



## ESIBAYENI DECLARATION

### of the Southern Africa Business Forum (SABF) to the 2016 SADC Summit of Heads of State and Government

In the *SADC Industrialization Strategy and Roadmap*, Member States acknowledge “the central role of the private sector as the driver of industrialization.” In August 2015, to engage with SADC and its Member States on the implementation of a shared vision for economic transformation, private sector representatives from across the region convened in Botswana for the first Southern Africa Business Forum (SABF).

After noting issues which limit investment and stall progress, SABF focused its subsequent work on documenting private sector experiences and challenges, identifying priorities, and developing proposals for action.

In Swaziland on August 24 2016, SABF convened for its second annual meeting in the context of the SADC Industrialization Week which took place from 23-26 August 2016. The aim was to place these proposals on trade, investment, industrial development and infrastructure in relation to each other and to identify catalytic actions that could drive progress across the board. Four common messages emerged in these discussions:

1. **Hard and soft infrastructure shortcomings** must always be addressed together. Hard infrastructure is only as useful as the regulatory environment that surrounds it, and either permits or hampers its utilization.
2. **Policy certainty, including stability, predictability, consistency and transparency** is a prerequisite to attract investment for regional industrialization, regardless of sector or scale. Large companies and SMEs from all sectors demand policy certainty regarding the use of tariffs, fees and levies at borders; mining houses and agro-processors called for stable and predictable export regimes; and infrastructure developers and agro-enterprises raised the need for consistent and transparent land use rights.
3. **Prioritization and sequencing** is the key to successful implementation. Prioritization should take into account geographical links, opportunities for incremental implementation to allow for short-term gains, and industry-specific requirements to support priority value chains.
4. **Enabling trade** through the removal of non-tariff barriers, coordinated border management and a solid regional transit system is a prerequisite for industrialization in all sectors.

These four points result in the following concrete calls for action.

## CALL FOR ACTION

### Enabling Factors

#### *Infrastructure*

Demand for infrastructure, a critical enabler of industrialization in the SADC region, continues to grow. While stakeholders acknowledge that private sector input for project planning, investment and implementation is required for any large-scale infrastructure development in the region, challenges remain. The lack of an appropriate enabling environment, a shortage of well-prepared and costed projects in the implementation pipeline, and human capacity deficits within implementing agencies still impede private sector engagement.

SABF notes with approval a number of SADC initiatives, including the SADC-PIDA Acceleration Programme on the Beira and North-South Corridors and the SADC PPP Network, and proposes that SADC Member States take the following actions to further advance these efforts and address the impediments:

- Provide regulatory and legal certainty and transparency around infrastructure projects, especially regarding long-term land access and property rights, procurement policies (including public-private partnership frameworks) and dispute resolution and arbitration. Governing frameworks for all projects must be readily available and consistently implemented.
- Address the lack of coordination between authorities, and improve their competencies around design and execution of projects, which must include considerations on use of modern technology and best practice. Engaging first rate transaction advisors for all major projects should become the regional standard.
- Ensure regular consultation between the public and private sectors using regular, cost-efficient, and swift means from the outset of project planning. This will allow both to jointly prioritize projects, develop fit-for-purpose and cost-effective project plans, and solve issues that otherwise impede private sector investment. It is also important that national documents such as Integrated Resource Plans are prepared and shared with the private sector.
- Ensure that promising approaches such as those tested under the SADC-PIDA Acceleration Programme are continued, extended and replicated across sectors.
- Soft issues, especially along major trade corridors, need to be addressed alongside planning and implementation of hard infrastructure projects. Resolving trade facilitation issues at key border posts must be a priority for action, especially regarding the inconsistent application of customs frameworks including tariff codes and customs valuations.

SABF notes with approval that SADC is developing regional approaches for challenges such as energy generation and transmission, water efficiency, ICT connectivity and multi-modal transport solutions for regional industrialization. In this context, SABF notes that:

- For any such plan to be practical and implementable, clear national responsibilities and integration with national plans is vital. Furthermore, as SADC Member States identify and

implement projects, they must be coordinated with other initiatives within the country and the region to develop and expand geographic linkages.

### *Corridor Development*

Spatial development initiatives that unite industrial and infrastructure developments and related regulatory reform can serve to focus, accelerate and mutually reinforce impact. Corridor development is a case in point. It can connect key industrialization drivers such as transport routes, energy generation sites, water treatment plants, special economic zones, and region-specific research and development in centres of excellence.

SABF welcomes that SADC has prioritized Transport Corridor Development and notes that industry can only make use of infrastructure, if hard infrastructure and soft issues such as trade facilitation are addressed simultaneously. In order to allow for prioritization of projects to achieve rapid change and work in synergy with other initiatives across the region, SABF calls on Member States to:

- Implement trade facilitation measures that focus on already-identified corridors and that speak to hard infrastructure projects (and vice versa).
- Implement a functional regional transit system.
- Prioritize projects which do not require lengthy processes or legislation, which may include alignment of border post operating hours, interconnectivity, and coordinated border management. In the case of more complex measures, sequence each step to take advantage of impact and efficiency gains even in the short-term. For instance, in the case of Single Windows, sequence implementation by focusing first on automation, then national level coordination and IT connectivity.
- Prioritize work on regional 'hot spots' along corridors, for instance, the border posts of Beitbridge and Kasumbalesa, and prioritize the work itself by conducting needs assessments for hard and soft infrastructure simultaneously.

Non-tariff barriers are another factor that drives up the cost of trade and of doing business in the region. These must be addressed, with priority placed on 1) major cost-driving barriers, which are transport-related, and 2) those that affect priority industries in the SADC region. Specifically, SABF calls upon Member States to:

- Prioritize the swift removal of non-tariff barriers in transport. A particularly important issue is the swift national implementation of the regional approach to labelling of hazardous goods transport, based on the global harmonized system.
- Prioritize the removal of technical barriers, and phytosanitary and sanitary-related barriers by identifying and targeting those most relevant to key industries and value chains in the region.
- Prioritize the simplification and streamlining of import and export documentation required in individual Member States by first focusing on those that impact priority industries.

### *Movement of Skills & Innovation*

Skills development and research and development for innovation are another critical enabler that ensures that industrialization increases competitiveness within industries, allowing a shift from comparative to competitive advantage and to high-value added industries. To this end, SABF calls upon Member States to:

- Facilitate the movement of businesspeople and skilled personnel across the region. The draft agreement on the Movement of Business Persons reached between SADC, COMESA and EAC Member States has proven insufficient.
- Prioritize mutual recognition of qualifications, including on a bilateral basis and between professional associations. SABF particularly notes the need for harmonizing and recognizing mining and engineering qualifications in the region given significant demand and the need to facilitate movement of skills in this sector.
- Invest in centres of excellence and adopt a regulatory environment that encourages innovation and up-skilling to ensure that industries have access to the human resources required for moving into higher value-added activities. Again, this is especially critical for the mining sector.

### **Sector-Specific Proposals**

SABF is also aware that the growth paths identified in the SADC industrialization strategy are also impaired by sector-specific challenges. Beginning with the priority industries identified by SADC Member States (Pharmaceuticals, Agro-processing, and Mining Beneficiation), SABF have developed proposals to overcome these challenges and support the development and growth of specific sectors in the region.

#### *Pharmaceuticals*

SADC has established a regional Pharmaceutical Programme, a Pharmaceutical Business Plan for its implementation, and a Strategy on Regional Production. The Business Plan identifies key strategic policy areas for the 2015-2019 period, prioritising harmonization of standards and regulatory capacity, and the development of a regional pharmaceutical industry.

Two key initiatives of the SADC Pharmaceutical Business Plan are the SADC collaborative process in medicines registration (Zazibona) and the SADC Medicines Databank, a regional database to harmonize procurement and standards, and benchmark prices. Zazibona is a work-sharing mechanism that facilitates the review of common products. However, final registration is still a responsibility of national registration authorities for medicines, which hinder the application of the process. The two initiatives are making progress but require further support and engagement at the national level.

- SABF commits to encourage private sector actors to make use of the Zazibona process, and will report back to SADC Secretariat on the progress.

Statutory instruments for regulation of pharmaceuticals are not on the same legal level in each SADC Member State, and in some cases product labelling and formats can only be changed by parliament. In addition, the inconsistent and at times unpredictable nature of some tender and procurement processes also leads to delays in access to medicines. Worse, these processes, which often award contracts too short to justify major investments, prevent the private sector from investing in local factories or research and development facilities, as well as investing more into local content. To encourage value-adding investment, SABF proposes that Member States:

- Review national legal frameworks for medicine regulation, and update and implement regulations that are aligned with the AU model law and facilitate regional collaboration (e.g.

inspections and labelling). SADC must then ensure that this is filtered down to relevant national authorities and technical staff.

- Foster national capacity building to better roll-out the agreed regional standards and the Zazibona process. Member States must also drive the implementation of Pharmaceutical Procurement and Supply Management harmonization standards and practices across the region.
- Ensure that the implementation of regulatory and legal frameworks is predictable and stable.
- Create a competitive pharmaceutical manufacturing industry by supporting productive development, facilitate affordable funding, sector development strategy, Good Manufacturing Practice upgrades and skills training.

### *Agro-processing*

All SADC Member States currently intervene in their agricultural sectors, with varying objectives such as increasing food security and helping smallholders grow to become SMEs. Unfortunately, more often than not, such interventions create market distortions with negative results.

These distortions and disincentives limit investment in agro-processing, and a lack of policy certainty has led to withdrawal of investment in some Member States. Empirical research by SABF has identified which incentives and regulatory interventions are prone to unintended consequences, and which are particularly promising.

SABF also notes that the region now has a comprehensive, evidence-based implementation plan (the Regional Agricultural Investment and Implementation Plan, or RAIP) for Agricultural Investment. Against that background SABF calls upon SADC Member States to:

- Increase policy stability and predictability by separating, where possible, food security-informed interventions from other agri-business regulations, and by consulting with private sector representatives before new regulations are implemented. This is particularly important where regulation aims to limit or even prohibit exports.
- Facilitate the implementation of promising spatial initiatives, including by developing clusters and ensuring predictable and accessible land tenure rights.
- Increase private sector awareness of the RAIP initiative, the private sector role, and the co-financing opportunities it presents.
- Involve the private sector in the implementation of extension services either as service providers or through collaboration, and link these with mentoring programmes and capacity building. This approach is particularly promising for schemes that aim to empower smallholders and for those that aim to link SMEs with investors.
- Engage with the private sector when designing and implementing financing and insurance schemes, and where possible, to link such programmes to credit schemes and facilities run by the private sector.
- Consult with the private sector and other stakeholders when designing input subsidies to avoid negative consequences, especially harmful market distortions that are often associated with input subsidies.
- Promote warehouse receipts systems (preferably linked to finance schemes) including storage, cold chains, warehouses and silos as a means to avoid post-harvest losses and allow smallholder farmers to access regional and global export markets.

- Strengthen farmers' associations and build intermediate service providers that can cater to the special needs of SMEs, through capacity building aiming at improved governance and access to institutional finance.

### *Mineral Beneficiation*

The upstream and downstream minerals industries hold great potential for industrialization in the SADC region, but are confronted by numerous regulatory challenges. These include a lack of predictability and transparency, especially regarding export and import regimes, regulation on local sourcing and beneficiation, and land and resource ownership and tenure. In addition, infrastructure and essential services constraints drive up costs for the sector. SABF therefore calls upon SADC Member States to:

- Harmonize national regulations and initiatives, especially regarding regional and national value addition and sourcing requirements, in order to capitalize on the region's market size. SABF especially encourages relevant Ministers in the region to convene high-level discussions on policy and regulatory challenges for the sector and to develop a joint and coordinated approach. This may include the reconstitution of the Regional Committee of Mining Ministers, and should be matched with appropriate structures at the SADC Secretariat, which may form part of the ongoing SADC restructuring process and the future Industrialization Directorate.
- Ensure a stable regulatory environment in the region, especially regarding import and export regimes, and commit to consultations with private sector when changes in export regimes are considered. The detrimental effects of export bans, export quotas and prohibitive investor performance requirements must be scrutinized when designing new regimes.
- Harmonize regional tariff regimes and local content and rules of origin requirements regimes for mining equipment to support the development of a regional mining equipment value chain.
- Collaborate on initiatives to protect security and accountability, for example a regional gold fingerprint system, a regional strategy to implement the OECD Guidelines on Due Diligence, and a regional approach to combat transfer pricing.

## **FUTURE ENGAGEMENT**

While many regional programmes coordinated by the SADC Secretariat, are already working to advance these priority actions, private sector collaboration is a critical element of success. To build strong and open relationships between SADC Member States and the SADC Secretariat, SABF urges Member States to:

- Explicitly mandate private sector input in the development of key regional plans and policy documents, including the SADC Industrialization Action Plan, to guide the implementation of the SADC Industrialization Strategy, the SADC Investment Policy Framework, the Regional Energy Generation and Transmission Plan, and corresponding national strategies. To ensure the success of SADC's industrialization efforts, it is critical that private sector-specific experiences and project proposals are considered.
- Engage the private sector in the development of SADC Value Chain Strategies and related processes. Private sector input and collaboration ensures that these plans are aligned to investment priorities, and are thus implementable. Value Chain Strategies must, where possible, incorporate existing third-party value-chain strengthening initiatives and studies, and be informed by global outlook scenarios to ensure their long-time viability and success.
- Allocate private sector-focused responsibilities to Senior Officers as part of the reform and reorganization of the SADC Secretariat. Each industry/sector should have access to a responsible Officer, and Member States should be actively involved in making required financial resources available.

SABF can play an important role in this regard as it unites companies, enterprises, associations and chambers from the region and is informed by principles of inclusiveness and transparency. The Forum is currently structured into a coordinating taskforce, a steering committee chaired by the SADC Deputy Executive Secretary on Regional Integration, and working groups consisting of stakeholder representatives from the private and public sectors.

We as SABF pledge to continue our work in thematic groups and will endeavour to meet annually. We call upon Development Finance Institutions and International Cooperating Partners to continue supporting the activities of SABF.

SABF greatly welcomes the opportunity to meet the Ministerial Task Force on Regional Integration (MTF) alongside the 2016 SADC Summit of Heads of State and Government and to discuss this Declaration. To further build on this exchange, we call upon SADC Member States to consider:

- Formally integrating SABF into SADC's private sector outreach strategy, regularly welcoming input from the Forum, facilitating annual exchanges between SABF private sector representatives and the MTF, and submitting SABF Declarations to the annual SADC Council and Summit of Heads of State and Government.