Understanding the COMESA industrialisation agenda

Regional integration, cooperation or learning?

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This background paper is part of a series on the Political Economy Dynamics of Regional Organisations (PEDRO). It was prepared in March 2017. In line with ECDPM's mission to inform and facilitate EU-Africa policy dialogue, and financed by the Federal Ministry for Economic Cooperation and Development, BMZ, the studies analyse key policy areas of seventeen regional organisations in Sub-Saharan Africa. In doing so they address three broad questions: What is the political traction of the organisations around different policy areas? What are the key member state interests in the regional agenda? What are the areas with most future traction for regional organisations to promote cooperation and integration around specific areas? The studies aim to advance thinking on how regional policies play out in practice, and ways to promote politically feasible and adaptive approaches to regional cooperation and integration. Further information can be found at www.ecdpm.org/pedro.

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1. Introduction

Historically focused on trade-led market integration, the Common Market for Eastern and Southern Africa (COMESA) recently followed the example of the East African Community (EAC) and the Southern African Development Community (SADC), by adopting a regional industrialisation policy. This also falls in line with continental strategies, reflected in the African Union's Action Plan for the Accelerated Industrialisation of Africa (AIDA). While COMESA has previously provided support to industrial development initiatives in the region and has long emphasised the need for member states to enhance supply side capacity to boost value addition, the adoption of the 2015 industrialisation policy seems to put industrialisation firmly on the COMESA agenda.

That said, industrialisation policy is also part of a growing rhetoric around economic transformation and industrial policy at the country level. With national pressure to protect 'sensitive sectors' from neighbouring countries and policies aimed at attracting investment and raising competitiveness vis-a-vis neighbouring countries, a regional approach raises questions about the most effective approach a regional organisation can take between promoting cooperation and competition, supporting specific sectors in selected member states, or promoting regional value chains.

This paper traces the evolution of COMESA's regional industrialisation agenda through an analysis of official documents and other sources and interviews with officials involved in the development and implementation of this agenda. It also examines COMESA member states' national industrial policy framework documents and other secondary sources to draw out their key interests in a regional industrialisation agenda. In doing so, the paper seeks to answer three questions: 1) What is the political traction of COMESA on industrialisation? 2) What are the political interests of COMESA member states in relation to the COMESA industrialisation agenda? and relatedly, 3) Which areas of the regional industrialisation agenda exhibit the most traction for cooperation through COMESA? These questions are addressed in order below.

The study is based on primary and secondary data collected from desk research (legal documents, existing studies on the subject, official websites, etc.).

2. What is the political traction of COMESA on industrialisation?

2.1. Structural and institutional factors

Origins

COMESA's regional integration agenda has historically focused on trade-led market integration, with COMESA still largely considered as a 'trade-focused' REC. Its origins lie in initiatives to promote regional economic integration among the newly independent states of Eastern Africa which led to the establishment in 1981 of a Preferential Trade Area for Eastern and Southern Africa (PTA). Given the small size and under-developed nature of national economies in the region, the PTA sought to establish an integrated regional market. Supported by the United Nations Economic Commission for Africa (UNECA), this would promote economic cooperation and intra-regional trade, generate economies of scale and spur economic and social development through 'collective self reliance', also building on the import-substitution industrialisation strategies prevalent in developing countries at the time (Hall, 1987).

The replacement of the PTA by COMESA in 1994 maintained the objectives of step-by-step economic integration towards a full economic community but with a broader mandate on regional cooperation. In line with COMESA's mission to achieve sustainable economic and social progress through increased cooperation and integration *"in all fields of development*", the COMESA Treaty provides for cooperation in: transport and communications; industrialisation; energy; health; science and technology; agriculture and rural development; tourism; and peace and security.

Until recently, however, COMESA's main focus has been the "formation of a large economic and trading unit" through the removal of the physical, technical, fiscal and monetary barriers to trade, as stated in COMESA's Medium Term Strategic Plans (MTSP). This emphasis, evident in the MSTPs and COMESA programmes and projects, suggests that COMESA member states, many of which are party to other RECs with better-developed institutions and programmes on issues such as peace and security, view COMESA's trade-related initiatives as the organisation's main source of added value. Given the common use of trade instruments to carry out industrial policy, and a range of structural constraints to the trade agenda, a regional industrialisation policy is seen as an important complementary approach.

Structural factors

Despite progress on the implementation of COMESA's trade-focused agenda, structural factors continue to limit intra-COMESA trade, thereby reducing the prospects that such trade can catalyse economic development in the region. COMESA launched a Free Trade Area (FTA) in 2000, and has developed a number of instruments to facilitate regional trade. These include the Simplified Trade Regime for small-scale traders; the Virtual Trade Facilitation System that electronically connects all Customs Offices in a transit corridor from the office of Customs at the start of a journey to that at the destination; and the Yellow Card vehicle insurance scheme for third party insurance against accidents in the region.

While these have contributed to growing intra-regional trade, they have not brought significant increases in the share of intra-regional trade in total COMESA trade. Between 2001 and 2014, recorded intra-regional exports increased from US$1.4bn to US$9.8bn in 2014.[1] However, over the same period the share of intra-regional against total exports grew only slightly, increasing from 8.5% to 9.5%.[2] This is low relative to other trading blocs in the region such as the East African Community (20.5%) and the Southern African Development Community (20.4%), and elsewhere in the developing world, such as the Association of Southeast Asian Nations (25.2%).[3]

Intra-COMESA trade is partly hindered by COMESA's geography. With nineteen members across the continent, counting among them a mix of landlocked, island and coastal countries, many have huge distances within and between them, with poor connections due to weak trade and logistics infrastructure in the region and a high prevalence of non-tariff barriers NTBs. But other fundamental causes of persistent low levels of intra-regional trade are found in the structural characteristics of the economies themselves. COMESA member state economies have historically been oriented toward the export of raw or semi-processed agricultural and mineral commodities, mostly to Europe, but increasingly also to Asia. In the absence of significant structural transformation,[4] this orientation remains, resulting in a lack of trade complementarity between COMESA member states. Put simply, low levels of industrial development and diversification in the region mean that COMESA member states do not produce significant quantities of the value-added products that the region's consumers want.

[1] ITC Trademap (available at www.trademap.org).
[2] Own calculations based on ITC Trademap data (available at www.trademap.org).
[3] Own calculations based on ITC Trademap data (available at www.trademap.org).
[4] The COMESA region's export concentration index increased from 32% in the mid-1990s to 42% in 2012, indicating a larger role played by commodity exports in COMESA's overall export profile (COMESA, 2014).

This state of affairs is exacerbated by the high level of informality and small size of firms in the COMESA region, as well as low levels of productivity and competitiveness. Informality inhibits the development of firms, as informal firms find it more difficult to access the support and services needed to grow.[5] Whether in COMESA or elsewhere, firm size matters as exporting entails significant costs. Exporting is therefore easier for firms that are able to exploit economies of scale. Low levels of productivity and competitiveness inhibit COMESA firms' capacity to innovate and/or to produce goods of a sufficient quality (e.g. to meet regional quality standards) at an affordable price, and this in turn hampers their ability to penetrate regional markets. The fact that many micro small and medium enterprises (MSMEs) in the region lack the capacities to produce for a regional market is therefore another key factor inhibiting growth in intra-COMESA trade, especially considering the large number of MSMEs in the region.

Bringing industrialisation up the agenda

Given the need for structural transformation across the region, COMESA and its member states have put increasing emphasis on efforts to support industrial development, including through building the capacity of MSMEs in the region. The COMESA Treaty calls for COMESA member states to "cooperate in the field of industrial development" and "coordinate their policies regarding the establishment of agro-industries" and provides for the formulation of a regional industrialisation strategy that promotes linkages among industries and facilitates the development of SMEs. The Treaty also gives a mandate to the COMESA Secretariat to initiate programmes to improve the competitiveness of the industrial sector as a way to boost intra-regional trade in manufactured products. It took a while, however, for these provisions to be translated into a regional industrialisation policy.

In the first decade of COMESA's existence, its agenda focused heavily on market integration, and, in particular, on taking the steps necessary to transform the PTA into an FTA, and then into a customs union, common market and monetary union, with the ultimate goal of establishing a full economic community. This can be seen in the themes of early COMESA Summits of Heads of State or Government, such as "Countdown to the COMESA Free Trade Area (4th Summit - 1999) and "Deepening Regional Integration through a COMESA Customs Union (9th Summit - 2004).

With industrial policy ideologically out of fashion at the time, cooperation on industrial development did not feature prominently - or in some cases at all - on the agendas of early Summits. Indeed, attempts by member states to promote industrialisation by protecting sectors from outside competition were part of the problem that COMESA set out to address.

As time passed, however, industrial development became more prominent on the COMESA agenda. The 2006 Summit emphasised the critical role of improved production, industrial linkages, value addition and diversification of the production base in the region, and called for the development of regional value chain strategies for six priority sectors: cotton to clothing, leather and leather products, metal and metal products, pharmaceuticals, agro-processing and tourism.[6] Developing these regional value chains and the capacity of MSMEs to upscale and compete became key intervention areas of the COMESA Medium Term Strategic Plan (MTSP) 2011-2015 under the strategic priority area of "building productive capacity for global competitiveness".

The most recent, COMESA MTSP (2016-2020) places even more emphasis on industrialisation, noting that "industrial development has been placed at the core of the developmental integration agenda of COMESA" and that COMESA member states acknowledge industrialisation "is central to

[5] UNCTAD, 2013.
[6] http://www.comesa.int/wp-content/uploads/2016/06/Pre-summit-newsletter-2011.pdf.

diversifying their economies". The themes of the most recent COMESA Summits - "Consolidating Intra-COMESA Trade through MSME Development" (17th Summit - 2014) and "Inclusive and Sustainable Industrialisation" (18th Summit - 2015 and 19th Summit - 2016) also suggest an increasing focus on promoting supply-side capacity in the region, matching the rhetoric among members though nonetheless facing the challenge to promote regional cooperation and integration around this agenda.

This shift in official COMESA rhetoric towards an increased emphasis on industrialisation and MSME development has been accompanied by the development of specific policies and programmes by the COMESA Secretariat. The Secretariat initiated a Cluster Development Programme in 2012 that aims to build the capacity of SMEs to procure and market regionally. In line with this programme, the Secretariat, with support from external partners, developed regional strategies for the cotton-to-clothing and leather value chains in selected countries as well as an MSME strategy.[7] It also launched pilot cluster development programmes in the cassava processing, clothing and textiles and leather sub-sectors in selected member states. The work on leather in particular has demonstrated some promising traction in specific member countries (See Box 1). Finally, in response to a directive by the COMESA Council of Ministers in 2014, the COMESA Secretariat developed a COMESA Industrialisation Policy (COMESA Industrialisation Policy 2015-2030) that was subsequently adopted in 2015.

Box 1: Promoting value addition in the leather sector

The 13th COMESA Summit (2007) urged member states to promote value addition and agro-processing industries and directed the Secretariat to provide support to member states in this endeavour. In collaboration with the International Trade Centre (ITC) a series of multi-stakeholder meetings were undertaken at regional level in order to map and identify private and public sector actors across several value chains with potential for intraregional trade. Having identified such value chains, and the potential of SMEs in these value chains to contribute to value addition in the region, the Secretariat developed a Cluster Development Programme to build SME capacity. The Programme, which was eventually launched in 2012, aimed to work with SMEs to find solutions to the various challenges they faced in attempting to build their businesses, such as geographic isolation, lack of organisation, weak linkages to larger firms and lack of access to finance, technology and other inputs. The Secretariat developed pilot cluster development programmes for three sub-sectors characterised by high levels of SME participation and significant opportunities for promoting value addition and regional trade, namely: cassava processing; leather and leather products; and clothing and textiles. In order to identify opportunities for value addition, the Secretariat also organised consultations with private and public sector actors to identify constraints in different sub-sectors and develop policy recommendations at regional level.

The leather and leather products subsector was prioritised as the COMESA Secretariat analytical work and consultations found that: a) the large supply of raw hides and skins (due to the region's large livestock population), coupled with a growing market for leather products in the region, presented opportunities to develop a regional leather and leather products value chain and to integrate SMEs into this value chain; b) there was much interest among COMESA member states in efforts to promote value addition in leather production and processing; and c) there was a need to strengthen existing technical support institutions in the region working on leather, and to better define how such institutes could serve stakeholders in the leather sub-sector. One such institution was the Leather and Leather Products Institute (LLPI), an autonomous institution of COMESA established in 1990 to support the development of the leather subsector in the COMESA region. By the mid-2000s the LLPI was struggling to demonstrate effectiveness and had limited capacity to implement programmes. Engagement in the LLPI by member states had also waned, annual contributions were being paid late and a number of member states were in big arrears with their annual dues.

COMESA decided to champion the development of a regional sector strategy for leather using a stakeholder-led approach and enlisted the support of ITC, through the Canadian International Development Agency-funded Programme for building African Capacity for Trade (PACT II), to develop a strategy for the regional

[7] The MSME Strategy was adopted by the 17th Summit.

leather value chain as well as an implementation plan. Initially this ITC-COMESA collaboration was undertaken through a unit based within the COMESA Secretariat, but in 2010, following a participatory methodology developed by ITC and COMESA, a decision was made to establish a "Core Team" composed of the COMESA Secretariat, LLPI, Eastern and Southern Africa Leather Industries Association (ESALIA) and other private and public sector stakeholders to drive the development and implementation of the strategy. The establishment of the Core Team coincided with ICT/COMESA efforts to revitalise LLPI as the lead institution for supporting the leather sub-sector in the region.

The COMESA Regional Strategy for the Leather Value Chain was finalised in 2011. It identified relevant trends and market opportunities and sought to move the region away from production and export of raw materials towards the manufacture and commercialisation of value added products and aimed to facilitate increased production and export of value added products in order to promote job creation, income and foreign exchange generation and economic growth. The Strategy was crafted by the Core Team, aided by the technical and financial support of the International Trade Centre through PACT II.

In relation to implementing the Strategy at the national level, ITC has continued to work with COMESA/LLPI to develop the Alliances for Action methodology, an evidence-based approach to supporting the development of the leather value chain in the region and the participation of SMEs in the value chain. At the regional level, the development of the Strategy put in place an overarching framework that provides direction and a governance framework, but which leaves flexibility for member states and leather value chain operators to align or adapt (develop and implement their own strategies). The next steps were to support COMESA member states to develop national leather sector development plans, adequate support policies and inclusive governance frameworks led by industry and facilitated by government, and to pilot the Alliances for Action approach at the national and cluster level.

Zimbabwe was selected as a pilot country. A national sector strategy was developed through a participatory multi-stakeholder process and a national value chain council established to serve as a public-private platform (PPP) to set priorities and raise issues. Local SME clusters were also developed to promote capacity building efforts for SMEs and linkages with more established value chain actors. This approach is now being replicated by ITC/COMESA/LLPI in other COMESA member states and the lessons learned used to guide not only the further rollout of the approach, but also the refinement of the LLPI's strategic role in supporting regional value chain development.

This approach seems to be having some success and to be finding traction among COMESA member states. The LLPI has been strengthened and its utility increased at the national level through the establishment of focal points and linkages with national institutions, including universities. The support it has provided (with ITC) to strengthening institutions and building the capacity of SMEs at the national level has demonstrated this utility to member states who are now making their annual contributions on time. Initial successes in helping certain member states to develop national strategies has led to other member states requesting similar support as they seek to develop their own national leather value chain strategies to promote value addition in their leather sub-sectors. Furthermore, other regional organisations, e.g. SADC, have approached ITC/LLPI to learn more about the approach that has been adopted in COMESA.

COMESA/LLPI's apparent success in promoting value addition in leather provides some useful insights into how a regional organisation can work with other organisations to support the promotion of value addition at the national level. For instance, it suggests that specialised institutions such as LLPI can provide valuable services to member states/value chain actors - through providing a platform for sharing experiences/best practice and acting as a neutral broker to create both public-private and private-private linkages between value chain stakeholders - provided that the institution has the resources and mandate to play this role. In LLPI's case, while it has always had the mandate, it was the drive by the COMESA Secretariat and technical support from ITC (through PACT II and its Regular Budget Support programme) that led to the revitalisation of LLPI and which gave it the capacity and opportunity to demonstrate utility to COMESA member states and their private sectors. None of this would have been possible if the opportunity to develop processing industries from the large supply of raw materials did not exist, or if there was not a shared vision within the region to promote the development of the regional leather value chain. However, the fact that that it is harder to find evidence of real traction in the case of COMESA's efforts to support the cassava processing or cotton-to-clothing value chains in the region suggest that the existence of raw materials and political will is not sufficient for successful regional value chain development. Other factors such as demand from and active participation of the private sector, and the presence of anchor institutions such as the LLPI are clearly important.

From its side, LLPI notes that being an official (albeit autonomous) COMESA institutions makes it easier for the institute to work at the national level than would be the case if it was an independent institute or non-governmental organisation. This is due not only to the fact that it was a key participant in the formulation of the regional leather strategy, but also to the 'political legitimacy' that comes with being part of an intergovernmental organisation with a specific mandate to undertake such work. Furthermore, being able to give recommendations directly to the COMESA Council of Ministers gives LLPI an opportunity to influence the regional agenda at the highest political levels, based on the lessons it has learned through its work on the ground. In turn, the adoption of such recommendations provides LLPI with a strong mandate to pursue its work in supporting national and local level actors.

Sources: Interviews (LLPI and ITC); COMESA Regional Strategy for the Leather Value Chain; COMESA/LLPI Strategy 2016-2025; Manson & Mudungwe, 2016.

The COMESA Industrialisation Policy builds on the African Union's Plan of Action for the Accelerated Industrial Development of Africa (AIDA) and Africa Mining Vision, as well as the lessons highlighted in the 2014 Economic Report on Africa, which had the theme: "Dynamic industrial policy in Africa: innovative institutions, effective processes and flexible mechanisms." It seeks to help member states to take advantage of the opportunities provided through regional market integration and existing COMESA programmes and policies (such as the regional strategies for the cotton-to-clothing and leather value chains) by promoting industries that create sustainable employment. In this regard, it identifies ten priority sectors for regional cooperation: 1) agro-processing; 2) energy; 3) textiles and garments; 4) leather and leather products; 5) mineral beneficiation; 6) pharmaceuticals; 7) chemicals and agro-chemicals; 8) light engineering; 9) the blue economy; and 10) construction materials. Additionally, it aims to foster linkages between SMEs and larger firms by developing regional supply chain networks.

While the COMESA Industrialisation Policy provides a broad framework for regional cooperation and knowledge sharing as well as guidelines on national strategies, the details on how COMESA intends to support industrialisation in member countries is not spelled out.

From policy to strategy and action?

The Industrialisation Policy does set out the broad responsibilities of different stakeholders in terms of implementing the policy. The role of the Secretariat is to develop more specific implementation strategies - as directed by the 18th Summit - in conjunction with other relevant stakeholders, including private sector actors. Existing COMESA institutions such as the COMESA Business Council, the Eastern and Southern African Trade and Development Bank (PTA Bank) and the Leather and Leather Products Institute (LLPI) also have roles to play in driving implementation of the Industrialisation Policy. For their part, member states are expected by COMESA to align national industrial policies (and related policies) to the regional one and to create conditions that facilitate and support industrialisation (e.g. through offering 'appropriate' tax incentives). Though countries may not want or be able to align with the regional strategy, as the above discussions suggests, the COMESA industrialisation strategy can play a complementary role.

Though the policy did not allocate responsibilities, the COMESA Secretariat, with the support of the United Nations Industrial Development Organisation (UNIDO), later developed a draft COMESA Industrial Strategy and Action Plan. This lays out a detailed strategy for implementing the

Industrialisation Policy, including responsibilities and timeframes.[8] The Strategy, which is due to be adopted in 2017, does not appear to be publicly available. However, the COMESA Secretary General, speaking to the 19th Summit, suggested that a regional programme on industrialisation would include: a knowledge sharing programme for regional competitiveness; a South-South cooperation programme in industrial development; an inclusive regional trade facilitation and surveillance programme; a regional value chain facilitation programme; an MSME capacity building programme for inclusive industrialization; and a programme on the protection of intellectual property rights.

The Secretary General also indicated that the COMESA Committee of Industry and Trade Ministers is already responsible for cooperation of country-specific industrial policies among member states, that the Committee of Ministers of Finance and National Economic Planning should take the lead in mobilising financing for regional industrialisation by, among other things, reforming taxation to allow fiscal incentives for companies that implement local content policies and working with the PTA Bank to finance regional MSMEs and related enabling infrastructure, and that the Committee of Central Bank Governors would be responsible for the reform of the financial sector for inclusive industrialisation including the establishment of a regional value chain financing programme.

COMESA's MTSP 2016-2020, which prioritises the implementation of the Industrialisation Policy, also gives some guidance as to COMESA's regional industrialisation agenda going forward. It identifies a number of key intervention areas related to implementation of the Industrialisation Policy, including providing incentives for value addition in sectors of high potential, promoting MSME performance in industrial linkages and cluster development, increasing investment in agribusiness (the MTSP also identifies agro-processing as a sector that should receive special focus) and encouraging public-private partnerships for infrastructure development.

2.2. External actors

Whatever the specificities of the COMESA industrialisation agenda going forward, external actors will likely continue to play an important role. Organisations such as UNIDO and the International Trade Centre (ITC) have played, and continue to play, an important role providing technical support to the COMESA Secretariat and COMESA institutions in the development and implementation of industrialisation-related policies, strategies and programmes. Development partners - notably the European Union - have also provided much of the financing, not only of COMESA itself, but also of specific COMESA programmes. Given the limited nature of COMESA's own human and financial resources, the Secretariat and other COMESA institutions will likely continue to rely heavily on such external partners to support - both financially and technically - their efforts to promote the COMESA regional industrial development agenda, at least in the short-to-medium term. Potential sources of such support include the EU's 11th European Development Fund (EDF), under which support has been earmarked for promoting regional agro-processing value chains in Eastern and Southern Africa.

Summary

Despite COMESA's traditional focus on trade-led market integration, industrialisation has become increasingly prominent on its agenda, reflecting a recognition by Member States that if trade opportunities are to facilitate economic growth and development in the region, trade liberalisation needs to be accompanied by supply-side capacity development. However, as discussed next,

[8] According to the Report of the 36th Meeting of the COMESA Council of Ministers, the Strategy and Action Plan identifies the following key priority sectors: agro-processing and agro business, livestock development, chemicals, fertilizer and agro chemicals, leather and leather products, textiles and garments, mineral beneficiation, pharmaceuticals, energy sector, the blue economy and trade in services.

implementation of a regional industrialisation strategy depends very much on how this agenda, and national temptations to protect competing sectors, aligns with the agenda of regional cooperation.

3. On the political interests of member states in the COMESA industrialisation agenda

From regional rhetoric...

Speeches, reports, communiques, and editorials all suggest that the COMESA Secretariat and its current Secretary General are committed to supporting COMESA member states to promote domestic value addition and industrialisation. Based on the rhetoric emanating from COMESA Council of Ministers Meetings and Summits, COMESA member states also appear keen for the COMESA Secretariat develop policies and programmes to support their national industrialisation efforts. It is through these organs, after all, that the COMESA Secretariat has been tasked with working on value addition and on providing a framework for industrialisation in the region. At face value then, there appears to be political interest by COMESA member states in a ‘COMESA industrialisation agenda’, though not clear the degree to which this implies regional cooperation, beyond lesson sharing.

All COMESA member states currently seek to promote structural transformation of their economies and/or greater industrialisation, diversification and domestic value addition. But the degree to which these objectives have been translated into an overarching national industrial policy framework differs from member to member. As the current COMESA MTSP notes, economic diversification “has been the preoccupation of Member States as it holds a lot of promise for the development of productive capacity, the creation of employment, reduction of poverty and [for] set[ting] their economies on a more sustainable growth path”.

However, while all COMESA member states refer in some way to industrial development objectives in their national development plans, and indeed some (e.g. Egypt, Ethiopia, Mauritius) have long histories of using industrial policy, not all have dedicated industrial policies or industrial policy frameworks in place. Eritrea (2004) and Egypt (2006) adopted industrial policies over a decade ago and do not appear to have updated them since. Zambia (2007), Uganda (2008), Kenya (2010), Rwanda (2011), Zimbabwe (2012) Ethiopia (2013) and Malawi 2014) have adopted or updated their industrial policies more recently, and have in some cases elaborated on these with specific sector or implementation plans/programmes (e.g. Uganda Leather and Leather Products Policy, Kenya Industrial Transformation Programme), or are in the process of updating their policies (e.g. Zambia and Zimbabwe). The rest do not appear to have overarching industrial policy frameworks in place, although Mauritius has previously developed an industrial strategy, while Madagascar and Comoros are in the process of developing their own industrial policies, the latter with COMESA support.

The need to generate employment opportunities for a fast growing working-age population appears to be a common motivation behind COMESA member states’ current preoccupation with industrialisation at the national level and in regional discussions. The political interests of COMESA member states in industrialisation appear to reflect subtle differences in motivation - for some, promoting industrial development is about reducing dependence on agriculture (e.g. Rwanda), for others it’s about reversing de-industrialisation (e.g. Zimbabwe) or becoming a regional industrial power and export hub (e.g. Egypt). Overall, generating employment appears to be a common goal in the political rhetoric.

Most COMESA member states’ national development plans reference the need to promote structural transformation and industrial development to achieve faster economic growth and increased employment (especially employment outside of the agricultural sector). This focus on industrial development as a way to create jobs might in some cases reflect an acknowledgement that recent growth in the region has largely been 'jobless growth' as well as a fear among ruling elites that jobless growth in the face of fast-growing working-age populations might be a recipe for political unrest and regime change.

… to linking to national policies

But how countries go about promoting industrialisation at the national level, also has implications for regional approaches. Member states are inclined to pursue industrial development goals through trade-related protection measures. The Treaty Establishing COMESA states that: "For the purposes of protecting an infant industry, a Member State may [...] impose for the purposes only of protecting such industry for a specified period to be determined by Council, quantitative or like restrictions or prohibitions on similar goods originating from the other Member States." In this respect, Kenya has been granted the possibility of shielding its "infant" sugar industry from competition, with the aim of steering towards a competitive multi-product industry. Despite being formally approved, these measures have annoyed both neighbouring governments and private sector players.[9] Other trade disputes relate to illegal non-tariff trade barriers that hinder certain exports as well as to the non-compliance with regional trade schemes. Zambia, for example, has been party to an old trade dispute with Kenya on milk and cooking oil products, claiming the former contain too much bacteria while the latter are in violation of the Rules of Origin.[10] In the meantime, however, Zambia's Livestock and Fisheries Development minister stated that the true reason for the milk ban is "because it will negatively affect the growth of our dairy industry."[11] Although trade policy issues, the objective is also about diversification and industrialisation.

COMESA member states can therefore see participation in COMESA's economic integration process as both an opportunity and a threat to their domestic industrialisation objectives. While many COMESA member states' national industrial policies refer to the export opportunities provided by a large integrated COMESA market, a few also note that opening their own economies to competition from other member states' firms and industries could have negative impacts on their attempts to promote domestic industries. For example, Ethiopia's Industrial Development Strategic Plan notes that "appropriate timing and caution are necessary to reap the benefits of entering the COMESA free market without endangering the development and maturity of the [domestic manufacturing] sector". Similarly, Rwanda's National Industrial Policy, notes that "Rwandan firms have an opportunity to serve [the COMESA] market, but will also face greater competition from businesses in countries with larger and more sophisticated industrial sectors, such as Egypt and Kenya".

COMESA member states' industrial policies generally fail to recognise a role for COMESA in supporting their national industrialisation objectives, reflecting the fact that industrialisation is generally considered a national policy prerogative and therefore a challenge to address regionally. While most policies mention COMESA, this is usually only in reference to the export opportunities for domestic firms provided by a large integrated regional market or to specific trade-related initiatives, such as the harmonisation of EAC and COMESA common quality standards (Kenya) or the implementation of the COMESA Simplified Trade Regime (Malawi), providing further support to the notion that COMESA member states see COMESA's main added value as being in relation to trade and market integration. Of all the COMESA member state industrial policies reviewed for this study, only Zimbabwe's makes explicit reference to COMESA's role in supporting industrialisation efforts. It refers to COMESA's sector-specific approach to supporting industrialisation and to the benefits Zimbabwe has experienced from COMESA/LLPI work on leather, and also states Zimbabwe's

[9] http://www.nation.co.ke/news/politics/Kenya-Uganda-Sugar-Deal-Imports-Government/1064-2834438-nk61co/index.html
[10] https://asokoinsight.com/news/kenya-holds-talks-with-zambia-over-milk-palm-oil-exports-ban.
[11] http://www.businessdailyafrica.com/Corporate-News/539550-1054250-item-1-5m3d0gz/index.html.

objective to align the Zimbabwe Leather Sector Strategy to the COMESA regional leather strategy and to replicate efforts in leather in other priority subsectors.

Regional MSME promotion?

Nonetheless, there is other evidence that COMESA and its policies and programmes on industrialisation, value addition and SME development have influenced - and/or are continuing to influence - the development and content of member state industrial policies and strategies. For example, Zambian government officials have cited the influence of COMESA on the development of the country's forthcoming industrial policy.[12] According to a paper presented last year by a senior official from the Zambian Competition Commission, "Zambia has benefited from the COMESA tool kit" on industrialisation and the forthcoming "Zambian National industrial policy is clearly in tandem with the COMESA industrial policy".[13] Zambia has also benefitted from COMESA's Regional Integration Support Mechanism, which has facilitated support to the development of the Zambia Leather Value Chain strategy and other industrialisation-related initiatives in Zambia. COMESA is also currently supporting the Comoros (with funding from the EU) to develop an SME Industrial Strategy centred on value addition to local resources".[14] Finally, the focus in some COMESA member state industrial policies on supporting SMEs through clustering, and the development of national leather and clothing value chain strategies both suggest the influence of COMESA's work on industrialisation, albeit this influence has not been made explicit in most policy documents.

Certain industrial sectors and subsectors have been earmarked as priorities by a significant number of COMESA member states, suggesting that opportunities exist for sector-specific cooperation, lesson-sharing and learning at the regional level. The table below presents the findings of an analysis of the most recent industrial policy framework documents of 11 COMESA member states.[15] It shows the COMESA Regional Industrialisation Policy priority sectors, and for each such sector/sub-sector, which of the 11 COMESA member states have prioritised that sector/sub-sector in their national industrial policies/strategies. Almost all the surveyed COMESA member states have prioritised agro- processing (10/11), while leather and leather products (8/11), textiles and garments (8/11), mineral beneficiation (7/11) and pharmaceuticals (7/11) have also been prioritised by a significant proportion of the COMESA member states. This suggests that any value-added services COMESA might be able to offer in these sectors/sub-sectors would be of interest to a high number of member states. In addition, the development and capacity building of SMEs and their integration into formal value chains appears to be a common objective of COMESA member states' industrial development strategies. While a focus on SMEs makes a lot of sense given the preponderance of such actors in the region and the significant constraints they face, it is also interesting to note that in many COMESA countries the SME-sector is mostly locally-owned while larger industrial firms are often (at least partly) foreign-owned, or owned by individuals with roots in other regions (especially Asia).

Table 1: COMESA Regional Industrialisation Policy priority sectors/sub-sectors and their prioritisation in member states' national industrial policy frameworks

Sectors	*Countries prioritising*
1. Agro-Processing (10/11)	DRC, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Uganda, Zambia, Zimbabwe

[12] https://www.lusakatimes.com/2016/10/22/zambia-develops-industrial-policy-accelerate-industrialisation/.

[13] https://static1.squarespace.com/static/52246331e4b0a46e5f1b8ce5/t/56f1371b1d07c08174b170c1/1458648864134/Eunice+Hamavhwa_The+Role+of+industrial+and+competition+policy.pdf.

[14] http://www.comesa.int/wp-content/uploads/2016/05/160516_ToRs-Strategy-development-Comoros-ENG.pdf.

[15] In the case of the DRC and the Seychelles, the information was derived from secondary sources.

2. Leather and Leather Products (8/11)	Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Uganda, Zambia, Zimbabwe
3. Textiles and Garments (8/11)	Egypt, Eritrea, Ethiopia, Kenya, Rwanda, Uganda, Zambia, Zimbabwe
4. Mineral Beneficiation (7/11)	DRC, Eritrea, Ethiopia, Rwanda, Uganda, Zambia, Zimbabwe
5. Pharmaceuticals (7/11)	Ethiopia, Malawi, Rwanda, Uganda, Zambia
6. Light Engineering (5/11)	Egypt, Ethiopia, Seychelles, Uganda, Zambia
7. Construction Materials (5/11)	DRC, Egypt, Kenya, Rwanda, Uganda
8. Chemicals and Agro-Chemicals (5/11)	Egypt, Ethiopia, Rwanda, Uganda, Zimbabwe
9. Energy (2/11)	Egypt, Kenya
10. The Blue Economy (1/11)	Seychelles

Some of the impediments to national industrialisation efforts highlighted in COMESA member states' industrial policies appear to be common across many/most member states. The three most commonly cited challenges in member states' industrial policies/strategies are: 1) poor quality infrastructure (especially relating to the high cost of energy) 2) a deficit of skills/human capital and 3) the high cost of finance (especially for SMEs). Other commonly cited challenges include market access constraints, an unconducive regulatory/business environment (relating to e.g. investment, taxation, property and labour rights, etc.), challenges for SMEs to increase their competitiveness and to link to national/international markets and a lack of quality inputs and services (at affordable prices).

There is no clear evidence of any one COMESA member state - or coalition of member states - disproportionately influencing the design, content and/or implementation of COMESA's industrialisation agenda. Certainly, the vocal championing of industrialisation in the region by COMESA's Zimbabwean SG has coincided with Zimbabwe displaying a concerted effort to shift regional integration and cooperation agendas from trade liberalisation to supporting industrial development (SADC PERIA paper), but the broad contours of COMESA's industrialisation agenda appear to represent an amalgamation of the interests of a wide range of COMESA member states. The inclusion of the blue economy as a priority sector in the regional industrialisation policy is an example of what appears to be an effort by COMESA to ensure an inclusive approach to regional policymaking on industrialisation, as this sector is only of importance to certain COMESA member states. Furthermore, COMESA's regional industrialisation policy acknowledges the influence of work done by UNECA which draws on the thinking of development economists from around the world, and the work of organisations such as UNCTAD and UNIDO, as well as the industrial development experiences countries both in and outside the region, notably in East and Southeast Asia.

Summary

COMESA member states pursue industrial development at the national level, motivated by, among other things, a desire to create employment opportunities for fast-growing working-age populations. As part of this, most have indicated an interest in having COMESA support their industrialisation efforts where possible but generally pursue their industrial development goals at the national level, and not through COMESA. Some approaches, such as invoking import bans may even undermine COMESA's trade agenda. How COMESA finds a balance between promoting industrial cooperation and minimising national protection remains an open question.

4. Areas of the regional industrialisation agenda with most traction for cooperation through COMESA

Apart from specific initiatives predating the development of the COMESA Industrialisation Policy, the COMESA industrialisation agenda is still fairly new, and has yet to be fully articulated through specific initiatives and programmes. This makes it difficult to say anything definitive about its traction among member states. However, some tentative conclusions can be drawn about which areas of COMESA's emerging regional industrialisation agenda display the most traction for cooperation through COMESA.

COMESA's recognised competence on trade matters mean that it should have a role to play in addressing any future trade-related disputes between member states arising from the implementation of measures in line with national industrial development objectives. Trade policy tools such as import and export restrictions have historically been used as instruments of industrial policy and these can have 'beggar-thy-neighbour' impacts. With a number of COMESA member states seeking to, among other things, limit exports of raw materials (and, in some cases, imports of finished goods) in order to encourage domestic value addition, there is a very real possibility that the use of such instruments will generate trade disputes in the region (indeed Kenya's use of infant industry protection for its sugar industry has apparently caused tensions with Ugandan producers).[16] This represents a potential contradiction for COMESA's industrialisation policy. COMESA has the institutions to address such disputes, although it doesn't have a particularly long track record of doing so, relating to the wider issue of COMESA's mandate.

The apparently successful experience of COMESA/LLPI in promoting the leather value chain in the region, and finding traction in multiple member states, suggests that COMESA could provide value chain-specific support in sectors of interest to multiple member states. As noted above there are a number of sectors/sub-sectors currently being prioritised by multiple COMESA member states in the context of their national industrialisation processes. Lessons could be drawn through in-depth analysis from COMESA's experience in developing regional frameworks and supporting capacity building (for institutions and private sector actors, especially SMEs), not only in leather, but also in cassava processing and the cotton-to-clothing value chain, to understand what has worked well in terms of facilitating sectoral/value chain development from the regional level and linking national and local value chain actors to regional (and international) markets. Indeed, COMESA's SG, in a presentation to the 19th COMESA Summit, suggested the development of a regional value chain facilitation programme and a regional value chain financing programme in line with the COMESA Regional Industrialisation Policy. Agro-processing, mineral beneficiation and pharmaceutical value chains would be attractive candidates for such value chain promotion initiatives at the regional level.

Given the emphasis many COMESA member states currently place on MSME development, COMESA could build on its experience of working on MSME capacity building and market linkages in the leather value chain, among others, to develop and implement a regional cooperation programme for MSMEs. In particular, such a programme could address widely recognised needs for capacity building for MSMEs (in skills, business development, etc.), for generating supply linkages between MSMEs and larger firms operating in regional and international value chains and for facilitating greater access to affordable finance for MSMEs. On the latter, the PTA bank could have a valuable role to play in catalysing financial inclusion for MSMEs in support of industrialisation.

Finally, COMESA could serve as a forum for knowledge sharing on approaches to national industrial policy. While all member states pursue industrial development objectives of one sort or another, they

[16] http://www.nation.co.ke/news/politics/Kenya-Uganda-Sugar-Deal-Imports-Government/1064-2834438-nk61co/ index.html.

have adopted somewhat different approaches, and have different degrees of experience in developing and implementing national industrial policies. This suggests that there could be value in a forum where COMESA member states learn from one another's experiences of using industrial policy. Given that many COMESA member states acknowledge deficiencies (from the point of view of promoting industrial development) in their own regulatory frameworks and business environments, as well as in the capacities of their national institutions driving industrial policymaking and implementation. Such lesson-sharing could focus on lessons for strengthening national industrial development institutions and for developing conducive regulatory frameworks. If successful, this exercise could even go beyond mere lesson sharing and could be used to develop recommendations or guidelines for member states to use where appropriate.

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