



4TH ANNUAL SADC INDUSTRIALISATION WEEK



*A Conducive Environment for Inclusive and Sustainable Industrial Development,
increased intra-Regional Trade, and Job Creation*

05 - 09 August 2019

Julius Nyerere International Convention Centre (JNICC)
Dar Es Salaam, Tanzania



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Karibu sana Tanzania!

Welcome to Tanzania!



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Arrival of Guest of Honour:

Minister of Industry and Trade, United Republic of Tanzania



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Introduction and Welcoming Remarks:

H.E. Correira Nunes, Acting Ambassador, European Union



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Introduction and Welcoming Remarks:

Lubna Dafalla Ahmed, BADEA Representative



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Introduction and Welcoming Remarks:

NMB Representative



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Introduction and Welcoming Remarks:

Charity Mwiya, Chairperson, SADC Business Council



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Introduction and Welcoming Remarks:

Salum Shamte, Chairman, Tanzania Private Sector Foundation



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Introduction and Welcoming Remarks:

H.E. Dr. Stergomena Tax, Executive Secretary, SADC



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SETTING THE SCENE:

A Conducive Environment for Inclusive and Sustainable Industrial Development, Increase Intra-Regional Trade and Job creation

Prof. Francis Matambalya
International Industrial Development Expert



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Remarks from the Ministries of Industry and Trade:

Hon. Innocent L. Bashungwa, Minister for Industry and Trade, the United Republic of Tanzania



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KEYNOTE ADDRESS:

Deepening regional integration and the role of the private sector in SADC

His Excellency Dr John Pombe Magufuli
President of the United Republic of Tanzania



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Official launch of the SADC Business Council:





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INTERMISSION:

Group photos

Exhibition tour



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PRESENTATION:

Deepening regional integration and the role of the private sector in SADC

Gilead Teri
The World Bank Group



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Outline: Deepening Integration

- Industrialization – a shifting goal post?
- SADC drivers
 - People
 - Policies
 - Politics
 - Product
- Lessons
- Advise

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Is SADC industrialization a possibility?

- Current status: “Tech updated-ness”, diversified economic structure, dynamic manufacturing sector
- At least 40% of employment is derived from **manufacturing** and over 60% urbanization
- Current ratio of **agriculture** employment:
 - Developed: 2%
 - Emerging: 18%
 - Developing: 31%
- Manufacturing Production:
 - 2005 – 2014: 100% (real growth)
 - 2007 – 2017: 3.5% (annual growth rate)
- **Share of Manufacturing Output: Lower than in 1970s**



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Industrialization challenge

Transforming **275 million** inhabitants within **10 million square** kilometers of land (*Europe: 10.8 m sq.km; 741 million inhabitants*)

SADC has a smaller market potential, but growing at an increasing rate

- Preference to the “European model” without using European principles (***movement of factors of production vs movement of products***)
- FDI-driven industrialization preferred to development of local capacities
- **Coordinated policy making** across the region (EU commission)

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People

- Positive outlook over the integration
- Largely positive perception of neighbors (which needs to be reinforced)
- Movement of people (no visa requirements – but still protectionist work permit systems in place inhibiting free movement of human capital)
 - 3.8m EU citizens in the UK
 - 1.3m UK citizens in the EU (5M world wide)
- Productivity is still low (compared to US worker)
 - 1960: 57 days
 - 2017: 31 days



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Perceived helpfulness of regional economic communities by country 2014/2015

Afrobarometer region	Country	REC	Helps a lot	Helps somewhat	Helps a little bit	Does nothing	Don't know
Southern	Namibia	SADC	39%	30%	16%	4%	11%
	Botswana		30%	25%	19%	2%	24%
	Mozambique		28%	19%	21%	7%	25%
	Lesotho		24%	9%	10%	21%	35%
	Zambia		24%	13%	14%	6%	42%
	Malawi		21%	11%	18%	7%	43%
	Swaziland		20%	29%	13%	5%	34%
	Madagascar		15%	24%	29%	19%	13%
	Mauritius		12%	36%	28%	2%	22%
	South Africa		10%	19%	20%	14%	37%
	Zimbabwe		9%	19%	26%	18%	29%

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Policies

- Industrialization Action Plan Phase 1 (2017-2020) Action Plan with 22 priority interventions
- Objectives:
 - Increase participation in regional value chains
 - Improve beneficiation (Agro-processing, minerals & pharmaceuticals)
- Strategy:
 - Reflect priorities of member states (*Unlike EU model*)
 - Cross-cutting initiatives to enhance competitiveness
 - Improve the policy and business environment
- Addressing the key main constraints:
 - Relatively **small national markets**; **weak investment climates**; high **transportation costs**, **narrow economic structures** dependent on resource-based activities, high rates of unemployment, and a **small import substituting manufacturing sector** centered around agribusiness



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Policies need to address potential structural drivers of industrialization

1. **Infrastructure:** while it is less competitive for SADC's entry in global markets, regional value chains are constrained also by infrastructure gaps
2. **Employment:** choice of value chains must be labor-intensive
3. **Savings:** domestic capital formation mechanism are in elementary level which creates dependency on FDI which is selective in nature
4. **Fairness:** dominance of key players need to be counter-balanced carefully without creating dis-incentive to crucial market actors. This is important for sustainability purposes taking into account low and uneven levels of economic development

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Lubumbashi-Walvis Bay Corridor; North South Corridor (Durban - Dar es salaam); Kazungula Bridge (Botswana - Zambia)



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1. Infrastructure

- Africa Rail needs alone: \$495 bn
 - Currently: 15% of Africa's cargo is railed.
- The Southern Africa Development Bank estimate needs of over \$11bn for the North-South Corridor alone (among others,...)
 - Beitbridge Expressway
 - Water supply systems (over 3m new users)
 - Grand Inga Dam
- Objective:
 - Reduction in time for products that are linked to global VC
 - Product Competitiveness (over 40% being transport related costs)

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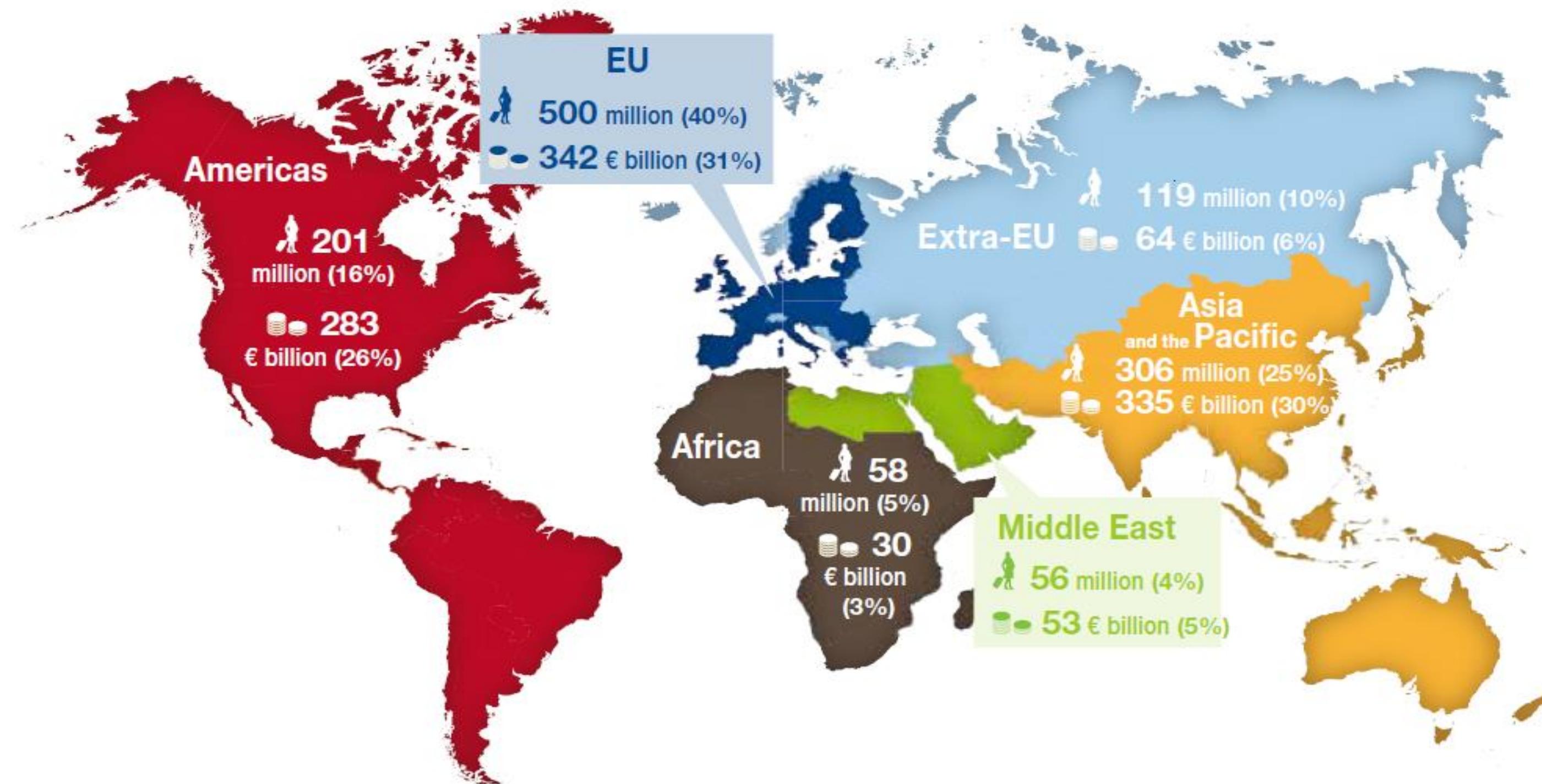
2. Employment

- Value chain selection must not only have a regional footprint but also deliver jobs and inclusive development
- Agri-Industrialization & Tourism:
 - WBG ended its support to KAZA-TFCA with little progress of liberalization of visa for tourism. Only two regional visa program (UNIVISA & EAC visa)
 - Inability to pool sector growth has denied the consequent agri-industries growth potential.
- EU tourism: 10% of GDP, 8% annual growth, 26m jobs & 538m visitors yearly (40% of world total)

International Tourism 2016

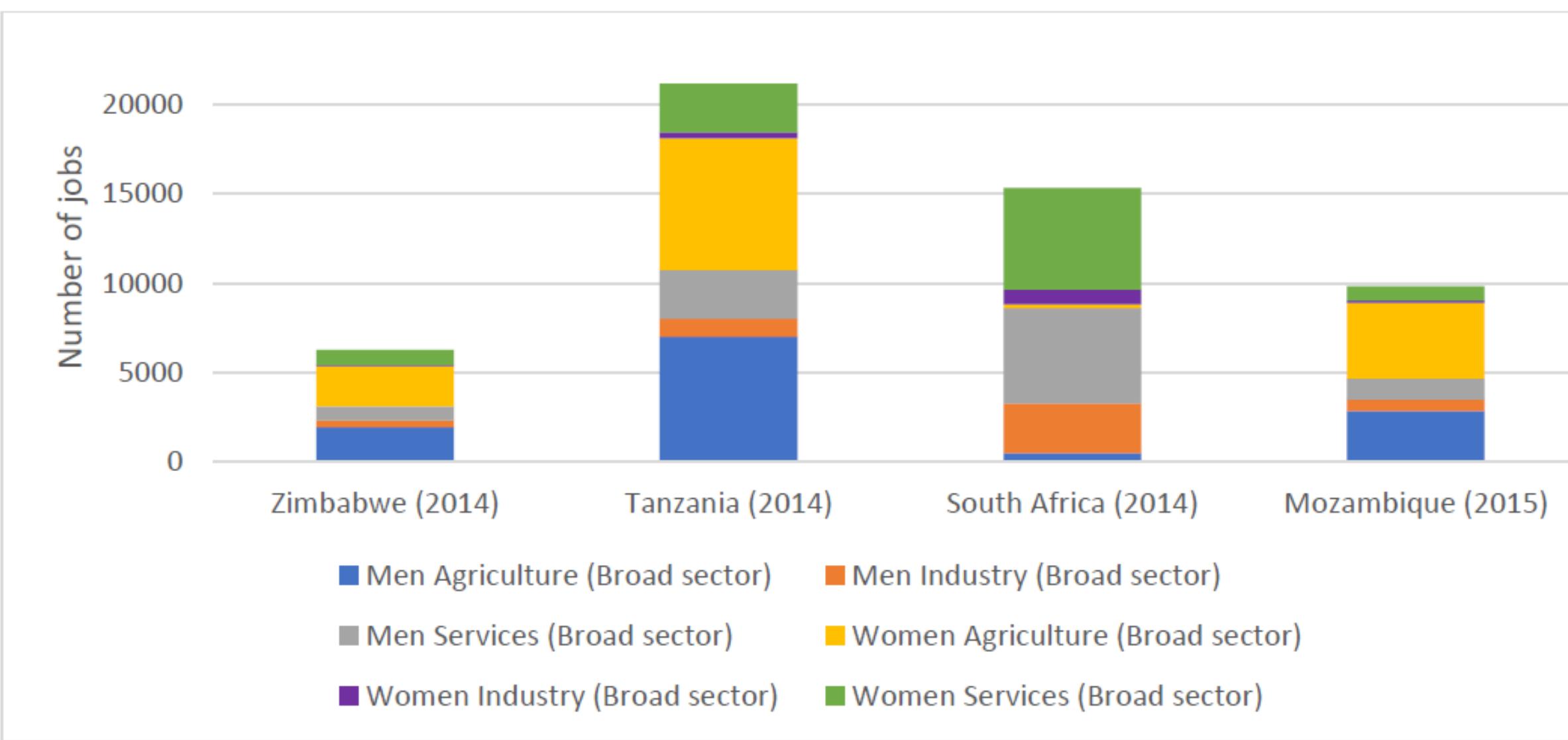
World international tourist arrivals (ITA): 1,239 million

World international tourism receipts (ITR): Euro 1,107 billion



Agrarian employment with limited exposure to semi-industrial

Figure 2. Employment by sex and economic activity for selected SADC countries in 2014 or 2015.



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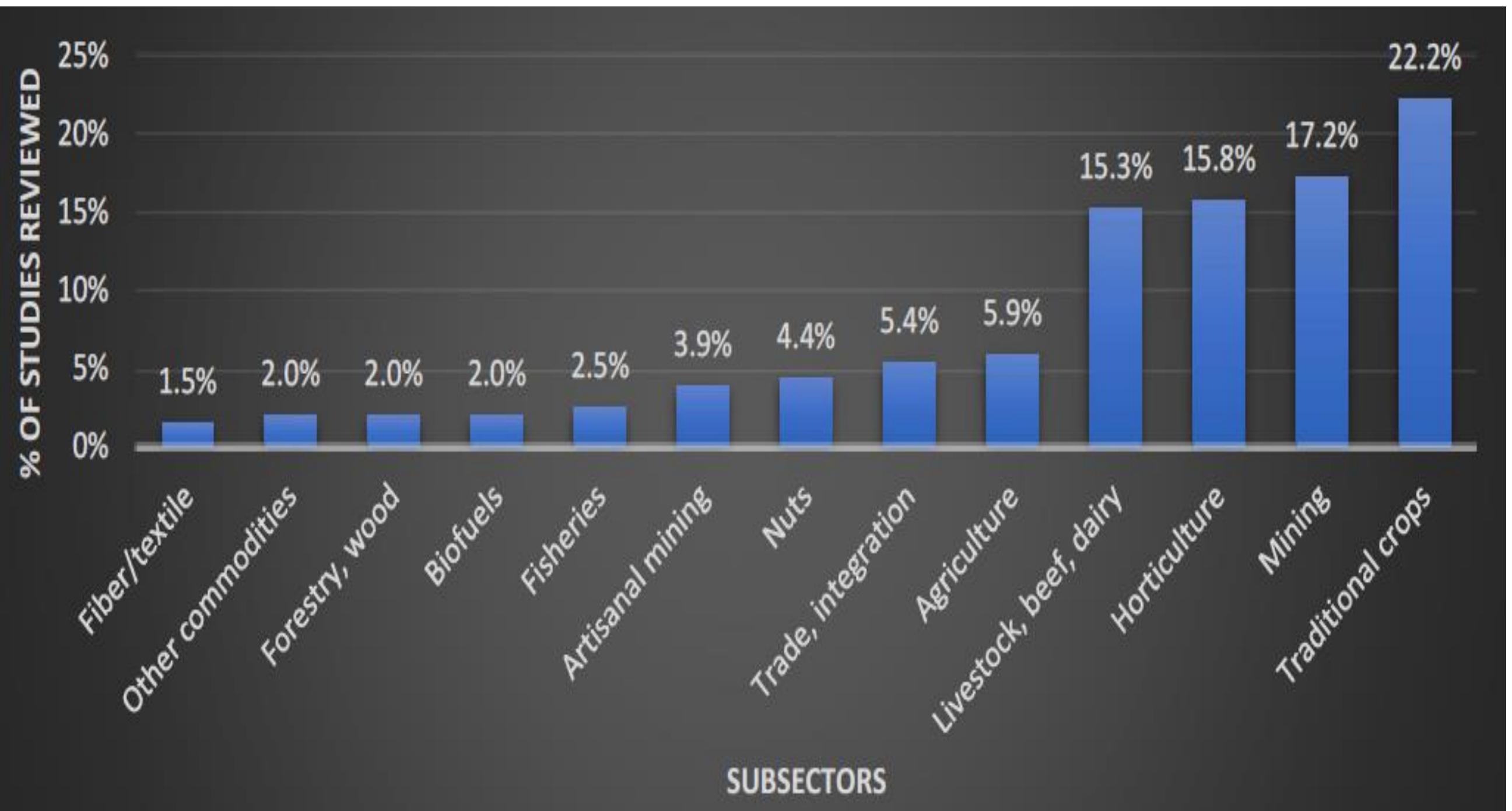
Politics

- The institutions need to be enabled to perform their roles (regulators, etc) “stated ‘rules of the game’ have near-zero predictive power for what will actually happen” (Pritchett et al., 2018, p 24)
- There needs to be deliberate “politics” of policy making that supports fundamentals of regional industrialization e.g. margin of preference for SADC members
- Private sector associations have room to re-shape dynamics

	High Rent	Competitive
Export-Oriented	RENTIERS Iron ore, gold and diamond miners, tree crop with tax concessions, forestry	MAGICIANS Agro-processing, manufacturing
Domestic Market	POWERBROKERS Legislative monopolies or oligopolies (petroleum Distribution) Natural monopolies or Oligopolies (telecommunications)	WORKHORSES Traders, retailers, subsistence farmers

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Product



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Product

Due to diversity of SADC members, product selection has been a hamstring of the industrialization strategy:

- Traditional crops
- Horticulture
- Livestock products (beef & dairy)
- **As a percentage of GDP:**
 - Average agriculture exports = Average agriculture imports (20%) – case for value addition
- EU: support towards value addition
 - % of GDP: 1.42%
 - Manufacturing value addition: \$ 250 BILLION
 - Total value of production = total value of consumption (EUR 345 Bn) - *export of surplus at “any price”*



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The trick: “Value addition in Agribusiness”

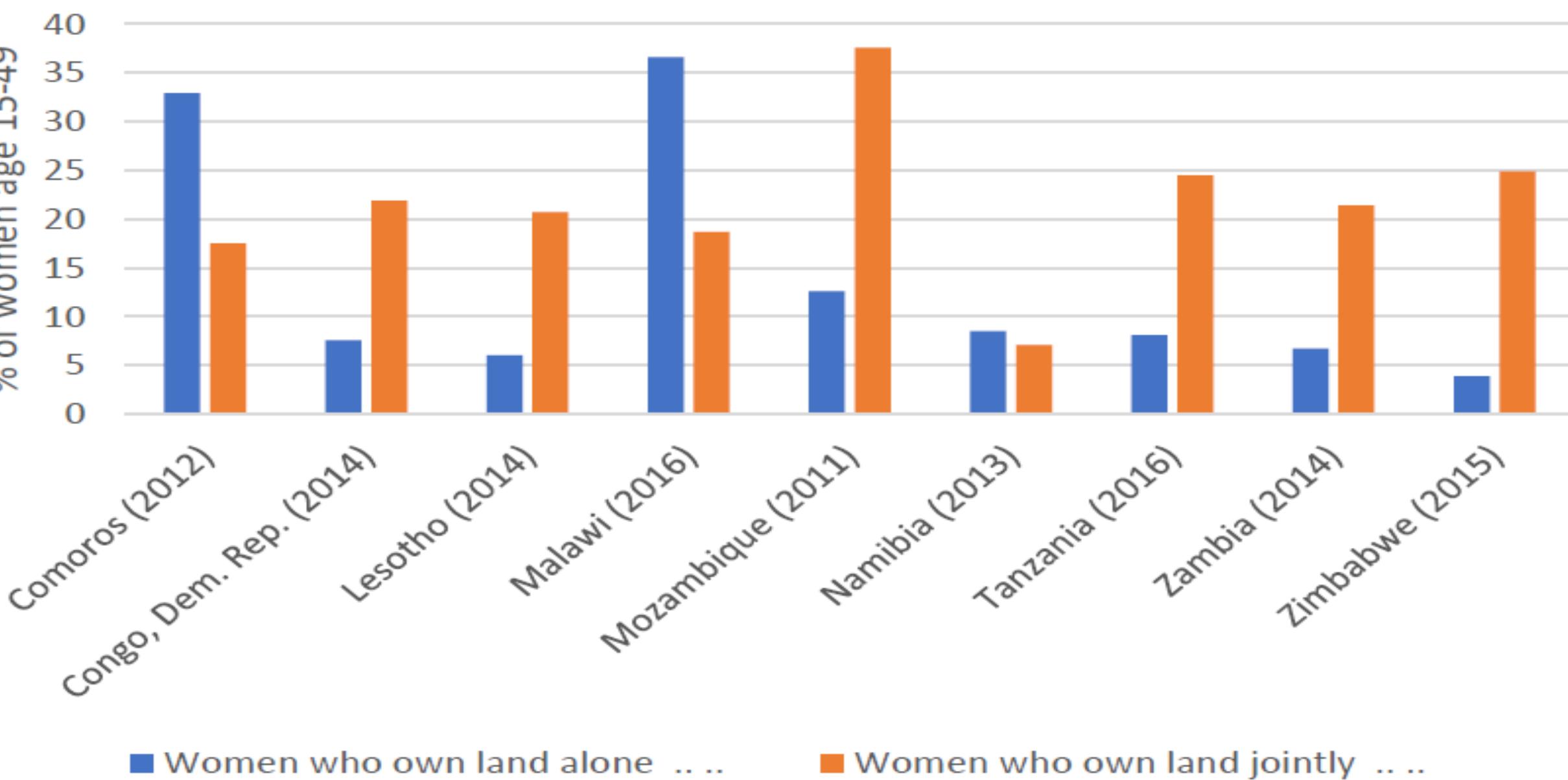
Mexico:

- GDP: \$ 1,178 bn
- Pop: 125m
- Manufacturing Agribusiness Exports:
 - \$15.7 billion

Malaysia

- GDP: \$ 314 bn
- Pop: 30m
- Manufacturing Agribusiness Exports:
 - \$ 25.8 billion

Potential for agri-processing inclusion



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Product I

- Manufacturing of more or less standard products which require relatively large volumes of capital investment
- Relatively high degree of technology
- High volume production and sales to make economic sense
- Examples
 - Steel
 - Automobile production/assembly
 - Basic chemicals



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Product II



- Production of a wide variety of product lines, models, sizes, styles, etc.
- Sizeable capital investment Degree of specialization
- Limitation of the product mix.
- Examples
 - Textiles
 - Pharmaceuticals
 - Plastics

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Product III

- Medium-sized or smaller plants turning out high volume of more or less uniform product
- Large output
- Potential for exports as output exceeds domestic consumption

Examples

- Metal works: Door hinges
- Woodworks
- Leather works: shoes, watchstraps
- Cotton works: shoe laces, zippers, pipe cleaners
- Food products



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Product Selection: The SADC analysis “with poverty reduction outlook”

SOY

- Currently: 10% soy is produced by smallholders.
- Addressing constraints identified in 2015 was estimated to double production by 2020
 - US\$217 million in increased income
 - Higher household incomes of over 400,000 smallholders.
 - Productivity increase could see increases of US\$300 for entry into production of a new farmer
- South Africa, Zimbabwe & Malawi have the largest base of smallholders (160,000 smallholders involved in 91 percent of production)
 - Zambia -124,000
 - Mozambique - 52,000
- Potential increases in income of US\$138 per year
- Driving faster growth of the livestock and livestock processing industries and additional jobs



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Fisheries

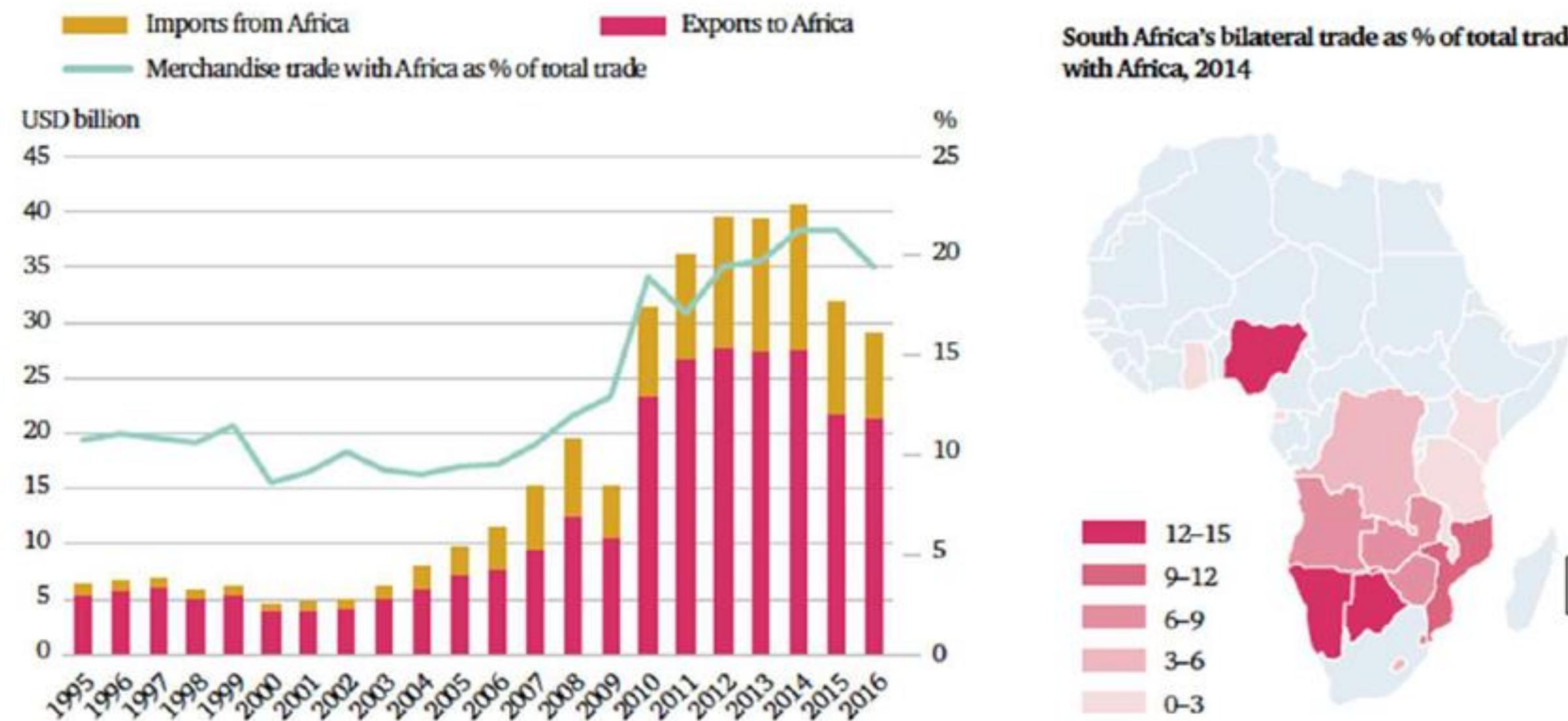
- Marine industrial fishing - the largest contributor to GDP for the Southern African region.
- Fish/aquaculture was self-selected by Angola, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Zambia, Madagascar, Malawi, Tanzania.
- The region lacks a global or regional comparative advantage in export of internationally traded fish products in 2014/15, there were high global RCA scores for individual products.
- Namibia, Madagascar and South Africa are expected to become more competitive in global exports of fish and fish products generally over the next five years with other countries becoming more competitive in specific products.
- Mozambique and Tanzania both have significant untapped potential to increase current exports of a variety of products.



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Lessons: Fairness

SADC's South Africa "Issue" and EU's Germany "Issue"



Sources: Compiled by Chatham House from UNCTAD and South Africa Department of Trade and Industry data.

Enhancing fairness: The Germany problem

- 29% of Euro Zone GDP in 2016
- Top trading partner of 18 out of 28 countries
- Top three intra-EU trade partners for all EU countries except Estonia and Cyprus
- 23% of Intra-EU exports
- 28.6% of EU's export with rest of the world
- 60% Germany's exports go to other EU nations

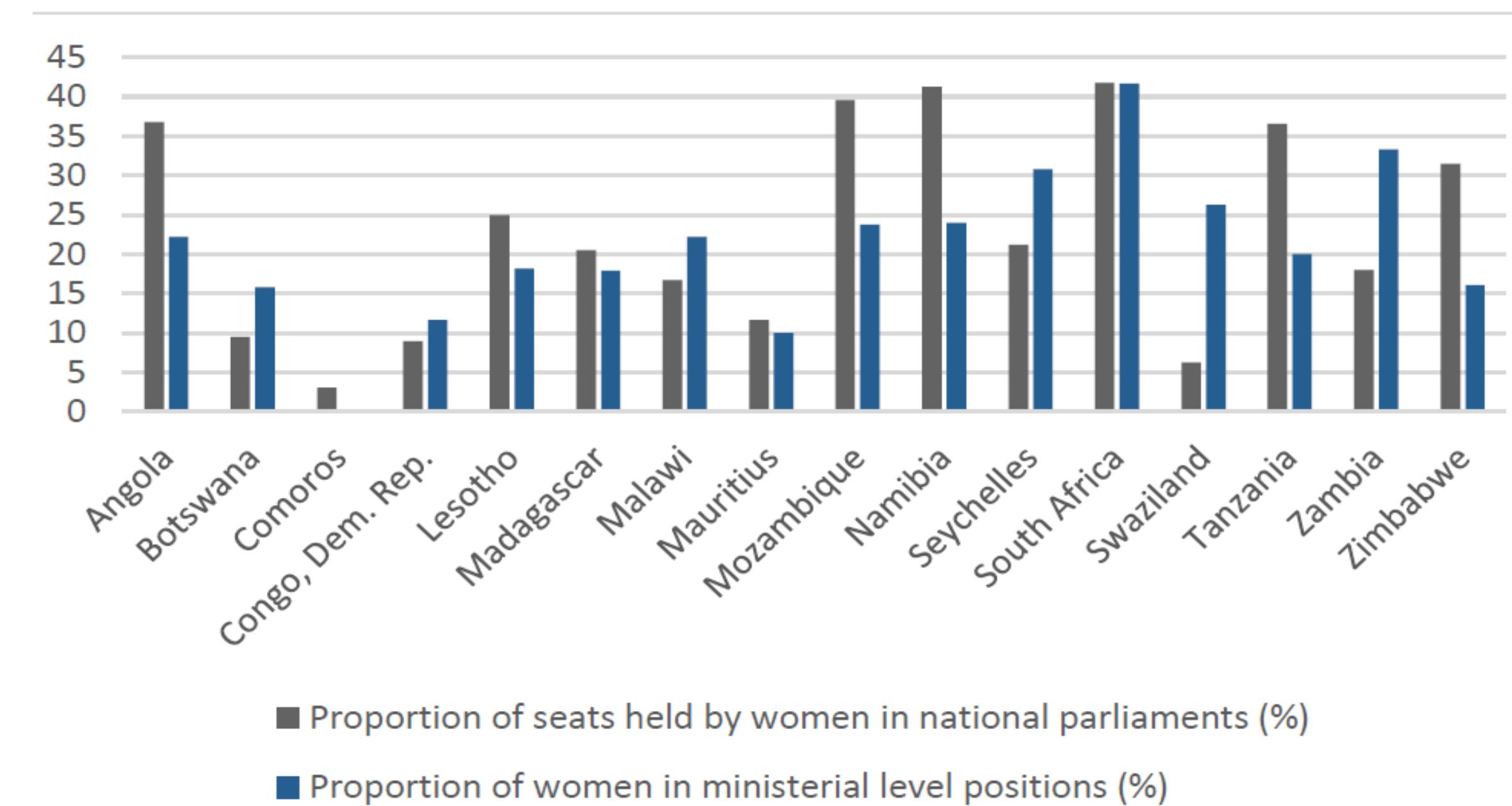
Policy options:

1. Euro currency (lower than the predecessor DM) works as devalued currency. SADC without single currency has that opportunity
2. Minsky suggestion of “shared burden” through international/regional fiscal policy making



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Least we forget: Representation of the marginalized



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What remains to be pondered is.....

adequate representation of the private sector



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Overview of SADC's private sector



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Building strong partnerships with the private sector to foster Inclusive and Sustainable Industrial Development

Khaled El Mekwad
UNIDO Representative
Head of South Africa Regional Office (SARO)



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UNIDO – Overview

- Specialized agency of the UN, mandated for *Inclusive Sustainable Industrial Development (ISID)*
- SDG 9 – Industry, Innovation and Infrastructure
- Capacity building, policy support, gender mainstreaming, competitiveness, environmental resilience
- SA Regional Office mandates and coverage:

Angola – Botswana – Eswatini – Lesotho – Malawi – Mozambique – Namibia – South Africa – Zambia – Zimbabwe

RECs: COMESA – SADC

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Partnership Country Programme (PCP)

The PCP is a partnership which links the efforts of various actors contributing to industrial development according to the strengths of each:

- National government
- United Nations entities
- Development partners
- Financial institutions
- Business sector
- Academia and civil society



Zambia – First PCP in SADC Region

Brief snapshot:

- Signed in Nov 2015, launched in November 2016, implementation period amended from 2015-2018 to 2017-2021 in line with the UN Sustainable Development Partnership Framework (2016-2021) and the 7th NDP
- Key components: promotion of industrial clusters and refinement of industrial policy, agribusiness development, strengthening of industrial statistical capacity in MCTI, investment promotion, SME promotion, energy and environment
- Zambia supported 30% of funding for UNIDO's projects - Donors: GEF, MP, Sweden (Gov + PS: VOLVO)
- Donor Roundtable chaired by Vice President held in 2017 organized by UNIDO and the Government, potential for funding: World Bank, AfDB, EU
- Zambia selected as PCP country in October 2018
- PCP Implementation Unit established. Ongoing recruitment of PCP National Coordinator
- Migration from CP to PCP > Q4 2019



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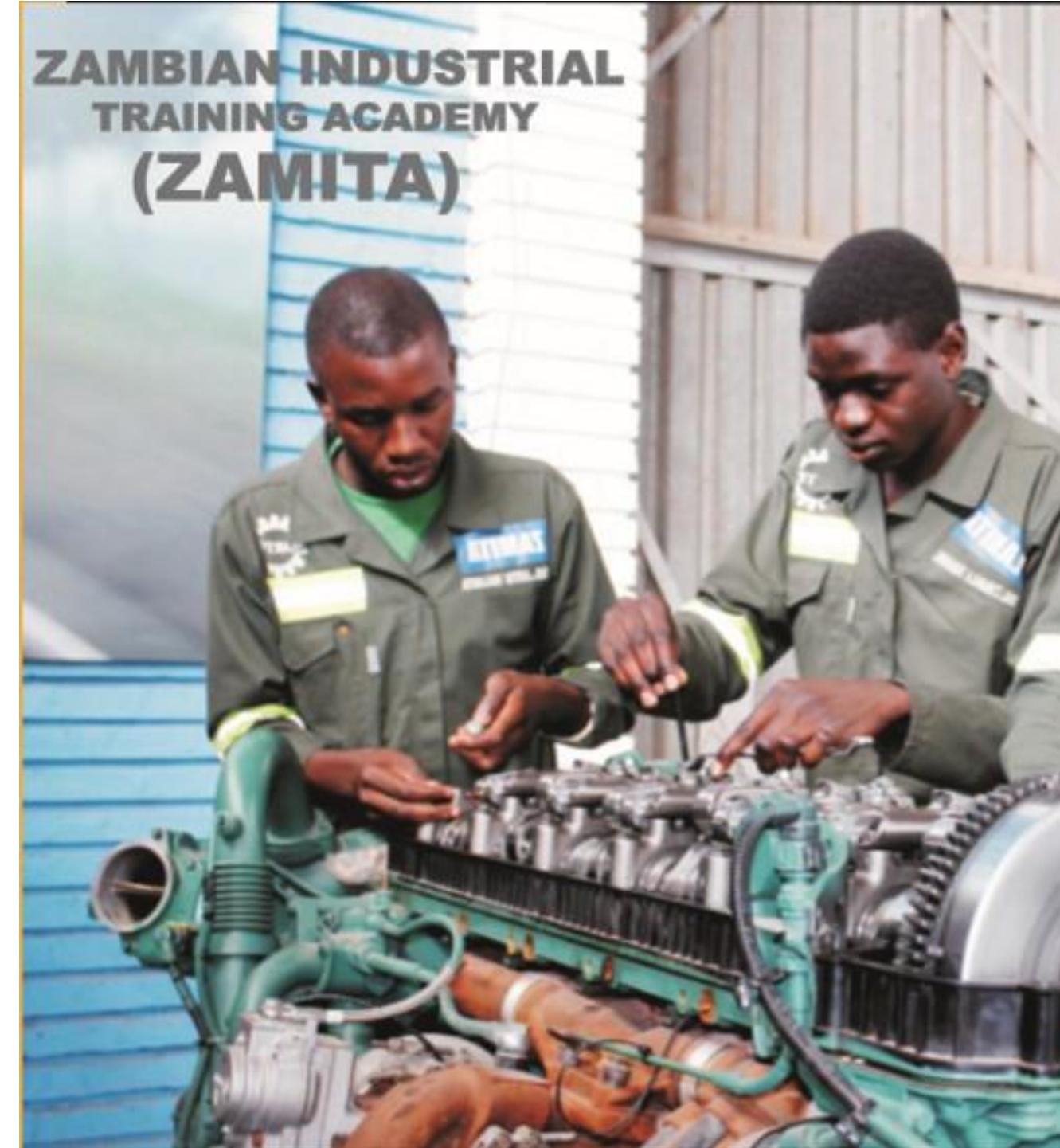
Zambia PCP continued

- **The main challenges to be addressed through the PCP:**
 - Agribusiness development and a diversified and export-oriented agriculture and mining sector,
 - Expansion of the industrial base and increase of value addition in the manufacturing sector,
 - Addressing obstacles to investment flows,
 - Ensuring availability of adequate and reliable supplies of energy at the lowest cost while taking due regard of environmental protection and
 - Supporting evidence-based, transparent and accountable policy formation, incl. strengthening the national system of statistics and public project appraisals



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Promoting Youth Employment by Supporting Technical and Vocational Education in Zambia



DURATION
2015-2018

TOTAL BUDGET
\$ 1,451,700

Partners: GVT Zambia, Volvo, SIDA & UNDP





ZAMITA is a PPDP Project (Public Private Development Partnership)



Principal
Donor



Equipment &
Technology Transfer



Implementing
Agency



Local Host
Institutions

Phase I : 2015 to 2018

Closing the skill gap in extractive industry (Heavy Equipment Engineering)

Phase II : 2019 to 2023

Closing the skill gap in commercial transport industry (Trucks & Buses)

Strategy

- ✓ Labor force analysis
- ✓ Curriculum update
- ✓ Infrastructure upgrade
- ✓ Supply of Modern Equipment
- ✓ Technology Transfer
- ✓ Private sector linkage



1. Beneficiary Data

- A Total Number of 680 students have been recorded from Sept 2016 - Dec 2018
- With a 90 Female participation, Representing 13.2%
- 295 Graduated
- 237 Beneficiaries have been Attached to the industry as apprentice
- A Total of 384 Students are Ongoing Studies from all Entry levels

2. Technology Transfer

- a. 31 Staff Training programs have been conducted since 2016
- b. 22 Inhouse Programs - Zambia
- c. 6 Overseas Study Tours
- d. 5 Staff completed External - Overseas Technical Training program
- e. 3 Staff completed External – Overseas Management Training program

3. Private Sector Linkage

- a. 50 # of private and public sector companies visited ZAMITA for knowledge sharing
- b. 18 Mining companies and 25 mining related / transport companies hired ZAMITA beneficiaries
- c. A Total of 6 Memorandum of Understanding with private sectors have been signed since 2016 for joint collaboration

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Skills Zambia



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SADC Forestry Project

Summary of Objectives

Plan	<p>1 Partner with Local Actors, Stakeholders</p> <p>2 Sponsor Scalable Programs</p> <p>3 Sponsor Sustainable Programs</p> <p>4 Create and Support Jobs</p> <p>5 Engage Private Sector Partners</p>	<ul style="list-style-type: none">▪ Align interests with state-owned enterprises and government entities gives a sense of ownership to the local institutions▪ Greater outreach and impact by pooling resources with local organizations <hr/> <ul style="list-style-type: none">▪ Maximize coverage of the number of beneficiaries in local communities by leveraging on the infrastructure of local institutions▪ Realize faster routes to market by supporting active programs <hr/> <ul style="list-style-type: none">▪ Programs will survive UNIDO efforts Project is complete▪ Free up investment capital to cover a wider range of programs (i.e. minimum infrastructure costs) <hr/> <ul style="list-style-type: none">▪ Programs will result in direct employment (vendors or contractors) and promote business growth by realizing greater efficiencies from technology, equipment and training <hr/> <ul style="list-style-type: none">▪ Engage in Private Public Development Partnerships with private sector companies to exchange best practices and collaborate with other service providers and beneficiaries in the local market
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Forestry Project - continued

Summary of Projects



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Project: Value Added Production Facility (wood drying technology)

Beneficiary: Pokgotlha Trading (Sawmiller)

Target Impact: 40 jobs



Project: Community Enterprise Development Programme

Beneficiaries: 21 companies

Target Impact: 630 jobs



Project: Training of Trainers

Beneficiaries: 6 to 9 trainers

Target Impact: 60 students



Project: Forestry Diploma Benchmarking Programme

Beneficiary: Tshwane University of Technology

Target Impact: Support the Project 2020 Goal of 5,000 students



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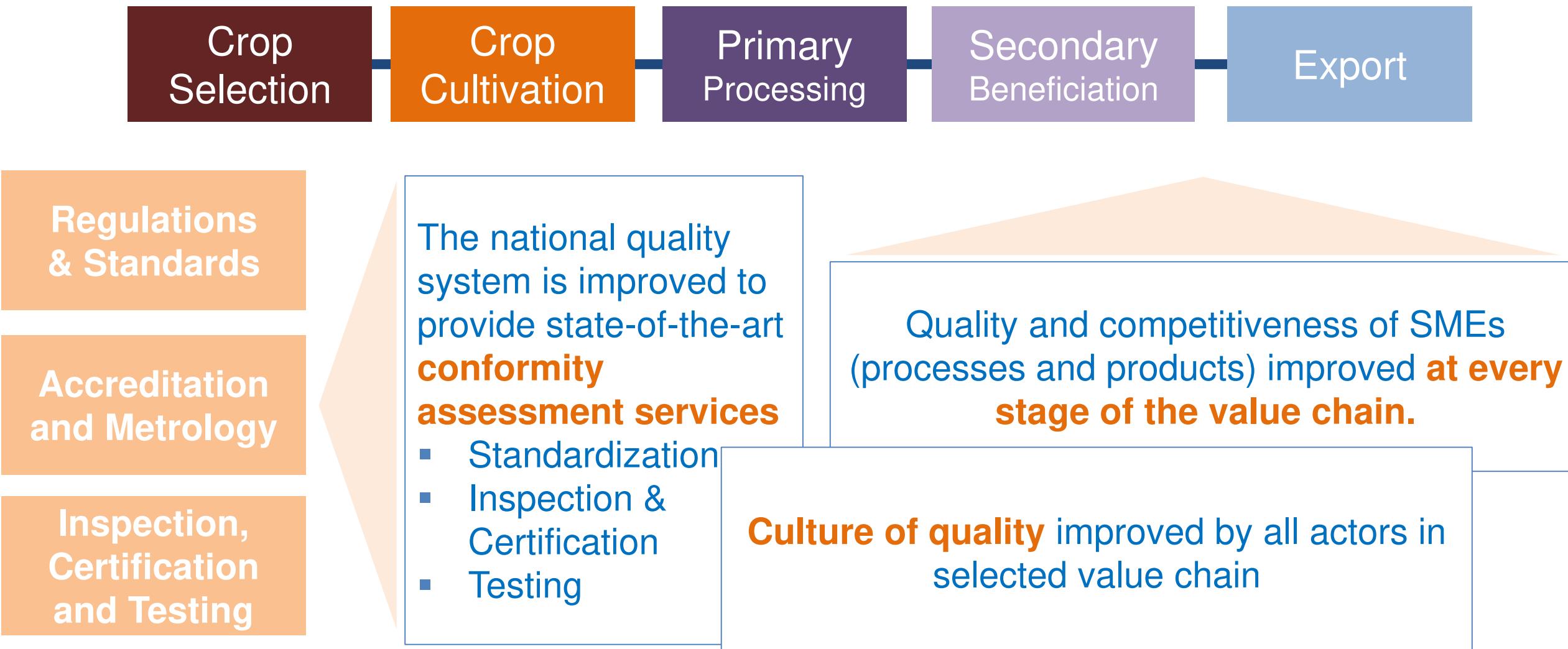
GQSP SA Project

TITLE	Strengthen the quality of South African essential and vegetable oils for exports (GQSP South Africa Country Project)		
DONOR	SECO		
BUDGET	EUR 1.38 Mio		
START	September 2018	DURATION	42 months
KEY COUNTERPART	The department of trade and industry: the dti		
PARTNERS	the dti and agencies, DEA, DAFF and agencies, DSBD: Department of Small Business Development, training providers, South African Quality Institute (SAQI), GIZ, SIPPO,		
OBJECTIVE	Strengthen the quality and standards compliance capacity to facilitate market access for SMEs in essential and vegetable oils sectors destined for food, health and cosmetic markets		



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Quality and Standards along the value chain



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Expected Results

These interventions aim at aligning the demand for and supply of quality services required for SMEs to prove and verify the quality of products to buyers.

- **Strengthened National Quality Infrastructure (NQI) institutions and service providers to offer quality services fit for purpose, at affordable prices required by SME's to confirm the quality of the products**
- **SMEs comply with international market requirements (standards and technical regulations) in order to access markets (local, regional and international)**
- **Culture of quality promoted by supporting SMEs and institutions to embed the need for quality at individual, institutional and policy level to build the reputation of the products produced**



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Promoting Sustainable Bush-Processing Value Chains in Namibia

Global objective:

- **Sustainably address the bush encroachment through promoting value-added, income, jobs and exports generating activities especially in the rural areas based on local bush resources, thus also facilitating the provision of arable land for cattle and crops farming activities.**

Specific objective:

- **To promote new technological and sustainable business solutions for the development and supply of acacia based products e.g. cattle feed, charcoal, biomass and pellets for energy purposes.**



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Bush Value Chain Project – continued

- ✓ **Strategic Action Plan (SAP) - feasibility study and market intelligence to provide market oriented sustainable business model to benefit from bush biomass for production of competitive higher value added products and facilitating job creation, with a multiplier factor of 30-50 in Namibia, and by 100 of similar plants to be established in the region.**
- ✓ **Strong and efficient partnership established with the support of UNIDO among the Namibian and Finnish Stakeholders (private, public sectors, international development community, academia), enabled the partners to establish a unique pilot production plant officially registered as “Namibia Green Gold Processing Pty Ltd (NGGP)” for production of animal feed, charcoal (for fertilizer, chemical and pharmaceutical purposes, and domestic use) and other higher value added products in Namibia.**
- ✓ **Partnership with Finnish private sector technology providers for transfer of innovative environmentally friendly technologies and know how for bush harvesting, animal feed and biochar production.**



Low Carbon Transport Project – LCT SA

- Promote widespread use of Electric Vehicles (EV's) and non-motorized transport (NMT) in South Africa.
- Support the enhancement of policies that enable the uptake of EV's and EV infrastructure and zero mission NMT.
- Technical demonstration of EV technologies and infrastructure in urban environments.
- Awareness creation about the benefits and co-benefits of EV's and NMT – photo below shows stakeholders at the 32nd Electric Vehicle Symposium (EVS32), 2019.
- Applying the Theory of Change to map the adaptive pathways that lead to successful implementation of project objectives.



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LCT SA - *continued*

- National executing partners: SA National Energy Development Institute (SANEDI) and overall support from SA Department of Trade, Industry and Competition (the dtic).
- Working with municipalities: City of Johannesburg, Pretoria, Durban, Port Elizabeth and Cape Town.
- Support from: EV Industry Association (EVI), Technology Innovation Agency (TIA), uYilo E-Mobility Programme, Government Technical Advisory Service (GTAC), private R&D companies, private industry and manufacturers – with active participation from Namibia.
- Others: Universities of Pretoria (UP), Johannesburg (UJ), Witwatersrand (Wits), Durban University of Technology (DUT), Nelson Mandela Bay (NMU), Stellenbosch (US) and Cape Town UCT).
- Impacts on: Green Transport Strategy, Industrial Policy Action Plan, Bike-sharing business models, University cycling corridors, municipal EV pilots.

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Industrial Energy Efficiency Project – IEE SA

- Mainstreaming investment promotion in industrial energy efficiency.
- Mainstreaming gender parity in industrial energy efficiency settings.
- Promoting energy productivity and energy performance.
- Industrial data collection for evidence-based policy enhancement.
- Support for mainstreaming ISO 50001 series standards
- Training and human capacity building in Energy Management Systems (EnMS) and Energy Systems Optimization (ESO).



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IEE – *continued*

- Substantive contributions to SA reaching its nationally determined contributions for UNFCCC climate change targets.
- NAMA recognized project under UNFCCC.
- Skills development through the development and registration of 2 national qualifications in energy management; career development through the SA Association of Energy Economics (SAAEE).

- Since 2010, energy costs worth more than ZAR 3,3 billion saved.
- Since 2010, cumulative energy savings of 4 300 GWh.
- Since 2016, 80 companies successfully assisted through implementation of EnMS and ESO, and counting.
- Since 2016, 334 106 tonnes of CO₂e mitigated, and counting.



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UNIDO Support to the Establishment of the SADC Centre for Renewable Energy and Energy Efficiency - SACREEE

SACREEE was established in 2015 by the SADC Energy Ministers and endorsed by 35th SADC Council of Ministers Meeting -Decision 61 with a mandate to promote:

- increased access to modern energy services
- improved energy security across the SADC Region

through the promotion of market-based adoption of renewable energy and energy efficient technologies and energy services.



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SACREEE has 4 areas of intervention

- SUSTAINABLE ENERGY POLICY
- CAPACITY BUILDING
- KNOWLEDGE MANAGEMENT
- FINANCING AND INVESTMENTS

Examples of Private sector support programs

- Supporting the SADC industrialization agenda through the SADC Industrial Energy Efficiency Program
- Supporting private sector through the SADC Renewable Energy Entrepreneurship Facility
- Result Based Financing Scheme to support the uptake of EE lighting and appliances (PPP, ESCOs)



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In 2017, SADC Energy Ministers mandated SACREEE to support SADC Secretariat in monitoring the implementation of the **Regional Renewable Energy and Energy Efficiency Strategy and Action Plan (REEESAP)**.

The establishment of SACREEE is supported by UNIDO and the Government of Austria

Until now – 8 countries (Botswana – Eswatini – Lesotho – Malawi – Mauritius – Namibia – Zambia – Zimbabwe) have signed the SACREEE IGMoA. Remaining Member States are invited to expedite the signing process for SACREEE to be able to fulfill its mandate.



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PANEL DISCUSSION:

Hon. Abdullah Makame,
*Member of Parliament, East African
Legislative Assembly*

Paul Makanza,
*Vice Chairman, Confederation of
Tanzania Industries (CTI)*

William Babigumila,
*Industrial Development Analyst
National Industrialisation Research
and Development Agency, Rwanda*



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Opportunities In Regional Value Chains

Stephen B. Kargbo,
UNIDO Representative in Tanzania



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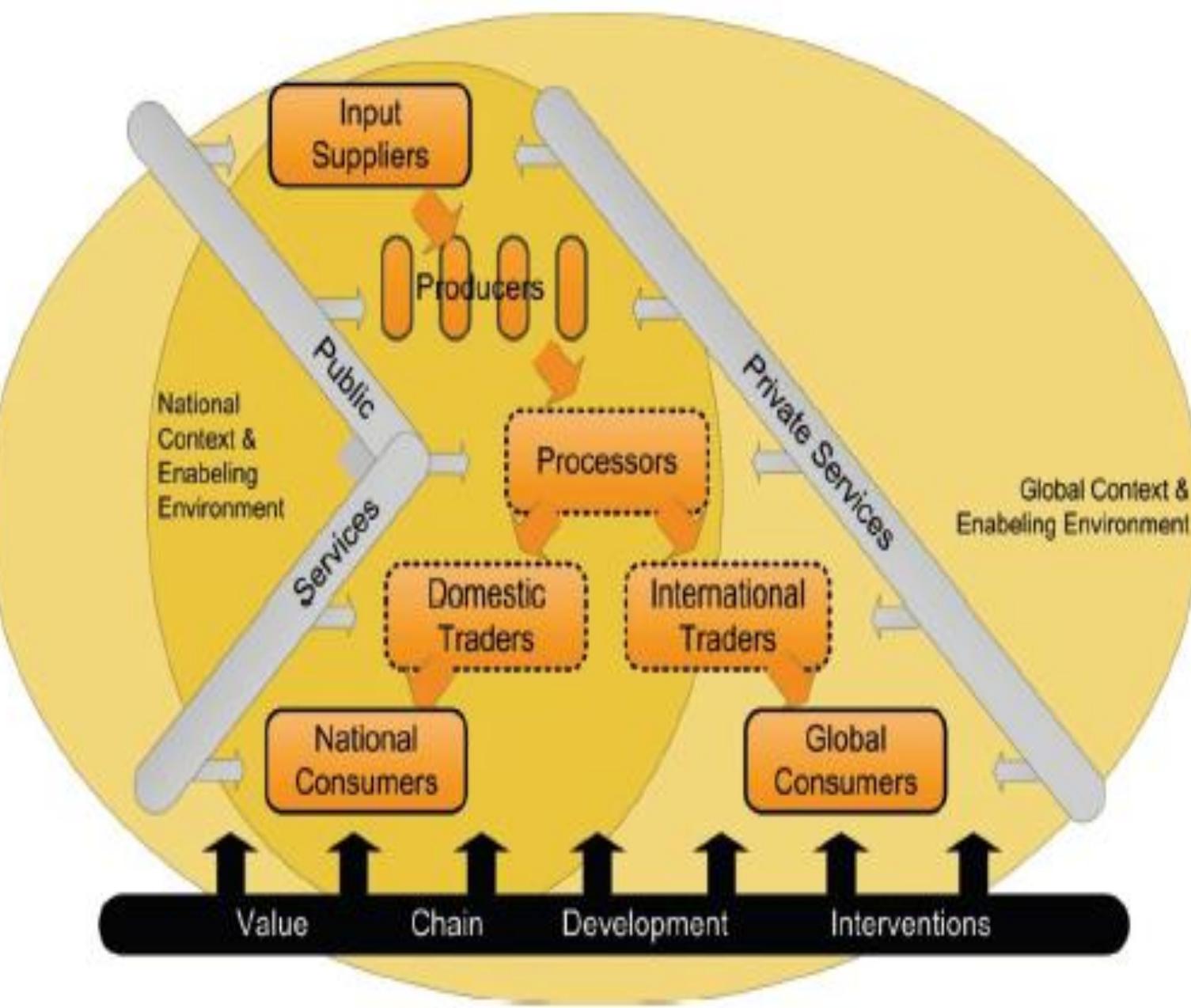
Presentation Outline

- **Introduction**
- **Regional Perspectives**
- **Opportunities for Development of RVCs**
- **Issues to Address in Promoting RVCs**
- **UNIDO's Works in RVCs – Some Examples**
- **Key Take Aways**



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A sequence of related and dependent value added activities that are needed to bring a product or service from conception, through the different phases of production to delivery to final consumers and after sales services, and finally to disposal or recycling.



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Regional Perspectives

- **Regional integration is key to industrialisation, economic diversification and job creation.**
- **Value chains are qualified as regional (RVC) when their activities are spread beyond national borders, in the same region or in the same economic block**
- **Increased trade and foreign investment will help strengthen regional value chains, making it easier for SMEs to become more competitive.**
- **In the case of SADC, RVCs exist in the sense that demand exists in some SADC countries that can be satisfied by supply existing in other SADC countries**

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Two Categories of Opportunities for SADC RVCs:



- **Exploiting complementarities between countries and actors in the region (e.g. complementarities between landlocked and coastal countries in the region)**
- **Leveraging the growing demand (trade deficits) for finished goods within the region (e.g. pharmaceuticals, textiles, construction, cosmetics, food)**



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Attractiveness of RVCs

- **Geographic proximity (associated with lower transport costs)**
- **Lower trade policy barriers at the regional level (regional trade liberalisation has progressed at a higher pace than multilateral trade liberalisation)**
- **Information costs for firms are lower with shorter distance, increase with distance**
- **Time to deliver (speed) and the ability to deliver on time (predictability) increases with shorter distance**
– this explains the shift of production of time-sensitive imports to nearby countries.
- **Regional markets often present lower entry barriers with respect to standards.**



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Potential Competitive Advantage of RVCs

- They could enhance productivity and competitiveness by fostering innovation and allowing economies of scale
- They could help countries to expand markets, through investment (considered as more viable at regional level)
- RVCs centre on the specificities of local demand and consumption practices, are not constrained by the demanding norms required in GVCs
- RVCs could enhance division of labour and increase productivity in the region
- Local firms dealing with the regional regulations in which they are embedded offers them far more opportunities to grow, with the ability to navigate local institutions.



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UNIDO Supports Access to GBVs

- Most **developing** economies are dominated by SMEs who face challenges to successfully enter GVCs.
- These include a poor business environment; difficulties in meeting product quality and environmental standards; and a lack of resources, such as financing, skills and knowledge networks
- UNIDO supports developing countries to access global value chains
- UNIDO delivers customized training programmes designed to raise productivity and efficiency, access finance and technology needed to thrive in competitive global value chains.



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E.g. 1: South-South Transfer of Technology

- Lessons learned from an edible oil cluster project implemented by UNIDO in Ethiopia were applied in the development of a sunflower oil cluster in Dodoma, where UNIDO provided training, equipment and technology
- An effective and affordable sunflower refinery prototype was designed and manufactured by local experts in cooperation with a UNIDO expert from Ethiopia, illustrating a successful example of South-South technology transfer using locally available materials
- The beneficiary of the prototype refinery was able to produce sunflower oil that met national standards and was accepted in international supermarkets chains in Dar es Salaam, leading to increased sales and profit

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E.g. 2: Helping Local Enterprises Penetrate Regional Markets

- In a project in Armenia, funded by the Russian Federation, UNIDO helped enterprises in the textile and garment industry to design and exhibit their own collections at international and regional fairs and establish links with key retailers in regional value chains.



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E.g. 3: Helping Upgrade Local Enterprises

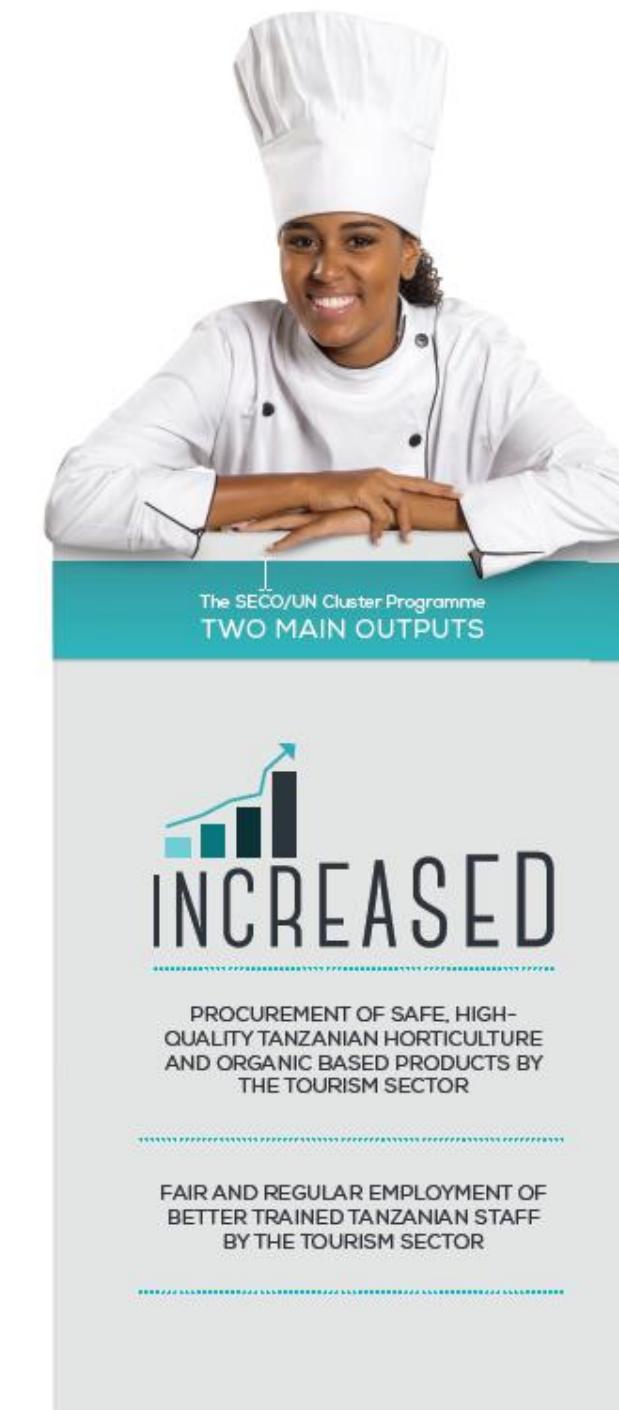
- In a project in Tajikistan, funded by the Governments of China and the Russian Federation, UNIDO helped upgrade a number of carpet weaving and embroidery textile enterprises
- As a result, the enterprises secured contracts to produce hand- and machine-made carpets for a large international retail chain as well as home textiles and accessories for local hotels.



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E.g. 4: Helping link local enterprises with high-end markets

- In a project in Tanzania, funded by the Swiss Government, UNIDO helped to link the tourism industry with local horticultural and organic products supply chains;
- As a result local producers have signed 10 new contracts with 41 international hotels and supplying 35 supermarkets; leading, in some cases, to nearly 600% growth in sales by the participating domestic enterprises



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Development of RVCs in Africa is Constrained

- Lack of production efficiency: production efficiency in Africa is inferior to the world average.
- Access to facilities: lack of infrastructure, especially transportation
- Investment and finance: Africa has been unable to attract adequate FDI which is seen as a critical issue in building strong RVCs (2018 inward FDI amounted to \$46 billion or 3.5% of Global FDI)
- Access to markets: intra-African trade, especially in agriculture, faces a higher rate of protection than non-agricultural sectors - on average, African countries impose higher tariffs to agricultural products supplied by African countries than to agricultural products supplied by other countries in the world
- Tariff escalation: Import tariffs increase according to the degree of processing - dissuading countries from moving up in the commodity value chains.
- As a results, only a small share of African exports is currently destined to regional markets (estimated at 18% during 2016, compared to 59 and 69 percent for intra-Asia and intra-Europe exports)



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Issues to Address in Promoting RVCs

- Foster industrialisation domestically - build strategic infrastructure, improve logistics, encourage private sector development, and invest in human capital
- Developing cross-border infrastructures
- Removing tariff and non-tariff barriers
- Implementing the harmonisation of regulations and technical standards

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Key Take-Aways

- **Development of RVCs provides a unique opportunity for SADC countries to accelerate economic development, address trade deficit and improve income of farmers and all actors in the relevant VCs.**
- **Actions that promote industrialization nationally, also do promote successful participation in RVC**
- **Promoting RVC can be complex, often with multiple objectives and the achievement of which demands a good understanding of the specificities of each value chain**
- **Implement, implement and implement your existing strategies and action plans**



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Opportunities in Regional Value Chains, SADC Common Industrialisation Agenda and Avenue for Development Cooperation

Col (Rtd) J.L Simbakalia,
Director General, Export Processing Zones Authority (TZ)



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POLITICAL, ECONOMIC, CULTURAL and STRATEGIC BASIS OF SADC INDUSTRIAL DEVELOPMENT COOPERATION

- **POLITICAL BASIS** – founded on strong solidarity forged during the armed liberation struggle which transformed the FLS into SADCC and finally into institutional establishment of SADC as a Regional Economic Community like no other in Africa;
- **ECONOMIC BASIS** – Demography (*latent labour pool and consumer market*); Resources (*land, water, minerals, energy resources, forestry, marine resources*) are the two factors that are of interest to the rest of the World;
- **CULTURAL BASIS** – common shared ethnicity among SADC Member States as an outcome of the free and borderless peopling of SADC Region over time with unrecorded cross border trade e.g. Tanzania with DRC, Malawi, Mozambique and Zambia;
- **STRATEGIC BASIS** – geographic maritime location around the Indian Ocean rim in relation to China and India as the emerging global economies to reckon with (“BRICS”) and important international trade market players (*population demography*);



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SADC SHARED OBJECTIVES FOR INDUSTRIALIZATION

- To align the regional **SUPPLY-SIDE** structure of production to the consumption **DEMAND-SIDE** (*as the basis for industrialization to create a sustainable supply chain aligned to demography*);
- To integrate and create symbiotic relationships of **PRIMARY PRODUCTION** sectors (*agriculture, livestock, fisheries, forestry and mining*) aligned to the value chain of **SECONDARY PRODUCTION** industries (*agro-processing, beneficiation, refining, manufacturing, assembly and packaging*), as well as **BRANDING** and **DISTRIBUTION**;
- To enhance external trade capacities to participate in the global interlinked economy through the export of value-added goods rather than raw materials; and
- To achieve socio-economic transformation that will eradicate poverty through inclusive industrialization (NB: **INDUSTRIAL CAPACITY DEPRIVATION** is the primary causative factor of poverty; **INCOME DEPRIVATION** is one measure of poverty).



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DETERMINANTS OF THE PRODUCTION STRUCTURE AND VALUE CHAINS FOR SADC INDUSTRIALIZATION

- **MARKETS ARE SUPREME** – They drive technology development, determine the production functions and shape supply chains;
- Sustainable industrial development is a function of “How markets develop over time”;
- **ENDOGENOUS FACTORS** (*regional market size, technology adaptive capacity/efficiency and factor endowment*) should determine the desired pattern of industrialization; **EXOGENOUS FACTORS** (*global markets dynamics and trends, industry structure, state-of-the-art technology developments and international trade terms*) should only provide the conditions and constraints to industrialization;
- In terms of universal theory of the hierarchy of Human needs (*Maslow's Theory*), the basic needs of the People of SADC are the same – **FOOD, APPAREL, SHELTER and MEDICAL SUPPLIES**;
- **ENERGY, WATER, TRANSPORTATION and COMMUNICATION** add to the list of basic needs;

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CROSS SECTION OF THE DESIRED PATTERN OF INDUSTRIALIZATION TO SUPPLY BASIC NEEDS OF THE SADC REGION

- Electric Power Generation;
- Industrial Water Production;
- Agro-food Processing Industries;
- Fertilizer and Agro-inputs;
- Agricultural Plant, Machinery, Equipment and Tools
- Textile and Garments;
- Leather and Leather Goods;
- Building Materials Industry;
- Pharmaceutical Industry and Medical Equipment;
- Packaging Industries;
- Minerals Beneficiation;
- Wood Products Industries;
- Electronics Assembly;



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CROSS-SECTION OF THE DESIRED PATTERN OF INDUSTRIALIZATION TO SUPPLY BASIC NEEDS OF THE SADC REGION (CONTINUED)

- **Basic Steel Industries** – for construction, railways and stainless steel;
- **Petrochemical Industries** – methanol, synthetics;
- **Soda Ash Production** – and downstream production of glass products
- **Transportation Vehicles** – railways locomotives and rolling stock, trucks, tankers and shipping vessels;



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SADC OPPORTUNITY TO EXPLOIT GLOBAL MEGATRENDS

- The SADC Region should exploit megatrends in production of new products and equipment which require high value minerals e.g. coltan, cobalt and helium gas to be used in the state-of-the-art manufacture;
- SADC Region has potential to develop green industrialization with exploitation of renewable energy resources (*mainly biofuels, solar and hydro*);
- Exploitation of mineral resources to establish production platforms to manufacture renewable energy storage batteries e.g. Lithium-Graphite batteries and Vanadium Redox Flow Batteries;
- Supply of clean fossil fuels (natural gas); and
- Exploitation of “Blue-C Economy” in the Indian and Atlantic Oceans.



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CRITICAL FACTORS TO MOTIVATE INVESTMENTS FOR THE SUSTAINABLE INDUSTRIALIZATION OF SADC REGION

- **SOCIAL CAPITAL** – socio-political stability, human safety and good governance with rule of law (*functional system of justice*)
- **HUMAN CAPITAL** – Skilled and disciplined labour force; science, technology and innovation development capacities
- **NATURAL CAPITAL** – Land, Water, Minerals, Forestry, Wildlife and Fisheries;
- **FINANCE CAPITAL** – Various Equity and Debt Financing Instruments;
- **PHYSICAL CAPITAL** – Economic Services Infrastructure for energy supply, multi-modal transportation, ITC systems and utility services.
- **ECONOMIC INSTITUTIONS** – Capital Markets, Financial Services Sector, Development Finance Institutions (“DFIs”), National Innovation Systems, Regulators of Industry Competition and Standards.



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SADC OPPORTUNITY TO EXPLOIT GLOBAL MEGATRENDS

- SADC should capture the time window opportunity of 4th global industrial relocation out of China and elsewhere;
- Exploit the demographic explosion dividend of Africa (*of youthful labour pool and growing consumer markets*) vis a vis the shrinking and aging population in other parts of the World, e.g. Europe and Japan;
- SADC Region should renovate and promote the identified trans-border DEVELOPMENT CORRIDORS (“DCs”) and SPATIAL DEVELOPMENT INITIATIVES (“SDIs”) to create economies of scale and scope in regional market development that can attract global capital in the form of technology and finance;
- Establish development and investments synergy between China Belt-and-Road-Initiative (“BRI”) and SADC Development Corridors and SDIs;
- Lead other Regional Economic Communities (EAC, ECOWAS and MAGHREB) in implementation of Africa Continental Free Trade Area.



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21ST CENTURY MARITIME SILK ROAD (BRIs) LINK TO SADC DEVELOPMENT CORRIDORD (SDIs)

SILK ROAD ECONOMIC BELT - THROUGH BAGAMOYO CORRIDOR



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INVESTMENT OPPORTUNITIES TO BUILD FUNCTIONAL INDUSTRIAL ECOSYSTEMS FOR THE SADC REGION

- To supply plant, machinery, equipment and inputs to unlock the primary production constraints;
- To exploit and hence unleash the inherent potential of primary production sectors to supply industrial raw materials;
- The CONSTRUCTION OF INDUSTRIAL PLATFORMS (*industrial parks and warehouses*) linked to primary production centres of raw materials through transport logistics;
- The construction of multi-modal transportation infrastructure (*roads, railways, ports, airports and pipelines*) and related services;
- The construction of utilities supply infrastructure – water pipes, gas pipes, electric power transmission and distribution networks;
- To supply investment capital (*financial resources*) to fund any and all of the above opportunities.



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KEY RISK ISSUES

- **Regional and Global Security Threats;**
- **Technology Dependence (*in developing production capacities and technology innovation for economic development*);**
- **Trade Vulnerability (*through threats of sanctions and unilateralism applied in changing the rules of international trade*);**
- **Environment Hazards Management; and**
- **Sustainable supply of energy to industries (*in terms of price, quality and quantity*).**



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CONCLUDING REMARKS

- **SADC is the most POLITICALLY COHERENT Regional Economic Community in Africa with history of solidarity forged during the armed liberation struggle. Hence, there is a strong political basis and foundation for SADC Industrial Development Cooperation;**
- **SADC has home-grown Regional Integrated Strategic Development Plan (“RISPD”) with Development Corridors and Spatial Development Initiatives a practicable template for the establishment and development of regional value chains. In that regard, SADC should use a collective regional approach to engage with China in development cooperation to establish synergy between BRI and SADC Development Corridors and SDIs;**



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CONCLUDING REMARKS

- The SADC Region has endless opportunities to exploit its natural resources (*land and minerals*); as well as the demographic dividend of youthful labour and growing consumer markets to unleash industrial development which will spearhead socio-economic transformation for poverty eradication;
- Socio-political stability is necessary to build business confidence and motivate the long-term investment which is necessary for industrial development. SADC Youth should be given guidance to become militant in agitating for PARTICIPATION in development, and away from PROTEST which is fuelled by nihilism.



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END

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MULTO OBRIGADO



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Opportunities in regional value chains healthcare innovation solving problems and improving value chain in Africa

Motselisi Mokhele-peete
CEO, *Mokorotlo Diagnostics & Wellness – (Lesotho)*



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INTRODUCTION

- We are delving into implications of value chain (VC) trade in the Region on specialisation and competitiveness in the Health industry.
- With recent rise in the expansion and execution of VC to promote industrialisation in developing and least developed countries.
- VC includes various linkages and networks of services and are appreciated for their ability to contribute towards facilitating better networks for small businesses with bigger and ultimately global markets.

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SERVICE SETBACKS IN AFRICA

Frustrations in creating VC sounds very familiar:

- Lack of infrastructure
- Lack of transportation
- Lack of access to funding
- Restrictive and policies and regulations
- Working in silos
- Gender struggles

INDUSTRY SPECIALISM

- Information Technology
- Healthcare
- Marketing



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HEALTHCARE INDUSTRY

In the health maintenance organisation and consultancy space, different health providers are contracted: Specialists, Doctors, Hospitals, Clinics, Dental, Optometry, Therapists, etc.

- These providers are under reviewed and rated, makes it difficult to get new patients.
- Strict policies and regulations regarding marketing and advertising holds them back.
- Poor payment/claims received from insurers and medical aid companies.
- Lack of innovative technology to access and afford health population .
- Absence of modern strategies that would assist with the bottom-line.
- Websites not created or updated, yet patients use these platforms to get information regarding health conditions.



INFORMATION TECHNOLOGY

- **Tele-health:**
 - To improve population health
 - Increase access and makes healthcare services convenient
 - Provider collaboration e.g. tele-stroke
 - Reduce costs
- **Design and development of user friendly Apps that people in the rural areas with basic smart phones would be able to access and utilize at convenient times.**
- **Drones for delivery and transportation of medication into remote and rural areas.**
- **Creating websites for information dissemination, booking of appointments and many more.**



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MARKETING TRENDS

- Advertising and communication of health brands.
- Promotion of health monitoring devices.
- Publicizing campaigns of new health and wellness approaches.
- Exposure of health referral programmes within SADC and beyond.
- Broadcasting of healthcare business reviews and ratings.
- The power of using social media for Healthcare businesses in Africa.



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COMPETITIVENESS

- **Strategies and frameworks translated into actual opportunities that will provide youth with skills development and equitable access to entrepreneurial opportunities.**
- **Launch of ambitious regional business partnerships and lasting relationships that build and enhance VC links and networks.**



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CONCLUSION

- It is envisioned that the overall VC implications and competitiveness will change attitudes and ignite more fire towards regional industrialisation in SADC and beyond.
- Relaxed policies will bring more employment, technology and intraregional business.
- Lastly addressing barriers in the region can help push donors and investors to unlock the potential gains that do exist!



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THANK YOU
FOR YOUR TIME, MINE IS UP!



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Opportunities in regional value chains healthcare innovation solving problems and improving value chain in Africa

Motselisi Mokhele-peete
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Title

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PANEL DISCUSSION:

Calicious Tatalife,
*Director, Industrial Development and
Trade, SADC Secretariat*

Mokati-Sunkutu Rosemary Bokang,
*Regional Integration Coordinator,
African Development Bank*

Lubn Ahamed,
*Arab Bank for Economic
Development in Africa*

Hamad Hamad,
*Executive Director Zanzibar Chamber of
Commerce, Industry and Agriculture (ZNCCIA)*

Fatma Hamis,
*Executive Secretary Tanzania
Chamber of Commerce, Industry and
Agriculture (TCCIA)*



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Infrastructure Development: Lessons from Tanzania

Prof. D. M. Gabagambi
National Development Corporation (NDC)



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Outline

- **Why is infrastructure critical in economic development?**
- **How is NDC involved in infrastructure development?**
- **Why is it difficult to attract private capital in infrastructure in Africa?**
- **What are the lessons from Tanzania's experience in developing infrastructure?**
- **Conclusion**



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Strategic factors for industrialization



External and internal security



Increased productivity in the primary sector



Population increase



Good supplies of fuel/ energy and raw materials



Efficient transport and Communications infrastructure



An educated labour force



Non-restrictive institutional arrangements for the industry



Effective banking system

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Role of infrastructure

- There is strong association between the stock of infrastructure and economic development
- Infrastructure reduces cost of production, increase efficiency in delivery of good and services, and increase productivity of input factors
- 1% increase in road infrastructure increases aggregate agricultural productivity by 0.88%
- Doubling of infrastructure capital raises GDP by 15%
- Critical in RECs, land-locked countries suffer

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Functions of NDC

NDC's Experience in Infrastructure Development

Functions of NDC:

1. Developing strategic basic industries
2. An investment wing of the Government in partnership with private sector
3. Filling gaps when the private sector fail

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NDC Projects/Investments

Basic Industries

- Mchuchuma Coal to Electricity Project,
- Liganga Iron Ore Project,
- Katewaka Coal to Electricity Project
- Ngaka Coal to Electricity Project,
- Soda-ash Project
- Singida Wind Power Project,
- Singida Solar Power Project,
- Arusha Tyre Manufacturing Project,,
- Kibaha Tractor Assembly Project
- Kilimnajaro Machine Tools Company KMTC,
- Kemondo Bay Silica sand mine
- Pangani concrete quarry

Light Industries

- Tanzania Biolarvicide Products Ltd,
- Inland Container Depot (ICD),
- Rubber processing plants at Kilombero and Muheza,
- Global Packaging Ltd

Industrial Parks

- TAMCO Industrial Park
- Kange Industrial Park,
- KMTC Industrial Park,
- Nyanza Industrial Park





Financing Infrastructure Projects

- About 80% of infrastructure financing is through traditional approach – Government budgets
- However, this approach is challenged by scholars who advocate for private sector financing of infrastructure
- Many developing countries struggle to attract private sector financing of infrastructure projects without success
- This turns out to be a paradox – African countries seeking for private capital **vs** a lot of private money out there looking for investment in Africa! Why the mismatch?

Why is it difficult to attract private capital in infrastructure development in Africa?

- There are lots of risks associated with private investment in infrastructure in Africa
- As such, if we want to unlock private investment in infrastructure, we need to de-risk such projects - this is hard earned cash
- African Governments must be ready to assure them that they (investors) will get back their money – mitigation mechanism for obvious risks.



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What are some of the risks in private investment in infrastructure?

- i. Infrastructure is irreversible and it's single function
- ii. Displacement of people and property - political push fact
- iii. Because infrastructure construction is a network activity that necessitates existence of a regulator, corruption elements cannot be ruled out.
- iv. Output of infrastructure is usually politically sensitive, Government intervention is inevitable

What are some of the risks in private investment in infrastructure?

- v. The Government is often the customer and sometimes the only customer for the infrastructure - no competition
- vi. Infrastructure is long lasting, implying that the horizon of Government interference is very long.
- vii. Infrastructure contracts in Africa are never complete – should always be prepared to come back to a negotiating table again and again.

Functions of NDC

How can some of the risks be reduced?

1. Reduce risks through political commitment technologies e.g. Dispute Settlement Boards, public risk insurance agencies such as MIGA or OPIC
2. Introduce standards in project implementation to minimize costs – each African project is unique – adopt AfDB standard
3. Genuine insurance including guarantee schemes
4. Rebundling risk – according to project life time

Role of Government infrastructure financing – experience from Tanzania

- ❑ Other African countries can borrow a leaf from Tanzania in financing infrastructure.
- ❑ What is happening in Tanzania is challenging the notion that private capital is the only solution for bridging infrastructure gap in Africa.
- ❑ In just four years the country has invariably increased the stock of infrastructure using locally mobilized resources

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Examples of Infrastructure developed by the Government in Tanzania



Tanzania's SGR



Kigamboni bridge



Mfugale flyover



Nyerere hydropower project



JNIA Terminal 3



Furahisha pedestrian bridge

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Examples of Infrastructure developed by the Government in Tanzania



Dar es Salaam bus rapid transit



Ubungo interchange



Ports expansion



Revival of the national carrier



Road constriction



Health centres

Conclusion

- The need to increase infrastructure stock in Africa to cope with increasing population and economic growth is enormous,
- Emphasis is placed on private sector financing of infrastructure, but the funding is not forthcoming because of risks,
- If African countries are to attract investment in infrastructure, they need to de-risk infrastructure projects,
- Because de-risking of projects is easier said than done, African countries are advised to borrow a leaf from Tanzania that has tremendously increased its infrastructure stock in the last few years
- Tanzania's experience shows that Africa can reduce infrastructure gap significantly; what is important is political willingness and commitment.

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END



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PANEL DISCUSSION:

Asha-Sabrina Ayoub,
Bowmans Tanzania Limited

Sosthenes Kewe,
*Executive Director, Financial Sector
Deepening Trust (FSDT) Tanzania*

Nepo Kekana,
*Head-Investment Promotion and
Facilitation, Industrialisation, and
Investment Division, Limpopo Economic
Development Agency (LIEDA)*



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Thank you!



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