

## **2.2 Value Chain Participation in SADC**

SADC value chain participation takes the following features:

- (i) **Cross-Border Participation:**  
While regional value chains in SADC are, developing – most rapidly in services – participation in GVCs is modest, with the exceptions of apparel and in South Africa’s case, automobiles. SADC value chain participation is mainly upstream – the export of primary commodities, minerals, tobacco, sugar, and beef – with limited local value addition.
- (ii) **The region is involved at the lower segment of value chains while focus should be on enhancing participation at the upper end and diversification into new high-productivity activities.**
- (ii) **Hub-and-Spoke Value Chains:**  
Regional value chains are primarily hub-and-spoke in structure with South African corporates as the lead firms with relatively few linkages to GVCs. Growing South African dominance, most notably in services, favours a hub-and-spokes regional model.
- (iii) **Remoteness**  
Participation in GVCs is constrained by geography – remoteness of major global hubs thereby strengthening the argument for emphasising the need for regional value-chains. Distance and weak connectivity have adverse effects – on costs, on delivery times and network flexibility. SADC economies participation in RVCs and GVCs is generally stunted by weak logistics and inadequate physical and natural capital, as well as serious skills deficiencies.
- (iv) **Scale**  
Small populations – less than two million people in the BLNS, Mauritius and Seychelles – restrict the size of the industrial sector, inhibit both diversification and cluster developments. Scale effects are exacerbated by regional imbalance between South Africa, accounting for over 60 per cent of regional GDP, and the other 14 with much smaller economies in terms of GDP.

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## Ownership and Embeddedness

As illustrated in Lesotho, Madagascar and Mauritius, different patterns of ownership give rise to different value chain strategies. As ownership changes – the relative pull-back of some Western investors and their replacement by Asian, Latin American, Central European as well as African investors, both domestic and foreign – embeddedness characteristics change and with them their value chain strategies.

Value chain participation may start regionally and graduate to the global level or work in the reverse direction, from global to regional. However, because the majority of SADC Member States have broadly similar industrial structures, the scope for the relocation of labour-intensive tasks to low-wage economies is limited, though there are cases where South African and Mauritian firms outsource such manufacturing activities to other countries within the SADC Free Trade Area. For further dimensions see Box 2.1.

### **Box 2.1: Country Specificities**

All countries engage in value chain activities to some extent, though in SADC the bulk of participation is forward rather than backward and global rather than regional. The strategies outlined in the SADC Industrialization Strategy and Roadmap focus on enhanced domestic value-addition leading to reduced backward integration and enhanced forward integration. This follows from the fact that as backward integration declines due to greater domestic value-addition, forward integration increases because of the enhanced domestic value addition.

There is a direct link between the pattern of resource endowment and the nature and extent of value chain participation. Within SADC, because exports are overwhelmingly resource-based with limited domestic value-addition, forward integration is dominant. Similarly, because regional usage of unprocessed and semi-processed primary products is limited, the volume of intra-regional trade is small as also is the extent of regional value chain participation.

Typically, backward linkages develop in the earlier stages of industrialization as countries reduce dependence on agriculture and mining. Forward linkages become dominant again as economies shift towards service-driven growth and the evolution of Headquarter as distinct from Factory economies. Accordingly, value chain participation is U-shaped in nature with forward integration declining as countries industrialize and backward integration increases. Thereafter, forward integration levels off and starts to increase again with the transition to services-led growth.

Countries with higher per capita incomes tend to have higher forward participation rates. This is certainly the case in some SADC economies – notably Angola, Botswana and South Africa.

The share of MVA in GDP is positively correlated with value chain participation. In SADC, the share of MVA in GDP has fallen significantly over the last 20 years, which helps to explain the under-development of cross-border value chains in the region.

### **2.3 The Role of Services in Value Chains**

Arguably in the SADC region, insufficient attention has been paid to service sector engagement in value chains.

Domestic service providers may be contracted by regional or international firms to provide services within Member States – IT, banking, retail, hotel chains etc. This is forward integration.

- a) There are opportunities also for domestic service providers to access competitive inputs from abroad (backward integration), as in the case of vehicle hire, financial and accounting services and IT.
- b) High quality services – domestic or foreign – may enhance competitiveness of local industry. The OECD estimates that up to 30 percent of value-added in manufacturing exports is accounted for by services. Although this is not specific to value chain development, it can be an important influence in the growth of value chains.

### **2.4 Innovation and Export Diversification**

A qualitative measure of value chain integration is the diversification of export baskets. One crude measure is the number of export products which, in recent years, has declined in all SADC states for which there are data, with the exception of Tanzania. Export sophistication data suggest that since the mid-1990s the quality of exports has improved in the SADC countries for which there are data.

### **2.5 The Skills Dimension**

The SADC Industrialization Strategy and roadmap pinpoints the scarcity of skills essential for accelerated industrial development as one of three major constraints. Recent research highlights changes in income distribution in value chains in favour of capital and high-level skills, in emerging as well as in mature economies. Income shares of medium-skilled personnel decline, on average, by one percentage point while those of low-skilled workers fall by five percentage points.

### **2.6 Key Messages**

- a) Natural resource exporters such as Angola, the DRC, Mozambique, South Africa, Zambia and Zimbabwe can enhance their already-high levels of forward integration by adding value (upgrading) exports of unprocessed and semi-processed products. Indeed, this is one of the three growth paths – raw

materials beneficiation – prioritized in the Industrialization Strategy and Road Map. In doing this, there will be need to ensure that investments are adequately climate proofed and have the necessary strategies for ensuring resource use efficiency and waste and emissions reduction.

- b) Those such as Lesotho, Swaziland, Mauritius and Seychelles should upgrade their value chain participation by moving up-market from low-technology activities and/or developing or expanding their service sector value chains, as is already evident in Mauritius and Seychelles.
- c) Scale and productivity issues also play a large part in explaining the relative under-development of value chains in SADC. According to the OECD these are exacerbated by fundamental problems related to the quality of infrastructure or indeed institutions. Accordingly tackling these aspects should have a high priority.
- d) Gains from value chain participation do not accrue in a uniform fashion. One size does not fit all and benefits will vary in line with production technologies, market geography and the level of industrialization.
- e) To leverage industrialization, Member States should collaborate on specific industrialization projects, value chains and clusters.

### **III. CRITERIA FOR VALUE CHAIN ENTRY AND POTENTIAL VALUE CHAINS IN SADC**

The identification of potential regional and global value chains is an extremely complex process. National accounting and statistical data are helpful, but in a world of fast-changing market conditions, volatile exchange rates and rapid technological change and where decision-making is decentralized, not just across countries but continents, even intensively researched and detailed value chain studies can be no more than indicative of current and prospective opportunities. Furthermore, it is simply impossible to predict how individual entrepreneurs and managers will behave.

Although there is no way that these conditions can be simulated or predicted, intensive research into value chain experiences both within SADC and abroad will be needed to facilitate value chain decision-making by SADC policy makers and business people.

Within this context, a number of factors provide the basis for determining value chain participation and criteria for potential value chain identification and selection.

#### **3.1 Determinants of Value Chain Entry**

Structural characteristics are the main determinants of global/regional value chain participation, especially in emerging markets. The key determinants are:

- a) **Market Size.**  
The larger the domestic market, the lower the backward VC participation of a country and the greater is the forward engagement. This is because larger markets imply a greater variety of domestic intermediates.
- b) **Level of Development**  
The higher per capita incomes the greater is the degree of forward and backward participation. Developed economies source more from abroad and sell a bigger share of gross exports in the form of intermediates.
- c) **Industry Structure**  
The greater the share of manufacturing value added (MVA) in GDP, the higher the degree of backward integration and the lower is the extent of forward engagement.
- d) **Location and Remoteness**  
GVC activity is centred around manufacturing hubs. The greater the distance to the main manufacturing hubs of Asia, Europe and North America, the lower is the degree of backward participation, which also means that there are likely to be more opportunities within the region for the domestic and cross-border

development of intermediates, though this will depend on cost, delivery-reliability and quality issues. Regional influences are substantial.

World Bank research suggests that “remote countries tend only to achieve GVC participation in two situations:

- (i) Where they are large and have significant internal markets to support integration in automotive and/or electronics GVCs in the assembly stages;
- (ii) In mining and other commodity-oriented value chains”.

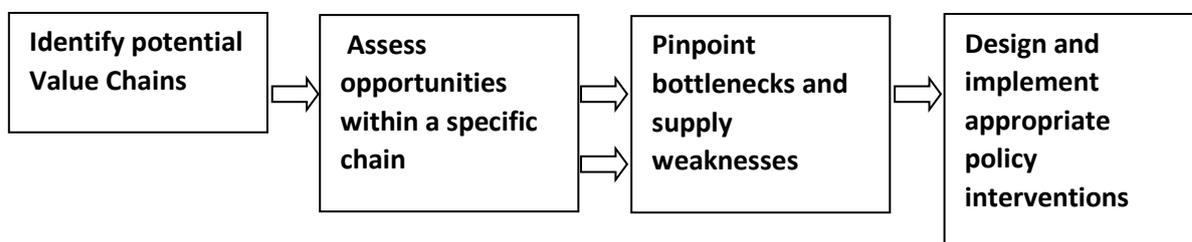
e) Policy Influences

Although policy variables appear to have a lesser impact on VC participation in emerging markets where structural influences are more dominant than in developed ones, three key elements of policy stand out:

- (i) Low import tariffs – both at home and in export markets and participation in regional trade areas (RTAs), facilitates both forward and backward integration;
- (ii) Openness to inward FDI boosts both forward and backward participation; and
- (iii) Logistics, including infrastructure quality, quality of institutions, protection of intellectual property and trade facilitation, are positively correlated with greater value chain participation.

The OECD has designed a four-stage hands-on approach to value chain policymaking (Figure 3.1) that should serve as a blueprint for policymakers in the SADC region. The schema suggests that where weak infrastructure and insufficient skills are pervasive, stage three – bottlenecks and weaknesses – should be prioritized to facilitate the identification and implementation of specific value chain opportunities.

Fig 3.1. The four stages of Value Chain Policymaking



Source: OECD (2014)

### **3.2 Successful Value Chain Participation**

#### **a) Value Chain Positioning**

Successful value chain participation is about positioning within the GVC or RVC to capture value. Some countries and firms have the capabilities to capture value in upstream activities, which may be resource intensive or skills and innovation intensive. Others, with good market proximity and access as well as relatively low-cost labour can thrive in downstream processing, final products and customer services. The key drivers of positioning decisions tend to be a country (or firm's) capabilities and the actual value chain.

#### **b) Labour Costs**

Although low wages may attract value chain investment and productivity is usually much higher in low-wage manufacturing than in traditional agriculture, value chain participation is likely to be a function of productivity and efficiency as reflected in unit labour costs rather than wage levels alone. Moreover, low wages for unskilled workers will not, on their own, attract investment, which will depend on market conditions, the state of physical infrastructure and, crucially, the availability and cost of appropriate skills. Above all upgrading within value chains depends not just on the availability of the requisite skills but also on the state of soft infrastructure in terms of the inputs and services in finance, technology and living conditions, in the absence of which value chain upgrading is unlikely to take place.

### **3.3 Criteria for Identifying Value Chain Potential in SADC**

A number of specific and dynamic criteria need to be satisfied for identification of potentially successful value chains within the SADC development environment. These include the following:

#### **1. Growth Potential**

Growth opportunities in output, employment and exports should be disaggregated so as to assess the potential economic impact of different value chain segments in different countries.

#### **2. Availability of and Access to Resources**

Linked to the growth potential, is the need for availability and access to resources. Aside from raw material and intermediate inputs, the crucial elements of successful value chain participation are financing, skills, technology, infrastructure and logistics.

### **3. Levels and Segments of Participation**

Value chain impacts are greatest where entry occurs in the middle segment of the chain. Middle segments are defined as exports of intermediate products for downstream processing in other countries (Forward Integration). Middle segment participation is a function of trade openness, of the level of industrial sophistication in an economy, and skills and education levels.

### **4. Upgrading Potential**

Upgrading potential is a key consideration because policymakers do not want to be locked into low-technology sweatshop-type operations that are competitive regionally and globally primarily because unskilled labour is cheap or because there is access to low cost natural resources. Upgrading potential will be greater where there are diversification opportunities while the benefits will be greater where firms enjoy knowledge and technology spill-overs.

### **5. End Markets and Market Access**

Market entry is driven in part by market considerations. Taiwanese investors in the Lesotho garment industry were motivated by access to the US market through the Africa Growth and Opportunity Act (AGOA). South African investors in the clothing chain were driven by cost competitiveness considerations – lower wages in Lesotho allied with close proximity to the lucrative South African market. Upgrading in Madagascar has been greater than in Lesotho or Swaziland partly because its market shifted from the US (under AGOA) to the EU and South Africa.

### **6. Competitiveness**

In a fast-changing global economy, competitiveness is dynamic forcing policymakers to distinguish between current and future competitiveness. Firms are much more likely to be highly competitive in task manufacture within a regional or global value chain than in a vertically-integrated national value chain.

### **7. Complementarity**

There are extensive complementarities in both demand and supply in SADC, which will promote increased value chain participation on the basis of participant firms seeking to exploit their competitive advantage at different stages of the value chain.

### **8. Potential for Embeddedness**

The evidence underlines the importance of participants committed to embedding their operations in the country where the value chain link is located. Case studies show how the degree of embeddedness varies according to the strategic motivation of the lead firms in the value chain. The impact is more positive where the investor is a long-term player with an interest in upgrading the value chain

than where the value chain partner is a quota- or island-hopper. Regionally embedded investors from Mauritius and South Africa have had a significantly greater positive impact in other SADC states, like Madagascar or Lesotho, than those from further afield.

### **3.4 Other considerations**

There are a number of considerations to be taken on board in situating effective value chain participation. These include:

#### **1. Key Capabilities**

Capabilities that matter most for GVC participation are:

(i) *Fixed capabilities*, which cannot be changed by a country such as proximity to markets and natural resource endowments;

(ii) *Long-term policy variables* - capabilities that can be changed gradually over a relatively long time horizon (human, physical and institutional capital); and

(iii) *Short-term policy variables* – capabilities that can be changed directly through a policy shift or negotiations (logistics connectivity, wage competitiveness, market access, access to inputs).

#### **2. Bottlenecks and Obstacles to Value Chain Development**

The impact of constraints to production and trade, such as transport costs and cross-border delays, and the time and resources necessary to overcome them will influence policymaking.

#### **3. SME Integration into Value Chains**

This is a high priority across the SADC region but extremely difficult to achieve with the enhanced focus on quality and delivery times that is fundamental to value chain participation. The recent trend towards shorter and tighter value chains also militates against SME involvement (See Section IV).

#### **4. Potential Adverse Consequences**

An important element of Value Chain policymaking is the requirement to assess and cost potentially adverse circumstances – environmental impacts, implications for communities, as well as health and social considerations.

#### **5. Competition Policy and Consumer Welfare**

Value chain selection will be influenced by competition policy considerations as well as those relating to consumer welfare especially in such sub-sectors as foodstuffs, beverages and pharmaceuticals.

## **6. Country Risk**

Producers are reluctant to locate value chain operations in high-risk environments because the entire chain is only as strong as its weakest link.

## **7. Dependence and Vulnerability**

Policymakers seek to minimize risks arising from dependence on foreign suppliers, as in the food and electricity supply sectors as well as risks from environmental factors related to climate change such as floods, cyclones and drought, particularly for climate sensitive value chains. Following the catastrophic nuclear accident at Fukushima in Japan, which seriously disrupted industrial production and value chains in Japan and abroad, multinational enterprises have become more risk averse, as a result of which there is a new preference for shorter and geographically proximate value chain partners.

### **3.5 Regional Value Chain Potential in SADC**

The Action Plan is not designed to prescribe value chains for Member States to prioritize and promote, but highlights value chains with demonstrable potential to deepen regional integration by boosting intra-regional trade and cross-border investment flows.

Drawing on national reports by country experts, industrial reports, case and sector studies the section, a brief survey of existing value chains that have the potential to deepen regional and global participation that could be promoted by SADC governments acting under the umbrella of the regional authority or in bilateral or multilateral co-operation with other Member States was undertaken.

Six main value chain clusters are identified. These are:

- (i) Agro-processing
- (ii) Minerals Beneficiation and related mining operations
- (iii) Pharmaceuticals
- (iv) Consumer goods
- (v) Capital Goods
- (vi) Services

Specific sectors and the SADC countries that can potentially participate in each value chain have been identified by Member States. The central question however is not the focusing on the product or sector per se, but rather understanding the full value-chain and what is required to take advantage of opportunities to add value and migrate to new activities along the value chain.

Table 3.1: Products and Sectors in SADC with Potential for Value Chain enhancement

Sectors	Countries
<b>Agro-Processing Cluster</b>	
Soya	South Africa, Zimbabwe, Zambia, DRC, Malawi, Madagascar
Sugar	Malawi, Mozambique, South Africa, Swaziland, DRC, Tanzania, Zambia, Zimbabwe, Mauritius, Botswana
Meat products (poultry and beef)	Botswana, South Africa, Zambia, Zimbabwe, Namibia, Swaziland, Madagascar, Tanzania, DRC
Cassava	Angola, DRC, Mozambique, Tanzania, South Africa, Malawi, Madagascar, Zambia, Zimbabwe
Dairy products	Madagascar, South Africa, Namibia, Tanzania, DRC, Malawi, Botswana, Zambia, Zimbabwe, Swaziland
Other food and drinks	Angola, DRC, Lesotho (maize), Mauritius (sea food), Zambia (oil seeds and livestock products), Malawi (oil seeds), South Africa, Zimbabwe, Swaziland, Madagascar (Rice, maize, black eyed beans, pea), Namibia, Tanzania (maize, rice, oil seeds)
Fish and fish products	Angola, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Zambia, Madagascar, Malawi, Tanzania, DRC, Zimbabwe
Horticulture (Fruits, Vegetables and Flowers)	Swaziland, Lesotho, Zambia, South Africa, Malawi, Madagascar, Zimbabwe, DRC, Namibia, Tanzania
Wildlife (game meat and hide processing)	Botswana, Namibia, South Africa, Zambia, Zimbabwe, DRC
Forestry – Timber and non-timber forest products (medicinal, cosmetics, essential oils and other herbal products)	DRC, South Africa, Angola, Madagascar, Swaziland, Mozambique, Zimbabwe, Zambia, Namibia, Tanzania, Malawi, Mauritius
<b>Minerals and Beneficiation Cluster</b>	
Energy Mineral (including polymers)	Angola (oil), Botswana (coal), DRC (oil, gas, coal, uranium), South Africa (coal), Mozambique (gas and coal), Tanzania (gas, coal), Madagascar, Zimbabwe, Swaziland (coal), Malawi, Namibia (uranium, coal and gas)
Ferrous Minerals (Iron/Steel)	Angola, DRC, South Africa, Tanzania, Mozambique, Zambia, Zimbabwe, Swaziland, Namibia
Base-metals Mineral (Copper, Aluminium, Nickel, Cobalt)	DRC, Zambia, South Africa, Namibia, Mozambique, Tanzania, Madagascar, Zimbabwe
Fertilizer	South Africa, Zimbabwe, Zambia, DRC, Malawi, Mozambique, Angola, Tanzania, Namibia
Diamonds	Botswana, Namibia, South Africa, Zimbabwe, DRC, Lesotho, Angola, Tanzania
Platinum	South Africa, Zimbabwe, DRC
Cement	South Africa, Zimbabwe, Zambia, DRC, Mozambique, Namibia, Malawi, Tanzania
Soda Ash	Botswana, Zambia, South Africa, Tanzania
Mining machinery	South Africa, Zambia
Small Scale Mining	Malawi, DRC, Tanzania

<b>Pharmaceutical products and preparations cluster</b>	
Anti-retrovirals (ARV)	South Africa, Zimbabwe, Tanzania, DRC, Namibia, Malawi
Anti-TB drugs	South Africa, Zimbabwe, Zambia, Namibia, DRC
Anti-malarial (Artemisinin)	Madagascar, DRC, Tanzania (Artemisinin, <i>Bio-larvicides</i> ), South Africa, Namibia
Condom	South Africa, Botswana, Namibia, Malawi, DRC
Bed Net value chain	Tanzania, Malawi
Health commodities (Syringes; Intra Venous Infusions - IV Fluids; Surgical Equipment; Laboratory Reagents and Materials; Methylated Spirit)	Malawi, Namibia
<b>Manufacturing: Consumer Goods Cluster</b>	
Leather, Leather Goods and Footwear	Botswana, Lesotho, Namibia, Zambia, South Africa, Zimbabwe, Mozambique, Madagascar, Malawi, DRC, Swaziland, Tanzania
Clothing and Textiles	Botswana, Lesotho, Madagascar, Mauritius, Namibia, South Africa, Swaziland, Zimbabwe, Malawi, Tanzania, Mozambique, DRC
<b>5. Capital Goods: Machinery and Equipment</b>	
Automobiles	South Africa, Lesotho, Mozambique, Zimbabwe, Namibia, Malawi, Botswana
<b>6. Services Cluster</b>	
Tourism	Botswana, Mauritius, Seychelles, South Africa, DRC, Tanzania, Zambia, Zimbabwe, Madagascar, Lesotho, Swaziland, Mozambique, Namibia, Malawi, Angola
Financial services	Botswana, Mauritius, Seychelles, South Africa, Swaziland, Zimbabwe, Namibia, Malawi
ICT	All Member States

Source: Compiled from National Reports, industrial reports, case and sector studies

In identifying value chains in the SADC region, focus was on:

- (i) Value chains already in existence and their potential
- (ii) New value chain possibilities or links into regional and global value chains.

In applying the value chain identification criteria (section 3.3), the initial mapping of the value chain landscape in the SADC region indicates that for each sub-category of products produced, production is undertaken at different levels of range and sophistication. Secondly, the geographical spread is often characterised by the shortness of range of the chains. Thirdly, the major orientations of the chains are natural resources based. Fourthly, capital goods and equipment value chains tend to be concentrated in South Africa.

Many of the value chains are supply-based, whose potential in terms of output and employment, is currently constrained by inadequacy of finance and high transaction costs. There are ample opportunities for upgrading but that tends to be also limited by technological and industry skills deficiencies. Once the constraints are removed, many of the identified value chains will have potential to link more densely regionally and globally.

In the agro-processing sector, existing or potential value chains include soya, sugar and related products, cassava, food and drinks, fisheries, forestry, dairy, leather and leather products, meat and meat products, fruit and vegetables, etc.

The recent profiling studies in the minerals sector (metallic and non-metallic) of the SADC region point to a number of potential value chains. Candidates in this area include:

- (i) Energy mineral value chain based on coal, oil and gas resources;
- (ii) Ferrous minerals value chain – that processes iron ore, zinc, chromium, nickel, manganese, tungsten and vanadium to produce different types of steel for infrastructure development;
- (iii) Base metals mineral value chain which utilises copper and aluminium;
- (iv) Fertiliser mineral value chain based on coal gas, phosphate and potassium;
- (v) Cement value chain which utilizes limestone;
- (vi) Value chains on minerals where SADC has producer power such as diamonds, platinum and cobalt to produce catalysts and jewellery; and
- (vii) Mining inputs value chain for upstream linkages into mining capital goods, consumables and service industries.

The pharmaceuticals sector offers a number of opportunities for regional value chain formation. Areas already identified cover: Anti-retrovirals; anti-TB drugs, artemisinin, condoms, bed-nets and DDT.

Crucial to value chain analysis is the identification of links where a country or a firm can participate competitively. There is need for detailed studies to be undertaken to identify particular links in the value chains for each product that could be developed to facilitate deepened Regional Value Chains (RVCs) and/or GVC participation in SADC. It is also critical for the studies to identify the capacities and capabilities as well as the policy and regulatory environment necessary to facilitate effective participation in these value chains. The Action Plan proposes that funding be sought for such hands-on studies.

### **3.6 Other Potential Regional Value Chains**

Cross-border services are a promising avenue for RVCs, though for the foreseeable future the probability is that South African dominance will increase. However, there has

been, albeit very limited to date, development of regional (non-South African) value chains in tourism and hospitality, energy supply (electricity and gas) and retail.

The potential for agro-based RVCs is significant but constrained, especially by very low levels of agricultural productivity along with supply chain and logistical challenges as well as the infrastructure deficit. Moreover, downstream processing, most relevant in agro-processing, “is constrained by a restrictive trade policy environment that undermines downstream competitiveness in an attempt to protect upstream markets”<sup>2</sup>, apparent in intra-SADC trade restrictions on a range of agricultural commodities.

Minerals beneficiation and associated downstream operations are prioritized in a number of Member States but the rate of development will depend on global market conditions, access to capital (constrained by weak end-market demand for mineral-related products) and access to skills and technology. The potential for backward integration into the provision of mining inputs, intermediates, capital plant and machinery and mining services, is huge.

Most Member States have prioritized links in the cotton-textiles-apparel value chain for which there would seem to be greater regional than global opportunities. Even with the sharp depreciation of the South African rand, South African manufacturers and retailing groups are under pressure to contain costs, which makes regional outsourcing to lower wage locations potentially attractive. Key obstacles that must be overcome include access to fabric and finance, the skills deficit and logistics.

For the foreseeable future the development of both RVCs and GVCs in the SADC region will be constrained by the acute scarcity of skills, especially those necessary for value chain upgrading.

### **3.7 Action Plan for Regional Value Chain Development**

#### **a) Deeper Regional Integration**

Although SADC is a free trade area numerous obstacles to the free movement of goods and services remain in place, underscoring the role of trade facilitation measures, including promoting frictionless border posts and vastly improve physical infrastructure, in levelling the playing field. Deeper regional integration, including further trade liberalisation, is an essential pre-requisite for the development of RVCs and increased integration in GVCs.

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<sup>2</sup> World Bank (2015) Factory Southern Africa.

b) Private-Public Interface

Without close public-private collaboration in the realm of industrial policy, there is a danger that policymakers will launch well-intentioned but poorly designed or even ill-advised industrialization strategies. Textbook learning or donor advice is no substitute for in-house and first-hand knowledge, experience of technological, and market conditions. The “discovery” process in value chain policymaking is heavily reliant on close co-operation between the public and private sectors. Improved management information on both sides is crucial to efficient and effective decision making.

c) Constraints

The national reports and case studies consulted pinpoint infrastructure – both physical (hard) and institutional and scope economies (soft) – as critical constraints in value chain development. In agriculture value chain developed is impeded by poor transport, storage and marketing facilities, along with insufficient or tardily available information. Similarly, the case studies highlight the scarcity of essential skills and invariably finance.

### **3.8 Policy-mix in Support of Value Chain Participation**

The Strategy proposes a stronger focus on ensuring that macroeconomic policies support inclusive growth, economic diversification, enhanced competitiveness, and promote regional integration. This will require private sector investment in the productive sectors of national and the regional economy, in close coordination and cooperation with Member States.

To this end the specific actions proposed are the following:

- (i) Ministries and departments responsible for trade and industry and the relevant fiscal and monetary authorities should consult closely on the use of macroeconomic and industrial policy instruments to facilitate accelerated industrial development.
- (ii) That Member States put in place macroeconomic policy regimes that aim at achieving inclusive growth; economic diversification and competitiveness; deeper regional integration; and macroeconomic policy convergence.
- (iii) The key policy recommendation of value-chain development is working with and supporting industry players and investors to occupy higher value-adding segments of the production chain. In that regard, the IUMP is an important tool in supporting the development of productive capacity, enhancing the competitiveness of SMEs and the strengthening of regional value chains.

## **IV. INDUSTRIAL CLUSTERS AND SMEs DEVELOPMENT**

### **4.1 Clusters and SMEs**

Clusters - geographically proximate companies, suppliers, service providers and associated institutions in a particular field - boost competitiveness because of their positive impact on productivity, innovation and new business formation. They are key drivers of regional growth, productivity and competitiveness.

Closely related to cluster development is nurturing and enhancing the competitiveness of the SMEs in terms of productive capacity and ability to interlink within a cluster, regionally, and even globally, through the producer-supplier-value chain process. Dynamic and innovative clusters strengthen SMEs and enable them to compete regionally and globally.

Cluster development should be a deliberate effort in the early stages of transformation. As the industrial setting is improved, self-discovery of enterprises and clusters will establish the firmer foundations for cluster-led or facilitated industrialization. Given the initial development conditions of the SADC region, governments should provide guidance, planning and mapping of actual and desirable agglomeration paths.

### **4.2 Interfacing SMEs, Clusters and Regional and Global Value Chains**

The successful development of clusters, embodying SMEs, and their integration into RVCs and GVCs is dependent on the interface between the different actors.

*Firm level:* Firms must satisfy the competitiveness requirements in terms of skills, efficiency, innovation and managerial disposition that merits excellence as well as inter-firm cooperation.

*Cluster level:* clusters should satisfy the criteria of: collective efficiency; industrial complementarity; existence of a critical mass of competitive enterprises; the existence of support services; presence of collaborative arrangements with knowledge-creation- and internalization institutions; a cluster policy that encourages agglomeration' and existence of clear and conducive regulatory frameworks.

*Regional level:* a regional investment and incentives policy that encourages, and rewards, regional industrialization programmes and projects that are geared towards establishing strategic RVCs and creating production or market niches for the region, as well as those that promote structural transformation and deepen regional interdependence.

*Global Level:* linking with GVCs is inevitable over the longer term, for which SADC's SMEs, industrial and service clusters should build commensurate capabilities. Best business practices should be disseminated and gradual (protected) upgrading of clusters would be essential for global interface.

### **4.3 Capabilities**

Capabilities necessary for linking the four tiers include:

- (a) **Training.** Appropriate skills must be developed in core areas to facilitate linkages across the four tiers to encompass technology, entrepreneurship, communication, and awareness building. Training should go beyond production techniques to include components designed to build entrepreneurial and interpersonal skills.
- (b) **Access to Finance.** The optimal functioning of the links would require access to significant resources to finance needed infrastructure, equipment and operations, driven by a conscious policy to assist SMEs to overcome resource constraints and raise the scale of operations and competitiveness.
- (c) **Coordination.** There is a heightened need for building strong coordination and collaboration mechanisms to oversee guide and monitor the interactions between various producers and actors in the link chain. The loci of the interface should be primarily around the firm, cluster and RVC link as a strategic first action block. Links with GVC should constitute a graduation process, evolving overtime and geared towards creating conditions for equitable partnership with GVCs in interdependence and governance.

### **4.4. Action Programme for SMEs, Clusters and RVC Development**

The Action Plan proposes two linkage programmes:

- (i) Actions to strengthen SMEs, clusters and RVCs; and
- (ii) Business linkages.

### **4.5 Actions to Strengthen SME, Clusters and RVCs**

#### **4.5.1 SME Development**

Areas of intervention include:

- (i) Provision of business support services to enhance competitiveness and to operate efficiently. Important areas include training, technological and managerial assistance, marketing and physical infrastructure.

- (ii) Access to advanced technology and modern means of production, service and distribution.
- (iii) Enhancing ability to acquire and master technology and to innovate.
- (iv) Accesses to finance as own resources are insufficient for promoting technologically based SMEs.
- (v) Establishment of SMEs support agencies to render them partnership-ready (in terms of management and technical skills) as well as to facilitate their integration into RVCs and GVCs.

#### **4.5.2 Cluster Development**

Proposed interventions include:

- (i) Actual and potential cluster identification, by geography, industry composition, and existing networks.
- (ii) Once identified and received government recognition, clusters' capacities should be built.
- (iii) A Master Plan for national and regional clusters should be developed, underpinned by related government policies geared towards their success.
- (iv) Determination of the cluster infrastructure needs in the short, medium and long term.
- (v) Capacity building in terms of institution building, human resources development and physical environment readiness.
- (vi) Deliberate technological upgrading programme to enable clusters develop cutting – edge positions.
- (vii) Develop cluster policies to promote entrepreneurship.

#### **4.6 Government Interventions**

- (i) Mapping industrial structure and capacity, including quality of capital stock, efficiency, skills and competitiveness.
- (ii) Establishing credible criteria for identification of industries that are appropriate to the endowment structures and have potentiality for becoming globally competitive.
- (iii) Readiness actions to facilitate spontaneous self-discovery by private entrepreneurs and to encourage innovation in new industries.
- (iv) Facilitation of intra-firm collaboration.
- (v) Skills upgrading and retooling to meet the dynamic and technological needs of firms and clusters. This includes reorientation of education in favor of science and technology, and target international standards compliance (health, safety, environment, etc.).
- (vi) Establishing supportive technological institutions to facilitate skill development for firms and clusters directly or indirectly.

- (vii) Investing in industrial parks and undertaking location improvements to help attract local and foreign investors to targeted industries.
- (viii) Catalyzing finance for industrial development (e.g. grants, loan guarantees and equity stakes) particularly for technologically oriented SMEs and start-ups in targeted industries.

#### **4.7 Business linkages programme**

- (i) Development of entrepreneurship and support to related education and training, as well as for strengthening business associations.
- (ii) Regional and global business linkages to facilitate establishment of cross-border enterprises and transmission of best business practices.
- (iii) Partnership between governments, transnational corporations (TNCs) and SMEs support agencies.

#### **4.8 Key Messages**

- a) Specific policy interventions are essential to deepen and improve interfaces between the four levels of - firm, cluster, regional and global.
- b) Capacity building to achieve this goal includes appropriate training and skills development, improved access to funding and closer coordination between various producers and actors in the value chain.
- c) Linkage programmes are required to strengthen SMEs, clusters and RVCs, supported by
- d) Entrepreneurship training programmes, and
- e) Closer ties between public and private sector actors.

## **V. CAPABILITIES AND CAPACITIES FOR INDUSTRIAL DEVELOPMENT**

### **5.1 Introduction**

Capabilities development requires massive investments especially in education and institution building as well as in the tangibles such as physical equipment. This, in turn, requires the mobilization of adequate financial resources and their transfer to industry.

Knowledge and capability development are crucial levers of productivity and competitiveness of firms and sectors as well as for more effective functioning of the overall economic system. The knowledge-based economy is becoming a key pillar of competitive advantage, i.e. created advantage.

### **5.2 Productivity**

Productivity for both capital and labour is low and often declining in the SADC region and to sustain economic growth and enhance competitiveness, Member States must invest in infrastructure, education and technology to raise productivity levels to global standards.

### **5.3 Competitiveness**

SADC countries rank poorly in the World Economic Forum's Global Competitiveness Index (GCI), with only South Africa and Mauritius listed in the top half of the 144 countries covered in the 2014-2015 index. While there is considerable heterogeneity among the 15 countries the performance gap between SADC countries performance and comparators in Asia and Latin America is significant, pointing to the need for major efforts to raise competitiveness across the board.

Competitiveness is weak partly because the productivity of both capital and labour is low and often declining in the SADC region, especially in agriculture. To sustain economic growth and enhance competitiveness, Member States must invest in infrastructure, education and technology to raise productivity levels to global standards.

With the development of cross-border value chains, competitiveness is no longer a function only of domestic clusters of manufacturing firms, but is increasingly reliant upon successful integration of other tasks in the chain, both domestic and foreign. In the 21st century what a country exports matters less than what tasks it undertakes within a value chain. Competitiveness in components and tasks, as distinct from comparative advantage in final products, is the key to initial value chain participation whether at regional or global level.

## **5.4 Education, Innovation and Entrepreneurship**

Education is key to capacity development and for SADC to graduate to a competitive knowledge-based economy high level specialisations will be crucial, notably tertiary education and specializations in science and engineering disciplines. The data for SADC countries show a highly differentiated but generally unsatisfactory performance.

The role of R&D is progressively being recognized as an important technological facilitator. The initial conditions within the SADC region, however, indicate that the countries are yet to raise their R&D expenditure to levels that match that of their comparators. Within SADC, South Africa stands out with a R&D ratio to GDP significantly higher than any of the other Members while the wide gap between the region and the comparators underlines the magnitude of the catch-up challenge.

## **5.5 Programme of Action for Capabilities Development**

### **5.5.1 Business environment and competitiveness**

- (i) Creating a business-friendly and competitiveness-aware environment.
- (ii) Developing high quality entrepreneurship and consolidation of national and regional business associations.
- (iii) Encouraging entrepreneurial clusters and facilitating links between entrepreneurs and universities and research institutions, to speed up the utilization of their knowledge spin-offs and thereby encourage start-ups formation and growth.

### **5.5.2 Education**

The core building blocks should be:

- (i) Reorientation and repurposing education to facilitate industrialization and transformation with emphasis on science, technology, engineering and mathematics (STEM) education.
- (ii) Establishment of partnerships between universities, research institutions and the business community to fast-track utilization of knowledge generated for production.
- (iii) Governments to fund collaborative research that involves industry and the academics.
- (iv) Identification/strengthening/establishment of Centres of Excellence and/or Centres of Specialization.

### **5.5.3 Innovation**

The focus should be on the creation of national and regional innovation systems to speed up the accumulation of technological capacity and develop its linkage mechanisms. The programme components should include:

- (i) Assessment of the innovation climate and capacities in SADC countries.
- (ii) Strengthening national innovation systems and development of a long term Master Plans populated by science parks.
- (iii) Promoting R&D and high-tech clusters and acquiring new technological capacities.
- (iv) Building a private sector R&D culture.
- (v) Ensure adequate financing for R&D for industry.

## **5.5 Key Messages**

Priority actions:

- a) A focus on productivity and competitiveness at firm and national levels.
- b) Increased investment spending on R&D.
- c) Design and implementation of Science, Technology, Engineering and mathematics (STEM) education and skills development programmes.
- d) Ample recognition of the role of technology in industrialization and the impact of the 4th industrial revolution on the SADC industrialization agenda.
- e) Establishment and/or strengthening of Centres of Excellence.

## **VI. INDUSTRIAL POLICY AND VALUE CHAINS**

The main drivers of industrialization in the action plan are:

- (i) Structural Transformation through accelerated industrialization
- (ii) Enhanced Competitiveness
- (iii) Regional Integration

To achieve these three goals, substantially increased and more efficiently targeted investment will be required, most notably in infrastructure and expanding the supply of industry related skills, especially in medium and high technology activities. In addition, far-reaching institutional reforms will be required including region-wide measures to deepen integration and institutional restructuring within the SADC Secretariat to champion the industrialization thrust.

The activities necessary to implement the industrialization strategy are cross-cutting in nature and mutually reinforcing. Policies essential for enhanced value chain participation as a vehicle for structural transformation are also essential to deepen regional integration and enhance competitiveness. This overlap means that similar but reinforcing activities occur throughout the Action Plan.

A developmental state perspective is an essential context for advancing industrialization. At the same time, the role of the private sector must be recognized.

To this effect, actions and policies are needed to address the issue of policy space required for industrialization that could be undermined by trade and investment policy arrangements, especially with third parties. Particular emphasis should be placed on a set of policy-mix in support of industrialization including policies related to procurement, investment, taxation (e.g. export taxes, double taxations and mineral access agreements which are skewed in favour of investors), as well as necessary legislative reforms.

### **6.1 Connectivity**

Deeper regional integration is essential for the fast and efficient connectivity that is a prerequisite for supply chain efficiency and greater value chain participation. Connectivity is not simply a matter of trade barriers or high tariffs, but extends to encompass a country's competitiveness and capabilities as well as institutional efficiency in terms of border post management, logistics and the predictability and consistency of macroeconomic policies.

## 6.2 Trade Integration

Because value chain participation is substantially driven by trade policy it is important to minimize – if not eliminate altogether – obstacles to imports and exports of both goods and services. This implies reducing “at border” costs – tariffs and other regulatory requirements and time delays as well as “behind the border” regulatory measures. Tariffs in SADC have been largely eliminated, although tariffs applicable to imports to non-SADC countries in Africa remain high in several countries. Specific policy recommendations in the Action Plan include:

- (a) Completion of the FTA area to cover all intra-regional trade;
- (b) Elimination of non-tariff barriers;
- (c) Rules of Origin should be amended in a targeted manner to facilitate industrialization;
- (d) Harmonization of differential trading regimes, particularly in the COMESA, EAC and SADC regions;
- (e) Eventual establishment of a Common External Tariff;
- (f) Measures to phase out behind-the-border obstacles to free trade in the region, such as harmonization of health and safety regulations etc.;
- (g) Enhanced and coordinated cross border investment in trade infrastructure – roads, railways, ports, airlines etc.;
- (h) Accelerated implementation of Trade Facilitation measures and programmes;
- (i) Logistics, border post management etc. – a shared function between the regional authority and the Member States, who will have prime responsibility.

## 6.3 Regional Integration Policies

The Industrialisation Strategy calls for a revitalisation of regional integration. Integration requires a collaborative approach to secure 1) investment in economic infrastructure, and 2) an enabling environment for domestic and foreign direct investment by the private sector in productive capability, supported by the state. Optimally this should lead to increased trade, regional investment and industrial policy interventions to ensure that all countries increasingly benefit from the expanded regional market.

Twenty-first century Regional Trade Agreements or “deep” RTAs include tariff preferences, but they are not primarily about preferential market access but focus instead on disciplines underpinning international supply chains”. Going forward SADC must adapt to the new regionalism of the 21st century, characterised by two crucial elements:

- Internationally dispersed production facilities or supply chain disciplines; and
- Producing abroad or offshore disciplines.

These are qualitatively very different from the earlier RTAs whose focus was the reduction of trade barriers, primarily through tariff concessions to Member States. In the 21st century trade facilitation is less concerned with the elimination of tariffs and non-tariff barriers to trade and more about “deep” regional integration in terms of the movement of services, people, skills, capital, technology and intellectual property.

The Action Plan calls for the accelerated implementation of the SADC protocols, as well as the re-alignment of national industrial policies across the region.

The policy toolkit should include a review of existing trade, investment and industrial policies, with a view to these being deepened and broadened. This will, among others, entail the more strategic use of tariffs, incentives and industrial financing; targeted foreign direct investment; stronger customs controls; compulsory specifications and standards; and public procurement.

#### **6.4 Investment Policy and Financial and Capital Market Integration**

An open investment regime is an important part of the policy mix since there will be positive spill-overs where FDI leads to closer interaction between foreign and domestic firms including technological and skill transfers. FDI decisions are often central to value chain participation meaning that governments who wish to enter and upgrade in value chains need to implement investment-friendly policies.

Linkages with lead firms are more likely to sustain SME innovation, technology transfer and upgrading than official interventions. Because outsourcing and sub-contracting are key elements of value chain participation, respect for intellectual property rights and patent protection is also essential. Specific measures include:

- (a) Removal of controls on cross-border financial capital flows
- (b) Protection of Intellectual Property Rights
- (c) Harmonization of banking regulations and supervisory requirements
- (d) Rationalization of interest rates regionally
- (e) Free movement of portfolio investments across the region.
- (f) Regional Stock Exchange
- (g) Regional Venture Capital and Private Equity Funds
- (h) Regional Development Bank
- (i) Regional Sovereign Wealth Fund.

#### **6.5 Liberalization of the movement of people and skills**

Phased measures to enable the freer movement of skills than is currently possible due to immigration, employment and residence restrictions.

## **6.6 Doing Business Policies**

These are a component of deeper regional integration designed to remove behind-the-border (non-trade) obstacles to industrialization. The necessary policies are monitored and analysed in detail in the annual Doing Business surveys published by the IFC and World Bank. The number of SADC Member States adopting such policies is growing.

## **6.7 Competition Policy**

Competition policy is a particularly important area for cooperation at both the domestic and regional level because it ensures that investment in upstream stages of the value chain results in competitive supply of intermediate goods to downstream manufacturers across the region. At early stages of the industrialization process predatory monopoly practices can inhibit growth, delaying or even preventing new entrants from developing upstream and downstream linkages.

## **6.8 Fiscal Policy**

Greater harmonization of fiscal policies – another example of deep integration – is desirable since material differences in tax rates and the treatment of profits and dividends distort investment decision-making within an RTA. Where governments apply low rates of tax – as in Mauritius – there is a danger of a risk of a race to the bottom should others seek to follow suit. As yet this has not happened in SADC but there must be a risk that at some future date it may.

## **6.9 Growth Policies**

Well-designed and efficiently implemented macroeconomic and structural policies must be part of the mix, which will be determined in part by the resource-endowment and competitive advantage characteristics of individual Member States. Although one-size-fits-all industrial policy is not an option in a region as diverse as SADC, strategic supply-side investments in infrastructure, skills development and health are priorities for all Member States.

## **6.10 Focus Areas for Value Chain Policymaking**

- Entering global/regional value chains
  - Expanding and strengthening cross-border value chain participation, and embedding value chains in the domestic economy so that they accelerate economic development
- (i) Entering Global and Regional Value Chains

Two main options are suggested – GVC entry via foreign direct investment and domestic and regional initiatives to facilitate entry. The FDI option is particularly

apposite in low income countries where infrastructure is poor and where natural resources, skills and capital are in scarce supply. One popular route to FDI participation is the establishment of Export Processing Zones or Special Economic Zones where investors – not only foreign – are attracted by the provision of essential infrastructure and a variety of incentive packages.

An alternative, often complementary, strategy is domestic and regional facilitation in the form of partner assistance packages (to assist domestic and foreign firms in the identification of value chain partners) export promotion schemes and arranging trade and investment missions to and from other countries.

(ii) Embedding RVCs and GVCs in the domestic economy

Integrating global and regional value chains in the domestic economy – densification – is fundamental to the maximisation of domestic value addition. It includes the creation of more and better-quality jobs, value chain upgrading and fostering technological and other spill-overs from FDI. There is a central role for the state in building absorptive capacity in the economy via productivity gains and investment in human capital (skills) and physical capital (infrastructure).

## **6.11 Value Chain Governance**

Where value chain governance is strongly hierarchical, as is usually the case with FDI projects, this may inhibit efforts by host country affiliates to upgrade and diversify. Over time, as affiliates acquire experience and skills, so the relationship with offshore partners and owners changes thereby enabling host firms to upgrade. However, there is no guarantee that this will occur and there is therefore a very real danger of SADC firms becoming locked into low-technology, low-productivity, undiversified activities. Policies to tackle this problem should be developed in co-operation with investors and value chain partners.

## **6.12 Co-operation with the Private Sector: Discovery and Dialogue**

Value-chain policy differs from macroeconomic development strategies in its focus on the micro-level – dialogue with individual enterprises and industry associations. It is difficult enough for policymakers with hands-on experience of industry to "pick winners" by prioritizing value chains, but much harder to "pick tasks" at firm level.

Policymakers must decide what to prioritize – value chains or links in value chains – while accumulating the knowledge base to be able to make such choices against a background of rapid technological change and volatile exchange rates and market conditions globally. Efficient value chain decision-making is dependent on ongoing and

close interaction – dialogue – with investors at home and abroad to ensure that the discovery process works to maximum efficiency.

### **6.13 Aims and Instruments for Industrial Policy**

“Selective industrial policy” entails strategic support for important spill-over sectors where countries or a region enjoy comparative or competitive advantages and when there is a deliberate choice to build industrial capabilities in a close collaborative relationship with the private sector. Such a strategy deliberately targets particular industries with the judicious use of key policy instruments to support investment, technology transfer, innovation and to raise competitiveness. Building public sector capacity to deploy industrial policy levers and engage with the private sector to secure national and regional interests is imperative.

#### **A Toolbox for Member States**

Levers available to SADC Member States, and which require regional coordination and collaboration, include the following:

1. Stronger articulation between macroeconomic and microeconomic policies.
2. The deployment of a range of integrated and aligned industrial finance and incentive programmes targeting projects and sectors to support industrial development and regional industrial integration.
3. Promotion of public procurement localisation to support domestic production by raising aggregate demand to secure investment, capacity utilisation, product development and technology acquisition.
4. Developmental trade policies that deploy trade measures in a selected and strategic manner, including tariffs and Standardisation, Quality Assurance, Accreditation and Metrology (SQAM) measures. These should be aligned to Member States’ international commitments and must be deployed together with stronger customs regulations and enforcement to prevent illegal imports and fraud.
5. Appropriate, certain and development-friendly competition and regulation policies that lower costs to encourage productive investments, skills, and innovation policies that are aligned to sectoral priorities, such as providing R&D.
6. Interventions designed to stimulate sub-national growth, including in key sectors and value chains by way of the special industrial/ economic zones and clusters supported by a variety of enabling infrastructure and programmes.

The above generic policy tools should be supported by Member States in addition to drawing on a range of less direct measures. These often require strong coordination from government and key stakeholders within each Member State. This will require

strengthening of capacities and capabilities within key trade and industry departments. These measures include:

1. Identifying and supporting investment in economic opportunities that private actors may not be prepared to enter without the support of the state.
2. Addressing blockages to new activities as a result of inadequate or costly infrastructure and education and training systems. Using this lever requires close collaboration with infrastructure and education departments and agencies to ensure that decisions around core functions of the state do more to support industrialisation.
3. Developing market institutions to support new kinds of economic activity. This is particularly important for small producers by providing inputs, infrastructure, skills, finance, quality control and access to sales outlets. Small producers are often not served by existing public or private agencies, which are designed to assist larger enterprises. New institutions to supply these services to small producers may include private or non-profit support agencies, marketing co-ops or state marketing boards.
4. Trade measures, compliant with Member States' international commitments to support infant industries, including tariff measures, rules of origin and standards, and customs control. These measures should also support localisation requirements in key sectors and products, both at a member state level as well as for regional producers.
5. Identifying and, when possible, modifying regulatory obstacles to new activities.
6. Industrial financing and incentives: national and multilateral development finance institutions have a central role in effective industrial strategies, together with measures to incentivise and facilitate increased private investment. To be effective, DFIs should support new industrial activities, which may initially provide lower initial rates of return and face higher risks than those that accrue from mining, import intensive retail sub-sectors and services sectors. Industrial financing should also be provided to sectors in distress arising from the local recession and negative cyclical market conditions.

## **A Regional Toolbox**

The tools available for the SADC Secretariat and for Member States at a regional level are mainly, but not exclusively, in the arena of coordination and facilitation of processes, management and implementation of cross-border programmes; regional research such as regional value chains; and oversight of opportunities and challenges faced by the region.

These include:

1. Coordination and facilitation of Member States on issues of common interest to further investment-led trade and industrialisation.

2. Identifying regional industrial opportunities and working with the relevant Member States to move them towards their initiation.
3. Financing and management of research into topics of mutual interest, such as key policy tools and instruments, key catalytic projects and regional value chains.
4. Coordination of agreed-on regional programmes, such as the IUMP (but not in the implementation of these programmes at a Member State level).
5. Maintaining a data repository of key reports, material and information on industrialisation for use by Member States.
6. Facilitating capacity building and information-sharing workshops and conferences.
7. Actively creating linkages between the industrialisation strategy and other relevant SADC strategies, and ensuring feedback loops.
8. Identifying bottlenecks and working with Member States to develop strategies to unblock them.
9. Co-ordinated engagement with the private sector on specific value chains.

### **Key Messages**

- a) The cross-border nature of regional and global value chains elevates the role of regional policy in fostering industrialization and deepening integration beyond national industrial policy.
- b) The challenge facing policymakers in the medium-term is building of consensus among Member States to determine which policy functions should be regionalized and to what extent. This is vital in the context of regional value chains whose growth will depend on cross-border co-operation and facilitation.
- c) Policy must be value-chain specific and formulated in close collaboration with industrialists and entrepreneurs. Policymakers must identify the stage or stages of the value chain where enterprises are most competitive.
- d) Effective public-private collaboration between the business community and the Centres of Excellence is crucial for advancement of industrialization.
- e) Industrial policies should ensure that specific value-chain policy does not create losers in other industries or sectors of the economy. Policy should maximize national gains rather than those of a specific sector, industry or firm.
- f) Industrial development must ensure climate proofing of value chains to ensure sustainability and that value chain development minimises environmental externalities including greenhouse gas emissions and liquid and solid waste.

## VII. FINANCING

### 7.1 Introduction

Costing and financing estimates for the Action Plan are unavoidably fragile given the uncertainties and unknowns inherent in such an exercise, especially under current conditions of heightened uncertainty in the world economy. The Action Plan distinguishes between regional and national responsibilities and also between those to be undertaken by public agencies, including state-owned enterprises, and the private sector.

### 7.2 Demand for Financing

While the demand for finance can be analysed in tandem with the costing exercise of public regional and national expenditures, private sector funding requirements can only be very crudely estimated at macro-level. Since 2000, fixed investment in SADC has averaged 21 percent of GDP which with GDP growth of 3.6 percent annually implies an incremental capital-output ratio averaging just under 6. (Table 7.1) Over the 15-year period to 2014, the bulk of this funding has come from the private sector whose share of total fixed investment for 11 of the 15 countries for which data is available was two-thirds.

Table 7.1 Investment and Financing in SADC (2000-2014)

COUNTRY	Gross Fixed Investment % of GDP	Private Sector Investment (% share)	Foreign Direct Investment (% of Fixed Investment)	Gross Domestic Savings (% of GDP)	GDP Growth 2000-2014 (% p.a.)	Incremental Capital-Output Ratio (ICOR)
Angola	28.5	n.a.	33.5	47.1	9.7	2.9
Botswana	27.9	64.2	12.7	34.9	4.7	5.9
DRC	12.2	66.6	38.4	8.7	5.6	2.2
Lesotho	29.7	61.8	14.9	n.a.	4.1	7.2
Madagascar	27.3	73.0	24.5	5.8	2.6	10.5
Malawi	21.0	53.0	16.4	5.1	4.4	4.8
Mauritius	23.0	73.0	11.3	15.8	3.7	6.2
Mozambique	21.0	n.a.	42.5	6.1	7.9	2.7
Namibia	26.5	73.0	27.1	12.9	4.9	5.3
Seychelles	28.0	n.a.	47.6	18.4	3.1	9.0
South Africa	19.6	69.0	9.4	19.4	3.1	6.3
Swaziland	12.6	58.0	23.0	5.7	2.4	5.5
Tanzania	29.7	70.7	14.4	17.4	6.7	4.4
Zambia	21.3	n.a.	23.0	n.a.	7.2	2.9
Zimbabwe	11.2	83.0	7.4	-7.2	-1.3	n.a.
SADC	21.0	65.7	18.8	14.0	3.6	5.8

Sources; World Bank: World Development Indicators and UNCTAD: World Investment Report 2015

If investment levels were to remain at those for the 14 years to 2014, while investment efficiency as measured by the capital-output ratio remains unchanged, SADC will fall well short of the Industrialization Strategy and Roadmap indicative goals. To approach the Roadmap targets, the region must both invest more – a minimum of 33 percent of GDP - and invest more efficiently to bring the amount of capital required to increase GDP by one percent to around 4 percent of GDP. If those two targets could be met, GDP growth would rise to around 8 percent annually, which with two percent annual population growth would result in per capita incomes growing by some 6 percent a year.

While there are substantial country-to-country variations, the data in Table 7.1 which are no more than indicative, suggest that for the region as a whole, about two-thirds of fixed investment is undertaken by the private sector and one-third by the state. The bulk of state-funded investment is in physical infrastructure and social overhead capital (education, training, health, and housing). About one fifth of all investment – public and private – is funded from FDI, primarily in productive projects.

In 2014, SADC GDP was estimated at \$706 billion, which means that if fixed investment had reached 33 percent of GDP it would have totalled 233 billion (Table 7.2). In that year gross domestic savings in SADC reached \$150 billion while net FDI contributed a further \$3.3 billion leaving a funding gap of some \$80 billion or 11.3 percent of GDP.

Table 7.2: SADC: Financing Gap (2014)

	SADC	(o/w) South Africa	(o/w) Angola	(o/w) Other 13
GDP (\$ billions)	706	350	148	208
Investment \$ billions	167	73.4	35.8	57.8
% of GDP	23.6	20.9	24.2	27.8
Gross Domestic Savings	150.0	65	59	26
% of GDP	21.2	18.6	40.0	12.5
Net FDI	3.3	-1.4	-8.6	13.3
% of GDP	0.48	-0.4	-5.8	6.4
Target: Investment (33% of GDP)	233	116	49	69
Financing Gap*	80	52.4	(3.2)	36.6
Of GDP	11.3	15.0	(2.2)	17.6
Current Account Balance of Payments Deficit	43.0	19.1	3.7	20.2
% of GDP	6.0	5.5	2.5	9.7

Sources: SADC: SADC Year Book (2014); World Bank: World Development

Indicators (2016)

\* Financing gap = Target investment- (Gross Domestic Savings + Net FDI)

The net FDI figure for 2014 is seriously distorted by the outflow of \$8.6 billion (outward investment by Angola or disinvestment from that country). If Angola is excluded, the net

inflow of FDI for the region rises to \$12 billion or 1.7 percent of GDP which exceeds the Sub-Saharan average (1.3 percent) and is not far short of the median for Sub-Saharan Africa (2.4 percent). Net official development assistance inflows in 2014, estimated at \$12.6 billion, further narrow the financing gap, though because no more than half of this – at the most - represents investment, the financing requirement remains formidable.

On the basis of external debt data (excluding Namibia and Seychelles), the region has been borrowing (net) some \$14.5 billion a year (2 percent of GDP) since 2010. This still leaves a large financing gap of 9 percent of GDP, comprising a balance-of-payments financing gap of 4 percent of GDP to which must be added a further 5 percent of GDP for the domestic shortfall of savings.

Resource needs projections were made for the period 2015-2030 based on a number of plausible assumptions:

- (i) That the SADC region will continue to target a per capita growth rate of 6 percent annually.
- (ii) That resource use efficiency will gravitate towards median ICOR values (5.4).
- (iii) That savings rates, population growth, and the FDI and ODA as ratios of GDP will remain at their historical averages.

The projections reveal that investment will need to rise substantially to 41.3 percent of GDP as compared to 23.6 percent (2014), or to about double recent levels in response to the targeted high growth rate and the assumed improved capital efficiency. With savings rates and FDI and ODA net flows are maintained at their historical levels, the overall financing gap is accordingly projected to also rise to 19.2 percent of GDP compared to 11.3 percent in 2014 (see Tables 7.2 and 7.3). These projections have important policy implications for resource mobilization.

Detailed policy reforms to achieve these goals, some already set out in Industrialization Strategy and Roadmap and accompanying consultancy report, are beyond the reach and scope of the Action Plan.

### **7.3 Key Messages**

To close these financing gaps, action will be needed across the policy spectrum:

- (i) Boosting domestic savings. Domestic savings rates would need to be significantly raised, thereby reducing reliance on volatile and fickle offshore financing.
- (ii) Fiscal consolidation. An IMF study (2015) suggests that four SADC countries – Angola, Madagascar, South Africa and Tanzania – have the potential to

significantly increase tax revenues as a percentage of GDP, which could contribute to the financing of infrastructure investment.<sup>3</sup>

- (iii) Doing Business. Given the central role of FDI in enhancing value chain participation, institutional and Doing Business reforms will be needed to improve the business and investment environment.

Table 7.3: Projected Financing Gap for 2015-2030 in SADC Countries

SADC Countries	ICOR (Median)	GDP per capita Target	Population growth rate	Average* Investment rates	Average* Savings rates	Required Investment (% of GDP)	FDI (% of GDP)	ODA (% of GDP)	Financing Gap (% of GDP)
Angola	5.4	6.0	3.4	28.5	47.1	50.7	6.0	1.8	-4.2
Botswana	5.4	6.0	1.6	27.9	34.9	41.3	4.6	1.4	0.4
Congo, Dem. Rep.	5.4	6.0	3.1	12.2	8.7	49.2	3.1	15.9	21.5
Lesotho	5.4	6.0	0.8	29.7		36.8	3.4	7.8	25.5
Madagascar	5.4	6.0	2.9	27.3	5.8	48.3	5.5	11.6	25.4
Malawi	5.4	6.0	2.8	21.0	5.1	47.4	2.6	20.4	19.3
Mauritius	5.4	6.0	0.6	23.0	15.8	35.4	2.3	0.7	16.7
Mozambique	5.4	6.0	2.9	21.0	6.1	47.8	5.5	20.9	15.3
Namibia	5.4	6.0	1.5	26.5	12.9	40.6	2.8	2.9	22.1
Seychelles	5.4	6.0	1.0	28.0	18.4	37.8	11.7	2.8	4.9
South Africa	5.4	6.0	1.5	19.6	19.4	40.7	1.9	0.3	19.1
Swaziland	5.4	6.0	1.2	12.6	5.7	38.8	2.6	1.8	28.7
Tanzania	5.4	6.0	2.9	29.7	17.4	48.1	3.8	11.2	15.7
Zambia	5.4	6.0	2.7	21.3		47.1	5.8	12.8	28.5
Zimbabwe	5.4	6.0	1.1	11.2	-7.2	38.4	0.8	6.0	
<b>SADC Countries (as a group)</b>									
Mean	5.4	6.0	2.0	21.0	14.6	43.2	4.2	7.9	17.1
Median	5.4	6.0	1.6	23.0	12.9	41.3	3.4	6.0	19.2
Standard deviation	2.4	0.0	1.0	6.5	14.0	5.3	2.6	7.2	10.2

Source: Authors' Computations based on data from World Bank: World Development Indicators and UNCTAD Reports: World Investment Reports.

Notes: The ICOR is the median of historical values for the period 2000-2014.

\* Averages for the period 2000-2014.

A negative sign (-) suggests a possible surplus.

<sup>3</sup> IMF (2015): Sub-Saharan Africa, Regional Economic Outlook (October 2015)

- (iv) Specific measures to increase the flow of risk capital to SMEs, in particular, will be required.
- (v) Institutional reforms and initiatives, outlined in the Industrialization Strategy and Roadmap will be necessary to increase the flow of resources, including skills, to the infrastructure sector of the regional economy.
- (vi) Governments will need substantial funding for infrastructure development of all kinds, especially energy and soft infrastructure as well as funding for human capital development and access to technology. Almost certainly this will require greater private sector participation than in the past, with potentially far-reaching implications in respect of public-private projects and the commercialization or privatization of infrastructure industries.
- (vii) Medium-scale and large firms – both in the private and public sectors – will need large amounts of capital for output expansion, technology upgrading and the replacement of obsolete plant and equipment. They too will also need finance for ‘soft’ infrastructure: in-house training for skills development, product development and branding, market research and export and domestic market promotion.
- (viii) Special provisions will also have to be made for the financing of start-ups and SMEs through state and donor-supported SME programmes but also in the form of venture capital and private equity markets.

The relative importance of these sources of demand for finance will vary according to the stage of a country’s development, its resource endowment, the health or otherwise of its balance-of-payments, its debt exposure and the sophistication of the private sector, including the degree of domestic financial sophistication and diversification.

#### **7.4 Potential Sources of Finance**

SADC countries will need to match the financing demand with appropriate and robust financial systems and modalities to finance the Action Plan interventions. These resources could be sourced from both public and private sources as well as through joint Public-Private Partnerships (PPPs).

##### **7.4.1 Public Sources**

Judiciously used, and administered, and equally matched by improved expenditure systems, taxation could make a major contribution to financing the Action Plan. In addition, sovereign wealth funds could be re-invested in tangible wealth (infrastructure, plant and machinery, etc.) or intangible wealth (education, health, skills, development research, and technology transfer).

A fully resourced and operationalised SADC Development Fund will be an important source for long-term financing of the Action Plan, especially in the areas of industry, infrastructure and capacity building. In mobilising the huge resources, SADC countries

could be guided by experiences elsewhere, for example European Regional Development Fund and the Mercosur Development Fund in Latin America. To this effect, the Action Plan lays out interventions to speed up the operationalisation of the SADC Development Fund.

Actions are needed to address illicit financial flows and to reform the financial sector to ensure adequate resources for industrialization. The role of Development Finance Institutions (DFIs) is critical in this context. National and multilateral development finance institutions have a central role in effective industrial strategies, together with measures to incentivise and facilitate increased private investment. To be effective, DFIs should support new industrial activities, which may initially provide lower initial rates of return and face higher risks than those that accrue from mining, import intensive retail sub-sectors and services sectors. Industrial financing should also be provided to sectors in distress arising from the local recession and negative cyclical market conditions.

#### 7.4.2 Private Sources

Stock exchanges in the region could provide critical resources for financing industrial activities. In particular, private equity and venture capital funds (risk capital) can be used to develop new products and technologies, expand and strengthen company operations.

#### 7.4.3 Public-Private-Partnerships

Public-Private-Partnerships (PPPs) are effective financing mechanisms for both national and regional development activities, especially infrastructure projects. PPP policies and strategies should allow consideration of a full range of PPP options to ensure optimal investment and financing choices.

#### 7.4.4 Foreign Direct Investments

FDI flows, already significant for some SADC countries especially those endowed with tradable natural resources, should be judiciously attracted to finance industry, tourism and infrastructure. To this effect, the micro and macro-economic environment for development should be significantly enhanced across the SADC countries.

#### 7.4.5 External Assistance

External financial and technical assistance should be well targeted to achieve long-term development objectives notably in the areas of industry and infrastructure and skills development.

In the light of the financing constraint implicit in Tables 7.1 to 7.3, the Action Plan seeks to prioritize those activities most crucial to the successful implementation of the

strategy, given that funding will not be available to meet all desirable, but lesser priority, activities.

## VIII. GOVERNANCE AND INTERFACE INSTITUTIONS

### 8.1 Governance Bodies

The implementation of the Industrialization Strategy and Roadmap hinges greatly on the effectiveness and seamless interface of its governance institutions. The linkages between national structures, the Secretariat, the private sector and the knowledge-support institutions will promote interdependence and generate further direct and indirect spill-over effects in support of industrialization in the region. This requires the establishment of a strong industrialization governance body which recognizes the critical roles of each component and defines their respective responsibilities and interface culture. To this effect, the industrialization governance structure could consist of three interdependent tiers, namely:

- (i) **National structures:** The national bodies should consist of, but not be limited to, line ministries, institutions and legislative organs. They should operate synergistically within a long term strategic transformation context.
- (ii) **Overall coordination and oversight:** National organs should be closely linked to a wider framework for guiding and monitoring the implementation of the Strategy. The structure should cascade from the SADC Summit down to Secretariat level. Figure 8.1 provides a framework for interconnections between the related institutions, bodies and actors.
- (iii) **Secretariat level:** The Strategy amply recognizes the importance of the role of a strengthen Secretariat to underpin the industrialization process in the region. This strengthening could be considered within the context of the establishment of an Industrial Development and Trade Directorate. Figure 8.1 indicates the necessary constituent units: Industrialization and Competitiveness, Value Chains, Industrial Project Preparation, Trade, SQAM and Science, Technology and Innovation.

These bodies, working as a system, ensure policy coherence and Member States accountabilities to foster industrialization and development.

#### 8.1.1 Private Sector Participation in Industrial Development Governance

The SADC Industrialization Strategy and Roadmap amply recognizes the central role of the private sector as a wealth creator and facilitator of national and regional industrial development and transformation. It further underscores that a productive and systemic relationship be established between the public and private sectors and other stakeholders. To be effective, this relationship should be formalized in the decision-making process and policy formulation. Specifically, the Strategy calls for the establishment of a platform for public-private dialogue on industrial development and

enable business leaders to participate in regional policy-making and capacity development and that incentives be created for business participation within the regional context, and that the sector should be supported with adequate space created for the participation of the business associations. To satisfy such requirements, the sector, as priority, should:

- (i) Help the State to remove obstacles to doing business.
- (ii) Observe industrial and ethical business codes and compliance with environmental principles, rules and regulations.
- (iii) Interact with governments and regional policy structures and represent the interests of the private sector, i.e. it should satisfy the legitimacy criteria for dialogue and interaction with the public sector and other stakeholders, including development partners.
- (iv) Remain sharply focused on building interest in the regional policy organs.
- (v) Strengthen links with the national and regional Centres of Excellence.
- (vi) Develop capacities commensurate with the trying challenges of industrialization in the Twenty-First Century.
- (vii) Establish a working relationship with the public sector, geared towards the joint fulfilment of national and regional industrial development goals and targets.

To ensure that these singular and complementary roles should be formalized for delivery at the successively higher structures of industrialization governance, at both the national and regional levels, it is imperative that the status of the private sector be elevated to participation in the policy and decision making structures of the SADC region.

It is within this context that the Action Plan envisages a constituent sub-structure to integrate the private sector in the governance structure of the SADC industrialization process.

### **8.1.2 Centres of Excellence and Industrialization Governance**

Centres of excellence play an important role in the creation of new knowledge, products, technologies and facilitation of advanced industrial thrust and content. The new knowledge could be transferred through advanced technical and vocational training, research and innovation and bringing together industry and academia. Acting as think-tanks and industrial incubators, their participation in the industrialization architecture will enhance the policy and dialogue on future opportunities and challenges for industrialization, particularly in the context of regional and global value chain progression and integration of the SMEs in the process.

The Action Plan should aim at establishing and strengthening relevant Centres of Excellence and fashion a credible architecture for their interaction within themselves as

well as with other bodies of the industrialization governance. A first building block in this respect is the mapping out of current areas of competences and capabilities at the regional level.

## **8.2 Governance Architecture**

To be effective, the governance architecture of the SADC Industrialization Strategy should embody a number of critical organizational and management attributes, most importantly the following:

### **(1) Unifying doctrine**

- (i) Strong unity of purpose focusing on the speedy attainment of the strategic goals of the Industrialization Strategy: This will build confidence in the process and its outcomes.
- (ii) Systemic coherence and synchronous design of structures and processes: This includes clear delineation of functions and responsibilities of the principal organs and players. Organizational set-ups must be efficient, effective, flexible, agile, innovative, responsive and closely aligned. The set-ups should clearly delineate vertical (structural) differentiation of the constituent organs, as well as their horizontal (process) interactions. The system should be functionally efficient, facilitate seamless coordination, and be amenable to continuous adaptation.

### **(2) Functional clarity**

- (i) Clarity of mandates, roles and division of authority and responsibility between the constituent organs and players.
- (ii) Clarity of rules of engagement of how the organs relate to each other.
- (iii) Clarity of modalities of interaction among the various organs, and dialogue and communication culture.

### **(3) Organizational culture**

- (i) Dialogue within and without the structure: The governance architecture should be cemented by adopting a positive dispensation for constructive engagement and dialogue between the players.

The institutional architecture, postulated by Figure 8.1 below, shall consist of the following official and representational bodies:

- (1) Summit: It is the ultimate decision-maker on industrialization policies. Article 9 of the SADC Treaty established the overarching authority of the Summit of the Heads of State and Governments of SADC. The Summit may be convened at least biennially to discuss industrialization and economic integration matters. The Summit could meet twice in accordance with Article 10(5) of the Treaty.

- (2) The Ministerial Task Force on Regional Economic Integration will remain as is, with an enhanced focus on industrialization and economic integration issues, supported by Senior Officials. Other Ministries and institutions, such as the Central Bank Governors could be invited depending on the agenda.
- (3) The Industrial Development Forum will continue as a technical body supporting Senior Officials, with representation from Member States, private sector associations (or designated bodies), the regional technical and financial think tanks and other industry-related stakeholders. The Terms of Reference will be expanded to include:
  - (a) Provision of technical inputs on strategic industrialization intervention areas.
  - (b) Ensuring inclusiveness (by member, geography and sub-region) of actors and equity of their economic impact.
  - (c) Facilitation of the harmonization of the rules and regulations affecting industrialization.
  - (d) Creation of space for leveraging the direct and indirect contribution of the private sector and the Centres of Excellence to speed up the industrialization and regional integration processes.

### **8.3 Functions and Terms of Reference for the Industrial Development Forum**

- (a) Member States shall:
  - (i) Bring in collective political will and commitment of Members to enhance industrialization
  - (ii) Establish a National Commission on Industrialization to be composed of the Government (i.e. relevant public sector departments), the private sector and other stakeholders to internalize the goals and objectives of the Strategy and facilitate coordination and monitor progress and identify gaps that could be addressed nationally and regionally. The Commission will act as a focal point for guidance on national and regional industrialization issues.
  - (iii) Provide feedback to their Members on jointly discussed issues and outcomes.
  - (iv) Member States should strengthen their capacities to play an effective industrialization role.

#### **(b) The Private Sector**

The private sector participating organs shall:

- (i) Satisfy the requisite designation from representatives.
- (ii) Satisfy the qualifications for participation (as outlined in Section 8.1.1)
- (iii) Show readiness for constructive dialogue on the alliance for industrialization rather than being burdened by mere protection of group interest.

- (iv) Share the private sector's perspectives on long-term industrialization and how to address the challenges and seize on emerging opportunities.
- (v) Act as a vehicle to initiate/interrogate/interface efforts to create regional value chains and links with global value chains.
- (vi) Facilitate (technically/financially) the implementation of the Industrialization Strategy and build a constituency for it across the private sector bodies.

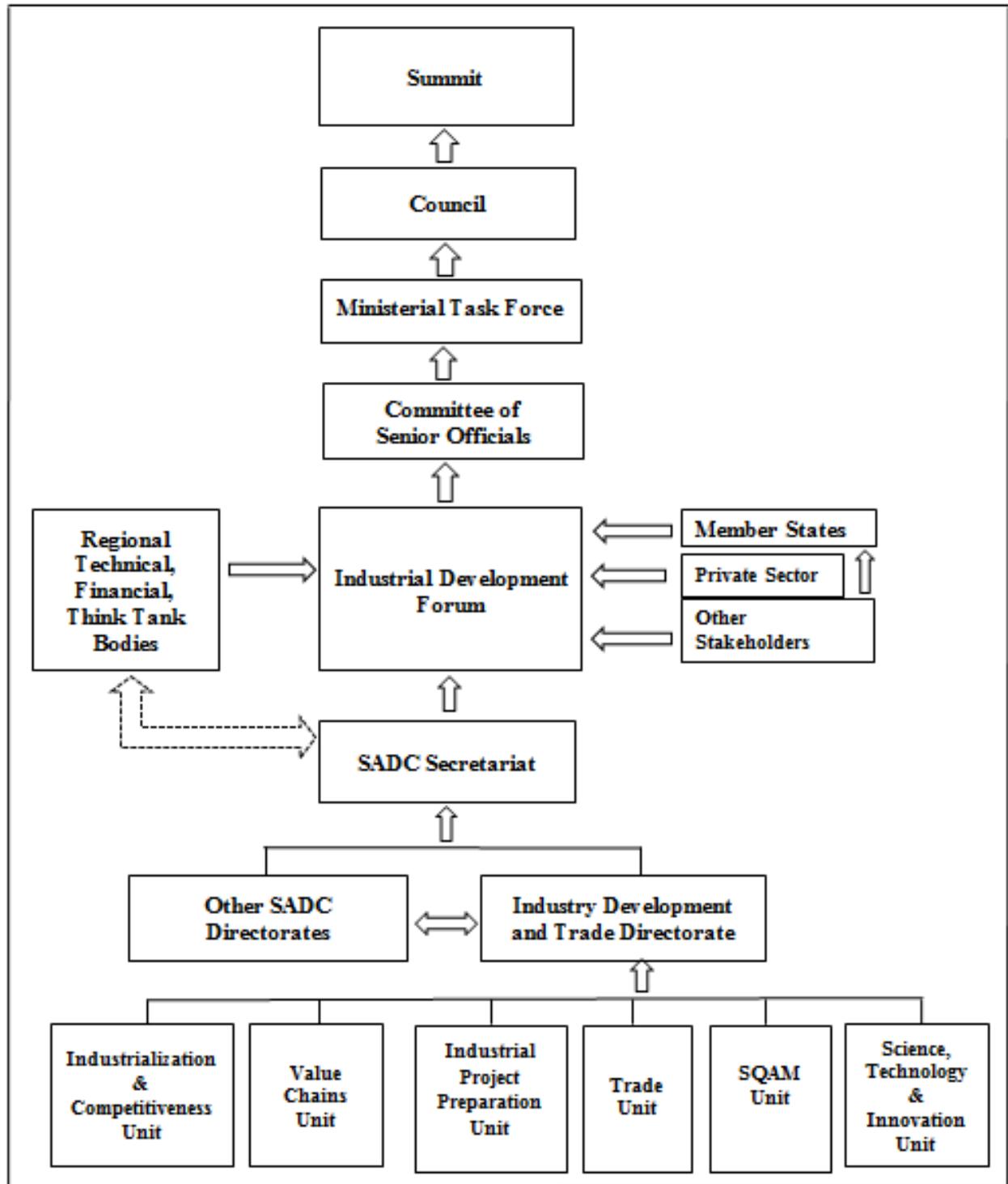
(c) Centres of Excellence

The participating Centres of Excellence are representatives of those with links to industrial development and related science, technology, socio-economic research and innovation. They should be seized by the needs of industrialization and competitiveness challenges of the Twenty-First Century and are capable of capturing and using frontier knowledge and fostering collaboration between industry and academia and act as magnets for excellent researchers and developers.

Within the Forum they shall:

- (i) Help widen the impact of the Centres on private sector and innovation and enhance productivity.
- (ii) Adopt a mission geared towards fostering bilateral science and technology cooperation within SADC and with other regions, including the European Union and ASEAN countries around large scale research infrastructure.
- (iii) Leverage knowledge to speed up the industrialization process.

Figure 8.1: A Coordination and Oversight Framework for Industrialization and Economic Integration in SADC Region



(d) The SADC Secretariat

The SADC Secretariat, established by Article 14 of the Treaty, should be appropriately strengthened and empowered. The Secretariat should have executive authority/mandate to take initiative and make decisions and implement programmes. This requires closer cooperation between Member States and also a much greater sharing of sovereignty in support of the Secretariat to strengthen the integration process and enhance the tempo of industrialization in the region. Empowering the Secretariat requires institutional innovation and realignment of its structures.

The SADC Secretariat serves as a technical organ for fostering regional integration and industrialization and supports the other components of the industrialization governance structure.

Strengthening and coordinating industrialization thrust would require the establishment of an Industrial Development and Trade Directorate within the SADC Secretariat.

The Directorate shall:

- (i) Champion industrial development in SADC, including the monitoring of implementation of the Industrialization Strategy and Roadmap, the compilation and dissemination of analyses of industrial developments and other economic developments in SADC by way of regular bi-annual reports. To this end, it will be essential to strengthen the statistical capacity by ensuring that it has the appropriate skills and resources to develop Trade-in-Value-Added data that are essential for value chain development. See Box 8.1 below.
- (ii) Be mandated to prepare and publish working papers, research reports etc. that contribute to the information flow to Member States, to potential investors, donors, lending agencies etc. It should undertake the role of a regional think-tank.
- (iii) Work closely with the private sector to foster industrialization. The private sector should be included, not excluded, from the decision-making process, where project investment and value chain participation is concerned. The Southern African Business Forum (SABF) could establish a starting point.
- (iv) Develop a SADC-specific Ease of Doing Business framework.

- (v) Prepare and publish reports pinpointing the constraints and obstacles to industrial development that need to be tackled by Member States. The analyses would provide a basis for consensus building on deeper regional integration.
- (vi) Take lead in the promotion of regional Centres of Excellence for skills development. This in turn will require closer cross-border co-operation than at present.
- (vii) Have the capability and capacity to inform and coordinate the technical and institutional dimensions and interaction of the SADC industrialization governance structure.

#### **Box 8.1 The SADC Industrial Observatory**

The primary objective of the Observatory is to provide a single access point to high quality information, data and analysis on SADC's industrialization perspectives, programmes and products, geared towards engendering a fast catching up. Its main targets are investors, policy makers, the private sector and its associations and business networks, researchers and industry-allied knowledge institutions and beyond the SADC region.

The strategic focus should be on:

- (i) Provide on-line access and virtual interface on industry-specific information.
- (ii) Act as SADC's tool for guiding and monitoring of the implementation of the Industrialization Strategy and publishing regular progress reports.
- (iii) Unlock the potential for the establishment of competitive and new industries and scaling up related investments and efforts.
- (iv) Support SMEs and industrial cluster formation and upgrading and sharing successful experiences elsewhere and dissemination of product and market intelligence.
- (v) Act as platform for forming strategic alliances for fostering industrialization.

## **8.4 Coordination**

Coordination is key to the implementation of the Action Plan, hence the need for proactive measures and programmes within the governance architecture, in the absence of which industrial development will not take off and the proposed targets may not be met.

## **PART TWO: THE ACTION PLAN FRAMEWORK**

### **1. Strategic Intent**

The Action Plan seeks to effectively implement and achieve the goals and objectives of the SADC Industrialization Strategy and Roadmap 2015-2063, with focus on the first fifteen years. The strategic development progression perceives of a long-term development continuum that seeks to move the SADC economies from their present largely factor-driven stage to the next stage driven by efficiency and ultimately to reach the high development stage, where present developed countries are, with economic and industrial sustainability a direct function of economic and business sophistication and innovation.

The Industrial Strategy is to graduate the SADC economies, through these development pathways to ultimately converge with the end-results of the African Union Agenda 2063.

### **2. Modalities and Strategic Approaches**

The Action Plan establishes a coherent and synergistic implementation scheme that seeks to:

- (i) Outline the core strategic options and general policies towards the progressive attainment of the growth and development time-bound targets.
- (ii) Create an enabling environment for engendering and sustaining industrial development, as champion of transformation at the highest feasible level, with ultimate targets as desirable overall outcomes.
- (iii) Establish an enduring alliance for industrialization consisting of the public and private sectors (comprising of domestic, regional and international investors) and strategic partners.
- (iv) Widen societal ownership of the strategy through effective outreach and communication mechanisms.

### **3. Guiding Principles**

The development and implementation of the Action Plan is guided by the following seventeen principles:

- (i) A developmental state perspective is an essential context for advancing industrialization, while at the same time the critical role of the private sector must be recognized.
- (ii) Strong complementarity and interdependence of the three strategic pillars of the Industrial Strategy for fast transformation and catching up, namely: (a) Industrialization as champion of transformation; (b) competitiveness as a pointer

- of efficiency and maturity of economic setups; and (c) deeper regional integration as the wider context for collective industrialization, trade and development.
- (iii) The recognition that targeted outcomes will critically depend on the quality of the physical and human assets and the effectiveness of the policy and organizational instruments leveraged to create the desired enabling environment.
  - (iv) Recognition of the different levels of development among SADC Member States and the need to ensure equity in the implementation of programmes.
  - (v) Prioritization: The Action Plan will follow a set of priorities, embracing the three growth paths identified by the Strategy, namely: agro-processing, minerals beneficiation and manufacturing value chains (CVs) development. The Action Plan will also attach equally high priority to removing the three binding constraints identified by the Strategy – infrastructure, skills and finance.
    - The thrust of the two priority axes will be on their regional applications to ultimately achieve deeper regional integration. The interventions in these priority areas are expected to help further leverage national development efforts. This, naturally, is premised on far closer cooperation between Member States than has hitherto been experienced.
  - (vi) A topic approach, rather than sector approach, will be followed, as it readily responds to the finite necessary interventions and measurement of performance. It is also amenable for suggesting specific ways of implementation of the Strategy and its components. A sector approach entails many overlaps and repetitions.
  - (vii) Respect for and recognition of the interests of all stakeholders and regional development and trade commitments.
  - (viii) While informed suggestions on future investments are strategically desirable, yet they are inadequate to rightly second-guess private initiatives, in particular as related to development of potential value chains. Upgrading and deepening of the operations of existing value chains however would benefit from deliberate extension of their operations increasingly in the direction of regional economic domain.
  - (ix) The initiation and sustainability of regional value chains (RVCs) and their integration into global value chains (GVCs) – a strategic imperative – will depend on a number of parameters, notably:
    - The nature of value chain positioning – raw material, low-tech, high-tech etc;
    - The degree of value addition;
    - Sustainability in terms of upgrading potential;
    - Regional participation beyond current hub-and-spoke orientations;
    - Willingness of Member States to accept deeper regional integration so that such chains can prosper; and
    - Longer-term up-scaling from regional to global levels.In the earlier sections of the Action Plan, criteria have been developed to guide value chain identification.

- (x) Clear delineation of the requisite development responsibilities between the national and regional domains of action for fast catching up.
- (xi) The necessity of establishing a strong enabling environment for the private and public sectors. Business decisions, especially for regional value chain development and linking with global value chains critically depend on the quality of and, indeed, perceptions about the conduciveness of that environment. The key enablers would need to be put in place.
- (xii) Sequencing of interventions is governed by technical, geographical and the necessity of levelling the development field for national and regional industrial development factors that imply a high measure of objectivity and qualified discretion. The programmes that require immediate attention are those that:
  - Have cross-cutting impact across the economy but with special bearing on industrialization
  - Have the biggest potential to generate “multiplier effects”
  - Are pre-conditions for other interventions
  - Are by themselves new initiatives or geared towards impacting existing ones
  - Indicate commitment to collective industrialization
- (xiii) The imperative that costing of the Action Plan should pay due cognisance to the long-term nature of the interventions of the Strategy.
- (xiv) The recognition of member country heterogeneity – size, stage of development and technological and transformation readiness. There should be built-in adaptability/flexibility mechanisms to ensure that the industrial development process is fully inclusive and that programmes and projects may not start at the same time in all the countries.
- (xv) The vital importance of both a stable macroeconomic environment and strong microeconomic foundation for the development and growth of the private enterprises.
- (xvi) The necessity of establishing a coherent and effective industrial development governance structure to accelerate the implementation of the Strategy.
- (xvii) The viability of the Action Plan will primarily hinge on its coherence and technical and financial feasibility as well as on the individual and collective political will of Member States to its implementation and succeeding related sovereignty.

#### **4. Assumptions**

- (i) Availability of resources;
- (ii) Commitment of Member States;
- (iii) Capacitation of SADC Secretariat;
- (iv) Peace and political stability in the region;
- (v) Growth in SADC region per capita incomes of at least 6% yearly;
- (vi) (some) Mitigation of climate change risks;
- (vii) Gross fixed capital formation (GFCF) of \$50 billion in industry in 2016 increasing annually at 6%.

(viii) Increase in industry share of GFCF to 33% from 24%;

## 5. Risks

### (a) Risk sources

- (i) Secular stagnation –protracted global economic slowdown;
- (ii) Depressed commodity prices;
- (iii) Slower global trade growth;
- (iv) Increased global trade protectionism;
- (v) Reduced global flows of FDI and financial resources including non-humanitarian foreign aid;
- (vi) Accelerated climate change resulting in failure of agricultural productivity to improve;
- (vii) Shortening of GVCs reflecting heightened global political and economic risks;
- (viii) Technology shifts in favour of high-tech, capital/skills intensive operations;
- (ix) Deterioration in political risk profiles in the region.
- (x) Depletion of natural resources due to unsustainable exploitation

### (b) Risk Management and Mitigation

The feasibility of implementation of the Action Plan will be greatly assisted by establishing built-in risk tracking, mitigation and management mechanisms that optimally and speedily respond to the related internal and/or external sources. Those arising from domestic factors exhibit themselves mostly in the form of macroeconomic instability, institutional inefficiency and project or programme failure due to lack of capacity or poor design. The external factors are normally linked to international economic gyrations, technological evolutions, environmental (including climate change and disasters) factors and socio-political tensions. Naturally, these factors impact different countries differently. But in all probability they will affect raw material prices, ODA and FDI resource flows negatively. To mitigate the impact of both the internal and external sources of risk, a four-pronged strategy will be needed.

- (1) Strengthening the compact for industrialization consisting of the public and private sectors and other industry/development-related stakeholders.
- (2) Risk-mapping and management, with focus on:
  - (i) Risk identification, probability of occurrence and possible impact.
  - (ii) Regular risk-tracking and evaluation
  - (iii) Risk readiness and stand-by risk mitigation measures.
  - (iv) Risk management planning scenarios, informed by competent forecasts and analysis.

- (3) Strengthening planning and implementation skills, notably through:
  - (i) Adequate supply of skilled human resources.
  - (ii) High technical standards for project and programme preparation and implementation.
- (4) Putting in place competent institutions:
  - (i) Capacitating the SADC Secretariat – to collect, disseminate and use data and information on industrialization issues;
  - (ii) Regularly upscale coordination between the constituents of the SADC industrialization governance.

## **6. Financing assumptions**

- (a) Costing and financing estimates for the Action Plan are unavoidably fragile given the uncertainties and unknowns inherent in such an exercise, especially under current conditions of heightened uncertainty in the world economy. The costing approach followed however, observes regional and international standards. It further makes a distinction between activity/programme based expenditure and capital costs.
- (b) The Action Plan distinguishes between regional and national responsibilities and also between those to be undertaken by public agencies, including state-owned enterprises, and the private sector.
- (c) For the region as a whole, two-thirds of fixed investment is undertaken by the private sector and one-third by the state. The bulk of investment is in physical infrastructure and social overhead capital (education, training, health, and housing), while approximately one fifth of all investment – public and private – is funded from FDI, primarily in productive projects.
- (d) Resource needs projections for the period 2015-2030 assume:
  - (i) That the SADC region will continue to target a per capita growth rate of 6 percent annually.
  - (ii) That resource use efficiency will gravitate towards median ICOR values (5.4).
  - (iii) That savings rates, population growth, and the FDI and ODA as ratios of GDP will remain at their historical averages.

The projections reveal that investment must rise substantially to 41.3 percent of GDP or to double recent levels in response to the targeted high growth rate and the assumed improved capital efficiency. Assuming savings rates, and FDI and ODA net flows are maintained at their historical levels, the overall financing gap is accordingly projected to rise to 19.2 percent of GDP by 2030 compared with 11.3 percent in 2014.

## **7. Cross-cutting issues**

Cross-cutting issues such as gender, financing, infrastructure, constituency-building for industrialization and environment (including blue and green economy, climate change and variability and waste management) are crucial elements for widening the scope and benefits of industrialization and regional integration. These are addressed either separately or within other areas of intervention and action.

## **8. Functional Responsibilities**

Actions identified in the Plan are clearly demarcated as national or regional, and in some cases, a distinction is made between public and private sector responsibilities. Value chain implementation for instance is not a regional responsibility, cross-cutting measures to facilitate their development are a function that SADC Secretariat should coordinate and where appropriate implement.

## **9. Communication and Outreach**

The communication strategy is geared towards educating, sensitizing and informing the industrialization stakeholders on the Industrialization Strategy thrust and initiatives. It is also intended to ensure systematic and continuous flow of information and feedbacks with a view to re-informing the Strategy and deepening its interventions. The proposed Industrial Statistics Unit and Observatory in the Industrial Development Directorate to be created will back up such efforts.

## **10. Monitoring, Evaluation and Risk Management**

Strong governance, monitoring, evaluation, and risk management mechanisms are central for smooth implementation and, indeed, insulation of the Action Plan from negative externalities. It also permits the exploitation of the ample opportunities and coping with increasing competitiveness challenges arising from changes in the international economy. Working with all development agents in strategic partnerships will not only help create more opportunities and skilled jobs, but also establish joint and enlightened accountability in industrial development to cope with and manage enterprises in the evolving fast-paced transformations in world trade and industry.

The results-based framework, organizing all the related interfaces, would thus need to be responsive to these peculiarities. A main attribute of such framework should be its internal consistency and peculiarity of the actions and interventions. It should contain standards against which interventions and actual outcomes can be achieved and compared.

### **Box A.1: Glossary**

Goals: Ultimate results (Long-term Objectives)

Outcome: Shows way ahead. Outcomes can be considered mid-term results.

Output: Results achieved immediately after implementation.

Key Indicators: Indicators should be clear, relevant, economic, adequate and monitorable. Indicators are the quantitative and qualitative variables that provide a simple and reliable means to measure achievement, reflect the changes connected to an intervention, or to help assess the performance of (an operation) against the stated objective.

Indicators measure progress with respect to:

- Inputs;
- Activities;
- Outputs;
- Outcomes, and
- Goals

Indicators answer two fundamental questions:

How will we know success or achievement when we see it, and

Are we moving towards achieving our desired outcomes?

Number of Indicators: The minimum number that answer the question: Has the outcome been achieved? A minimum that directly measures the outcome desired.

Target: A specified objective that indicates the number and timing etc., of what is to be realised. Targets are interim stages on the way to the long-term outcome.

Evaluation and Monitoring: Assessment (quantitative and qualitative) of progress towards achieving goals and outputs, and progress towards attainment of the goal objectives.

## SADC INDUSTRIALIZATION AND ROADMAP 2015-2063

### ACTION PLAN FRAMEWORK

#### I. Overall Goal

The overall goal of the SADC Industrialization Strategy and Roadmap (2015-2063) is to engender the structural transformation and fast catch-up of the economy of the region. It is anchored on three pillars: industrialization as champion of economic transformation; competitiveness as an instrument of efficiency and new source of competitive wealth creation; and deepened regional integration. It endeavours to converge SADC economies into the high development level of present day developed countries as well as with the African Union Agenda 2063.

Expected Results/Outcomes	Targeted Output	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States

### II. Industrialization Strategy Pillars

#### II.1 Industrialization

Industrialization is the main instrument for transformation and catching up for the SADC region. As a cumulative long-term process, industrialization implies major transformation in the structure of the economy, its productivity and efficiency, diversification (horizontal and vertical), competitiveness and intensive interdependence to maximise manufacturing value addition and catalyze the creation of regional value chains as well as its integration into the global value chains. The dynamism of this process will critically depend on deepening regional integration, building requisite knowledge-based capabilities, sinking the necessary quality investments (both domestic and foreign) and creating the enabling environment for public and private participation and inclusiveness. Strong institutional setups and policy interventions will further advance industrialization as a champion of transformation and avoid de-industrialization.

II.1.1: To attain accelerated sustainable industrial development by increasing share of Manufacturing Value Added (MVA) in GDP to 20% by 2020 and 30% by 2030 <sup>4</sup>															
Results/Outcomes	Targeted Output	Output Key Performance Indicators (KPIs)	Main Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)					
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States				
Stabilised and regionally converged macroeconomic environment within a developmental state	Macroeconomic environment stabilised and regionally converged through improved consultation between fiscal and monetary authorities and industrial-policy authorities (Targets: inflation range: 3-7%; fiscal deficit: 3% of GDP; public debt: not exceeding 60% of GDP; and GDP growth: of at least 7%)	No. of Member States peer reviewed	Strengthen implementation of SADC macroeconomic convergence programme	Conduct peer review of performance of Member States against Macroeconomic Convergence targets, including how these support industrialization	2016-2020	2021-2030	Facilitate peer review meetings	Participate in peer review meetings		Nil					
				Member States to develop tightly focused plans to ensure alignment between industrial policy and macroeconomic policies at national level			National ministries to draft plans					Consolidate national plans/ reports	Develop national plans to ensure alignment between industrial policy and macroeconomic policies to support industrialisation	Provide input for development of national plans for policy alignment	59,000
							At regional level, sharing of best-practice					Present consolidated National Plans to Council of Ministers			
				Obtain input from private sector stakeholders											

<sup>4</sup> Industrial Strategy target

Costed Action Plan for SADC Industrialization Strategy and Roadmap

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				Hold a workshop with technical experts on opportunities for aligning policies across government and fostering industrial development							
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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.1: (continued)</b>											
Improved policy environment for industrial development	Protocol on Industry developed and implemented by 2020	Existence of the Protocol on Industry  No. of Member States implementing the Protocol	Develop Protocol on Industry	Develop Concept Note on Protocol on Industry	2017		Develop Concept Note	Review and approve Concept Note		100,000	
				Develop the Protocol on Industry	2017-2018		Develop Protocol on Industry	Provide input and participate in development of the Protocol	Provide input and participate in development of the Protocol		
				Approval of the Protocol on Industry	2018		Facilitate ratification of the Protocol	Ratify the Protocol on Industry			
				Implement Protocol on Industry	2018-2020	2021-2030	Monitor implementation of Protocol on Industry	Adopt and implement Protocol on Industry			
	National Industrialization Policies and Strategies aligned with the Regional Industrialization Strategy and implemented by 2020	Aligned national policies  No. of Member States implementing aligned policies	Review and align national industrialization strategies and policies with the SADC Industrialization Strategy	Capacity building to Member States on SADC Industrialization Strategy, including aligning national industrial policies and strategies with and support global best practices	2018		Provide capacity building and support to Member States on SADC Industrialization Strategy	Review and align national industrialization policies with the SADC Industrialization Strategy		1,090,460	

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	Agreements with third parties are aligned to Regional policies/instruments to support industrialization	Proposals with implementation plan approved by Ministers by 2017	Preserve policy space in negotiations with third parties especially as they relate to infant industries, government procurement, resources beneficiation and industrial policy	Develop proposals for aligning agreements with third parties, etc with policies/instruments to support industrialization, e.g. infant industry, procurement, etc  MTF to consider proposals  Monitor implementation	2017		Provide support for development of proposals and implementation plan  Monitor implementation of the plan	Prepare proposals  Submit proposals to MTF through relevant structures  Preserve policy space in negotiations with third parties	Provide inputs to consultation	250,000	
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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.1 (continued)</b>											
Increased volume and efficiency of public and private sector investments in the SADC economy	Share of gross domestic investments to GDP increased to 30% by 2020; 35% (MEC), 41.3% (ICOR) by 2030	% share of gross domestic investments to GDP	Implement SADC Regional Action Programme on Investment (RAPI) with a view to supporting industrialization activities	Design Regional Investment Policy Framework with a view to meet the policy needs of priority sectors/value chains	2017		Coordinate design of investment policy framework	Design national investment policy to facilitate increased investments in SADC	Actively participate in design of investment policy framework	1,000,000	
				Ensure that Investment Promotion Agencies support industrialization efforts, especially in priority sectors/value chains	2016-2020	2021-2030	Coordinate investment in the manufacturing/productive sectors	Promote and facilitate investment in the manufacturing/productive sector	Invest in the manufacturing/productive sector		
				Establish a SADC Investment Forum to attract investment in the region			Establish SADC Investment Forum	Undertake capacity building for Investment Promotion Agencies in support of industrialization efforts	Support SADC Investment Forum		

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.2: Enhancing competitiveness through industrial policy</b>											
Enhanced competitiveness through the use of selected industrial policy instruments	National Industrial Upgrading and Modernisation Programmes (IUMPs) developed by 2018, and implemented by 2020	No. of Member States with national IUMPs	Develop and implement national IUMPs	Member States to develop and implement their national IUMPs	2017-2020	2021-2030	Update SADC IUMP Coordinate implementation of SADC IUMP	Develop and/or implement national IUMPs	Participate in development and implementation of IUMPs	6,436,740	
	Competitiveness of Member States improved	Number of initiatives in each Member State that targets improved competitiveness	Develop and implement programmes and policy instruments for improving competitiveness	Develop national strategies to improve competitiveness, with a focus on strengthening key institutional interventions and initiatives	2018		Develop regional programme to improve competitiveness of Member States by strengthening institutions and initiatives	Provide support to other Member States that do not have such capacity	Participate in development of regional and national strategies	500,000	
Member States to implement the programmes and policy instruments for improving competitiveness					2021-2030	Coordinate regional programme implementation	Implement the programmes and instruments for improving competitiveness	Participate in programme implementation			

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.3: Increase participation in global value chains</b>											
Increased participation in value chains for regional value addition	Regional/global value chain and value addition strategies for each of the 6 areas (agro-processing, minerals beneficiation, pharmaceuticals, consumer goods, capital goods, services clusters) developed and implemented by 2020	No. of specific area value chain strategies developed and implemented  Value/volume of value added products and services	Develop and implement value chains and value addition strategies for each priority value chain identified and selected	Undertake 6 profiling assessments with a view to identifying potential priority value chains in the areas indicated by the Industrialization Strategy • agro-processing • minerals beneficiation • pharmaceuticals • consumer goods • capital goods • services	2020		Undertake studies on regional value chain profiling and mapping	Participate in the profiling and identification of potential RVCs	Participate in the profiling and identification of potential RVCs	14,800,000	

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.3: Increase participation in global value chains (continued)</b>											
				Conduct a detailed value chain mapping and build the needed implementation alliance for specific products/services in the priority areas and develop strategy with relevant implementing stakeholders for at least four regional value chains in each of the 6 priority areas for a specific product / service, staggered over years 2018-2020	10 implement able VC strategies by 2020	20 VC implemen able strategies by 2030	Undertake the mapping and develop the implementab le strategies	Provide input, consider, adopt and implement the regional value chain strategies	Participate in strategy development		

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.3: Increase participation in global value chains (continued)</b>											
				Implement at least 30 regional value chain strategies in the priority areas for specific products/services	10 RVC by 2020	20	Coordinate the implementation of the regional value chain strategies	Establish conducive environment	Exploit value chain opportunities		
								Invest in support infrastructure for value chain participation	Invest in targeted/ selected value chains		
								Develop bankable regional value chain projects	Collaborate with Government and CoEs on value chain development and technological support		
								Facilitate financing of projects, incl. feasibility studies and start-ups			

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.4: Agro-processing, Minerals Beneficiation and Downstream Processing and Value-Chain Development</b>											
Agro-processing: the development of a vibrant agricultural sector that will stimulate domestic and regional production of essential inputs, and improved investment in productive agro-industry value chains	Improved productivity and competitiveness of the entire agricultural value chain, and increased levels of private sector investment	Active implementation by Member States of recommendations emanating from SADC Regional Agricultural Policy (RAP)	Identification and targeting of key agri value chains for analysis and support under the Regional Agricultural Investment Plan (RAIP) that implements the RAP	Member States to implement recommendations from the RAIP	2020		Coordinate implementation of RAIP	Implement the RAIP	Actively participate in implementation of the RAIP and invest in agro-processing activities	2,000,000	
				Identify specific agro-processing activities (with emphasis on rural linkages) and develop bankable project proposals to ensure successful implementation							
				Facilitate rural industrial clusters							
				Promote productivity in agro-processing							
				Establish mechanisms for sharing technical, marketing, financial information and best practices to enhance productivity and competitiveness in agriculture value chains							

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				Put in place, well-resourced, country level, Supplier Development Programmes that channels donor and Corporate Social Investment (CSI) funding							
Higher level of minerals beneficiation and downstream processing	Higher levels of beneficiation and industrialisation and an improved system for the management of resources and the rents that accrue	Active implementation of the SADC "Mineral Linkages and Beneficiation Plan"  Regional Mining Vision in place	Develop and implement the SADC Mineral Beneficiation Plan	Organize meeting for approval and adoption of the SADC mineral beneficiation plan, with emphasis on regional capital goods manufacturing	2017		Develop the SADC Mineral Beneficiation Plan	Adopt the SADC mineral beneficiation plan by Ministers responsible for Mining and Industry	Provide input for plan and implement the plan	650,000	
				Develop Regional Mining Vision	2017		Lead the development and approval of Regional Mining Vision (RMV) by Ministers responsible for Mining and Mineral Development	Participate in development and approval process of the initiative/strategy	Actively participate in Regional Mining Vision development		
				Consideration of Regional Mining Vision by the Ministers responsible for Mining and Mineral Development	2018						

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	Stronger regional value chain for capital goods in mining, with roles defined for small and medium producers	Increased use of regional capital goods with higher value-add for all participating countries and increased participation by small and medium producers	Relevant Member States to establish structure to develop strategy and costed implementation plan	Develop strategy and costed implementation plan for regional manufacturing of capital goods in mining	2017		Facilitate process	Approve the strategy and implementation plan  Implement the strategy	Actively participate in implementation of strategy	100,000	
Increased regional manufacturing of generic medicines and health commodities for communicable and non-communicable diseases taking place in SADC	Stronger regional value chain for pharmaceuticals in line with SADC pharmaceuticals strategy	Increased local formulation and regional trade in pharmaceuticals with stronger R&D and technical base	Develop and implement Action Plan for SADC Regional Manufacturing of Medicines and Health Commodities for Communicable and Non-Communicable Diseases, to implement the SADC Pharmaceutical Business Plan and the Strategy for Regional Manufacturing of Generic Medicines and Health	Develop implementation plan aligned with existing regional and continental initiatives, for approval by Member States  Participating Member States in each value chain to develop and implement joint strategy and costed implementation plan	2017		Develop Action Plan for regional manufacturing of medicines and health commodities	Implement plan for regional manufacturing of medicines and health commodities	Implement the strategy	1,100,000	

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			Products for Communicable Diseases								
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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.5: SADC Raw Material Initiative as a path to "Factory SADC"</b>											
Increased production and use of SADC raw materials as feedstock for downstream processing in agro-industries and other manufacturing industries	SADC raw material initiative/strategy developed and implemented by 2020	The SADC Raw Material Initiative/Strategy  No. of Member States cooperating on access to raw materials availability and use for beneficiation and value addition	Develop the SADC Raw Material Initiative	Assess availability of raw materials for agro-processing, mineral beneficiation and other manufacturing activities	2017		Undertake the assessment of raw material availability of for agro-processing, mineral beneficiation and other manufacturing activities	Provide input in development of SADC initiative/strategy on access to raw material and mineral beneficiation	Provide relevant information on required inputs	1,500,000	
				Develop SADC initiative/strategy on access to raw material for industrialization	2018		Develop SADC initiative/strategy	Participate in development and approval process	Participate in development of the Strategy		
				Implement SADC initiative/strategy on access to raw material for industrialization	2019-2020	2021-2030	Coordinate implementation of initiative/strategy	Implement the SADC initiative/strategy	Participate in implementation of the Strategy		
				Evaluate impact (economic, social, environmental) of the SADC Raw Material Initiative periodically	2020	2025; 2030	Facilitate evaluation process	Actively participate in evaluation	Actively participate in evaluation		

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.6: To diversify industrial production and exports through sinking substantial investments in advanced technologies and emphasis on intermediates production and exports</b>											
Increased share of diversified production and exports	Measures in place to ensure preference to regional products over imports  Manufacturing component of total exports increased to 60% by 2025	Measures to promote regional procurement by Member States, mining companies, construction firms and retail chains based on research into current procurement processes and production opportunities  % of medium-and-high tech products in exports  Share of high-tech capital in new investments	Analyse relevant procurement processes and extent of imports from outside the region, and on that basis develop costed, tested measures to increase local and regional procurement	Undertake study and develop strategy for diversification into medium high-tech production and implementation plan	Dec 2017		Undertake the study and develop strategy and implementation plan for diversification	Committee of Senior Officials to review draft strategy and implementation plan  Council of Ministers to approve draft strategy and implementation plan	Support development of strategy and implementation plan	386,000	
			Build regional capacity for competitiveness in medium-and-high tech manufacturing  Promote high-tech clusters	Develop and implement strategy for building regional capacity for competitiveness in medium- and high-tech manufacturing and exports	2017-2020	2021-2030	Develop regional strategy and implementation plan for enhancing competitiveness in medium- and high-tech manufacturing and exports	Establish public research institutions focusing on high-tech production; and technology transfer offices/ regional technology transfer offices	Provide input to the strategy and implementation plan development  Implement the plan increase medium and high – tech production and exports	2,100,000	

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									Establish private research institutions focusing on high-tech issues		
				Sink substantial capital investment in high-tech based			Facilitate incentive scheme to support high-tech production	Invest in medium and high – tech based production and exports	Invest in high-tech based production and export		
				Organize dissemination activities targeting business community and policymakers to sensitize on the need and tools for gaining competitive advantage in production and exports	2017 - 2020	2021 - 2025	Organize dissemination activities	Establish a tripartite arrangement to link academia, private sector and Government			
Diversified and restructured industrial base and export portfolios attained by 2020	Volume/value of trade in intermediates  Volume/value of domestic value addition within regional and global value chains	Ensure that national and regional policy regimes support diversification and export promotion	Remove barriers to trade in support of diversification	2018-2020	2021-2030	Coordinate implementation of diversification and export promotion policy	Implement policies of industrial diversification and export promotion in close cooperation with the private sector	Provide information on barriers to trade	100,000		

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	New productive investments identified	No. of new industrial projects that fit the region's comparative and competitive advantage	Member States to establish task teams drawn from public and private sectors to identify new opportunities that fit the profile of the country and region	Develop a central register (bid-book) of projects on country-by-country basis	2018		Coordinate the process for developing the central register	Convene task teams, and capture country-level project data	Actively participate and contribute to project proposals		
				Member States to coordinate task teams from the private and public sectors							
				Consolidate register (bid book) of potential projects							

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.7: Enhance contribution of SMEs to Industrial Development</b>											
Capacities and capabilities of SMEs enhanced to participate in industrialization and value chains	SMEs contribution to Manufacturing GDP increased to 30% by 2030  Survival rate of SMEs in SADC improved significantly by 2030	Consolidated national measures and proposals approved by Council of Ministers  No. of local/regional SMEs capacitated  % rate of survival and growth of SMEs  % share of SMEs in industrial output	Member States submit national measures and proposals for regional collaboration	Based on national measures, identify areas for regional collaboration to support SMEs	2017		Consolidate inputs from Member States	Provide input	Provide input for national proposals	2,500,000	
				Develop Regional SME Development Programme	2018		Develop Regional SME development programme Submit Programme to Council	Provide input for programme development	Provide input for programme development		
				Implement the Programme	2019-2020	2021-2030	Coordinate programme implementation	Implement programme	Implement programme		

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.7: Enhance contribution of SMEs to Industrial Development (continued)</b>											
Self-sustaining national and regional industrial clusters and SME sectors developed and operating in the region	Well-developed national and regional industrial/ technological clusters in place in SADC  A well-developed SME sector capable of supplying high quality intermediate input and components to enterprises in national, regional and global value chains developed by 2025	No. of industrial clusters operational  No. of SMEs operating in industrial/ technological clusters  No. of RVCs and GVCs supplied by SADC SMEs	Develop a framework for encouraging and supporting industrial clusters to facilitate SMEs development, covering: <ul style="list-style-type: none"> <li>• Entrepreneurs preparation and empowerment</li> <li>• Business counselling and technology tie-up</li> <li>• Business linkages amongst SMEs and large companies</li> <li>• Incubation</li> <li>• Post incubation and growth programmes</li> </ul>	Identify and map out actual and potential, type and location of regional industrial clusters	2017		Undertake the studies to identify potential regional clusters	Provide input, consider and approve the reports	Provide information and participate in identification and mapping of regional industrial clusters	2,000,000	
				Develop Master Plans for establishment of regional industrial clusters, including technological upgrading programmes	2018-2020	2021-2030	Develop industrial clusters Master Plan	Implement the establishment of industrial clusters in collaboration with private sector and Centres of Excellence through strong partnerships	Provide input for development and participate in clusters		
				Domesticate the Master Plan and establish regional clusters to facilitate access to information, preferential procurement, financing and assistance in accessing							

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				modern technology								
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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.8: Develop and expand industrial clusters</b>											
Strengthened interface between firms, clusters and value chains	Master Plan on clusters and value chains developed and implemented by 2018	Master Plan on cluster and value chain	Develop institutional infrastructure for linkages between firms and clusters at regional and global levels	Establish a Regional Working Group on development of regional clusters and interface with RVCs and GVCs	2017		Coordinate the activities of the Working Group	Government and private sector establish joint working group on the development of industrial clusters	Lead Regional Working Group on development of industrial clusters	2,500,000	
				Develop business linkage programmes for entrepreneurship development and outreach	2018 - 2020	2021 - 2030	Develop linkage programmes	Government and private sector to collaborate on development of institutional programme to promote firm, cluster and value chain linkages	Participate in development and implementation of business linkage programmes	2,500,000	

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.9: Closer public-private cooperation in industrial development</b>											
A developed Private Sector in SADC for improved public-private dialogue, collaboration and partnership on industrial development	Regional public-private sector partnership and collaboration fully developed and implemented by 2020	The Strategy document  No. of functioning national and regional business fora	Develop and implement Regional Private Sector Strategy in line with Savuti Declaration	Develop regional strategy for the development of the Private Sector	2018-2020	2021-2030	Develop regional strategy for the development of the Private Sector	Provide input for development of the regional strategy for the development of the Private Sector	Lead development of the strategy for development of the Private Sector	3,300,000	
				Strengthen the Public-Private Dialogue (PPD) to entrench PPD in industrial development and ensure it is inclusive			Support establishment of the platform for PPD	Participate in the PPD	Lead PPD		
				Monitor and evaluate effectiveness of the PPD	2020	2025; 2030	Monitor effectiveness of PPD	Evaluate PPD	Evaluate PPD		

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.10: Ensuring greater environmental sustainability (green and blue economy)</b>											
Environmental standards, SDGs and Paris Accord 2015/16 mainstreamed into industrial development in line with the Protocol on Environment for Sustainable Development	Green Economy and Climate Change Strategies implemented by 2020	No. of Member States with Green Economy and Climate Change Strategies  Level of gas/carbon emissions  No. of industries utilizing cleaner production technologies  No. of industries producing cleaner technologies  Level of energy efficiency in production	Implement the SADC Green Economy and Climate Change Strategies and Action in line with internationally agreed commitments	Monitor progress to meeting climate change commitments and Green Economy requirements	2017-2020	2021-2030	Facilitate implementation of Green Economy and Climate Change Strategies  Develop M&E framework for Green Economy and Climate Change	Consider, adopt and implement the Climate Change and Green Economy Strategies and Action Plans in line with internationally agreed commitments	Participate in Green Economy programmes	2,500,000	
				Align production technologies and consumption patterns to promote environmental sustainability and maximize resource use efficiency	Progressive implementation	Progressive implementation	Develop incentive schemes for sustainable industrial production  Monitor compliance with Paris Declaration 2015, "the Future we Want", Agenda 2063 and Agenda 2030	Comply with Paris Declaration 2015 and resolutions of the Future we Want", Agenda 2063 and Agenda 2030	Comply with Paris Declaration 2015 and resolutions of the Future we Want", Agenda 2063 and Agenda 2030		

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		% of renewables energy to total energy usage										
		Compliance with Paris Declaration 2015, the Future we Want, Agenda 2063 and Agenda 2030										

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.10: Ensuring greater environmental sustainability (green and blue economy) (continued)</b>											
Improved exploitation of industrial opportunities associated with Natural Resources and the Blue (Ocean) Economy	Blue (Ocean) Economy (including inland water bodies) Strategy and Strategy on Sustainable Utilization of highly endangered species of high commercial value developed and implemented by 2020	Blue Economy Strategy  Strategy on Sustainable Utilization of highly endangered species of high commercial value  % contribution of Blue Economy and other high commercial value plant and animal species to GDP of participating Member States	Develop and implement the Blue Economy Strategy and a Strategy on Sustainable Utilization of highly endangered species of high commercial value to sustainably exploit industrial opportunities (e.g. fisheries, aquaculture, shipping and transport, tourism, marine energy, pharmaceutical and cosmetics, blue carbon market opportunities, etc)	Develop Blue (Ocean) Economy Strategy and Strategy on Sustainable Utilization of natural and ocean resources of high commercial value	2020		Develop Blue Economy Strategy  Develop Strategy on Sustainable Utilization of highly endangered species of high commercial value	Consider and approve Blue Economy Strategy  Consider and approve the Strategy on Sustainable Utilization of highly endangered species of high commercial value	Provide relevant input for strategy development	650,000	
				Implement the Blue (Ocean) Economy Strategy		2021-2030	Coordinate implementation of Strategy	Participate and invest in implementation of Blue Economy strategy	1,000,000		
				Implement the Strategy							
				Undertake capacity building for Landlocked Countries on benefiting from the Blue Economy				Implement the Strategy			

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.1.10: Ensuring greater environmental sustainability (green and blue economy) (continued)</b>											
	Regional Guidelines for Mainstreaming Biodiversity and Ecosystem Services in Extractive Industry domesticated	Number of extractive industries mainstreaming provisions of the Guidelines in their operations	Facilitate domestication of Regional Guidelines for Mainstreaming Biodiversity and Ecosystem Services in Extractive Industry	Mainstream Provisions of the Regional Guidelines for Mainstreaming Biodiversity and Ecosystem Services in Extractive Industry	2017-2021	2021-2030	Coordinate mainstreaming of the provisions of the Guidelines in operations of extractive industries	Mainstream Provisions of the Regional Guidelines in operations of extractive industries at the national level	Participate in all relevant programmes		
Manage Environmental Impacts of Industrialization (*)	Provision of the SADC Regional Waste Management Programme related to industrial waste implemented	% waste reduction	Implement the Waste Management Programme (2013) in particular focusing on waste Reduction, Reuse and Recycling at source	Promote waste reduction during production	2017-2021	2021-2030	Coordinate implementation of the Waste Management Programme	Implement the Waste Management Programme	Comply with Waste Management Regulations	Nil	
		% of waste reuse and recycled		Promote Waste reuse through resource use improvements							
		% contribution to the energy consumption of the Industry		Promote waste recycling and waste to energy recovery							

\* A programme for Waste Management was approved and related costs will be determined.

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II. Industrialization Strategy Pillars</b>											
<b>II.2 Competitiveness</b>											
<p>Long-term economic prosperity underscores the importance of building and sustaining highly competitive economies. This entails strengthening of both the macroeconomic and microeconomic environments. A healthy macroeconomic competitiveness setting helps optimize the microeconomic capability and sophistication of domestic production and service structures and enhance overall productivity.</p>											
<b>II.2.1. Creation of a business-friendly and conducive environment for competitiveness</b>											
Improved micro-economic environment for firms and enterprises	Rankings on Global Competitiveness and Ease of Doing Business (World Bank) indices significantly improved by 2030	Global Competitiveness Index (GCI) rankings  Ease-of-Doing Business index rankings	Undertake the necessary policy reforms to create a business enabling environment	Assess performance of Member States against GCI and Ease-of-Doing Business indicators	2018 - 2020	2021 - 2030	Assess performance	Create enabling environment for ease of doing business	Provide feedback on key aspects of GCI and Ease of Doing Business	5,000,000	
				Develop performance indicators			Monitor and evaluate progress	Implement recommendations	Implement recommendations		
				Enhance institutional capacity for improving performance				Enhance public/private institutional capacity	Participate in enhancing public/private institutional capacity		
				Establish forums for peer learning, information and knowledge sharing							

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.2.1. Creation of a business-friendly and conducive environment for competitiveness (continued)</b>											
- Improved skills relevant for industry	Share of skilled personnel in industrial workforce increased by 50% by 2030	% of skilled personnel in industrial workforce	Develop and implement relevant skills programmes for industry	Map-out regional industry-related skills needs	2017		Coordinate assessment of skills needs	Provide input, consider and approve programme	Participate in programmes	10,600,000	
				Develop programmes to address the needs of industry	2018-2020	2021-2030	Develop the programmes	Increase access to training facilities in entrepreneurs hip	Provide information on industry skills requirements		
	Built industrial skills capacity in specialised and priority sectors	No. of industrial skills produced in priority sectors  Quality of industrial skills in priority sectors		Implement the skills programmes	2017 - 2020	2021 - 2030	Coordinate programme implementation	Implement skills development programmes for industry	Provide information on industrial skills requirements and invest in skills development		
				Develop guidelines for industry-academia linkages	2017-2020	2021-2030	Establish and maintain regional platform for industry-academia linkages	Establish, support and promote industry-academia linkages	Participate in industry-academia linkages activities		
Monitor effectiveness of industry-academia linkages	Monitor effectiveness of industry-academia linkages	Monitor effectiveness of industry-academia linkages									

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.2.2: Upscaling Efficiency enhancers</b>											
Improved labour productivity and labour market efficiency (*)	Regional Productivity Organisation (RPO) established and operational by 2020	Level of productivity  Range and quality of data	Establish the RPO to implement the Charter on Productivity	Facilitate implementation of the Charter by Regional Productivity Organization (RPO)	2018 - 2020	2021 - 2030	Facilitate establishment of the RPO  Monitor productivity indicators	Participate in, and support the implementation of the RPO Charter	Comply with productivity targets set by the RPO	Nil	
	Regional Database on education and labour developed and implemented by 2020		Develop and implement regional database on education and labour	Establish and maintain regional labour database  Establish and strengthen national labour market information systems (LMISs)	2019 - 2020	2021- 2030	Facilitate and coordinate the development of national LMIS and regional labour database  Monitor skills gaps in industry	Establish LMISs  Input national data on the regional labour database	Provide input for developing LMISs		

\* No additional programme resources anticipated

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.2.2: Upscaling Efficiency enhancers (continued)</b>											
Education system and continuous training programmes are more responsive to need of industry	Long-term plans implemented that ensure each Member State education system is restructured to meet the needs of industrialisation by 2019	No. and type of skills forecasted  No of skills development plans  Level of skills deficit	Undertake skills audit to identify key shortfalls in general education from the standpoint of industrial employers  Develop programme to address industry skills shortfalls, taking into account likely sectoral developments, with costed implementation plans	Develop and submit draft skills audit report and implementation plan for approval	2018		Undertake the skills audit	Coordination by Trade and Industry ministries with Education ministries to address industrial skills shortfalls	Provide data and participate in development of strategy development of the training programmes  Undertake skills development at firm and enterprise	1,000,000	
				Organize SADC skills for industry conference with national education ministries			Organize periodic SADC skills for industry conference				
				Establish / strengthen national and regional education management information systems (EMISs)	2019 - 2020		Facilitate and coordinate the development of national and regional EMISs	Establish EMISs	Provide input on the development of education curricula in support of industrialisation		

Expected Results/Outcomes	Targeted Outputs	Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.2.3: Improving Regional Standards, Quality Assurance, Accreditation and Metrology (SQAM)</b>											
Industrialization supported by strengthened Regional SQAM and SPS infrastructure (especially standards, quality assurance, accreditation, metrology and technical regulations) to enhance competitiveness of the region	Regional SQAM and SPS infrastructure strengthened by 2020	No. of functional Quality Infrastructure institutions internationally recognised	Improve quality infrastructure services that support industrialization and enhance competitiveness	Strengthen SQAM and SPS infrastructure to attain international recognition  Focus on the implementation and resourcing of the regional SQAM and SPS programmes to ensure Standards, Quality Assurance, and Metrology institutions are strengthened	2018-2020	2021-2030	Facilitate development and/or adoption of standards and any other requirements important for competitiveness of the region	Lead and fund strengthening of SQAM and SPS programmes to facilitate conformance of enterprises to international standards  Monitor compliance with standards	Utilise services of SQAM and SPS programmes to enhance international competitiveness  Comply with standards	2,500,000	

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.2.4: Establish and Invest in Innovation and Technology Transfer Programmes in support of Industrialization</b>											
Centres of Excellence (CoEs) and Centres of Specialization (CoSs) for selected priority sectors (e.g. engineering, ICT, pharmaceuticals) identified/ strengthened/ established	Regional industrial Centres of Excellence (CoEs) and Centres of Specialization (CoSs) for priority sectors identified and/or strengthened by 2030	No. of Centres of Excellence and Centres of Specialization identified/ strengthened/ established	Identify existing CoEs and CoSs	Assess existing CoEs and CoSs	2018		Identify/ propose strengthening/ establishment of CoEs/CoSs	Participate in and support identification / propose strengthening/ establishment of CoEs/CoSs	Participate in identification /propose strengthening/ establishment of CoEs/CoSs	4,900,000	
			Strengthen existing CoEs and CoSs to serve the region	Identify initial 5 CoEs/CoSs and raise funding to capacitate them	2019-2020	2021-2030					
			Establish new CoEs/CoSs, leveraging on comparative advantage	Provide resources for establishing targeted CoEs/CoSs		2021-2030					
Enhanced innovation and business sophistication to advance technological readiness	Government investment in R&D increased to 2% of GDP	Percentage increase of GDP invested in R&D	Promote investment in R&D and Innovation	Facilitate partnership between academia, research institutions and industry	1% by 2020	2% by 2030	Monitor level of investments in R&D and Innovation	Invest in R&D and Innovation programmes	Invest in R&D and Innovation activities	1,810,000	
					Commercialization of innovative products and services in SADC	No. of innovative products and services					
	Implement innovation and commercialization programme		2021-2030								

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				Develop and implement technology transfer framework and programmes in support of industrialization	2018-2020	2021-2030	Develop the framework and support programmes	Develop and implement national technology transfer policy instruments and programmes	Invest in technology transfer programmes in support of industrialization		
			Promote digital technology	Develop and implement a programme for promoting and capacitating SMEs on Information Technology and Operational Technology			Develop programme for promoting and capacitating SMEs on Information Technology and Operational Technology	Implement programme for promoting and capacitating SMEs on Information Technology and Operational Technology	Participate in programme on Information Technology and Operational Technology		

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.2.5: Infrastructure in support of industrialization</b>											
Accelerated industrialization promoted by addressing the key infrastructural constraints (Energy, Transport, ICT Water and Meteorology)*	Fast-tracking of Programme for Infrastructure Development in Africa (PIDA) and Regional Infrastructure Development Master Plan (RIDMP) and ensuring alignment to the needs of key industrialisation plans	Improved multi-modal transport systems (road, rail, water, air), access to and affordability of infrastructure services	Implement RIDMP and PIDA priority development projects	Identify priority development corridors (transport and minerals) and anchor industrialization projects along the corridors	2018-2020		Identify opportunities and facilitate synergies between industry and infrastructure programmes	Identify and highlight key potential projects	Participate in development of project proposals	1,000,000	
				Undertake capacity building for project formulation on infrastructure			Provide capacity building for project formulation on infrastructure	Participate in capacity building for project formulation on infrastructure	Participate in capacity building for project formulation on infrastructure		
			Accelerate implementation of RIDMP and PIDA with particular focus on industrialization	Implement PIDA and RIDMP to support industrialization		2021-2030	Coordinate implementation of PIDA and RIDMP	Implement RIDMP	Provide information on impact of implementation of RIDMP	To be determined based on project proposals	

\* Implementation of RIDMP and other facilities, including PIDA, are being handled under other initiatives

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.2.5: Infrastructure in support of industrialization (continued)</b>											
Infrastructure development leveraged to catalyse industrialization	Major infrastructure projects leveraged to catalyse industrialization	Value of local/regional content as a proportion of total cost used in infrastructure projects  No. of local/regional SMEs capacitated to participate in infrastructure projects  No of SMEs involved in infrastructure projects	Develop and implement Strategy for SMEs to effectively participate in the implementation of major infrastructure projects	Develop Strategy for leveraging regional infrastructure development to catalyse industrial development, utilizing preferential procurement framework to ensure increased local content	2018		Develop the Strategy	Consider, adopt and implement the strategy for leveraging regional infrastructure development	Provide input for strategy development	1,500,000	

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.2.6: Access to finance for Industrialization</b>											
Established regional financing mechanism for sustainable industrial development	Measures implemented to improve industrial financing in the region  Regional Development Fund (RDF) operationalised to support industrialization by 2018	Signed Agreement for operationalization of the RDF  Phase 1 and Phase 2 of RDF operational  Ratified Agreement	Sign Agreement and avail contributions for the Fund	Urgently operationalize the RDF in support of regional industrialization and infrastructure	2016-2020	2021-2030	Procure the services of a Fund Management Team	Sign and ratify the RDF	Participate in utilization of the RDF	1,110,000	
			Implement Phase 1 and subsequently Phase 2 of RDF, with strong emphasis on financing infrastructure and industrialization	Prioritise support for local and regional manufacturing in the operationalization of the RDF	2017-2020		Operationalize the Governance Structure	Operationalize RDF Phase 1 and Phase 2	Contribute to the RDF		
			Identify other alternative financing options	Ratify the Agreement	2017		Facilitate workshop of key public and private financiers to discuss industrial finance, and to make recommendations to improve	Contribute to the Fund			

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							outcomes			
Strengthened financial and capital markets to support financing industrialisation and facilitate value chain participation	Financial and capital markets regulatory frameworks harmonized to enable convergence of norms and mechanisms of SADC stock exchanges developed by 2020	Developed regulatory framework	Develop and implement a regional programme for strengthening national and regional financial and capital markets	Map readiness of SADC financial and capital markets to support industrialisation	2017		Undertake a capital and financial markets readiness study to inform how the markets will support industrialization	Governments to facilitate the study	Private sector to indicate scale and nature of financial resources needed	250,000
	Capital market operations deepened through measures on increasing liquidity, dispute settlement procedures, etc.	Level of capital market liquidity		Develop a comprehensive legal and regulatory framework to support the operations of financial and capital markets	2020		Coordinate development of a regulatory framework for financial and capital markets	Provide input, consider, adopt and implement the regulatory framework for financial and capital markets	Provide input and participate in strengthening the financial and capital markets	
	Inter-connectivity infrastructure developed (IT)	IT density in capital market operations		Establish IT platform for investors and lenders interaction		2021	Coordinate establishment of the platform	Participate in establishment of platform	Actively participate in activities of the platform	

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.2.6: Access to finance for Industrialization (continued)</b>											
	Strategy to mobilise domestic financial resources for industrialization developed and implemented by 2018	The Strategy Document	Develop and implement a Strategy to mobilise domestic financial resources for industrialization	Develop a Strategy to mobilise domestic financial resources for industrialization Implement the Strategy	2019 - 2020		Develop a Strategy to mobilise domestic financial resources for industrialization	Provide input, consider, adopt and implement the Strategy	Provide input for Strategy development	703,000	

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.2.6: Access to finance for Industrialization (continued)</b>											
Enhanced access to finance by SMEs	Strategy for financial inclusion and SMEs access to finance developed, implemented by 2020	Strategy document on Financial Inclusion and SMEs Access to Finance	Develop and implement strategy for financial inclusion and SMEs access to finance	Conduct an assessment of level of financing requirements for SMEs	2017		Undertake assessment of level of financing requirement for SMEs	Provide information for the assessment	Provide information for the assessment	1,100,000	
				Develop Strategy for financial inclusion and SMEs access to finance	2016		Develop the Strategy	Provide input during assessment study	Provide input for the assessment study		
				Develop implementation plan	2017		Develop implementation plan	Consider and approve the plan	Provide input for the plan		
				Implement the Strategy	2017-2020	2021-2030	Coordinate implementation of Strategy	Implement the Strategy	Provide feedback on Strategy implementation		
	Share of private sector credit increased to 40% by 2025  Domestic savings increased to 35% of GDP by 2025	% of private credit to total credit  % of domestic savings to GDP	Improve access to finance by strengthening domestic savings mobilization and improving the investment climate for private sector investment, including FDI	Undertake financial sector reform to facilitate domestic savings and improve investment climate	2018	2021-2025	Monitor progress	Initiate financial sector reform	Provide information for financial sector reform		

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II. Industrialization Strategy Pillars</b>											
<b>II.3 Regional Integration:</b>											
<p>Regional integration widens the economic space for development and creates incentives for industry to agglomerate. It provides opportunities for economies of scale, encourages clustering and promotes economic interlinkages. Deeper economic integration will, in addition, create numerous positive externalities. Among the important priorities in the SADC region is the frontloading of industrialization in regional integration. This includes the frontloading of regional integration efforts with a refocusing and prioritizing of activities that an accelerate industrialization in priority sectors and value chains.</p>											
<b>II.3.1: Implementation of SADC protocols in the Regional Economic Integration Priority Areas relevant for industrialization</b>											
Compliance with SADC Protocols on regional economic integration is advanced through a staggered and sequenced approach that prioritizes areas required for regional industrialization	Status of regional integration is thoroughly assessed and gaps affecting industrialization identified and addressed	Regional progress reports on compliance with SADC Protocols on relevant for regional economic integration highlight gaps affecting regional industrialization  Protocol monitoring reports	In accordance with RISDP, develop regional progress reports on the basis of Member States' report/submissions, highlighting gaps and discussing their implications for regional industrialization  Undertake Protocol compliance monitoring	Member States submit their reports in time with protocol monitoring, reporting and evaluation (MRE) cycles and engage in cross-validation through SADC structures  Monitor compliance with the protocols	2017		Assess compliance with MRE systems	Provide data and submissions in a timely manner, engage in cross-validation in SADC structures	Provide information and technical input for validation process	750,000	

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				Secretariat assesses the data and prepares regional progress report, focussing on industrialization theme							
Non-Tariff Barriers (NTBs) are removed in a timely fashion to support development of regional trade and develop an effective system to facilitate removal of NTBs that hinder industrial development at regional level	NTBs impacting priority value chains development expeditiously resolved as they arise	Proportion of reported NTBs resolved	Member States use existing mechanisms to address NTBs within their jurisdiction, prioritizing those that most affect regional industrialization, i.e. those most affecting priority sectors, industries, value chains and transport corridors	NTB mechanism and corresponding national structures (such as National Monitoring Committees (are further strengthened in accordance with RISDP and Member States use them to expeditiously address new NTB complaints	2020		Provide capacity building, sensitization and mediation/re solution support to Member States	Strengthen structures for eliminating NTBs and NTMs and using them to react to complaints	Report NTBs, using the NTB mechanism and other means	500,000	

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				Map NTBs affecting priority value chains on the basis of value chain studies, as well as along priority corridors, and remove those identified as main obstacles			Facilitate mapping exercises	Engage in national and bilateral processes to resolve identified NTBs			
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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.3.2: Deepened Regional Integration to facilitate industrialization</b>											
Rules of Origin (RoO) support industrialization	Rules of origin are reviewed and reformed to support cross-border movement of inputs in priority industries/along priority value chains	Proportion of intra-SADC trade not subject to Rules of Origin	Engage in comprehensive review of SADC Rules of Origin foreseen by RISDP by focusing on products in priority industries/along priority value chains that have been identified as being negatively affected by existing RoO	Identify inputs whose movements are constrained by existing RoO  Conduct review of RoO	2017-2020	2021-2030	Conduct assessment and coordinate negotiations on Rules of Origin	Participate in negotiation on Rules of Origin	Provide inputs to assessments	1,100,000	

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.3.3: Promote Trade Liberalisation and Services Market Integration</b>											
Regional trade in services facilitates industrialization	Liberalized trade in targeted services sectors to support industrialization	No. of Member States that have ratified and domesticated the Protocol on Trade in Services	SADC Protocol on Trade in Services is ratified and domesticated by Member States, with priority given to sectors that affect regional industrialization	Ratify and domesticate Protocol on Trade in Services	2017-2018		Facilitate ratification and domestication process	Ratify and domesticate the Protocol	Lobby governments to ratify and domesticate the Protocol	1,130,000	
				Member States implement the protocol with priority given to commitments and areas that affect industrialization	2017-2030		Assist in identifying relevant areas	Implement and sensitize private sector	Highlight needs and opportunities and make use of them		

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.3.4: Enhance factor mobility</b>											
Industry and labour benefit from enhanced mobility of skills, business people and right of establishment across the region	Regulations facilitate movement of skills and business people and establishment of enterprises	Ease of movement and employment of SADC nationals within the region	Facilitate the movement of skills and business people and grant right to establish businesses within the SADC region for SADC persons	Align immigration laws across the region to facilitate movement of skills and business people especially for entrepreneurs and investors	2020		Facilitate implementation of Protocol on Movement of Persons and other measures on skills, accreditation etc	Implement Protocol on Movement of Persons and other measures on skills, accreditation etc	Provide information on ease of movement of employment of SADC nationals and lobby governments to implement Protocol	521,000	
				Adopt an agreement to increase opportunities for mutual recognition of qualifications							
				Develop sector specific immigration facilitation, such as secondment visas in priority sectors							

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.3.5: Enhanced institutional and legal framework for Intellectual Property Rights</b>											
Intellectual property rights support attraction of investment as well as research and development and technology transfer, especially in priority industries	Supportive Regional Framework on Intellectual Property Rights (IPRs) developed and implemented by 2020	Regional IPRs Framework and national IPR Laws	Facilitate development and implementation of Regional IPR Framework and Guideline	Develop Regional IPR Framework and Model Legislation	2017-2020		Develop draft regional IPR Framework and Model Law	Develop and implement national IPR policies and programmes	Develop and implement IPR systems	500,000	
				Implement IPR support programmes in support of industrial development	2018	2021-2030	Coordinate and monitor implementation of IPR programmes	Monitor and evaluate national IPR programmes and systems			
				Develop and implement regional database for IPR		2021-2030	Develop and maintain regional IPR database	Provide information for database	Provide information for database		

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.3.6: Enhanced cooperation on Competition Policy to support Industrialization</b>											
Increased competition in SADC market leads to greater diversification	Regional industrialization supportive Competition Policy developed and implemented by 2020	Regional Competition Policy in place	Develop and implement regional competition policy to foster regional industrialization	Review the Regional Cooperation Framework on competition laws and policies	2018		Review SADC Regional Cooperation Framework on competition laws and policies	Provide input, and approve Regional Cooperation Framework on competition laws and policies	Provide input for review of competition laws and policies	900,000	
				Develop a Regional Competition Policy	2020		Develop Regional Competition Policy	Provide input and approve Regional Competition Policy	Provide input for development of Regional Competition Policy		
				Implement the Regional Competition Policy through the regulatory infrastructure at national level		2021-2030	Monitor implementation of Competition Policy	Consider and approve the strengthening of the regulatory infrastructure at national level	Provide input for setting up of regulatory authority		
							Implement the Regional Competition	Implement the Regional	Participate in implement		

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								Policy	Competitio n Policy	ation of the policy		
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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.3.7: Improved Trade, Transport and Transit Facilitation Measures to support Industrialization</b>											
Improved logistics to support growth and competitiveness of priority sectors	Aligned hard and soft trade infrastructure improvements to reduce trade costs and facilitate production in priority sectors  Simplified Trade Regime within SADC implemented by 2020	Performance on logistics performance index  Performance on customs/ border efficiency  Time-release study for imports/ exports	Improve hard and soft infrastructure at priority corridors with an emphasis on priority sectors' needs	Develop a plan for sequenced and coordinated implementation of soft and hard trade infrastructure implementation to support priority sectors	2017-2020		Assess trading costs for priority sectors/products along corridors  Develop the prioritization and sequencing of hard and soft trade infrastructure measures on the basis of priority assessments  Coordinate soft and hard infrastructure activities, especially along the priority corridors	Participate in assessment of impact of trading costs on priority value chains along the corridors  Implement the measures	Provide information on key bottlenecks, priorities and opportunities for creating synergies and mutually reinforcing effects.  Participate in implementation, including through investments	17,122,000	
				Implement the regional trade, transport and transit facilitation programmes  Identify infrastructure needs that will result in quick and tangible improvements for priority sectors and implement in coordination with soft infrastructure improvements							

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				Establish corridor-wide management institutions	2018-2020	2021-2030	Facilitate establishment of corridor-wide management institutions	Establish corridor-wide management institutions	Participate in establishment of corridor-wide management institutions		
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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.3.8: Integrate SADC with other regional markets to support industrialization preferences</b>											
Integration of SADC region with other regional markets	Tripartite FTA Agreement signed and ratified by 2017	Tripartite FTA Agreement	Complete the negotiations on built-in agenda; Ratify TFTA Agreement	Complete the TFTA, including the Industrial and Infrastructure Development Pillars	2017		Facilitate negotiations and implementation of the TFTA and the Industrial and Infrastructure Development Pillars	Engage in the negotiations as a region	Provide information for the negotiations	150,000	
	Industrialization and Infrastructure Development Pillars Programmes implemented	No. of projects implemented	Implement Industrialization and Infrastructure Development Pillars Programmes	Complete negotiations on Infrastructure Development Pillar	2018		Collaborate with other Regional Economic Communities to mobilize and implement programmes on Industrial and Infrastructure Development Pillars	Implement Programmes on Industrialization and Infrastructure Development Pillars	Participate in Tripartite programmes		
Mobilize resources for implementation of Tripartite programmes				2017	2021-2030						

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>II.3.9: Complete CFTA negotiations</b>											
Increased volume/value of intra-African trade resulting from diversification and broader geographical participation in value chains	CFTA negotiations completed by 2017	Percentage increase intra-African trade and investments	Negotiate CFTA agreement, with particular emphasis on the industrial pillar and negotiations relevant for creating policy space to accelerate industrialization	Participate actively in CFTA negotiations	2017		Participate in CFTA negotiations	Participate actively in CFTA negotiations	Provide input for the negotiations	1,000,000	

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>III. Cross-cutting Issues</b>											
<p>There are a number of industrialization-related enabling requirements that cut across economic and social sectors, notably participation of women, youth and persons with disabilities, financing and ownership, macroeconomic environment, environmental sustainability and communication, that help maximize the benefits from industrialization and identification with the Strategy.</p>											
<b>III.1: Increase women participation in the industrialization process</b>											
Increased participation of women in industrial development	Empowerment of women mainstreamed in the industrialization process by 2020	Programme for empowering women in industrialization	Develop and implement SADC Women's Economic Empowerment Programme by 2018	Develop programme for empowering women including instruments	2017		Develop the Women's Economic Empowerment Programme	Contribute to development of Programmes	Provide input for programme development	703,000	
		Women Entrepreneurship programmes		Develop women entrepreneurship programme, focusing on self-employment			Develop the Women Entrepreneurship Programme				
		No. of women actively participating in national and regional value chains (at ownership, management and employee levels)		Implement the Programme enhancing participation of women in value chains and SMMEs	2019-2020	2021-2030	Coordinate programme implementation	Implement programmes at national level	Actively participate programme implementation		

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>III.2: Increase youth participation in the industrialization process</b>											
Increased youth participation in industrial activities	Empowerment of youth mainstreamed in the industrialization process by 2020	Programme for empowering youth in industrialization	Develop and implement SADC Youth Economic Empowerment Programme by 2018	Develop programme for empowering youth including instruments	2017		Develop the Youth Economic Empowerment Programme	Contribute to development of Programme	Provide input for programme development	1,200,000	
		Youth Entrepreneurship programmes		Develop youth entrepreneurship programme, with a focus on self-employment/ small business start-ups	2019-2020		Develop the Youth Entrepreneurship Programme	Contribute to development of Programme	Contribute to youth entrepreneurship programme development		
		No. of youth actively participating in national and regional value chains (at ownership, management and employee levels)		Implement the Programme, facilitating entry and participation of youth in value chains and SMEs		2021-2030	Coordinate programme implementation	Implement programme at national level	Actively participate programme implementation		

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>III.3: Increase participation of persons with disabilities in the industrialization process</b>											
Increased participation of persons with disabilities in industrial activities	Empowerment of persons with disabilities mainstreamed in the industrialization process by 2020	Programme for empowering persons with disabilities in industrialization	Develop and implement SADC Persons with disabilities Economic Empowerment Programme by 2018	Develop programme for empowering persons with disabilities including instruments	2017		Develop the Empowerment Programme	Contribute to development of Programme	Provide input for programme development	452,000	
		Entrepreneurship programmes targeting persons with disabilities, among others		Develop entrepreneurship programmes, with a focus on self-employment/small business start-ups			Develop the Entrepreneurship Programme				
		No. of persons with disabilities actively participating in national and regional value chains (at ownership, management and employee levels)		Implement the Programme, to enable participation of persons with disabilities in value chains and SMEs	2019-2020	2021-2030	Coordinate programme implementation	Implement programme at national level	Actively participate programme implementation		

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016-2020)	Phase 2 (2021-2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>III.4: Advocacy and Communication Strategy for Industrialization</b>											
Effective communication in support of industrialization	Advocacy and communication strategy developed and implemented	Communication Strategy document  Media and research citations of the Industrialization Strategy	Develop communication strategy	Develop communication strategy document	2017		Develop communication strategy	Participate in strategy development	Participate in strategy development	500,000	
				Organize regional/national fora for strategy development							
		Platforms for dialogue on Industrialization Strategy	Establish platform for dialogue on industrialization involving legislatures, policy makers, experts, academics, researchers, civil society, media operators, partner institutions and private sector	Form lead advocates groups to champion industrialization in the region	2018-2020	2021-2030	Promote establishment of the groups	Actively participate in platforms	Actively participate in platforms		
					Monitor effectiveness	Support establishment of advocacy groups	Participate and provide resources				

#### IV. Institutional Arrangements

Support institutions are necessary organs for advancing the process and content of industrialization. Most importantly, this relates to establishing and/or strengthening governance structures and Centres of Excellence/Centres of Specialization that facilitate the generation of ideas, products and management processes and leverage them to promote industrialization.

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>IV.1: Governance institutions for industrialization</b>											
Effective governance mechanism for implementation of the Industrialization Strategy in place	Governance structure instituted by 2017	Existence of a governance mechanism for industrialization	Develop consensus on constituent organs, levels and functions of governance structure (Member States, Private Sector, Centres of Excellence, SADC Secretariat)	Organize dialogue between main stakeholders	2017		Coordinate consensus-building meetings	Participate in and contribute to consensus building meetings for developing governance mechanism	Participate in the dialogue	Cost to be determined after the structure has been approved by Council	
	SADC Secretariat is capacitated to deliver on the implementation of the industrialization strategy by 2018	Industrial Development and Trade Directorate operational	Establish an Industrial Development and Trade Directorate to coordinate implementation of the Industrialization Strategy	Define functions, scope of work, and activities of the Industrial Development and Trade Directorate	2018		Establish Industrial Development and Trade Directorate	Provide resources and support for operations of the Directorate	Provide information on the functions of the Directorate		

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>IV.1: Governance institutions for industrialization (continued)</b>											
	Widened industrialization governance structure to include Government officials, private sector, academia, think tanks.	Industrial Development Forum reconfigured	Reconfigure the IDF	Reconfigure the IDF  Expand the Terms of Reference of IDF	2017-2020	2021-2030	Coordinate activities of IDF	Participate in activities of IDF	Participate in activities of IDF		

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>IV.1: Governance institutions for industrialization (continued)</b>											
	A well-resourced Industrial Development and Trade Directorate established and operational by 2018	A functioning Industrial Development and Trade Directorate	Mobilize adequate financial and human resources to capacitate and facilitate the operations of an Industrial Development and Trade Directorate	Provide financial, technical and human resource requirements for the Industrial Development and Trade Directorate	2017		Facilitate provision of financial and human resource requirements of the Directorate	Provide adequate financial and human resources for the Industrial Development and Trade Directorate			

Note: Costs associated with the establishment and operationalization of the Directorate involve staff costs, equipment, database and observatory and backing up the governance structure for industrialization

**V. Monitoring and Evaluation:**

The implementation of the Strategy should be regularly monitored and reported on at national and regional levels within the context of the three pillars and timeframes. Strategic interventions and alignments may be required during the course of implementation to ensure that targets are met. A well-resourced Industrial Development Directorate within the Secretariat and a strong Statistics Unit will be essential for effective monitoring and evaluation.

Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
<b>V.1: Close monitoring of the Action Plan implementation</b>											
Effective Monitoring and Evaluation (M&E) system in place	Effective Monitoring and Evaluation (M&E) plan developed and implemented by 2017	Existence of an effective M&E system for monitoring and evaluating progress and achievements  Regular and timely reporting	Develop and install an effective M&E system (covering both process monitoring and output monitoring) for assessing and evaluating progress	Develop an M&E framework	2017		Develop M&E system which has regular reporting intervals	Contribute to M&E system development and operationalization	Provide information for the M&E system development	5,000,000	
				Organize workshop to consider and approve M&E system							
				Install electronic information system for gathering key information needed for monitoring and evaluation of industrial development	2018		Install and manage the electronic information system, linked with national systems	Link national systems with regional system	Provide information for monitoring and evaluation		

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Expected Results/Outcomes	Targeted Outputs	Output Key Performance Indicators (KPIs)	Main Tasks/Activities	Sub-activities	Timeframe		Responsibilities			Indicative Costs (USD)	
					Phase 1 (2016 - 2020)	Phase 2 (2021 - 2030)	SADC Secretariat	Member States	Private Sector	SADC Secretariat	Member States
				Build capacity for collection and collation of information for monitoring and evaluating progress	2018-2020	2021-2030	Coordinate M&E activities	Participate in the M&E process	Participate in the M&E process		
				Develop links between the Secretariat, Member States and Development Partners to gather information	2018-2020	2021-2030	Advocate strongly for strengthening links	Interface government structures with Secretariat	Provide regular information and respond to surveys		

## **PART THREE: CONCLUSIONS AND RECOMMENDATIONS**

The SADC Industrialization Strategy holds great promise for the rapid economic transformation and catching up with the industrializing and developed regions. To this effect, the mutually supporting strategic interventions in the areas of industrialization, competitiveness and regional integration constitute the essential building blocks. They were to be underpinned by quality actions and policies to enhance the productivity of the physical and human resources deployed. The economic dynamics are to be situated within stable macroeconomic and conducive microeconomic environments for national and firm/enterprise level development and prosperity.

The Strategy underscores the necessity of pursuing three strategic growth paths, namely: (i) agro-processing; (ii) mineral beneficiation; and (iii) manufacturing value chains development. The strategic goals will not be achieved without removing three binding development constraints: (i) infrastructure; (ii) skills; and (iii) finance.

The analysis supporting the Action Plan (Part I) throws up a number of conclusions in the areas of industrialization and value chain development in light of the SADC initial development conditions and the global dynamics of the 21<sup>st</sup> Century; competitiveness challenges and related capacity building demands; and the imperatives for deepening regional integration.

### **- Industrialization and Value Chain Participation**

The three industrial paths are variations of a single theme, namely greater value chain participation, as a critical driver of the Strategy in light of its potential for expanding production possibilities, nationally, across borders or globally. Value chain participation/planning must assess entry possibilities and take specific account of infrastructure capacity, availability of skills and financing opportunities. It should equally take account of ease of doing business within a widened regional economic space. Actions related to these interventions areas should be conducted in tandem with value chain identification studies and development. The key challenge to policy makers and investors is to identify and prioritize entry points in value chains. Given time and resource constraints, it will be essential to focus on a limited range of high-potential regional value chains, and through learning-by-doing, and demonstration effect, increased impetus for value chain formation/participation will be generated. The key to success are productivity, efficiency and competitiveness. Value chains will develop only where tasks are efficient in comparative cost terms. Currently, the bulk of value chains in SADC are global and take the form of exports of unprocessed/semi-processed items (forward integration).

## Recommendations

- (i) SADC region would need to intensify efforts to remove the structural constraints on industrialization and broadening the scope of development (infrastructure, skills and finance).
- (ii) The region (through public and private efforts) would need to identify and prioritize entry points into value chains, notably tasks that could be undertaken competitively and, to the extent possible, jointly. The criteria developed for potential value chain identification (Section II) should be utilized.
- (iii) The best value chain participation scenario for the region would be a combination of increased global value chain participation with simultaneous upgrading, which could start regionally and extend globally.
- (iv) While exploiting supply-based opportunities (e.g. mineral beneficiation) the value chain participation should target demand-driven involvement.
- (v) Greater attention should be given to development of regional value chains in services, to enhance overall competitiveness.
- (vi) Without close public-private collaboration and sharing information in the realm of industrialization tapping value chain potential would be severely constrained.

## - **Clusters, SMEs and Value Chains Interdependence**

Clusters, in the form of locally proximate and complementary producers or service providers, are crucial engines of technological transformation and levers for reducing costs. Dynamic and innovative clusters strengthen SMEs and maximize value chain potential.

Successful development of clusters, embodying SMEs and their integration into RVCs and GVCs will unleash economic potential at the firm, enterprise, national and regional level.

## Recommendations

- (i) Cluster development should be a deliberate effort. Governments should provide guidance, planning and mapping of actual and potential agglomeration possibilities.

- (ii) Once identified, cluster capabilities should be built and infrastructural needs be addressed.
- (iv) Targeted efforts should be deployed to promote entrepreneurship and promotion of enterprises that have potential for becoming globally competitive.
- (v) Provision of business support services to enhance competitiveness of SMEs, their ability to acquire and master technology and be eligible for appropriate financing.
- (vi) Develop a business-linkage programme for clusters, SMEs and value chain interaction.

#### - **Competitiveness**

SADC countries, with the notable exception of South Africa and Mauritius, rank poorly in the global competitiveness indices and the gap between the region and its comparators in Asia and Latin America is wide. The competitiveness lag straddles almost all areas of assessments, requiring an all-out effort to enhance abilities and capabilities and raise capital and labour productivities. Indeed, competitiveness in components and tasks, as distinct from comparative advantage in final products, is instrumental to value chain participation.

#### Recommendations

- (i) SADC countries would need to develop and implement dedicated programmes to raise capabilities, in particular for enhancing education, innovation and entrepreneurship.
- (ii) Education is pivotal and would hence need to be oriented and repurposed to facilitate industrialization and overall transformation, notably through greater doses of science, technology, engineering and mathematics (STEM) education and establishing strong partnerships with universities, research institutions and the private sector, creation/strengthening of Centres of Excellence and Centres of Specialization as well as through funding support.
- (iii) Innovation is a key component of knowledge-driven economies, hence the need for strong and sustainable national and regional innovation systems and the up-scaling of expenditure on R&D by both public and private sectors.
- (iv) Enhancing competitiveness would also require the creation of a business-friendly and competitiveness-aware constituency.

- **Deeper Regional Integration**

The case for deeper regional integration cannot be over-emphasised. Deeper integration, including further trade liberalization, will provide the space and conditions for the development of regional value chains, through reduced transaction and border costs and exploiting opportunities for economies of scale. Deeper integration will also facilitate increased inflow of FDI and integration in global value chains.

Recommendations

- (i) Completion of the FTA areas to cover all intra-regional trade and elimination of tariff barriers and targeted reduction of Rules of Origin.
- (ii) Harmonization of differential trading regimes, especially in the COMESA, EAC and SADC regions
- (iii) Acceleration of the Trade Facilitation measures and programmes
- (iv) Eventual establishment of a Customs Union, incorporating a Common External Tariff
- (v) Facilitation of capital and labour mobility
- (vi) SADC would need to adapt to the challenges of the new regionalism of the 21<sup>st</sup> Century characterised by dispersed production facilities and diversity of value chain disciplines.

- **Private Sector Participation**

The private sector is the main wealth creator and industrialization promoter. To effectively play this role, the private sector should be enabled and its participation in policy planning and investment sought. Value chain identification and decision-making would require close interaction and dialogue with local and foreign investors to ensure that the “discovery” process works to attain maximum efficiency and benefits to the regional economy.

Recommendations

- (i) A main priority is the improvement of microeconomic environment for business competitiveness.

- (ii) As emphasised in the Industrialization Strategy, the private sector should be consulted and involved in the implementation of the Strategy and that a platform for public-private sector dialogue on industrial policy and its implementation be established to facilitate interaction at the national and regional levels.
- (iii) A capacity-building programme for enhancing the private sector capabilities should be an important policy priority.

## **6. Participation of Gender, Youth and Persons with Disabilities in Industrial Development**

The inclusiveness of the Action Plan extends beyond targeting equitable opportunities for the development of all the SADC countries to sharing the efforts and benefits of industrialization. Gender and youth mainstreaming and empowerment is a tenant of the Strategy.

### Recommendations

- (i) A gender empowerment for engagement in industrialization needs to be developed, with focus on capabilities, ownership of assets and access to finance.
- (ii) The entrepreneurial and innovation skills of women, youth and people with disabilities to effectively participate in modern industry should be up-scaled, through formal education and targeted training.

## **7. Industrial Policy and Value Chain Development**

The policy focus is on creating conditions for enhanced industrialization and value chain development and participation, both of which are fundamental to domestic value addition. Macroeconomic and microeconomic policy are at the centre of the policy spectrum. The main targets are the removal of infrastructural impediments, addressing the skills deficit, financing constraints, attracting investments and improving the business environment in general.

### Recommendations

- (i) Policies should be value chain-specific to embed regional and global value chains in the domestic economy. Member States should determine which policy functions should be regionalized and to what extent.
- (ii) Competition policy should be geared towards facilitating exchange and controlling monopolies, cartels and abusive business practices.

- (iii) Regional connectivity could be enhanced not only by removal of trade barriers, but also by enhancing competitiveness, capabilities and institutional efficiency.
- (iv) Implement investment-friendly policies to attract FDI resources to increase productive capacity and facilitate technological and skills transfers.
- (v) Liberalize movement of people, skills and right of establishment and residence.

## **8. Environmental Sustainability**

The SADC Industrialization Strategy calls for promoting inclusive and sustainable industrialization and addressing environmental challenges. This requires mainstreaming environmental standards in industrial development and rational exploitation of industrial opportunities associated with natural resources.

### Recommendations

SADC countries should:

- (i) Implement the Regional Green Economy Strategy and Action Plan.
- (ii) Exploit the huge potential offered under the Blue (Ocean) Economy Initiative.

## **9. Industrialization Governance**

The implementation of the Industrialization Strategy and its far-reaching activities, which extend through to the long term, will be critically dependent on the establishment and empowerment of a competent, synergistically functioning and committed action-oriented oversight structure. This architecture, working as a system, should consist of: (i) national structures; overall guidance, coordination and oversight bodies; and (iii) the SADC Secretariat. The structures should bring in the contribution of the private sector, the regional think tanks and other industrial development stakeholders.

### Recommendations

- (i) The governance bodies shall consist of:
  - Summit
  - Ministerial Task Force on Regional Economic Integration
  - Industrial Development Forum
  - SADC Secretariat

- (ii) SADC Secretariat should be strengthened and empowered.

## **10. Financing the Action Plan**

Funding the Industrialization Strategy is an enormous undertaking and is of long term nature that must be situated within a long term macroeconomic stability perspective. The Action Plan projects that the overall financing development gap would rise to 19.2 percent of GDP in 2030, rising from 11.3 percent in 2014, which underscores the need for deploying major efforts to increase savings, increase capital efficiency and non-debt creating external resource flows.

### Recommendations

- (i) Urgently develop a resource mobilization strategy to support industrial development.
- (ii) Recognize that the greater source of funding will come from the private sector, which provided the bulk of resources in the period 2000-2014.
- (iii) Operationalize, without delay, a fully resourced SADC Regional Development Fund.
- (iv) Capital markets should be strengthened with focus on industrial financing. There should be specific measures to increase the flow of risk capital to SMEs.
- (v) Exploit the financing and operational potential of Public-Private Partnerships (PPPs).
- (vi) Explore potential of innovative financing, such as the Diaspora resources.

## **11. Next Steps**

The implementation of the Action Plan requires immediate and medium-term priority actions. These primarily include:

1. Operationalization of the Industrial Governance Structure.
2. Undertaking well-targeted and sustained popularization and communication strategy to promote industrialization.

3. Agreeing on priority areas of action.
4. Development of a long-term resource mobilization strategy for industry with the help of the private sector and development partners.
5. Full scale implementation of the Action Plan.