



# **Regional industrialisation discourses in SADC and SACU – lessons for the EAC?**

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# Industrial development in SADC

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SADC region characterised by low levels of industrial development, with manufacturing contributing a relatively small percentage of GDP in most countries in the region

Challenges for manufacturing and industrial competitiveness in SADC Member States:

- small domestic markets and limited cross-border industrial linkages
- lack of productive capacity and diversification
- over-reliance on primary production with limited value addition and beneficiation
- low levels of investment in manufacturing
- skills shortages and outdated technologies
- inadequate access to capital
- weak standards, quality and conformity infrastructure
- inadequate logistics and infrastructure

Recognition of importance of developing a manufacturing sector in order to transition from a growth path built on consumption and commodity exports onto a more sustainable developmental path based on industrialisation

# Contribution of Manufacturing to GDP in SADC (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Angola	3	4	4	4	4	4	4	5	5	6	6	6
Botswana	5	4	4	4	4	4	3	4	4	4	4	4
DRC	5	5	5	5	6	7	6	6	6	5	NA	NA
Lesotho	14	19	23	22	22	20	22	20	19	16	13	12
Madagascar	12	12	13	14	14	14	14	14	14	14	NA	NA
Malawi	13	12	11	12	10	9	11	10	10	10	NA	NA
Mauritius	23	23	22	22	21	20	20	20	20	19	18	18
Mozambique	12	14	14	17	18	15	16	15	14	14	13	13
Namibia	13	13	13	15	14	14	16	17	14	15	8	8
Seychelles	19	18	18	16	17	13	12	12	12	11	NA	NA
South Africa	19	19	19	19	19	18	17	17	17	15	15	13
Swaziland	39	42	41	41	40	40	43	44	44	46	42	41
Tanzania	9	9	9	9	9	9	9	9	9	10	10	10
Zambia	11	11	12	12	12	12	12	11	10	10	9	9
Zimbabwe	16	15	13	14	16	17	18	17	17	16	14	11
SADC*	14.20	14.67	14.67	14.73	15.07	14.40	14.87	14.73	14.33	14.07	14.60	13.90
Source: World Bank (2012)												

# Manufacturing value-added (MVA) per capita (US\$)

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

# SADC efforts to promote industrial development

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- Regional collaboration seen as a way to address low levels of industrial development in SADC
- The SADC Treaty and the Regional Indicative Strategic Development Plan (RISDP) prioritise industrialisation as a major tool for sustainable growth, development and eradication of poverty
- The RISDP also re-affirms commitment of SADC Member States to developing policies for industrialisation and the promotion of industrial linkages and value addition, and calls for Member States to pursue national industrial policies in a way that fosters regional coherence and reduces inequalities within the region
- The SADC Protocol on Trade, meanwhile, specifically calls for an industrialisation strategy to accompany implementation of the SADC FTA
- To this end a Draft SADC Industrial Development Policy Framework has been developed

# Draft SADC Industrial Development Policy Framework

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- Aims “to promote the development of an integrated industrial base within SADC through the exploitation of regional synergies in value-added production and enhancement of export competitiveness” and “to promote collaboration in the development of regional value chains, with targeted interventions on, but not exclusively, identified priority sectors”
- Encourages Member States to implement national policies for enhancing their productive capacity and seeks to provide a supporting framework for these policies at the regional level
- Recognises the need for alignment with other policies, protocols and frameworks provided for in the SADC Treaty and the RISDP, such as trade and competition policies, labour market policies and finance and investment policies

# Draft SADC Industrial Development Policy Framework

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## Key intervention areas

- Developing sector specific strategies
- Industrial upgrading through innovation, technology transfer and R&D
- Improving standards, technical regulations and quality infrastructure
- Developing and upgrading skills for industrialization
- Developing a mechanism for industrial financing
- Improving provision of infrastructure for industrial development
- Enhancing support to SMEs
- Promoting investment and exports
- Developing strategies to exploit opportunities in cooperation with other regions
- Developing institutional structures and institutional capacity for implementation
- Monitoring and evaluation

# Issues and challenges

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- Economic polarisation
- Focus on beneficiation
- Competitiveness issues
  - Infrastructure
  - Services
  - Rules of Origin
  - Competition and investment policy (SEZs)
- Developing regional value chains as opposed to breaking into global value chains
- Different national interests and varying priorities and levels of ambition
- Detail and concrete initiatives!!!



# Industrial policy in the Southern African Customs Union (SACU)

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- 2002 SACU Agreement represents move towards establishing truly regional institutions (e.g. Tariff Board) and developing common policies (Part 8)
- With regard to Industrial Policy, Article 38 of the Agreement states:
  - 38.1: “Member States recognise the importance of balanced industrial development of the Common Customs Area as an important objective for economic development.”
  - 38.2: “Pursuant to paragraph 1, Member States agree to develop common policies and strategies with respect to industrial development”.
- The Agreement also recognises the need to prioritise industrial development in the less-developed SACU Members States (‘balanced’ industrial development)
- In terms of action...
  - Member states have called on the SACU Secretariat to develop a regional industrial policy
  - Member States have exchanged existing policies, submitted respective concept papers to define their levels of ambition and identified priority sectors
  - SACU Secretariat has started work on the development of a common industrial policy and in 2012 awarded a tender for a “Study to Develop a SACU Industrial Development Policy”

# Industrial policy in the Southern African Customs Union (SACU)

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- But, little progress since 2002 SACU Agreement came into force, largely due to a range of political, economic and institutional issues that complicate the industrial policy process and the scope and potential for forging common policy regimes
  - ‘Common’ industrial policies?
  - Economic polarisation
  - The SACU common external tariff (CET) and other trade policy instruments
  - Developing SACU value chains
  - The role of South Africa
- Upshot is that almost a decade after the 2002 SACU Agreement came into force, there has been little progress in terms of developing common policies and common industrial policies in particular

# The COMESA-EAC-SADC T-FTA Industrial Development Pillar

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- The T-FTA negotiations involve three 'pillars': Market Access; Infrastructure Development and Industrial Development
- Industrial Development pillar has seen relatively little progress thus far
- The Tripartite Task Force (TTF) has commissioned studies to provide the basis for the preparation of a comprehensive programme of work and a roadmap for the industrial development pillar for the T-FTA negotiations
- Not clear at this stage what form of collaborative framework is being envisaged and whether this will be similar in form to frameworks being developed at the sub-regional level (as in the case of SADC and SACU)
- Danger of overloading the industrial policy agenda!

# Lessons for the EAC?

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- Clarify the form and scope of regional industrial policy
- Address economic polarisation
- Align national and regional policies and strategies
- Ensure trade and industrial policies are complementary
- Address other constraints on competitiveness