



Annex I to the Contribution Agreement

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Description of the Action

Support towards Industrialisation and the Productive Sectors (SIPS) in the SADC region

Component 2: Private Sector Development

- Result 2: Private Sector Participation in Regional Pharmaceutical and Medical Value Chains enhanced
- Result 3: Private Sector Participation in Regional Leather Value Chain enhanced

Table of Contents

- List of Abbreviations 4
- 1 Introduction..... 6
- 2 Context..... 7
 - 2.1 Regional Context..... 7
 - 2.2 Economic potential and constraints of the pharmaceutical and medical value chains 7
 - 2.2.1 Economic potential and constraints of the anti-retroviral value chain..... 7
 - 2.2.2 Economic potential and constraints of the Covid-19-relevant medical and pharmaceutical products value chains 9
 - 2.3 Economic potential and constraints of the Leather value chain.....12
 - 2.4 Alignment to SADC and EU Policy Framework.....14
- 3 Logic of the action16
 - 3.1 Objectives and Results16
 - 3.2 Indicative fields of activities17
 - 3.2.1 Main activities of the inception phase18
 - 3.2.2 Indicative activities of Result 2 Pharmaceutical and Medical RVC.....20
 - 3.2.2.1 Result 2.1 Anti-Retroviral RVC20
 - 3.2.2.2 Result 2.2 Covid-19-relevant medical and pharmaceutical RVC.....21
 - 3.2.3 Indicative activities of Result 3 Leather RVC22
- 4 Design of the Action and Programme Management.....24
 - 4.1 Main Partners, Target Beneficiaries24
 - 4.2 Methods of Implementation and implementing partners26
 - 4.2.1 Inception Phase: Detailed Value Chain Mapping and identification of Covid-19-grant recipients28
 - 4.2.2 Pharmaceutical and medical value chains Intervention Approach30
 - 4.2.2.1 ARV Value Chain30
 - 4.2.2.2 Covid-19-relevant Medical and Pharmaceutical Value Chains.....31
 - 4.2.3 Leather Value Chain: Intervention Approach32
 - 4.3 Programme Management.....35
 - 4.3.1 Programme Manager and Team Leader.....36
 - 4.3.2 Coordination with the SADC Secretariat.....36
 - 4.3.3 Technical Advisory Services.....37
 - 4.3.4 Administrative Support39
 - 4.3.5 Grants41

4.4	Sustainability of the Action	43
4.5	Complementarity, Synergy and other relevant Actions	43
4.6	Cross-cutting issues.....	45
5	Risks and Assumptions	47
6	Programme Governance Structure	50
7	Monitoring, Evaluation and Reporting	52
8	Communication and Visibility	53
9	Timing, Indicative Work Plan and Logical Framework.....	53
9.1	Timing.....	53
9.2	Indicative Work Plan: SIPS Programme – Component 2: Private Sector Development (Result 2 and 3).....	55
9.3	Log frame Matrix	57

List of Abbreviations

AMSP	African Medical Supplies Platform
API	Active pharmaceutical ingredient
ARV	Anti-retroviral medicine
AU	African Union
BMZ	<i>Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung</i> German Federal Ministry for Economic Cooperation and Development
BMO	Business Membership Organisations
CAPA	Corrective Action and Preventive Action
CISR	South Africa's Council for Scientific and Industrial Research
CD	Capacity Development
CEPI	Coalition for Epidemic Preparedness Innovations
CMP(P)	Covid-19-relevant Medical and Pharmaceutical (Products)
COMESA	Common Market for Eastern and Southern Africa
DESRI	Deputy Executive Secretary – Regional Integration
EAC	East African Community
EDF	European Development Fund
EDSE	Ecosystem Development for Small Enterprises
FFP2	Free Flight Phase Two
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GMP	Good Manufacturing Practice
ICP	International Cooperating Partner
M&E	Monitoring and Evaluation
MoH	Ministry of Health
MS	Member State
NMRA	National Medicines Regulatory Authority
NSA	Non-State Actor
PEPFAR	The President's Emergency Programme for AIDS Relief
PMPA	Pharmaceutical Manufacturing Plan for Africa
PPE	Personal Protective Equipment
PR	Public Relations
RISDP	Regional Indicative Strategic Development Plan
RVC	Regional Value Chain

SADC	Southern African Development Community
SAGMA	Southern African Generic Medicines Association
SAPMAP	SADC Pharmaceutical Manufacturing Action Plan
SDG	Sustainable Development Goal
SISP	Support to Industrialisation and Productive Sectors (SIPS)
SISR	SADC Industrialisation Strategy and Roadmap (SISR) and its Action Plan
SME(s)	Small and medium enterprise(s)
SMME(s)	Small, medium and micro enterprise(s)
SNRL	Strengthening the National-Regional Linkages in SADC Programme
SRA	Stringent Regulatory Agency
TA	Technical Assistance
ToT	Training of Trainers
UNFPA	United Nations Population Fund
UNIDO	United Nations Industrial Development Organisation
VC	Value Chain
WHO	World Health Organisation

1 Introduction

This Action is part of the overall “Support towards Industrialisation and the Productive Sectors (SIPS)” Programme supported by the European Union (EU) under EDF 11 as approved by the European Commission in October 2018. The Action has been complemented to support the SADC region in mitigating the impact of the world-wide Covid-19 crisis in an enduring way.

The overall objective of the SIPS Programme is to contribute to the Southern African Development Community (SADC) industrialisation and regional integration agenda. The project purpose (specific objective) is:

To improve the performance and growth of selected regional value chains and related services within the agro-processing, pharmaceutical and medical products sectors.

The SIPS Programme addresses key concerns of the private sector that are currently impeding industrialisation in the SADC region, by addressing both market failures and coordination and linkages failures between the national and regional level as well as between the public and private sector. Accordingly, the Programme aims to achieve its objectives through two mutually reinforcing components:

- Component 1 (Result 1) is enhancing the policy, regulatory and business environment at national and regional levels for the development and sustainable operation of regional value chains (for selected products) in the agro-processing and pharmaceutical sectors.
- Component 2 (Result 2 and 3) is enhancing private sector participation in regional pharmaceutical and medical as well as leather value chains. More specifically, result 2 exclusively aims at enhancing private sector participation in regional anti-retroviral (ARV) and Covid-19-relevant medical and pharmaceutical products (CMPP) value chains (result 2.1 and 2.2, respectively).

To implement the overall SIPS Programme, the EU foresees to conclude a financing agreement with SADC, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement. SADC Secretariat will coordinate the overall Programme and will be responsible for implementing Result 1 dealing with policy and regulatory related issues of strengthening regional value chains (RVC).

The EU and the SADC Secretariat have identified the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH as the lead implementing agency for the Results 2 and 3 of the SIPS Programme (in the framework of a co-financed Contribution Agreement).

GIZ will implement the Private Sector Component through a Multi-donor Action that is jointly co-financed by the European Union and the Federal Republic of Germany’s Federal Ministry for Economic Cooperation and Development (BMZ). GIZ will implement the Private Sector Component of SIPS as part of the BMZ-commissioned programme “Cooperation for the Enhancement of Southern African Development Community (SADC) Regional Economic Integration” (CESARE II). The Multi-Donor Action has an implementation period of up to 41 months, expected to commence on 01 October 2019, and a total financial volume of 12,830,000 EUR.

Component 1 (Result 1) will have its own separate implementation arrangement. GIZ will make all efforts to ensure that the two SIPS Components are implemented in a coordinated way and complement each other.

Unless explicitly stated otherwise, the terms “the Action” or “this Action” in this Annex refer to the Multi-donor Action for the implementation of the Private Sector Component of SIPS that is being implemented by GIZ.

2 Context

2.1 Regional Context

SADC’s intraregional trade potential remains heavily untapped among other reasons due to a lack of productive capacity of SADC industries in value added products. According to the most recent calculations by the United Nations Industrial Development Organization (UNIDO), domestic value added represented only about 9.5 per cent of the total value added in intra-regional trade in 2011. Figures also show that the share of manufacturing to GDP of the SADC region has even declined from 17.6 % in 1990 to 13 % in 2013. This matches the lack of exports of manufacturing intermediates and final products in the region. Despite persistent efforts to boost trade within the region the value of intra-SADC trade has remained very low at only 25% of total SADC trade (according to SADC statistics).

Development of regional value chains (RVCs) and, more broadly, integration into global value chains (GVCs), are of great importance in most of the national and regional policy documents within SADC. Facts and figures however indicate that SADC Member States’ participation in GVCs is mainly through upstream production, with SADC firms providing primary inputs to firms in countries (outside SADC) further down the value chain. While regional value chains in the region are developing most rapidly in services, participation in GVCs is modest, with the exceptions of apparel and, in South Africa’s case, automobiles. RVC participation is mainly upstream – the export of primary commodities, minerals, tobacco, sugar, and beef – with limited local value addition. The region is involved in the lower segment of value chains while focus should be on enhancing participation at the upper end and diversification.

Another feature of SADC’s existing RVC is that they are primarily hub-and-spoke in structure with South African corporates as the lead firms with relatively few direct linkages to GVCs. A key impediment for participation in GVCs for SADC companies is remoteness of major global hubs and, in South Africa’s case, very poor wage competitiveness. Distance and weak connectivity have adverse effects – on costs, on delivery times and network flexibility. In the remaining economies, participation in RVCs and GVCs is stunted by weak logistics and inadequate physical and natural capital, as well as serious skills deficiencies. Moreover, small populations – less than two million people in the Botswana, Lesotho, Namibia, Swaziland, Mauritius and Seychelles – restrict the size of the industrial sector, inhibit both diversification and cluster developments. Scale effects are exacerbated by regional imbalances between biggest economies, and the other smaller economies in terms of GDP.

2.2 Economic potential and constraints of the pharmaceutical and medical value chains

2.2.1 Economic potential and constraints of the anti-retroviral value chain

Generally speaking, the pharmaceutical manufacturing sector is a growing industry in most SADC countries but remains at basic manufacturing level: i.e. excipients, syrups, creams, lotions, tableting etc. The ARV value chain offers both a public health and an economic opportunity for the SADC region because of the significant disease burden of HIV and AIDS and the resulting market size for ARVs. According to UNAIDS, in 2016, 42.6% of the world’s people living with HIV resided in the region. Out of the approximately 15.6 million people living

with HIV in the region, almost 9 million people were on antiretroviral therapy. Taking the United Nations' target of 90% of all people with diagnosed HIV infection receiving sustained antiretroviral therapy by 2020 seriously, 14.04 million people should be on antiretroviral treatment in a mere two years' time. This disease burden presents a great challenge for public health budgets of those countries that pay for parts or all of the ARVs provided through the public sector. Like in most other developing countries medicines often add up to the largest portion of health expenditure after human resources; they are also the largest health expenditure at household level. As more countries graduate from LDC-status, larger portions of ARVs will be paid for directly by governments and these markets will then become accessible to manufacturers. Furthermore, dependency on the mostly India- and China-based suppliers will rise, with long supply chains the norm. Even where ARVs are formulated in the region manufacturers depend on long lead times for the supply of active pharmaceutical ingredients (APIs). Local production would have a clear advantage in the length of the supply chain.

The ARV market also offers potential in two other ways: Firstly, the SADC-region has embarked on the implementation of the SADC Pooled Procurement of Pharmaceutical Services whose coordination lies with the Medical Store Department of Tanzania. So far, the system is envisioned to provide a framework for cooperation which will support Member States to share pricing and supplier information so that they may negotiate for better prices for high quality medicines, thereby reducing the administrative cost of procurement significantly. In the medium-term the system could also be used for procuring larger quantities and thereby providing a more attractive market, while at the same time reducing costs for the public sector buyers. Secondly, most Member States offer between 15 and 30% price preference to domestically manufactured products through their public sector tenders. South Africa designates a percentage portion of 70% to locally manufactured pharmaceuticals in government tenders. However, companies do need to be competitive with pricing available internationally.

While higher numbers of patients on ARV-treatment, pooled procurement, and domestic or regional preferences offer some market potential for the sale of ARVs and associated products some serious challenges remain. First, in order to be competitive in public sector tenders and to meet prices set by the Global Fund, producers of finished ARVs in the region will have to cover all fixed costs from other income streams because ARV-sales to the public sector barely cover the chemical inputs. All APIs for ARVs are imported, mainly from India and China. While this is highly cost-competitive due to the large volumes produced there, it presents challenges in the supply chain management – for example, the South African Ministry of Health gives two weeks' notice to draw medicines offered in the public sector tenders but the lead time for APIs is six to ten weeks. Different stakeholders are therefore exploring the possibility of producing APIs in the SADC region. The focus here is predominantly on South Africa as it can bring together research and development capabilities from research institutions with those of private companies, and at the same time provide some policy support and funding through the Departments for Science and Technology and Trade and Industry. A state-owned pharmaceutical company – Ketlaphela – has recently closed a Call for Expressions of Interest for partnering with the company in the production of essential medicines in the region with the intention of producing APIs there. According to the 2016 'SADC Feasibility study on Regional Manufacturing of Medicines and Health Commodities' "recent developments in cheaper API production through innovative synthesis technology (continuous flow chemistry), could give the SADC region a leading role for ...[new ARVs (i.e. Dolutegravir, TAF)], which will be the "block

buster” ARVs for the near future”. Should stakeholders be successful in producing APIs for the current and near future treatment regimens in South Africa this would be of great benefit to pharmaceutical manufacturers in the whole SADC region as it will likely boost formulation in regionally based companies.

In order to build intra-regional linkages, the potential of excipient and packaging supplies and above-mentioned services from across the region will be further explored by this Action. There is not much evidence available on the volumes of excipients or packaging produced in the SADC-region. It seems that sugars and ethanol are routinely sourced locally but more complex excipients come from overseas. Neither is there much evidence on the buying of services regionally, for example in water purification, logistics, or maintenance and repairs.

Another challenge facing the regional manufacturing of ARVs and associated products is that only four countries (Botswana, Mauritius, Namibia, South Africa) purchase their own public sector supplies of ARVs. All the other countries’ treatment programmes are fully funded by global donors such as the Global Fund or the US President’s Emergency Plan for AIDS Relief (PEPFAR). Also, the Global Fund, PEPFAR and the United Nations Population Fund (UNFPA) support much of the condom purchases in the region. In order to access the donor market, manufacturers would, however, have to comply with the World Health Organisation (WHO)- or UNFPA-prequalification standards. While the standards are effectively the same as national standards, inspections are much stricter and the necessary investments much higher so that it becomes very difficult to compete with foreign manufacturers. The high investment to become prequalified would only pay off if higher margins could be achieved, for example through the use of more cost-effective API production technologies.

And lastly, industrial pharmacy-focused training is a major challenge.

2.2.2 Economic potential and constraints of the Covid-19-relevant medical and pharmaceutical products value chains

Since March 2020, the global Covid-19 pandemic is challenging health systems, economic stability and the lives and livelihoods of the people in all countries. Based on the current situation worldwide, it is assumed that the need for Covid-19-relevant medical and pharmaceutical products – CMPP – will rise in the SADC region as the Covid-19 pandemic progresses and will remain high for the foreseeable future. The spread of infectious pathogens is promoted by the movement of people and therewith also by cross-border trade, which is facilitated by the SADC’s free-trade area, and by the impact of climate change. Thus, infection prevention will be strongly considered by governments and demanded by the population in an effort to re-open economies after the regional peak of Covid-19 pandemic while the virus is still active, resulting in a sustainably increased demand for these products. In a medium-term perspective, SADC Member States need to be prepared to prevent and handle outbreaks of Covid-19 and similar diseases, which presupposes that a correspondingly capable private sector is available.

To prevent infection as well as to provide care for infected people, certain medical products such as personal protective equipment (PPE) like masks or gloves, as well as hospital equipment like ventilators or oxygen bottles are needed. With respect to pharmaceutical products, there is an immediate need for hand sanitizer and disinfectants to prevent infection. To manage infections with Covid-19, the demand for essential medicines recommended by WHO, e.g. for paracetamol to lower fevers, will increase. The availability and accessibility of a Covid-19 drug and/ or a Covid-19 vaccine will be crucial to fighting the disease. Currently many

candidates for effective Covid-19 treatment are being investigated by WHO, among them Remdesivir, Hydroxychloroquine and Kaletra (Lopinavir/Ritonavir). Once an effective Anti-Covid-19 drug and/or vaccine becomes available, the production capacities worldwide will need to be increased to meet the demand.

Compared to other world regions, there is only a small number of private and public health insurance providers that would provide their clients with CMPP; thus, in the majority of cases the general population has to purchase CMPP directly. Therefore, the increase in demand in the SADC region will only become effective if prices for end-consumers, especially the poor, remain affordable. By establishing pooled procurement and/ or using the African Medical Supplies Platform (AMSP), an African Online Portal for the procurement of medical goods, countries are however able to bundle their demand and hence secure CMPP at reduced prices. Access to such a platform could also be a chance for producers to tap the market opportunity.

In general, CMPP in the SADC region are mainly imported from China, but also from South Africa, and supplied mostly by small scale distributors, exceptions noted by large scale manufacturers that also distribute their products (like Clere for sanitizers). Prices for CMPP have initially risen steeply worldwide due to the globally increased demand and limited production capacities. Local manufacturing in most Member States is quite limited and primarily focused on low-tech products, such as face masks and hand sanitizers. Because of Covid-19, the field is on the move due to the anticipated high demand, and many companies are entering the market for these low-tech items. Because of the anticipated need for all these products, in some cases local universities have been specially mandated by governments to produce high-tech products as well as other missing relevant CMPP (e.g. Botswana, Zimbabwe). Similarly, NGO-led initiatives are coming up to satisfy the demand for high-tech products quickly. High quality CMPP, pharmaceuticals in particular, are often provided at no/ low cost by not-for-profit organisations that represent thus 'unfair competition' to local producers and distributors bound to market prices in a way.

A detailed assessment of the companies in SADC Member States to produce CMPP has been completed by the SIPS team in May 2020. Companies were identified either by internet research of the GIZ SIPS Covid-19 team or by contacting SADC networks, ministries and organizations. The following institutions/ representatives were contacted: SADC Secretariat's resource persons, NEPAD Business Foundation as the secretariat of the SADC Business Council, national private sector associations, specialized private sector associations (e.g. medical technology associations, pharma associations, cosmetic associations), WHO offices in member states, Ministries of Health (MoH), GIZ health programs, EU delegations in member states and others (universities, UNDP Malawi, specialized NGOs, medical focal point GIZ Botswana). Thus, information has been gathered from different sources to allow a broader picture of the producer landscape in SADC. However, as many of the partners, ministries and organizations first needed to mobilize their networks, inputs were continued to be collected after the initial research phase. The depiction below for the different CMPP thus can only represent a snapshot rather than a comprehensive picture of the Covid-19 relevant production in the region.

Most of the companies producing or willing to produce PPE are small, medium and micro enterprises (SMMEs) in the textile industry who are willing to change production to Covid-19 relevant materials, such as cotton-based masks, medical masks and/or medical gowns. However, many companies appear to be complete newcomers in the sector and/ or too small to quickly produce larger quantities. Such companies thus do not possess the expertise to

produce medical items yet and can be expected on average to manufacture a lower quality product, as compared to established companies. In addition, the resulting products are not currently certified within the producing country or in SADC members states. The number of specialized local manufacturers for high-tech or “higher-tech” items such as FFP2 masks was very low or non-existent before Covid-19 in most SADC Member States except South Africa.

As to sanitizer and disinfectants, some dozens of companies have been identified in the SADC region which are currently producing hand sanitizers or are in the process of setting up hand sanitizer production. The major constraint for production reported by the companies was the access to raw materials such as ethanol and carbomer jelling agent which are currently hard to find in the SADC region. This opens opportunities for local production of ethanol which is envisioned by some companies like distilleries. The hand sanitizer category appears to have a lot of new players in the market. Therefore, possible quality constraints, production lines and capacities are still unclear at the moment. By contrast, many pharmaceutical companies in the region are already producing liquid and semi-solid products (i.e. creams, gels, and ointments) and thus have the equipment available to produce both liquid and gel hand sanitizers. Furthermore, as many of these companies are also familiar with rigorous product formulation and quality testing measures, they are very likely to produce highly effective sanitizers. Most of the new products have not been certified yet, but some of the companies are working towards certification in their respective countries, which is not only a requirement for larger procurement but also for intra-SADC trade.

As to ventilators, no established production facilities for ventilators have been identified in SADC Member States so far. In South Africa, the German company Drägerwerk is manufacturing products but as of now, this doesn't include production of ventilators which are instead only distributed through the local subsidiary. However, to address this situation, national initiatives and university projects have been set up and identified in South Africa and Zimbabwe. The South African Government has established the National Ventilator Project and put out a tender for local manufacturers. The South African Solidarity Fund will pay for the devices, but only after their delivery. As a result, up to 12 ventilator projects have so far been established which strive to produce a ventilator design that can be entirely manufactured in South Africa, using existing skills and locally available resources. Similarly, the Harare Institute of Technology has started a ventilator project and needs funding for production machinery and raw materials to increase production capacities. Further information needs to be collected.

As to Covid-19 management, treatment-relevant drugs such as paracetamol might run out of stock when Covid-19 patients are hospitalized. Some treatment-relevant drugs are already produced in various forms (i.e. solid tablets, child-friendly syrups, etc.) by local manufacturers who depend on the import of active pharmaceutical ingredients (APIs) to extend their local production capacities. However, these APIs are in short supply as they are mainly imported from India, which is still under lockdown and in addition tightly controlling exports of these products.

Once an effective Anti-Covid drug and/or vaccine has been recognized, availability within SADC could be achieved through local manufacturing after licensing of these products to capable companies in the region. Those companies have to be identified, e.g. with the help of related associations, and might need to further be supported/capacitated for local manufacturing of such high-tech products. In case no local manufacturing is possible/ licensed, supply agreements with global licensees would have to be concluded which in turn would

require a novel distribution network within the region. These questions are currently not clear in any way, and need to be monitored by the Action to identify possible areas of technical assistance.

At large, suppliers face financial constraints to increase production due to costs of new machines and raw materials which are currently available only at drastically increased prices often to be paid in advance. Access to hard currency may become an issue for many suppliers. Suppliers also have been confronted with implications of the Covid-19-relevant political restrictions: It can be difficult for them to purchase the required inputs, in particular raw materials, for their production since trade restrictions and export bans can cut their supply chains. This is not only true for inputs from other continents, but was true also for SADC Member State South Africa who temporarily and in part banned exports into the SADC region. Fortunately, this could be resolved in June 2021. Even in cases where trade is not restricted, global lockdowns limit the production and hence the world-wide availability of raw materials. Other than inputs, during the initial research phase production in the SADC region was also hampered by restrictions for workers, e.g. that they need additional permits during curfew (e.g. Botswana, Mauritius).

2.3 Economic potential and constraints of the Leather value chain

The agriculture sector is of major social and economic importance in the SADC region, contributing in the different Member States between 4% and 27% of GDP and approximately 13% of overall export earnings. The sector is dominated by smallholder traditional farming systems. Most of the livestock population in SADC (estimated about 75%) is kept by smallholder farmers. The collection ratio of hides and skins is estimated to be below 50% in many SADC countries because slaughter is not centralized. Peri-slaughter defects have increased because most slaughter facilities' fees are based on the number of animals slaughtered rather than the quality of hides, as the core suppliers of livestock are in the meat business. The SADC countries are part of the global leather value chain, however their earnings from the chain is undermined by their point of entry into the chain. Their production of raw hides and skins has been growing and consequently employment at those levels has been growing, however their profits have not been in tandem. All segments of the SADC leather value chain have significant deficits when compared to leading leather manufacturing countries in the World, for example Italy, China and Brazil among others. For instance, the inadequacy of supply of inputs, low quality of the goods produced, and services provided, low total factor productivity, technology, skills, timely delivery and coordination of the sector, are some of the variables that are undermining the growth of the sector.

A regional leather value chain that operates across countries to export raw material (hides and skins, wet blue and crust) and imports finished goods already exists in the SADC region. There are a number of intra-regional business interactions taking place already in the region both formal and informal, for example: Small and medium enterprises (SMEs) in Malawi source leather, soles and other accessories from Zambia and Zimbabwe; SMEs in Zimbabwe source high quality leather and also off cuts from the automobile industry and other accessories from South Africa; South African enterprises export safety shoes, security boots and shoes for schools to a number of SADC countries; Botswana and Zimbabwe are exporting raw hides to South Africa; Zimbabwe is exporting military and police footwear to a number of SADC countries. As concerns the leather sector, the SADC region can be divided in three broad areas: (i) Southern African Customs Union (SACU) countries, (ii) countries with consolidated trade with South Africa (Mozambique, Malawi, Zimbabwe) and (iii) the remaining countries.

Some of the latter ones are not deeply involved in leather industrial aspects (Mauritius, Seychelles, and Madagascar). The trade of raw materials, hides (to procure leather), or leather (to produce leather goods) is often a double arrow flow between the countries that are importing e.g. Raw material (hides, wet blue) but at the same time are exporting leather that will be used to produce end leather goods. Increasing the impact of the leather value chain could be achieved by strengthening existing regional value chains through increased formal linkages and improving quality along the cross-border value chains.

The leather sector faces increasing pressure nationally and internationally by environmental regulations. Meeting environmental quality regulations, occupational and health standards are emerging as major marketing tools or conditions to enter global fashion markets. Many tanneries in the region are not well equipped technically to comply. In addition, the entry of global retail chains in the region and globalisation are pushing these standards as important variables for the growth of sustainable businesses. SMEs in the sector are constrained by resources and thus lag behind in implementing these standards. It is essential for enterprises to acquire and apply modern and greening technologies to improve product quality and design in the process enhancing competitiveness through resources optimisation. In the tanning segment, enterprises can enhance their competitiveness through the application of cleaner technologies such as chrome recovery, use of vegetable tanning, improving production flow, monitoring the usage of water, electricity and other utilities, application of industrial symbiosis. Downstream, producers of leather footwear and accessories can also benefit from applying cleaner technologies in the use of utilities, application of the three Rs (Reduce, Re-cycle and Re-use).

Some SADC countries are implementing national leather development strategies focused to transform the VC from the production and export of raw hides to production and export of manufactured products. The leather's main feed stock that is raw hides and skins are a by-product of the meat processing industry. Unlike other commodities for example meat, cotton, sugar and grains, the leather sector has received direct limited support from Governments in region. Prior to the economic structural adjustments programmes most of the commodities were coordinated by public funded institutions, for example meat commissions and cotton marketing boards just to mention a few. These structures were instrumental in developing commodities chains with central government funding, which was not the case with the leather sector because of its by-product status, consequently the sector remained under developed.

Few SADC countries that include South Africa, Tanzania, Zambia and Zimbabwe have production activities at every segment of the Leather VC, however outside South Africa most of the segments are under developed. Tanzania, Zambia and Zimbabwe have instituted export restrictions on the export of raw hides and skins; however, these measures have not significantly assisted in the growth of the sector especially in Zambia and Zimbabwe. In the Zimbabwe case, the general bad macroeconomic conditions over the past two decades undermined all micro efforts to revive the industry. In Zambia the export ban has failed to yield the expected results, whereas in Tanzania, including other East African countries the export restriction has seen an increase in the number of tanneries operating and tanning capacities. This scenario maybe indicative of the fact that VCs development requires a holistic approach which places the private sector in the centre, with the government providing an enabling role through the provision of demand driven services and other incentives. For example, the South African industry that was on a downward trend post the opening of the economy in the mid-nineties is reported to be on the recovery path because of the industrial growth competitiveness

support schemes that were instituted by Government through the Department of Trade and Industry and Industrial Development Corporation.

Looking at the demand side the leather value chain has many products ranging from footwear, garments and other leather goods, however footwear is the most significant product as it is estimated to consume 50% to 60% of all the leather produced globally, thus footwear is used as a proxy of the overall demand for leather products globally. Based on the estimated footwear per capita of 0.85, for the African market, the SADC region's market size of footwear is estimated at 278 million pairs of shoes per annum. Assuming all these pairs of shoes are produced in the SADC region, approximately 157,954 shop level jobs would be created based on labour productivity of 8 pairs per person per day that would stimulate demand of finished leather, soles, glue and other accessories, consequently creating more indirect jobs.

2.4 Alignment to SADC and EU Policy Framework

The proposed Action has a strategic alignment with the **SADC Industrialisation Strategy (SISR, 2015-2063)** that is anchored on the following pillars: (i) Industrialisation as champion of economic and technological transformation; (ii) Competitiveness (at the firm/industry, country and regional level) as an active process to move from comparative advantage to competitive advantage; and (iii) Regional integration and geography as the context for industrial development and economic prosperity. A strong emphasis of the SISR is on the importance of RVC in industrialisation and a call on the region to implement policies to support agro-processing and agriculture value chains; pharmaceuticals production; minerals beneficiation and value addition and other priority regional value chains. It is expected that this will enable SADC member states to specialise in those productive processes and activities where they have competitive advantage, thereby diversifying a country's industrial base. Both focus areas pharmaceutical and medical products as well as leather sector (Result 2 and 3) meet the criteria for identification of regional sustainable value chains that are contained in the Costed Action Plan for the SISR. While ARV (result 2.1) and leather (result 3) are already included in this Action Plan, the selected areas of support in the CMPP sector (Result 2.2) overlap but are not equal with the product groups listed in the "Pharmaceutical products and preparations cluster" and the "Manufacturing: Consumer Goods Cluster". The Action will therefore contribute to the fulfillment of several Key Performance Indicators mentioned in the Plan, like "Value/volume of value added products and services"; "No. of local/regional SMEs capacitated"; "No. of RVCs and GVCs supplied by SADC SMEs"; "No. of innovative products and services" and others. RVC in these priority focus areas provide opportunities for economic growth and positive employment effects as well as intraregional trade, social impact (e.g. working conditions, inclusiveness, female participation, increase in the number of people living with HIV on ARV at a competitive cost, improved infection prevention) and for supporting environmentally friendly and sustainable production modes.

The development of RVCs in the pharmaceutical sector (focus on ARV) as well as the production of hand sanitizer and disinfectants as CMPP are undergirded by the **SADC Pharmaceutical Business Plan 2015-2019 (SAPMAP)** as well as the **African Union's Pharmaceutical Manufacturing Plan for Africa (PMPA)**. The Business Plan for the Operationalisation of the Pharmaceutical Manufacturing Plan for Africa (BP-PMPA), which resulted from a strategic partnership between the African Union (AU) Commission and UNIDO, was approved by the African Union Ministers of Health and subsequently endorsed by the African Heads of State at their Summit in July 2012. The SADC Plan's overall goal is to ensure availability of essential medicines to reduce disease burden in the region. Its main objective is

to improve sustainable availability and access to affordable, quality, safe, efficacious essential medicines. SAPMAP emerged from the SADC Protocol on Health which was signed by Member States in 1999 and whereby “State Parties shall cooperate and assist one another in the production, procurement and distribution of affordable essential drugs”.

The implementation of the SIPS Programme is consistent with the **EU development policies; the EU-Africa Joint Strategy; the Africa – Europe Alliance for Sustainable Investment and Jobs; and the European External Investment Plan (EIP)**. In particular, the Action is relevant for the EU new European Consensus on Development “an economic transformation that creates decent jobs, [...], and fosters sustainable value chains”. It is also in line with the Agenda for Change – the blueprint for a higher-impact, more results-oriented EU development policy (Communication 637 of 13 October 2011 and Council Conclusions of 14 May 2012). With its focus on the private sector the Action is consistent with the Communication "A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries" (Communication 263, 2014), which emphasises the importance of creating a business environment conducive to private sector initiative, finance advisory services and state-of-the-art diagnostic tools for policy formulation to help governments and business intermediary organisations improve domestic business regulations and their enforcement to increase legal certainty improve the business climate and reduce the cost of doing business. The new 'Africa – Europe Alliance for Sustainable Investment and Jobs' seeks to substantially boost investment in Africa, strengthen trade, create jobs, and invest in education and skills. The development of new regional value chains is also at the heart of the Economic Partnership Agreement (EPA) signed between the EU and the SADC EPA Group comprising Botswana, Lesotho, Mozambique, Namibia, South Africa and Eswatini in June 2016 to better seize opportunities given by the possibilities of cumulation of origin. The production of Covid-19-relevant medical and pharmaceutical products within SIPS complies with the response of the EU to the world-wide Covid-19 crisis, which consists in reviewing all ongoing programs in order to identify opportunities to re-direct funds to assist the partner countries in facing the Covid-19 crisis.

This programme is relevant for the **UN’s Sustainable Development Goals (SDG)**. It contributes primarily to the progressive achievement of SDG Goal 9 "Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation", and in particular towards: 9.2 Promote inclusive and sustainable industrialisation. The programme contributes also to SDG 12 "Ensure sustainable consumption and production patterns" by supporting companies and Centres of Excellence to move towards more sustainable patterns of production and consumption and SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" and in particular 8.2 "Achieve higher level of productivity of economies through diversification, technological upgrading and innovation, including through a focus on high value added and labour intensive sectors" and 8.3 "promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalisation and growth of micro, small and medium-sized enterprises including through access to financial services". Furthermore, the programme contributes to SDG 3.8: “Achieve universal health coverage, including [...] access to safe, effective, quality and affordable essential medicines and vaccines for all”, and 3.b: “Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, [...] and, in particular, provide access to medicines for all”.

3 Logic of the action

3.1 Objectives and Results

The logic of this Action is based on the pre-defined objectives and results outlined in the Action Document of the 11th EDF Programme for Component 2: Private Sector Development (Result Area 2 and 3) of the SIPS Programme, complemented by result 2.2 in 2020 to support the SADC region in mitigating the impact of the world-wide Covid-19 crisis in an enduring way. Together with Component 1: Enhanced Policy and regulatory Framework the **overall objective of the SIPS Programme** is to contribute to the SADC industrialisation and regional integration agenda.

The **specific objective (outcome)** of this Action is:

To improve the performance and growth of selected regional value chains and related services within the agro-processing, pharmaceutical and medical products sectors.

According to the Action Document and including the Covid-19-response, the expected Results (outputs) of the Component 2 are:

Result 2: Private sector participation in regional pharmaceutical and medical value chains enhanced.

Result 2.1 Private sector participation in the regional anti-retroviral (ARV) value chain enhanced.

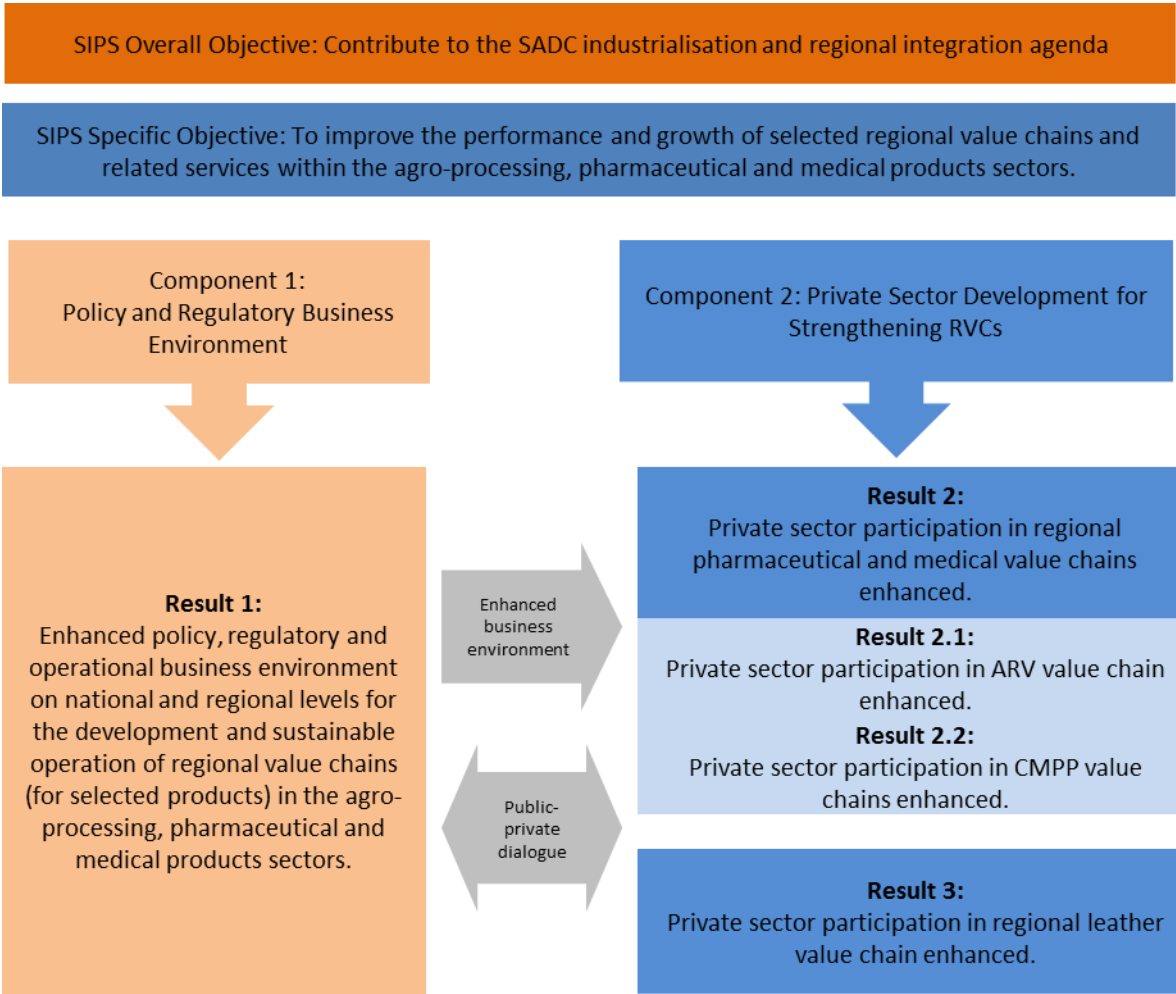
Result 2.2 Private sector participation in the regional Covid-19-relevant medical and pharmaceutical products (CMPP) value chains enhanced.

Result 3: Private sector participation in regional leather value chain enhanced.

The description of results 2.1 and 2.2 in this document indicates, that the ARV and CMPP value chains are exclusively supported under this result. To achieve the outcome, Results 2.1, 2.2 and 3 will be pursued through the list of indicative activities under each Result (see chapter 3.2). These lists demonstrate the intended scope of work proposed for this Action. It is expected that the activities will to some extent change during the course of the Action's implementation in response to, for instance, changes in the political, legal, institutional and economic environment; more precise information about RVC constraints and growth potential will be available for result 2.1 and 3 at the end of the inception phase as the results of the detailed mapping exercise will be available; the detailed configuration of and developments in the stakeholder landscape in individual Member States with respect to the degree of private sector actors' interest and commitment; and the outcome of discussions and negotiations between partners, SADC Secretariat, GIZ, BMZ and the EU on the detailed implementation arrangements (e.g. roles, functions, planning and monitoring modalities, modes of operation).

GIZ will make every effort to ensure close coordination with the SADC Secretariat which is responsible for implementing Component 1 (Result 1) and for the overall coordination of the SIPS programme.

The following figure illustrates the design of the SIPS Programme:



SADC, while implementing Component 1, will be responsible for all interaction with Member State governments and for the policy and regulatory framework condition. GIZ, while implementing Component 2, will be responsible for the interaction with the private sector from selected Member States.

3.2 Indicative fields of activities

As specified in the SIPS Action Document and agreed in Covid-19-response discussions between the EU Delegation, the SADC Secretariat and GIZ, and supported by BMZ, implementation by GIZ entails the realization of most activities related to Result 2 and Result 3, except activities related to a) pooled procurement of raw materials and b) removal of barriers to input supply, which will be implemented by SADC with input from the other relevant stakeholders where required.

Though ample development gap and production information exists, it will be necessary to bring together sector-related stakeholders for each priority value chain from across the region to further define the interventions of the Action and to refocus attention on responding to regional value chain constraints and development opportunities. To this end, a detailed VC analysis will be undertaken during the inception phase to make well-informed choices and to find innovative solutions and approaches for this regional value chain development programme. It will help inform the design and implementation of interventions.

3.2.1 Main activities of the inception phase

The world-wide Covid-19 crisis struck the action while staffing and initiating the inception phase. The countermeasures to prevent the disease (like national curfews, contact restrictions, reliance on a weak internet/mobile phone network, travel bans) negatively affected the capability of the project and its partners and potential beneficiaries to fully start in-depth mapping exercises envisaged as inception activity for results 2.1 and 3 as planned. To actually combat the Covid-19 crisis as much as possible within SIPS, the project will initially concentrate on result 2.2, the Covid-19-relevant products. Only after the current Covid-19 restrictions will have been lifted, which is projected to happen in late 2020/ early 2021, comprehensive and/or Covid-19 adapted inception activities for result 2.1 and 3 can set in.

Specific activities of the inception phase related to CMPP value chains are:

- Gather updated data on actual and potential producers and productions projects of Covid-19-relevant medical and pharmaceutical products with a focus on producers of low-tech but high-quality items. Relevant areas can include different product groups that use various production methods and technologies, e.g. PPE (face masks, FFP2 face masks, gloves, face shields, medical gowns, etc.), hand sanitizer and hospital disinfectants, as well as hospital equipment such as ventilators and treatment-related essential drugs, etc. Identify possible local manufacturers and/or distributors of upcoming Covid-19 drugs and/or vaccines (if applicable).
- Compose and publish a regional call for proposals for innovative projects for the production of Covid-19-relevant medical and pharmaceutical products (see also chapter 4.3.5), based on the acquired knowledge of the sectors
- Contact locally established human vaccine manufacturers to discuss future possible local production of a Covid-19 vaccine.

As part of the inception phase, for result 2.1 and 3 a detailed mapping and profiling analysis of the ARV and the leather value chains (including associated value chains) will take place. The assessment will follow a holistic approach, linking economic, environmental, social and institutional dimensions. The results of the VC analysis are of utmost importance as they will further inform the intervention logic and narrow down the scope of the Action. Based on the results of the detailed mapping the specific objective indicators may be refined and measurable baseline and target values defined for the indicators of Results 2.1 and 3.

Indicative activities of the inception phase for these results are:

- Develop the methodology for conducting a detailed mapping and profiling analysis geared to the needs of the ARV and the leather value chains. The methodology for a comprehensive RVC analysis intends to map bottlenecks and opportunities along the RVC for sustainable production systems and value addition. The design of the mapping exercises will have to be complemented by an analysis of the economic implications Covid-19 has on the existing value chains.
- Selecting Member States and their production capacities for the in-depth analysis to get insights from sector-related stakeholders is a key step to take. The potential to enhance the performance of the respective value chains segments rapidly in respective SADC Member States under the Action is guided by the following general criteria: existing performance scenario of the segment and existing regional business linkages, government support, state of organisation of the SMEs currently and other development partners

support activities. In more detail the basis for prioritisation will also include criteria defined in the SISR Costed Action Plan, in terms of their potential to create jobs (for women and men), increase trade, generate regional value chains, participate in global value chains, generate value addition, attract investments, and scale up and upgrading. GIZ may adjust the general and detailed criteria.

- Conduct comprehensive analyses/mappings of the two RVC in order to identify expansion potentials and bottlenecks. This analysis will include – but will not be limited to – a detailed gender analysis, an in-depth environmental assessment, and an in-depth climate adaptation and climate mitigation analysis.
- Identify and select potential associated VCs with development potential, based on a thorough analysis and agreed criteria with a focus of maximizing positive sustainable development impact (including employment effects) for regional integration and industrialization (pre-selection and selection of a viable number for deeper analysis). The priorities of the SISR Costed Action Plan could be captured in the following key criteria proposed for the selection process of this Action given the limited budget available. These are the potential to (i) generate value addition, (ii) create jobs, (iii) increase trade, (iv) generate regional value chains, (v) participate in global value chains, (vi) attract investments, (vii) for SME integration into value chains; (viii) and to scale up for upgrading strategy for tangible results through the Action. Moreover, the impact on gender, vulnerable population groups such as youth will also be taken into account. GIZ will make the final decision on the selection criteria guided by recommendations of the steering committee during the inception phase.
- Conduct consultation meetings with major public and private stakeholders to disseminate findings and for validating on RVC strategy regarding ARV/leather and associated VCs (e.g. identified clusters, stakeholders, intervention approach, development of value chain plans etc.).
- Develop sustainable (regional) value chains and value addition road maps or strategies for each priority value chain.
- Specific issues related to the ARV value chain are:
 - o Gather updated data on actual producers of ARVs and associated products, such as medicines treating co-infections, packaging materials and rapid diagnostic tests.
 - o Map SMEs producing excipients or packaging materials and those that offer services, for example in water purification, maintenance or specialised distribution and logistics.
 - o Organize pharmaceutical value chain labs and fairs to identify potential linkages between suppliers and buyers and bottlenecks (involving especially SMEs)
 - o Draw a picture of input and services sourcing within the region and the employment it provides.
 - o Note companies' GMP-status and skills requirement.
 - o Assess the capacity of private sector associations to improve trade in their sector through information dissemination, training of staff, development of guidelines and towards the implementation of pooled procurement of raw materials or other pharmaceutical production inputs sourced from intra-SADC sources.

Indicative activities of the implementation phase (after the inception phase) have been defined for five Sub-results:

- i) Enhanced business, entrepreneurial and subject matter knowledge skills,
- ii) Improved capacity for business operating systems and procedures,
- iii) Enhanced knowledge of technologically driven, high quality, modern and environmentally sustainable production systems,
- iv) Enhanced access to efficient input and output markets and
- v) Facilitated access to affordable, flexible and innovative financing arrangements.

The indicative activities for each value chain will be described in the following along these five Sub-Results.

3.2.2 Indicative activities of Result 2 Pharmaceutical and Medical RVC

3.2.2.1 Result 2.1 Anti-Retroviral RVC

Indicative activities under Result 2.1 ARV and associated value chains include:

Sub-result 2.1.1 Enhanced business, entrepreneurial and subject matter knowledge skills

- Support the involvement of business alliances and networks of regional and national intermediary organisations relevant to ARV regional value chains in public-private dialogues (planned activities include e.g. advocacy trainings for private sector organizations, preparation of studies on private sector needs).
- Facilitate development of effective industry- knowledge clusters involving companies active in the ARV value-chain and knowledge institutions (e.g. by developing a curriculum for industrial pharmacist based on private sector needs).
- Develop and conduct training measures based on gender-sensitive skills needs analysis with respect to technical and business management processes at enterprise level and in-service delivery (e. g. related to water purification).

Sub-result 2.1.2 Improved capacity for business operating systems and procedures

- Provide capacity building for pharmaceutical manufacturing companies in the SADC region to better align with WHO-GMP (good manufacturing practice): conduct GMP-Gap Assessments in ARV-producing companies outside South Africa; conduct Corrective Action and Preventive Action (CAPA)-Plan clinics where applicable to identify implementation needs to achieve GMP, potentially WHO Prequalification.
- Develop capacity development measures for selected enterprises/SMEs to strengthen their operating system and procedures (e.g. improving process efficiency (Kaizen/Lean Six Sigma); provide technical support on how to reduce costs, raise productivity, and increase output and sales).

Sub-result 2.1.3 Enhanced knowledge of technologically driven high quality, modern and environmentally sustainable ARV and associated VC production systems

- Facilitate information sharing regarding new technologies in pharmaceutical manufacturing in general and in manufacture of APIs in particular (e. g. delegation visits to ChemProTech and ChemSpec India Fairs, back-to-back with tailored meetings in India, or relevant researchers/businesses in continuous flow chemistry in Germany and Austria).

- Support the transfer, adoption and effective use of appropriate modern technology in the regional ARV value chains (e. g. training of enterprises in the use of newer technologies such as flow chemistry, including potentially through a public-private partnership, environmentally friendly packaging production and chemical waste management). GIZ will aim to implement this activity in collaboration with Component 1 of the SIPS Programme to ensure involvement of the private sector in identifying proposals for research and innovation grants of Component 1.

Sub-result 2.1.4 Enhanced access to efficient input and output markets

- Promote the effective use of locally sourced inputs for production of ARVs through developing new intra-regional market linkages and activate export opportunities among enterprises (e.g. conducting business match-making, buyer /seller meetings, trade show assistance, facilitation of visits from foreign investors, connection to e-market places, inward buyer/client visits, prospecting missions and organising pharmaceutical value chain labs).
- Support the involvement of business alliances and networks of regional and national intermediary organisations relevant to ARV regional value chains in public-private dialogues on overcoming non-trade barriers to effective input supply to the regional ARV value chain (e.g. on private sector consultations regarding the effective use of collective purchasing preference schemes and on the implementation of pooled procurement of raw materials or other pharmaceutical production inputs sourced from intra-SADC sources). GIZ will aim to implement this activity in collaboration with Component 1 of the SIPS Programme.

Sub-result 2.1.5 Facilitated access to affordable, flexible and innovative financing arrangements

- Identify and provide information about suitable and affordable financing options for ARV manufacturing in the SADC region linked to sector-interest positions of investment banks, development banks, equity, venture capital and capital markets. Facilitate match making by linking ARV companies to Venture Capital Funding/ Investment Banks.
 - Provide advice to ARV manufacturing companies on financial and investment planning for upgrades towards technical and procedural achievements
- GIZ will aim to implement this activity in collaboration with Component 1 of the SIPS Programme.

3.2.2.2 Result 2.2 Covid-19-relevant medical and pharmaceutical RVC

Indicative activities under Result 2.2 are:

Sub-result 2.2.1 Enhanced business, entrepreneurial and subject matter knowledge skills

- Provide trainings with respect to technical and/or business management processes at enterprise level (if required for successful bidders as indicated in Sub-result 2.2.2).
- Support conduction of requested preparational/ strategic studies for relevant partner companies in CMPP sector if required (e.g. to enable/ increase production, install new facilities, etc.)

Sub-result 2.2.2 Improved capacity for business operating systems and procedures

- Agree with the successful bidders (see chapter 4.3.5) on grant development and allocation as well as monitoring mechanisms, their social responsibility towards their communities and their counterpart contribution to their innovation project.
- Agree with successful bidding universities and/or NGOs on grant development and allocation as well as monitoring mechanisms, their social responsibility towards their communities and their counterpart contribution to their innovation project.
- Provide technical capacity building and assistance for selected medical and pharmaceutical manufacturing projects and companies in the SADC region, e.g. by supporting them to achieve product certification in a SADC Member State (e.g. by providing technical assistance or connecting them to local cooperation partners),
- Develop capacity development measures for selected enterprises/SMMEs to strengthen their operating system and procedures (e.g. improving process efficiency; provide technical support on how to reduce costs, raise productivity, and increase output and sales).
- If applicable/potential partner company identified: Support promising pharmaceutical companies to demonstrate their potential for local Anti-Covid-19 drug and/or vaccine production (e.g. through a feasibility study)

Sub-result 2.2.3 Enhanced knowledge of technologically driven high quality, modern and environmentally sustainable Covid-19-relevant products and associated VC production systems

- Contact to and engage with relevant international and regional stakeholders such as WHO, Bill & Melinda Gates Foundation, Coalition for Epidemic Preparedness Innovations (CEPI) etc. to identify further use of supported CMPP as well as developments/ requirements in the field.
- Facilitate information sharing regarding new technologies in medical and pharmaceutical manufacturing.

Sub-result 2.2.4 Enhanced access to efficient input and output markets

- Support trade facilitation of goods and raw materials where applicable e.g. by linking private sector companies to measures supported by SIPS Component 1 (pooled procurement) or similar initiatives such as African Medical Supplies Platform (AMSP).

Sub-result 2.2.5 Facilitated access to affordable, flexible and innovative financing arrangements

- Identify and provide information about suitable and affordable financing options for CMPP manufacturing in the SADC region linked to sector-interest positions of investment banks, development banks, equity, venture capital and capital markets.

3.2.3 Indicative activities of Result 3 Leather RVC

Indicative activities under Result 3 are:

Sub-result 3.1 Enhanced business, entrepreneurial and subject matter knowledge skills

- Support the creation of business alliances and networks of regional and national intermediary organisations relevant to leather regional value chains (e.g. regional B2B meetings to promote regional business linkages).

- Facilitate public agencies working with SMEs and intermediary organisations involved in the value-chains to improve and expand service delivery and develop business linkages to better serve the needs of the leather RVC (e.g. on joint action of SMEs'/private sector procurement of raw materials, and marketing).
- Develop and conduct training measures based on gender-sensitive skills needs analysis with respect to technical and business management processes at enterprise level. Design tailor made courses to address the identified gaps.
- Conduct analysis about specific training needs for women entrepreneurs and women employees and develop appropriate training and capacity development measures for this target group.

Sub-result 3.2 Improved capacity for business operating systems and procedures

- Develop capacity development measures for selected enterprises/SMEs to strengthen their operating system and procedures (e.g. training of tanneries in production quality improvement).
- Conduct a study on designing a hides and skins traceability system for the region, this is already be applied in South Africa and Zimbabwe in the exotic leather industry.
- Undertake quality assessment of leather, footwear and leather goods produced by SMEs at national level and develop an inventory of international quality standards relevant to selected segments of the leather VCs; provide capacity building programs to close the identified gaps.
- Develop measures to improve access to market information based on an assessment of market intelligence needs of the value chain actors (e.g. improving/establishing regional and international platforms of market intelligence and leather fashion; training of sector association coordinators on the use and dissemination of market intelligence; business services for trade fair preparation and participation; promote participation in regional trade fairs on promoting the products of the leather value chain).

Sub-result 3.3 Enhanced knowledge of technologically driven high quality, modern and environmentally sustainable leather production systems

- Undertake a technology gap analysis of the SMEs operating in the region against global best practices regarding environmental sustainability and with regard to the application of modern technology.
- Facilitate information sharing regarding new technologies, greening production approaches and sustainability (e.g. provide capacity building on resource optimisation and occupational and training in health standards among others).
- Identify and assess innovation hubs and incubators in selected member states. Design a roadmap of transforming one national innovation centre into a regional innovation hub
- Facilitate the inclusion of private sector perspectives in public-private dialogue fora to discuss regulations related toon leather quality norms, occupational and health standards across the selected member states and to find solutions for issues requiring harmonisation within SADC. GIZ will aim to implement the activity in collaboration with Component 1 of the SIPS Programme which will organise the public-private dialogue fora.

Sub-result 3.4 Enhanced access to efficient input and output markets

- Improve access to market information about inputs and prices of inputs which are available in the region (e. g. undertake an inventory of inputs and prices of inputs which are available in the region, raise awareness among the value chain players of inputs available in the region).
- Promote the effective use of locally sourced inputs for the footwear and leather product value chain through developing new intra-regional market linkages and activate export opportunities among enterprises (e.g. conduct business match-making, buyer /seller meetings, trade show assistance, facilitation of visits from foreign investors, inward buyer/client visits and prospecting missions).
- Facilitate the inclusion of private sector perspectives in public-private dialogue fora on overcoming non-tariff barriers to effective input supply to the regional leather value chain focusing on the footwear and leather products (e.g. high import duties, export tax) and to draw a regional roadmap to eliminate the identified barriers. GIZ will aim to implement this activity in collaboration with Component 1 of the SIPS Programme.

Sub-result 3.5 Facilitated access to affordable, flexible and innovative financing arrangements

- Identify the financing needs of SMEs in the leather RVC
- Identify and assess value chain financing options available and determine the most suitable for leather value chain SME clusters and individual enterprises
- Improve information for enterprises in the leather and associated value chains about financing arrangements available from domestic, regional and international sources.
- Facilitate linkages with financing arrangements available through domestic, regional and international sources.

4 Design of the Action and Programme Management

4.1 Main Partners, Target Beneficiaries

The **main partner** in the implementation of this programme is the SADC Secretariat's Industrial Development and Trade Directorate. For the ARV and the Covid-19-relevant products value chains GIZ will aim to cooperate closely with the Directorate for Social and Human Development which is responsible for attaining an acceptable standard of health for all SADC citizens and the formulation and implementation of health- and HIV-related strategies. Through the Secretariat and the Component 1 of the SIPS Programme, GIZ will aim to coordinate activities closely with the National Medicines Regulatory Authorities (NMRAs) in order to harness regulatory harmonisation efforts under the ZaZiBoNa-Initiative for better trade within the SADC region. Furthermore, GIZ will support coordination with relevant national Ministries of Trade, Industry, Health, as well as Science, Technology and Innovation as well as relevant private sector associations / organisations.

On the Leather value chain work GIZ will aim to cooperate with the Industrial Development and Trade Directorate at SADC, and in a limited way with the Directorate Food, Agriculture and Natural Resources (FANR) as well as the Gender Unit. At Member State level, in the participating countries, the private sector associations in the leather sector will be the main partner of the Multi-donor Action. On the government side, the Ministries or departments of Agriculture, Gender, Industry, Trade and SME development will be important partners in clarifying issues relating to development of the leather and associated value chains.

The **target group** for this intervention includes the private sector (and in particular but not only SME clusters) that already have significant activities in one of the value chains. Target beneficiaries along the ARV value chain are the management and employees of pharmaceutical companies and associated businesses (e. g. the packaging industry, water purification services, or the production of excipients, such as starch, sugars, ethanol). Focus will be on such companies which understand regional business opportunities, and which are technology-oriented, growth-oriented and have the potential to create jobs. Concerning the SME sector, as there is no common regional definition of SME in SADC; the programme will adopt a flexible approach towards the definition of SME, using opportunities where possible. The approach taken will look mostly at those companies which are technology-oriented and/or growth-oriented and/or have the potential to create jobs; and have regional linkages. For the leather sector the focus will be on SME clusters and local champions in footwear and leather goods production. The rationale for targeting SMEs involved in the production of footwear and other leather goods is because of their employment creation potential, high output/input ratio and the market pull potential to other segments of the VC. Emphasis would seek to strengthen regional value chains linking countries that have a high number of SMEs operating in the targeted VC segments already. A final selection of SME clusters in the SADC region relevant for the Action will be done based on the results of the detailed mapping exercise. Target beneficiaries along the Covid-19-relevant products value chains are the owners, management and employees of companies producing medical Covid-19-relevant products (like face masks and other PPE, or disinfectants or ventilators) as well as pharmaceutical companies being able to produce Anti-Covid-19 drugs and/or vaccines. Focus will be on producers of low-tech but high-quality certified items, and on companies that have the potential to continue production during the Covid-19 crisis and, ideally, to extend production. Secondary criteria refer to understanding regional business opportunities, orientation towards technology and growth, and the potential to create jobs. The ultimate beneficiaries of the support for CMPP production are the general population and health workers who should finally be in a position to protect themselves effectively and affordably against Covid-19 (and other infectious diseases).

In order to create significant impact through the regional value chains, it will be necessary to select the countries in which activities will be implemented. The selection of countries targeted for implementation will be finalised during the Inception Phase. The activities of this Action have been developed to achieve the indicated level of impact in up to five (5) Member States of SADC for the leather value chain and up to three (3) for ARVs. Activities for the Covid-19-relevant products value chains will support producers of low-tech Covid-19-relevant products in as many SADC Member States as possible. High(er)-tech products may require skilled producers to be found only in few SADC Member States.

Other Non-State Actors (NSAs) or Intermediary Organisations that are actively involved in the areas of industrialisation, sustainable value chain development and regional integration are also part of the target group, such as:

- Sector-related business associations for the respective value chains (e.g. Leather and footwear associations in the respective countries and semi-government Trade Support Institutions; Southern African Generic Medicines Association (SAGMA); there are five different private sector groups or associations in South Africa, of which three focus on generic and/or local manufacturers; some other Member States have more or less active national pharmaceutical manufacturers associations.)

- The inclusive platform of SADC's private sector, the SADC Business Council representing private sector interests towards SADC which is another coordination and engagement platform for public-private development activities within the SADC region to enhance regional industrialisation.
- The Association of SADC Chambers of Commerce and Industry (ASCCI).
- National initiatives and university projects that have been initiated to satisfy demand for higher-quality Covid-19-relevant products not yet produced (to the sufficient amount) in the region.
- The Small Enterprise Development Agency (SEDA) from South Africa and similar organisations that support local manufacturers working to produce Covid-19-relevant medical products and are experienced in certification, regulatory standards and guidelines of production for PPE.
- Other relevant national and regional associations such as business, investment and trade support organisations, quality institutions, professional associations, NGOs and Pharmacy Councils, research centres (e.g. pharmaceutical and chemical research facilities) and tertiary and vocational training institutions.

For results 2.1 and 3, in line with the national approach applied to this Multi-donor Action and in accordance with Protocol 3 on South Africa of the Cotonou Agreement, South Africa's participation in specific actions is assumed by the EU to be funded from BMZ's contribution to the SIPS programme. GIZ will be responsible to monitor that such costs, along with other costs considered non-eligible costs under the provisions of this Agreement, do not exceed the BMZ contribution to the Multi-donor Action. For result 2.2, both donors (EU and BMZ) are aspiring to jointly cofinance related activities in all targeted countries of this Action, including South Africa, without the preceding restriction. To do so, the Contracting Authority will request authorization from DEVCO headquarters to use SIPS funds on CMPP and/or individual financing contracts of CMPP in South Africa.

4.2 Methods of Implementation and implementing partners

The proposed implementation modality uses GIZ's expertise in value chain and private sector development in the three selected sectors leather, medical products and pharmaceuticals. It builds strongly on GIZ's programme supporting the SADC Secretariat in improving selected aspects of regional trade and industrialization (CESARE II). GIZ will be responsible for the implementation of the activities geared to enhance private sector participation in the ARV, the leather and the Covid-19-relevant medical and pharmaceutical products RVC. The implementation will be guided by the SADC Secretariat, which is responsible for the overall coordination of the SIPS Programme (for more details see chapter 6). GIZ will make every effort to participate in the coordination between Component 1 on policy and regulatory framework conditions for RVC and Component 2 on private sector development. GIZ will continuously explore and, where possible, realize synergies with the CESARE II Programme regarding overcoming non-tariff barriers to trade that impede intra-regional trade in the SADC region in the three priority value chains and facilitate the inclusion of the private sector perspective in the public-private dialogue to refocus attention on regional value chain development among SADC stakeholders.

This Action on Component 2 (Result 2 and 3) is designed to facilitate industrialisation in the region by supporting **strategic regional value chain interventions at private sector level**, as identified by the SISR. The RVC strategy envisages a production system which is comparable to global value chains (GVC) where the different stages of the production process

are located across different countries globally based on comparative advantages and firms try to optimise their production processes by locating the various stages across different sites. However, it differs in that it is regionally aggregated and results in final products exported by a company within a specific region. The RVC strategy for SADC is expected to trigger sustainable industrialisation by enhancing integration, productivity, and division of labour in the region and incorporate indigenous firms into a region-wide logistical system that will be gradually optimised. Once the RVCs are established, intermediates and end products can also be exported globally, particularly to other developing markets. This lays foundations for consolidating and upgrading the process so as to link it to GVCs. Thus, RVC development can function as a stepping stone to further global integration of the SADC region. By supporting the development of RVCs in the targeted sectors, the Action contributes to increasing regional trade in intermediates and strengthening regional integration as SADC firms expand their markets and improve their productivity.

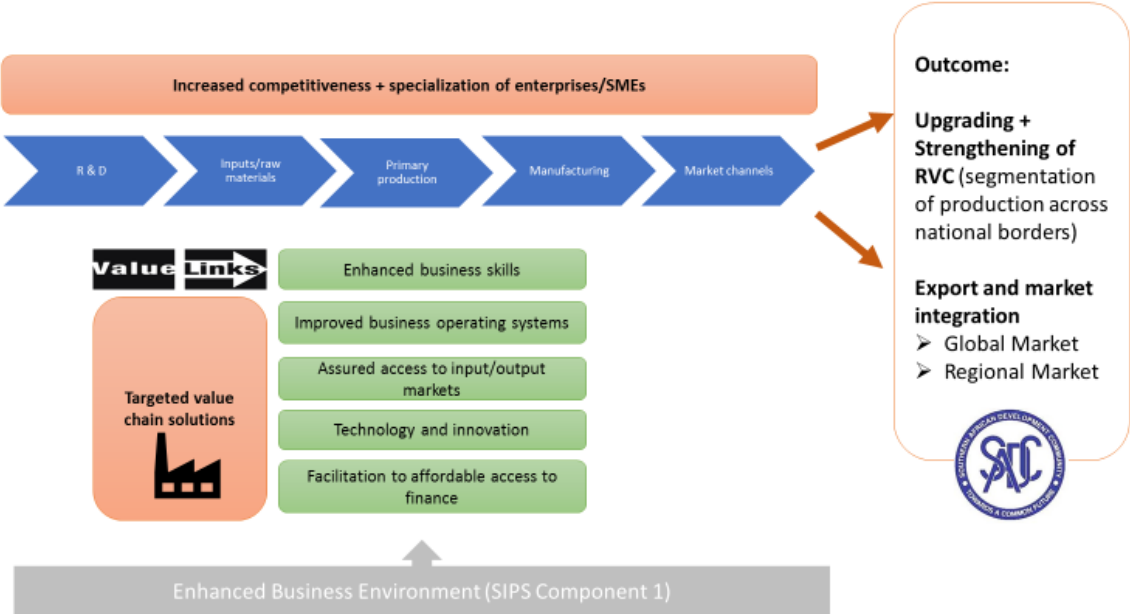
The proposed Action delivers **systemic change** by addressing market failures as well as coordination and linkages failures together with competitiveness constraints to RVC development at national and regional levels. It will engage selected companies (preferably SM(M)Es) involved in the business of the value chains with a view to strengthening their management and capacity to reach higher value addition; promoting acquisition of new technology and innovation; market linkages at local, regional and international levels and strengthening the SM(M)Es' capacity to fulfil buyer and market access requirements. Particularly, towards increased productive capacities and export competitiveness of clustered SMEs within the targeted regional value chains, this intervention involves training, accompanying, coaching and advisory services that will develop intra-SADC value chains linkages by connecting industries in one country with those of the other countries of the region which supply input for processing or market for national industries. The Action is structured to directly support these RVC and promoting regional linkages between private sector operators and organisations as well as identifying constraints and recommendations to improve the regional business environment. Since the Action under this component is focused on the private sector, identified constraints related to policies and regulations will be handled under the responsibility of the SADC Secretariat for Component 1. In this regard, GIZ will aim to facilitate close collaboration between the two components. Business membership organisations and/or sector associations are important partners to improving the business environment and providing business services for upgrading the production systems. A key success factor is to focus entirely on addressing and removing those bottlenecks with the view to transform the entire regional value chain. The Action will ensure that proper attention is paid to social and environmental standards.

The outlined Action will be managed using the management tool of GIZ "Capacity WORKs". Capacity Works is GIZ's management model for sustainable development. It is designed to help manage and steer projects and programmes so that an effective and sustainable contribution is made to developing the capacities of individuals, organisations and institutions in the partner country. This challenge is tackled by using five success factors. They represent different perspectives to be adopted when systematically managing a cooperation system: strategy, cooperation, steering structure, processes, and learning and innovation. The Action is designed and managed on the basis of these success factors using practical, innovative and result-oriented tools¹.

¹<https://www.giz.de/de/downloads/giz2017-en-advisory-service-capacity-works.pdf>.

Therefore, this Action follows a **multi-level capacity development approach** including activities to build capacity at the level of individuals (change of business behaviour through human resource development), organisations (through improving service delivery of business related institutions, business process management and organisational development), the cooperation system (through networks and cluster approach) and the policy field (through private sector dialogue fora and awareness raising activities about the economic rationale of RVCs). The following figure illustrates the implementation strategy of the Action (Component 2 of the SIPS Programme):

SIPS Component 2 – Private Sector Development Approach to RVC



4.2.1 Inception Phase: Detailed Value Chain Mapping and identification of Covid-19-grant recipients

In designing the regional value chain intervention, it is important to identify critical bottlenecks along the regional value chain and associated value chains from the beginning to the end of the trade route. Thus, for implementing Result 2.1 and 3, a comprehensive analysis of the sector’s value chain and associated value chains is an integral part of the strategy development process. This analysis results in the identification of all players, processes and linkages within the two priority sectors. The process serves as the basis for analysing the current performance of the (regional) value chain and for deliberating on options for the future development of the sector.

The analysis charts the main stages involved in the sector’s export process (intra-regional and global markets), from inputs sourcing to distribution in market segments. It is important to identify in particular those bottlenecks that have potential transformational effect on the entire regional value chain. This is followed by the identification of key stakeholders, which includes not just the primary players (e. g. producers, processors, distributors etc.) but also those fulfilling support functions with direct linkages to the primary players. These support services include input providers (e. g. meat suppliers, equipment and packaging suppliers, etc.), transportation service providers and financial service providers, among others.

In addition, a benchmarking analysis to establish the gap between the operations of local SMEs against international best practices should also be undertaken for the leather RVC. The detailed mapping and benchmarking data will give a robust picture of the exact situation before the Action with regard to the performance of SMEs and the support institutions (baseline data). The benchmarking will show the gaps that will need to be closed with regard to the status of SADC enterprises/SMEs to compete in the regional and global market.

The business support network comprising of trade support organizations, business services providers and training institutions will be also included in the mapping and profiling exercise. An analysis of the quality of service delivery and constraints affecting these support institutions are an important input to highlight gaps in service delivery relative to specific sector needs. The analysis will also look at their level of influence (i.e. their credibility and ability to influence public policy and other development drivers in the country/SADC region and therefore make things happen or change) and their level of capacity to respond to the sector's needs. Identifying potential and credible representatives of the private sector is important for the public-private dialogue to be set up in close collaboration with the SIPS Component 1.

Involving stakeholders is based on their commitment to partnership agreements, their ability to meet the needs of each actor in the partnership, the provision of incentives to knit partners together in the model, transparency and easy flow of information as well as the presence of Lead Champions or Facilitating Agents. These are success factors for regional value chains. In order to increase ownership by Member States and improve the performance and growth of the priority regional value chains and related services, the principle of subsidiarity applies as far as it can in this Action. In general, the Action aligns to the following guiding principles of the value chain approach:

- Value chain development initiatives will only succeed when market actors (the private sector) are in the driver's seat and have worthwhile incentives (e.g. more stable turnover and profit, government stocking of regionally produced essential medical and pharmaceutical products for infection prevention and control as well as guaranteed government procurement of locally produced ARVs takes place).
- Market approach: Value chains will be looked at from the market perspective: What and where is the market for a specific product, what are the constraints for that product to reach the market, etc.
- The bottom line for value chain development is the economic dimension, specifically the potential for market growth, employment creation, comparative advantage and added value. Without strong economic potential, prospects for sustainable development are low. Institutional factors, such as the policy environment, must also be favourable, in order for a project to achieve greater impact.
- Combining economic objectives with environmental and social goals, along with an enabling institutional environment provides a more comprehensive picture of the different value chains under consideration, allowing the Action to better assess the opportunities and risks at an early stage and ensure that these are not overlooked.

The comprehensive and participative value chain analysis will immensely contribute to identifying potential clusters (enterprises/ SMEs; business support organisations) and to designing tailor made activities that address the specific issues and constraints of existing SME clusters, rather than applying an unfocused generic approach. Together with relevant sector-related stakeholders (regional) value chain development strategies for both value chain will be developed which will guide the sequence and steps of implementation. GIZ has developed a

methodology on value chain development, called “ValueLinks”, which will be used for analysing, planning and implementation where appropriate².

Due to the current Covid-19 crises, the focus of implementing Result 2.2 is on increasing innovative production itself, and in the medium-term on generating value from intra-regional linkages. Thus, there is a need to select the most promising innovative projects for CMPP production and products by means of a region-wide, transparent call for proposals that would then be supported with grants (see chapter 4.3.5). The bids will be selected by the the following criteria already agreed with the SADC Secretariat: 1) company’s general operational maturity and stability, 2) project plan strength and clarity, 3) impact of SIPS support on project’s probability of success, 4) speed to implement project, 5) Covid-19-related industrial development and health benefit, 6) company’s level of relevant technical capability, 7) regional distribution within SADC. The resulting short list of companies will then be discussed and finalized with SADC technical personnel in line with pillar-assessed GIZ rules to confirm the credibility and eligibility of selected companies as well as the importance of selected innovative projects.

4.2.2 Pharmaceutical and medical value chains Intervention Approach

4.2.2.1 ARV Value Chain

Through Result Area 2.1 the project intends to enhance private sector participation in regional anti-retroviral (ARV) and associated value chains. In order to address the skills shortages for the pharmaceutical sector, the project will develop linkage or placement programmes between educational and vocational institutions and the pharmaceutical industry. Thereby it is intended to integrate larger portions of industrial pharmacy into Bachelor and/or Master of Science programmes, or to train specialised pharmaceutical technicians that are able to maintain machinery and oversee production processes in a GMP environment. This will particularly enhance the subject matter skills.

Non-adherence to WHO- or Stringent Regulatory Agency (SRA)-GMP-standards is a major barrier to accessing donor markets. Also, the Pharmaceutical Inspection Co-operation Scheme (PICS) compliant standards in South Africa will make it difficult for companies from the region to export to that market. The project will thus support pharmaceutical companies in countries other than South Africa through GMP gap assessments and advise them towards drafting Corrective Action and Preventive Action (CAPA) Plans. This will outline upgrading needs for participating companies towards achieving WHO-GMP and WHO-prequalification. This improvement of business operating systems and procedures (Sub-Result 2.1.2) will be complemented with advice on financial and investment planning towards achieving the relevant production standards (Sub-Result 2.1.5).

The Action will also offer an assessment of process inefficiencies at these and potentially associated businesses in order to improve competitiveness and market access. Through information exchange on these approaches and other issues in the pharmaceutical sector and associated businesses, respective sector associations and one-off events will identify issues that need to be addressed at a policy and regulatory level or through business associations.

The ‘SADC Feasibility study on Regional Manufacturing of Medicines and Health Commodities’ highlighted that there is an opportunity in the region to leapfrog existing batch production

² The manual on this can be found here: <http://valuelinks.org/manual/>

methods in order to “achieve the necessary competitive advantage [over Indian and Chinese manufacturers] if it were to adopt flow-based technology as the production approach” to APIs. “Continuous flow processing offers the potential of improved manufacturing performance through higher efficiencies, better safety, easier process control and lower capital cost”, as well as a smaller environmental footprint. The project will support identified relevant stakeholders (e.g. aspiring API researchers/ producers) pursuing this recommendation to learn more about the application of the technology in API production and to build contacts to manufacturers of the equipment by funding a delegation to a relevant industrial fair or other appropriate forum and organizing meetings around this. This applies if relevant stakeholders for API production can be identified and relevant fairs/ meetings can take place despite the restrictions of the Covid.19 pandemic.

Based on the mapping of SMEs producing excipients or packaging materials and those that offer services to the pharmaceutical industry, the project will organise a pharmaceutical value chain lab and fair to identify potential linkages between suppliers and buyers and bottlenecks in the intraregional trade for these products and services, and to develop approaches to open up these bottlenecks. Sector associations involved in this activity will take this up with relevant ministries in their countries and encourage policy coordination in this multi-disciplinary field. Companies will be trained to improve their product/service and productivity to achieve better access to the pharmaceutical industry market.

4.2.2.2 Covid-19-relevant Medical and Pharmaceutical Value Chains

Through Result Area 2.2 the project intends to enhance private sector participation in CMPP and associated value chains. In principle, the following strategy to identify and support relevant private sector companies in SADC during Covid-19 crisis will be followed:

1. Low Tech: Concentrate assessment on producers of low-tech but if possible high-quality and/or certified items to be able to identify private sector partners in various SADC member states (e.g. medical masks, hand sanitizers).
2. Potentiate potentials, support companies already producing relevant items to be able to continue to produce during the crisis and, ideally, to produce more efficiently and effectively through the realisation of innovation projects.
3. Financing of innovation projects: Provide grants to realise these projects, while supporting the bid-winning companies with technical assistance if required.

After having selected the most promising innovative projects for Covid-19-relevant medical and pharmaceutical products (see chapter 4.2.1), SIPS will then discuss grant development and allocation with the selected companies and universities/NGOs (see chapter 4.3.5). The development and implementation of a robust and reproducible monitoring process by the Action will help to maximize the impact that is obtained from the grants. It will also maximize the probability that they are utilized as agreed and expected. The monitoring system will be designed to ensure that this can be implemented remotely and at low cost, that is with minimal requirements for on-site visits and usage of online meeting and reporting tools etc. It will also be designed to allow equal application across SADC. It should not represent an unnecessary burden on company management and will also take into account the fact that smaller recipients do not have the same level of management reporting experience and infrastructure when compared to larger, established companies. If utilized effectively, the monitoring is expected to be beneficial to companies as it should highlight any clear deficiencies, issues or other

significant challenges that prevent the recipient from effectively operating the grant-related portion of their business.

Since companies will be selected by a region-wide call for innovation proposals, there is a reasonable chance to balance the accorded grants across industries and countries to ensure that support is as fairly spread as possible. To ensure availability of Covid-19-relevant products in particular in the most vulnerable countries, the programme will select companies from there, if possible, and will consider to make awards to companies and countries that offer the greatest export potential.

The provision of accompanying technical assistance (TA) to grant recipients will depend on the feasibility and need-based relevance of such TA. The needs of companies will be assessed after the bid-selection process and, in addition, emerge from the monitoring and evaluation process. If multiple companies have the same TA needs, addressing such needs will be prioritised. This could for example comprise provision of TA with regards to achieving product certification in one SADC member state and thus involve hiring of relevant expertise through consultants and/or local implementation/ cooperation partners. The feasibility and type of TA needs to be evaluated carefully on a case by case basis as clearing of many obstacles will possibly involve various stakeholders and required time.

To understand and, if possible, help defining a possible role for local Covid-19 vaccine and/or drug production in 2021 and 2022, SIPS project management will connect to and engage with relevant international and regional stakeholders such as WHO, Bill & Melinda Gates Foundation, CEPI, etc. and of course relevant established human vaccine and/or drug manufacturers in SADC, e.g. BioVac in South Africa. If required and agreed, a feasibility study considering technical and contractual opportunities/constraints of a selected manufacturer as well as logistical and economical preconditions within SADC could be commissioned and/or financially supported if funds suffice or additional funds become available.

In case in 2021 and 2022 additional funding is available for CMPP the Action will continue supporting the identified companies and sub-sectors to further strengthen their capacities. The support will focus on ensuring sustainability. There will be a gradual shift from financing innovation projects towards companies to strengthening of selected sub-sectors relevant to combat Covid-19 and similar pandemics. With this tiered approach, the project would strive to achieve positive effects on both, a rapid Covid-response and a lasting positive impact on the industrial capacities of the region.

All proposed activities within this project would be strengthened significantly if accompanied by implementation of related and required political and administrative activities. These include among others 1) thorough analysis of the need for Covid-19-relevant products in SADC Member States, 2) support to/ extension of a pooled procurement approach to CMPP products allowing larger orders from local companies, swift reactions to identified needs and economy of scale and 3) removal of Covid-19 trade restrictions.

4.2.3 Leather Value Chain: Intervention Approach

Through Result Area 3 the project intends to enhance private sector participation in regional leather and associated value chains. The leather supply chain in the SADC countries and also across the entire region has enormous gaps with regard to the supply of high-quality intermediate inputs timely and in adequate quantities and varieties that meet the market demands and tastes. In addition to this there is limited or no systematic collaboration both

vertically and horizontally by enterprises in the VC, however new initiatives are emerging in South Africa and also Malawi, Zambia and Zimbabwe.

Regarding **enhancing business and subject matter knowledge skills** (Sub-Result 3.1) facilitators for cluster management will be trained to strengthen the cluster approach. The success of developing a viable cluster is hinged on whether there is an economic or technical opportunity to develop joint actions on procurement, production, marketing or joint research and development. The centrality of clustering is that it provides for joint action on the execution of business transactions, which leads to reduction in unit costs, access to quality inputs and large formal markets. Moreover, SMEs owners and/operators will be trained on joint action on procurement, production and marketing. Also, regional B2B meetings to promote regional business linkages will be organised together with respective sector associations.

Training will be implemented at two levels starting with a regional Training of Trainers (ToT) course of experts drawn from intermediary institutions, who in turn will be expected to deliver training programs at country level, offer continuous coaching, mentoring and monitoring of the selected enterprise clusters. The offering of other services such as coaching, mentoring and monitoring beyond the first training is premised on the fact that behavioural change, adoption and adaption of new management and production processes is not an event but a process.

In the field of **business operating systems and procedures** (Sub-Result 3.2) tailor made training courses will be designed and conducted on quality improvement based on the detailed mapping exercise. The Action will support the development of information and experience exchange platforms for enterprises in the leather industry and associated value chains to the extent that they impact on the production of leather. Many SMEs operating in the region operate in isolation and have no access to market intelligence about the latest fashion trends, growing market segments of products, new and growing markets nationally, regionally and globally. In addition, through better support services provided by sector associations the use and dissemination of market intelligence as well as access to regional trade fairs will be promoted through for example specific trainings and coaching offers.

The cluster approach is also instrumental for improving SMEs access to high quality and competitively priced inputs and also to meet minimum export order quantities. Modalities for undertaking joint imports and exports for SME clusters will be designed (e. g. facilitate the signing of service level agreements among value chain players on joint imports and exports or facilitate pilot schemes on joint importing and exporting of inputs and products respectively). In the area of footwear, it is imperative to note that sizes are defined differently in different markets both in the region and globally, hence there is a need to ensure in the production process that products display the international applied size standards to ensure easy comparison during purchase. Furthermore, a study on developing and designing a regional hides and skins traceability system is proposed. Approximately 80% of hides and skins produced in the region outside South Africa display high levels of pre-, peri- and post-slaughter defects, which ultimately impact negatively on the quality of finished leather. The study will contribute to the designing of a traceability framework which will be applied and thus will assist in identifying enterprises responsible in the production of both poor and good quality leather. The implementation of the system provides penalties and rewards designed to motivate improvements in the quality of hides and skins trade.

To **enhance knowledge of technology driven and environmentally sustainable production systems** (Sub-Result 3.3) the Action will facilitate information sharing about leather quality, norms, occupational safety and health and international environmental

standards through sector specific events and trainings. For example, in the production of leather there are banned chemicals internationally and also in specific markets like the EU there is the “Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH” Directive. South Korea and Turkey are in the process of designing and implementing an equivalent framework. To this end, the Action will use – where appropriate – the “Practical Chemical Management Toolkit” co-developed by GIZ³ for trainings of owners/managers of SMEs for both value chains. Discharge of effluents from tanning plants is guided nationally and internationally by environmental regulations that define the minimum discharge thresholds of certain hazardous chemical residues; however, a number of tanneries in the region are not well equipped technically to meet these regulations. In addition, meeting environmental quality regulations, occupational and health standards are emerging as major marketing tools or conditions to enter global fashion markets. Many global retail chains and fashion houses are now interested in products that meet sustainable environmental objectives and also ensure that those workers are safe from all the hazards associated with working in leather factories.

The Action will primarily focus on standards required by the markets (voluntary standards) and map gaps with regard to the capacity of SMEs to meet national and global regulations of minimum discharge residues and compliance with global frameworks. The EU is one of the leading markets for leather products; hence there is a need to ensure that regional enterprises operate in line with REACH. The harmonisation of regulations in the leather sector is under the responsibility of Component 1 of the SIPS Programme.

The application of high-end technology, cleaner production, resource optimisation and environmental sustainability will require the collaboration of private sector enterprises with research institutes. Up to now there is limited information available about existing innovation hubs, business incubators and R & D institutions in the region supporting the development of the leather sector. Efforts are currently underway to establish a Leather Research Centre for the development of the leather sector at Pretoria University. This momentum might be used as a first entry point to build and improve linkages between companies and research institutes and to provide targeted services for SMEs to modernize and greening their production system (e.g. training, coaching, mentoring, support of pilot “demonstration” measures). Moreover, exposure visits to countries where the leather sectors are already more advanced (e.g. Turkey and Italy) will be supported by the Action.

In order to promote the **effective use of locally sourced inputs and output markets** (Sub-Result 3.4) for production and processing of leather there is limited knowledge of what the region can provide as inputs into the production of leather, except for raw hides and skins. Given the scenario, the rest of enterprises in the SADC member states are forced to import chemicals, accessories, e.g. soles, lasts and other inputs from Europe and the Far East. In order to promote trade on those inputs that are available in the region there is a need to develop a data base of suppliers in the region who are currently producing and marketing such inputs. In order to accomplish this, together with sector-associations and sector experts an inventory of inputs and prices of inputs which are available in the region will be done. Through awareness raising and information sharing among the value chain players the knowledge about available inputs in the region will be strengthened. Moreover, through facilitating the holding of regional B2B between potential users and suppliers of regionally available inputs local sourcing will be enhanced.

³ For further information: <https://www.global-chemicals-waste-platform.net/home.html>

The cost of processing of low-quality hides and skins and the practice of selling and buying hides and skins without grading, which is prevalent in many countries, provides a compelling case to introduce a system that allows the identification of those players who are responsible for the production of poor- or high-quality hides and skins. A study on designing a hides and skins traceability system will be conducted with the aim that implementation of the traceability system will result in price incentives and penalties pushing livestock farmers and slaughter house to ensure that they engage in practices that ensures the production of high-quality hides and skins. GIZ will share the recommendations of the study with the SADC Secretariat (SIPS Component 1). The Secretariat may use the recommendations of this study as a possible subject of public private dialogue fora (at national and/or regional level). The SADC Secretariat (SIPS Component 1) might also conduct Public-private dialogue fora on other pressing issues from a private sector perspective on the removal of trade barriers to effective input supply including chemicals and leather processing inputs to the regional leather value chain. The implementation of the agreed policy recommendations in particular those relating to tariffs, taxes and technical regulations falls under the responsibility of SIPS Component 1.

For modernizing the production system many enterprises will need **access to affordable financing arrangements** (Sub-Result 3.5). The Action will provide information about financing options available from private and public sources in the respective Member States and international development partners (e.g. EU SIBE Support to the Investment and Business Environment in the SADC region). For more details on synergies with other international development partners project to facilitate investment into associated leather value chain enterprises see chapter 4.5.

4.3 Programme Management

GIZ will work with a staff team at regional and national levels that provides technical and managerial advisory services, both through long-term national, regional and/or international staff (budget lines 1.1 and 1.2). GIZ will be acting as a contracting authority, concluding, monitoring and managing contracts, carrying out payments, and recovering moneys due, e.g. for contracting external experts (external personnel, budget line 1.3) in order to implement activities foreseen under Result Areas 2 and 3. This may include provision of coaching; measures to enhance “learning on the job”; trainings/workshops; national, regional and international study tours and exchange visits; organisation and facilitation of learning formats; policy experimentation and development (training of partners, budget line 5). This will be complemented by awarding grants, in particular, but not exclusively for financing innovation CMPP projects under Result Area 2.2 (financing, budget line 4).

The main office to steer the action will be situated in Gaborone, Botswana, as the SADC Secretariat has the overall responsibility of the SIPS Programme. The action will be implemented within the institutional framework of the GIZ CESARE II Programme, but will still form an independent, separate structure with regard to objectives, operational planning and staff (for further information on CESARE II see chapter 4.5). Further decentralised project offices will be set up in selected SADC Member States depending on the results of the detailed mapping exercise during the inception phase. To the extent possible, staff members in SADC Member states may be based in partner offices (e. g. sector associations) and/ or GIZ bilateral project offices. They serve the purpose to facilitate the identified enterprise cluster and the implementation of the value chain development plans.

GIZ headquarters (Germany) and the existing GIZ country office in Botswana as well as the GIZ country offices in the SADC Member States where this Action is being implemented will

support the Action with directly implemented activities (administrative, contractual, procurement and financial issues) and function as project offices in this regard. All project offices have the primary responsibility and purpose of actively following up, monitoring, checking quality, delivery and timeliness of activities (see explanatory notes on budget line 1.2 in Annex III).

The project offices for this Action also require office equipment as well as the covering of set-up and operating costs (e.g. water, electricity, insurances, maintenance, telephone, security, and ICT related costs, travel costs, fuel, etc.). SADC Secretariat is providing the office space in Gaborone as a partner contribution in line with the ongoing CESARE II programme. In addition, the Action rents office space in Gaborone if required and if this cannot be covered by the partner. Project office costs in locations outside of Botswana (e.g. for national advisors based in SADC Member States) are covered through this Action. In order to organize and ensure timely transport of project and partner staff and materials, new or – with a view on cost effectiveness – used vehicles will be procured as part of the Action.

A financial performance audit for this Action will be conducted annually by external auditors in the form of an expenditure verification.

4.3.1 Programme Manager and Team Leader

As the Action will be implemented within the institutional framework of the GIZ CESARE II Programme, the Programme Manager of CESARE II will dedicate part of his/her working time to the overall strategic management of the Action and the coordination between the Action and CESARE II, the relations with the SADC Secretariat's managerial level, and communication with the EU and BMZ.

For the management of this Multi-donor Action GIZ will contract a long-term international Team Leader and a team of technical and administrative staff (see chapters 4.3.3 and 4.3.4). The team leader will be responsible for the overall management of the Action's content-related activities, financial and human resources funded. S/he will also provide technical expertise in the health and/ or pharma sector. As soon as support for Result 2.2 on CMPP comes to an end (with current funding expected to be in 12/2021), the Team Leader will also provide technical steering for Result 2.1 on AVR. The Team Leader is needed for the sustainable success of the Action as managing and motivating the complex change processes at the Member states level requires not just technical expertise but also moderation and facilitation skills to achieve a fair balance between the different interest of the Members States. Moreover, international staff having substantial knowledge in the implementation modalities of the EU and BMZ assures efficient administrative management (e. g. procurement processes). S/he will also be responsible for operational management of the Action (including of GIZ's management model Capacity WORKS), the coordination with the SADC Secretariat on the overall SIPS Programme and Component 1, communication with the EU and BMZ, financial and progress reporting to the funding sources and partners, overall management of the human and financial resources and the coordination with other ICPs.

4.3.2 Coordination with the SADC Secretariat

The CESARE II Programme Manager coordinates with the SADC Secretariat on the overall strategic management. On day-to-day matters of the Action the team leader coordinates with the SADC SIPS Programme Coordinator (responsible for the overall SIPS coordination and of the Secretariat's activities related to the implementation of Result 1, Result 2 and Result 3).

It is proposed that a regional long-term SADC SIPS Programme Coordinator managing Component 1 of the SIPS Programme as well as functioning as overall advisory and liaison person within the SADC Secretariat for the SIPS Programme will be contracted by the SADC Secretariat. This position is financed by both the SADC Secretariat and GIZ: 50 % of the costs for this position should be financed by the SADC Secretariat (Component 1 of the SIPS Programme) and 50 % financed by this Action. This cost sharing agreement needs to consider the implementation periods of the Component 1 on the one hand and Components 2 on the other hand that deviate from one another. Cost allocation shall be managed in a way that ensures an overall 50 % / 50 % proportionality.

4.3.3 Technical Advisory Services

Given the magnitude of the existing challenges and the diversity as well as geographic dispersion of the Member States being involved in the Action, a full-time, long-term team combining technical, methodological, financial and administrative expertise is required to deliver support to partners throughout the implementation period. This team needs to be able to:

- provide tailor-made and consistent technical, organizational and methodological advice to the operational partners (i.e. business associations, training providers, research institutes),
- effectively coordinate the Action's other modalities of support (e.g. short-term consultancies, grants) and ensure coherence between them, and
- efficiently, effectively and transparently administer the Action's resources.

Long-term (national, regional and international) experts are vital for the sustainable success of the Action as managing and motivating the complex change processes at the regional and national level requires not just technical expertise but also advisory skills to build human and institutional capacity. It is expected that they will need to do frequent follow-ups of ongoing processes, and the in-depth knowledge of partners and their processes and needs will contribute to a timely implementation of the project.

The advisory team supervised by the Team Leader of SIPS Component 2 will consist of:

In total 12 national/ regional/ international long-term Programme Officers (technical advisors) with specialized expertise in industrialisation, (regional) value chain development and specific sector expertise for the pharma, leather and/or medical products sector. These officers should also be well familiar with organisational development and project management and, where possible, will have previous knowledge of working within GIZ. Staff will preferably be recruited during the inception phase and may then be based in Gaborone first. As soon as the detailed value chain analyses to be performed during the inception phase recommend SADC countries in which to develop RVC most promisingly (see also below more specifically), the technical staff for Results 2.1 and 3 will in part be (re)located or regularly traveling to these countries, subject to restrictions caused by the Covid-19 pandemic (see below). Alternatively and/ or additionally, partners and beneficiaries will be contacted with online meetings and exchanges. The staff concept is indicative since the required expertise and its availability on different (national, regional) levels may be subject to change during implementation. Subject to availability of expertise and work/cost efficiency, indicated staff may partially be substituted by long- and short-term consultants.

- ARV value chain: 1 international technical advisor will be responsible for the overall management and sector-specific steering of this value chain. 1.5 national/regional technical advisors will be deployed in two SADC Member States. While the programme aims to build pharmaceutical and associated businesses in countries other than South Africa, much of the regional research, educational and manufacturing capacity is based in South Africa and the programme will need to cooperate closely with these stakeholders in order to build linkages into the region. The best placed countries will be identified during the inception phase based on the existence of pharmaceutical and associated industries, while considering GIZ infrastructure that would facilitate project activities in the country and efficient use of resources.
- Covid-19-relevant products value chains: 1 international technical advisor will be responsible for the overall management and sector-specific steering of this value chain. 2 national/regional technical advisers (full positions can be split into part time), will be deployed for implementing the activities related to CMPP value chains. Each technical profile will relate to one of the following categories: PPE, hand sanitizer and disinfectants, hospital equipment. The technical advisers will be based in Gaborone.
- Leather value chain: 4 national/regional technical advisors will be deployed for implementing the activities related to the footwear and leather product value chain. One technical advisor will be responsible for the overall management and sector-specific steering of this value chain. S/he will be a regional expert based in Gaborone and recruited early during the inception phase. The other 3 technical advisors' profiles and places of assignment will take into account first findings of the value chain analysis and its recommendations for value chain development as far as possible because of the Covid-19 pandemic (e.g. technical experts for environmentally-friendly production systems for the leather sector, technical experts for supply chain management, etc.).
- Monitoring and Evaluation, Reporting and Communications: 1 international advisor will support monitoring and evaluation of the action, as well as communication activities. This person is needed to implement the communication and visibility plan, the reporting towards SADC, EU and BMZ (in German for the latter) and to conceptualize and implement the M&E system, which is particularly complex due to multiple project locations. S/he will seek to coordinate closely, especially on matters of communication and visibility, with Component 1. The two Communication and Visibility strategies will be fully aligned and coordination will be ensured with the SADC Communication Unit.

The location of long-term advisers and consultants is determined by restrictions caused by the Covid-19 pandemic (travel/ immigration bans, curfews, contact restrictions) and may result in working from different locations as long as required and as oriented by Government and GIZ rules.

The services to be provided by the long-term specialist programme officers and consultants will be complemented by numerous regional and/or international experts who will undertake specific assignments on a short-term basis. Such assignments may be delivered by a pool of consultants through a firm to be selected based on a competitive tender to streamline administrative efforts. GIZ will provide the SADC Secretariat, represented by the SADC SIPS Programme Coordinator an opportunity to be involved in the development of terms of reference for technical short-term consultancies as well as during the assessment of bids.

4.3.4 Administrative Support

On the administrative side of the Action, the Programme Manager will be supported by a long-term international Contracts and Finance Manager (part time) responsible for the procurement of goods and services, preparation and follow-up of grant agreements with partners and beneficiaries, budgeting and monitoring of the Action's income and expenditures. S/he will also be responsible for the efficient communication and coordination of all administration matters with all GIZ offices providing support services to the Action. After the inception phase, this position will be supplemented by 2 national contracts and finance officers (one full time and one part time), taking over responsibility for support in all matters related to data and grant management, follow-up of contracts and finance related matters with GIZ offices and the efficient communication and coordination of all administration matters with all GIZ offices providing support services to the Action.

The Action will have national support staff consisting of one administrative staff (for secretarial services, procurement of goods and services, inventory, and event, workshops and travel logistics) and one driver (part time).

The Team Leader and the Contracts and Finance Manager will dedicate 100% of their time during the three months after the end of the Action's implementation period to tasks related to the final report, final evaluation, audit and other costs linked to the closure of the Action and the corresponding cost will be funded by the Action in line with the Special Conditions and Annex II.

Indicative Overview of Programme Staff

Staff	% of working time	Approximate number of months	Type of contract	Function, Tasks and Responsibilities	Location Working remotely outside the planned location qualifies if required by Covid-19 pandemic restrictions
Programme Manager CESARE	30 %	41	inter-national	Overall strategic management of the Action and the coordination with CESARE II, the relations with the SADC Secretariat's managerial level, communication with the EU and BMZ.	Gaborone, Botswana
Team Leader, SIPS Component 2 (Result Area 2 and 3)	100 %	44	inter-national	Manage overall operational project implementation; provide technical expertise for Results 2.1 and 2.2; monitoring for Results Areas 2 and 3; personnel and budget responsibility. Manage relationship with the donor.	Gaborone, Botswana
Technical Advisor and Coordinator, Result Area 2.1	100 %	12	inter-national	Technical advisor and coordinator will be responsible for the overall management of Result 2.1 and sector-specific steering of this value chain.	Gaborone, Botswana
1 Technical Advisor, Result Area 2.1	100 %	24	national/ regional	Indicative tasks comprise e.g.: Liaison with respective relevant Ministries in the host country (e.g. DTI), coordination with pharmaceutical and input industries as well as R&D facilities in the host country (e.g. South African-based pharmaceutical industry)	To be determined during inception phase
1 Technical Advisor, Result Area 2.1	50 %	24	national/ regional		
Technical Advisor and Coordinator, Result Area 2.2	100%	12	inter-national	Technical advisor and coordinator will be responsible for the overall management of Result 2.2 and sector-specific steering of this value chain.	Gaborone, Botswana
1 Technical Advisor, Result Area 2.2	100%	12	national/ regional	Each technical profile will relate to the three categories identified above: 1) personal protective equipment (PPE), 2) hand sanitizers and disinfectants and 3) hospital equipment. Indicative tasks comprise e.g. the liaison with main stakeholders in these categories.	Gaborone, Botswana
2 Technical Advisors, Result Area 2.2	50% each	12	national/ regional		
Technical Advisor and Coordinator, Result Area 3	100 %	41	Internatio n/ regional	Technical advisor and coordinator will be responsible for the overall management of Result 3 and sector-specific steering of this value chain.	Gaborone, Botswana
3 Technical Advisors, Result Area 3	100 % each	24	national/ regional	Indicative tasks comprise e.g.: Liaison with respective relevant Ministries in the host country, coordination with local Leather and footwear associations as well as quality institutions.	To be determined during inception phase

Staff	% of working time	Approximate number of months	Type of contract	Function, Tasks and Responsibilities	Location Working remotely outside the planned location qualifies if required by Covid-19 pandemic restrictions
(Junior) Advisor Communication, Reporting and Monitoring,	100 %	41	international	Responsible for the permanent monitoring of project activities and closely liaises with the Programme manager to collect monitoring data and produce progress reports (for SADC, EU and BMZ); responsible for implementing the communication and visibility strategy.	Gaborone, Botswana
Contract and Finance Manager	50 %	44	international	in charge of financial management and admin support for contracts (conclusion, follow-ups, monitoring of contracts etc.).	Gaborone, Botswana
1 Contracts and Finance Officers	100 %	12	national	Support in all matters related to data and grant management, follow-up of contracts and finance related matters with GIZ offices, communication and coordination of all administration matters with all GIZ offices providing support services to the Action	Gaborone
1 Contracts and Finance Officers	50 %	31			
Administration Officer	100 %	41	national	Support in all matters related to smaller procurement of goods and services etc., organisation of workshops etc.	Gaborone, Botswana
Driver	50 %	41	national	tasks related to driving and maintaining the project car.	Gaborone, Botswana

4.3.5 Grants

Financing innovation projects of companies producing (prospectively) Covid-19-relevant products is in the heart of the support for Result 2.2. Such projects encompass e.g. the development of new Covid-19-relevant products, compliance with technical/medical standards, extension/use of existing capacities in light of limited availability of Covid-19-relevant products in the region, distribution to countries/regions/poor people that had no access to these products so far. Furthermore, the support for such projects will allow companies to sustain a moderate end-consumer pricing of Covid-19 related products despite the currently increased purchasing costs of raw materials due to worldwide demand.

Grants will be based on the results of a call for innovation projects which has been publicly tendered in the whole region via electronic (websites of SADC Secretariat, social media accounts of GIZ Botswana and others) and other means (e.g. regional newspapers, contact points of the Member States with SADC). In this way, transparency and a level playing field are assured while fiduciary risks to SIPS funds are minimized. Individual grants for local companies are envisioned to range in the magnitude of 100,000 EUR but will be allowed to be smaller (minimum of 50,000 EUR) or in exceptional cases higher depending on the overall number and quality of grant applications. Grants will need to comprise an element of social

responsibility of the companies towards the community or region to account for the received financial aid. Details need to be negotiated with each individual grant recipient; for example, this could relate to reduced prices of a percentage of the resulting production/ export obligations to other SADC member states/delivery of product to hospitals etc. In addition to such elements of social responsibility and to monitoring obligations (see chapter 4.2.4), the individual grant agreement will also specify as detailed as possible the counterpart contribution of the company to the innovation project. Grants with NGOs as well as technology and/or university initiatives will be developed in a similar way: Here grants are envisioned to range in the magnitude of 200,000 EUR but will be allowed to be smaller (minimum of 100,000 EUR) or in exceptional cases higher depending on the overall number and quality of grant applications. Appropriate grant usage will be followed up by monitoring and evaluation and continuous direct contact (including use of remote monitoring tools and/or site visits if allowed by country authorities) with grant recipients.

In the areas of Result 2.1 and 3, partners may require financial support in order to complement the expertise and knowledge provided by the Action's advisory, training and coaching services. In the design of the individual change projects, the Action's advisors and management will examine such needs and ensure that any financial support it provides is necessary for capacity enhancement measures and will not create unsustainable financial dependencies. Grants will be provided in line with GIZ's pillar-assessed rules and procedures, and in line with the Special Conditions and Annex II. Informed by the detailed mapping analysis, potential grant recipients are to be selected based on their ability to complement the Action's technical expertise and advisory services (e. g. research institutes, sector associations, etc.). This further builds regional capacities for business related services (information, training, coaching) to strengthen regional value chains.

Through grant agreements, GIZ will seek to work with specialised international organisations, e.g. the United Nations Industrial Development Organisation (UNIDO) and United Nations Conference on Trade and Development (UNCTAD). With UNIDO, cooperation may entail implementing GMP-Gap assessments and associated activities such as advice on devising Corrective Action and Preventive Action (CAPA)-Plans and financial plans for upgrading facilities and quality management activities. UNCTAD may play an instrumental role on sensitisation of the private sector regarding TRIPs flexibilities. Furthermore, the project will seek to cooperate with private sector associations such as the Southern African Generic Medicines Association (SAGMA) through grants in order to bring together the private sector stakeholders in the region. On training and skills upgrading in industrial pharmacy the project will seek to work with academic institutions and universities like the Chulalongkorn University in Thailand. In order to ensure access to technologically driven high quality, modern and environmentally sustainable ARVs production systems the action will seek to work with regional and international research institutions, e.g. South Africa's Council for Scientific and Industrial Research (CSIR). For the organization of pharmaceutical input labs, the action will seek to partner with regional and international industry fairs.

In the leather value chain, GIZ will seek to award grants to develop market intelligence, market information and information sharing with a view to assist SMEs to develop export capacity to enter regional and international export market, to provide tanneries with support to acquire and upgrade technology. The partner for developing market intelligence required to develop exports is intended to be selected from private sector organisations, regional and international organisations with capacity and experience in the area with emphasis on dealing with SME in

the region. The suitable grant recipients shall be identified during the project's Inception Phase or shortly thereafter. Technology in the leather value chain will be important in tanneries to help them comply with international standard requirements and avoidance in the use of environment damaging technology and chemicals. A similar approach will be used in the case of footwear manufacturers. Careful knowledge-based selection of technology is advocated for in this project. Grants will be extended to recognised private sector or not for profit, regional or international organisations with demonstrated capacity and experience in leading science, research, innovation and technology development, with capacity able to provide advisory services and guide the acquisition, installation and application of modern technologies for both tanning and SME footwear and leather goods production technology. The development of a regional information sharing platform among SMEs or business associations in the leather value chain will be another activity to which a grant to a service provider will be considered. The final determination on grant awards will be done during the inception phase when it will be possible to explore in depth the requirements as prioritisation and country selections are firmed up.

4.4 Sustainability of the Action

The design of the Action is building on evaluations and lessons learnt from various programmes and experience in the African and SADC context made by the EU and German Development Cooperation programmes. The main principle for sustainability is to adopt a market-[demand]-based approach in RVC development. Sustainability is generally ensured through the upgrading of value chains, following business cases, thus market opportunities. All interventions funded by the programme will aim for commercial viability. Partnerships with relevant stakeholders, e.g. companies, business support institutions and business membership organisations (BMO), will be built on strong commitment and cost-sharing principle to secure sustainable impact and that stakeholders work together after the end of the respective activity and the overall Programme.

The Action seeks to change the way the private sector does business in the SADC region. If the Action succeeds in changing business behaviour, this change is likely to remain long after the end of the intervention. The design and provision of appropriate services shall allow the business models to function effectively. The related capacity development rendered to the different actors will also ensure that the potential of new business endeavors can be fully maximized. Trust relations, partly based on win-win agreements that will be built around the VCs is expected to lead to longer term partnerships, thus having the potential to reinforce sustainable longer-term structures beyond the timeframe of the Action.

4.5 Complementarity, Synergy and other relevant Actions

Donor coordination for all SADC programmes takes place through the Thematic Groups and the SADC-ICP coordination Forum. All activities relating to the two directorates Industrial Development and Trade (IDT) and Finance, Investment and Customs (FIC) in the SADC Secretariat are coordinated within the TIFI thematic group (covering topics of trade, industry, finance and investment). Coordination with projects and programmes of other international development partners will be an integral part at all stages of the Action's implementation. Potential links and synergies with technical and financial cooperation programmes funded by the EU, Germany and other ICPs in the Member States will be continuously examined and

used during implementation and, where applicable, facilitated by the GIZ Country Offices. This will create synergies and increase the effectiveness of the Action.

The Action will regularly inform GIZ Country Directors and the Heads of Cooperation in German Embassies in the SADC Member States on the support provided. Likewise, through the EU Delegation in Gaborone, it will inform EU Delegations in other SADC Member States. Such information sharing is expected to facilitate the coordination of the Action with bilateral cooperation programmes at the national level.

The Action will be implemented within the institutional framework of the CESARE II Programme as both interventions are mutually reinforcing. Synergies are used in the area of overcoming NTBs and supporting public-private dialogue for enhancing the business environment for regional integration issues.

SIPS Component 2 will be complementary to a number of EU funded programmes in SADC. In the following only those focusing on the private sector and value chains, thus relevant to Result 2 and 3, are named:

- The Regional Economic Integration Support Programme (REIS), which was funded through EU EDF10, will have ended by the start of this Action. It was aimed at building regional capacity (at the SADC Secretariat), supporting the negotiations of a full EPA, negotiations on regional trade in services, improving the investment climate, the regional sanitary and phyto-sanitary (SPS) and standards, quality control and metrology (SQAM) control systems. REIS in particular is very complementary to the SIPS Programme since it provides assistance to set-up the general policy framework for increasing regional integration and creating an enabling environment conducive for investment. The 11th EDF follow-up phase of REIS will furthermore contain a component of general measures to strengthen financial inclusion for SMEs across the SADC region and border management.
- As was highlighted in the SISR, finance was identified as one of the binding constraints to industrialisation. To this end, there is also a programme in the pipeline (funded by EDF 11) to facilitate the development of an environment that is conducive for investment and deepening the capital and financial markets at the regional level in regional and global value chains: Support to the Investment and Business Environment in the SADC region (SIBE). Since the SIPS Programme will provide specific support measures to selected value chains, there will be synergies and complementarities with the future investment programme on improving access to innovative financing arrangements.
- Coordination with 11th EDF projects supporting COMESA value chains will be sought, in particular to avoid overlapping in the activities, in particular when the potential beneficiaries are countries with double membership.
- Eswatini, Malawi, Zambia and Zimbabwe are currently implementing Cluster Development projects in targeting the leather sector (funded by EDF 9/10). Although most of the activities have a limited regional orientation and also targeting micro enterprises rather than SMEs the Action will take lessons learned of these interventions into account. These projects will be running until 2019. Botswana is developing a Leather Industry Park.
- The Ecosystem Development for Small Enterprises (EDSE) program, funded by the EU and managed by The Palladium Group, aims to improve the operating environment for SMMEs in South Africa and manages large stakeholder networks by organizing public policy dialogues (e.g. South African SMMEs in the regional and international context: Finding solutions to the Covid-19 crisis). The EDSE program can thus provide expertise as well as contacts to important stakeholders and government organizations who are relevant

for the SIPS project. Working with EDSE will allow exchange of expertise and contacts to find synergies as well as to coordinate efforts to avoid double interventions.

Complementarity and synergies of key importance for regional value chain development will furthermore be explored with on-going EU initiatives. Particularly,

- (i) the Intra ACP programmes, “Support to business friendly and inclusive national and regional policies and strengthen productive capacities and value chains,” and “Promoting scalable and sustainable solutions to enhance Financial Inclusion in ACP Countries”,
- (ii) the EU External Investment Plan aiming at supporting investments in Africa and the EU Neighbourhood countries as a means to contribute to the achievement of sustainable development goals, while tackling the root causes of irregular migration and forced displacement through three pillars: a new investment fund (pillar 1) including a new guarantee facility, a technical assistance component to help local authorities and companies develop a higher number of sustainable projects and attract investors (pillar 2); and a range of dedicated thematic, national and regional EU development cooperation programmes combined with structured political dialogue targeted at improving the investment climate and overall policy environment in the countries concerned (pillar 3) and the
- (iii) the SWITCH Africa Green which support the development of green businesses and eco-entrepreneurship and use of SCP practices.

Moreover, the Action will seek to work closely with other ICPs including USAID, DFID, the World Bank and the African Development Bank (AfDB), who are supporting or have plans to support SADC’s regional economic integration and trade agenda. Regarding the leather value chain, the Action will draw on lessons learned in supporting value addition of SMEs from the AfDB project “Support to The Beef and Leather Value Chain Project” implemented by the Ministry of Industry, Trade and Commerce, Zimbabwe (approved: 2015; planned completion date: 2019). This also applies to the bilateral German Development Cooperation project on sustainable economic development in Namibia which has experience in working in the leather value chain.

4.6 Cross-cutting issues

The ‘Safeguards+Gender’ Management System is an integral part of GIZ’s commission management. ‘Safeguards+Gender’ assesses the proposed Action in its specific context, identifies potential risks and unintended negative impacts at an early stage, draws up risk prevention measures – known as ‘safeguards’ – and follows up on them throughout the project cycle. It helps to ensure the proposed Action is in line with GIZ’s guiding principle of sustainable development.

Gender: This Action is expected to enhance the opportunities of regional value chains for both male and female entrepreneurs and/or employees. It will support equal participation and representation of the interests of women and men both in project implementation and in decision-making processes. Gender equality in the pharmaceutical sector at large already seems to be a reality when looking at the number of pharmacists and regulators being trained – according to interviewees during the appraisal mission women make up at least 50% of graduates. However, this does not reflect in the management of pharmaceutical companies. The participation of women in the leather sector with regard to ownership of enterprises,

management and also shop workers is generally weak across SADC countries. However, in relative terms, women participation is more visible in the production of leather goods and accessories as opposed to footwear. At present, women have a limited role to play in the cattle and leather value chain related to hides treatment and processing. Thus, the project should make deliberate effort to engage more women and youth in its activities.

The starting point for the Action will be to include gender from the onset – by analysing and mapping value chains with a focus on who participates when and where, identifying specific bottlenecks for women and youth. This in-depth gender analysis will be done during the inception phase as part of the RVC analysis for Result 2.1 and 3. This will allow to identify areas where meaningful approaches to gender and youth can and should be applied. Through the advice it delivers, the Action aims to generate positive results for employment, working conditions, and the social and economic participation of women. The Action will include gender-specific activities when developing the capacities of SMEs. The findings will be used to inform and create flanking measures linked to business environment issues. Furthermore, gender mainstreaming will be guided by SADC Gender Mainstreaming Toolkit and further informed by the SADC Protocol on Gender and Development.

Environment and Climate Change: Environmental issues are important for all selected value chains. The manufacture of ARV APIs is particularly unclean, producing roughly 100 kg of toxic and hazardous waste per 1 kg of final product, and fill and finish procedures also produce plastic and chemical waste. The production of Covid-19-relevant medical and pharmaceutical products can cause chemical waste, the use of the products can produce potentially infectious medical waste. Safe and environmentally acceptable disposal of the waste is costly. For the leather value chain, the water treatment and the waste disposal have been and are still critical issues. The investment and operating costs of water treatment could have an effect on the sustainability of processing units. The drive for innovation and process optimisation is crucial for developing the technologies and practices for cleaner production, for sound resource management and for reducing waste and pollution. Effluent treatment plants are becoming more effective and efficient in order to meet desired environmental standards. Simpler and more cost-effective methods are now available which use less water and more efficiently utilize better tanning chemicals. Enterprises have much to gain from aligning their activities to national development priorities and integrating sustainability in its corporate strategies and operations. The Action will promote enterprises and SMEs in particular to make these moves (within Sub-Results 2.1.3, 2.2.3 and 3.3) on green and clean industries and environmental sustainability policies (in cooperation with Component 1) through incentives and targeted support to private industries. It becomes particularly important to ensure that specialised knowledge and assistance is brought to domestic businesses and industries, in order to enhance their capability to comply with such standards. Technology transfer and the sharing of best practice from large-scale businesses, academic and research institutions and the public sector is one important form that such support can take. This results in a lower discharge of water and fewer solids in discharge effluents. Harmful chemicals are being continuously replaced with environmentally friendly substitutes, or recycled through the application of new technologies. An in-depth environmental and climate adaptation/ mitigation analysis will be done during the inception phase as part of the RVC analysis

Green and clean industrialization in SADC means that, to avoid replicating the path of current middle- and high-income countries, their manufacturers must change their production methods to ensure that they use a different set of inputs (e.g. renewable energy replacing carbon-based

inputs); use inputs efficiently (e.g. energy and materials); and promote a “circular economy”, i.e., transforming bad outputs (e.g. waste) into inputs. This Action will try to show how and where this can be economically viable and which (other) incentives there may be for companies to change their production patterns.

5 Risks and Assumptions

Risks	Risk level (H/M/L)	Mitigating measures
SADC Member States maintain policies inadequate to support regional value chains in the selected sectors	M	Policy dialogue involving the private and the public sector will be one of the programme components with concrete priorities per country set as identified in the detailed value chains profiling. The Action will contribute by supporting the private sector actors to actively participate and to maintain a common position for the dialogue to further improve the business climate. However, influencing the policy environment is beyond the control of this Action. Component 1 may be in a better place to influence this.
SADC Member States may want to internalise the whole value chain in their own country, instead of fostering regional linkages; this may limit their willingness to cooperate in creating favourable conditions for regional value chains.	H	While this is a risk that needs to be addressed through component 1, the potential negative effects of it might also be felt when cooperating with the private sector, as private sector may see less motivation and incentive to trade across borders. The programme will closely monitor this together with component 1 and then discuss joint remedial actions.
Training institutions are lacking the capacities and equipment for updated skills training offers.	M	Assess and identify potential institutions; establish their capacity at Inception Phase. Discuss skills required and whether or not they have current/existing programmes and if adjustment or specific/tailor-made programmes could be offered.
Business membership organisations and/or sector associations lack capacity to provide services and training to companies and their employees.	M	The Programme will provide capacity building adapted to the needs of BMO/SA for updating their services and to strengthen their capacities for engaging in dialogue with public stakeholders.
SMEs do not have sufficient technology (knowledge on product design, management skills, resource-efficient machinery, and access to skilled	H	Each member state will be encouraged to strengthen the resources for capacity-building and technology upgrades of the SME-sector (through component 1), by strengthening the training capacity of BMOs, investment in technical vocational

labour) to engage in international trade on competitive terms		trainings, specific financing schemes for SMEs, tax incentives for SMEs investing in green and resource efficiency technology, as well as financing of renewable energy production.
There may be a trade-off between productivity gains and employment effects in SMEs, i.e. increasing productivity and competitiveness may not automatically lead to an (proportionate) increase in jobs, or may even require less jobs in a company.	M	The Action will closely monitor any employment effects related to employment creation (direct, indirect, employed/self-employed), job quality (working conditions, earnings, etc.) and investments on conditions of employment.
SADC Member States lack the capacity to coordinate between relevant Ministries in the multidisciplinary setting that is the ARV value chain.	M	Should barriers of this nature become apparent, the Action will coordinate closely with the SIPS component 1 and support joint action. Public-private dialogue formats will be used to tackle issues arising from conflicting departmental objectives, budgets, or policies.
In the case of building the ARV-industry in the SADC region, regulatory approval for the production of APIs may take several years, so that successes in growing the industry may not become obvious during the project term.	H	Project staff will stay up-to-date of the developments in the sector through the sector associations and annual meetings and report on minor new developments in their reporting. As a starting point, companies may be supported to package bulk medicines in a GMP-environment
Trade barriers for inputs and services to ARV and associated products manufacturing take years to eliminate.	M	All identified trade barriers and measures taken to address them will be documented.
The economic downturn in the SADC region due to the world-wide Covid-19 pandemic may preclude SADC Member States from paying their contributions to SADC. This could endanger the ability of the SADC Secretariat to implement Component 1 of the programme.	L	This risk cannot be mitigated by the programme.
Recipient of a Covid-19 grant is not able to execute its innovation project due to usual business-related challenges or does not use a Covid-19 grant award as agreed.	M	Ensure reasonable level of due diligence when evaluating the bids for innovation projects (realistic project, companies' management capacities); consider funding of larger awards in tranches (i.e. disbursement in two or more instalments) to reduce financial exposure and release later tranche(s) when company performs in line with expectations. Ensure monitoring

		system in place, provide technical assistance if required.
Support leads to production of falsified or low-quality Covid-19-relevant products – reputational risk.	M	Ensure reasonable level of due diligence when evaluating the bids for innovation projects and sufficient monitoring of grant recipient post-award. Where applicable, ensure that recipient follows required local product registration with the relevant regulatory and/or certification bodies.
Inability to implement expected manufacturing or other activity due to circumstances beyond control of the recipient of a Covid-19 grant, related to the unpredictable situation caused by the pandemic, considering the world economy and demands for raw materials and production machinery, national curfews, strict trade restrictions, international border closing etc.	H	Where feasible, provide information and/or training support to ensure companies are as best prepared as possible for unexpected circumstances.
Risk of paying above market prices for raw materials and production machinery for Covid-19-relevant products because of worldwide price inflation.	H	Considered as acceptable risk given current market dynamics resulting from Covid-19 pandemic; where possible, support companies to minimize the risk that they procure at unreasonable prices. Advocate for pooled procurement.
Risk of double financing of projects/ companies producing Covid-19-relevant products because of the current attention to the subject from various donors.	L	Ensure clear, unambiguous agreement and understanding with recipient of exact use of proceeds, provide sufficient monitoring to maximize chances that grant is utilized as agreed. In the event of a double financing situation, work with company to make sure best use of any excess proceeds above requirements.
Risk of time limitations in implementing the SIPS program. Due to Covid-19, the scope and amount of work of the Action have been enlarged. At the same time, due to insecurity, travel restrictions, Covid-19 related macroeconomic changes etc., implementation in the value chains ARV and Leather has been affected and the altered situation requires reassessment. There is a risk for the need of project prolongation or amendment.	H	Regular update on implementation process to SADC, EU and BMZ. Potentially further changes of the Description of the Action in order to ensure implementation planning for ARV and Leather according to the new circumstances unfolding due to Covid-19. As the pandemic is still unfolding in the region and the Joint Action is currently focussing implementation efforts on CMPP, this will – if necessary – be done at a later point in time.
Assumptions		

Commitment from SADC Member States to deepen into the regional integration processes and especially encourage regional value chains.

The participation and active involvement of enterprises and intermediate organisations in the Programme can be assured.

Qualified consultants and technical experts are available in SADC.

Willingness of the public sector institutions and private sector to create an environment able to meet the challenges of regional economic integration, globalisation and competitiveness.

Ultimately, it is private sector companies which decide to invest in a business case or not; governments only create the framework conditions.

The success and achievement of SIPS goals and objectives is highly dependent on the implementation of the two components which are intertwined require aligned implementation and coordination through a central in-house dedicated capacity (SIPS Programme Coordinator) at the SADC Secretariat.

6 Programme Governance Structure

SADC will coordinate the overall SIPS Programme and will be responsible for the implementation of Component 1, working with Member States on the necessary harmonisation of legislation, enhanced policy and regulatory business environment. SADC will also be responsible for the management of the grants on Research and Innovation, that will be awarded through calls for proposals to Centres of Excellence in the region. The Governance Structure of this Action is therefore closely aligned to structure proposed by Component 1 (for more details see DoA of SIPS Component 1).

The **SADC Secretariat's Programmes Management Committee (PMC)**, chaired by the Deputy Executive Secretary for Regional Integration (DESRI), will be the overall steering structure with responsibility for providing strategic guidance and oversight of the implementation of the whole SIPS Programme (including this Multi-donor Action). The overall objective of the PMC is to facilitate the efficient and effective planning, coordination, monitoring and implementation of the SIPS Programme. The Secretariat has defined its principal functions as follows:

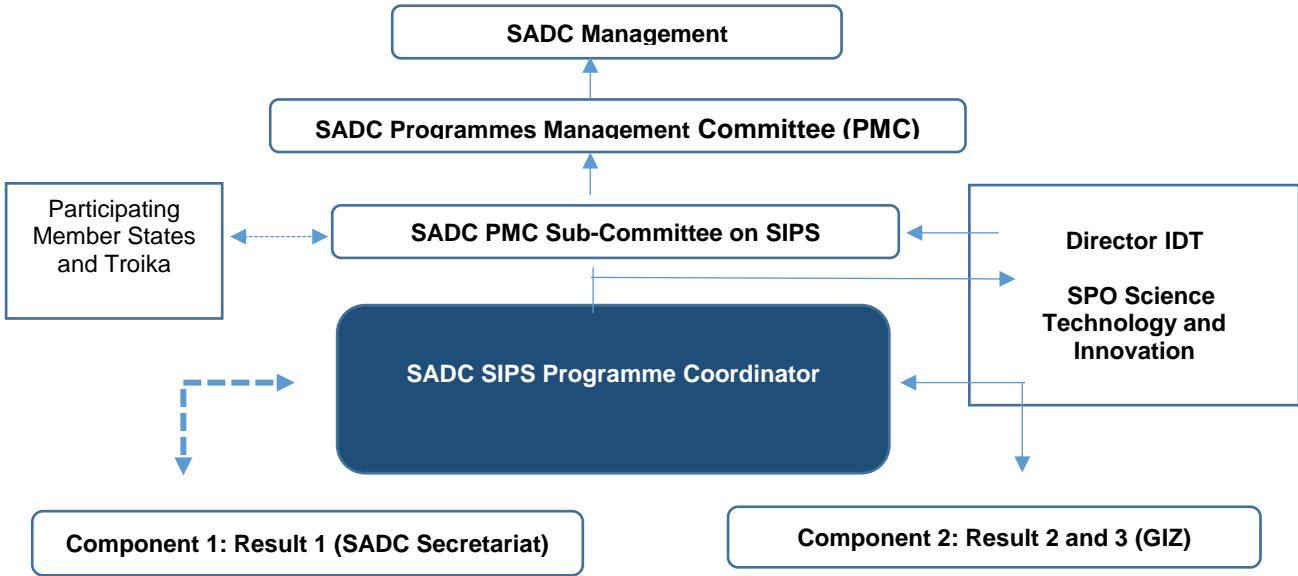
1. Provide advisory services to the Executive Secretary and Management Committee on the priorities within the framework of the SIPS Programme and necessary coordination between the two components.
2. Serve as a platform for planning, coordination and monitoring the implementation of both components of the SIPS Programme.
3. Facilitate the development of the annual priority operational objectives and plans.
4. Regularly review progress on the implementation of the annual corporate business plans of the Secretariat.
5. Address cross-cutting issues between directorates/units and teams around thematic areas of relevance for overcoming barriers of intra-regional trade in the two priority value chains.

The PMC core members – in addition to its chair – are all the Secretariat's technical Directors. Additional members can be co-opted, if required by the contents of the agenda. The PMC meets monthly.

In order to ensure the ability of the PMC to deal with the SIPS Programme issues on an effective and efficient basis, a **PMC SIPS Sub-Committee** will be established to handle strategic management issues. The PMC SIPS Sub-Committee will be convened by the DESRI and hold meetings aligned to the SADC Secretariat planning cycle at intervals to be agreed by the Sub-Committee. It will comprise the PMC core members affected by the implementation of the SIPS Programme as well as representatives of the EU Delegation and the German Development Cooperation in Gaborone, the GIZ, participating state actors from the Member States where this Action is being implemented, and the Troika Member States. The SADC SIPS Programme Coordinator (see chapter 4.3.2) will provide secretarial functions to the Sub-Committee. The integration of the SIPS Programme governance structure into the SADC organogram and the associated coordination and linkages is as shown in the following Figure. GIZ will not be responsible for assuming costs related to the organisation of the PMC SIPS sub-committee.

The success and achievement of SIPS goals and objectives is highly dependent on the implementation of the two components which are intertwined; this requires aligned implementation and coordination through a central in-house dedicated capacity (SIPS Programme Coordinator) at the SADC Secretariat. The SADC SIPS Programme Coordinator, is expected to have a functional / operational relationship with the SIPS Component 2 Programme implementation team and a direct operational responsibility for the implementation of activities under Component 1. In this sense, the Coordinator will work closely with the focal persons in the Directorates and Units of the Secretariat responsible for respective activities.

Overall Governance Structure of the SIPS Programme



7 Monitoring, Evaluation and Reporting

A results-based monitoring system will be established to generate data on the progress of the Action on a regular basis. Given the complexity and volume of the Action a designated technical advisor will oversee monitoring of Component 2 (Result 2 and 3). Data will be used for programme steering as well as for annual progress reporting towards SADC, EU and BMZ. Basis for the monitoring system is the Action’s log frame with its underlying indicators for specific objectives and outputs. The log frame will be used as management tool, allowing for adjustments and revisions at the output, activity and indicator level in order to effectively achieve the expected specific objective.

In the inception phase, a baseline study (detailed value chain analysis, see chapter 4) will be carried out to feed differentiated data into the logical framework. During project implementation, a variety of tools and methods will be applied to regularly assess both quantitative and qualitative progress indicators. This includes among others gender-disaggregated participation documentation, training evaluations and business surveys as well as focus group discussions and stakeholder consultations. Where possible, it is intended to harmonise data collection with partners systems.

The Team Leader of SIPS Component 2 will submit to the SADC SIPS Programme Coordinator progress reports on the Action in a structure and at periodic intervals to be agreed with the steering structure, in addition to GIZ’s reporting obligations to the EU and BMZ.

The EU Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the EU Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

A mid-term and a final evaluation of the overall SIPS Programme will be contracted by the EU Commission; regarding the mid-term review the EU will determine if it is still useful because of

the implications of the Covid-19 pandemic on the Action and its implementation. Partial evaluation of one of the components could be undertaken if relevant in concertation with the EU and other implementation partners. The mid-term evaluation will be carried out for problem solving and learning purposes, with respect to preparing a second phase of the Action. The final evaluation will be undertaken according to the *Aid Transparency Initiative (ATI)* concerning accountability, transparency and knowledge sharing. The terms of reference for the evaluations will be prepared by the SADC Secretariat in close consultation with the EU Delegation and GIZ. The EU Delegation in Gaborone shall inform the SADC Secretariat and GIZ at least 30 days in advance of the dates foreseen for the evaluation missions. In line with Art. 10 of Annex II, matters as timing of the missions and questions to be addressed with the management of the Action will be previously discussed by both parties, and the EU and GIZ shall agree on procedural matters in advance. The Secretariat and GIZ shall collaborate efficiently and effectively with the evaluation experts and, inter alia, provide them with all necessary information and documentation, as well as access to the project premises and activities. The costs associated to the evaluation will be covered by the EU.

In line with Art. 10.2 of Annex II, the EU shall make the draft report of the evaluation or monitoring mission available to GIZ for comments prior to final issuance. GIZ will analyse evaluation or monitoring mission reports provided by the EU to analyse the conclusions and recommendations and, where appropriate, jointly decide on follow-up actions to be taken and any adjustments necessary, including, if indicated, the re-orientation of the Action.

8 Communication and Visibility

The Action will develop a set of suitable communication and visibility activities that relate to the different target groups, partners and stakeholders such as beneficiaries, local media, international development partners and embassies. GIZ will consider the EU's visibility requirements as set out in the Communication and Visibility Manual for EU External Actions as well as the visibility guidelines of the German BMZ. Communication and visibility activities will be implemented in coordination with the SADC Secretariat responsible for the overall communication and visibility of the SIPS programme.

See Annex VI "Communication and Visibility Plan" for detailed planned activities.

9 Timing, Indicative Work Plan and Logical Framework

9.1 Timing

To firstly react to the Covid-19 crisis, the Action will conduct during the Inception Phase for Covid-19-relevant medical and pharmaceutical products a short market/situation analysis, producing a resulting concept note and tendering a call for proposals of innovation projects of companies producing (prospectively) Covid-19-relevant products. Only when the Covid-19-related restrictions will have been eased – which is expected in Autumn 2020 –, the inception phase for the other two results that has been interrupted already during the staffing phase can be resumed: Then, detailed value chain analysis for operational and administrative set-up and baseline studies will be conducted in the ARV and leather sectors including changes caused by the Covid-19 pandemic. By the end of the Inception Phase – expectedly in June 2021 –, the detailed work plan and log frame will be developed (see chapter 9.2 Indicative Workplan).

The indicative operational implementation period of this Action is up to 41 months running from October 2019 to February 2023. At the beginning of the implementation period, GIZ will

conclude an implementation agreement with the SADC Secretariat concerning activities related to this Action.



9.2 Indicative Work Plan: SIPS Programme – Component 2: Private Sector Development (Result 2 and 3)

*Note: The work plan is adapted accordingly to the actual start and duration of the action. This work plan requires reworking due to the beginning of the Covid-19 pandemic in March 2020 and its impact on programme implementation. In addition, the CMPP value chains work stream (Result 2.2) need to be integrated into the work plan. The work plan will hence be updated in detail during the inception phase.

Activities	Year 1												Year 2												Year 3												Year 4													
	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5									
Inception Phase	[Light blue shaded area]																																																	
Set up office infrastructures and recruitment of personnel	[Green bar]																																																	
Set up steering structure & monitoring system												[Milestone]						[Green bar]							[Milestone]						[Green bar]		[Milestone]																	
Develop concept for in-depth value chain analysis and select implementation (baseline surveys)	[Green bar]																																																	
Conduct in-depth value chain analysis	[Green bar]																																																	
Validate results with stakeholders and refine implementation strategy						[Milestone]																																												
Drafting and submission of inception report								[Milestone]	[Green bar]																																									
Refined operational planning (OP) and log frame										[Milestone]	[Green bar]																																							
Result 2.1: ARV VC	[Light blue shaded area]																																																	
Conduct training needs analysis for selected ARV clusters				[Green bar]																																														
Refined OP for Result 2						[Green bar]																																												
Support trainings to enhance business, entrepreneurial and subject matter skills					[Green bar]									[Green bar]									[Green bar]																											
Develop and facilitate measures to improve capacity development at business operating level					[Green bar]		[Green bar]									[Green bar]		[Green bar]									[Green bar]																							

9.3 Log frame Matrix

Meeting indicators on impact level will not be part of the responsibility of GIZ, though it is assumed that this action makes a contribution to achieving those indicators. Indicators will be monitored with regard to data availability. The activities, expected outputs and all indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the Action without an amendment to the financing decision. The indicative log frame matrix will evolve during the lifetime of the Action: New lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective SIPS: Impact	To contribute to the Southern African Development Community (SADC) industrialisation and regional integration agenda.	Share of manufacturing sector (% of GDP) in the SADC region ⁴	13 % (to be updated during the inception phase)	To be defined (Tbd) in inception phase after baseline data is available	SADC statistical and other sources (e.g. UN, WTO, ITC, UNIDO)	
		Manufacturing Value Added (MVA) (% of GDP)		Increase to 20% by 2020 ⁵	Detailed value chain analysis (baseline study) to be commissioned by the Action	
		Regional Productive Integration Index (regional value chains)		Tbd		
		Regional Trade Integration Index (regional value chains)		Tbd		

⁴ It is important to note that 2 value chains may not have a big impact on the share of manufacturing. There are also other factors that may affect this such as rapid growth in other sectors.

⁵Industrial Strategy target.

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Specific objective SIPS: Outcome	To improve the performance and growth of selected regional value chains and related services within the agro-processing, pharmaceutical and medical sectors	Number of persons (self) employed in cooperating/ beneficiary companies of all three value chains (disaggregated by sex)	Baselines to be determined at inception/ when starting to work with a company	To be defined (Tbd) in inception phase after baseline data is available	Progress reports and employment surveys, Detailed value chain analysis (baseline study)	Political goodwill to implement reforms and other arrangements related to the SADC industrialisation and regional integration agenda. Commitments of all involved actors to ensure success of the Programme. Overall economic development in the African Economy remains neutral or benign during the implementation phase.
		Volume and value of intra-regional trade of cooperating/ beneficiary companies of all three value chains	Baselines to be determined at inception/ when starting to work with a company	To be defined (Tbd) in inception phase after baseline data is available	Progress reports and employment surveys, Detailed value chain analysis (baseline study)	

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Output 2.1: Private sector participation in Regional Anti-Retroviral (ARV) and associated value chains enhanced	2.1.1 Enhanced business , entrepreneurial and subject matter knowledge skills .	- New cooperation agreements signed between an university and a company	- 0 in 2018	- 1 by 2023	- Progress reports - News articles on websites of educational institutions	Commitment from SADC Member States to deepen into the regional integration processes and especially encourage regional value chains. Enterprises are motivated and involved into the Programme Commitment and participation of enterprises and intermediate institutions. Qualified consultants and technical experts are available in SADC. Willingness of the public sector institutions and private sector to create an environment able to meet the challenges of regional economic integration, globalisation and competitiveness.
		- New vocational training programmes for pharmaceutical technicians developed	- 0 in 2018	- 1 by 2023		
	2.1.2 Improved capacity for business operating systems and procedures	- Number of companies with a Corrective Action and Preventive Action (CAPA)-plan for the achievement of WHO-GMP or Stringent Regulatory Authority (SRA) standard in place().	- 0 in 2018	- 2 by 2023	- Progress reports - CAPA Plans	
		- Number of pharma value chain or pharma-associated value chain manufacturers capacitated	- 0 in 2018	- 4 by 2023		
2.1.3 Enhanced knowledge of technologically driven high quality, modern and environmentally sustainable ARVs production systems	- Number of companies who visited international trade fairs, researchers/ businesses etc. and/ or received trainings in effective	- 0 in 2018	- 3 by 2023			

		use of appropriate modern technology				
2.1.4 Enhanced access to efficient input and output markets	- Number of companies trained to improve their product or services supply across the region	Baselines to be determined at inception	- To be defined (Tbd) in inception phase after baseline data is available	Progress reports		
	- Number of companies who have sought supply offers from new suppliers in the region.	Baselines to be determined at inception	- To be defined (Tbd) in inception phase after baseline data is available	Survey report		
2.1.5 Facilitated access to affordable, flexible and innovative financing arrangements	- Number of companies with a financing plan for upgrades towards technical or procedural improvements	Baselines to be determined at inception.	- To be defined (Tbd) in inception phase after baseline data is available	- Upgrade financing plans. - Progress reports		

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Output 2.2: Private Sector Participation in Regional Covid-19-relevant Medical and Pharmaceutical Products Value Chains enhanced	2.2.1 Enhanced business, entrepreneurial and subject matter knowledge skills.	- Trainings with respect to business management processes provided	- 0 in 2020	- 2 by 2021	- Progress reports	Commitment from SADC Member States to deepen into the regional integration processes and especially encourage regional value chains. Enterprises are motivated and involved into the Programme Commitment and participation of enterprises and intermediate institutions. Qualified consultants and technical experts are available in SADC. Willingness of the public sector institutions and private sector to create an environment able to meet the challenges of regional economic integration, globalisation and competitiveness.
	2.2.2 Improved capacity for business operating systems and procedures	- Number of innovative CMPP projects, products and services of local companies/ manufacturers supported	- 0 in 2020	- 8 by 2021	- Progress reports - Grant agreements	
		- Number of supported CMPP innovation projects of universities, technical institutes, NGOs and/ or national coalitions	- 0 in 2020	- 1 by 2021	- Progress reports - Grant agreements	
		- Number of local/regional medical and pharmaceutical manufacturing projects/ SMEs capacitated (e.g. move towards certification of product, strengthen operating system and procedures of partners)	- 0 in 2020	- 2 by 2021	- Progress reports - Documentati on of events - WS/ Seminar	
2.2.3 Enhanced knowledge of technologically driven high quality, modern and environmentally	- Engage and network with relevant international and regional	- 0 in 2020	- 3 by 2021	- Progress reports - Documentati on of events		

	sustainable CMPP production systems	stakeholders to identify Covid-19 relevant technological developments (e.g. with regards to vaccine production and/ or logistics)				
	2.2.4 Enhanced access to efficient input and output markets	- Linking companies from the private sector to measures developed by SIPS Component 1 or similar initiatives such as African Medical Supplies Platform (AMSP)	- 0 in 2020	- 2 by 2021	- Progress reports - WS/ Seminar	
	2.2.5 Facilitated access to affordable, flexible and innovative financing arrangements	- Identify and distribute information about suitable and affordable financing options for CMPP manufacturing in the SADC region	- 0 in 2020	- 1 by 2021	- Progress reports - Documentati on of events - Brochure(s) - WS/ Seminar - Etc	

	Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Output 3: Private sector participation in Regional leather and associated value chains enhanced	3.1 Enhanced business, entrepreneurial and subject matter knowledge skills.	- Number of SMEs owners/ managers trained on technical and business management processes.	- 0 in 2018	- 500 by 2023	- Progress reports - Regional ToT training report - National training reports - M & E reports	Commitment from SADC Member States to deepen into the regional integration processes and especially encourage regional value chains. Enterprises are motivated and involved into the Programme Commitment and participation of enterprises and intermediate institutions. Qualified consultants and technical experts are available in SADC. Willingness of the public sector institutions and private sector to create an environment able to meet the challenges of regional economic integration, globalisation and competitiveness.
		- Number of SMEs owners/ managers trained on joint action on procurement, production and marketing (Cluster approach).	- 0 in 2018	- 500 by 2023		
	3.2 Improved capacity for business operating systems and procedures	- Number of SMEs owners/ managers trained on production quality improvement and/or products certification procedures.	- 0 in 2018	- 200 by 2023	- Regional ToT training report - National training reports - M & E reports	
	3.3 Enhanced knowledge of technologically driven high quality, modern and environmentally sustainable leather production systems	- Number of SMEs trained on green technology and resource efficient production.	- 0 in 2018	- 200 by 2023	- Training list - Regional ToT training report - National training reports - M & E reports	
3.4 Enhanced access to efficient input and output markets	- Number of SMEs who have participated in 20 regional B2B meetings to promote regional business linkages.	- 0 in 2018	- 200 by 2023	- Documentation of events - Progress reports		

		- Number of SMEs who have participated in national and regional trade fairs.	- 0 in 2018	- 100 by 2023	- Documentation of events - Progress reports	
	3.5 Facilitated access to affordable, flexible and innovative financing arrangements	- Number of SMEs who have participated in matchmaking events to learn about available financing arrangements.	- 0 in 2018	- 100 by 2023	- Documentation of events - Progress reports	