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COMESA Industrialization Strategy

2017-2026

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Abbreviations and Acronyms

AU : African Union
CIP : Competitive Industrial Performance
COMESA : Common Market for Eastern and Southern Africa
EAC : Eastern African Community
ECA : Economic Community for Africa
FDI : Foreign Direct Investment
FTA : Free Trade Area
GDP : Gross Domestic Product
IMF : International Monetary Fund
MVA : Manufacturing Value Added
NIPCU : National Industry Policy Coordination Unit
PPP : Public Private Partnership
ROW : Rest of the World
RECs : Regional Economic Communities
SADC : Southern African Development Community
SDGs : Sustainable Development Goals
SOE : State Owned Enterprises
TFTA : Tripartite Free Trade Area
UNIDO : United Nation Industrial Development
WEO : World Economic Outlook

FOREWORD

Through its integration agenda, and in compliance with the Treaty provisions, COMESA Secretariat has continuously worked hand in hand with Member States during these past decades to facilitate and fast-track trade as well as improving cross-border infrastructure by helping putting in place prerequisite adequate instruments and framework.
Taking cognizance of the industrial development's cardinal role in boosting the Africa's development, it is now time to put it at the forefront of our regional integration more than we did it before. It goes without saying that the Sustainable Development Goals (SDGs) should not be easily attained without a vibrant and inclusive industrialization of the region.

Manufacture is central to economic diversification and competitiveness to achieve structural transformation of abundant resources that our region is endowed with, toward socio-economic development. At the same time, we are all aware that sustainable and productive capacity, in every country, constitutes a catalyst and bedrock to the services sector, jobs creation for the youth and poverty alleviation. Industrialization of COMESA depends theoretically on dynamic interactions between three types of factors: peace and security; macroeconomic stability; and rational use of economic resources. Economic resources (natural, human, financial and technical) should be used on the basis of dynamic, not static comparative advantages in national economic development. There is no doubt therefore that natural and human resources are more important for industrialization. From that perspective, two models for Industrialization are recommended for our region; the 1st model being a Natural Resources-Based Industrialization and the second model is the Human Resources-Based Industrialization. Applying one of these depend on the specificity of every country.

I take this opportunity to thank all direct or indirect contributors to this important industrial strategy document, especially experts from Members States, staff of the COMESA Secretariat and various partners including some members of the private sector, who have tirelessly worked on it and also reiterate the Secretariat's commitment in contributing to support the successful implementation of this strategy.

Sindiso Ngwenya

Secretary General

Acknowledgements

The Secretariat of COMESA acknowledges with grateful appreciation to all the contributors to this strategy document. Their valuable guidance and inputs have made it possible to happen. Special thanks note goes first to all COMESA Member States, to the UNECA, the UNIDO, all COMESA institutions, the consultants, the staff and other different stakeholders who have tirelessly supported the whole process up to this final stage.

Executive Summary

This strategy document is in line with the COMESA Treaty Article 99 which allows for cooperation in industrial development in order to achieve the following objectives:

- Promote self-sustained and balanced growth;
- Increase the availability of industrial goods and services for intra-Common Market;
- Improve the competitiveness of the industrial sector thereby enhancing the expansion of intra-regional trade in manufactures in order to achieve structural transformation of the economy that would foster the overall socio-economic development in Member States; and
- Develop industrialists that would acquire ownership and management of the industries.

The Strategy is anchored on the COMESA Industrial Policy. The industrial policy in this regard focuses on 9 key priority areas: Agro-processing, Energy, Textile and Garments, Leather and Leather Products, Mineral Beneficiation, Pharmaceuticals, Chemicals and Agro-Chemicals, Light Engineering and the Blue Economy. In the region, other potential sectors include: the automobile industry and high technology industry among others. These focus areas have been identified as those that will have the greatest impact on the sustainable and inclusive economic growth for COMESA Member States. It is noted that countries may develop new industrial sectors depending on their competitive and comparative advantages.

The COMESA Industrial Strategy is also in line with the COMESA Medium Term Strategic Framework where industrialization is one of the strategic pillars.
The proposed strategy combines the labour-intensive and natural resources-driven industrialization approaches aiming at transforming the region by converting rich resources (both natural and human) into a powerful engine for economic transformation of the Member States and poverty reduction.

This Industrialisation Strategy is also underpinned by national industrialisation policies and strategies and draws lessons from best regional and international practices. Therefore, the Vision is to have

"Globally competitive environmental-friendly, diversified industrial sector which is based on innovation and manufacturing as tools for transforming regional resources into sustainable wealth and prosperity for all".

The mission drawn from the policy is to establish a diversified industrial base for economic transformation supported by an institutional, regulatory environment that is favourable to industrial enterprises.

This will be achieved through the following Goal *"**to develop a vibrant and sustainable industrial sector that will ensure equitable benefits to all the people of COMESA Member States".***

The above goal will be achieved through promoting industrialization in key strategic sectors. This will require major structural transformation for inclusive and sustainable development. Structural transformation will be associated with the reallocation of resources, especially new investments, from low to higher productivity activities and sectors. The Strategy is informed by two models of industrialization, the natural resources-led and the human resources-led model or a combination of the two, depending of the country's particularity.

Broad specific targets of the COMESA Industrialization Strategy (2017-2026) are the following:

- Increase in value added products and exports as a percentage of GDP from the current estimate of 9% to 29% by 2026;
- Increase the share of manufacturing to GDP to at least 20% by 2026
- Increase intra-regional manufactured exports relative to total manufactured imports to the region from the current 7% to 20% by 2026

The Industrialisation Strategy outlines several interventions through which the region will realise its expressed vision of a **Globally competitive environmental-friendly, diversified industrial sector which is based on innovation and manufacturing as tools for transforming regional resources into sustainable wealth and prosperity for all".** The broad strategic policy interventions include:

1) Promoting investment in green technologies to ensure environmental preservation.
2) Increasing the manufacturing base and product diversification by promoting key priority sector
3) Strengthening value addition and value chains at both national and regional levels as a way of economic transformation and employment creation.
4) Strengthening national and regional human and institutional capacities to enhance competitiveness of the industrial sector.
5) Promoting and enhancing MSMEs/MSMIs industrial competitiveness in the member states.
6) Creating and strengthening region`s capacity for innovation and effective application of science and technology in industrialisation.
7) Promoting labour intensive industries that generate employment opportunities
8) Empowering women and youth through activities that increase their income and contribution to national and regional industrialization efforts.
9) Expanding trade and market access for manufactured products in the region.

10) Encouraging cooperation between Member States to combat illicit trade and counterfeiting.

In addition, the Strategy outlines eight enablers for its successful implementation. These enablers include:

1) **Infrastructure development:** In most COMESA Member States there is lack of efficient and reliable transport, energy, water and ICT. These key enablers play a central role in lowering the cost doing business and contribute to industrial competitiveness.

2) **An enabling legal, regulatory and institutional business environment:** for successful industrialization, member states should improve legal, regulatory and institutional frameworks in order to improve ease of doing business and attract FDI.

3) **Access to finance**: The lack of adequate and affordable finance and technical resources needed by manufacturing sector affects industrialization at both national and regional levels. Consequently, this impedes job creation, and inclusive and sustainable industrialization.

4) **Standardization, quality assurance and quality management systems**: One of the major challenges that industries in Member States face regarding accessing markets for their manufactured products is poor adherence to systematic and internationally acceptable quality standards. Despite the tremendous progress achieved over the past years, in particular in the areas of harmonisation of standards, some major challenges remain to enhance smooth trade and remove existing trade barriers in the COMESA FTA. The current Regional Quality Infrastructure in COMESA is, by and large, not commensurate with international best practices and hence does not fully meet the requirements espoused under the WTO Trade Agreements and by the major trading partners. It remains a challenge to implement the adopted standards (both international and regional) without a functional and acceptable quality infrastructure

5) Establishment of Industrial Parks (Special Economic Zones, Multi Facility Economic Zones, Industrial Clusters): One of the instruments for successful industrialization, as seen in Asia, has been the development of Industrial Parks. The main motivation for creation of Industrial Parks is to attract FDI. Because of liberal policies related to taxation, trading, quotas, customs and labour regulations, enterprises located in Industrial Parks become competitive, or they are supposed to be. With proper management and incentives, Industrial Parks can be an important tool for industrialization.

6) **Linking Science, Technology and Innovation (STI) to Industrial Development:** In most countries, industrialization and technological change are seen as two different elements in development process. This has led to dual narrative on industrial development and STI policies. Member States should consider that STI/Innovation policies are an integral complement to industrial policies/national industrial development strategies; and achieving sustainable industrialization calls for both frameworks to be coordinated very closely.

7) **Promoting the use of Diaspora resources**: Diaspora funding is becoming important in development. This not only includes financial investments but also technical expertise. To promote diaspora involvement in the industrialization drive, there is a need to harness the knowledge, finance and entrepreneurial capacity of the Diaspora to enhance investment in industrial sector or related supporting sectors.

8) **Promoting local content and local sourcing:** For successful industrialization of the region, there is a need for encouraging local sourcing of commodities. The negative trade balance that the region is still recording with the rest of the world means the region can benefit from import substitution initiatives, especially for raw materials needed by industries.

The COMESA industrial strategy will be implemented through various stakeholders. These include the COMESA Secretariat; COMESA Institutions, Member States governments, private sector and development partners among others. Further, a task force comprising of seasoned industrialists, public policy makers, Development Partners among others will be formed to spearhead business linkages, joint ventures and partnerships among others for industrial development in the region.

The Strategy provides the recommendations and guidelines on how to achieve an increased production and productivity within the COMESA regional industrial sector. It also defines the industrial priorities based on the availability of resources within the COMESA Member States. The Strategy further provides greater clarity for COMESA Member States on the long term approach to supporting sustainable growth of the industrial sector.

The Industrial strategy has also been crafted to be in tandem with other Regional and International Developments. Three RECs namely, the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC), have decided to join efforts for setting up a Tripartite Free Trade Area (TFTA). The coming into effect of this tripartite requires that the COMESA Industrial strategy be also in line with that of SADC and EAC. It is also developed based on the Sustainable Development Goals (SDGs) as well the Agenda 2063 of the African Union (AU) in which Accelerated Industrial Development of Africa (AIDA) is one of its pillars.

1. INTRODUCTION

For the last decade, Africa has been one of the fastest growing regions in the world. The average annual economic growth rate has been about 5 percent. The size of middle class in most of African countries has also increased. Despite this progress, the level of poverty reduction and employment has not been impressive. This therefore calls for a structural economic change through an inclusive and sustainable industrialization among other useful remedies.

The Lima Declaration, adopted by UNIDO's Member States in December 2013 calls for an inclusive industrialization strategy to address the challenges through economic diversification, efficient transformation of existing natural resource base which the region is endowed with. The concept "Inclusive" in this context means that industrial development must include all countries and all peoples and offer equal opportunities as well as an equitable distribution of benefits. The term "sustainable" addresses the need to green transformation to address the needs of the current and future generations. According to UNIDO Industrial Development Report 2013, "manufacturing – with around 470 million jobs in 2009, or one in six jobs globally – still matters for employment generation. In 2013, there likely are more than half billion jobs in manufacturing" (UNIDO 2013). Industrialization is thus a precondition for Africa to achieve inclusive economic growth (AU and UNECA, 2014).

Recent best practices from which COMESA Member States can emulate from are the ones of East and South East Asian countries as well as some Latin American countries. Those countries, especially, China, South Korea, India, Vietnam and Brazil have experienced remarkable growth linked notably to industrialization. The secrets behind that shift include among others: high rates of investment in physical capital such as roads, buildings, subsidized electricity and water, machinery; growing levels of education; a stable macroeconomic policy that controlled inflation; and an emphasis on exports that motivated firms to compete in global markets.

Pursuant to regional industrialization, the COMESA industrial strategy follows the Industrial Policy adopted by the Authority in March 2015. It forms an appropriate framework to address *inter alia*, sustainable economic growth through innovation, education and R&D, and integrates new aspects emphasizing creation industrial parks and special economic zones. The strategy aims at boosting inclusive and sustainable manufacturing sector. Firstly, it places emphasis on the role manufacturing sector should play in a country's socio-economic development. Importance is placed on the fact that the sector is vital for employment creation, enhancement of technological capacity with a focus on SMEs, and income generation among others. Secondly, it assesses the current status of industrialization in the COMESA region and proposes the ways of implementation COMESA industrialization policy.

2. COMESA TREATY AND POLICY FRAMEWORK

Under Article 99 of the COMESA Treaty, the objectives of co-operation in industrial development in COMESA are to:

(a) promote self-sustained and balanced growth;
(b) increase the availability of industrial goods and services for intra Common Market trade;
(c) improve the competitiveness of the industrial sector thereby, enhancing the expansion of intra-regional trade in manufactures in order to achieves structural transformation of the economy that would foster the overall socio-economic development in Member States; and
(d) develop industrialists that would acquire ownership and management of industries.

The Article 100 underlines the strategy and priority areas that Member States should take into consideration in formulating an industrial strategy. These include:

a) the promotion of linkages among industries through specialisation and complementarity, paying due regard to comparative advantage;
b) the facilitation of the development of small-and- medium scale industries including sub-contracting and other relations between larger and smaller firms, food and agro-industries, basic capital and intermediate goods industries;
c) the rational and full use of established industries;
d) the promotion of industrial research and development, the transfer and development of technology, management of consultancy services
e) the promotion of linkages between the industrial sector and other sectors of the economies such as agriculture, transport, communications and other sectors;
f) the granting of incentives to industries particularly those that use local materials and labour;
g) the dissemination and exchange of industrial and technological information;
h) the improvement of the investment climate for both national and foreign investors;
i) the development of human resources including training and the development of indigenous entrepreneurs and industrialists for sustained growth;
j) the increased participation of the private sector in project development, promotion and implementation;
k) the rehabilitation, maintenance and upgrading of agro-industries and the metallurgical, engineering, chemical and building materials industries;
l) the development and promotion of integrated inter-State resource-based core and basic industries;
m) the promotion of multinational projects with the aim of increasing added value to raw materials in the Member States for exports, and
n) the joint exploitation and utilisation of shared resources.

In lieu of these Treaty provisions that the COMESA Secretariat was directed by the Council of Ministers to prepare a COMESA Industrial Policy. The policy was prepared and adopted by Council of Ministers and Heads of States in Addis Ababa, Ethiopia, in March 2015. The

COMESA Industrial Policy focuses on the following 9 key priority areas: Agro-processing, Energy, Textile and Garments, Leather and Leather Products, Mineral Beneficiation, Pharmaceuticals, Chemicals and Agro-Chemicals, Light Engineering and the Blue Economy. These priority areas have been identified as those that will have the greatest impact on the sustainable and inclusive economic growth for COMESA Member States.

The COMESA Industrial Strategy is therefore in line with the above Treaty provisions and policy framework. It is also aligned to the COMESA Medium Term Strategic Framework where industrialization is one of the strategic pillars. Key areas for industrial development include:

- ✓Enhance co-operation in combating illicit trade and counterfeiting;
- ✓Strengthen standardization and quality assurance;
- ✓Enhance value chains and develop growth poles;
- ✓Promote MSMEs performance, quality management systems and industrial linkages;
- ✓Encourage local content policies for industrial linkages and clusters development;
- ✓Grant investment incentives to industries particularly those in strategic sectors and those that use local materials and labour intensive;
- ✓Identify and promote investments in sectors of high potential (agro-processing, mineral beneficiation);
- ✓Encourage human skills and institutional capacity development;
- ✓Promote women, and youth entrepreneurship in industrialization development;
- ✓Promote environmental sustainability in industrial development;
- ✓Establish sustainable special economic zones/export processing zones/agro-industrial parks and other related facilities for industrial development;
- ✓Encourage PPPs for developing basic infrastructure (energy and water supply, transport facilitation) for industrial development;
- ✓Support research and development for innovation and industrial development;

Facilitate the financing of the industrial projects. In addition to the above it is important to also mention the following areas: (i) the need to promote people with special needs in the industrialization development agenda (ii.) to facilitate access to information for industrial development and (iii.) the role and capacity of the diaspora as a strategic and integral partner in industrial cooperation and development.

The strategy has also been crafted to be in tandem with other Regional and International Developments. In particular, three RECs namely, the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC), have decided to join efforts for setting up a Tripartite Free Trade Area (TFTA). The coming into effect of this tripartite requires that the COMESA Industrial strategy be also in line with that of SADC and EAC.

The strategy is developed based on the Sustainable Development Goals (SDGs) as well the Agenda 2063 of the African Union (AU) in which Accelerated Industrial Development of Africa (AIDA) is one of its pillars. It has also been drafted based on lessons learnt from countries that have successfully industrialized their economies, including COMESA ones.

The COMESA Industrial Strategy is a reference basis for developing or enhancing national industrial strategies and guiding Member States in their industrialization efforts. The Secretariat will foster synergies in promoting and facilitating regional value-chains to maximize the benefits of the bigger market constituted of 19 countries.

3. MODELS OF INDUSTRIALIZATION

Experience shows that the success in the industrialization path is triggered either by a natural resources –based or human resources – based industrialization strategy or a combination of the two, taking into account that countries' respective contexts are different and there is no "one size fits all" model for the region as a whole. However, the intra-regional trade in raw, semi-processed or finished manufactured products needs to be facilitated among COMESA countries to hasten industrialization. In addition, product sophistication and required capabilities for their production is also key factor in addressing the competitiveness in regional and global markets.

3.1 Natural resources- based industrialization

The rationale behind this model is to sustainably turn natural resources into an engine of economic transformation. Most COMESA Member States are endowed with mineral resources such as platinum, gold, copper, nickel phosphate, tin, uranium, cobalt among others. There are also abundant agricultural resources such as land, flora and fauna to mention but a few. Unfortunately, the natural resources are being exploited and exported in their raw form without much value addition. However, with an appropriate policy mix, strong institutions and good governance, the value addition of natural resources will create wealth and jobs in the region.

3.2 Human resources- based industrialization

For economic transformation, COMESA member states may follow an endogenous industrialization process, which is driven by human resources development. In this context, emphasis I placed on Endogenous skills development, knowledge creation, diffusion and application for the industrial development., COMESA entrepreneurs, therefore, ought to be empowered to manage the latest technology including the information communication technology (ICT). Given the important role ICT is playing in everyday life of COMESA citizens, it is imperative that special attention be given to ICT to ensure that its education and training is comprehensively structured. In this respect the universities must rise to the occasion and provide the necessary leadership.

Given the differences among COMESA member states, there is need for complementarity

4. COUNTRY AND REGIONAL EXPERIENCES

There are various reasons why Africa has failed to industrialize. These include political and institutional fragilities and lack of policy commitments and coherence. Lessons can be learnt from countries that have successfully industrialized their economies. Classical example includes China, Vietnam, Malaysia, South Korea and, in the COMESA region, Egypt, Ethiopia, and Mauritius and some other COMESA countries. Asian and COMESA region experiences are in the addendum to this strategy document for reference. COMESA Member States need to share industrialization experiences through peer learning and exchange visits.

5. SITUATIONAL ANALYSIS

According to the International Monetary Fund (IMF), growth in Sub-Saharan Africa has been strong in the past several years. However, forecast for 2016 is modest mainly due to a decline in oil and commodity prices. In 2015, growth in sub-Saharan Africa was 4.5% with a growth forecast of 4.7% to 2017 - World Economic Outlook (WEO).

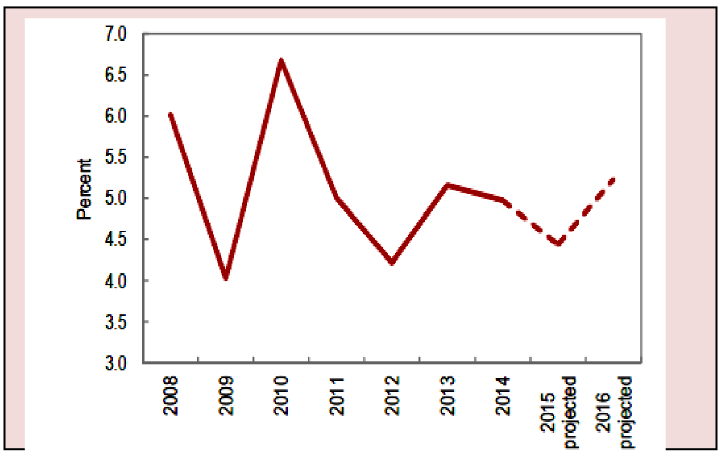


Figure 1: Sub-Saharan Africa Real GDP Growth Rates

Figure 1 shows that the GDP growth trajectory in Sub-Saharan Africa. Trend from 2008 shows that growth in the Region has been volatile but on average it has been persistently above 4%, which is robust compared to global trends. For example, the 2017 growth projection for the World is 3.6 %, United States - 2.6%, Euro Area - 1.7%, Emerging Markets - 4.7% and China - 6.0%. However, this relatively robust growth in Africa is not matched by poverty reduction and employment creation.

African growth is still largely driven by a heavy dependence on the production and export of commodities, few backward and forward linkages, local industries that add little value, and no economic diversification (ECA and AU, 2013)[1]. The commodity export led growth result in cyclical business cycles correlated with volatility in commodity prices at international markets. Projections show that the robust growth experienced by most African States will persist in the medium term. This is due to factors like macroeconomic stability, increase in demand for goods and services due to growing middle class and urbanization, increasing public or public private partnerships (PPP) investments in infrastructure and greater trade volumes and markets as a result of regional integration. The challenge however is to transform such growth to improvement in socio-economic indicators.

[1] Economic Commission for Africa and African Union. (2013).Economic report on Africa 2013: Making the most of Africa's commodities: Industrializing for growth, jobs and economic transformation. Addis Ababa: Economic Commission for Africa

The COMESA Region also exhibits GDP growth trend shown by Sub-Saharan Africa. With its 19 Member States, COMESA's population in 2014 was 491.31 million and GDP at current prices of US $688,668 Million. COMESA total exports to the Rest of the World (ROW) in 2013 was US $112,546 million, total imports US $170,895 million, intra-COMESA exports US $9,866 million. The trade statistics and trends are shown in Figure 2 below:

Since the establishment of the COMESA FTA on 31 October 2000, intra-regional trade has increased from US $3.1 billion to US $22.4 billion in 2014. This has been a phenomenal increase, but it could be much more considering that trade with the ROW, especially imports have also been increasing. Trade trends as shown in Figure 2 below; reveal that the region has persistently been a net importer of commodities from the ROW. Intra-COMESA trade remains depressed, averaging 5.5% of COMESA Exports to the ROW in the past 17 years.

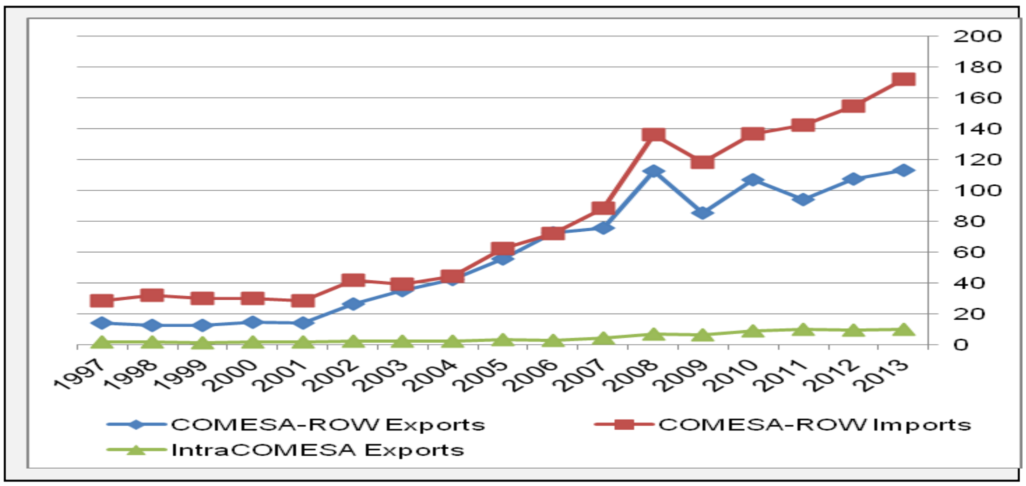


Figure 2: Trade Trends in all commodities in COMESA Region

Closer analysis of the trade statistics shows that the COMESA region is exporting mainly raw or semi processed products. The increasing import bill from the ROW is due to finished/ manufactured commodities which the Region is capable of producing through value addition activities. For this reason, issues of local source and local content of manufactured materials become very important.

According to UNIDO Industrial Development Report 2016 (page181), Africa's Manufacturing Value Added (MVA) remains very low and accounts for only 1.6 per-cent of the world MVA. Among the top 100 countries regarding the Competitive Industrial Performance Ranking, there ten African countries among which three from COMESA region, namely, Egypt, Mauritius and Swaziland.

Table 3: 2013 Top Ten African Countries CIP Ranking and CIP Index

World CIP Ranking	CIP Index	Country
41	0.088	South Africa
58	0.051	Tunisia
71	0.037	Egypt
79	0.030	Botswana
82	0,026	Mauritius
84	0.025	Namibia
87	0,022	Algeria
93	0.018	Ivory Cost

Source: UNIDO, Industrial development Report 2016

For easy reference, the five top five World CIP ranking in 2013 are: Germany (0.576 CIP Index), Japan (0.466 CIP Index), South Korea (0.442), United States (0.442 CIP Index) and China (0.366 CIP Index).

There are various factors that dampen regional industrialization. These include high transport costs, which are amongst the highest in the world, poor infrastructure, rigid and poorly harmonized border regulations and poor information systems. These negatively affect the region's ability to attract FDI and to develop competitive manufacturing industries.

Looking to the future, the need to create jobs is getting critical for Africa and COMESA. Manufacturing activities are key in employment creation. The Figure 3 shows the population projection in the COMESA region to 2100.

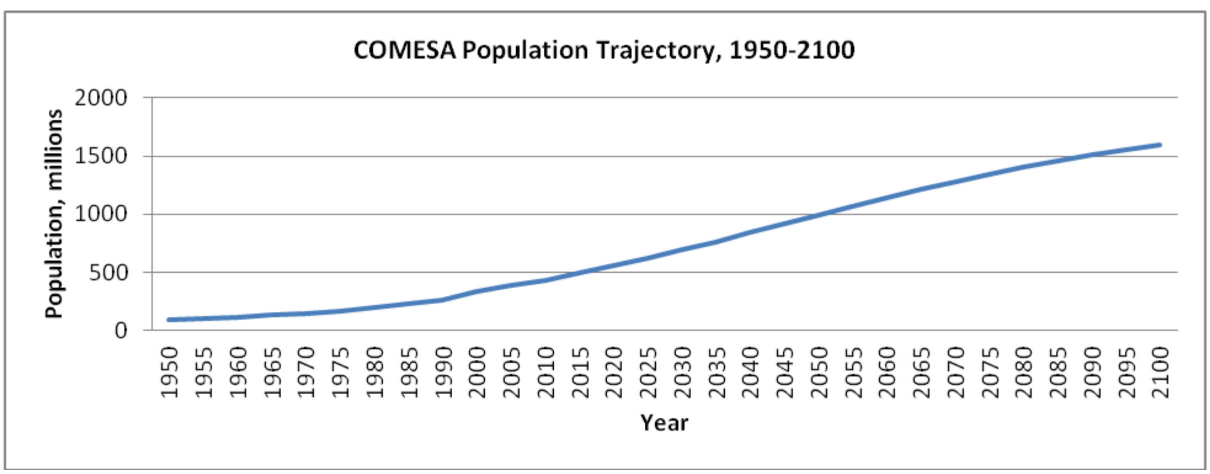


Figure 3: COMESA Population Trajectory (1950-2100)

Source: UN Department of Economic and Social Affairs: Population Division (2012)

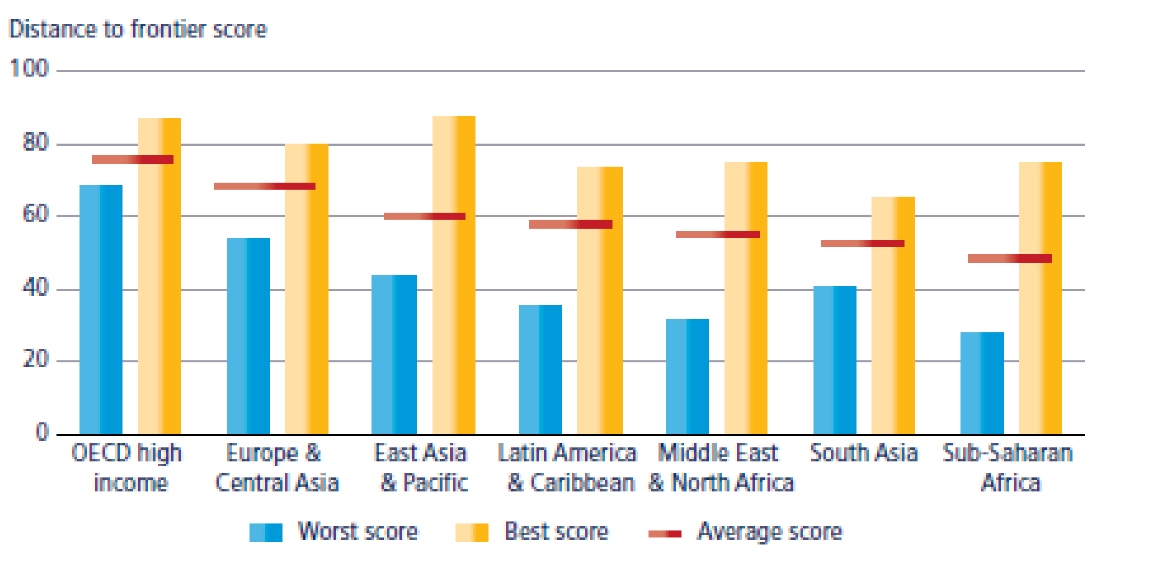
The population figures alone do not, however, show the full picture of what is happening in COMESA countries in terms of employment opportunities. Within the rising population there is a significant rise in the young cohorts, putting pressure on employment and there are also high levels of under-employment.

There is, therefore a strong rationale for African governments to create conducive environments in which production, through industrialization, can take place and employment can be generated and taking advantage of the growing regional markets through processes which deepen integration and unify markets.

The strategy therefore, aims at transforming the traditional low value addition industries - characteristic of the COMESA Region and indeed Africa as a whole - to high value addition manufactured products for increased contribution of the African Natural Resource endowment to sustainable regional income and prosperity for all. Many value addition processes are labour intensive and as such they can generate employment especially for women and youth.

However, for the industrialization of the COMESA region, certain enablers must be considered. The most important ones include among others energy, transport, trade facilitation, technology and innovation which is linked to research and development. These factors also play a key role in promoting the ease of doing business.

Sub-Saharan African countries, including the COMESA Region have not performed well in ease of doing business rankings as Figure 4 below shows. However, few countries including Mauritius and Rwanda, are well positioned in constantly reforming and performing in the area of ease of doing business.



Source: Doing Business database.

Figure 4: Ease of Doing Business: Global Regional Comparisons

The major hindrances to industrialisation of the COMESA region which need to be addressed during the next ten years are summarised as follows:

- Lack of diversification of the manufacturing base and products;
- Limited value addition and undeveloped value chains;
- Weak national and regional human and institutional capacities to promote sustainable industrialisation;
- Undeveloped Micro Small and Medium Enterprises/Industries (MSMEs/MSMIs);
- Lack of support for Micro Small and Medium Enterprises/Industries (MSMEs/MSMIs);
- Little investment in R&D, Technology and Innovation capabilities;
- Limited participation of women and Youth in Manufacturing sector;
- Limited trade among members in the COMESA region;
- Illicit trade and counterfeiting;
- Lack of capacity by regional national and regional industries to meet international standards and technical regulatory requirements;
- Energy supply inefficiency

The importance of industrial development for sustainable development was recognized by the United Nations General Assembly in their proposition on the Sustainable Development Goals (SDGs), which includes inclusive and sustainable industrialization as SDG-9 along with fostering innovation and building resilient infrastructure.

In implementing industrial development agenda, Member states should make sure that no-one is left behind in benefiting from industrial growth, and prosperity is shared among women and men, Urban and rural communities, and large and small enterprises in all countries. In addition, Member States should also ensure that economic and social growth is supported within a sustainable environment so that industrial expansion does not jeopardize the well-being of future generations.

In this regard, COMESA needs to prioritize areas where they have comparative advantage. That said, industrialization success depends on improving productive capabilities and protection of infant industries.

This requires government intervention at the policy level, public infrastructure investment, strong supporting institutions, and inter-stakeholders dialogue arrangement. Government can also intervene through incentives to R&D within national innovation systems.

6. KEY PRIORITY SECTORS

The Industrial strategy aims at transforming commodity dependence to product development in addressing critical structural economic indicators of Africa.

The nine (9) key sectors of the Strategy are informed by the COMESA Industrial Policy. These are: Agro-processing and Agro-Business, Livestock development, Chemicals, Fertilizer and Agro-Chemicals, Leather and Leather products, Textiles and Garments, Mineral Beneficiation, Pharmaceuticals, Energy, Trade in Services for Industrialization and the Blue Economy. In the COMESA region, potential sectors include but are not limited to the automobile industry and high technology industry. It should be noted that countries may develop new sectors for manufacturing depending on their competitive and comparative advantage.

A study undertaken by the Secretariat in 2014 found that COMESA`s comparative advantage lie its natural resources endowment as well as in its potential especially in agro – processing, Textiles and Garments, leather and leather products, mineral beneficiation, (upstream and downstream), pharmaceuticals, chemicals (including fertilizers) and light engineering products among others.

Further, the study identified that the total value of opportunities to expand intra-COMESA trade were in the following products: textiles, wooden furniture, horticultural products, household items, hides and skins, footwear and leather products, building and construction materials, coffee and tea concentrates, natural gum, precious metals, refined copper and copper alloys, essential oils, jewellery, fishery and white and red meat.

Closer analysis reveals that these are manufactured products. In this regard, these are the sectors that should be prioritized in industrialization efforts for the region since they are the ones that account for the depressed intra-COMESA trade.

6.1 Agro – Processing and Agro- Business

Agriculture contributes about 40% to GDP and “approximately 70% of the population in the COMESA region where it draws its livelihood (UNDP data). Depending on their comparative advantage, COMESA countries are advised to embrace agricultural development-led industrialization (ADLI) path.

Agro – processing industry has the highest growth potential in the region in terms of inclusive growth, sustainable economic transformation and job creation. The major reason being that agriculture is the mainstay of regional economies accounting for around 24% of GDP in most member states. Agro processing industry in the region primarily comprises vegetable oil, fruits and vegetable processing, beverages, dairy, nuts, forestry and plantation products, fish and fishery products, grain milling among others.

The policy direction for this sector is to promote value addition and value chains in agriculture at both national and regional levels as a way of economic transformation and employment creation. This will enhance integrated manufacturing and sectoral linkages while at the same time diversifying the manufacturing base and product differentiation.

In this regard, Member states should provide incentives for investment in high value processing of agricultural products promote local manufacturing of agro –processing machinery and equipment, encourage clustering of industries around specific agricultural resources.

Access to the regional market requires quality agro products that meet minimum requirements on food safety, animal and plant health. To strengthen the linkage between agriculture and industry through technological upgrading of SMEs, Member States are encouraged to establish food-processing centres equipped to capitalize on the value-addition potential of key local agro-commodities. The centres could provide advisory services to local farmers to ensure the quality of raw material supply, use of new technologies promote product diversification and facilitate access to market.

6.2 Livestock Development

The livestock sector has immense potential in the COMESA region as it accounts for more than 35% of agricultural GDP and 30% of foreign exchange earnings. The sector has considerable potential for poverty alleviation, food security and wealth creation. It provides high-quality food and marketable products that can be produced by small-scale farmers and are generally of higher value and less vulnerable to climatic shocks and critical harvest timing than crops. Moreover, livestock, especially poultry, pigs, sheep and goats are particularly important assets for rural women, whose role in agriculture is often unappreciated.

Markets are also increasingly consumer-driven, differentiated and demanding in terms of sanitary and quality requirements. This places high demands on producers with little innovative capacity to respond rapidly to changing demands and conditions. With trade liberalization (in the framework of World Trade Organization (WTO) and Regional Trade Agreements), competition is becoming ever more fierce both in domestic and international markets, particularly in view of the emergence of highly competitive, livestock-product exporting developing countries such as Brazil.

Moreover, the weak business service sector in many COMESA member countries does not facilitate access to lucrative markets by small-scale producers. Barriers to enter formal markets reinforce the inefficiencies and limitations inherent to the informal sector. Consequently, the benefits of informality are outweighed by the reduced competitiveness and increased vulnerability.

However, the potential offered by the Leather sector can be adequately used by enhancing capacity for livestock products processing by investing in required facilities for various value chains including meat and meat processing, dairy value chain, leather and leather products processing. It is also associated with packaging and cold chain to access to the market.

These required facilities include slaughter houses and associated export quality animal products and appropriate quarantine and live animal detention centres among others.

6.3 Chemicals, Fertilizer and Agro Chemicals

The chemicals and agro- chemicals is a key sector in that it feeds into the agricultural, agro processing and the manufacturing sectors among others.

The COMESA region is endowed with natural resources which are spread over most member states. These natural resources can be used in the production of fertilizers and agro chemicals. As the resources are spread over the whole they can promote integrated regional manufacturing and value chains in the production of chemicals, fertilizers and agro chemicals. Further, trade intermediate goods are also enhanced in the value chain. At each stage of the regional value chain employment will be generated.

The COMESA strategy must aim at promoting the national and regional value chain and also value addition in the chemicals, fertilizer and agro chemicals.

6.4 Leather and Leather Products

The sector has a high potential for economic development and creation of employment opportunities. The leather value chain is made up of four main sub sectors namely, raw material base (hides and skin), tanneries, footwear and leather goods manufacturing.

The challenges facing the sector are low recovery of hides and skins due to poor slaughtering and flying practices, and poor animal husbandry, export of raw hides and skins, importation of second hand leather among others.

Member States should take advantage of regional strategy for the leather value chain by using the technical support from the COMESA Leather and Leather Products Institute (LLPI). Further, to support local industries countries can envisage specific measures including ban on the importation of used leather products and the export of raw hides and skins.

6.5 Textiles and Garments

The textile and garment value chain is composed of textiles and apparel sub sectors. Some of the challenges affecting the sector include, high cost and availability of inputs such as electricity and water, marketing, importation of second hand clothes, skilled personnel and counterfeit textile products. Upgrading the existing Cotton-to-Clothing value- chain by enhancing productive capacities, entrepreneurship, production linkages becomes more than crucial. In this respect, Member States should take advantage of the COMESA regional strategy for the Cotton to Clothing Value Chain in line with their comparative advantages, and restrict export of cotton lint and import of used clothes.

6.6 Mineral Beneficiation

COMESA Member States are endowed with many mineral resources which can be processed as inputs in the manufacturing sector or exported in refined form thereby earning more revenue in the international market. However, almost all of COMESA`s mineral wealth is currently exported as ores, concentrates, alloys or metals with little value addition. This has led to the export of labour to other regions.

The COMESA Policy statement advocates to promote partnerships between Member State governments and private investors in mineral exploration, mining and mineral beneficiation. This will bring with it forward and backward linkages within the mining sector itself and also with other sectors. Further, COMESA Secretariat and Member States should use technical support from institutions such as African Mining Development Centre (AMDC), Economic Commission for

Africa (ECA) among others to build required capacity for mineral beneficiation. Member States with the facilitation of the Secretariat should develop a policy that harmonizes the exploitation of minerals in the region.

Mineral sector can help some endowed COMESA Member States to move onto a fabricated metal-driven industrialization path gradually and shift production priority in the direction of more sophisticated products and reduce their production intensity of lower-sophistication products. To avoid mid-income trap, they are supposed to improve productive capacity and diversify economic structures.

6.7 Pharmaceuticals

Today, pharmaceutical companies have become an indispensable part of the health care system around the globe and have historically played a vital role in human development by improving the quality of life and reducing the time spent in hospitals. In this regard, African Leaders, a decade ago made the commitment to support the development of a sustainable African Pharmaceutical Manufacturing Industry with the key aim of promoting access to safe, quality and affordable medicines through enhancing pharmaceutical production capacities of manufacturers in Africa while making full use of flexibilities in Trade Related Intellectual Property Rights (TRIPS) Agreement. Thus, the Pharmaceutical Manufacturing Plan for Africa (PMPA) was endorsed by the African Union Heads of States in Accra, Ghana in 2007.The idea was to identify challenges that hamper success and opportunities that can be harnessed to deliver on the objectives of PMPA. Over the past decade Africa intensified its efforts to strengthen its pharmaceutical manufacturing capacity and contribute to the improvement of public health outcomes as well socio – economic and industrial development.

Pharmaceutical production in COMESA is not only imperative to guarantee to affordable access to drugs and commodities for AIDS and other health challenges on the continent, but presents an opportunity for COMESA in to industrialize and join the global value chains. Local production of pharmaceuticals can advance industrial development, reduce external dependency, facilitate stronger regulatory oversight to curtail counterfeit products, improve the balance of payments through savings on foreign exchange and create jobs. Some member states have some form of pharmaceutical production. Yet the companies vary in product quality and the ability of the regulatory authorities to enforce standards. Manufacturers largely rely on imports for most of inputs.

The challenges that prevent the industry from scaling up production include steep investment requirements, the need for expertise and skilled workers, stringent quality standards as a prerequisite to access donor funded prequalified markets, cross border regulatory harmonization for regional markets, an uneven playing field for locally produced drugs against finished product imports that are value added tax exempt or duty exempt and insufficient access to supportive industries. Member States should enhance the capacity for local production of essential medicines to supply safe, efficacious and affordable medicines.

Strengthening local production requires governments to offer fiscal and non-fiscal incentives and coordinate policies so as to strengthen the industry and to support regulatory authorities.

The use of local raw materials for the manufacture of pharmaceutical products and the procurement of locally manufactured products should be promoted.

6.8 Energy Sector

COMESA has vast amounts of untapped energy resources which can be available and affordable when processed. These include coal, hydro power, hydrocarbons, nuclear minerals and renewable energy (solar, wind, geothermal). Exploitation of this potential is important in the context of industrial productivity and competitiveness.

Still energy deficiency is a serious impediment to economic and human development in most parts of the region. There is a need to wider adoption and scaling up of the use of renewable energy in our region.

Access to clean and affordable energy is one of the main prerequisites of suitable economic and social development. Member States should promote the use of innovative clean technologies based on locally available renewable resources such as small-scale hydropower, biomass and biogas, solar energy and wind power.

COMESA has recently launched a comprehensive Energy Programme, the main thrust of which is to promote regional cooperation in energy development, trade and capacity building. The programme aims to harmonise energy policy and regulatory frameworks through the preparation of model policy and regulatory guidelines for energy and establish a Regional Association of Energy Regulators for Eastern and Southern Africa.

The programme also facilitates trade in energy services and promotes the development of regional energy infrastructure. As part of this programme COMESA has developed a model energy policy framework that provides the COMESA Member States with guidelines to facilitate energy policy harmonisation to improve efficiency and increased investment.

Member States should come up with energy efficient policy packages and management systems targeting industry practitioners and industry personnel as a mean to improved competitiveness.

6.9 Trade in Services for Industrialization

The growth of the services industry provides opportunities for regional economic growth, employment and development. Backbone services such as telecommunications, transport and logistics, insurance, travel, financial and other infrastructure services are of critical importance to making trade happen, and shape the business environment and competitiveness of any economy.

For the majority of the COMESA member countries, services sectors account for a substantial share of domestic output, typically around 21% of GDP with Egypt, Mauritius and Seychelles being the major ones at between 51% and 58%. Services can outpace traditional manufacturing and agriculture sectors as contributors to growth, income and job creation. Trade in services has also grown exponentially in the COMESA region, offering enormous opportunities for

COMESA countries to diversify their exports, increase investment, pursue new opportunities for dynamic and sustainable growth and promote greater efficiency in the domestic economy.

The overall strategy must therefore promote success of the services sector which depends on the policies and regulations that shape their business environment. Private sector participation strategy formulation and implementation is key to promotion of business friendly and effective strategies that advance private sector development.

7. THE BLUE ECONOMY

The development of the Blue Economy holds immense promise for the affected COMESA member states (i.e. Indian Ocean region, large rivers and lakes and Exclusive Economic Zones). Apart from providing routes for trade and commerce, the regions are also endowed with a wealth of natural resources, which are as yet, largely untapped.
The development of the Blue Economy in the regions is expected to yield a number of benefits including; providing a boost to coastal and national economies, generating new employment and capacities, promoting entrepreneurship in new areas of economic activity, facilitating the interconnectedness of the regional economy, utilizing the vast, untapped potential of the regional areas and contributing to sustainable development and climate change mitigation.

The areas that must be strategically focused on in the Blue economy are therefore fisheries and aquaculture, renewable ocean energy, transport and logistics, tourism, ocean knowledge clusters, research and development, seabed exploration and minerals.

The Blue Economy approach will therefore provide an inclusive and sustainable economic transformation on COMESA Member States whose strengths are in marine and coastal sectors as well as freshwater inland rivers, lakes and economic zones.

8. STRATEGIC FOCUS AREAS

The COMESA Industrial Strategy will be guided by the following Vision, Goal and Expected specific objectives/outcomes.

Vision

Based on the understanding of the major policy issues above, the COMESA Industrial Strategy is formulated on the following vision "***A Globally competitive environmental-friendly, diversified industrial sector which is based on innovation and manufacturing as tools for transforming regional resources into sustainable wealth and prosperity for all".***

Mission

The mission drawn from the policy is to establish a diversified industrial base for economic transformation supported by an institutional, regulatory environment that is favourable to industrial enterprises.

Overall Goal

The overall Goal is 'to develop a vibrant and sustainable industrial sector that will ensure equitable benefits to all the people of COMESA Member States'.

Specific Objectives

The above goal will be achieved through promoting industrialization in key strategic sectors. The industrialization of the COMESA Region will require major structural transformation for inclusive and sustainable development. Structural transformation is associated with the reallocation of resources, especially new investments, from low to higher productivity activities and sectors. Therefore, the Strategy is expected to achieve the following specific objectives between 2017 and 2026:

- Diversifying the manufacturing base to reduce imports of value added agricultural and resource based commodities from the current estimate of 7% to 22% by 2026 ;
- Increase in value added products and exports as a percentage of GDP from the current estimate of 9% to 29% by 2026;
- Increase the share of manufacturing to GDP to at least 20% by 2026
- Increase intra-regional manufactured exports relative to total manufactured imports to the region from the current 7% to 25% by 2026

In order to the above specific objectives the Strategy will focus on the following key priority interventions:

8.1 Promoting Sustainable Industrialization

***Policy Direction*: Promoting investment in green technologies to ensure environmental preservation, climate change adaptation and mitigation**

At regional level, environment laws and regulations are not enforced effectively; thus threatening sustainability of the environment. Most Member States are characterized by inefficient use of natural resources such as energy, land and water among others. In addition, in the face of Climate Change (CC)Industry is faced with new emerging standards aimed at reduction of Green House Gas (GHG) Emissions, which requires substantial investments in appropriate technologies, as well as in the design of industry production and processing methods. This affects industry competitiveness and consequently sustainability. Members States will be required to review and harmonise their current environmental laws and regulations and set new procedures the work for promotion of green technology.

Strategic objectives:

a) Enhance environmental laws and regulations at national level and harmonize them at regional level;
b) Cooperate and coordinate strategies for the protection and preservation of the environment against all forms of industrial pollution;
c) Enhance the capacity of stakeholders to implement environmental regulations
d) Support industry to adopt relevant standards for environmental protection and reduction of CHG emissions

Strategic actions

a) Identify specific environmental limitation to the promotion of investment in green technologies and national and regional level;
b) Promote knowledge sharing and development of green technologies and develop feedback mechanism to ensure that there linkages between private sector and public sector in the overall green technology generation information dissemination and adoption
c) Put in place a mechanism for monitoring the implementation of environmental laws and regulations at national and regional level;
d) Promote corporate social responsibility of manufacturing industries;
e) Facilitate cleaner production initiatives that enhance compliance with environmental measures;
f) Facilitate venture capital flows into green industries by a mix of legislation and advocating for government incentives and subsidies.

8.2 Diversifying and broadening the manufacturing base and product differentiation path

Policy Direction*:** ***Increasing the manufacturing base and product diversification by promoting key priority sector

The natural resource base of the region should provide a foundation for accelerated industrialization. The manufacturing base in the region is low since most Member States export raw materials and import finished products in return. This undiversified product concentration affects economic growth and developments including job creation. Thus, there is a need for diversifying the manufacturing base and product differentiation by promoting key priority sector such as agro – processing, mineral beneficiation, leather and textiles, pharmaceuticals, light engineering, energy, chemicals and agro- chemicals, construction materials and the Blue economy among others.

Strategic objective: to widen the manufacturing base and increase product diversification based on natural comparative advantage.

Strategic actions:

a) Identify and target key priority sectors based on natural comparative advantages;
b) Provide incentives for start - up industries in these sectors;
c) Promote the development of relevant industrial support infrastructure;
d) Mobilize resources to finance in the identified key sectors.

8.3 Promoting value addition and sustainable regional value chains

***<u>Policy Direction</u>*: Strengthening value addition and sustainable value chains at both national and regional levels as a way of economic transformation and employment creation.**

In most Member States, there is low value addition as most products are exported in raw form especially in agriculture and mining. This is coupled with poor market linkages and low vertical and horizontal integration in the manufacturing industries. It is important to upgrade the existing regional value chains, Cotton-to-Clothing, Pharmaceutical industries, Leather Value Chains and agro-processing and expand the sectors , by enhancing productive capacities, entrepreneurship, production linkages and industrial clusters in order to enable COMESA enterprises to go up specific industrial ladders and add more and more values to their export products.

Strategic objectives:

a) promote value addition in identified raw products at national level based on comparative advantages;

b) identify, promote and strengthen product value chains commodities at national and regional levels;

c) enhance integrated manufacturing and sectoral linkages through value addition and value chains at national and regional levels.

***Strategic actions*:**

a) Identify and target products/sectors for value addition at national and regional level and their related backward and forward linkages;
b) Incentivise value addition and value chains for the identified sectors (i.e. fiscal, tax concessions, access to finance, diaspora resources among others);
c) Support industries to meet national, regional and international standards and technical requirements to improve competitiveness;
d) Support the development of relevant infrastructure development.

8.4 Strengthening national and regional human and institutional capacities

***<u>Policy Direction:</u>* Strengthening national and regional human and institutional capacities to enhance competitiveness of the industrial sector.**

Existing institutions lack resources, technical capability and the required size to address the issues related to industrialization such as research, development, design, standardisation, intellectual property rights, and corruption among others. Regional institutions such as centres of Excellence will leverage and complement the national initiatives.

Strategic objectives:

a) enhance the technical, vocational and artisanal competencies of national and regional institutions to undertake industrialisation related activities;
b) Enhance the entrepreneurship and management skills for industrial development
c) strengthen the capacity of institutions to manage information
d) strengthen the linkage between academia, research, human resource development, industry and Government (Triple Helix Approach) for purposes of enhancing industrialization.

Strategic actions:

a) Assess existing capacities of institutions and human capital to support and promote industrialization at national and regional levels;
b) Develop capacity building programs of institutions to undertake industrialisation activities;
c) Strengthen the integration of industry, government and universities;
d) Facilitate establishment of national and regional entrepreneurial centres of excellence and innovation for business development particularly for MSMEs/MSMIs;
e) Set-up national and regional industrial information centres for industrial development.

8.5 Support Micro Small and Medium Enterprises/Industries (MSMEs/MSMIs) to become globally competitive

<u>Policy Direction:</u> Enhancing MSMEs/MSMIs industrial competitiveness.

The MSMES sector at both national and regional level is affected by many challenges including lack of access to affordable finance, inadequate process and production methods, limited access to technology, markets, lack of infrastructure, hostile business environment, weak management structures, and lack of skilled labour among others. Local businesses, and in particular, MSMEs/MSMIs, are used to have short term focus. There is lack of support which affects their ability to perform.

Strategic objective: **To create an enabling environment that improves the competitiveness of MSMEs/MSMIs.**

Strategic Activities:

a) Develop/review regional and national strategies to promote MSMEs/MSMIs competitiveness;
b) Create an MSMEs/MSMIs business Management Information System(MIS) where MSMEs/MSMIs can access a variety of market information;
c) Promote MSMEs/MSMIs cluster development and cluster linkages with identified global clusters to enhance information and market access;
d) Develop a regional programme for the upgrading of MSMEs/MSMIs technology and quality management systems;

e) Promote subcontracting and Partnership Exchange to encourage linkages between buyers and suppliers, in particular, to support and facilitate MSMEs/MSMIs involvement in value chains.

8.6 Strengthening R&D, Technology and Innovation capabilities

***<u>Policy Direction:</u>* Creating and strengthening region`s capacity for innovation and effective application of science and technology in industrialisation.**

In most Member States there are limited linkages between industries, research and training institutions. This has constrained commercialisation of research findings. Similarly, there is no structured system of nurturing and promoting innovative entrepreneurs within the region. Regional Centres of Excellence in technology and regional industrial development and innovation grant scheme will enhance industrial development in Member States.

Strategic objectives:

a) to reinforce science, technology and innovation capacity to meet the industrialization needs of the region;

b) to build strong linkages between the public and private sectors in research and development, technology and innovation for industrialization

c) to ensure the integration of STI and ICT in policy making of sustainable industrial development

d) to Set-up regional platforms to facilitate networking among research institutions, governments, academia and industry with a view to encouraging and promoting collaborative national and regional R&D.

Strategic actions

a) Support the establishment of Regional Centres of Excellence in technology transfer and diffusion;

b) Promote annual entrepreneurship, industrialization and innovations marketplace event

c) Strengthen Intellectual Property Rights (IPR) mechanisms;

d) Establish a regional industrial development and innovation grant scheme to support industrial research, technology development and innovation;

e) Establish an R&D information database and information sharing;

f) Increase spending and give incentives on R&D, including the establishment of common industry services, technological incubation, and industrial research labs among others;

g) Promote ICT innovations and technologies for mobile computing and other computer based applications to facilitate the ease of doing business;

h) Identify best practices and success stories from the region and the rest of the world, to build and/or strengthen institutions and human capacities in the area of innovation and effective application of science and technology in industrialisation

i) Ensure there is improvement in the countries participation in regional science, technology and innovation (STI) cooperation to enhance industrialization

j) Ensure there is accessible information to support knowledge under STI for industrialization

8.7 Promoting locally skilled and labour intensive industrialization

<u>Policy Direction:</u> Promoting locally skilled and labour intensive industries

The current industrialization efforts by most Member States have failed to reduce unemployment levels and poverty. One major contributing factor is the absence of labour intensive industries to absorb excess labour.

Strategic objective: to promote investments in labour intensive sectors that will take advantage of the regional resources.

Strategic actions

a) Identify selected labour intensive sectors;
b) Create a conducive and enabling environment for investment in identified labour intensive sectors;
c) Set-up monitoring frameworks for job creation and economic contribution of labour intensive sectors.
d) Encourage labour intensive industries through specific incentives.

8.8 Mainstreaming Gender, Youth and People with special needs in Manufacturing

<u>Policy Direction</u>: Empowering women, youth and people with special needs through activities that increase their income and contribution to national and regional industrialization efforts.

In most Member States women and the youth have been marginalized in manufacturing. This is despite their potential contribution to the industrialization drive.

Strategic objective: to mainstream gender and youth in industrial activities so as to maximize their contribution to regional industrialization.

Strategic actions

a) Identify the number of women and youth involved in industrial activities;

b) Develop the capacity of women, youth *and people with special needs* entrepreneurs;

c) Facilitate the entry of women, youth *and people with special needs* in the industrial sector and their participation in cross border, regional and international trade;

d) Support women, youth *and people with special needs* enterprises to access regional and international markets;

e) Facilitate and encourage the formation of women-in-business associations and networks and develop programs to link women, youth *and people with special needs* entrepreneurs with counterparts in other regions.

8.9 Enhancing intra and inter regional trade in inputs, semi processed and manufactured products

Policy Direction: ***Expanding trade and market access for manufactured products in the region.***

The major challenge facing the COMESA region is that there is low trade in locally manufactured products. This works against the spirit of regional integration and negatively impacts on job creation and economic growth.

Strategic objective: to promote programmes that increase regional trade in manufactured products.

Strategic actions

a) Create a conducive environment for export of manufactured products;

b) Create awareness on export requirements including rules of origin among others to relevant stakeholders (exporters manual will be prepared);

c) Develop infrastructure, quality management systems, product certification and traceability schemes for manufactured products to meet regional and international market requirements;

d) Support the development of regional brands and promote awareness campaigns on regional brands;

e) Organize trade exhibitions between COMESA Member States to enhance regional trade

f) Set up a regional export award scheme to encourage export expansion of manufactured products;

g) Improve transport and communication logistics for overcoming the supply-side constraints in the region.

8.10 Cooperating in combating illicit trade and counterfeiting

Policy Direction: ***Encouraging cooperation between Member States to combat illicit trade and counterfeiting.***

The region is experiencing substantive forms of illicit trade in most manufactured products which are in most cases counterfeit. This has contributed to de-industrialization resulting in job outlays, increase in poverty and depressed economic growth.

Strategic objective: to enhance cooperation in the trade of illicit and counterfeit products and services in the region.

Strategic actions:

a) Develop an Anti- Illicit trade regional regulatory framework;
b) Strengthen border monitoring, surveillance and information systems;
c) Strengthening national monitoring, inspection, surveillance and information sharing systems to address illicit and counterfeiting issues.

9. INDUSTRIALIZATION ENABLERS

9.1 Industrial development supportive Infrastructure

The COMESA Industrial Policy emphasizes the need to have strategic infrastructure that will facilitate industrialization. In most COMESA Member States there is lack of efficient and reliable transport, energy, water and ICT. These key enablers play a central role in lowering the cost doing business and contribute to industrial competitiveness. Setting up infrastructure requires an integrated approach that covers all sectors both at national and regional levels. In this regard, the region must undertake the following:

i. Boost public investment to attract private investors;
ii. Encourage and coordinate major investment activities in transport, logistics, water, energy and ICT among others;
iii. Promote and strengthen public-private partnerships (PPPs) for infrastructure development.

In particular, ICT is a major cross cutting enabler in industrialization. For example, internet connectivity in Africa remains low and expensive. This has a crippling effect to industrialization endeavours but it can be an opportunity to leapfrog most of the huddles hindering industrialization.

9.2 An enabling legal, regulatory and institutional business environment

One major factor that inhibits inclusive and sustainable industrialization is weak business and regulatory environment. This negatively impacts on competitiveness of the manufacturing sector both at national and regional levels. The COMESA Industrial Policy states that for successful industrialization, member states should improve legal, regulatory and institutional frameworks in order to improve ease of doing business and attract FDI. Strategic actions to improve the business environment include the following:

i. Reducing or eliminating regulations which impede investment flows into the region;
ii. Strengthening capacities of COMESA Member States investment promotion agencies;
iii. Promoting PPPs;
iv. Harmonizing company registration procedures throughout the region;
v. Increasing the transparency of COMESA Member States investment rules, regulations, policies and procedures and also harmonize them;
vi. Maintaining macro-economic stability to attract and sustain private investment.

9.3 Access to adequate and affordable finances

The lack of adequate and affordable finance and technical resources needed by manufacturing sector affects industrialization at both national and regional levels. Consequently this impedes job creation, and inclusive and sustainable industrialization. Poor access to affordable financial products is usually cited as one of the key reasons for MSME failure. This is mainly due to high cost of borrowing. Strategic actions to enhance access to finance include the following:

i. Strengthening linkages between industrial sector and regional/national financial support institutions;
ii. Establishing/Strengthening capital and financial markets (including innovative financial intermediaries);
iii. Developing regional financial and capital markets;
iv. Establishing ways of tapping diaspora resources (financial and technical) to facilitate increased inflow of investment, technology and skills.

9.4 Standardization, quality assurance and quality management systems

One of the major challenges that industries in Member States face regarding accessing markets for their manufactured products is poor adherence to systematic and internationally acceptable quality standards.

Despite the tremendous progress achieved over the past years, in particular in the areas of harmonisation of standards, some major challenges remain to enhance smooth trade and remove existing trade barriers in the COMESA FTA. The current Regional Quality Infrastructure in COMESA is, by and large, not commensurate with international best practices and hence does not fully meet the requirements espoused under the WTO Trade Agreements and by the major trading partners. It remains a challenge to implement the adopted standards (both international and regional) without a functional and acceptable quality infrastructure

A functional and internationally recognised quality infrastructure provides a basis, platform and requisite support for trade facilitation, implementation of SPS measures and technical regulations/standards on the basis of equivalence and mutual recognition to enhance industrialisation, facilitate intra COMESA trade, and expand market access opportunities in both regional and global markets.

. Strategic actions for this enabler therefore include the following:

a) Strengthening and upgrading of Regional Measurement (Metrology) infrastructure and systems in the COMESA region

b) Strengthening of Regional Conformity Assessment Infrastructure Systems.

c) Deepening and implementation of Standards Harmonisation and other Trade Facilitation Mechanisms

d) Establishment of Regional Multi-Economy Accreditation Systems through twinning arrangements with SADCAS and other regional accreditation bodies

9.5 Establishing Special Economic Zones (SEZs) and Industrial Parks

One of the instruments for successful industrialization, as seen in Asia, has been the development of SEZs/ Industrial Parks. The main motivation for creation of SEZs/ Industrial Parks is to attract FDI. Because of liberal policies related to taxation, trading, quotas, customs and labour regulations, enterprises located in SEZs/ Industrial Parks become competitive, or they are supposed to be. With proper management and incentives, SEZs/ Industrial Parks can be an important tool for industrialization. With this observation, the COMESA industrial strategy should focus on promoting SEZs/ Industrial Parks as one of the important enablers as follows:

a) Enacting policies and legislation to support SEZs/ Industrial Parks development;
b) Enacting policies and legislations to promote investments in SEZs/ Industrial Parks.

Other industrialization enhancers related to SEZs, which also need to be supported, include establishment of industrial parks, export processing zones and free zones that take advantage of economies of scale as a result of expanding markets from regional integration initiatives.

9.6 Supportive Science, Technology and Innovation (STI) Policies

In most countries, industrialization and technological change are seen as two different elements in development process. This has led to dual narrative on industrial development and STI policies. According to the Africa Renewal Magazine, African countries, contribute about 2.3 per cent of world gross domestic product, but is responsible for only 0.4 per cent of global expenditure in STI. With 13.4 per cent of the world’s population, the continent is home to only 1.1 per cent of the world’s scientific researchers. It has about one scientist or engineer per 10,000 people, compared with 20–50 in other industrial nations. Over the years, the science and technology gap between Africa and the rest of the world has grown. While other regions constantly upgrade their technologies, Africa is failing to keep up. Some economists feel that this widening gap is partly responsible for the continent’s underdevelopment.

Member States should consider that STI/Innovation policies are an integral complement to industrial policies/national industrial development strategies; and achieving sustainable industrialization calls for both frameworks to be coordinated very closely.

As an enabler, STI should be integrated within the industrial development/national development plans. In relation to fostering industrialization, ICT has proven to be a crucial factor in raising the industry's efficiency and quality. It can be used in building and facilities management.

COMESA countries must increase their spending on STI to at least 3% of their national budgets. Increased investment in science, engineering and entrepreneur skills training to address the challenge of skilled scientific manpower and improvement of R&D and science infrastructure is a must for the COMESA countries to progress in the area of STI that is in turn, a key enabler to industry. Also, recommended, is the idea of establishing funding agencies dedicated to funding both public and private R&D and innovation activities.

Linkages with global manufacturers of equipment and machineries for technological and skills transfer at concessional rates need to be considered.

9.7 Promoting the use of Diaspora resources

Diaspora funding is becoming important in development. This not only includes financial investments but also technical expertise. To promote diaspora involvement in the industrialization drive, there is a need to harness the knowledge, finance and entrepreneurial capacity of the Diaspora to enhance investment in industrial sector or related supporting sectors. To enable full support to COMESA's industrialization agenda there is need for continuous dialogue and engagement between COMESA and the Diaspora. This will keep the diaspora fully informed about strategies and policy direction of the region. In this regard, the following strategic interventions need to be considered:

i. Specific policies and incentives towards attracting the Diaspora resources;
ii. Improving business environments and legal requirements for Diaspora investors
iii. Providing incentives to Diaspora experts in science and technology to contribute to national industrial development;

9.8 Promoting local content and local sourcing

For successful industrialization of the region, there is a need for encouraging local sourcing of commodities. The negative trade balance that the region is still recording with the rest of the world means the region can benefit from import substitution initiatives, especially for raw materials needed by industries.

Local content requirements concept has evolved from a narrow definition of local procurement of goods and services to more broad definitions referring to the total extent of investor involvement with the host economy. This includes but not limited to Purchases from national suppliers of goods and services; Employment of local staff and trainings, corporate social responsibility for investing companies and others. They have been initially applied into extractive industries (oil, minerals) to help promote domestic development and are currently being used by the wind industry in countries including Canada, China, Malaysia, Spain, Brazil, India, Australia and Portugal with varying levels of success.

For example, Malaysia which is one of well performing resource-driven economies in the world launched in 1974 the reform of oil sector to encourage the development of a local supply sector through licensing requirements. They included among others: mandatory local incorporation of foreign oil companies and a minimum share of domestic equity holding; and the obligation to acquire all materials and supplies locally or to purchase them directly from the manufacturer when not locally available.

Actions to achieve this objective include the following:

i. Develop policies that increase local contents in natural resource based and manufacturing;
ii. Align Local Content Policies with other economic development policies;
iii. Promote a culture that encourages consumption of locally manufactured products;
iv. Gradually apply the Local Content Requirements to other productive sectors.

10. IMPLEMENTATION MODALITIES

In order to implement the Strategy and monitor its progress effectively, actions plans and an implementation schedule are set for each component of the Strategy. The COMESA industrial strategy will be implemented through various stakeholders. These include the COMESA Secretariat; COMESA Institutions, Member States governments, private sector and development partners among others. For the industrialization drive to succeed there is need for a coordinated and inclusive approach.

A task force comprising of seasoned industrialists, public policy makers, Development Partners among others will be formed to spearhead business linkages, joint ventures and partnerships among others for industrial development in the region.

10.1 Responsibilities of Various Agents and Development Partners

The responsibilities of various stakeholders are described in the section below.

I. Role of the Private Sector

The implementation of the strategy should be private sector driven. It should be noted that partnership with the public sector is cardinal. Therefore, it is important to address the following

- Consultation and collaboration between the public and private sector in policy and programme implementation.
- The need for the private sector to take advantage of the benefits of the industrial policy and other national development plans to invest in key manufacturing sectors according to their respective comparative advantages.
- Public-Private Partnerships, to mobilize resources and partner with governments to invest in required industrial facilities.
- Use of ICT and innovations to boost productivity and ensure competitiveness of businesses.
- COMESA Business Council to ensure that the interests of the Business Community, in particular, the manufacturer associations are addressed at the policy organs levels.

II. Role of Member State Governments

Governments have a fundamental role to play in creating a supportive business environment for industrial development. Government must partner with private sector, civil society and all key stakeholders at all stages of industrial cooperation and development.
In this regards, government's role in industrial development is to:

- Develop human capital and resource mobilization for industrial development. Accessing to innovative finance is a major problem for firms in the region. Industrial policy incentives, such as duty-free importation of capital goods and raw materials for selected products, export tax exemption, government loans with flexible repayment plans, subsidies, R&D grants or incentives to firms that are promoting R&D or building human technological skills;
- Develop a high-level policy governance, a sound legal and institutional mechanism to deal with past policy failure. This includes among others, simplifying administrative processes, ensuring policy coherence creating and strengthening linkages among innovation actors and industries, investing in technological supporting institutions;
- Promote the accumulation of physical and human capital investments and to transform these investments into industrial leaning activities. This means that governments can use incentives to control or use direct foreign investment to promote technology transfer;
- Invest in industrial hubs, zones and parks to facilitate clustering and linking various actors including SME/SMIs in value chains. Special Economic Zones, Industrial Parks and Export Processing Zones among others provide one-stop shop for range of specific export led incentives for firms. Industrial parks can assist firms to move from low to higher value-added activities;

- invest in basic and supporting infrastructure such as energy and water supply, road network and soft infrastructure like ICT;

- facilitate access to land for business purposes;

- support local business practices and to SMEs/SMIs;

- Ensure monitoring and regular follow up on the implementation of national industrial development strategies

- Mainstreaming the activities of the strategy in Member States' national budget

- Establishment and/or strengthening of public private sector dialogue platforms at both national and regional levels

To play this important role, COMESA member States are advised (where possible) to establish a National Industrial Policy Coordination Unit (NIPCU).

III. Role of the COMESA Secretariat

At the COMESA Secretariat, the department responsible for Industry will coordinate the implementation of the strategy in collaboration with all the other COMESA departments, responsible for Trade, Statistics, Infrastructure, Gender and Legal departments. The Secretariat will convene regional expert meetings on annual basis to assess the level of implementation of the Strategy and share knowledge and the best practices.

IV. Role of COMESA Institutions

The COMESA Industrial Strategy will also be implemented through several COMESA institutions which are the following:

a) Trade and Development Bank (former PTA Bank)

The Trade and Development Bank (TDB) Bank's mandate is to finance and foster trade, socio-economic development and regional economic integration across its Member States. The PTA TDB bank has an important role to play in supporting the COMESA Industrialization Strategy through the following interventions.

(i) Diversification: This can be achieved partly by directly financing companies that are focused on diversifying their activities or moving up the value chain. It can also be through identification of global investors that can partner local manufacturers to strengthen their competence. The bank can also contribute to a 'potential product database' for the region, and also 'potential global investment partner database. The bank can build on the data base that the AFDB has already put together;

(ii) Agro-Processing: Setting up an agro-processing financing program may be an idea worth pursuing. In this area, some not-for profit international organisations are active, and they could be partners in this drive;

(iii) Special Economic Zones: The bank could co-finance the development of SEZs including the infrastructure requirements as well as industries that locate in those zones;

(iv) Boosting Intra-regional trade: The bank can make use of trade finance instruments to support intra-regional manufacturing exports;

(v) MSME co-financing: The bank could co-finance MSMEs and facilitating their growth into viable and sustainable business entities capable of contributing meaningfully to industrial activity;

(vi) Infrastructure development: The bank could invest in infrastructure such as energy, transport and ICT, which have been cited as key enablers for industrialization.

b) ***COMESA Regional Investment Agency***

The COMESA Regional Investment Agency (RIA) is an institution of the Common Market for Eastern and Southern Africa (COMESA) which was launched in 2006 to facilitate regional development integration through increased trade and private investment.

Through its various activities, RIA provides a platform for private sector to interact with COMESA Governments and serves as an information hub through which it can promote the COMESA region, detailed information on legislation and policies affecting the business environment, cost of doing business, investment incentives, investment procedures, investment opportunities and projects, major events affecting investment and other relevant information.

The role of COMESA-RIA in the industrial strategy implementation will include but not limited to:

- Continue to market COMESA region as one of the major destinations for regional and international investors;
- Carry-out other activities in the area of investment promotion, facilitation and advocacy in collaboration with National Investment Authorities;
- Work to improve the business and investment climate of Member States namely through development support and capacity-building activities targeting their IPAs and other relevant public and private sector stakeholders.

c) ***COMESA Leather and Leather Products Institute (LLPI)***

LLPI is designated as an international organization through its charter Article 27 9(6) and (1), however many development partners are defining it as a sub-regional organization, thus undermining its capacity to attract resources from such partners. Its current name is the main factor limiting its full recognition as an international organization. A number of organizations under the COMESA Secretariat have rebranded or are rebranding in order to enhance their global outlook and to widen their mandate, in line with the continental dynamics for example the COMESA-EAC-SADC Tripartite and Agenda 2063 among other factors. In pursuit of the above the institution needs to be rebranded in order to reflect its Regional and International status, as stipulated under LLPI Charter 9(6), 27(1) to be known as COMESA/African LLPI.

The Regional Designers Studio (RDS) project is a flagship project of LLPI. RDS was approved by the Summit during the 19th Summit of COMESA Authority of Heads of States and Governments, Antananarivo, Madagascar as a flagship to the regional leather sector. The main role of the RDS is to support research, development and innovation that is critical for boosting the competitiveness of the leather sector. This will contribute to the transformation of the leather sector in the region, to deliver jobs, incomes and contribute to inter and intra trade. In pursuit of the above the LLPI should work closely with its host country, Ethiopia to seek for support for the construction of the RDS Regional offices in LLPI compound.

The demand of LLPI services across the COMESA region and beyond has been growing since 2013. The fully subscribed Member States have increased in the same period from 6 to 10. Three COMESA MS are in the pipe line of joining. In addition to this LLPI has received requests for technical support from other Regional Economic groups in Africa and East Africa. The rising demand for LLPI is a good reflection that LLPI is delivering tangible benefits to the sector. **In** pursuit of this all COMESA Member States that are not members of LLPI, be encouraged to join LLPI, in order for them to fully benefit from the development of their leather sectors. In addition, to accommodate the other African Member states and to be globally competitive, LLPI needs to rebrand its name from the current Leather and Leather Product Institute (LLPI) to “Africa Leather and Leather Product Institute (ALLPI)”. It is imperative for LLPI to establish design studios both at the regional and national levels as deemed necessary.

d) African Trade Insurance Agency (ATI)

The African Trade Insurance Agency was established by COMESA in 2001. The Agency provides political risk and trade credit risk insurance products with the objective of reducing the business risk and cost of doing business in Africa. ATI’s main goal is to help increase investments into African member countries and two-way trade flows between Africa and the world. ATI facilitates exports, FDI into and trade flows within the continent. As an agency that provides political and trade credit risk insurance ATI can play a catalytic role in implementing the COMESA Industrial strategy through:

- Facilitating risk free investments in the region;
- Facilitating access to finance especially for MSMEs;
- Enhancing regional trade through provision of trade risk insurance.

e) COMESA Competition Commission (CCC)

The Commission recognizes that the Common Market continues to experience low levels of industrialization because, among others, key productive sectors in Member States' economies are dominated by a few market players. This inadequate effective competition in the key productive sectors has resulted in the proliferation of anti-competitive conducts that deter the entry of new market players into the regional industrial sector. The primary focus of the Commission, in this regard therefore, is to regulate the conduct of firms within the Common Market with the view to ensuring a level playing field for the realization of efficient industrial activities which are crucial to economic growth.

To promote industrialization, the COMESA Competition Commission will therefore be important in the following interventions:

- Addressing cartels and other forms of restrictive business practices in the Common Market
- Preventing mergers and other forms of acquisitions that would substantially lessen competition in the Common Market
- Enhancing competition advocacy activities in the Common Market
- Regulating the grant of exemptions to the application of competition law by the Member States
- Advocating for the creation of a competition culture in the Common Market
- Harmonizing of competition rules and achieving convergence in dealing with anti-competitive practices
- Providing support to the Member States related to institutional, capacity building and legislative drafting of national competition laws

f) Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA)

ACTESA is a regional Alliance organisation and a specialized agency of COMESA with a mandate to coordinate public and private investments for agricultural development in the region. This includes providing support to the CAADP process and attainment of the Malabo Targets of 2025. The role of ACTESA in the Industrial strategy implementation will therefore include the following:

- Supporting agro-processing and strengthening value chains;
- Facilitating investment in agriculture and agro-processing;
- Building alliances and information platforms, and sharing of best practices toward the industrialization of the region such as agro-dealer networks in the region and other agri-business and service provider alliances
- Developing aggregation and rural development centres to support industrialization
- Supporting climate smart agriculture and preservation of biodiversity
- Harmonizing policies, regulations and standards for Member States
- Support trainings in utilization of inputs and technologies

g) COMESA Business Council (CBC)

The COMESA Business Council (CBC) is recognized in the COMESA Treaty as the formal Business Member Organization (BMO) of COMESA. It was established in 2005 as a consultative forum, and evolved into a Secretariat in 2010. CBC represents the private sector interests at the highest levels of decision-making in COMESA. Since its establishment, CBC's mission has been 'To promote collective engagement of the COMESA private sector for effective regional integration, competitiveness, trade and investment'.

Private sector development is very important in industrial development and employment creation. As such, the CBC will play a key role in the implementation of the COMESA industrial strategy through actions aimed at the following:

- Providing linkages between various private sector actors along value chains, both regionally and internationally;
- Facilitating private sector investments;
- Building capacity of private sector for industrial competitiveness
- Promoting a continuous dialogue with the private sector organs at the national and regional levels to help create an improved business environment for the implementation of agreed decisions in all economic sectors;
- Providing an opportunity for entrepreneurs to participate actively in improving the policies, regulations and institutions that affect them so as to increase confidence in policy reforms, raise productivity and lower costs at enterprise levels..
- Reaching out to more private sector associations in the region and publicize their activities.
- Establishing more working relationships and secure more investments with the private sector in the region.

V. **Role of Civil Society**

Civil Society is a key partner ensuring that laws and regulations are implemented in a sustainable and transparent manner. In the context of this strategy, Civil Society can contribute to the inclusiveness of the industrialization agenda by advocating for key issues such as; environmental and climate change adaptation and mitigation, mainstreaming of women, youth and people with special needs.

VI. Role of Development Partners

Implementation of the COMESA industrialization strategy will also be through development partners who play a vital catalytical role at national and regional level by providing *inter alia*, financial and technical support. UNIDO, UNCTAD, ECA among others, are already supporting countries on various programme on sustainable Industrial development.
However, more resources are needed to implement this important SDG at both regional and national levels for more impact.

10.2 Key Assumptions

The following are the assumptions and pre-conditions for the successful implementation of the COMESA Industrial Strategy:

- Strong political will and commitment from the COMESA Authority;
- Policy consistency and predictability at National and regional level;
- Strong commitment and participation from private sector; and
- Goodwill and support from development partners.

11. FINANCIAL RESOURCES MOBILISATION

There is need mobilise adequate resources for the carry out all the measures and activities planned in the Strategy. This call is for a creation of an enabling environment for resource mobilization efforts for regional industrial development. The funding of the Industrialization Strategy of long term nature must be situated within the regional and national long term macroeconomic stability perspective. Therefore, financial resource mobilisation calls for deploying specific and clear efforts to increase savings, increase capital efficiency and non-debt creating external resource flows. It is therefore, the following actions will be undertaken to ensure successful mobilisation of financial resources for the implementation of the Strategy.

(i) ***Trade and Development Bank (PTA BANK)***:

The bank has an important role to play in supporting the COMESA Industrialization Strategy interventions such as directly financing companies that are focused on diversifying their activities or moving up the value chain, setting up an agro-processing financing programme, special Economic Zones, boosting Intra-regional trade, MSME co-financing, and Infrastructure development. Therefore, there is need to capacitate, without delay, the COMESA PTA Bank to provide financial resource focusing on the above identified interventions.

(ii) ***African Trade Insurance Agency (ATI)***

As an agency that provides political and trade credit risk insurance, ATI can play a critical financial through facilitating risk free investments in the region; facilitating access to finance especially for small and medium size industries; and enhancing regional trade through provision of trade risk insurance.

(iii) ***Public Private Partnership***:

The private sector can play a critical role in mobilizing resources (including domestic) creating wealth, income and jobs and advancing innovation for development. It is therefore important to develop innovative financial mechanisms to mobilise private finance for shared development goals. This can be done through developing well-structured partnerships to exploit the financing and operational potential of Public-Private Partnerships (PPPs). This will require appropriate design and packaging of infrastructure projects with private participation based on adequate public sector skills, an enabling policy and regulatory environment and a harmonized region-wide policy to ensure the availability of private sector funding to support industrialization projects.

(iv) ***Strengthening of Regional Capital Markets***: COMESA Member States need to urgently put in place specific measures to strengthen Capital markets with focus on industrial financing and to increase the flow of risk capital to SMEs.

(v) ***Diaspora Resources***: Put in place a mechanism to explore potential of innovative financing, such as the Diaspora resources.

(vi) ***Donor round tables***: In order to identify donors that donors have a particular interest in focused and targeted efforts the secretariat is will need to continue convening a variety of donor and partner roundtables. These meetings will provide an opportunity for engaging cooperating partners in a more coordinated and targeted manner. The donor round table also will provide an opportunity for interacting with donor audiences.

12. RISK ANALYSIS AND MITIGATION

Risks associated with the implementation of the strategy, and their mitigation measures are summarized in the Table Below:

Table 1: Risk Analysis and Mitigation Matrix

RISKS	RISK LEVEL (H/M/L)	MITIGATING MEASURES
Weak commitment from Member States	H	More awareness campaign into Member States during project design and implementation of strategy
Lack of Resources	H	Advocacy for Member States support and contribution to the implementation of the strategy and creation of synergies to leverage on available resources
Lack of Capacity e.g. in data collection, M&E, business and entrepreneurship skills, laboratory facilities etc.	H	Targeted training activities for Member States to deliver on identified intervention areas
Inadequate Support from Private Sector and poor sustainability of private sector investment programmes	L	Training and stakeholder linkages activities and signing of MOU and contracts
Lack of Capacity at Secretariat and Member States for M&E of projects	M	External support for conducting M&E can be sought. Capacity building in M&E can be undertaken. Institutionally the Industry and Agriculture Division is well structured and supported within the broader COMESA constitution.
Political instability in Member States	H	Use COMESA Committee of Elders interventions as conflicts prevention mechanism
Low political ownership and buy-in	L	Although political commitment may be at varying degrees, there is no risk of non-ownership or lack of buy in. COMESA is expected to continue with strengthened striving to reach all its goals as a REC and achieving the mandate of the treaty in relation to project cooperation.

13. MONITORING, AND EVALUATION

The strategy is for a period of 10 years from 2016-2025. The Plan will be subjected to mid-term evaluations during the 10year period. Evaluation will be done by independent consultants, with regular monitoring of progress being carried out by M&E expertise at the COMESA Secretariat. Evaluation will be on the following criterions:

- Effectiveness (Impact): the extent to which the implementation of activities met the stated goals and objectives and how efficient resources were used to achieve set target;
- Sustainability: Assesses the sustainability of the achievements made and;
- Documentations of lessons learned and up-scaling of best practices.

The indicators and targets outlined in the Log Frame will form the basis for evaluation of the effectiveness of the strategy implementation. Regular documentation and reporting of progress will be critical in adjusting strategic directions and monitoring implementation effectiveness. Progress reports will be made on annual basis. The reports will outline projected targets, achievements, facilitating factors and challenges.

The reports will be prepared and submitted by all divisions and programs to management, where a summary report will be prepared and submitted to the Policy Organs meetings. This will ensure transparency during the strategy implementation period.

The onus of communicating the programmes, activities and outputs of this strategy will be coordinated by the COMESA Secretariat inclusive of all key stakeholders including but not limited to: The Private Sector, Member State Governments, Civil Society and Academia.

14. LOG FRAME AND ACTION PLAN

14.1 Log frame for the Strategy (vision, Goal and Strategic Interventions)

Broad Policy Direction				
Descriptive Summary	**Objectively Verifiable Indicators**	**Means of Verification**	**Implementing Agency**	**Assumptions**
<u>Vision</u> **A Globally competitive environmental-friendly, diversified industrial sector based on innovation and manufacturing as tools for transforming regional resources into sustainable wealth and prosperity for all**	COMESA Imports from outside our region reduced by 15% by 2026	National Economic Reports Regional Economic Survey	COMESA Secretariat Member States Governments	Political and security situation remains stable allowing members states actions to be carried out
<u>Goal</u> **To develop a vibrant and sustainable industrial sector that will ensure equitable benefits to all the people of COMESA Member State**	1) Manufacturing base diversified by 15 % by 2026 2) Value addition activities as a percentage of GDP increase from the current estimate of 9% to 29%; 3) Intra-regional manufactured exports relative to total manufactured imports to the region increase from the current 7% to 25% by 2026 4) Manufacturing production index increased by 10% in 2026 5) Increase average manufacturing share of GDP to 20% by 2026	National Economic Reports Regional Economic Survey	COMESA Secretariat Member States Governments	Member states ready to fully commit themselves to the implementation of the Strategy
<u>Objective</u> **To develop to develop and cost an Action Plan for implementation of the Industrialization Strategy**	1) A detailed and costed Action Plan for the implementation of the Strategy and Roadmap developed and submitted to Council by 2018 2) An appropriate institutional framework designed and develop an to support the implementation of the Industrialization Strategy by 2018	Detailed and Costed action plan Record of Heads of State Decision	COMESA Secretariat Member States Governments	Member states ready to fully commit themselves to the implementation of the Strategy

Results and Activities				
Descriptive Summary	**Objective Verifiable Indicators**	**Means of Verification**	**Implementing Agency**	**Pre-conditions**
Result 1: **Sustainable Industrialization promoted**	1) National environmental laws and regulations harmonized at regional level 2) Framework for cooperation and coordination on adoption of greener technologies. increased adoption, by 50%, of inclusive policies and practices (addressing gender, youth and people with special needs)	• National and Regional M&E Reports	• COMESA Secretariat • Member States Governments	• Private Sector Participation in Green Technology Investments
Activities 1) Promote knowledge sharing and transfer of green technologies and develop feedback mechanisms to ensure that there are linkages between private sector and public sector in the overall green technology, information disseminationand adoption 2) Promote corporate social responsibility of manufacturing industries; 3) Facilitate establishment of cleaner production initiatives that enhance compliance with environmental measures; 4) Facilitate venture capital flows into green industries by a mix of legislation and advocating for government incentives and	1) 20 meetings and knowledge sharing fora held by 2026 2) 80% of manufacturing industries at national and regional levels with CSR Policies in place 3) 20 Green production initiatives established by 2026 4) venture capital flows into green industries increased by 20% by 2026	• Report of the meetings • National	• COMESA Secretariat Member States Governments	Availability of financial and human capacity and Technology

subsidies		Investment Report		

Results and Activities				
Descriptive Summary	**Objective Verifiable Indicators**	**Means of Verification**	**Implementing Agency**	**Pre-conditions**
Result 2: **Diversifying and broadening the manufacturing base and product differentiation path**	1) Manufacturing base and product diversification in priority sector increased by 15% by 2026	• National and regional economic survey report	• COMESA Secretariat	• Availability of financial and human capacity and Technology
<u>Activities</u> 1) Identify and target priority sectors based on natural comparative advantages; 2) Provide incentives for start - up industries in these sectors; *3)* Promote the development of relevant industrial support infrastructure; *4)* Identify new sectors for manufacturing *5)* Mobilize resources to finance in the identified key sectors.	1) 9 Priority Sectors Identified and targeted for diversification by 2026 2) Incentive framework for start-up industries developed at national level 3) Five roads and ICT Infrastructure promoted and support 4)	• COMESA Organs Reports • National Incentives Framework • Road and ICT Infrastructure •	• Member states • COMESA Secretariat	• Availability of financial and human capacity and Technology
Result 3: **Promoting Value addition and sustainable regional value chains**	1) 10 Projects for value addition and chains based on comparative advantages identified and promoted at national and regional levels	COMESA Organs Reports	COMESA Secretariat	• Availability of financial and human capacity and Technology
<u>Activities</u> 1) Identify and target products/sectors for value addition at national and regional level and their related backward and	1) 50 Products for value addition identified at National and	• COMESA Organs Reports	• Member states	• Availability of financial and

forward linkages 2) Incentivise value addition and value chains for the identified sectors (i.e. fiscal, tax concessions, access to finance, diaspora resources among others); **3)** Support industries to meet national, regional and international standards and technical requirements to improve competitiveness; and **4)** Support the development of relevant infrastructure development.	regional level 2) National fiscal incentives and tax concessions framework for harnessing diaspora resources put in place by 2026 3) Regional framework for enhancing competitiveness put in place by 2026 4) 5 Regional infrastructure projects to support value chains identified and promoted by 2026	• National investment policies and strategies • National and regional economic survey report	• COMESA Secretariat	human capacity and Technology

Results and Activities				
Descriptive Summary	**Objective Verifiable Indicators**	**Means of Verification**	**Implementing Agency**	**Risk/ Assumption**
Result 4: **National and regional human and institutional capacities strengthened**	1) Technical and management competencies of national and regional institutions to undertake industrialisation related activities developed by 2026 2) National and Regional institutions' capacities to manage information strengthened by 2026	• National Economic Survey • National Investment Policy Reports	• COMESA Secretariat, • Member States, Private Sector • COMESA Business Council	• Private sector uptake of value addition investment • Availability of institutional and human capacity

Activities 1) Assess existing capacities of institutions and human capital to support and promote industrialization at national and regional levels; 2) Develop capacity building programs of institutions to undertake industrialisation activities; 3) Strengthen the integration of industry, government and universities; 4) Facilitate establishment of national and regional entrepreneurial centres of excellence and innovation for business development particularly for MSMEs; 5) Set-up national and regional industrial information centres for industrial development	1) Five industrialisation capacity building programmes developed and implemented by 2026 2) Regional programme to strengthen integration of industry, governments and universities developed and implemented 3) 19 National and One regional entrepreneurial centres of excellence and innovation for business development particularly for MSMEs e/identified and/ or strengthened 4) 19 National and One regional industrial information centre identified and/or strengthened	• National Reports • COMESA Organs Reports • Centres of Excellence and Innovation • Industrial information centres	• COMESA Secretariat • Member States • ACTESA	• Availability of financial and human capacity and Technology
Result 5: **Support Micro Small and Medium Enterprises/Industries (MSMEs/MSMIs) to become globally competitive**	1) Framework for improving the competitiveness of MSMEs/MSMIs at national and regional levels developed and implemented by 2026	• COMESA Organs Reports	• COMESA Secretariat	• Availability of financial and human capacity and Technology
Activities a) Develop/review regional and national strategies to promote MSMEs/MSMIs competitiveness; b) Create an MSMEs/MSMIs business portal where MSMEs/MSMIs can access a variety of market information; **c)** Promote MSMEs/MSMIs cluster development and cluster linkages with identified global clusters to enhance information and market access; and **d)** Develop a regional programme for the	1) National and Regional programmes to promote MSMEs/MSMIs competitiveness developed 2) Regional MSMS/MSMIs information portal developed by 2019 3) Regional MSMEs/MSMIs cluster development programme developed by 2018	• National Reports • COMESA Organs Reports	• COMESA Secretariat • Member States • ACTESA	• Availability of financial and human capacity and Technology

upgrading of MSMEs/MSMIs technology and quality management systems.	4) Regional MSMEs/MSMIs technology and quality management systems programme developed and implemented by 2020			

Descriptive Summary	Objective Verifiable Indicators	Means of Verification	Implementing Agency	Risk/ Assumption
Result 6: **R&D, Technology and Innovation Capabilities Strengthened**	1. Region`s capacity for innovation and effective application of science and technology in industrialisation developed by 2026. 2.Networking Regional platform for research institutions, governments, industry and academia established and operational by 2021	COMESA Reports Operational regional Networking Institute	• COMESA Secretariat • Member States • ACTESA	• Peace and Stability in the Member States • Availability of institutional and human capacity
Activities 1) Support Regional Centres of Excellence in technology transfer and diffusion 2) Strength Intellectual Property Rights (IPR) mechanisms; 3) Establish a regional industrial development and innovation grant scheme to support industrial research, technology development and innovation; 4) Establish an R&D information database and information sharing; 5) Increase spending and give incentives on R&D, including the	1) Regional Centres of Excellence in technology transfer and diffusion identified and/or support establishment by 2023 2) Programme for strengthening IPR mechanisms developed by 2018 3) Industrial development and innovation grant scheme established 2024 4) R&D and information sharing data base developed and accessible by 2019 5) Incentive scheme for common industry services, technological incubation and	• National Report • COMESA Reports • National IPR Reports • Innovation Grant scheme Report • Regional R&D Data Base	• COMESA Secretariat • Member States • ACTESA • LLPI	• Peace and Stability • Availability of institutional and human capacity

establishment of common industry services, technological incubation, and industrial research labs among others; 6) Promote ICT innovations and technologies for mobile computing and other computer based applications to facilitate the ease of doing business	industrial research developed by 2019 Operational Regional Centre of Excellence	• National Incubators Incentive Schemes		
Result 7: **Labour intensive and locally skilled industrialization for job creation Promoted**	At least three high skilled labour intensive national investment p promoted by 2026 resources.	• COMESA Report	• COMESA Secretariat	• Peace and Stability in the Region • Availability of New Technology
<u>Activities</u> a) Identify selected, skilled labour intensive sectors; b) Create a conducive and enabling environment for investment in identified labour intensive sectors; c) Set-up monitoring frameworks for job creation and economic contribution of labour intensive sectors. d) Encourage labour intensive industries through specific incentives.	1) At least two labour intensive, locally skilled sectors by each member state identified by 2018 2) Incentive framework for promoting labour intensive, locally skilled investment established by 2019 3) M&E for labour intensive investment developed by 2020	• COMESA Report • Promotional programmes report • Regional award scheme report	• COMESA Secretariat • Member States • LLPI • ACTESA	• Peace and Stability in the Region • Availability of New Technology • Availability of institutional and human capacity

Results and Activities				
Descriptive Summary	**Objective Verifiable Indicators**	**Means of Verification**	**Implementing Agency**	**Risk/ Assumption**
<u>**Result 8:**</u> **Enhancing intra and inter regional trade in inputs, semi processed and manufactured products**	5 regional trade promotional programmes implemented by 2026	• COMESA Reports	• COMESA Secretariat	• Availability of financial and human capacity and Technology

Activities a) Create a conducive environment for export of manufactured products; b) Create awareness on export requirements including rules of origin among others to relevant stakeholders (exporters manual will be prepared); c) Develop quality infrastructure, quality management systems, product certification and traceability schemes for manufactured products to meet regional and international market requirements; d) Support the development of regional brands and promote awareness campaigns on regional brands; e) Set up a regional export award scheme to encourage export expansion of manufactured products.	1) Incentive structure for export promotion at national and regional level developed and implemented by 2019 2) Awareness programmes on export requirements developed and implemented by 2019 3) National quality infrastructure, managements system, product certification and traceability schemes developed by 2021 4) Regional brands developed and promoted by 2022 5) Regional export award scheme established and operational by 2023	• National Reports • National Investment laws and regulations • National Industrial survey reports	• Member States • ACTESA	• Availability of financial and human capacity and Technology • Political will

Results and Activities				
Descriptive Summary	**Objective Verifiable Indicators**	**Means of Verification**	**Implementing Agency**	**Risk/ Assumption**
Result 9: Regional Programme for combating illicit trade and counterfeiting developed	1) Regional framework of cooperation to combat trade of illicit and counterfeit products and services developed and operational by 2020	• National Economic Reports	• COMESA Secretariat • Member States • ACTESA	• Peace and Stability • Availability of new technology and innovation • Availability of International markets

Activities 1) Develop an Anti- Illicit trade and counterfeiting regional regulatory framework; 2) Strengthen border monitoring, surveillance and information systems; 3) Strengthening national monitoring surveillance and information systems	1) Anti-illicit regional trade and counterfeiting framework developed by 2019 2) Regional bordering surveillance and information monitoring system developed and operational by 2020 3) Capacity building programmes for the regional bordering surveillance and information monitoring system designed and implemented by 2021	• Operational Regional bordering surveillance and information monitoring system • COMESA Secretariat Reports	• COMESA Secretariat • Member States • ACTESA	• Availability of institutional and human capacity • Cooperation from member states

14.2 Log frame for enablers (Enabler, and Associated Activities)

Descriptive Summary	Objective Verifiable Indicators	Means of Verification	Implementing Agency	Risks/ Assumption
Enabler 1: **Standardization, quality assurance and quality management systems strengthened**	19 national bureau standards and metrology institutions with adequate human and institutional capacities for supporting industrial competitiveness by 2026	• National reports	• COMESA Secretariat • Member States National Bureau of Standards	• Availability of financial resources • Availability of human and institutional capacity
<u>Activities</u> 1) Strengthen and upgrade Measurement (Metrology) infrastructure and systems in the COMESA region 2) Strengthen of Regional Conformity Assessment Infrastructure Systems. 3) Deepen and implement Standards Harmonisation and other Trade Facilitation Mechanisms	1) 100% of national metrology institutions supported by 2026 2) 50% of standards harmonisation and trade facilitation mechanisms implemented by 2026	• National reports	• COMESA Secretariat • Member States National Bureau of Standard • Development Partners	• Availability of financial resources • Availability of human and institutional capacity

4) Establish Regional Multi-Economy Accreditation Systems through twinning arrangements with other regional accreditation bodies	3) Regional Economy Accreditation system established			
Enabler 2: **Critical infrastructure for industrialisation developed**	1) Cost of doing business in the region reduced by 50% by 2026	• National investment survey report	• COMESA Secretariat	• Availability of financial resources • Availability of human and institutional capacity
Activities 1) Boost public investment to attract private investors 2) Encourage and coordinate major investment activities in transport, logistics, water, energy and ICT among others 3) Promote and strengthen public-private partnerships (PPPs) for infrastructure development.	1) At least 2 PPP infrastructure Projects implemented at National level	• PPP Concessional agreement signed	• Member States	• Availability of financial resources • Availability of human and institutional capacity
Enabler 3: **An enabling legal, regulatory and institutional business environment put in place**	1) 50% improvement in ease of doing business and 20% increase in regional FDI by 2026	• National investment reports	• Member States	• Regional economic and political stability
Activities a) Reduce or eliminating regulations which impede investment flows into the region; b) Strengthen capacities of COMESA Member States investment promotion agencies; c) Promote PPPs; d) Harmonize company registration procedures throughout the region; **e)** Increase transparency of COMESA Member States investment rules, regulations, policies and procedures and also harmonize them;	1) 50% reduction in regulation impeding investment in the region by 2026 2) Capacity built for all COMESA Member investment promotion agencies by 2026 3) 5 Regional PPP Projects implemented	• COMESA Review of Investment policies • Signed PPP Concessional agreements • Reports	• Member states • Member States • Secretariat • Member states	• Availability of financial resources • Availability of human and institutional capacity • Regional stability

f) Maintain macro-economic stability to attract and sustain private investment. g) Develop an all-encompassing legal framework to guide local content policy and strategy development based on realities in each Member State h) Conduct periodic audits of local content development and implementation starting a baseline audits. i) Expedite the promulgation and/or operationalization national competition laws j) Engage the private judiciary, professional bodies, public officers and other key stakeholders in competition matters **k)** Provide technical assistance to Member States in order to enhance their competition law enforcement by June 2018	4) Harmonised company regulation procedure in the region 5) Stable macro-economic environment 6) The developed legal framework to guide local content policy by 2017 7) Baseline audit carried out starting 2017 8) At least 8 Member States have promulgated and/or operationalized national competition laws by 2020 9) Stakeholders engaged in at least five Member States by 2019 10) At least 5 member states assisted on matters related to competition enforcement by 2019	and audit reports • Reports • Report • Report • Report • Official gazette • Report • Report • Report	• Member States • Member States • • Member States COMESA Secretariat • Member States • Member States • Member States • CCC	• Availability of human and institutional capacity • Regional stability Availability of financial resources •
Descriptive Summary	**Strategic Action Verifiable Indicators**	**Means of Verification**	**Implementin g Agency**	**Risks/ Assumption**
Enabler 4: **Access to adequate and affordable finance and technical expertise improved**	50 % of domestic investors having access to affordable finances and technology by 2026	• Investment Policy Review Report	• COMESA Secretari at	• Regional stability • Availability of human and institutional capacity

Activities 1) Strengthen linkages between industrial sector and regional/national financial support institutions; 2) Establish Strengthening capital and financial markets (including innovative financial intermediaries); 3) Develop regional financial and capital markets; 4) Establish ways of tapping diaspora resources (financial and technical) to facilitate increased inflow of investment, technology and skills.	1) 50% of National financial institutions having access to finances from regional financial institutions 2) 50% diaspora enabled to invest in the region and to financial resources by 2026	• Investment Policy Review Report • National Survey Report • National Banks Records	• COMESA Secretariat • Member States National Bureau of Standards • Development Partners • Private Sector	• Regional stability • Availability of financial resources
Enabler 5: **Industrial Parks (Special Economic Zones, Multi Facility Economic Zones, Industrial Clusters etc) Established**	At least 5 Industrial Parks (Special Economic Zones, Multi Facility Economic Zones, Clusters etc) Special Economic Zones o Developed in each COMESA Member State by 2026	• Operational Industrial Parks	• COMESA Secretariat	• Regional stability • Availability of financial resources
a) Enact policies and legislation to support Special Economic Zones (SEZs) and Industrial Parks development **b)** Enact policies and legislations to promote investments in Special Economic Zones (SEZs) and Industrial Parks development	1) Policies and legislation for industrial parks developed at national level	• National Policy Documents	• Member States	• Regional stability • Availability of financial resources
Enabler 6: **Linking Science, Technology and Innovation (STI) to Industrial Development**	All COMESA Member States have STI integrated into industrial development policies	• COMESA Secretariat Reports	• COMESA Secretariat	• Regional stability • Availability of financial resources
Activities a) Put in place an institutional Framework for integrating STI into national and regional industrial plans	1) Institutional Framework for integrating STI at National and Regional level developed	• National Development policies • COMESA	• COMESA Secretariat • Member	• Regional stability • Availability of financial resources

b) Put in place national and regional monitoring system to assess the integration of STI into industrial plans	2) National and Regional Monitoring Frameworks for assessing the integration of STI developed	Secretariat Reports	States	

Descriptive Summary	Objective Verifiable Indicators	Means of Verification	Implementing Agency	Assumptions
Enabler 7: **Diaspora Resources (Financial and Technical) Harnessed**	Diaspora investment at regional level increased by 80%	Investment Policy Review Report	COMESA Secretariat COMESA RIA	Regional stability Availability of financial resources
<u>Activities</u> 1) Put in place specific policies and incentives towards attracting the Diaspora resources 2) Improve business environments and legal requirements for Diaspora investors 3) Provide incentives to Diaspora experts in science and technology to contribute to national industrial development	Special policies and incentives for promoting diaspora investment developed at National level	• National Policy Documents	• Member States	• Availability of institutional and human capacities

Addendum

1. Experiences from Asia

a. China experience

China's industrialization was modelled on that of Taiwan, Japan and South Korea. This model was based on developing large domestic and diversified enterprises using various strategies that include mergers and acquisitions. The model also involved promotion of industrial clusters that benefited from agglomerations effects such as closer integration between suppliers, producers and customs on the one hand and more rapid innovation on the other hand.

The success of Chinese manufacturing growth in recent decades is indisputable and has irrevocably shifted the global landscape for manufacturing competitiveness. In contrast, manufacturing in Africa has failed to deliver broad-based growth and poverty reduction on anything close to the scale as has been observed in East Asia.

China has more than 1000 industrial zones following a central government policy encouraging the development of such zones. Most cities and counties have followed the models set by the large zones developed by the central and provincial governments. The local governments are motivated to develop industrial zones to get tax revenues and revenues from selling land. Of course, not all Chinese industrial zones have been successful; the better ones were built on existing or potential industrial strengths, in other words, local comparative advantages. These industrial zones played a critical role in facilitating the growth of Chinese SMEs from family operations catering to the local market to global powerhouses.

These zones not only provided Chinese SMEs with good basic infrastructure (e.g. roads, energy, water and sewage), security, streamlined government regulations and affordable industrial land, they also provided technical training, low cost standardized factory shells allowing Chinese entrepreneurs to "Plug and Play". Hence, they played a very critical role in helping Chinese small enterprises to grow into mid-size and large enterprises.

China manufacturing value added is 30% because of being plugged into local clusters and value chains. The Chinese system of SME-oriented "Plug and Play" industrial zones is thus one of the most important and least well publicized factors behind China's extraordinary competitiveness in light manufacturing industry. These insights provide food for thought as to consider the role industrial parks could play in the future development of manufacturing industry in COMESA region.

b. Vietnam experience

In order to develop an industry, Vietnam has had to overcome a number of significant challenges – shortage of capital, unskilled labour population, a large share of imported raw materials, poor technology, low brand recognition and stiff competition, among others. There are three main factors that have influenced the growth of Vietnam's industry: the Doi Moi reforms; the contributions of various entities such as SOEs, private firms, FDI and industrial zones; and international integration through several multilateral and bilateral schemes such as the WTO, FTAs and regional bodies.

Vietnam is currently planning to raise the export of electronics to US$40 billion in 2017. FDI enterprises play an important role here, making up one third of the total number of electronics enterprises in Vietnam and covering over 80 per cent of the domestic market. Samsung alone exported US$20 billion last year and is expected to increase up to US$30 billion a year in the coming few years.

In order to address the economic crisis, the government launched the ‘Doi Moi’ (meaning “renovation”) reform process which focusses on the following: key investments in both hard and soft infrastructure, development of various markets for commodities, capital and labour, opening up of the economy to the outside world, investment healthy well educated and skilled labour force.

As a result, the gross GDP increased 30 times in 25 years – from US$6.3 billion in 1989 to US$186 billion in 2014. It is expected that the Vietnamese economy will continue to grow at a rate of 7 or 8 per cent from 2016 to 2030.

In 2014, the leather sector fulfilled the goal of US$12 billion exports, passing the US$10 billion mark for the first time and making up over 10 per cent of the country’s total exports. The growth rate of this sector in 2014 was 19.7 per cent, nearly three times over the growth rate of the whole industrial goods sector. Over 500 shoe and leather factories have created jobs for about 650 000 workers, 85 per cent of whom are women. With significant growth over the last 20 years, Vietnam’s shoe and leather product manufacturing currently ranks fourth in the world after China, India and Brazil in terms of total production and third after China and Italy in value.

c. South Korea experience

In late 1960s South Korea industrialization policy was endogenous and compatible with social and economic development. South Korean policy makers rejected free market comparative advantage policies, and intervened in industrial markets forcefully, with a focus on developing labour intensive technologically simple goods, such as clothing, footwear, processed food, sports goods, and toys. Reaching a high-income status in late 1980s, it shifted its focus to high-technology-driven differentiated industrialization path, with focus on deepening industrial structure, raising local content, ambitious investment in research and development and creation of large export consortium for global competition.

To facilitate the implementation of human resources-based industrialization policy, South Korean policy makers have attached importance to skill development, research and development, technology innovation, and institutional policy learning for the sake of increasing its global competitiveness, diversifying its economy, and producing high quality goods and services, that is, to acquire a dynamic competitive advantage for sustainable economic growth over time.

South Korea’s human resources-based industrialization policy has been implemented by strong institutions such as the Korean Economic Planning Board (EPB) through seven Five-Year Plans for Economic Development, with well-defined industrialization targets and adequate annual budgets. As a result, South Korea, a natural-resources poor country in East Asia, has become industrialized and a member of Organization for Economic Cooperation and Development (a Richman Club) in 1995.

d. Malaysia experience

Malaysia's industrial success is based on friendly market policies (the laissez faire approach). The Malaysian industrialization miracle was based on mainly targeting incentives for exports, R&D, skills development and FDI.

Since independence in 1957, Malaysia has attained significant industrialization and economic development. Preliminary data shows that, in 2005, per capita GDP reached $4,930 and the ratio of manufactured goods in total export was 84%. Among them, electrical and electronics (E&E) products occupied 64% of total export. Malaysia, with the population of 26 million, has successfully graduated from the status of a primary commodity-based economy into an upper middle-income industrialized country. As industrialization proceeded and external circumstances changed, policy orientation also evolved in stages.

With the coming into power of Dr. Mahathir in 1981, and under recessionary pressure of the early 1980s, aggressive industrial policy was introduced. Look East Policy and heavy industrialization, including automobiles, were initiated. With the help of the yen appreciation starting in 1985, Malaysia succeeded greatly in absorbing manufacturing FDI and turning itself into the world's major electronics exporter. However, heavy industrialization was less successful. The Industrial Master Plans IMP1 (1986-95) and IMP2 (1996-2005) were clear policy orientation. They helped to lay the foundation for manufacturing to become the leading sector of the economy. Its main objectives were accelerated growth of manufacturing; efficient utilization (i.e., domestic processing) of the nation's natural resources; and development of indigenous technological capability. The plans overlapped with a period of high growth driven by increased FDI inflows. Export growth, the share of manufacturing in GDP, and the growth of value-added in manufacturing all exceeded plan targets surpass the per capita income of $10,000 for the country.

From a country dependent on agriculture and primary commodities in the sixties, Malaysia has today become an export- driven economy spurred by high technology, knowledge based and capital intensive industries. The market oriented economy and government policies that maintain a business environment with opportunities for growth and profits have made the country a highly competitive manufacturing and export base. Multinationals have been at the forefront in this process and working hand in hand with the government through a process known as 'hand holding'.

As firms move up the value chain, their requirements change and to remain competitive in a global environment, the government has had to change its policies and approach to ensure that this objective is not compromised.
Based on this evidence it appears that for successful industrialization, developing countries will require flexible policies that facilitate the development of the private sector.

2. Experiences from COMESA Member States

a. Ethiopia experience

The development chapter of the Ethiopian government extends to 2025, formulating a national vision that enables Ethiopia to be one of the middle-income countries and Ethiopia envisioned to be one of leading countries in manufacturing industry in Africa by 2025.

Ethiopia offers the best lessons for industrialization which is based on resource availability, labour intensity, linkage to agriculture and export potential. The country has previously undergone several important policy shifts in its industrial growth and transformation.
It moved from a state-led development strategy in the period between 1974 and 1991 to private sector-led industrial growth and export promotion after 1991. The development chapter of the Ethiopian government extends to 2025, formulating a national vision that enables Ethiopia to become a middle-income country. Ethiopia also envisions becoming one of the leading countries in manufacturing industry in Africa by 2025.

The Growth and Transformation plan (GTP) I (2010-2015) and II (2016-2020) focus on the following pillars: development of industrial zones, building local technological capacity and university-industry linkages, among others. Different programs were designed to accelerate the growth and broaden the base of the quality investment in manufacturing industry, to enhance production and productivity, increase exports, and ensure knowledge transfer. Key programs are: Implementation Capacity building Program, Quality and Technology capacity building program, Industry Park and Cluster Development Program, Investment Expansion program (Attracting Quality Foreign Direct Investment, Domestic investment) and New Manufacturing Sector Development Program.

The institutional set-up has also been cardinal to Ethiopian success. Major institutions under Ministry of Industry support the private sector as centers of excellence for technology transfer and business facilitation of priority sectors. These includes Leather and Leather Industry Products Development Institute(LIDI), Cotton, Textile and Garment Industry Development Institute(CTIDI), Food, Beverage and Pharmaceutical Industry Development Institute(FBPIDI), Meat and Dairy Industry Development Institute(MDIDI), Metal and Engineering Industry Development Institute(MEIDI), Chemical and Construction Inputs Industry Development Institute(CCIDI) . Furthermore, there is Federal and Small and Medium Manufacturing Industries Development agency(FSMMIDA), which supports the development of Small and Medium Manufacturing Industries. In addition, the Ethiopian Industry Inputs Supply Enterprise (EIIE) supports input supply to industry.

b. Mauritius experience

Mauritius industrialization drive dates back to the 1970's when an import substitution strategy was put in place to promote the development of the manufacturing sector. Given the exiguity of the domestic market and absence of raw materials, an export-led approach was adopted.

In the 1980's the prerequisites for rapid industrial development and a conducive business climate were created to boost industrial development and increase the share of the manufacturing sector to GDP. The necessary legal regulatory framework and institutional set up along with a plethora of incentives and measures were put in place to attract FDI, promote exports, develop skills and improve productivity and equally among others: The industrial consolidation and diversification strategy were further intensified through development of new growth poles such are medical devices, jewelry, pharmaceutical, light engineering and the Blue economy. Other initiatives relate to the promotion of a green industry through involvement, tax credit allowance, green loans and leasing facilities for investment in green technology and cleaner production. Enhance development at the port and the airport, well developed roads network as well as communication and logistics facilities were also undertaken.

Mauritius has also invested heavily on the human capital which is its only asset through hosting of education facilities and development of skills in the drive to become a regional education hub. In addition, collaboration between industry and universities have been enhanced to promote research and innovation for industry related projects have been introduced. With a view to graduate into a high-income country by 2025, Mauritius has already moved from a resource-intensive to an efficient technology, skills and knowledge intensive phase of development. In that regard, Techno Poles and Business Parks are being created for high value technology driven activities. Government acts more as a facilitator, pace setter rather than an implementator with measures to facilitate the case and coordination of and streamlining of the doing business with the private sector spearheading industrial development. Administrative procedures are constantly being eliminated through the business facilitation desks.

c. Egypt's Experience

The Egyptian government, represented by the Ministry of Trade and Industry, launched the Trade and Industry Strategy 2016-2020, which includes five main Pillars:

1. Industrial Development
2. Micro, Small and Medium Enterprises (MSMEs) and entrepreneurship Development
3. Exports Development
4. Upgrade of Technical and Vocational Education and Training
5. Governance and Institutional Development

These five pillars include comprehensive initiatives that aim at creating a business climate that is appropriate to strengthen the national economy through the private sector, particularly Micro, Small and Medium enterprises and integrating them into the local and global supply chains and linking them to major economic entities. This will be done in order to make Egypt's economy able to cope with the global volatility and ensure the stability and balanced growth for all the relevant economic indicators, as well as rationalizing imports and increasing exports. This includes creating and developing the business climate and fulfilling the required legislative, procedural and institutional reforms, this strategy emerges from the economic pillar of the Sustainable Development Strategy (Egypt 2030 Vision) in line with the Africa 2063 Agenda, the COMESA Industrial Policy adopted in 2015 and the tripartite African communities.

The main objectives of the strategy are as follows:

1. Increasing Annual Industrial Growth rate to 8%
2. Increase the Contribution Rate of Industrial Production to Gross Domestic Production from 18% to 21%
3. Increase the Micro, Small and Medium Enterprises Sector's Contribution to GDP
4. Increasing the Export Growth Rate up to 10% annually
5. Providing 3 million Job Opportunities
6. Improving Institutional Performance

It worth mentioning that the industrial sector is one of the most important sectors of the Egyptian economy. where Non-petroleum manufacturing sector contributed with 16% of GDP. If the petroleum refining industry is added to it, the sector of petroleum and non-petroleum industry will reach about 18% of volume of Egyptian economy, which in turn is the largest component of the Egyptian economy. Thus, a number of projects and initiatives have been implemented to activate the pillars of industrial development in the strategy as follows:

Issuing Law No. 15 of 2017 on facilitating the Procedures of Granting licenses to Industrial Projects, whereby licensing entities reduced to only one licensing entity, represented by Industrial Development Authority, which before was granted by 13 licensing entities. In addition, the time of issuing licenses was reduced to 7 business days for low risk projects, which representing 80% of the total projects and 14 days for high risk projects. Under this law, the licensing by notification system will be used to start the activity.

1. **Issuing Law No. 83 of 2016** on supremacy of Industrial Lands, which in turn will allow the Industrial Development Authority affiliated to Ministry of Trade and Industry to have supremacy on all the industrial lands in all governorates of the Republic. In addition, the Industrial Development Authority will be the only entity to plan, develop, install, and provide services and lands for industrial projects.
2. Industrial land availability: 22.5 million meters were allocated for industrial investment during 2016, which is more than the total area allocated from 2006 to 2016. It is targeted to supply 15 million meters in 2017 and 60 million meters by 2020
3. Providing Free Industrial lands in Upper Egypt (Aswan, Luxor, El Wadi El Gadid, Asiout, Sohag, Qena, Beni Suef) in implementation of the provisions of investment law and decisions of the Supreme Investment Council under presidency of the president of the Republic, provided that priority is given to new and renewable energy projects, Labor-intensive projects, SMEs, modern technology based projects, local components added value projects and production export projects. There is a large demand from industrial investors to reserve in such Governorates to get benefit from the incentives allocated by the Egyptian government in this regard.
4. Project **"your Factory is Ready With its Licenses"** where the Ministry of Trade and Industry represented by the Industrial Development Authority established ready and licensed factories. Banks are providing low-interest funding. The first stage was implemented in four areas: Sadat area of 300 thousand square meters, Port Said on an area of 180 thousand square meters, Badr area of 88 thousand square meters and

Mergham area in Alexandria and the second stage includes 8 ready industrial complexes in the Upper Egypt governorates with 200 factories in each complex for various industrial activities.

5. The project of Establishing 21 Specialized Industrial Clusters in all governorates of the Republic with a view to achieving integration between SME and mega factories.
6. Areas of industrial lands were supplied by industrial developers system in a number of governorates of the Republic

Launching the portal of the Investment Opportunities Map which provides more than 3000 investment opportunities in all industrial sectors distributed throughout the Republic http://invegypt.com/Maps.aspx, which are updated periodically.

Way Forward

No one ‘model’ of industrial development fits every country or the region. Therefore, it is critical that Member States learn from each other and the rest of the world but at the same time apply the principles of specificity to their context. All successful industrialization cases include certain critical minimum thresholds, including but not limited to: Policy and legal framework, institutional set-up, manufacturing-led industrialization with industrial parks and cluster development. The rest of COMESA member states will send their experiences on Industrialization development to be added to this addendum.