

**Economic Commission for Africa
Subregional Office for Southern Africa**

Intergovernmental Committee of Experts
Twenty-fourth session
Pointe aux Piments, Mauritius, 18-21 September 2018

Final Outcome Report

Introduction

1. The twenty-fourth session of the Intergovernmental Committee of Experts (ICE) of Southern Africa was hosted by the Government of Mauritius in Pointe aux Piments from 18 to 21 September 2018 under the theme “**The Blue Economy, Inclusive Industrialization and Economic Development in Southern Africa**”.
2. The Minister of Foreign Affairs, Regional Integration and International Trade Finance (Government of Mauritius), Mr. Seetannah Lutchmeenaraidoo (GCSK), delivered the keynote address following welcoming remarks by Mr. Said Adejumobi, Director of the Economic Commission for Africa Subregional Office for Southern Africa; Mr. Auguste Ngomo, African Union Regional Delegate to Southern Africa; and by Mr. Zvinechimwe Ruvunga Churu, Principal Director, National Budgets, Ministry of Finance and Economic Development, representing Zimbabwe, Chair of the Bureau of the twenty-third session of ICE.
3. The Minister of Ocean Economy, Marine Resources, Fisheries and Shipping, Mr. Premdut Koonjoo, participated in the opening session and in the Ministerial Roundtable.
4. The Minister of Social Security, National Solidarity and Environment and Sustainable Development, Mr. Marie Joseph Noël-Etienne Ghislain Sinatambou; the Attorney General, Minister of Justice, Human Rights and Institutional Reforms, Mr. Manish Gobin; the Commissioner for Environment, Forestry, Tourism, Marine Parks and Fisheries, Rodrigues Regional Assembly, Mr. Jean Richard Payendee; and His Excellency Chanfi Issimail, Ambassador, the Comoros, all participated in the Ministerial Roundtable.
5. Delegates from the following Southern African member States attended the twenty-fourth session of ICE: Angola, Botswana, the Comoros, the Democratic Republic of the Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, the United Republic of Tanzania, Zambia and Zimbabwe. The delegates were from the Ministries of Commerce, Environment, Finance, Industry, Industrialization, Ocean Economy and Trade (see annex I).
6. The session was attended by representatives of the following organizations: African Union Regional Delegate to Southern Africa, African Development Bank, Regional Office for Southern Africa, Bankers Association of Zimbabwe, Business Mauritius, Elekhom Global, Common Market for Eastern and Southern Africa (COMESA), Development Bank of Mauritius, Mauritius Africa Fund, Mauritius Ports Authority, Mpulungu Harbour Corporation Limited, Port Management Association for Eastern and Southern Africa, Seychelles Port Harbour, South African Marine Research Forum, Southern Africa Trust, Southern African Development Community (SADC), Swazi Railway, Swaziland Industrial Development Company, SME Mauritius Limited, Temo ya Tlhabane Holdings, TransNamib Holdings Limited, TPN Training and Recruitment, University of Dar es Salaam, University of Mauritius, University of Seychelles, and University of Stellenbosch. Representatives of the following media organizations also attended: the Chronicle, L’express, Mozambique Express, New African Magazine, South African Broadcasting Corporation and Zambia Daily Mail. Experts and independent consultants on the blue economy, industrialization, small and medium-size enterprises and regional integration also participated in the meeting (see annex I).

Election of the Bureau and adoption of the Agenda

7. Delegates elected and approved the following composition of the Bureau:

Chair: Mauritius
Vice-Chair: Eswatini
Rapporteur: Malawi

8. Delegates of the twenty-fourth session of ICE adopted the following Agenda:

1. Opening Session;
2. Election of the Bureau and adoption of the agenda and programme of work;
3. Presentation of Statutory Reports by ECA:
 - (a) Economic and Social Conditions in Southern Africa;
 - (b) Programme Performance of ECA in Southern Africa;
 - (c) The implementation of regional and international agendas and other special initiatives in Southern Africa: *Progress and Status of the Continental Free Trade Area (AfCFTA)*.
4. Presentation of thematic report: *The Blue Economy, Inclusive Industrialization and Economic Development in Southern Africa*;
5. The Ad Hoc Experts Group Meeting on: *The Role of Small and Medium-size Enterprises (SMEs) in the industrialization Process in Southern Africa*;
6. Other matters;
7. Date and venue of the twenty-fifth session of ICE;
8. Consideration and adoption of the Outcome Statement of the twenty-fourth session of ICE;
9. Closing of the session.

Account of Proceedings

9. The Committee considered three statutory reports submitted by the Secretariat. The reports were on: Economic and Social Conditions in Southern Africa in 2017 and Prospects for 2018; Programme Performance of ECA Southern Africa Office; and Progress on the implementation of regional and international agendas, including NEPAD and other special initiatives in the subregion: *Progress and Status of the African Continental Free Trade Area*. The report on the theme of ICE, “The Blue Economy, Inclusive Industrialization and Economic Development in Southern Africa” was presented and discussed by the Committee. The Committee also participated in the Ad Hoc Expert Group Meeting on: *The Role of Small and Medium-Size Enterprises (SMEs) in the Industrialization Process in Southern Africa* (see annex II).

10. The Committee considered and endorsed the Report of the Programme Performance of ECA Southern Africa Office for 2017–2018 and the work programme for 2018-2019.

Observations

11. On economic and social conditions in the region, the Committee noted:

(a) The slight improvement in economic growth in Southern Africa in 2017 on account of firm commodity prices, the improved global outlook and a favourable agricultural season, but observed that regional growth was sluggish and lowest, compared with the rest of Africa and the world;

(b) The spiralling public debt levels in most member States in the region and its unabated growth due to sluggish growth continued current and capital expenditure growth, revenue shortfalls and bailouts of State-owned enterprises and expressed concern over the impact of servicing obligations on other development programmes;

(c) The rising oil prices and the potential negative effects on most Southern African economies and the positive effects on the oil producing regional member States;

(d) The declining share of manufacturing in the region, which is inimical to the industrialization agenda;

(e) The challenges of over dependence on Southern African Customs Union (SACU) revenue (by SACU member States except South Africa) due to wild fluctuations that create difficult budget management issues;

(f) The differences in the efficiency of tax administration throughout the region and the need to strengthen the tax system to improve participation and compliance;

(g) That policy inconsistencies in some regional member States continued to undermine investment and growth;

(h) That the changing political climate in the subregion provided an opportunity to the new leadership to implement the economic reforms necessary to energize development;

(i) The need for the region to accelerate the pace of industrialization and continental trade and develop infrastructure as enablers for economic growth and development;

(j) That agriculture remains a key economic sector in Southern Africa despite low productivity and vulnerability to weather patterns and crop diseases prompting food insecurity;

(k) The slow progress in the development of untapped renewable energy resources and acknowledged that the exploitation of renewable energy technologies will enhance the regional energy mix, improve access and security;

(l) The endowment of energy resources in the region but regretted the low levels of investment in the power sector, which undermines production and industrialization in the region;

(m) The importance of a holistic approach in assessing the benefits from the minerals sector by considering economic, social and environmental costs, including resource depletion.

12. On the blue economy, the Committee observed:

(a) That the blue economy, through various economic opportunities, can catalyse sustainable socioeconomic development and should be an integral part of national and regional development policies and strategies;

(b) That an inclusive and harmonized regional framework for the exploitation of blue economy resources that factors in the needs and expectations of land-linked, coastal and island States, is imperative and further emphasizes the need for enhanced cooperation among States;

(c) That collaboration through the provision of human capital by the public sector, intellectual capital by the universities and other tertiary institutions and business capital by the private sector, is key to the success and growth of the blue economy;

(d) That the key challenges towards optimal exploitation of blue economy resources include limited knowledge of the benefits, safety and security in the sector; adverse environmental effects; limited technology and skills; poorly designed legal, regulatory and institutional frameworks; limited financing for deserving projects; limited collaboration among coastal and land-linked countries; and poor transport and ports infrastructure;

(e) That the private sector is integral to the development of the blue economy and industrialization and should be supported by a conducive operating environment;

(f) The importance of the development of inland transport and ports infrastructure and subsequent maintenance as being key to facilitating interregional and intraregional trade and the movement of people;

(g) That skills and financial resource limitations continue to undermine efforts by small and medium-sized enterprises to take advantage of opportunities offered by the blue economy;

(h) The importance of high-level political will in anchoring collaboration in the exploitation and sustainable management of blue economy resources;

(i) That innovative methods of raising financial resources at both national and regional levels, such as public-private partnerships, natural resource-infrastructure swaps, pension funds, diaspora remittances, infrastructure bonds, sovereign wealth funds, joint resource mobilization and regional infrastructure funds, could address the infrastructure gap;

(j) The importance of nurturing change through mainstreaming gender into blue and green growth initiatives;

(k) The need for both the private sector and State investment in research, development and innovation to support the growth of the blue economy.

13. On AfCFTA, the Committee:

(a) Acknowledged the support of ECA in the provision of technical support to the African Union on AfCFTA;

(b) Observed that African Union member States will benefit from an integrated continental market anchored on AfCFTA through export diversification and regional value chains;

(c) Emphasized the need for member States to develop national strategies to take advantage of the opportunities offered by AfCFTA;

(d) Noted that, to date, 49 African Union member States have signed AfCFTA, 7 have ratified, 3 have committed to signing and 3 have yet to sign;

(e) Noted the AfCFTA implementation roadmap and milestones should be achieved by March 2019 and remaining work on the negotiations;

(f) Observed that it is beneficial for the continent to approach international negotiations as a group in order to obtain favourable outcomes;

(g) Highlighted the importance of anticipating future trading arrangements with other economic blocs in crafting the continental position and ensuring that adequate safeguards are provided for;

(h) Noted the need to factor in the bilateral and multilateral agreements concluded by individual member States in the whole framework of cooperation under the free trade area to minimize potential contradictions;

(i) Noted the need for investment in research, technology, beneficiation, value addition and industrialization to expand the diversity of exportable goods in order to grow both inter- and intra-Africa trade;

(j) Observed the need for technical support to member States to identify and deal with the costs and related implications of participating in AfCFTA.

Recommendations

14. In the light of the extensive discussions on the various reports, the Committee proffered the following recommendations:

(a) On policies, strategies, legal and regulatory frameworks, member States should:

(i) Create stable policy environments to minimize uncertainties in order to attract investments in transformative sectors, including those with the potential to create decent jobs;

(ii) Re-orient national development policies, plans and strategies to incorporate blue economy opportunities for poverty eradication and inclusive industrialization and ensure alignment with the 2030 Agenda and Agenda 2063;

(iii) Mainstream environmental sustainability concerns into the development and implementation of blue economy strategies and national development plans;

- (iv) Accelerate the harmonization of policies, legal and regulatory frameworks across national boundaries to facilitate the development of infrastructure to anchor development;
- (v) Develop integrated legal, regulatory and institutional frameworks to enable connectivity between various ocean-based economic sectors and the coordination of the activities in the blue economy sector;
- (vi) Promote stakeholder participation in the development of blue economy strategies and activities for effective and informed decision-making;
- (vii) Foster collaboration in the implementation of blue economy policy frameworks among coastal, island and landlocked countries in order to strengthen regional value chains and benefit collaboratively from the blue economy sector;
- (viii) Develop frameworks and strategies to facilitate private-sector participation in blue economy opportunities, including the active involvement of small and medium-sized economies along the blue economy value chains.

(b) On addressing macroeconomic challenges, member States should:

- (i) Build fiscal buffers during periods of high commodity prices to cushion the impact of retreating prices, droughts and weak global trade and investments;
- (ii) Manage the rising public debt levels and restrict loans and guarantees to State-owned enterprises and reduce unnecessary borrowing;
- (iii) Invest in the mechanization and upgrade of the agricultural sector, including the development of irrigation systems for improved productivity, food security and enhanced contribution to the reduction of poverty and inequality;
- (iv) Strengthen national tax policy and administration to facilitate and improve participation and compliance.

(c) On skills development, member States should:

- (i) Provide strong political will (through leadership) to steer the blue economy agenda;
- (ii) Invest in the development of human and institutional capacity and of the relevant skills to anchor the exploitation of opportunities provided by the blue economy in collaboration with all stakeholders to ensure the alignment of skills requirements with industry needs;
- (iii) Provide the financial and technical skills support necessary to strengthen Intergovernmental Organizations to provide leadership in anchoring and implementing blue economy initiatives;
- (iv) Strengthen collaboration, through memorandum of understanding and other agreements, on security to tackle the piracy and environmental management in the coastal zones and to facilitate joint research and capacity-building on the blue economy.

(d) On policies, strategies, legal and regulatory frameworks, regional economic communities should:

- (i) Support member States to develop requisite national strategies to domesticate and take advantage of the opportunities offered by AfCFTA;
- (ii) Facilitate the regional harmonization of tax policies and administration systems to create a level playing field;
- (iii) Provide a platform for peer learning on blue economy frameworks and strategies;
- (iv) Facilitate the documentation of knowledge on the benefits of blue economy activities and the development of comprehensive maritime safety and security in the sector;
- (v) Accelerate the harmonization of policies, legal and regulatory frameworks across national boundaries to facilitate the development of transboundary infrastructure to anchor development, trade and movement of persons, including the development of regional frameworks on the blue economy;
- (vi) Facilitate the development of harmonized regional policy, legal and regulatory frameworks and strategies to exploit blue economy resources to resolve the current uncoordinated approach to the sector.

(e) On infrastructure, regional economic communities should:

- (i) Facilitate investment in the development and upgrade of multi-modal transport systems linking landlocked, land-linked and coastal States to facilitate trade and movement of persons;
- (ii) Accelerate the implementation of prioritized regional infrastructure projects, including those that directly impact on trade;
- (iii) Investigate the utilization of non-traditional sources of funding infrastructure development, including public-private partnerships, natural resources-infrastructure swaps, pension funds, infrastructure bonds, sovereign wealth funds and diaspora remittances to accelerate the development of prioritized infrastructure (ports, road, energy, etc.) programmes;
- (iv) Expedite the implementation of prioritized infrastructure programmes and the setting up of centres of excellence for knowledge and skills development to bridge the current capacity gap among stakeholders;
- (v) Promote and strengthen the use of inland waterways and dry ports and establish safety standards to enable the full and sustainable benefit of the potential of the blue economy;
- (vi) Support the creation and strengthening of special economic zones as an instrument for integrating coastal States and landlocked, land-linked countries into the blue economy regional value chains.

Way forward

15. The Committee underscored:

(a) The need to expedite the implementation of the Ad Hoc Expert Group Meeting recommendations towards enhancing the role of small and medium-sized enterprises in the industrialization process in Southern Africa (see annex II);

(b) That the Subregional Office for South Africa should work closely with member States, regional economic communities, Intergovernmental Organizations and other stakeholders to facilitate continued dialogue aimed at tackling socioeconomic, trade facilitation and infrastructure challenges in the region;

(c) That the recommendations of the studies on the blue economy and small and medium-sized enterprises be submitted to the appropriate stakeholders, including Indian Ocean Commission, SADC and COMESA secretariats for further action;

(d) The urgent need for the secretariat to follow-up on the offer to host the twenty-fifth session of ICE of Southern Africa by Eswatini to enable the requisite preparations to commence early and also to consult further with member States through the Bureau on the hosting of the twenty-sixth session of ICE.

Annex I

List of delegates and participants

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36. Hon. Maire Joseph Noel-Etienne Ghislain Sinatambou, Minister of Social Security, National Solidarity, and Environment and Sustainable Development.
37. Mr. Jean Richard Payendee, Commissioner for Environment, Forestry, Tourism, Marine Parks and Fisheries, Rodrigues Regional Assembly.

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Annex II

Outcome Statement on the Ad Hoc Expert Group Meeting on “The Role of Small and Medium Scale Enterprises in the industrialization Process in Southern Africa”

Preamble

1. An Ad Hoc Expert Group Meeting, co-organized by the Economic Commission for Africa’s Subregional Office for Southern Africa and the Southern African Development Community (SADC) secretariat, was held in Pointe aux Piments, Mauritius on 20 September 2018 under the theme “*The Role of Small and Medium-sized Enterprises (SMEs) in the Industrialization Process in Southern Africa*”. The objective of the meeting was to review the status of the SME sector in Southern African economies, with a focus on developing capabilities and capacities of SMEs, examining ways to remove the key impediments to SME growth and sustainability, and considering three tools to assist SADC in its plans to improve the capacities and capabilities of SMEs, namely: a template to assist member States in developing capacities and capabilities of SMEs to participate in industrialization and value chains; Regional Framework for Supplier Development with a special focus on building capacities and capabilities of SMEs to participate in the implementation of the industrialization strategy and regional value chains; and a regional SME support programmes and instruments covering, among others, institutional strengthening and access to finance and long-term sustainability.

2. The Minister of Business, Enterprise, and Cooperatives, Mr. Sunil Bholah, Government of Mauritius, officially opened the meeting following remarks by Mr. Said Adejumobi, Director of ECA Subregional Office for Southern Africa, and Mr. Mubita Luwabelwa, Director of Policy, Planning and Resource Mobilization, SADC secretariat.

3. Experts from the following Southern African countries participated in meeting: Angola, Botswana, the Comoros, the Democratic Republic of the Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, the United Republic of Tanzania, Zambia and Zimbabwe.

4. The meeting was attended by representatives of the following organizations: African Union Southern Africa Regional Office, African Development Bank, Regional Office for Southern Africa, Bankers’ Association of Zimbabwe, Business Mauritius, Elekhom Global, Common Market for Eastern and Southern Africa (COMESA), Development Bank of Mauritius, Mauritius Africa Fund, Mauritius Ports Authority, Mpulungu Harbour Corporation Limited, Port Management Association for Eastern and Southern Africa, Seychelles Port Harbour, South African Marine Research Forum, SADC, Swazi Railway, Swaziland Industrial Development Company, SME Mauritius Limited, Temo ya Tlhabane Holdings, TransNamib Holdings Limited, TPN Training and Recruitment, University of Dar es Salaam, University of Mauritius, University of Seychelles, and University of Stellenbosch. Representatives of the following media organizations also attended: the Chronicle, L’express, Mozambique Express, New African Magazine, South African Broadcasting Corporation and Zambia Daily Mail. Experts and independent consultants on the blue economy, industrialization, small and medium-sized enterprises and regional integration also participated in the meeting.

Election of the Bureau and Agenda

5. The experts elected and approved the following composition of the Bureau:

Chair: Namibia
Vice-Chair: United Republic of Tanzania
Rapporteur: Malawi

6. The experts adopted the following Agenda:

1. Registration;
2. Opening session and election of the Bureau;
3. Presentation of a report on: *The Role of Small and Medium-sized Enterprises (SMEs) in the Industrialization Process in Southern Africa*;
4. Discussants;
5. Open discussions;
6. Closing of the meeting.

Key observations

7. After the presentation of the main report by the consultant, the experts:

(a) Welcomed the consultant's report and commended it for useful detailed recommendations on how SMEs can be promoted to support the region's industrialization agenda;

(b) Noted the lack of country-level data on SMEs for some member States which impacts on the analysis in the report;

(c) Noted the lack of a translated version (Portuguese and French) of the draft report, which limits capacity to comment extensively by some member States;

(d) Bemoaned the data limitation on SMEs in Southern Africa, which makes policymaking challenging. This limitation is compounded by varied definitions of SMEs throughout the region, based on the sector, number of employees, the amount of turnover, legal status, amount of investment, or the use of other criteria or combinations as well as the lack of data on SMEs from some member States;

(e) Acknowledged the immense contribution of the SME sector to employment and livelihoods;

(f) Noted the lack of formal frameworks for SME collaboration across national borders;

(g) Enumerated the vast challenges countenanced by SMEs, including having access to finance; limited availability and the high cost of working space; market access; lack of information on local and cross-border trade opportunities; skills shortage and absence of training opportunities; having access to appropriate information and communications

technology; logistical constraints (e.g., currency exchange and border facilities); and different rules for cross-border trade;

(h) Expressed satisfaction that some SMEs are willing to graduate to the formal sector category despite cumbersome and expensive registration procedures, and undifferentiated and punitive tax regimes;

(i) Regretted the tendency of some regional governments to give preferential treatment to foreign investors over local entrepreneurs (e.g., in the contexts of economic zones and public-private partnerships), which undermines local SMEs;

(j) Noted that most foreign direct investments would rather link with the home SMEs they know well rather than local or regional SMEs, thus failing to create forward and backward linkages locally;

(k) Observed that Governments can also support SMEs through public procurement, by making a condition to large enterprises that partnering with SME is a condition for securing a Government tender. Furthermore, the procurement tool can be used as an instrument to incentivize SMEs to enter the formal sector;

(l) In addition to procurement systems, noted that the promotion of SME activity can also take place along various regional value chains, including through policies on local content;

(m) Argued that the absence of uniform codes and standards for SME production impedes the full participation of SMEs in procurement systems and value chains within and across borders (for example, the production of peanut butter);

(n) Appreciated that SADC has designated the private sector, including SMEs, as pivotal to regional industrialization; however, regretted that SME representation in regional protocols and framework formulations was not accorded the commensurate status;

(o) Bemoaned the lack of SME-specific policy, legal and regulatory frameworks at both regional and continental levels to guide member States.

Recommendations

8. In the light of the above observations, the experts proffered the following recommendations with regard to the completion of the study:

(a) The consultant should reach out to all member States for updated data on SMEs and any other relevant information;

(b) The SADC secretariat should translate the draft report and circulate it to relevant member States.

9. In addition to the above recommendations for finalizing the study, the experts proffered the following recommendations with regard to promoting SMEs and enhancing their contribution to industrialization in Southern Africa:

(a) Member States should:

(i) Harmonize definitions of SMEs to facilitate regional comparisons and development of appropriate support mechanisms;

(ii) Incentivize foreign direct investments to embark on forward and backward linkages with local SMEs, aided by fair competition policies among other SME support instruments;

(iii) Introduce policies that facilitate the participation of SMEs in both public and private procurement as a tool to support SMEs to grow and to register as formal entities;

(iv) Promote SME activities along various national and regional value chains, including through local content policies, mentoring, networking and financial assistance, in support of regional industrialization;

(v) Drive the development of uniform product codes and standards for SMEs to facilitate in the full participation of SMEs in procurement systems and value chains within and across borders.

(b) Regional economic communities and Intergovernmental Organizations should:

(i) Take the lead in developing detailed strategies for SMEs in the region in support of the regional industrialization agenda;

(ii) Involve SMEs in regional policymaking and setting minimum requirements for participation in government procurement systems and other product value chains.

(c) Regional economic communities and member States should tailor financial services (loans, insurance, cross-border trade) and other forms of technical support to the needs of SMEs;

(d) SMEs should be encouraged to form and officially register regional networks to collectively influence government and regional policies;

(e) SME umbrella bodies should agree on a unified approach to their Governments to advance their interests; furthermore, umbrella bodies should take stock of membership as proof of economic and social impact, thus reducing anecdotal evidence and improving their influence in the policymaking space.

Way forward

10. The report will be recast based on the substantive comments made by member States and captured by the consultant. The roadmap for the completion of the study will be as set out below:

Task	Period	Responsibility
Translation of current draft	28 September 2018	SADC secretariat
Submit comments on the draft paper	10 October 2018	Member States
Resubmission of revised paper	19 October 2018	Consultant/SADC secretariat
Further comments to the paper	26 October 2018	Member States
Industrial Development Forum	7 November 2018	SADC/member States
