



SADC INDUSTRIALIZATION STRATEGY AND ROADMAP 2015-2063

**SADC DFIs NETWORK - CEO's FORUM
(Dar-es-Salaam, Tanzania 6 July 2017)**



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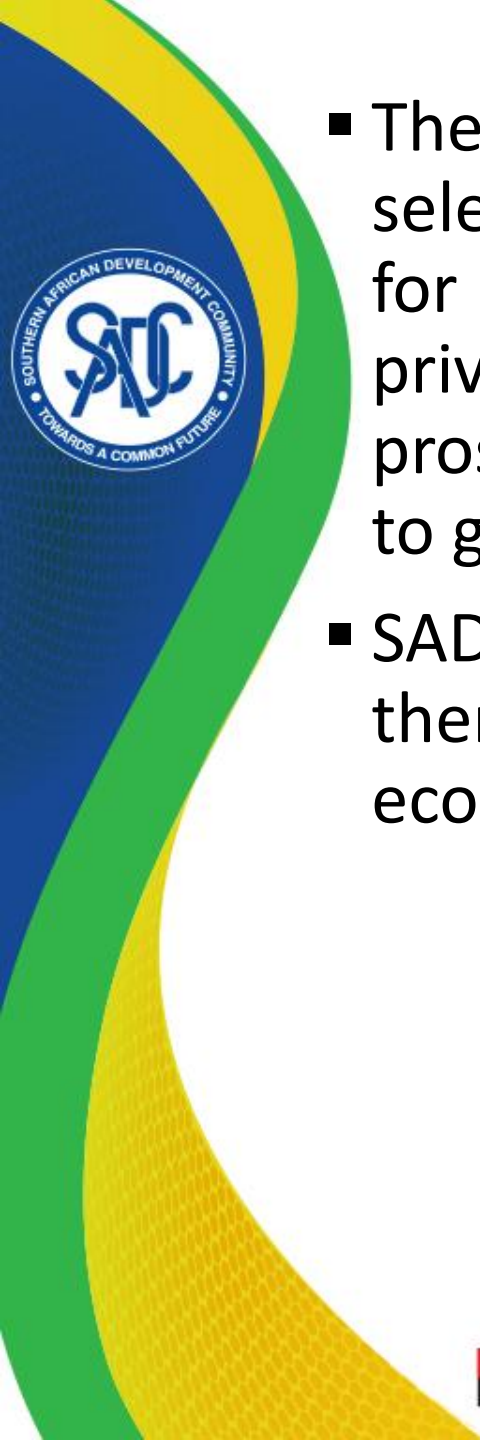


STRATEGIC GOALS AND TARGETS

1. Overall Objectives:

- Engender a major economic and technological transformation for rapid catching up
- The central challenge facing Africa is how to transition from the commodity-dependent growth path in which African countries find themselves to value-adding, knowledge-intensive and industrialised economies
- Create a knowledge-based and self-sustaining economic structure drawing on national and regional endowments as sources of prosperity





- The strategy emphasises pursuit of targeted and selected industrial policies to create conditions for higher rates of investment by the public and private sectors to enable crucial sectors to prosper, especially value-adding manufacturing to grow
- SADC Member States have committed themselves to investment-led trade and regional economic and industrial integration





- Industrialization and regional integration will benefit from strong support for localisation and regional supplier development
- Achieve substantial and sustained increase in income, employment and living standards



Strategic Goals and Targets *(continued)*

2. Transformation Path:

- Moving from factor-driven development phase to efficiency driven stage and ultimately to innovation driven stage as a development continuum
- Convergence with the African Union Agenda 2063



STRATEGY PILLARS

1. Industrialization as champion of economic transformation
2. Competitiveness
3. Regional Integration



ENABLERS

1. Inclusiveness
2. Enhanced forms of industrial development, i.e. upgraded SMEs, clusters and value chains (regional / global)
3. Building requisite capacities and capabilities: skills, institutions, entrepreneurship, etc
4. Enabling Infrastructure (Transport, ICT, Knowledge Institutions, etc.)



ENABLERS *(continued)*

5. Well-developed financial system
6. Conducive macroeconomic environment for optimal resource flows and long term stability
7. Strong political will



STRATEGIC POLICY AREAS

1. Getting the micro- and macro-economic policy environment right
2. Positioning industrialization at the centre of development
3. Policies for enhancing productivity, competitiveness and deepening regional integration
4. Building capabilities to underpin transformation and strengthening competitive production set-ups
5. Removal of infrastructural impediments to industrialization and regional integration
6. Value chain development



FOCUS ON VALUE CHAINS

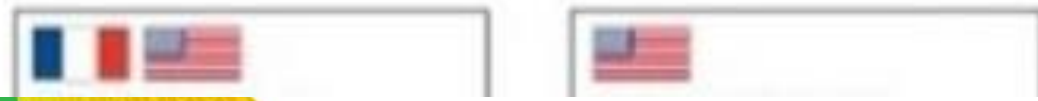
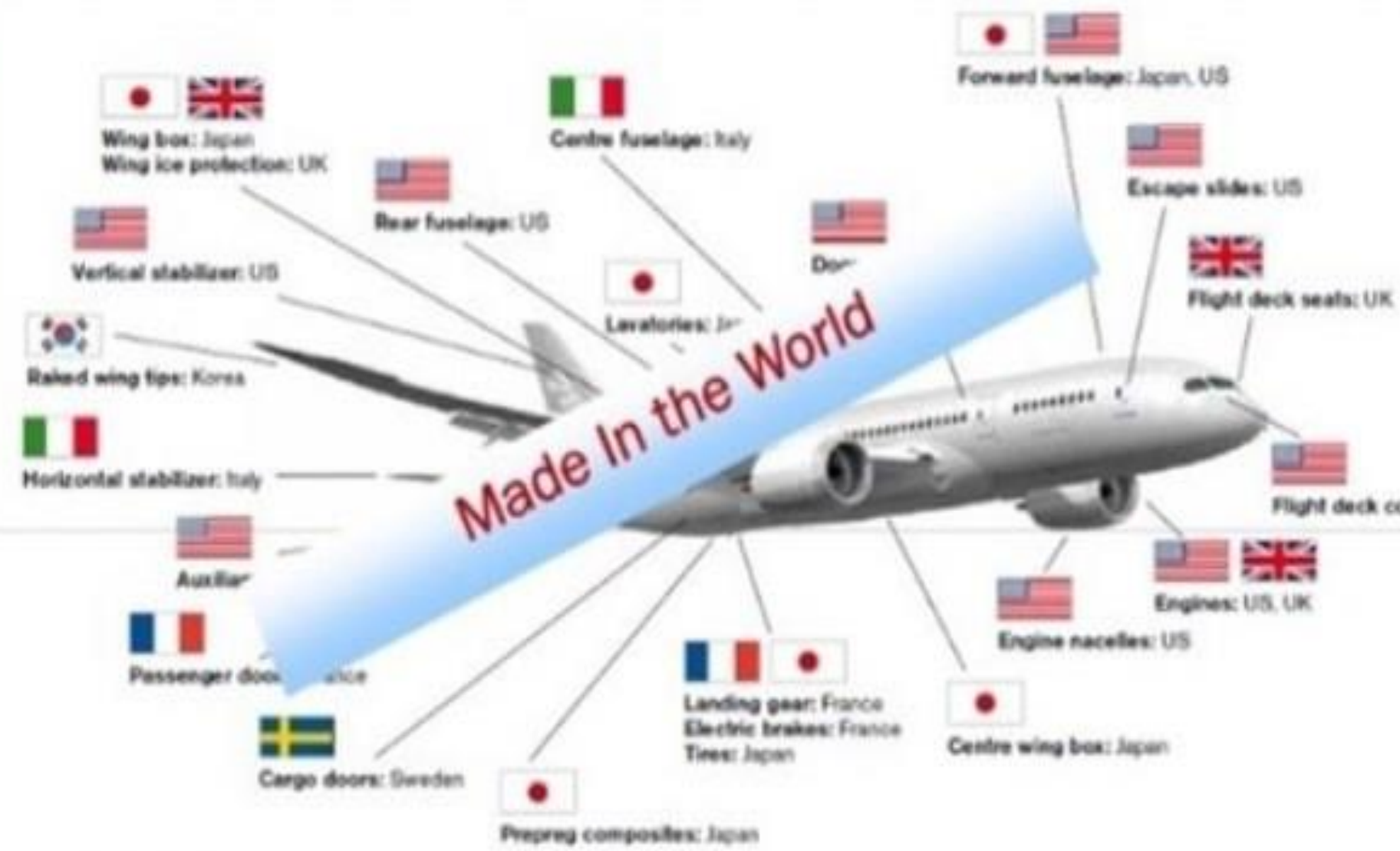
Why Value Chains?

- Value Chain – A value chain identifies the full range of activities that firms undertake to bring a product or a service from its conception to its end use by final consumers

At each step in the chain, value is added in some form or other



Made In the World



FOCUS ON VALUE CHAINS

- Value chains expand production possibilities and enhance cross-border utilisation of the natural and human resources
- Participation allows advantageous integration in the highly competitive world of the 21st century
- Participation can be regional or global, or both – either way is to maximise national and regional economic prosperity
- The key challenge for corporate and governance policy makers is to identify entry points in value chains



FOCUS ON VALUE CHAINS *(continued)*

Value Chains and Strategy Growth Paths

- The Strategy and Roadmap focuses on three potential growth paths for SADC economies:
- Agro-processing
- Minerals beneficiation and down-stream processing
- Enhanced and upgraded participation in regional and global value chains



FOCUS ON VALUE CHAINS *(continued)*

- In all three, the common thread is greater domestic and regional value addition through the development of:
 - a) New value chains
 - b) Greater participation in existing value chains, both RVCs and GVCs
 - c) Upgrading within VCs





National Value Chains also Matter

- While regional value chains in agricultural and minerals processing and manufacturing value addition are the centre-piece of the industrialization strategy, they are not the sole component
- National value chain development, invariably linked either to regional and global value chains will also play a crucial role



POTENTIAL VALUE CHAINS IN SADC

Six main value chains clusters identified:

- i. Agro-processing
- ii. Mineral beneficiation and related mining operations
- iii. Pharmaceuticals
- iv. Other consumer goods
- v. Capital goods
- vi. Services



Table 1: Potential Value Chains in SADC

Value Chain	Countries
Agro-Processing Cluster	
Soya	South Africa, Zimbabwe, Zambia, DRC, Malawi, Madagascar
Sugar	Malawi, Mozambique, South Africa, Swaziland, DRC, Tanzania, Zambia, Zimbabwe, Mauritius, Botswana
Meat products (poultry and beef)	Botswana, South Africa, Zambia, Zimbabwe, Namibia, Swaziland, Madagascar
Cassava	Angola, DRC, Mozambique, Tanzania, South Africa, Malawi, Madagascar
Dairy products	Madagascar, South Africa, Namibia, Tanzania, Malawi, Botswana, Zambia, Zimbabwe, Swaziland
Other food and drinks	Angola, DRC, Lesotho (maize), Mauritius (sea food), Zambia (oil seeds and livestock products), Malawi (oil seeds), South Africa, Zimbabwe, Swaziland, Madagascar (Rice, maize, black eyed beans, pea), Namibia, Tanzania (maize, rice, oil seeds)
Fish and fish products	Angola, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Zambia, Madagascar, Malawi
Horticulture (Fruits, Vegetables and Flowers)	Swaziland, Lesotho, Zambia, South Africa, Madagascar, Zimbabwe, DRC, Namibia
Wildlife (game meat and hide processing)	Botswana, Namibia, South Africa, Zambia, Zimbabwe
Forestry – Timber and non-timber forest products (medicinal, cosmetics, essential oils and other herbal products)	DRC, South Africa, Angola, Madagascar, Swaziland, Mozambique, Zimbabwe, Zambia, Namibia, Tanzania, Malawi, Mauritius



Table 1 Potential Value Chains in SADC (continued)

Minerals and Beneficiation Cluster	
Energy Mineral (including polymers)	Angola (oil), Botswana (coal), DRC (oil), South Africa (coal), Mozambique (gas and coal), Tanzania (gas, coal), Madagascar, Zimbabwe, Swaziland (coal), Malawi, Namibia (uranium, coal and gas)
Ferrous Minerals (Iron/Steel)	Angola, DRC, South Africa, Tanzania, Mozambique, Zambia, Zimbabwe, Swaziland, Namibia
Base-metals Mineral (Copper, Aluminium, Nickel, Cobalt)	DRC, Zambia, South Africa, Namibia, Mozambique, Tanzania, Madagascar, Zimbabwe
Fertilizer	South Africa, Zimbabwe, Zambia, DRC, Malawi, Mozambique, Angola, Tanzania, Namibia
Diamonds	Botswana, Namibia, South Africa, Zimbabwe, DRC, Lesotho, Angola
Platinum	South Africa, Zimbabwe
Cement	South Africa, Zimbabwe, Zambia, DRC, Mozambique, Namibia, Malawi, Tanzania
Soda Ash	Botswana, Zambia, South Africa, Tanzania
Mining machinery	South Africa, Zambia
Small Scale Mining	Malawi



Table 1: Potential Value Chains in SADC (continued)

Pharmaceutical products and preparations cluster	
Anti-retrovirals (ARV)	South Africa, Zimbabwe, Tanzania, DRC, Namibia, Malawi
Anti-TB drugs	South Africa, Zimbabwe, Zambia
Anti-malarial (Artemisinin)	Madagascar, DRC, Tanzania (Artemisinin, Biolarvicides), South Africa
Condom	South Africa, Botswana, Namibia, Malawi, DRC
Bed Net value chain	Tanzania, Malawi
DDT	
Health commodities (Syringes; Intra Venous Infusions - IV Fluids; Surgical Equipment; Laboratory Reagents and Materials; Methylated Spirit	Malawi





Table 1: Potential Value Chains in SADC (continued)

Manufacturing: Consumer Goods Cluster	
Leather, Leather Goods and Footwear	Botswana, Lesotho, Namibia, Zambia, South Africa, Zimbabwe, Mozambique, Madagascar, Malawi, DRC, Swaziland, Tanzania
Clothing and Textiles	Botswana, Lesotho, Madagascar, Mauritius, Namibia, South Africa, Swaziland, Zimbabwe, Malawi
5. Capital Goods: Machinery and Equipment	
Automobiles	South Africa, Lesotho, Mozambique, Zimbabwe, Namibia, Malawi
6. Services Cluster	
Tourism	Botswana, Mauritius, Seychelles, South Africa, DRC, Tanzania, Zambia, Zimbabwe, Madagascar, Lesotho, Swaziland, Mozambique, Namibia, Malawi
Financial services	Botswana, Mauritius, Seychelles, South Africa, Swaziland, Zimbabwe, Namibia, Malawi
ICT	All Member States



CLUSTERS, SMES DEVELOPMENT AND VALUE CHAINS LINK

- Clusters are important instruments for generation of greater value addition.
- Cluster development should be a deliberate effort in the early stages of industrialization and transformation.
- The interface between SMEs, clusters and regional and global value chains should be encouraged at all production levels.
- Interface could be strengthened through two linkage programmes:
 - Actions to strengthen SMEs,
 - Business linkages





- Industrial development and in particular value chains promotion and competitiveness require substantial upgrading of capabilities
- A strong Action programme for capability development and competitiveness should be put in place covering:
 - Education, innovation and entrepreneurship development
 - Programme for upgrading the business environment and competitiveness



Industrial Policy and Value Chains

- Policies are essential for enhanced value chain participation, cluster development and deepening regional integration
- Deeper regional integration is essential for the fast and efficient connectivity that is a prerequisite for supply chain efficiency
- Trade integration and removal of obstacles expands production & exchange
- Investment policy and financial & capital market integration are important for open investment regimes





- Liberalization of the movement of people and skills
- Doing business policies
- Competition policy
- Fiscal policy
- Growth policies
- Focus policies for value chain development and promotion
 - Entering global and regional value chains
 - Embedding regional and global value chains in the domestic economy



CRITICAL ROLE OF NON STATE ACTORS

- Cooperation between public and private sectors and other operators (eg. Think Tanks)
- Ample policy space should be provided to encourage industrial discovery and allow for constructive dialogue.



COORDINATION - INDUSTRIALIZATION

- Governance structure should be aligned to support accelerated industrialization
- Institutionalizing the role of the private sector, Centres of Excellence/ Centres of Specialization, Universities, Think Tanks, the Media etc in the industrial process is critical
- Establishing / strengthening public institutions to guide and monitor the implementation of the industrialization strategy at the national, regional and SADC Secretariat levels



COSTING AND FINANCING

Costing Targets:

- Removal of infrastructural constraints
- Value chain formation / development / upgrading
- Cluster formation and SME development
- Development of capabilities in production, enablers (skills, technology, etc) for value chains and clusters
- Trade facilitation
- Competitiveness and business environment upgrading



Financing

- Priority financing will be for removal of constraints and development of capacities and capabilities
- Financing of national projects is essentially a Member States' responsibility
- Actual financing of value chains is primarily a private sector responsibility
- Access to financing should be inclusive



Financing (Continued)

- To achieve targeted growth rates, investment ratios of close to 40% of GDP will be required
- Savings rates should accordingly be doubled from current levels to reduce the resource gap
- Closing the projected financing gap:
 - National sources - Savings, Sovereign funds, RDF, Capital markets
 - External sources - ODA, FDI, etc.
- Risk mitigation and management





The SADC Industrialization Action Plan



I. Industrialization

The Policy environment

- Improved policy environment for industrial development
- Review and align national industrialization strategies and policies with the SADC Industrialization Strategy
- Aligning agreements with third parties with policies/ instruments to support industrialization, especially as they relate to infant industries, government procurement, resources beneficiation and industrial policy





- Increased volume and efficiency of public and private sector investments in the SADC economy
- Ensure that Investment Promotion Agencies support industrialization efforts, especially in priority sectors/value chains
- Establish a SADC Investment Forum to attract investment in the region





Enhanced competitiveness through the use of selected industrial policy instruments

- Member States to develop and implement their national IUMPs
- Develop and implement programmes and policy instruments for improving competitiveness



Increased participation in value chains for regional value addition

- Develop and implement value chains and value addition strategies for each priority value chain identified and selected
 - agro-processing
 - minerals beneficiation
 - pharmaceuticals
 - consumer goods
 - capital goods
 - services
- Implement at least 30 regional value chain strategies for specific products/services





- Agro-processing: development of a vibrant agricultural sector that will stimulate domestic and regional production of essential inputs, and improved investment in productive agroindustry value chain
- Higher level of minerals beneficiation and downstream processing
- Increased regional manufacturing of generic medicines and health commodities for communicable and non-communicable diseases taking place in SADC





Increased production and use of SADC raw materials as feedstock for downstream processing in agro-industries and other manufacturing industries

- Develop and implement SADC Raw Material Initiative/strategy on access to raw materials for industrialization





Increased share of diversified production and exports

- Develop and implement strategy for building regional capacity for competitiveness in medium- and high-tech manufacturing and exports
- Ensure that national and regional policy regimes support diversification and export promotion
- Establish task teams drawn from public and private sectors to identify new opportunities that fit the profile of the country and region



Capacities and capabilities of SMEs enhanced to participate in industrialization and value chains

- Develop and implement Regional SME Development Programme

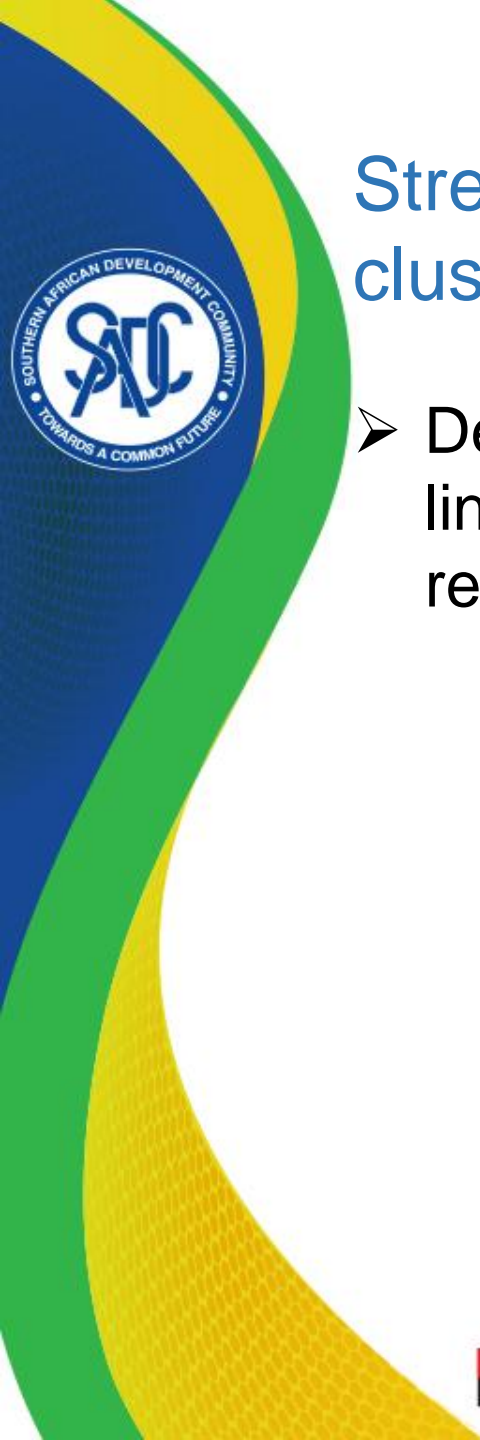




Self-sustaining national and regional industrial clusters and SME sectors developed and operating in the region

- Develop a framework for encouraging and supporting industrial clusters to facilitate SMEs development, covering:
 - Prepare and empower entrepreneurs
 - Business counselling and technology tie-up
 - Business linkages amongst SMEs and large companies
 - Incubation
 - Post incubation and growth programmes





Strengthened interface between firms, clusters and value chains

- Develop institutional infrastructure for linkages between firms and clusters at regional and global levels





A developed Private Sector in SADC for improved public-private dialogue, collaboration and partnership on industrial development

- Develop and implement Regional Private Sector Strategy





Environmental standards, SDGs and Paris Accord 2015/16 mainstreamed into industrial development in line with the Protocol on Environment for Sustainable Development

- Implement the SADC Green Economy and Climate Change Strategies and Action in line with internationally agreed commitments





Improved exploitation of industrial opportunities associated with Natural Resources and the Blue (Ocean) Economy

- Develop and implement the Blue Economy Strategy and a Strategy on Sustainable Utilization of highly endangered species of high commercial value to sustainably exploit industrial opportunities (e.g. fisheries, aquaculture, shipping and transport, tourism, marine energy, pharmaceutical and cosmetics, blue carbon market opportunities, etc)



Manage Environmental Impacts of Industrialization

- Implement the Waste Management Programme (2013) in particular focusing on waste Reduction, Reuse and Recycling at source



II. Competitiveness

Improved microeconomic environment for firms and enterprises

- Undertake necessary policy reforms to create a business enabling environment

Improved skills relevant for industry

- Develop and implement relevant skills programmes for industry





Improved labour productivity and labour market efficiency

Education system and continuous training programmes are more responsive to need of industry

- Develop programme to address industry skills shortfalls, taking into account likely sectoral developments, with costed implementation plans





Industrialization supported by strengthened Regional SQAM and SPS infrastructure (especially standards, quality assurance, accreditation, metrology and technical regulations) to enhance competitiveness of the region

- Improve quality infrastructure services that support industrialization and enhance competitiveness



Centres of Excellence and Centres of Specialization for selected priority sectors

- Strengthen existing CoEs and CoSs

OR

- Establish new CoEs/CoSs to serve the region

Enhanced innovation and business sophistication to advance technological readiness

- Promote investment in R&D, Innovation and commercialization of innovation





Accelerated industrialization promoted by addressing the key infrastructural constraints (Energy, Transport, ICT Water and Meteorology)

- Implement RIDMP and PIDA priority development projects, with particular focus on industrialization



Infrastructure development leveraged to catalyse industrialization

- Develop and implement Strategy for SMEs to effectively participate in the implementation of major infrastructure projects





Established regional financing mechanism for sustainable industrial development

- Regional Development Fund (RDF) operationalised to support industrialization

Strengthened financial and capital markets to support financing industrialisation and facilitate value chain participation

- Develop and implement a regional programme for strengthening national and regional financial and capital markets
- Develop and implement a Strategy to mobilise domestic financial resources for industrialization



Enhanced access to finance by SMEs

- Develop and implement strategy for financial inclusion and SMEs access to finance
- Improve access to finance by strengthening domestic savings mobilization and improving the investment climate for private sector investment, including FDI



III. Regional Integration

Compliance with SADC Protocols on regional economic integration is advanced through a staggered and sequenced approach that prioritizes areas required for regional industrialization





Non-Tariff Barriers (NTBs) are removed in a timely fashion to support development of regional trade and develop an effective system to facilitate removal of NTBs that hinder industrial development at regional level

Rules of Origin (RoO) support industrialization



Regional trade in services facilitates industrialization

- SADC Protocol on Trade in Services is ratified and domesticated by Member States, with priority given to sectors that affect regional industrialization

Industry and labour benefit from enhanced mobility of skills, business people and right of establishment across the region

- Facilitate the movement of skills and business people and grant right to establish businesses within the SADC region for SADC persons





Intellectual property rights support attraction of investment as well as research and development and technology transfer, especially in priority industries

- Develop and implement Regional IPR Framework and Guideline

Increased competition in SADC market leads to greater diversification

- Develop and implement regional competition policy to foster regional industrialization





Improved logistics to support growth and competitiveness of priority sectors

- Improve hard and soft infrastructure at priority corridors with an emphasis on priority sectors' needs

Integration of SADC region with other regional markets

- Complete the negotiations on built-in agenda; Ratify TFTA Agreement
- Implement Industrialization and Infrastructure Development Pillars Programmes





Increased volume/value of intra-African trade resulting from diversification and broader geographical participation in value chains

- Negotiate CFTA agreement, with particular emphasis on the industrial pillar and negotiations relevant for creating policy space to accelerate industrialization



IV. Cross-cutting Issues

Increased participation of women in industrial development

- Develop and implement SADC Women's Economic Empowerment Programme

Increased youth participation in industrial activities

- Develop and implement SADC Youth Economic Empowerment Programme



Increased participation of persons with disabilities in industrial activities

- Develop and implement SADC Persons with disabilities Economic Empowerment Programme

Effective communication in support of industrialization

- Develop communication strategy
- Establish platform for dialogue on industrialization involving legislatures, policy makers, experts, academics, researchers, civil society, media operators, partner institutions and private sector



IV. Institutional Arrangements

Effective governance mechanism for implementation of the Industrialization Strategy in place



V. Monitoring and Evaluation

Effective Monitoring and Evaluation (M&E) system in place

- Develop and install an effective M&E system (covering both process monitoring and output monitoring) for assessing and evaluating progress





Thank you

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