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Strategies and policies for the integration of micro, small and medium-sized enterprises into the industrialization process in Southern Africa

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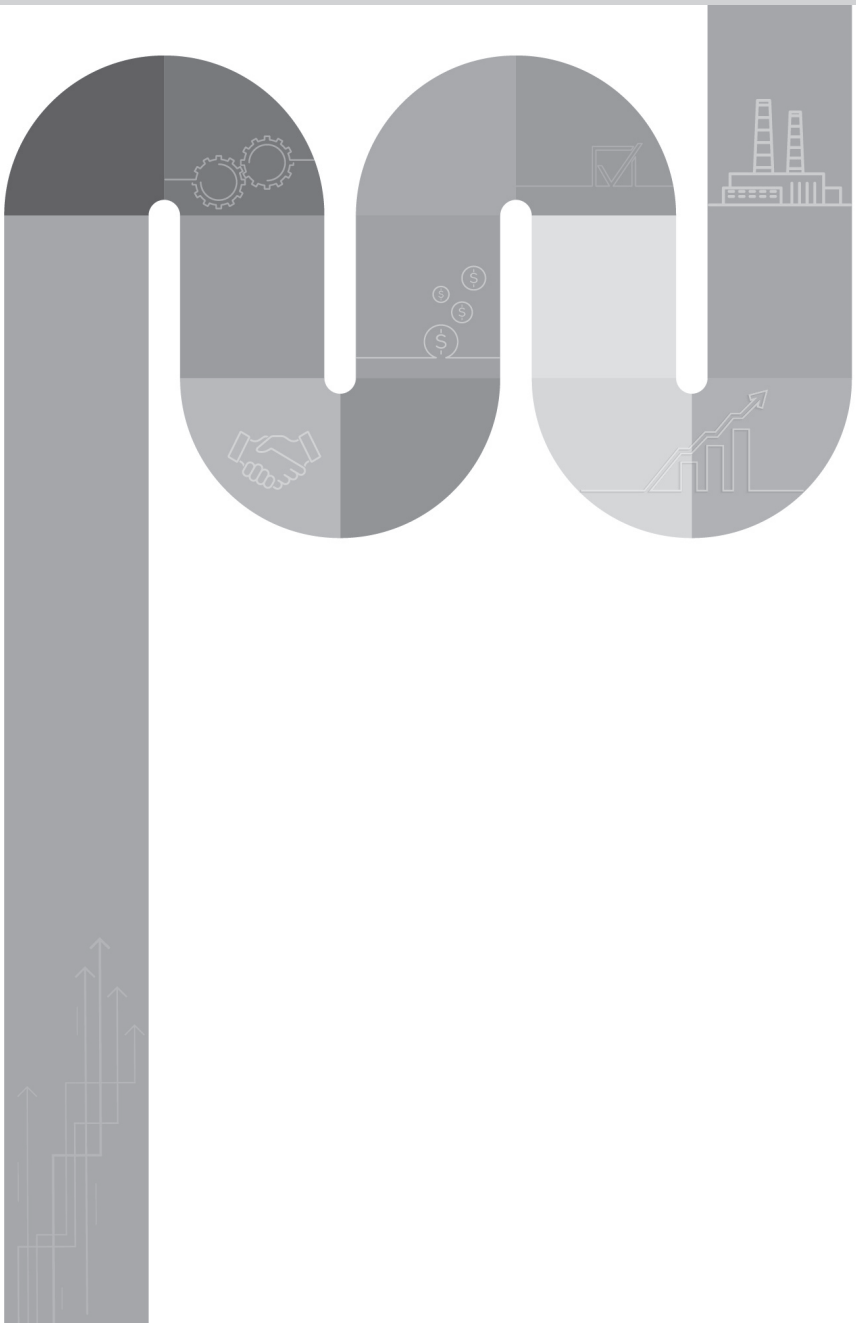

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Publications Section
Economic Commission for Africa
P.O. Box 3001
Addis Ababa, Ethiopia
Tel: +251 11 544-9900
Fax: +251 11 551-4416
E-mail: ecainfo@uneca.org
Web: www.uneca.org

First printing September 2020

Designed and printed in Addis Ababa, Ethiopia by the ECA Printing and Publishing Unit. ISO 14001:2015 certified. Printed on chlorine free paper.

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Abbreviations

ADB	Asian Development Bank
COMESA	Common Market for Eastern and Southern Africa
ECA	Economic Commission for Africa
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross domestic product
ICT	Information and communications technology
MSME	Micro, small and medium-sized enterprises
OECD	Organization for Economic Cooperation and Development
SADC	Southern African Development Community
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VAT	Value-added tax
WTO	World Trade Organization

Acknowledgements

The present report was prepared under the overall guidance of staff of the Economic Commission for Africa (ECA) in particular, Oliver Maponga, who supervised the study and compiled the final report with the assistance of Nomfundo Ngwenya from South Africa, who prepared the initial draft. The study was conducted under the direct supervision of Sizo Mhlanga, Chief of the Subregional Initiatives Section, and the overall supervision of Said Adejumobi, Director of the ECA Subregional Office for Southern Africa.

The report benefited immensely from comments and observations of colleagues from the Subregional Office for Southern Africa, namely Mzwanele Mfunwa, Bineswaree Bolaky, Koffi Elitcha and Sine Tepe. Comments from delegates and participants at the twenty-fifth session of the Intergovernmental Committee of Senior Officials and Experts, held in Ezulwini, Eswatini, from 10 to 13 September 2019, helped to refine and refocus the report. The success of the session, at which the draft of the report was reviewed, was anchored by administration and finance colleagues of the Subregional Office for Southern Afica, namely Ian Filakati, Henry Lubinda, Bernard Bamin, Ceciwa Banda, Jackline Mutambo, Bedson Nyoni, Ronald Nkhoma, Dailes Matoka, Grace Kaonga, Anne Temba Temba, Mubanga Katongo and Christopher Zulu.

Chapter 1: Background

1.1. Introduction

Following the adoption of the Southern African Development Community (SADC) Industrialization Strategy in 2015, Southern African countries have come to recognize that micro, small and medium scale enterprises must play a key role in the region's industrialization. The Economic Commission for Africa (ECA), in partnership with the Government Eswatini, hosted the twenty-fifth session of the Inter-Governmental Committee of Senior Officials and Experts of Southern Africa under the theme, "Strategies and policies for the integration of micro, small and medium scale enterprises in the industrialization process in Southern Africa". This report was commissioned by ECA as the thematic paper to lay the foundation for the discussion during the meeting. An outline of the report is provided below. The term SADC denotes the Southern African region.[1]

1.2. Study approach and outline

The study is focused on enhancing the effective participation of micro, small and medium-sized enterprises in agriculture and natural-resource-led industrialization, in particular agroprocessing and mineral processing value chains. Motivation for this selection lies in the priorities identified in the SADC Industrialization Strategy, which is discussed further in chapter 2. For agroprocessing in the study, the findings of a SADC study entitled "Profiling of the regional agro-processing value chains in the SADC region (hereinafter referred to as the SADC agroprocessing study), which was finalized by SADC in March 2019. In the study success factors are identified for upstream and downstream value chain participation in agroprocessing. Among the recommendations in the study is a five-point policy framework to improve the potential for establishing sustainable agroprocessing value chains in the region. This report's agroprocessing discussion provide micro, small and medium-sized enterprises specific strategies and policies within this framework.

For the discussion on natural resource-led industrialization, the study is guided by the 2008 SADC Protocol on Mining and the SADC Regional Mining Vision, which was adopted at the thirty-ninth Ordinary Summit of the Heads of State and Government of the Southern African Development Community in Dar es Salaam in August 2019. The Regional Mining Vision was used as basis for the study's discussion and recommendations of strategies and policies for

[1] See discussion point 5 on the definition of micro, small and medium-sized enterprises.

integrating micro, small and medium-sized enterprises into the minerals sector.

This report is divided into five chapters as follows:

Chapter 1 provides the background for the study through the introduction of the objective of the study. It contains a description of the approach and an outline of the structure of the report. This is followed by a discussion of the study methodology and its limitations.

Chapter 2 provides the context and a discussion of the environment in which micro- and small and medium-sized enterprises operate internationally and within individual SADC member States, including the sectors they participate in and the challenges they face. It also includes opportunities available to them the current global economic environment.

Chapters 3 and 4 are focused on the agroprocessing and minerals value chains, reviewing the current status of these sectoral value chains in the region. It presents the case for how SADC micro- and medium-sized enterprises can be integrated into these sectoral value chains by isolating the specific entry angles, and individual and collective strategies.

Chapter 5 presents the recommendations for strategies and policies for the integration of micro-and small and medium-sized enterprises into the industrialization process in Southern Africa, based on the preceding discussions.

1.3. Methodology

The study was conducted over a period of five weeks, relying mainly on secondary sources of information. To integrate primary data comprising first-hand accounts of current realities experienced by stakeholders in a Southern African country in particular, micro, small and medium-sized enterprises themselves, a three-day data collection field visit was carried out in Eswatini, as the host country for the International Committee of Senior Officials for Southern Africa. As shown through statistical data, the micro, small and medium-sized enterprises sector in Southern Africa is dominated by informal, survivalist enterprises (see annex 1 for a list of interviewees). Accordingly, the focus of the Eswatini interviews was primarily on such entities. The sectoral focus of the interviews was limited to agroprocessing value chains, as this is a priority sector for Eswatini and other SADC member States. The engagement with micro, small and medium-sized enterprises was through a focus group, while government and business stakeholders were reached through one-on-one interviews. In a concept note on the study's objectives, stakeholders are identified along with specific points of enquiry for each stakeholder. Based on the note, the Ministry of Commerce, Trade and Industry of Eswatini identified relevant individuals within each stakeholder group.

For the report, desk-based research is used to draw from examples from other countries in the region, within the agroprocessing, and the minerals beneficiation and value addition sectors. Also, findings and relevant recommendations are incorporated from the 2018 Intergovernmental Committee of Senior Official and Experts

for Southern Africa study on micro, small and medium-sized enterprises and industrialization in SADC, for which interviews with stakeholders from Lesotho, Mauritius, South Africa and Zambia were conducted as case studies. Feedback received from the 2019 Intergovernmental Committee of Senior Official and Experts for Southern Africa meeting that could feasibly be incorporated into the study has also been included.

1.4. Limitations

Diverse economic, political and social factors influence the strategic outlook and policy decision-making of each country in Southern Africa. Consequently, lessons learned from one country may not necessarily be applicable to all countries, but they could provide a general appreciation of the dynamics of the sector. Budgetary and time constraints have not allowed for primary data to be collected from all sixteen SADC member States. Nonetheless, lessons from various countries (from secondary information) are used in the study to enable policymakers and other stakeholders to benefit from a comparative analysis when considering their specific national context.

1.5. Definitions

Micro, small and medium scale enterprises

After comparing the definitions of micro, small and medium-sized enterprises definitions from 155 countries (Gonzales, Hommes and Mirmulstein, 2014, p. 4), the MSME Finance Forum concluded that the most commonly used variable for defining micro, small and medium-sized enterprises globally is the number of employees, followed by a combination of number of employees, turnover and assets. In addition, UNIDO states that the most commonly used variable in developing countries is the number of employees.

Literature reviewed shows that because of the variance in countries' levels of economic and business development, it is impossible to arrive at a universal definition of micro, small and medium-sized enterprises. The World Bank notes, for example, that in China, the number of people employed by a micro, small and medium-sized enterprises can range from 1 to 3,000, as compared to 1 to 250 in the European Union (Kushnir, 2010). Similarly, the diversity of Southern African economies does not lend itself to a single definition. Furthermore, terms used by countries in the region vary as the enterprises are either referred to as micro, small and medium-sized enterprises, small, medium and micro enterprises or small and medium enterprises. For this study, each of these terms refers to any commercial enterprise that is defined as a micro, small and medium-sized enterprise or small and medium enterprises in its country's legislation.

Agroprocessing

Agroprocessing refers to the downstream post-harvest activities involved in the transformation, preservation and preparation of agricultural production for intermediary or final consumption (Wilkinson and Rocha, 2008, p. 3). An important element of agroprocessing is manufacturing, which is central to processing raw materials (South Africa, 2019, p.1). The International Standard Industrial Classification includes six subsectors of agroprocessing: first, food and beverages; second, tobacco products; third, paper and wood products; fourth,

textiles, footwear and apparel; fifth, leather products; and, sixth, rubber products (Wilkinson and Rocha, 2008, p. 4). Because of the co-dependence of upstream and downstream agricultural activity, the value chains framework of the SADC agroprocessing study includes recommendations for both streams. This thematic paper does the same in the context of micro, small and medium-sized enterprises participation in both streams.

Mineral beneficiation

The term beneficiation encapsulates "successive processes of adding value to raw materials from their extraction through to the sale of finished products to consumers." The Industrialization Strategy refers to "minerals beneficiation and downstream processing". Accordingly, the broad definition employed in this study covers three types of industry linkages that emerge from extraction, processing and refining a mineral: downstream (beneficiation) linkages, such as jewellery from platinum; upstream linkages, such as mining inputs, for example, pumps, valves and trucks used in mining; and lateral linkages, arising from the modification and application of generic technologies or services to other industry sectors (National Treasury of South Africa, 2019, p. 45).

Value chains

UNIDO defines a value chain as "actors connected along a chain producing, transforming and bringing goods and services to end-consumers through a sequenced set of activities" (Donovan and others, 2015, p. 54). Similarly, the World Bank defines value chains as "the full range of value adding activities required to bring a product or service through the different phases of production, including procurement of raw materials and other inputs" (Donovan and others, 2015, p. 54). Both definitions encapsulate the value-adding nature of value chains in which goods and services have value addition. They also include the orderly nature of the process, through phasing or sequencing. The two definitions differ in that the World Bank definition includes procurement of raw materials and other inputs. For the purposes of this study, procurement is included, as it is an essential element required for creating a market and opening opportunities for micro, small and medium-sized enterprises.

Chapter 2: Micro, small and medium-sized enterprises and industrialization in the Southern African Development Community

2.1. Southern African Development Community Industrialization Strategy and micro, small and medium-sized enterprises

According to the World Trade Organization (WTO), 95 per cent of all firms of WTO member countries are micro, small and medium-sized enterprises, employing 60 per cent of the total workforce and accounting for approximately 50 per cent of value added in these economies. Furthermore, WTO recognizes the increasing role played by the smallest component of the micro, small and medium-sized enterprises sector, referred to as microenterprises, as the largest source of employment for women and young people in developing countries.[2]

It is, therefore, no surprise that SADC seeks to promote and increase the involvement of micro, small and medium-sized enterprises in the region's industrialization process. The SADC Protocol on Industry lays the foundation for industrialization in SADC. Under the Protocol, the central role a strong micro, small and medium-sized enterprise sector can play in accelerating growth and development in the region to address the scourges of poverty and unemployment is emphasized. The vision for industrialization in Southern Africa is captured in the SADC Industrialization Strategy and Road Map (2015-2063) and in its Action Plan, which was adopted in 2017. Three priorities for accelerating industrialization are identified in the Strategy:

(a) **Agriculture-led growth**, including agricultural value chains;

(b) **Natural resource-led growth** including minerals beneficiation and processing, also linking into value chains, both regional and global; and

(c) Enhanced participation in **domestic, regional and global value chains** (SADC, 2015, p. 28).

The Strategy further emphasizes that these three priorities are mutually-compatible, while in the Action Plan, it asserted that the central question "is not the focusing on the product or sector per se, but rather understanding the full value-chain and what is required to take advantage of opportunities to add value and migrate to new activities along the value chain" (SADC, 2017, p.33). It is beyond the scope of this study to discuss each product value chain. Lessons are to be drawn, however, from examples that may cut across different products, but

[2] See www.wto.org/english/forums_e/business_e/itcworkshopjune16_e.htm.

nonetheless bear applicable implications and lessons across each sector or across sectors in which challenges faced by micro, small and medium-sized enterprises are similar (SADC, 2017).

2.2. Proposed interventions in the Action Plan for strengthening of micro, small and medium-sized enterprises

In the Action Plan of the Strategy, strategic interventions for strengthening micro, small and medium-sized enterprises in the region are identified. Intervention areas include the following:

(a) Provision of business support services to enhance competitiveness and to operate efficiently. Important areas include training, technological and managerial assistance, marketing and physical infrastructure;

(b) Access to advanced technology and modern means of production, service and distribution;

(c) Enhancing ability to acquire and master technology and to innovate;

(d) Accesses to finance as own resources are insufficient for promoting technology based micro, small and medium-sized enterprises;

(e) Establishment of micro, small and medium-sized enterprises support agencies to render them partnership-ready (in terms of management and technical skills) and to facilitate their integration into regional and global value chains (SADC, 2017, pp. 40–41).

The development of business clusters (through, for example, special economic zones), government interventions to directly support the enterprises and business linkage programmes allowing for collaboration with larger enterprises is also proposed in the Action Plan. The discussion on agroprocessing and mineral beneficiation in this study includes proposed strategies and policies for ensuring that the interventions offered in the Action Plan are effective.

2.3. Definitions, profile and operating context of micro, small and medium-sized enterprises in Southern Africa

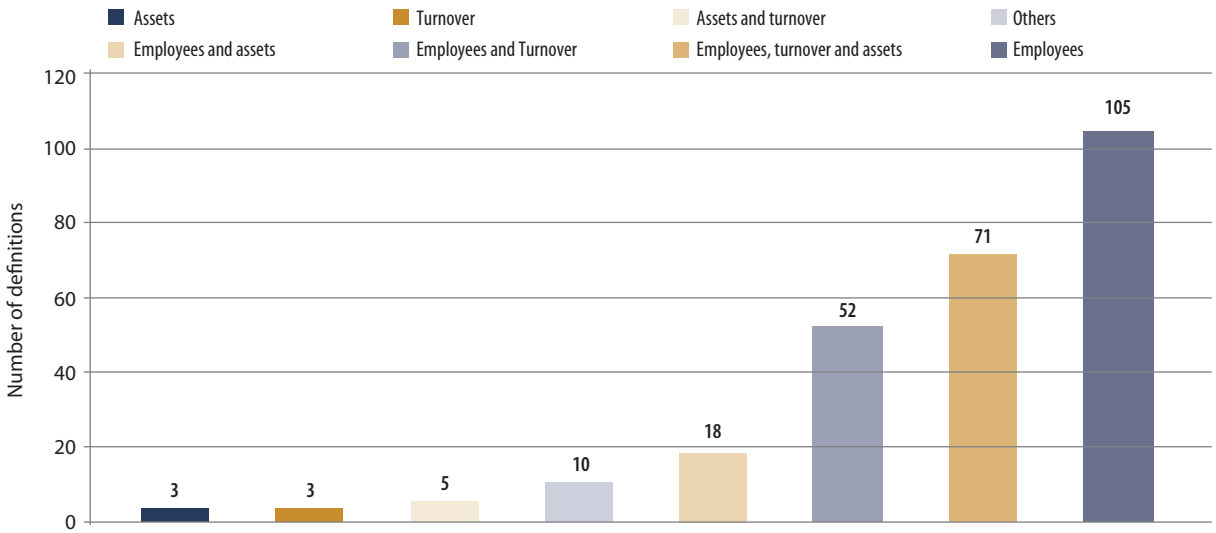
2.3.1 Definition of micro, small and medium-sized enterprises in Southern Africa

As mentioned in Chapter 1 of this study, a comparison of micro, small and medium-sized enterprises in 155 countries indicated that the most commonly used variable for defining micro, small and medium-sized enterprises globally is the number of employees, followed by a combination of number of employees, turnover and assets (figure I). UNIDO states that the most commonly used variable in developing countries is the number of employees (table 1).

Examples of definitions of micro, small and medium-sized enterprises in Southern African Development Community

Eswatini: The Government of Eswatini funded the 2017 FinScope survey of micro, small and medium-sized enterprises (Myeni, 2019). For that study, it was agreed that the definition of micro, small and medium-sized enterprises would be based on the number of employees, value of assets and turnover.

Figure 1: Common variables used to define micro, small and medium-sized enterprises



Source: Gonzales, Hommes, and Mirmulstein, 2014, p. 5).

Table 1: Common definition using number of employees in developing countries

Type of Enterprise	Size
Micro	<10
Small	10-49
Medium	50–249

Source: *UNIDO (2005, p. 8).*

Lesotho: The definition used by Lesotho is derived from the White Paper of 2002 and is based on the number of employees. The White Paper uses employees rather than firm's turnover or assets "because it allows for easier information gathering and is unaffected by changes in the value of money over time" (Lesotho, 2002, p. 12).

Mauritius: Turnover is currently the only definition adopted by the Small and Medium Enterprises Development Authority Act of 2015. The Act was repealed and replaced with the Small Enterprises Development Bill of 2017, which does not contain changes to the definition. There is, however, a proposal, contained in the 10-year master plan for the micro, small and medium-sized enterprises sector in Mauritius, for the definition to include the number of employees and assets.

South Africa: The official definition for small, medium and micro-enterprises is found in the National Small Business Act of 1996,[3] as amended in 2004. The definition is a combination of the number of employees, turnover and assets. The applicable employee numbers and monetary value of turnover and assets are industry-specific (see table 2). For each sector, the definitions differ, except in the case of number of employees in which all sectors except agriculture have a micro, small and medium-sized enterprises size-limit of 200 employees (in agriculture it is 100).

The amounts in the schedule (the purpose of which is to classify businesses by sector, size, number of employees, turnover, and fixed assets) may be reviewed by the relevant minister "to account for inflation, macroeconomic shifts in the economy, any legislation affecting small business and any other matter which could have an effect on

[3] National Small Business Act, No. 102 of 1996, as amended in 2004. Available at www.gov.za/documents/national-small-business-amendment-act .

the functionality of the Schedule" (National Small Business Act, 1996, p. 14) as was done in 2004 (see tables 2 and 3 for samples of the 1996 Schedule and the 2004 Schedule, respectively). The latter included amended monetary values for turnover and assets. Another category called "very small" businesses denotes those enterprises that are larger than microscale but smaller than small enterprises.

Zambia: The definition of micro, small and medium-sized enterprises for Zambia is contained in the MSME Development Policy of 2009 (Zambia, 2009, p. 6). This policy is under review and is likely to be amended in the near future.[4] Currently, four variables are considered in the definition of micro, small and medium-sized enterprises in Zambia: total fixed investments; sales turnover; number of employees; and legal status. To qualify as a micro, small or medium-sized enterprise under the above-mentioned categories, the legal status and total investment criteria must be met together with at least one other criterion (Zambia, 2009, p. 7). Another category called "informal enterprise" is defined for companies that are not registered and employ no more than 10 people (Zambia, 2009).

Table 4 presents the definition of micro, small and medium-sized enterprises or small, medium and micro enterprises in Eswatini, Lesotho, Mauritius, South Africa and Zambia. Table 5 presents the definition by turnover in the five countries and, table 6 gives the Eswatini definition by value of assets.

It is outside the objectives of this study and it is not feasible to arrive at one definition

Table 2: Sample of the 1996 schedule for agriculture, mining and quarrying and manufacturing (South Africa)

Sector or sub-sector in accordance with the Standard Industrial Classification	Size or Class	Total full-time equivalent of paid employees Less than:	Total annual turnover Less than:	Total gross asset value (fixed property excluded) Less than:
Agriculture	Medium	100	R4.00m	R4.00m
	Small	50	R2.00m	R2.00m
	Very small	10	R0.40m	R0.40m
	Micro	5	R0.15m	R0.10m
Mining and Quarrying	Medium	200	R30.00m	R18.00m
	Small	50	R7.50m	R4.50m
	Very small	20	R3.00m	R1.80m
	Micro	5	R0.15m	R0.10m
Manufacturing	Medium	200	R40.00m	R15.00m
	Small	50	R10.00m	R3.75m
	Very small	20	R4.00m	R1.50m
	Micro	5	R0.15m	R0.10m

Note: *R = South African rand.*

[4] Interview with the Manager for Micro and Small Entrepreneurship at the Zambia Development Agency, Mr. Musentekwa, 2018.

for micro, small and medium-sized enterprises given the diversity of the region's economies. While the use of turnover would assist in measuring the micro, small and medium-sized enterprises sector's contribution to the economy, it is difficult to do this across countries. The size of each economy is one of the complicating factors. Furthermore, denominating such turnover in a common currency such as

Table 3: Sample of the 2004 Schedule for Agriculture, Mining and Quarrying and Manufacturing (South Africa)

Column 1	Column 2	Column 3	Column 4	Column 5
Sector or subsector in accordance with the Standard Industrial Classification	Size of class	The total full-time equivalent of paid employees	Total turn-over	Total gross asset value (fixed property excluded)
Agriculture	Medium	100	R5.00m	R5.00m
	Small	50	R3.00m	R3.00m
	Very Small	10	R0.50m	R0.50m
	Micro	5	R0.20	R0.10m
Mining and Quarrying	Medium	200	R39.00m	R23.00m
	Small	50	R39.00m	R6.00m
	Very Small	20	R10.00m	R2.00m
	Micro	5	R4.00m	R0.10m
Manufacturing	Medium	200	R0.20m	R19.00m
	Small	50	R51.00m	R5.00m
	Very Small	20	R13.00m	R2.00m
	Micro	5	R5.00m	R0.10

Note: *R=South African rand.*

Table 4: Definition of micro, small and medium-sized enterprises in Eswatini, Lesotho, Mauritius, South Africa and Zambia by number of employees

Variable	Eswatini	Lesotho	Mauritius	South Africa	Zambia
Number of employees	**Micro** 0–3	**Micro** <3	**Micro** None: Proposal: 1–5a	**Micro** 1–5	**Micro** 1–10
	Small 4–10	**Small** 3–9	**Small** None Proposal: 6–20	**Small** 11–50	**Small** 11–50
	Medium 11–50	**Medium** 10–4	**Medium** None Proposal: 21–100	**Medium** 51–200	**Medium** 51–100

[a] *This is a proposal contained in the 10-Year master plan for the micro, small and medium scale enterprise sector in Mauritius.*

Table 5: Definition of micro, small and medium-sized enterprises in Eswatini, Lesotho, Mauritius, South Africa and Zambia by turnover

Variable	Eswatini (E)	Lesotho (M)	Mauritius (MUR)	South Africa	Zambia
Turnover	Micro <E60 000 ($3 900)	Micro None	Micro Up to MUR 2 million ($56 231)	Micro R0.15 million ($10 223)	Micro K150 000 ($10 057)
	Small <E3 million ($195 000)	Small N/A	Small MUR 2 million–MUR 10 million ($56 231–$281 155)	Small R2 million–R10 million ($136 319–$681 595)	Small K150 million–K250 million ($15 057–$25 095)
	Medium Up to E8 million ($520 000)	Medium N/A	Medium MUR 10 million–MUR 50 million ($281 155–$1 405 780)	Medium R4 million–R40 million ($272 638–$2 726 380)	Medium K300 million–K800 million ($301 114-$803 044)

Note: *E, Swazi emalangeni; MUR, Mauritian rupee; R, South African rand; K, Zambian kwacha.*

Table 6: Eswatini definition by value of assets

Micro	<E50 000
Small	E50 000–E2 million
Medium	E2 million–E5 million

Source: *FinMark Trust (2017: p. 4).*

Note: *E, Swazi emalangeni.*

the United States dollar, given currency fluctuations, would require frequent review of the turnover thresholds, which would be very cumbersome.

Definitions in each country are important for understanding the specific characteristics of micro, small and medium-sized enterprises, especially when determining which strategies and policies are required and appropriate at the different stages of the sector's development (definitions are jurisdiction-specific).

2.3.2. Characteristics of micro, small and medium-sized enterprises in Southern Africa

Table 7 shows the general characteristics of the different types of enterprises. Although these characteristics are not cast in stone, they lay the foundation for critical thinking and realistic expectations of micro, small and medium-sized enterprises capacities and capabilities. This influences strategies and policies in such areas as policymaking for formalizing micro, small and medium-sized enterprises and taxation and where they can participate in value chains.

In the *2017 African Economic Outlook*, African countries are warned about the need to bridge the gap between entrepreneurship and industrialization strategies. This follows a survey of 42 African countries, which indicated that national strategies tend to focus more on poverty alleviation through survivalist microenterprises that are vehicles for self-employment. For micro, small and medium-sized enterprises to make real contributions to industrialization, a greater focus is needed on decent work, waged employment, sustainability and productivity (African Development Bank, OECD and UNDP (2017).

Table 7: General characteristics of micro, small and medium-sized enterprises

Types	Characteristic (not hard rules)
Informal Operator/ Survivalist	• no employees • no distinction between business and personal finances • does not keep records • does not pay taxes • is not registered with any authority • engages in business activities to pay for daily expenses
Informal Micro or Small Business	• less than 10 employees • no distinction between business and personal finances • may not keep records • may not pay taxes • may not be registered with any authority • has physical address and contact details
Formal Micro or Small Business	• between 10 and 49 employees • keep records • has separate bank account • pay taxes • is registered with all required authorities? • has physical address and contact details

Source: *Research ICT Africa (2006).*

Available data show that the majority of micro, small and medium-sized enterprises in Southern Africa are in the informal operator/survivalist stage. In Mozambique, 89 per cent of the micro, small and medium-sized enterprises are not registered and 86 per cent are not licensed (FinMark Trust, 2012b, p. 20). Furthermore, 93 per cent are individual entrepreneurs and only 7 per cent have employees (FinMark Trust, 2012b, p. 18). Similarly, in Eswatini, the majority of micro, small and medium-sized enterprises are independent entrepreneurs (74.7 per cent), 17.7 per cent are microbusinesses, 6.6 per cent qualify as small businesses and only 1 per cent are medium scale businesses (FinMark Trust, 2012a, p. 5). In Malawi, 59 per cent of the micro, small and medium-sized enterprises are run by individual entrepreneurs. Of the 41 per cent that employ staff, 81 per cent are microbusinesses that employ 1 to 4 people, 17 per cent are small businesses employing 5 to 20 people and only 2 per cent are medium-sized enterprises with more than 21 employees (FinMark Trust,2012b, p. 30). Even in one of the larger economies of the region, the United Republic of Tanzania, the majority of micro, small and medium-sized enterprises are dominated by individual entrepreneurs (75 per cent). As for the rest, 18 per cent are microenterprises, 7 per cent small businesses and 1 per cent medium businesses. In South Africa, 39 per cent of the micro, small and medium-sized enterprises are operated by individual entrepreneurs, 47 per cent are very small enterprises employing two–five people, 9 per cent are microenterprises and employ 11–20 people. Only 1 per cent are medium-sized enterprises employing 21–50 people (MSME South Africa, 2018, p. 6).

As discussed above, most micro, small and medium-sized enterprises in the region are either individual entrepreneurs or very small enterprises. The number of medium-sized enterprises is only between 1 and 2 per cent. Considerations of strategies and policies for integrating micro, small and medium-sized enterprises in industrialization need to recognize and accommodate this reality. Accordingly, the focus should be on formalizing, building capacity and targeting value chain participation that can grow and sustain micro, small and medium-sized enterprises. Southern African countries offer various incentives for micro, small and medium-sized enterprises, but as can be seen from the sample of incentives in annex II, most of these are better suited micro, small and medium-sized enterprises operating with very small profit margins.

2.3.3. Profile of micro, small and medium-sized enterprises in Southern Africa: size and contribution to gross domestic product

The frequency and quality of data collection on micro, small and medium-sized enterprises vary across countries in the region. In 2018, SADC member States were requested to contribute statistical data used by their governments to assess the size and contribution of micro, small and medium-sized enterprises to their economies. Table 8 represents data that were compiled by the author from various sources, including governments, donor organizations and academic researchers. The dearth of statistical information makes it difficult to draw a comprehensive regional picture on the sector. Nonetheless, the available data illustrate that at 13.2 per cent, of micro, small and medium-sized enterprises in South Africa contribute the lowest percentage to gross domestic product (GDP), while the micro, small and medium-sized enterprises in Zimbabwe contribute the most, at 50.1 per cent. In the light of the current economic environment in Zimbabwe, where the formal sector has declined significantly since the political crisis that began in 2000, the number of micro, small and medium-sized enterprises may be larger.

Table 9 presents the available information about the top five sectors in which micro, small and medium-sized enterprises operate. Notably in the context of this study, all countries have agriculture is in the top five, except South Africa. Only Mozambique engages in mining and quarrying. Manufacturing is reflected in all countries, though the definition of manufacturing was not the same for all studies.[5]

2.3.4. Key constraints or challenges faced by micro, small and medium-sized enterprises development in the Southern African Development Community

At the twenty-fourth session of the Intergovernmental Committee of Experts of Southern Africa, held in 2018, held in Mauritius, from 18 to 21 September 2018, member States were requested to provide country-level information on key constraints to the development of micro, small and medium-sized enterprises in their countries. The responses received are presented under points 1 to 4 in table 10. Points 5–7 are based on data available through open sources, as compiled by the author.

[5] For example, main activities in the definition of "manufacturing" in Malawi include beer brewing, butchering and selling African cakes in which the process of baking the cakes is counted as light manufacturing (FinMarkTrust 2012a, p. 32). On the other hand, the main goods reflected in the manufacturing definition in South Africa are beverages, electric machinery and transport (see Small Enterprise Development Agency, 2018).

Table 8: Micro, small and medium-sized enterprises contribution to gross domestic product and percentage of total enterprises in Southern Africa

Country	Micro, small and medium-sized enterprises contribution to country's economy (GDP %)	Micro, small and medium-sized enterprises as a percentage of total enterprises
Angola	20.5%	31.9%
Botswana	20% (2017)	N/A
Comoros	N/A	N/A
Democratic Republic of the Congo	N/A	N/A
Eswatini	N/A	N/A
Lesotho	15%	85%
Madagascar	N/A	N/A
Malawi	15.5%	98%
Mauritius	40%	N/A
Mozambique	N/A	N/A
Namibia	Minimum 30%	N/A
Seychelles	N/A	N/A
South Africa	13.2%	N/A
United Republic of Tanzania	27%	99.5%
Zambia	70%	97%
Zimbabwe	50.1%	N/A

Table 9: Top 5 sectors for micro, small and medium-sized enterprises participation in Southern African Development Community

Country	Sectors and share
Angola	▪ Wholesale and retail trade (51.3%) ▪ Construction (5.6%) ▪ Electricity and water (3.5%) ▪ Manufacturing industry (3.8%) ▪ Agriculture and fisheries (4.4%)
Eswatini	▪ Wholesale/retail (39%) ▪ Agriculture/farming sector (23%) ▪ Community and household (14%) ▪ Manufacturing (13%) ▪ Construction (3%)
Lesotho	▪ Wholesale and retail trade (30%) ▪ Agriculture, forestry and finishing (22%) ▪ Accommodation and food series (10%) ▪ Manufacturing (9%) ▪ (mainly bricks, furniture and craft) ▪ Transportation and storage (3%)

Country	Sectors and share
Malawi	▪ Agriculture related (63%) ▪ Wholesale and Retail (23%) ▪ Services (7%) ▪ Manufacturing (7%)
Mauritius	▪ Wholesale and retail trade (37%) ▪ Transportation and storage (17%) ▪ Manufacturing (12%) ▪ Construction (10) ▪ Accommodation and food service activities (9%)
Mozambique	▪ Wholesale and retail (44%) ▪ Agricultural activities, forestry and fishing (22%) ▪ Manufacturing (12%) ▪ Other service activities (7%) ▪ Mining and quarrying (3%)
South Africa	▪ Trade and accommodation (39%) ▪ Community (15%) ▪ Construction (14%) ▪ Finance & Business Services (13%) ▪ Manufacturing (9%)
United Republic of Tanzania	▪ Trade 55% ▪ Service 30% ▪ Manufacturing 14% ▪ Other 1%
Zimbabwe	▪ Agriculture (43%) ▪ Wholesale and retail (33%) ▪ Manufacturing (9%) ▪ Other services (7%) ▪ Energy and construction (3%)

The constraints in Table 10 may be categorized into firm level *capacity challenges* (lack of business management and skills training, inadequate managerial and entrepreneurial skills, lack of knowledge and business information skills, cash flow, lack of access to information), *poor infrastructure* (absence of production infrastructure, inadequate work space, space to operate), *insufficient technology* (obsolete technology, access to technology, access to better technology, access to better technology and information and communications technology, *competitiveness* (competition from other producers), *policy and regulations* (too much red tape, unfavourable legal and regulatory framework, regulatory), *market access* and *finance* (lack of financing, absence of appropriate credit and finance, cost of finance, funding). These constraints and the attendant recommendations are discussed in Chapters 35.

2.4. Improving government regulation of and services to micro, small and medium-sized enterprises

2.4.1. Formalization of enterprises

To integrate micro, small and medium-sized enterprises into regional value chains, governments need to understand the profile and capacity of such businesses. Available survey data show that the majority of micro, small and medium-sized enterprises in the region is unregistered. For example, in Eswatini, 75 per cent of the micro, small and medium-sized enterprises are unregistered (FinMark Trust, 2017, p.11), as compared with 82 per cent in Lesotho (Fin Mark Trust, 2016, p. 10), 91 per cent in Malawi (FinMark Trust, 2012a, p. 6) and 85 per cent in Zimbabwe (FinMark Trust, 2012c, p. 8). Of the 25 per cent micro, small and medium-sized enterprises that are registered

Table 10: Southern African Development Community member State responses on constraints to the development of micro, small and medium-sized enterprises

Country	Constraints
1. Angola	▪ Lack of financing and too much red tape
2. Malawi	▪ Lack of business management and skills training. ▪ Absence of appropriate credit and finance. ▪ Lack of access to markets. ▪ Absence of production infrastructure. ▪ Poor access to information.
3. United Republic of Tanzania	▪ Insufficient working sites ▪ Unfavourable legal and regulatory framework ▪ Limited access to finance ▪ Obsolete technology ▪ Limited access to markets
4. Zimbabwe	▪ Access to and high cost of finance ▪ Access to markets ▪ Access to technology ▪ Inadequate workspace ▪ Inadequate managerial and entrepreneurial skills
5. Mauritius	▪ Product development ▪ Access to better technology and information and communications technology ▪ Lack of knowledge and business information ▪ Business training/counselling advice ▪ Competition from other producers
6. South Africa	▪ Cash flow ▪ Economic conditions ▪ Funding ▪ Skills ▪ Regulatory
7. Lesotho	▪ Access to finance ▪ Space to operate ▪ Competition ▪ Bad weather/natural disasters ▪ Cost of finance

Source: *Compilation by the author.*

in Eswatini, the majority do not associate business registration with direct positive incentives to the business development, 42 per cent register to comply with the law, 15 per cent resister to avoid harassment and 4 per cent register to avoid fines (FinMark Trust, 2017, p.11). Access to finance and government assistance is available to only 17 per cent of the registered respondents. During the focus group discussions, it emerged that companies often participate in State-led capacity-building initiatives without formal registration. While complying with the law and avoiding fines are not negative, there are insufficient incentives for micro, small and medium-sized enterprises to voluntarily register. The Ministry of Commerce, Industry and Trade is piloting a scheme to enable vendors to access government funding if they show that that they are registered and have the requisite permits from their municipality.[6] Services offered by the State to capacitate micro, small and medium-sized enterprises and facilitate their market entry should be marketed widely as positive incentives. This requires effective monitoring and evaluation of past recipients of government support and recording of their business growth paths. Governments could partner with such businesses to launch campaigns

[6] M. Dlamini, interview, 2019.

for registration by demonstrating their success stories as a result of the government assistance provided.

Low registration levels are inevitably accompanied by low tax compliance.

2.4.2. Improving tax regulation

There was a shared view among participants of the focus group in Eswatini that the demands of financing their operations along the value chain places a significant cost on these businesses. Paying tax was seen as burdensome and crippling. It is, therefore, important that the tax system is seen as being fair by micro, small and medium-sized enterprises Collecting taxes from micro, small and medium-sized enterprises taxes remains a challenge among SADC member States; some member States are opting for a presumptive tax based on the assumption that it reduces the compliance burden.

Eswatini is looking at the feasibility of introducing a presumptive tax. As indicated in table 11, should Eswatini implement this tax, 50 per cent of the SADC member States would be implementing a presumptive tax. Some countries, such as the United Republic of Tanzania provide a dual option for micro, small and medium-sized enterprises to either implement the presumptive tax rate or elect to submit audited financial statements and a pay corporate income tax. The country has two categories of individual traders, small individual and medium individual traders. The former pays a presumptive tax and the latter pay a corporate income tax on profit based on audited accounts. Table 12 provides details of the dual tax options in the Untied Republic of Tanzania.

For micro, small and medium-sized enterprises to perceive the presumptive tax system to be fair, it must adhere to the principles of horizontal and vertical equity.

Horizontal equity

This entails a comparison across the same products within the formal and informal sectors, considering both personal income tax and corporate income tax. A

Table 11: Countries implementing a presumptive tax in the Southern African Development Community

COUNTRY	PRESUMPTIVE TAX RATE
1. Madagascar	A corporate entity having an annual turnover of less than 200 million ariary (MGA) ($54,015) is subject to corporate income tax at a rate of 5 per cent of 70 per cent of turnover, with a minimum tax of MGA 16,000. A tax reduction of 2 per cent of the amount of purchases of goods and equipment subject to regular invoices is applicable. Tax due cannot be less than 3 per cent of the turnover.
2. Malawi (called turnover tax)	2 per cent
3. Mauritius	1 per cent
4. Seychelles	1.5 per cent
5. United Republic of Tanzania	Minimum threshold where such tax is not paid. Where payable, the tax ranges between 3 and 3.5 per cent
6. Zambia	Fixed amounts, not percentages
7. Zimbabwe	Varies according to sector (see Annexure 3)
8. Eswatini	Pending: consultations underway

Source: *Revenue authority website of each country.*

Table 12: Tax dispensation for traders in the United Republic of Tanzania

Annual turnover	Tax payable when records are incomplete	Tax payable when records are complete
Where turnovers does not exceed TSHS 4,000,000	NIL	NIL
Where turnover exceeds TSHS 4,000,000 but does not exceed TSHS 7,000,000	TSHS 100,000	3% of the turnover in excess of TSHS 4,000,000
Where turnover exceeds TSHS 7,000,000 but does not exceed TSHS 11,000,000	TSHS 250, 000	TSHS 90,000 + 3% of the turnover in excess of TSHS 7,500,000
Where turnover exceeds TSHS 11,000,000 but does not exceed TSHS 14,000,000	TSHS 450,000	TSHS 230,000 + 3% of the turnover in excess of TSHS 11,000,000
Where turnover exceeds TSHS 14,000,000 but does not exceed TSHS 100,000,000	NOT APPLICABLE	TSHS 450,000 + 3.5% of the turnover in excess of TSHS 14,000,000

Source: *Tanzania Revenue Authority.*

2017 study of presumptive tax in Zimbabwe demonstrated that employees in the formal sector who were earning below a certain income level could pay no tax, yet those at the same threshold in the informal sector would pay tax. Table 13 below illustrates that "at the hypothetical minimum income level of $250, employees in the formal sector in Zimbabwe have a 0 per cent tax rate, while those in the informal sector would pay between 10 per cent for flea market operators and 200 per cent for hairdressing salon operators" (Dube and Casale, 2017, p. 56).

Vertical equity

The results in table 14 highlight that presumptive taxes can also be vertically inequitable within the informal sector. For example, hairdressers pay significantly higher taxes than all other categories. This is the result of a flawed calculation from the outset.

Table 13: Horizontal inequity in the presumptive tax of Zimbabwe

Income Level	Type of earner	Monthly Income ($)	Presumptive Taxes		Formal Taxes	
			Monthly tax ($)	Effective Rate	PIT Rate	CIT Rate
Minimum	Hairdressing salon	250	500.00	200.00%	0.00%	25.75%
$250	Cottage industry	250	100.00	40.00%	0.00%	25.75%
	Minibuses	250	50.00	23.33%	0.00%	25.75%
	Taxi-cab	250	33.33	13.32%	0.00%	25.75%
	Flea market	250	50.00	10.00%	0.00%	25.75%

Income Level	Type of earner	Monthly Income ($)	Presumptive	Taxes	Formal Taxes	
			Monthly tax ($)	Effective Rate	PIT Rate	CIT Rate
Twice minimum	Hairdressing salon	500	500.00	100.00%	10.30%	25.75%
	Cottage industry	500	100.00	20.00%	10.30%	25.75%
$500	Minibuses	500	50.00	11.67%	10.30%	25.75%
	Taxi-cab	500	33.33	6.67%	10.30%	25.75
	Flea market	500	100.00	10.00%	10.30%	25.75%
Three times minimum	Hairdressing salon	750	500.00	66.67%	13.73%	25.75%
	Cottage industry	750	100.00	13.33%	13.73%	25.75%
$750	Minibuses	750	50.00	7.76%	13.73%	25.75%
	Taxi-cab	750	33.33	4.44%	13.73%	25.75%
	Flea market	750	150.00	10.00%	13.73%	25.75%

Source: *Dube and Casale (2017).*

Notes: *PIT, personal income tax; CIT, corporate income tax.*

Table 14: Vertical inequity in the presumptive tax of Zimbabwe

Income Level	Type of earner	Monthly Income ($)	Presumptive	Taxes	Formal Taxes	
			Monthly tax ($)	Effective rate	PIT Rate	CIT Rate
Minimum	Hairdressing salon	250	500.00	200.00%	0.00%	25.75%
$250	Cottage industry	250	100	40.00%	0.00%	25.75%
	Minibuses	250	50	23.33%	0.00%	25.75%
	Taxi-cab	250	33.33	13.32%	0.00%	25.75%
	Flea market	250	50.00	10.00%	0.00%	25.75%
Twice minimum	Hairdressing salon	500	500.00	100.00%	10.30%	25.75%
	Cottage industry	500	100.00	20.00%	10.30%	25.75%
$500	Minibuses	500	50.00	11.67%	10.30%	25.75%
	Taxi-cab	500	33.33	6.67%	10.30%	25.75
	Flea market	500	100.00	10.00%	10.30%	25.75%
Three times minimum	Hairdressing salon	750	500.00	66.67%	13.73%	25.75%
	Cottage industry	750	100.00	13.33%	13.73	25.75%
$750	Minibuses	750	50.00	7.76%	13.73%	25.75%
	Taxi-cab	750	33.33	4.44%	13.73%	25.75%
	Flea market	750	150.00	10.00%	13.73%	25.75%

Source: *Dube and Casale (2017).*

Notes: *PIT, personal income tax; CIT, corporate income tax.*

The working group responsible for tax cooperation in SADC plays an important role in sharing best practices among finance ministries and tax authorities. It should assess regional micro, small and medium-sized enterprises taxation policies and assist governments to ensure horizontal and vertical tax equity for micro, small and medium-sized enterprises.

2.4.3. Offering quality business development services

Southern African Development Community countries offer business development services, either through government agencies or private service providers, or a combination of the two. Effective business development service offerings integrate three propositions, namely quality-first, customerfirst and market power propositions (Mwitwa, 2019). Quality first concentrates on the need for micro, small and medium-sized enterprises to understand the level of quality standards that are expected by customers. These standards are often set at national and international levels and require business development services training that can link micro, small and medium-sized enterprises to the relevant standard-setting and monitoring authorities for tailored training and monitoring.

The customer-first proposition relates to the quality first proposition but goes beyond quality of product or service to extend to the overall customer experience of dealing with a business. It entails the design of processes followed for delivering products and services. Quality business development services training should, therefore, focus on training micro, small and medium-sized enterprises about matching customer expectation and experience with process design.

Micro, small and medium-sized enterprises have limited resources for conducting market analyses and monitoring marketing trends. The Market Power Proposition requires business development services training to give micro, small and medium-sized enterprises market analysis tools to understand what is driving the market in areas that affect competitiveness, such as product and service development, pricing, competitor innovation.

2.4.4. Coherence and consistency of government policies across departments

Legislation for micro, small and medium-sized enterprises is not only the function of departments or units within single government departments that are responsible for them. For example, Business Eswatini observed that, while there was increasingly talk of promoting enterprise development where their larger members should source goods and services from micro, small and medium-sized enterprises, a draft bill to curb outsourcing was also sought. Although the intention of the latter might be to protect jobs, it also has the potential to block micro, small and medium-sized enterprises from guaranteed offtakes and market access.

Interdepartmental rivalries are sometimes a stumbling block. For example, the Ministry of Commerce, Trade and Industry of Eswatini is responsible for industrialization and micro, small and medium-sized enterprises, but it relies on other departments to achieve its objectives. For example, it needs the Ministry of Sports, Culture and Youth to cooperate in the objective to increase

youth-owned enterprises. The Ministry's budget allocation is skewed towards developing youth sports and recreation as those sectors fall within its portfolio. Similarly, agroprocessing is a priority value chain for industrialization, but active guidance about it is needed from the Ministry of Agriculture. Although the country's Financial Inclusion Strategy makes a provision for a national agriculture value chain coordination mechanism, it has yet to be fully operational. It is, therefore, recommended that coordination of priority sectors take place at the head of government level through an interministerial committee.

Chapter 3: Agroprocessing and micro, small and medium-sized enterprises in Southern Africa

3.1. Overview of the agricultural sector in Southern Africa

The contribution of agriculture to GDP (table 15) ranges from more than 20 per cent for most of the low-income economies in the region, such as the Comoros, Madagascar and Malawi, with Lesotho and Zambia as outliers; and less than 10 per cent for most of the middle-income economies (Botswana, Mauritius, Namibia and South Africa) and the single high-income economy (Seychelles) (UNCTAD, 2019). Among the lower middle-economics, Eswatini and Lesotho, are outliers with a relatively small contribution of agriculture to GDP of less than 10 per cent.

The region produces a variety of agricultural products, including, meats, dairy,

Table 15: Contribution of Agriculture to gross domestic product in Southern African Development Community, % of gross domestic product (2014–2017)

Country	Average: 2014–2016	2017	Difference
Angola	8.8%	8.8%	0.0%
Botswana	2.3%	2.2%	-0.1%
Comoros	31.1%	30.8%	-0.3%
Democratic Republic of the Congo	20.1%	20.8%	0.7%
Eswatini	10.0%	10.0%	0.0%
Lesotho	6.1%	6.1%	0.0%
Madagascar	27.7%	27.7%	0.0%
Malawi	32.6%	31.9%	-0.6%
Mauritius	3.6%	3.5%	-0.1%
Mozambique	24.4%	22.7%	-1.8%
Namibia	6.6%	7.4%	0.7%
Seychelles	2.5%	2.4%	-0.2%
South Africa	2.4%	2.6%	0.2%
United Republic of Tanzania	31.1%	32.0%	0.9%
Zambia	6.4%	4.3%	-2.0%
Zimbabwe	11.6%	11.6%	0.0%
SADC Average	8.7%	8.7%	0.0%

Source: *UNCTAD (2019).*

fish, cereals, vegetables, sugar, coffee and tea, beverages and tobacco. Overall, the contribution of agriculture to GDP has waned in recent years because of irregular rainfall patterns due climate change and phenomena such as the El Niño effect and the adverse effects of the fall army worm, which affected most SADC member States. The effects of climate change are expected to continue to undermine the sector in the region. In 2019, these effects left more than 10.5 million people food insecure, just as most countries in the region were trying to recover from the 2015 and 2016 drought and food price volatility (FAO, 2019). In 2018, FAO estimated that it would need $67.9 million to assist 4.9 million people through food security interventions in Eswatini, Lesotho, Madagascar, Malawi, Mozambique, Namibia, Zambia and Zimbabwe (FAO, 2019). Despite the recent challenges to agricultural output, the contribution of agriculture to GDP increased in real terms from an average of $48.3 billion in 2014 to 2016, to $51.9 billion in 2017 (table 16) (FAO, 2019). Consequently, climate change has had a varying impact for different SADC member States.

Among the SADC member countries, agricultural output increased the most in 2019 in Angola, the United Republic of Tanzania and South Africa. It increased by an annual average of 10.3 per cent from 2014 to 2017 in Angola and 2.6 per cent annual average from 2014 to 2016 in the United Republic of Tanzania, where it further continued to increase by 3.7 per cent in 2017. For South Africa, agricultural output declined by an annual average of 3.3 per cent from 2014

Table 16: Contribution of agriculture to gross domestic product in Southern African Development Community, millions of US dollars at constant 2010 prices (2014–2017)

Country	Average: 2014–2016	2017	Difference
Angola	7 751.85	9 074.63	1 322.78
Botswana	295.50	303.26	7.75
Comoros	359.16	378.31	19.15
Democratic Republic of the Congo	5 635.74	5 934.58	298.84
Eswatini	527.65	515.27	-12.38
Lesotho	164.47	165.70	1.22
Madagascar	2 863.47	2 887.69	24.22
Malawi	2 434.14	2 578.54	144.39
Mauritius	402.76	412.01	9.25
Mozambique	3 209.45	3 439.88	230.43
Namibia	890.17	971.60	81.44
Seychelles	25.71	23.42	-2.29
South Africa	9 606.96	10 269.46	662.50
United Republic of Tanzania	11 090.24	11 753.42	663.18
Zambia	1 984.29	2 171.91	187.62
Zimbabwe	1 446.48	1 451.00	4.52
SADC Total	48 328.88	51 952.36	3 623.49

Source: *UNCTAD (2019).*

to 2016, and then recovered, to grow by 17.7 per cent in 2017 (FAO, 2019).

The El Niño effect, which induced drought, had the worst impact on agricultural output in Eswatini, Lesotho and Seychelles. In Eswatini, agricultural output decreased by an annual average of 3.3 per cent from 2014 to 2016 and then rebounded to grow by 0.5 per cent in 2017 (FAO, 2019). In Lesotho, agricultural output increased by an annual average of 6.6 per cent from 2014 to 2016, and then declined by 9.8 per cent in 2017 (FAO, 2019). For Seychelles, agricultural output declined by an annual average of 3.4 per cent from 2014 to 2016 and then continued to decline by 8.2 per cent in 2017 (FAO, 2019).

Nevertheless, the agricultural sector remains a significant contributor to GDP and socioeconomic development in SADC. As a result, in 2014, SADC joined the African Union commitment to creating job opportunities for at least 30per cent of the young people in agricultural value chains through the Malabo Declaration (African Union, 2014, p. 4). This commitment was in line with the commitments of the 2003 Maputo Declaration under which African Union member States committed themselves to revitalizing the agricultural sector "including livestock, forestry and fisheries through special policies and strategies targeted at small-scale and traditional farmers in rural areas and the creation of enabling conditions for private sector participation, with emphasis on human capacity development and the removal of constraints to agricultural production and marketing, including soil fertility, poor water management, inadequate infrastructure, pests and diseases" and to allocating at least 10 per cent of their national budgets to agriculture (African Union, 2003, p. 1). To harness the developmental potential of agriculture and achieve the Sustainable Development Goals related to eradicating hunger and poverty by 2030 requires an additional annual investment of $98 billion in the SADC region, of which 55 per cent must be earmarked for agriculture and rural development (FAO, 2019).

3.2. Agroprocessing and the Southern African Development Community Industrialization Strategy

In the SADC Action Plan, priority agriculture value chains for each member State are identified (SADC, 2017, p. 14). Two main factors were taken into consideration when defining the value chains: value chains already in existence with the potential to upscale; and new value chains with potential to develop with links to regional and global value chains. Table 17 illustrates the sectors and value chains that were identified for agroprocessing.

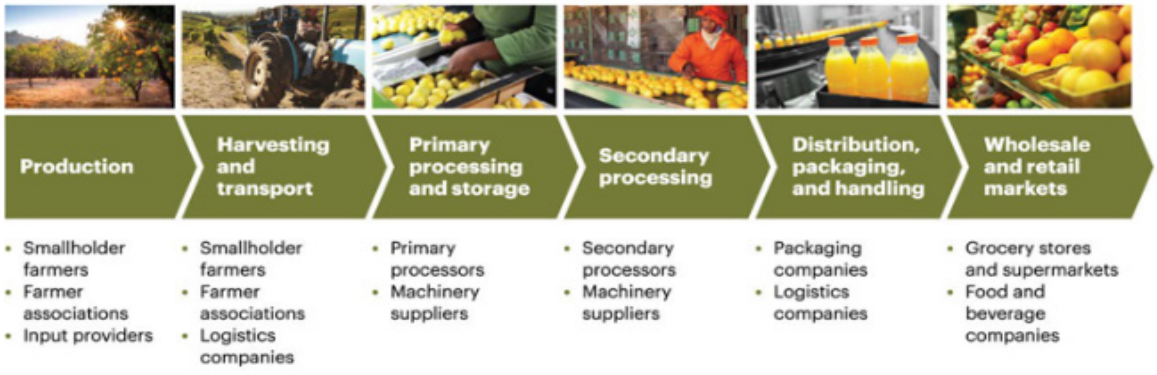
Although each of these sectors has its own detailed value chain, the components of the agricultural value chain follow a common sequence or phases, namely production, harvesting and transport, primary processing and storage, secondary processing, distribution, packaging and handling, wholesale and retail markets (see figure II) (Kariuki, 2018).

Table 17: Southern African Development Community priority agro-processing value chains

Sector and Value chain	Countries
Soya	South Africa, Zimbabwe, Zambia, DRC, Malawi, Madagascar
Sugar	Malawi, Mozambique, South Africa, Eswatini, DRC, Tanzania, Zambia, Zimbabwe, Mauritius, Botswana
Meat products (poultry and beef)	Botswana, South Africa, Zambia, Zimbabwe, Namibia, Eswatini, Madagascar, Tanzania, DRC
Cassava	Angola, DRC, Mozambique, Tanzania, South Africa, Malawi, Madagascar, Zambia, Zimbabwe
Dairy products	Madagascar, South Africa, Namibia, Tanzania, DRC, Malawi, Botswana, Zambia, Zimbabwe, Swaziland
Other food and drinks	Angola, DRC, Lesotho (Maize), Mauritius (sea food), Zambia (oil seeds and livestock products), Malawi (oil seeds), South Africa, Zimbabwe, Eswatini, Madagascar (Rice maize, black eyed beans, pea), Namibia, Tanzania (maize, rice, oil seeds)
Fish and fish products	Angola, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Zambia, Madagascar, Malawi, Tanzania, DRC, Zimbabwe
Horticulture (fruit, vegetables and flowers)	Swaziland, Lesotho, Zambia, South Africa, Malawi, Madagascar, Zimbabwe, DRC, Namibia, Tanzania
Wildlife (game meat and hide processing)	Botswana, Namibia, South Africa, Zambia, Zimbabwe, DRC
Forestry - Timber and non-timber forest products (medicinal, cosmetics essential oils and other herbal products)	DRC, South Africa, Angola, Madagascar, Eswatini, Mozambique, Zimbabwe, Zambia, Namibia, Tanzania, Malawi, Mauritius

Source: *SADC (2017)*

Figure 2: The typical agricultural value chain



Source: *Kariuki (2018).*

3.3. Understanding regional and global value chains

3.3.1. Nature of global value chains

Global value chains can be categorized into international supply markets, buyer-driven, producer-driven and integrated firms. International supply markets are characterized by arms-length relationships between international buyers and sellers, with little need for coordination and cooperation (ADB, 2015, p. 30). Buyer-driven value chains are controlled by buyers or producers. These producers are often transnational companies that have transitioned from producing to buying and global

coordination. They are typically dominated by larger retailers, branded manufacturers and marketers that establish decentralized production networks in exporting countries, often in developing countries. They also supply specifications for the content and quality of goods to be sourced from suppliers (UNCTAD, 2010, p. 3). A less common feature is integrated firms, namely the multinational company produces major goods in-house and exercises strong vertical management control within the firm (ADB, 2015, p. 30). Producer-driven value chains are common among capital and technology intensive industries, such as automobiles and heavy machinery. Large companies play a central role in coordinating the production networks in such value chains (UNCTAD, 2010, p.3).

3.3.2. Nature of global agriculture value chains

Global agribusiness value chains are dominated by large retailers or supermarkets. They typically have strong brand recognition, which is associated with particular standards, and grants them access to regional and global markets. Although this may appear as a threat to micro, small and medium-sized enterprises that are unable to meet these standards, such enterprises with the requisite capabilities stand to benefit significantly. This is especially the case for addressing high revenue strategies of retailers that are looking to penetrate global niche markets through product differentiation, such as organic produce (ADB, 2015). There is also scope for micro, small and medium-sized enterprises to upgrade their offerings by assuming technically sophisticated activities that are being outsourced by global retailers, such as bar coding, labelling and ready-to-eat food (ADB, 2015). This creates the sectoral spillovers that enable micro, small and medium-sized enterprises to expand into industries that makes it possible for them to participate in global value chains beyond agroprocessing.

3.3.3. Nature of agriculture value chains in Southern Africa

South Africa is a leading proponent of agricultural regional value chains, serving as a supplier of intermediary inputs and an export market for the intraregional exports. There tends to be a duplication in the commodities and products produced by countries in the region, which results in countries competing to enter export markets with the same primary products (Minaar, Duvenhage, and de Villers, 2019, p. 17). There has yet to be a regional approach to value addition that gives different countries specific advantages along the value chain. This is largely the result of continued focus on national priorities instead of "those with strong regional externalities as the benefits cannot fully be appropriated nationally" (Minaar, Duvenhage, and de Villers, 2019). There are also regional regulatory and policy challenges that impede the development of agricultural regional value chains. For example, the banning of genetically modified organism foods in Zimbabwe bars the development of regional value chains involving a country that produces genetically modified organism foods, such as in South Africa (Minaar, Duvenhage, and de Villers 2019).

Glaring large-scale success stories regarding the development of regional value chains in SADC are limited. Nonetheless, some positive examples do exist, such as the leather industry in Lesotho that supplies the motor industry in South Africa (Minaar,

Duvenhage, and de Villers 2019). The changing procurement strategies of South African retailers with a regional footprint operating towards in-country sourcing have the potential to create value chains. For example, agroprocessed products, such as yoghurt and fruit juice, that are sourced by Shoprite in Madagascar may be offered in other supermarkets involved in the same chain elsewhere in the region.

Technology-driven innovations along the value chain should be explored and supported as potential new sources of business opportunities for micro, small and medium-sized enterprises, especially as countries struggle to meet the commitments made in the Malabo Declaration about attracting young people to engage in the agricultural sector. This is especially case for information and communications (ICT)-led innovations, such as the use of drones (for example for pest control); use of mobile telephones and application design to tackle concerns about understanding customer preferences, supply and demand of goods and services, trade requirements and industry standards; and interactive training that allows for regular updates on market and industry trends. (Klins, 2019).

One of the points of discussion in the focus group was that the agricultural sector in Eswatini is struggling to attract young people. This was echoed in a discussion with the National Maize Corporation, which focused on the challenge of adopting new technologies in the sector being partly attributed to an older generation of farmers who are not willing to adapt their traditional methods.[7] The focus group was of the view that young people do not see agriculture and its associated industries as modern forms of work. They pointed to the need for integrating the skills required into the national curriculum or specialized institutions intended for creating market-ready learners. They also observed that as in line with the establishment of the more technically oriented Limkokwing University, the quality of design and production of food labels in Eswatini had improved.

The example of the Singapore Institute of Technical Education gives lessons for integrating the micro, small and medium-sized enterprises development priorities into the education system and attracting younger people into priority sectors. Through the Institute, the Government fosters dynamic collaboration with industry partners and integrates the latest industry trends, including changes in value chain demands, into the curriculum (ADB, 2015, p. 128).

3.4. Opportunities for micro, small and medium-sized enterprises

Although the above discussion has focused on the challenges facing micro, small and medium-sized enterprises, the changing global economic and business landscape also presents opportunities for them. As governments and such enterprises consider how to centralize the participation of micro, small and medium-sized enterprises in the priority sectors of the industrialization strategies, it is important to first reflect on the diverse opportunities and how they can help micro, small and medium-sized enterprises position themselves in regional and global value chains.

[7] Sihlongonyane, interview, 2019.

The Asian Development Bank (ADB) makes the case that globalization and regional economic integration present positive spin-offs for micro, small and medium-sized enterprises development, in particular the following factors:

(a) The rise of niche markets and the importance of customization;

(b) Technological advances that have resulted in discontinuities in production, product fragmentation, and the rise of production networks;

(c) Reduced product life cycles that have made flexible production more important than volume of production;

(d) Subcontracting opportunities arising from the growth of the global production system in manufacturing;

(e) Opportunities arising from global retail sourcing (the so-called "putting out" system);

(f) The increased importance of the services sector (dominated by micro, small and medium-sized enterprises) because of the rising affluence in developing and post-industrial societies, and also in low-income developing economies;

(g) The importance of knowledge, skills, and innovation—and not just volume of production—and the ability to commercialize these as core sources of competitiveness, value creation and value adding in the new economy;

(h) Their reduced bureaucracy, greater flexibility and ability to respond to rapidly changing customer demands and technology;

(i) Their innovation capacity and ability to initiate and commercialize innovation, in particular in knowledge and skill intensive sectors in which entry costs are lower;

(j) Advances in ICT and innovative utilization of e-commerce to expand market outreach, expansion of networks, gaining access to information and participation in value chains;

(k) Participation in clustering (horizontal and vertical) and networking that can facilitate access to knowledge-sharing spill-overs and skilled labour as well as achieve economies of scale and scope, which would be impossible in isolation;

(l) Flexibility in technology development, adaptation and application;

(m) Recognition by policymakers at the national and international levels of the important role that micro, small and medium-sized enterprises can play in economic development, in particular with regard to employment generation, empowerment, and poverty alleviation (ADB, 2015, p. 5).

With the above context, challenges and opportunities in mind, the next part of the study covers micro, small and medium-sized enterprises in agroprocessing and opportunities for Southern African micro, small and medium-sized enterprises.

3.5. Domestic, regional and global strategies and policies for integrating micro, small and medium-sized enterprises into industrialization

As previously mentioned, in the SADC agroprocessing study success, factors for upstream and downstream value chain participation in agroprocessing are identified and a five-point policy framework to improve the potential for developing sustainable agroprocessing value chains in the region is recommended. Although the framework is not designed solely for micro, small and medium-sized enterprises, some of its interventions are key to them into value chains. This framework constitutes the recommendations that were adopted by member States and has the following components (table 18).

The following section of the study entails a discussion on the interventions identified in the framework as they relate to micro, small and medium-sized enterprises. First, it is necessary to provide background to the recommendations. To do this, the discussion is focused on the practical challenges expressed by micro, small and medium-sized enterprises owners, drawing largely on the experience of Eswatini, where a field visit was carried out. It must be emphasized at this point that open source data tends to focus on challenges faced by micro, small and medium-sized enterprises in general, without disaggregating to focus on the ones involved in agroprocessing. The only country for which such survey data could be found was the United Republic of Tanzania. There is also a study that focuses specifically on challenges faced by micro, small and medium-sized enterprises in agroprocessing in Zimbabwe. These two studies are used to illustrate the similarities in the challenges faced by micro, small and medium-sized enterprises across these countries.

3.5.1. Eswatini case study

The Ministry of Commerce, Industry and Trade arranged a focus group of four entrepreneurs, all of whom were involve in small enterprises in agroprocessing. Two of the entrepreneurs specialize in processing food products and the other two process herbal medicine. The story of each entrepreneur is presented below, followed by observations and recommendations for addressing the issues raised.

Visi's Chillies, food agroprocessing.

Ivy Khumalo is the founder and owner of Visi's Chillies, which has three employees.

Table 18: Policy measures and interventions required for developing regional value chains

Policy measure	Intervention
1. Developed infrastructure and conducive business environment	Transport infrastructure; productive on-farm infrastructure; rural storage; access to energy.
2. Regional integration and openness to trade	Standards; trade agreements; regulatory environment; standards and sanitary and phytosanitary issues; market access and information; Inputs.
3. Capacity to be responsive to value chains	Smallholder capacity; processing facilities; access to finance.
4. Partnerships between Government and private sector	Government capacity; partnership with private sector; standards and sanitary and phytosanitary capacity
5. Social and environmental	Environment

She is selective about the ingredients used to produce her products and has schooled herself on the different types of chillies and the specific flavours that they produce, all of which are grown using no chemicals and planted organically using compost. Khumalo does not own land so she pays rent to farmers who grow her fresh chillies. Accordingly, she must rely on landowners to plant, grow and harvest her chillies based on her strict guidelines. Some planters may be inclined to take shortcuts and not follow her instructions to the letter, thus affecting the quality of the produce. Furthermore, she must hire labourers to do the manual processing of chillies after harvesting. Accessing a machine for drying would significantly increase her productivity as mechanization would yield larger numbers of chillies ready for bottling. A key requirement for growing her business is a drying machine. She would like to own one, but is willing to lease a machine as an interim measure. Her challenge is that she does not know where she could find a reliable lessor. A friend has a drying machine that she is not using and has offered to loan the machine to Khumalo, but she is concerned is that this arrangement needs to be governed by a contract that is legally binding so that her productivity does not decline should the owner decide to reclaim the machine.

In 2018, a delegation from the Taiwan Province of China sampled the products of Khumalo and expressed interest in placing an order for 25,000 bottles. She could not enter into a contract with it because she could not guarantee supply due to the low rate of productivity.

Khumalo has invested time and resources to ensure that her product is professionally packaged and branded. She brought a sample of the product to the focus group discussion. It is packaged as well as any chilli sauce that is available in retail stores. This success, however, has created new problems of imitators. Her branding has been copied by an individual known to her, but feels powerless to confront the individual as she is not aware of any law that she can claim is being violated. She, therefore, runs the risk of losing out on her investment to somebody that is benefiting from it as the brand matures.

Siyaphila Natural Medicine, pharmaceutical

Mandla Mdluli is the owner of Siyaphila Natural Medicine, which he founded in 2013. After reading about the health benefits of the bitter leaf plant, Mdluli imported some stems of the plant, three of which survived to yield more plants. He grows the plant organically, using rudimentary harvesting and drying methods, before manually cutting and packaging them. The product comes in powdered and capsule forms. His company employs five people, three of whom are only employed during harvest. He started the company with funds received from government's pension for the elderly. To test the market, Mdluli arranged with a local pharmacy to sell the product. As more patients bought the product, its benefits were spread through word of mouth and his customer base grew across Eswatini. With the frequent migration between Eswatini and South Africa, his product is sold through networks of loyal customers in South Africa, without being registered in that market.

Similarly, Mdluli developed a natural, plant-based hair dye that gained popularity in

the domestic market. His customers living in South Africa built up the demand for it in that country. This led to a retail company in South Africa ordering stock of the product to test the market in South Africa. Mdluli prepared the required quantities and transported the goods by road. Upon inspection at the border, South African customs authorities required proof of certification that demonstrates the pharmaceutical standards compliance of the product. This was the first time that Mdluli had heard about any such requirement for certifying products.

Following that difficult lesson, Mdluli considers the issue of standards and certification to be the main stumbling block in his attempts at accessing a larger market and expanding his business. There has also been interest expressed in his bitter leaf product in Taiwan Province of China for which he is receiving queries from other parts of the world. He has been requesting assistance from the Eswatini Standards Authority, with the intention of acquiring European Union standard accreditation, which would be acceptable in South Africa, Taiwan Province of China and the various jurisdictions where there is an interest in his product. Representatives of the Eswatini Standards Authority visited his property within a month and offered to assist him to access the European Union-standard Good Agricultural Practices accreditation. They indicated that there is no in-country expertise and an expert would need to come from South Africa for the accreditation at a cost of 4,500 South African rand (R) ($287) per business. The Eswatini Standards Authority cannot solicit the services of this expert for Mdluli alone, however, so they require that there be sufficient demand of at least five individuals for the service. As Mdluli is eager to get accreditation, he is actively looking for other micro, small and medium-sized enterprises that require this accreditation, including those he met through the study's focus group. The Eswatini Standards Authority has also indicated that the National Agricultural Marketing Board is willing to sponsor each business and pay the fee in full for each company.

Another factor that Mdluli considers a hindrance to his business growth is non-mechanization of his business. Access to mechanized drying facilities would enable him to process significantly larger quantities of his product. He has also identified a machine that would allow him to produce 25,000 capsules per hour, but he cannot afford the drying facilities nor the capsule-producing machine. He is also concerned that because of a lack of storage facilities, he has high wastage as he must throw away almost 50 per cent of his yield that he cannot process at the required quantities and frequency. He has explored government assistance that could be available to him and has been told that in the future, he can take his produce to the Royal Science and Technology Park, where he can access drying facilities and other technologies to improve his productivity. The park is 70 kilometres from his home and the time and financial costs of transporting the produce would significantly reduce the benefits of accessing it.

Sifundzekhaya Honey Produce, food agroprocessing

Ms. Dlamini is the owner of Sifundzekhaya Honey Produce, which she founded in 2008. She harvests, processes and packages organic honey from home, with the

help of her husband and children. Dlamini is a beneficiary of the government's project to develop honey producers, which was run under the auspices of the Common Market for East and Southern Africa (COMESA). She also registered to receive incubated funds through the Swaziland Fair Trade, a membership-based organization for "companies who produce high quality, high design handcraft"[8] in Eswatini. Her greatest benefits from the Swaziland Fair Trade are related to packaging and professionalizing her business.

Once she was comfortable that her product was shelf-ready, she approached the South African retailer Spar to supply her products in their Eswatini stores. She gave them samples and after realizing that the product was popular, they agreed to source it from her. Currently, the retailer orders approximately 300 bottles of honey of varying sizes per month. The honey has nutritional information and a flag of the country on the packaging, accompanied by the words "Proudly Swazi". Her product is the only one of all the focus group members' products that has nutritional information and bears the Swazi flag.

BB Health Products, food agroprocessing and pharmaceuticals

Dr. Nsibande is the founder and owner of BB Health Products. She was previously an employee of the Department of Agriculture as an advisor to farmers on how to grow mushrooms. A key challenge she identified is the difficulty in accessing laboratories for testing products during the innovation phase.

[8] For more details please refer to Swaziland Fair Trade website at www.swazifairtrade.org/.

Although the companies in the Eswatini case study are micro- enterprises and operating in a difficult environment where they have minimal support from the State and limited financial resources, their owners have to date successfully produced their products, developed strategies to access the markets and are on the cusp of expanding the market. These entrepreneurs demonstrate real potential for progressing to small enterprises within a short space of time. However, the identified constraints stand in the way of their development.

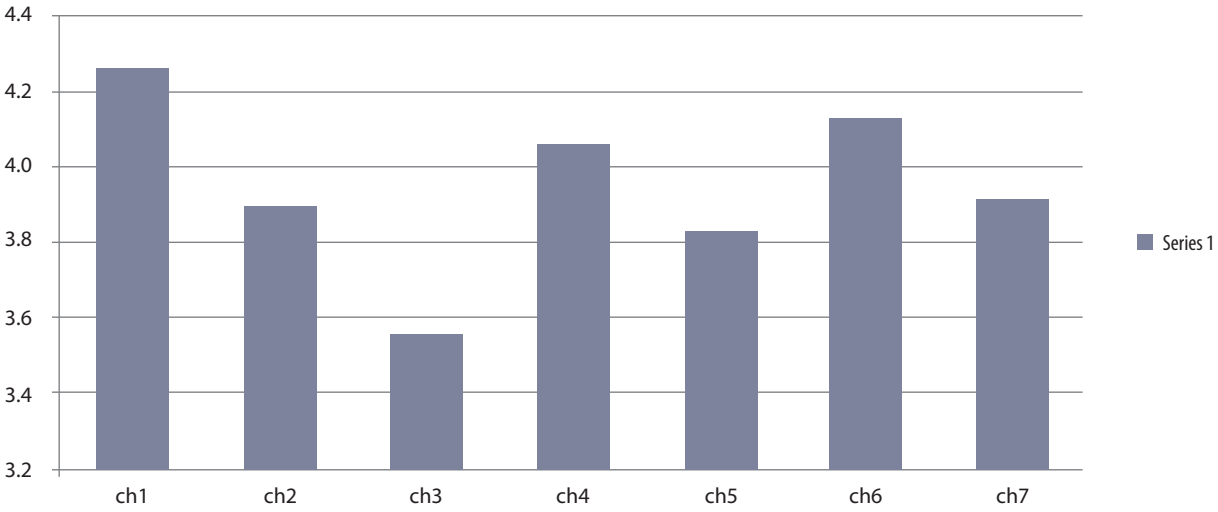
The challenges identified by the Eswatini interviewees are similar in other countries where micro, small and medium-sized enterprises participating in the agroprocessing sector are active.

3.5.2 Challenges faced by surveyed micro, small and medium-sized enterprises in agroprocessing in the United Republic of Tanzania and Zimbabwe

A sample study of twenty-four small and micro-enterprises in agroprocessing in the United Republic of Tanzania identified similar constraints to the expansion of these enterprises (See figure 3). Scarcity of financing, an inadequate, uncertain and costly power supply; lack of technical guidance and counselling; inconsistency of government projects and programmes to support the development of the agroprocessing enterprises; and poor attention given to advertisements and publicity related to the products emerged as the top five challenges faced by micro, small and medium-sized enterprises in agroprocessing.

The challenges faced by micro, small and medium-sized enterprises in the agropro-

Figure 3: Assessment of barriers that affect the expansion of operations of agroprocessing enterprises in the United Republic of Tanzania



Source: *Kamuzora (2012, p. 56–57).*

Notes: *Challenges are the following:*

ch1 - scarcity of financing;
ch2 - inconsistence of government projects and programmes to support the development of the agroprocessing enterprises;
ch3 - low level of entrepreneurships and management training of the large majority of persons engaged in agroprocessing;
ch4 - lack of technical guidance and counselling;
ch5 - technological gap;
ch6 - power supply inadequate, uncertain and costly;
ch7 - poor attention on advertisement and publicity of the products.

cessing sector of Zimbabwe resonate with those in Eswatini and the United Republic of Tanzania. They include the following:

(a) Poor equipment back-up service rendered by dealers, shortages and high cost of equipment and spares;

(b) Limited access to information from extension services;

(c) Limited access to appropriate packaging material for processed products, lack of marketing skills;

(d) Inadequate support services from training institutions, private sector consultants, small enterprise advisors, research institutions and engineering workshops;

(e) Erratic supply and increased cost of fuel coupled with frequent power cuts;

(f) Unreliable supply of raw materials, reduced demand for processed food products;

(g) Poor cash flow emanating from low volumes of raw materials hence low income is realized from processing;

(h) Failure to meet food processing regulations pertaining to food safety and hygiene practices which need to be adhered to in the industry.

(i) High cost of processing equipment;

(j) Limited capacity to mobilise capital for equipment purchase and working capital (Mhazo and others, 2012, p. 1612).

The constraints identified by agroprocessing micro, small and medium-sized enterprises in all of the above countries can be categorized into the six policy measures identified in the SADC agroprocessing framework for integrating the region into agroprocessing value chains, developed infrastructure and conducive business environment; regional integration and openness to trade; capacity to be responsive to value chains; partnerships between government and private sector; social and environmental. The next part of the study is focused on the potential interventions to tackle these challenges, with a specific focus on policies and strategies required for micro, small and medium-sized enterprises.

3.6. Interventions for micro, small and medium-sized enterprises in the agroprocessing sector

3.6.1. Developed infrastructure and conducive business environment

3.6.1.1. Transport infrastructure

Participating in regional and global value chains requires competitive pricing of processed products. Micro, small and medium-sized enterprises may apply strategies to produce price-competitive agroproducts, but transportation and logistics may raise the cost and drive down demand for those products (Paremoer, 2018, p. 41). Using 2017 figures for soya, box 1 provides an illustration of the effect of poor infrastructure on the choice of South African importers to import soya from Argentina over Zambia. This challenge has strategic and policy implications.

Strategically, micro, small and medium-sized enterprises need to develop relations with other such enterprises in the same value chain in countries where they trade in the region. As can be seen from this example, the cost savings that accrue to micro, small and medium-sized enterprises if trucks are guaranteed loads on both sides of the border are significant. A SADC-wide digital platform that allows micro, small and medium-sized enterprises to specify the dates, load size and transportation direction required to cover the return load of trucks would play an important role in driving demand in each country involved.

A policy implication is that SADC Governments must accelerate the development of feeder and national roads infrastructure (Paremoer, 2018). Efficient road transport, if complemented by efficient border operations, would enable micro, small and medium-sized enterprise to be more agile and consequently better able to respond to demand.

3.6.1.2. Non-transport infrastructure

The SADC agroprocessing study laments the shortage of non-transport infrastructure, such as storage, processing facilities and irrigation. The need for such facilities is central to the successful development of agroprocessing capacity and competitiveness. For example, investing in storage facilities is important, not only for preserving fresh produce, but also for securing the quality required by international buyers. One of the largest feed producers in Botswana indicated in an interview that poor quality of soybeans from Zambia was the result of lack of storage (Paremoer, 2018, p. 49).

Box 1: Effect of transport costs on the competitiveness of Zambian soy exports to South Africa

In January 2017, the price of Argentinian soya was approximately $380/ton. Transport, insurance and financing costs were approximately an additional $110/ton, meaning that the price paid by producers in the South African province of Gauteng (the price against which Zambia would compete) was approximately $490/ton. At the time, Zambian soya prices were averaging $390/ton. The cost of overland transport from Zambia to Gauteng has historically been approximately $110/ton, making the cost of Zambian soya $500/ton upon arrival in Gauteng. These are prices quoted for transport between South Africa and Zambia (likely consumer goods sent to South African-owned retailers in Zambia); the prices are inflated because of the built-in assumption that trucks going from South Africa to Zambia would return to South Africa empty because of unidirectional trade between the two countries. Transport costs decline to approximately $45/ton if trucking companies are assured a backhaul load from Zambia. Zambian soya exports to South Africa could, accordingly, lead to cheaper backhauls for soya, which could then be delivered in Gauteng at a price that is competitive to deep-sea imports. Based on the January 2017 figures, Zambian soya arrive in South Africa at $440/ton compared to $490/ton for deep sea imports. Efficient logistics and border operations mean that transport costs between Zambia and South Africa should sustainably be approximately $40/ton to $50/ton, given the distances involved.

Access to storage facilities also enables farmers to participate tactically and dynamically in the market by trading when conditions are favourable to them. For example, Tanzanian oilseed small farmers could potentially double their income if they store all or part of their crops and sell at times of lower supply (Paremoer, 2018). Similarly, the Zambian Agricultural Commodity Exchange is encouraging Zambian farmers to consider storing their crops to realize greater value at times of lower supply (Paremoer, 2018). Often, however, these farmers simply do not have access to storage facilities.

Commissioning such infrastructure in the region is viewed primarily as the role of governments. Accordingly, governments should explore a model in which the construction of non-transport infrastructure is integral to their plans for micro, small and medium-sized enterprises participation in agroprocessing value chains. Regarding silo construction, South African companies dominate such services in the region. The costs may range from approximately $3,200 for a 30-tonne steel silo to more than $146,000 for a 1,000-tonne silo. Companies engaged in silo construction are already partnering with governments in the region to build silos, such as ABC Hansen Africa, which is building silos in the United Republic of Tanzania and Zambia. Firms providing such storage solutions could be approached as potential partners (SADC, 2019, p. 18), with a more sustainable view to create capacity for building and operating silos in each country. Governments should incorporate skills transfer requirements into awarding such contracts so that capacity is developed in other countries in the region. One way in which this could be done is through joint ventures between the South African companies and locally established micro, small and medium-sized enterprises that are operating stable businesses in construction and related sectors that require skills for silo construction. This would have to be complemented by technical training to ensure that the requisite skills are available domestically.

A similar model may be adopted for building and operating other non-transport infrastructure, such as planting and harvesting equipment. As discussed earlier, during an interview with the National Agricultural Marketing Board of Eswatini, it emerged that there was an urgent need for modern planters and harvesters. These machines, which are mobile tractors that prepare the soil for rapid planting and harvesting, exponentially boost the number of fresh produce that farmers can yield. The tractors can cost more than 100 000 Swazi emalangeni (E) ($6,781) each, which is expensive for a small farmer. Their mobility, however, offers opportunities for a private service provider to lease the tractors to farmers in a defined geographic area. Some of the micro, small and medium-sized enterprises and government departments interviewed expressed little confidence that a government-led programme for providing such infrastructure would be managed effectively, with maintenance cited as the government's weakness. This may be a widespread problem beyond Eswatini. For example, in the province of Mpumalanga in South Africa, 32 new tractors were given by the government to a farming project in 2010. Less than five years later, only six of them were still functioning. More than 30 farmers missed planting in 2015 because of tractors either needing repairs or not having fuel, which the State was meant to provide (Masombuka and Jordan, 2015).

To deal with these limitations, governments should explore partnerships with micro, small and medium-sized enterprises for the provision of such services. This could be in various forms, for example micro, small and medium-sized enterprises form cooperatives that purchase the required equipment and lease to farmers who can pay with a combination of government subsidies and their own contributions. Alternatively, the equipment may be purchased by the government, but the operating and maintenance of it could be entirely outsourced to capable micro, small and medium-sized enterprises, governed by a service level agreement that includes good service ratings from end-users. Such basic infrastructure is key to productivity and should not be restrained by the bureaucracy. In cases in which micro, small and medium-sized enterprises can produce the service, governments should partner with them.

3.6.1.3. Improved energy infrastructure

Effective participation in agricultural value chains requires reliable energy supply. The Southern African region currently has an energy deficit, although plans are afoot to increase capacity through a combination of coal-fired power stations and renewable energy. Under the SADC Regional Infrastructure Development Master Plan, it is stated that only 5 per cent of rural areas in the region have access to electricity, yet many of the activities in the agroprocessing value chain take place in those areas. There is, however, potential for rural areas to generate significant energy, including excess capacity to sell back to the grid. A lesson on effective public-private partnerships for building renewable energy infrastructure in remote areas, especially for agroprocessing, can be learned from Vanuatu (see box 2). Through the work of Village Infrastructure Angels, a company that connects investors to village infrastructure projects, the country has moved from harnessing solar energy for rural

lighting to solar-powered agroprocessing mills.[9] As stated in the SADC agroprocessing study, governments can incentivize large firms through tax rebates to invest in such infrastructure. The severe shortages in energy supply and the macroeconomic risks it presents warrant tax incentives to rectify the situation. It is also in the interests of large companies and international cooperating partners to support the generation of renewable energy surpluses to secure their own energy supply in regional operations.

3.6.2. Regional integration and openness to trade

3.6.2.1. Standards and sanitary and phytosanitary issues

While the participants in the Eswatini focus group were aware that they would have to maintain certain standards for their produce to be acceptable for export, most of them had not heard about the support extended by the Eswatini Standards Authority and the importance of standards accreditation. The insufficient demand that had led to delayed accreditation for Mdluli was a likely sign that there was insufficient information about the process and accessibility of the training. Now that Eswatini has ratified the Agreement Establishing the African Continental Free Trade Area, local micro, small and medium-sized enterprises will be exposed to a larger market, face greater competition and need to deal more with issues of standards and product quality.

Because of the high cost of acquiring accreditation, there is significant room for the State and industry associations to play a more enabling role through third party accreditation. The National Agricultural Marketing Board of Eswatini is a government agency that is already implementing a system that may offer a solution for small businesses that cannot afford to pay for accreditation services. The Board buys fresh produce from farmers. The Good Agricultural Practices certification is awarded to the Board and through its use of extension officers, the company ensures that the smallholder farmers produce the quality that is commensurate with its accreditation. The accrediting agency may conduct

Box 2: Examples of public-private partnerships for agroprocessing through Village Infrastructure Angels

The first projects were built in Tanna Island in the south with the help of the International Renewable Energy Agency, Rotary Melbourne and angel investors, in partnership with the local partner of the Village Infrastructure Angels, ACTIV Association, a fair trade social enterprise. Among the projects are solar lighting solutions and the first solar mills that Village Infrastructure Angels developed with Project Support Services. The project has received scale-up support from the United States Agency for International Development (USAID) project, Powering Agriculture, GSMA and other angel investors. The national telecom company TVL and the Departments of Industry and Energy have also assisted the project, with the aim to scale up to 5,000 households by 2018, with services for solar home lighting and phone charging systems, complemented with solar agroprocessing mills for the main crops of the country, and other productive end uses, such as refrigeration and battery-based power told to help with rebuilding.

Source: *See www.villageinfrastructure.org/projects.*

[9] For more details please refer to www.villageinfrastructure.org/projects.

spot checks on farmers so the Board must ensure that they comply, as non-compliance would place its certification at risk. A similar arrangement should be explored for accreditation in agroprocessing, especially through associations of producers.

3.6.2.2. Market access and information

For micro, small and medium-sized enterprises to take advantage of large firm procurement strategies, they must have the capacity to analyse these strategies. Micro, small and medium-sized enterprises must not only understand how value chains operate, but they also must understand how large firms manage those value chains (Minaar, Duvenhage, and de Villers (2019, p. 18). Similarly, governments must understand large firm behaviour to be able to develop policies that are beneficial to micro, small and medium-sized enterprises in a good position. Such information is difficult to find in Southern Africa. In a study of the agroprocessing sector in Mauritius, Mozambique, South Africa, the United Republic of Tanzania and Zambia, the dearth of comprehensive information on the enterprise landscape in the region and poor identification of trends in production and processing in Mozambique, the Untied Republic of Tanzania and Zambia were noted (Paremoer,2018, p. 49). A proposal from the study is for the creation of a "living" database or "market observatory" that would track firm conduct and provide insights on the strategies employed by large firms in the region.

The implementation of this, however, may be challenging, as some of the data on firms is not publicly available, except for companies listed on stock exchanges. The University of Johannesburg Centre for Competition, Regulation and Economic Development has conducted studies to track the investment decisions and strategies of large firms listed on the Johannesburg Stock Exchange (see, for example, Bosiu and others, 2017;). A similar approach to track firms listed in other jurisdictions could be adopted, as most of the large firms operating in the region are listed on different stock exchanges, cut the challenge will still remain for smaller unlisted firms that are not obliged to make their information public.

3.6.2.3. Targeting niche markets

As previously mentioned, the global economy is increasingly presenting opportunities for niche markets and the importance of customization. Mass production and big retail operations must compete with organic and artisanal movements that seek to promote products that are "custom-made". There is room for the region's micro, small and medium-sized enterprises to explore entering regional and global markets as niche producers, such as health retailers that only trade in natural remedies. Small-scale producers who buck the mass production trend should be educated about the uniqueness and potential significance of their brands in the current global environment.

For example, product offerings of rare herbal remedies processed by Siyaphila Natural Remedies and BB Health Solutions in Eswatini would make it possible for these companies to supply niche markets. Partnering with other micro, small and medium-sized enterprises in the region that produce the same products according to the same standards would allow them to meet global demand.

This would require business development interventions by government, coupled with each country's marketing body to position the country as a producer of high-quality products for such markets. For example, in the case of Eswatini, use of the "Proudly Swazi" logo is not regulated. Any business may choose to include that logo, as was done on the honey labels of Dlamini. This may be a missed opportunity to convey a message to regional and global markets about the quality of produce that bears that flag. One option to facilitate access to niche markets for micro, small and medium-sized enterprises would be to reserve such branding for their produced products that follow certain standards. Governments trade missions could showcase products bearing this logo.

3.6.2.4. Fast-track implementation of regional trade facilitation agreements and educate micro, small and medium-sized enterprises

The African Continental Free Trade Area Agreement has given impetus to continent's resolve to increase intra-African trade. Although signing and ratification of the agreement is important to be a State Party, SADC countries should develop implementation strategies and simplify processes at border posts through, for example, providing preferred supplier programmes; eliminating corruption within customs authority, and removing non-tariff barriers (SADC, 2019b).

It is also imperative that the capacity building programmes for micro, small and medium-sized enterprises include information on the implications of bilateral, regional and international trade agreements for market access, which the Eswatini Ministry of Commerce Trade and Industry in Eswatini has begun to integrate into its training manuals. Duty-free access to certain markets could present the type of opportunities micro, small and medium-sized enterprises need to be price-competitive relative to large firms from countries that do not enjoy such access. Importantly, the goods produced by micro, small and medium-sized enterprises should be competitive to be able to penetrate the new markets.

3.6.3. Capacity to be responsive to opportunities offered by value chains

3.6.3.1 Finance

The four entrepreneurs in the focus group were of the view that they were ready to expand their businesses, but they needed capital to address the concerns raised above. Despite this, they were all sceptical about using banks and explicitly indicated that they were not interested in exploring that option, as the monthly commitment to repay, even when demand is not guaranteed, leaves them in fear of being stuck in a debt trap. This corresponds with the findings of the Eswatini MSME Survey, which shows that there is a low uptake of loans from formal institutions, such as banks, only 6 per cent of business owners have such loans (FinMark, 2017, p. 37). In other countries, such as Botswana and Zambia, micro, small and medium-sized enterprises have similar complaints, with the high interest rates charged by banks deterring them from borrowing. This calls for more innovation for access to banking and non-banking finance.

Value chain financing

FAO promotes countries' efforts to explore innovative financing solutions within value

chains. It can be internal to the value chain, involving arrangements between suppliers and farmers or processors. It can also be external and involve formal institutions, such as banks, but only to the extent that it relates directly to the value chain relationships, such as a bank issuing a loan to a group of farmers based on a contract with a trusted buyer (Miller and Jones, 2010, p. 2). Table 19 provides the different types of value chain finance instruments that should be explored.

Table 19: Agricultural value chain finance instruments

Instrument	Brief description
A. Product financing	
1. Trade credit	Traders advance funds to producers to be repaid, usually in kind, at harvest time. This allows traders to procure products and provides a farmer with needed cash (for farm or livelihood usage) as well as a guaranteed sale of outputs. Less commonly, trader finance can also be used "upward" in the chain, whereby the trader delivers products to buyers with delayed payments.
2. Input supplier credit	An input supplier advances agricultural inputs to farmers (or others in the value chain) for repayment at harvest or other agreed time. The cost of credit (interest) is generally embedded into the price. Input supplier credit enables farmers to access needed inputs while increasing sales of suppliers.
3. Marketing company credit	A marketing company, processor or other company provides credit in company cash or in kind to farmers, local traders or other value chain enterprises. Repayment is most often in kind. Upstream buyers are able to procure outputs and lock in purchase prices, and in exchange, farmers and others in the value chain receive access to credit and supplies and secure a market for selling their products.
4. Lead firm financing	A lead firm either provides direct finance to value chain enterprises, including farmers or guaranteed sales agreements, enabling access to financing finance from third party institutions. Lead firm financing, often in the form of contract farming with a buy-back clause, provides farmers with finance, technical assistance and market access, and ensures quality and timely products to the lead firm.
B. Receivables financing	
5. Trade receivables	A bank or other financier advances working capital to agribusiness (supplier, processor, marketing and export) companies against accounts receivable or confirmed orders to producers. Receivables financing takes into account the strength of the buyer's purchase and repayment history.
6. Factoring	Factoring is a financial transaction, whereby a business sells its accounts receivable or contracts of sales of goods at a discount to a specialized agency, called a factor, which pays the business minus a factor discount and collects the receivables when due. Factoring speeds working capital turnover, credit risk protection, accounts receivable bookkeeping and bill collection services. It is useful for advancing financing for inputs or sales of processed and raw outputs that are sold to reliable buyers.
7. Forfaiting	A specialized forfeiter agency purchases an exporter's receivables of freely negotiable instruments, such as unconditionally-guaranteed letters of credit and "to order" bills of exchange) at a discount, improving exporter cash-flow, and takes on all the risks involved with the receivables.
C. Physical asset collateralization	
8. Warehouse receipts	Farmers or other value chain enterprises receive a receipt from a certified receipts warehouse that can be used as collateral to access a loan from third party financial institutions against the security of goods in an independently controlled warehouse. Such systems ensure quality of inventory and enable sellers to retain outputs and give them the option to sell products at a higher price during the off-season or at a later date.

Instrument	Brief description
9. Repurchase agreements	A buyer receives securities as collateral and agrees to repurchase those agreements at a later date. Commodities are stored with accredited collateral managers, who issue receipts with agreed conditions for repurchase. Repurchase agreements provide a buy-back obligation on sales and are, therefore, employed by trading firms to obtain access to more and cheaper funding due to that security.
10. Financial lease (lease repurchase)	A purchase on credit which is designed as a lease with an agreement of lease sale and ownership transfer once full payment is made (usually in instalments with interest). The financier maintains ownership of said goods until full payment is made, making it easy to recover goods if payment is not made, while allowing agribusinesses and farmers to use and purchase machinery, vehicles and other large ticket items, without requiring the collateral otherwise needed for such a purchase.
D. Risk mitigation products	
11. Insurance	Insurance products are used to reduce risks by pooling regular payments of clients and paying out to those affected by disasters. Payment schedules are set according to statistical data of loss occurrence and mitigate the effects of loss to farmers and others in the value chain from natural disasters and other calamities.
12. Forward contracts	A forward contract is a sales agreement between two parties to buy or sell an asset at a set price and at a specific point of time in the future, both variables agreed to at the time of sale. Forward contracts allow price hedging of risk and can also be used as collateral for obtaining credit.
13. Futures	Futures are forward contracts (see definition above) that are standardized to be traded in futures exchanges. Standardization facilitates ready trading through commodity exchanges. Futures provide price hedging, allowing trade companies to offset price risk of forward purchases with counterbalancing of futures sales.
E. Financial enhancements	
14. Securitization instruments	Cash-flow producing financial assets are pooled and repackaged into instruments securities that are sold to investors. This provides financing that might not be available to smaller or shorter-term assets and includes instruments, such as collateralized debt obligations, while reducing the cost of financing on medium and longer-term assets.
15. Loan guarantees	Agricultural loan guarantees are offered by third parties (private or public) to enhance the attractiveness of finance by reducing lending risks. Guarantees are normally used in conjunction with other financial instruments and can be offered by private or public sources to support increased lending to the agricultural sector.
16. Joint venture	Joint venture finance is a form of shared owner equity finance between private and/or public partners or shareholders. Joint venture finance creates opportunities for shared ownership, returns and risks, partners often have complementary technical, natural, financial and market access resources.

The example from India in box 3 offers lessons learned for the types of very small and micro agroprocessors in Southern Africa. The type of value chain financing in this example not only creates secure offtakes for small producers, but it also affords them the opportunity to borrow against the product, thus eliminating the burden of traditional securitising through assets or strong balance sheets which micro, small and medium-sized enterprises often lack.

Pooling government resources for financing micro, small and medium-sized enterprises

Annex II shows that many SADC member States, such as Eswatini, Mauritius and South Africa, have multiple agencies financing micro, small and medium-sized enterprises. While these institutions may differ in mandate, the fragmentation of funds might render them less effective. For example, Eswatini recently re-established the

Box 3: Warehousing of nomadic farmers' honey in northern India

Honey producers can deposit their honey in warehouses managed by the YES Bank-appointed collateral manager, who assess its quality and quantity. The honey is pledged as security without transfer of title or possession. The honey receipts are used to borrow from the bank, which lends up to 70 per cent of the price of the honey offered from a large honey exporter, Kashmir Apiaries Export), with whom YES Bank has set an agreement. The beekeepers are free to sell to the highest bidder at the time he or she decides to sell it. By not having to sell at harvest and being able to achieve prices averaging 50 per cent higher and loans at much lower rates total volume of sales of Kashmir Apiaries Export has more than doubled to more than $17 million.

Source: *Miller and Jones (2010).*

Eswatini National Industrial Development Corporation, which is only capitalised to the value of E5 million, thus constraining it from borrowing. Considering the scale of capital required for industrialization, governments should consider pooling resources so that they have institutions with strong balance sheets that allow them to borrow from the market or syndicate loans with other institutions in the region.

3.6.3.2. Intellectual property

The findings in Eswatini demonstrate that for micro, small and medium-sized enterprises to participate effectively in regional and global value chains, they need to be better informed about trademarking and other intellectual property-related requirements to protect their products and services. Within SADC, all goods traded in the region are subject to the principle of territoriality, meaning that protection must be sought in each individual country (Nkomo, 2014). Intellectual property legislation, however, is often weak in African countries. In Eswatini, such legislation is still pending. The challenge that this poses for micro, small and medium-sized enterprises does not only relate to protecting their products and services from domestic replication, it may also dissuade foreign investors who want to invest in the region's micro, small and medium-sized enterprises (Nkomo, 2014). As stated by former United States Trade Representative Ron Kirk, "let's be clear: IP [intellectual property] theft in overseas markets is a job killer, and it's an export killer" (Nkomo, 2014). Foreign investors do not want to invest in innovations that could be easily replicated and undermine the efforts of the original innovators. Accordingly, although intellectual property is not often considered in relation to micro, small and medium-sized enterprises, domestic and regional industrialization policies that encourage innovation must promote the development of the requisite intellectual property legislation.

3.6.4. Partnerships between government and the private sector

3.6.4.1 Upgrading micro, small and medium-sized enterprises through linkages with large firms: local ownership versus local content

The development of micro, small and medium-sized enterprises should not be viewed as competition to the development of large-scale enterprises and multinational corporations. Governments must be conscious of the link between micro, small and medium-sized enterprises growth strategies and strategies to support the growth of large enterprises (Mwitwa, 2019). It is, therefore, critical that in formulating incentives

and legislation for the operations of large-scale firm, the complementarities between the large firms and micro, small and medium-sized enterprises are reflected in policy and legislation. The use of local ownership and local content requirements is a policy tool employed by countries to ensure that the benefits of conducting business in their jurisdiction accrue as much to their citizens as they do to foreign investors.

While the developmental objective of such policies is rational, the requirements should be a realistic reflection of the sector's level of development (domestic absorptive capacity) and potential for graduating to the next level. These policies should not deter foreign participation in the economy, but should, instead, leverage such participation to advance the micro, small and medium-sized enterprises sector. An example involving Norway is instructive in demonstrating the correlation between the objective and the setting of the policy. The country opted for local content requirements in its oil sector based on a priority to attract global competence. Accordingly, foreign companies were obligated to procure goods and services from Norwegian companies, in particular micro, small and medium-sized enterprises, to ensure that innovation in such goods and services was constantly evolving to make them more globally competitive (Olsen, n.d.).

A similar approach should be considered in the light of the different capacities and capabilities of micro, small and medium-sized enterprises in Southern Africa. Given the micro nature of most micro, small and medium-sized enterprises in the region, local content requirements would be more suitable for such enterprises than local ownership. For example, although the Eswatini agroprocessors in the focus group have found innovative means of creating small market demand, they have a greater need for fixed term offtake agreements that would enable them to attain security of capital, which they could use to borrow and expand their operations. Government policy that sets local content requirements for large-scale enterprises would allow these processors a greater opportunity to secure such contracts and address their immediate needs.

In areas, however, in which micro, small and medium-sized enterprises already have demonstrable capacity to supply goods and need to be linked to large-scale foreign enterprises for expansion, local ownership requirements would be feasible. Micro, small and medium-sized enterprises that have already established a market presence, either by having a significant share of the domestic market or by exporting, local ownership requirements would create the potential for transitioning them from the region into large-scale companies that influence regional and global value chains. This is also the stage at which it is more feasible to create joint ventures between large firms and micro, small and medium-sized enterprises. The balance sheets and offtake agreements of the medium-sized enterprises would facilitate the raising of capital for such joint ventures.

Although the focus is often on micro, small and medium-sized enterprises to partner with large companies for market access, there is also room for partnerships between smaller and larger micro, small and medium-sized enterprises. Eswatini Kitchen is a medium-sized enterprise is

engaged in the honey market. It employs 50 people, of which 45 are women, and is a founding member of the Eswatini Honey Council. Eswatini Kitchen also operates a community outgrower programme in rural areas where the growth of flowering plants makes the location ideal for beekeeping. The company finances the work of experienced beekeepers as extension officers to assist emerging honey producers with beekeeping methods and quality control. Such cooperation among micro, small and medium-sized enterprises, based on mutual benefit, can also generate practical ideas for effective linkages with larger firms. micro, small and medium-sized enterprises associations can play a key role in facilitating this cooperation.

3.6.4.2. Other means of linking large firms and micro, small and medium-sized enterprises: subcontracting and partnership exchange

The limited human resource capabilities of micro, small and medium-sized enterprises and their tendency to work in isolation may inhibit their ability to identify subcontracting opportunities with larger companies. They also struggle to identify potential partners for joint ventures, which, in turn, limits the possibility for them to develop partnerships that could give them greater access to finance, technology and marketing (UNIDO, 2013, p. 29).

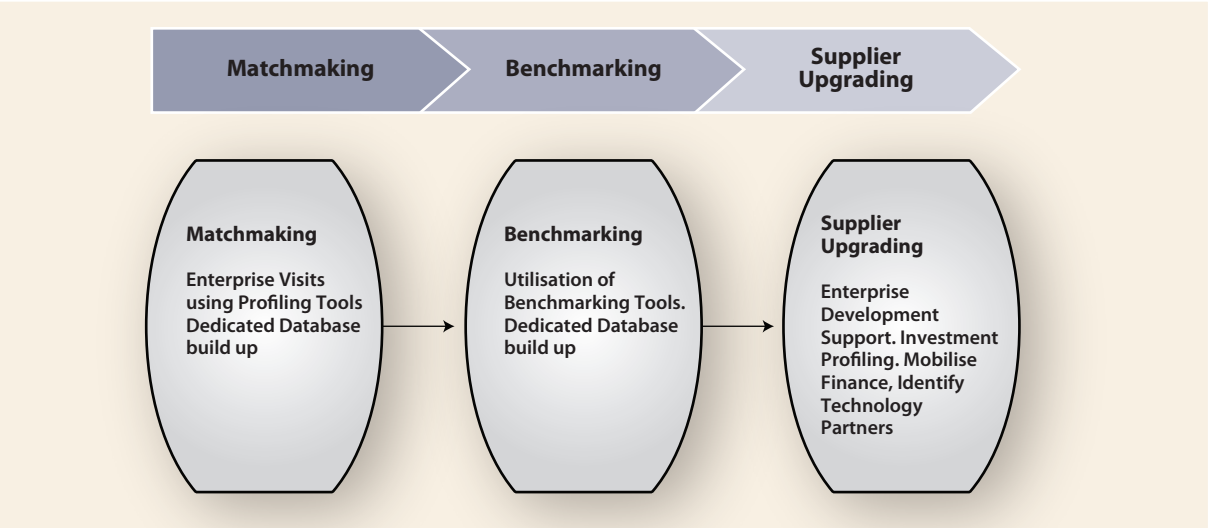
UNIDO has developed the subcontracting partnership exchange concept, which facilitates matchmaking, benchmarking and supplier upgrading (figure IV). The exchange maintains a database of micro, small and medium-sized enterprises and their manufacturing capabilities and capacities, identifies partners that would be a mutual good fit, identifies opportunities for micro, small and medium-sized enterprises and markets these opportunities to micro, small and medium-sized enterprises and large-scale enterprises (UNIDO, 2013, p. 29). They are often hosted in public agencies or private sector business associations (UNIDO, 2013, P.29).

In Morocco, a subcontracting partnership exchange was established in 1987 with the initial aim of matching its members to potential partners and assisting them in negotiating agreements. It has since expanded by providing assistance in international subcontracting, procurement and partnership fairs. As of 2013, the Moroccan subcontracting partnership exchange had 600 members, brokered 131 subcontracting agreements, and brought 176 partnerships to the negotiation stage (UNIDO, 2013, p. 7). Because of these tangible results, this subcontracting partner exchange can attract members that are willing to pay fees. Business associations also contribute to it; it is self-supporting. Micro, small and medium-sized enterprises that share membership of industry associations with large companies can play a leading role in the establishment of subcontracting partnership exchanges.

3.6.4.3. Networks and clusters

The concept of networks and clusters was pioneered by UNIDO after analysing the limitations of traditional business development that were geared towards providing services to single enterprises. A network is defined as "a group of firms that cooperate on a joint development project,-complementing each other and specializing in order to overcome common problems, achieve collective efficiency and conquer

Figure 4: Subcontracting and partnership exchange service offerings



Source: *UNIDO (2013, p. 7).*

markets beyond their individual reach" (UNIDO, 1999, p. 1). A cluster refers to enterprises that are concentrated around the same sector or geographical area. These enterprises "produce and sell a range of related or complementary products and are, thus, faced with common challenges and opportunities" (UNIDO, 1999, p. 2). They can cut across public and private institutions and promote collective learning and innovation. Clusters and networks can be horizontal among micro, small and medium-sized enterprises or vertical among micro, small and medium-sized enterprises and large-scale enterprises along the value chain (UNIDO, 1999, p. 1). Accordingly, a key distinguishing factor between clusters and networks and traditional business development services is that, instead of focusing on individual enterprises, clusters place emphasis on the whole business system to leverage the collective capacities of enterprises. The creation of special economic zones has been used to facilitate agglomeration and the evolution of industrial clusters, which can accommodate micro, small and medium-sized enterprises.

Because of the involvement of multiple enterprises with different capacities, capabilities and expectations, the design of networks and clusters is critical (Hobohm, 2001, p. 24). Micro, small and medium-sized enterprises are often reluctant to establish networks because of the high transaction costs of establishing, developing and managing relationships with suitable and trustworthy network partners. They are also dissuaded by the prospect of some network members "freeriding" if the legal framework is not well-developed (Hobohm, 2001, p. 24). In Zambia, for example, the Smallholder Aggregation Initiative was organized through COMESA (Zulu, 2014). It was the government's attempt to link small scale farmers to buyers, but the lack of trust among the small farmers and weak accountability structures (for example, who would take responsibility for goods that were rejected because of poor quality) led to the failure of the programme.[10] This example illustrates the practical realities of managing networks. More importantly, it demonstrates the need for highly-skilled, well-trained sector specialists to facilitate

[10] Musentekwa, interview, 2018.

the creation of the network and manage problems, such as quality control systems, before products are sent to buyers.

As with traditional business development services, networks and clusters must be demand-driven and led by service providers that have a solid understanding of the demands of industrial and agroprocessing value chains. The effectiveness of the network depends largely on network brokers, individuals who are trained to identify the needs, capacities and capabilities of each network member. These brokers assist the network or cluster identifying technical, quality assurance, accreditation and any other factors required to enable the network members to participate in the value chain.

The EcoHamaca example illustrates how a shared desire to penetrate international markets among a network of 11 producers of handicraft hammocks in Honduras created demand for business development services. The producers sought to standardize production to attain the required quantities, improve design quality and offer competitive pricing. The network was able to develop strategies for eco-friendly products that would have greater appeal in the European Union and the United States of America. This significantly drove up demand for their products. Although it was initiated by UNIDO, the increase in exports made the value of the network more apparent. Consequently, the network collectively financed the hiring of a manager to help them develop additional formal training schemes (UNIDO, 1999, p. 8).

The lessons learned from this are that financing in the early days of operation may come from international cooperation partners or governments, but the long-term sustainability of the networks is determined by the members' contributions. This horizontal cooperation among micro, small and medium-sized enterprises is especially effective for small companies that are trying to expand their market into supplier development programmes and medium-sized enterprises that wish to expand into the region and beyond.

3.6.5. Environment

As discussed earlier, the El Niño effect in Southern Africa could potentially devastate the agriculture sector through drought and floods. To mitigate the effects of climate change, it is proposed in the SADC agroprocessing study that investment be made in research, development and dissemination of improved crop varieties. This requires technological innovations are essential for designing infrastructure, systems and processes that mitigate climate change. These areas of technology and innovation development also present a significant opportunity to transform the age profile of citizens with an interest in agriculture-related businesses by attracting young people. Start-up incubators led by the government and the private sector should set challenges backed by financial resources for the development of technology to mitigate the effects of climate change in agroprocessing.

Chapter 4. Southern African Development Community Industrialization Strategy on Mineral Value Chains and Mineral Beneficiation

The Southern African region has the largest mining sector in Africa (Jourdan, 2016, p. 30). The Industrialization Strategy, accordingly, reiterates the correlation between per capita income and resource production in SADC. Table 20 shows the products and sectors identified for value chain enhancement potential in the Strategy.

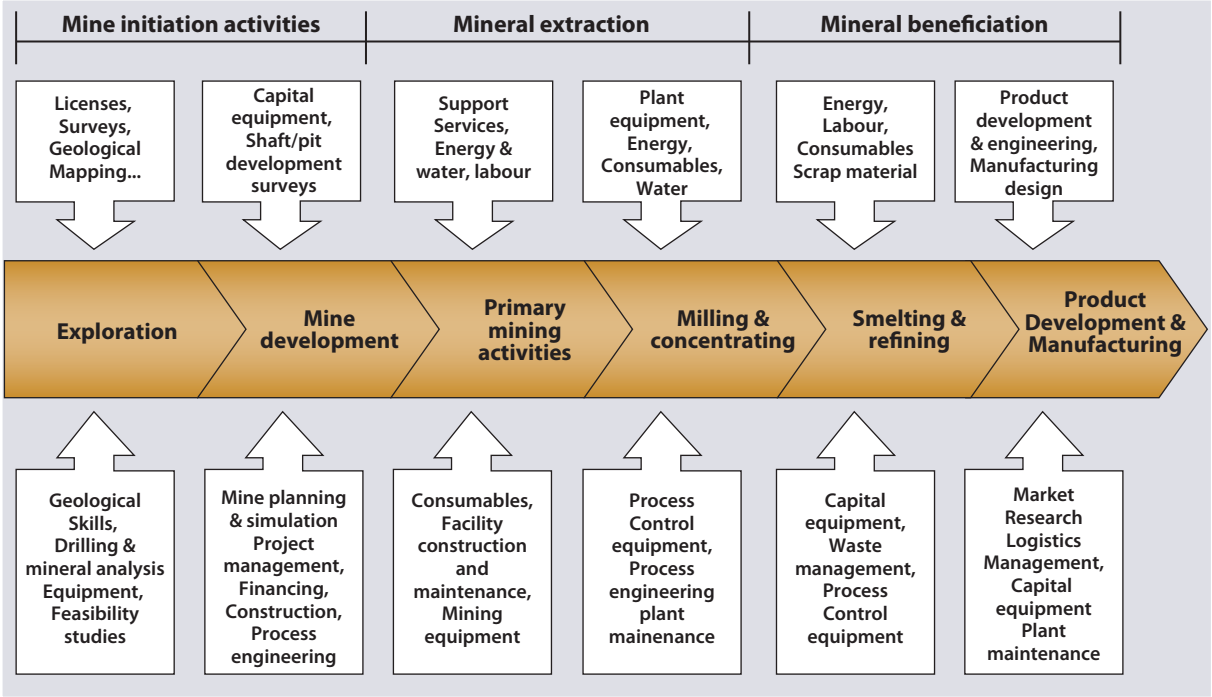
As discussed under "definitions" in chapter 1, the interpretation of mineral value chains in this study includes all the stages involved in extracting, processing and refining minerals through upstream, downstream and lateral linkages, as illustrated in figure V (National Treasury of South Africa, 2019, p.45; Jourdan (2016, p. 12).

Table 20: Products and sectors in Southern African Development Community with potential for value chain enhancement

Minerals and Beneficiation Cluster	Principal Countries
Energy minerals (including polymers)	Angola (oil), Botswana (coal), DRC (Oil, gas, coal, uranium) South Africa (coal), Mozambique (gas and coal), Tanzania (gas, coal) Madagascar, Zimbabwe, Swaziland (coal), Malawi, Namibia (uranium, coal and gas)
Ferrous metals (iron/steel)	Angola, DRC, South Africa, Tanzania, Mozambique, Zambia, Zimbabwe, Swaziland, Namibia
Base-metals (Copper, Aluminum, Nickel, Cobalt)	DRC, Zambia, South Africa, Namibia, Mozambique, Tanzania, Madagascar, Zimbabwe
Fertilizer	South Africa, Zimbabwe, Zambia, DRC, Malawi, Mozambique, Angola, Tanzania, Namibia
Diamonds	Botswana, Namibia, South Africa, Zimbabwe, DRC, Lesotho, Angola, Tanzania
Platinum	South, Zimbabwe, DRC
Cement	South Africa, Zimbabwe, Zambia, DRC, Mozambique, Namibia, Malawi, Tanzania
Soda Ash	Botswana, Zambia, South Africa, Tanzania
Mining machinery	South Africa, Zambia
Small Scale Mining	Malawi, DRC, Tanzania

Source: *Jourdan (2016, p. 34)*

Figure 5: Generic mining value chain



Source: *Sebutsoe and Musingwini (2017).*

Recognition of micro, small and medium-sized enterprises in mineral value chains should begin with capacitating and developing artisanal and small-scale miners in the early phase of exploration.

4.1. Integrating micro, small and medium-sized enterprises in mineral value chains: artisanal and small-scale miners

In the SADC Protocol on Mining, the importance of integrating small scale miners into the mineral value chains is stressed and member States are called on to do the following: -

(a) Promote policies that encourage and assist small scale mining in the region;

(b) Facilitate the development of small-scale mining through, among others, the provision of marketing facilities, including exhibitions and the establishment of mineral exchanges;

(c) Encourage the provision of training, institutional and financial support for the small-scale mining sector in the region (SADC, 2006, p. 5).

Artisanal and small-scale miners have a significant presence in Southern Africa. Table 21 shows a comparison of commodities mined by large-scale miners and those mined by artisanal and small-scale miners, and the number of workers involved in artisanal and small-scale miners (Communities and Small-scale Mining, 2009, p. 9). The table indicates that there is a significant correlation between the minerals mined by large-scale miners and artisanal and small-scale miners. Often, it is the artisanal and small-scale miners that explore and provide early-stage information about the availabil-

ity of deposits, which creates opportunities for large-scale miners to carry out the more capital and technology-intensive exploration (Regional Economic Development Institute, 2015, pp. 3 and 20). Furthermore, the SADC Regional Mining Vision recognizes that artisanal and small-scale miners can also lead the development of backward linkages, and, in turn, create opportunities for other micro, small and medium-sized enterprises. An example of this is in the United Republic of Tanzania, where local micro, small and medium-sized enterprises fabricators are producing grinding mills that are being exported to artisanal and small-scale miners in neighbouring Kenya, Uganda and the Democratic Republic of the Congo (SADC, 2019, p. 71).

Research conducted across the region illustrates that artisanal and small-scale miners often prefer to remain involved in the mining operations after deposits have been identified and not to make way for large-scale miners to take over. An example of this is in Namibia, where "neither force nor money" could convince artisanal and small-scale miners to sell their operations (Communities and Small-scale Mining, 2009, p. 15). In the early 1990s, a foreign-owned large-scale miner was given the concession for an open-pit operation where artisanal and small-scale minters were already operating. The miner opted to buy out the artisanal and small-scale miners instead of removing them forcibly. Miners in the areas with poor deposits sold to the company immediately, while some started digging new tunnels, and those in areas with rich deposits delayed selling to drive up their sale value. After incurring millions of dollars in losses from buying sterile tunnels, the large-scale miner eventually became bankrupt (Communities and Small-scale Mining, 2009).

Examples of more sustainable approaches are those employed by AngloGold Ashanti, Barrick Gold, TanzaniteOne and Williamson Diamonds Limited in the United Republic of Tanzania. "At Geita Gold Mine, AngloGold Ashanti partnered with the

Table 21: Commodities mined by large-scale miners and artisanal and small-scale miners

Main mining countries	Main commodities mined by large-scale miners	Main commodities mined by artisanal and small-scale miners	Number of workers employed by artisanal and small-scale miners
Angola	Diamonds	Diamonds	100 000–500 000
Botswana	Diamonds	-	-
Democratic Republic of the Congo	Diamonds, copper, cobalt	Diamonds, colbalt, gold, copper	800 000–1 500 000
Mozambique	Titanium, coal	Gold	12 000 – 35 000
Namibia	Diamonds, zinc	Diamonds	8 000–10 000
South Africa	Iron, manganese, platinum gold, chromium coal	Diamonds, gold	8 000–25 000
United Republic of Tanzania	Gold, diamonds, tanzanite	Diamonds, gold, tanzanite, gemstones	400 000–800 000
Zambia	Copper	Gold, emeralds, semi-precious stones	25 000–50 000
Zimbabwe	Platinum	Diamonds, gold	200 000–400 000

Source: *Communities and Small-scale Mining (2009, p. 9).*

United Kingdom Department for International Development and UNIDO to provide safety training and technical assistance to artisanal miners. At North Mara, Bulyanhulu and Buzwagi, Barrick Gold encouraged the establishment of artisanal and small-scale miner committees in the communities surrounding the operations. The objective of this is to collectively generate solutions specific to each area that deal with the issues of access to land, education, training, technology and capital. TanzaniteOne has established a small mines assistance programme under the auspices of the TanzaniteOne Foundation. Williamson Diamonds Limited, together with the government and local communities near the Mwadui mine, has launched the Mwadui Community Diamond Partnership to formalize and support artisanal and small miners' activities in the diamond sector" (Communities and Small-scale mining, 2009). At the core of making these partnerships feasible is the formalization of the relationship between the large-scale miners and artisanal and small-scale miners. To assist policymakers, large-scale miners, artisanal and small-scale miners and other stakeholders, the Working Together project has developed a guide for integrating artisanal and small-scale miners into mining (box 4).

Box 4: Action List for artisanal and small-scale miners, and large-scale miners' mutual interests

A: Engaging with existing artisanal and small-scale mining communities

Where artisanal and small-scale mining activities precede those large-scale miners
Action 1: Promote a better legal and regulatory framework
Regularization of artisanal miners is a necessary process in the early stages of engagement because it provides a legal framework to deal with artisanal and small-scale miners and paves the way to formalization. The private mining sector can collectively raise the profile of the artisanal and small-scale miners challenge at the local and national levels by increasing awareness of, and lobbying the government and resident donors on, key development issues in order to give priority to artisanal and small-scale mines in national development strategies. Large-scale miners can liaise with government departments, non-governmental organizations and international agencies to obtain additional support.

Where worker at artisanal and small-scale mines are not organized
Action 2: Help artisanal and small-scale miners get organized
Organization is a requirement, as it is impossible for large-scale miners to deal with multiple individual and independent parties. Large-scale miners can typically provide help to draw up an inventory of the miners. Initial actions can also be taken at this stage to eliminate child labour as a condition of large-scale miners' engagement in the community or to improve women's conditions in artisanal and small-scale miners' communities through gender awareness and empowerment programmes.

Where artisanal and small-scale miners are organized
Action 3: Help artisanal and small-scale miners to formalize operations
Formalization is a further step to organization. A group of artisanal and small-scale miners can try to acquire a legal status, such as an association, cooperative or enterprise and get registered by the administration. Large-scale miners can assist the process by advising on the best legal form, and the best administrative procedures. A registered artisanal and small-scale miners' entity can then apply for a formal mining licence or permit. In many countries, dedicated artisanal and small-scale miner licences are included in the legislation. Large-scale miners can help the group in meeting the eligibility criteria.

Actions once artisanal and small-scale miners are organized

Action 4: Assign areas to artisanal and small-scale miners

Many times, the mineral resource can actually be shared between large-scale miners and artisanal and small-scale miners because of different criteria for a viable exploitation. Actions here should be aimed at identifying and assigning areas on the mining lease that are dedicated the work of artisanal and small-scale miners. When legal and possible, this can represent the best win-win approach. Large-scale miners scan then support miners in the determination of mineral reserves on their designated area. The State can specifically designate artisanal and small-scale miners' areas and stipulate conditions of access.

Action 5: Provide technical assistance to artisanal and small-scale miners

When artisanal and small-scale miners are formalized, a change in technical tools, means, or habits may be possible. The presence of large-scale minters might be a unique opportunity to help artisanal and small-scale upgrade to achieve sustainable development. Technical assistance and capacity-building programmes are aiming at improving productivity and methods of operation for sounder economic, social, and environmental practices. Large-scale miners can also provide financing for technical and other improvements, guidance on marketing and commercialization, including fair trade arrangements, and assist in training of miners on a range of issues (for example, occupational health, reclamation, mining and processing methods, value-added processes, organizational and financial management and explosives management).

Action 6: Employ artisanal and small-scale miners as subcontractors

Ultimately when artisanal and small-scale miners are formalized and practices have improved, artisanal and small-scale miners entrepreneurial structures might emerge. They can be contracted to provide the mine with different services. A relationship of trust can allow business arrangements whereby companies benefit from the local workforce and local miners are being empowered.

B. Engaging with incoming artisanal and small-scale miners' communities

Where there are sudden invasions

Action 7: Implement a safety and security plan

This type of action focuses on implementing a comprehensive plan in which safety and security aspects are integrated into a collaborative approach, and entry to the active mine is prohibited through effective engagement with artisanal and small-scale miners and communities. When artisanal and small-scale miners' community settles within the perimeter of the operation, relocation, in accordance with international codes and standards, might be necessary.

When artisanal and small-scale miners gradually develop on the large-scale miners' lease

Action 8: Promote diversification

Poverty is often the reason why artisanal miners work on large-scale miners' leases. Artisanal mining might just be another poverty trap. Actions toward diversification should target the promotion of alternative livelihoods and help communities during the transition away from mining.

Action 9: Create mine-site employment

The development of a mine generates much demand for labour. At the construction or exploitation phase, mine-site employment can target the local workforce. Programmes tend to discern needs and skills while giving a preference to existing worker of artisanal and small-scale mines

Source: *CommDev p.*

4.2. Linking mining micro, small and medium-sized enterprises and large mining firms through local content requirements and enterprise development programmes

As a result of the capital intensity and technical nature of the mineral beneficiation value chains, structured interventions from government in support of micro, small and medium-sized enterprises are critical to enable their participation. One area in which government has influence through legislation is local content requirements.

4.2.1. Local content requirements

In the SADC Reginal Mining Vision, it states that the market for mining inputs in Southern Africa is larger than that of Europe and greater than 70 per cent of other African countries (SADC, 2019, p. 59). Accordingly, the Vision calls for local and regional content requirements to be incorporated into mining laws and licences. These requirements should reflect local and regional industrialization objectives, especially in mining and manufacturing.

Mining legislation should be reviewed and guidelines for such legislation need to be developed at the SADC level to ensure consistency within the region and avoid exploitation by investors in the absence of such targets in some member States. The SADC Regional Mining Vision, a recommendation is put forth for the development of a regional local content Policy that "harmonizes regional member countries local-regional content obligations with recognition of inputs manufactured throughout the region, while levelling the playing field for less capacitated RMCs [regional member countries] through instruments that compensate appropriately" (SADC, 2019, p. 35) In developing this legislation, national representative bodies of micro, small and medium-sized enterprises should mobilize domestic and regional policymakers to go further by including targets for procuring a percentage of those inputs from local micro, small and medium-sized enterprises.

Steps should be taken to avoid large-scale miners localizing services at the expense of capital goods and consumables, the latter being more essential for industrialization. Accordingly, targets set in mining licences and leases should be divided into three parts: capital goods; consumable goods; and services (Joudan, 2015, p. 43). Setting such targets, however, must be accompanied by an expedited research and development plan that can ensure that the goods, consumables and services are available in member States. The effectiveness of local content requirements is also dependent on the State's capacity to monitor implementation. To this end, governance structures tasked with monitoring the objectives of localization policies, such as the Citizens Economic Empowerment Commission of Zambia, should also be accorded sufficient resources for early warning detection of non-implementation so that corrective measures may be taken. They should also be afforded legislative powers to investigate and impose penalties in cases in which localization requirements are violated.

In addition, local content requirements must be accompanied by effective supplier development programmes to further entrench the participation of micro, small and medium-sized enterprises along the value chains.

4.2.2. Supplier development programmes

The experience of Mozambique in designing an effective supplier development programme for micro, small and medium-sized enterprises in the development of an aluminium smelter should be noted. It illustrates some of the positive effects of a well-planned supplier development programme to support the participation of on micro, small and medium-sized enterprises in backward and side linkages (box 5).

There are a few lessons to take away from the Mozambique case. First, proper planning led by national and regional governments, but inclusive of private sector and development partners at the outset, is key to facilitating effective participation from micro, small and medium-sized enterprises. This helps to forge a shared or common sense of purpose among the various stakeholders from the planning stages of a major project. Second, micro, small and medium-sized enterprises supported through procurement opportunities must be backed by structured interventions that are driven by a longer-term vision to build quality, maintenance and safety capabilities among micro, small and medium-sized enterprises.

Third, planning should not only focus on one phase of the beneficiation stage. The effective integration of micro, small and medium-sized enterprises requires upfront planning for all streams of linkages.

4.3. Lateral linkages and micro, small and medium-sized enterprises

The SADC Regional Mining Vision draws on the importance of lateral linkages by

Box 5: Optimizing linkages – The case of Mozambique

Mozambique emerged from its protracted civil war as one of the poorest countries in the world. The Mozal aluminium smelter was the first major development in the country for decades and was made possible by private investment from international partners, facilitation from the government and regional support from the Government of South Africa. It began operations in 1999. From the outset, a local enterprise development programme—Mozlink—was involved in the project, run by the International Finance Corporation and Mozal with the Investment Promotion Centre of Mozambique. Mozlink had rolled out a programme to train and mentor local small and medium enterprises in mining to bid for, win and perform construction contracts following Mozal standards.

That success prompted the formation of Mozlink to provide technical and managerial assistance to upgrade the capacity of local mining micro, small and medium-sized enterprises suppliers to participate in the Mozal supply chain for goods and services. By 2007, Mozlink had built capacity in 45 local small and medium enterprises. In addition, monthly spending on 250 local firms supporting Mozal increased to $17 million. Small and medium enterprise performance as measured by quality management, maintenance and safety improved by 20 per cent. Indirect spillovers fostered by Mozlink are the Mozambique Organization for Quality to promote and train Mozambican domestic companies in international health, safety, quality and environmental standards; the Mozambican Business Network to encourage interaction with small and medium mining enterprises; and a three-year programme (with backing from the International Finance Corporation and large foreign investors) to get local micro, small and medium-sized enterprises more involved in procurement programmes for mining, natural gas and other industrial areas. Side stream linkages from the smelter included an improved power grid, a large-scale water supply network, housing, better roads, a finger jetty to load products directly onto ocean-bound liners, a highway connecting the port of Maputo to South Africa, and overall improvements in investor confidence, which prompted them to consider setting up a heavy mineral sands operation (Corridor Sands).

Source: *African Mining Vision (n.d.).*

stating that "lateral migration of technologies to non-resource sectors can promote further industrial growth and technological advancements in other sectors" (SADC, 2019, p. 60). For example, the manufacturing sector provides safety equipment and clothing, such as boots, hard hats and specialized overalls for various non-mining sectors, such as construction. Similarly, bolts, drilling equipment and pumps are used in other non-mining sectors. These offer relatively quick opportunities for fulfilling local content requirements that would allow large firms to procure the bulk of these goods from micro, small and medium-sized enterprises.

This should be complemented by supplier development programmes, specifically for financing and transferring technology to improve micro, small and medium-sized enterprises' innovation capabilities. In the light of the low levels of technology innovation in the region, large companies that procure from micro, small and medium-sized enterprises should be incentivized through tax-deductible points for transferring technology to micro, small and medium-sized enterprises that are selected to participate in their supplier development programmes.

4.4. Technology, mechanization and skills development

As assessment of the mining value chain shows that when compared to design, construction and extraction, mining exploration is the one stage in the value chain that is dominated by smaller-scale companies. Nonetheless, a high level of technical know-how and skills such as geology, geochemistry, materials processing, rock mechanics engineering and geophysics, is still required at this stage. Design and construction are dominated mainly by contractors from North America, Australia and South Africa (Jourdan, 2015, p. 19), but this is arguably the most strategic part of the value chain as those designs affect procurement decisions on which equipment to source and from which original equipment manufacturers. The design of mining engineering, geology, technology curricula at institutions of higher learning needs to be multidisciplinary and attract retired specialists, who can transfer these skills. A regional centre of excellence in this regard should be in an institution that is renowned for excellence in mining education. It should develop a database of experts, while trainees from around the region should be sponsored through a combination of government funding and skills training levies from mining houses operating in SADC member States. An example of collaboration between the public, private and academic sectors to improve research and development investment is the Nelson Mandela Mining Precinct, which was initiated by the Government of South African and has among its participants mining companies and members of academia. With initial capital of 100 million South African rand ($6,000,000), the institution is investing in research on cutting-edge technologies to make the country's mining sector more competitive. As mining value addition is skills intensive, there is continuing need to invest in skills development.

4.4.1. Mechanization as an opportunity for micro, small and medium-sized enterprises

In the light of the mining industry's evolution towards more automation, national and regional skills development plans

must be forward-looking. While debates in developing countries tend to focus on the loss of jobs presented by automation, SADC should also consider the potential to disrupt the dominance of big mining companies and equipment manufacturers. The evolution of robotics and artificial intelligence within the context of the Fourth Industrial Revolution presents an opportunity for "smaller, more agile companies that understand the benefits of emerging technologies" to break the dominance of big companies (Towers-Clark, 2019).

\To be in a position to do this, a concerted effort from the region's industry associations, micro, small and medium-sized enterprises representative bodies, institutions of higher learning, and governments is required. Given the low levels of mining innovation identified in the SADC Regional Mining Vision, to successfully exploit the opportunities presented by the Fourth Industrial Revolution, strategic partnerships with governments, companies and institutions are needed with an interest in the future of mining technology. For example, the influential Global Mining Guidelines Group is a mining industry networking body that brings together mining companies, original equipment manufacturers, research organizations, mining consultants and regulators to collaborate on solving the industry's challenges. One of the key focus areas of the Group is artificial Intelligence. An artificial intelligence working group has been established with two of its important functions being to document and reflect on successful applications and identify failures and limitations where appropriate, and provide clarity about requirements for the deployment of artificial intelligence (Global Mining Group Guidelines, n.d.).

It is encouraging that the Southern African Institute of Mining and Metallurgy is a member of the Global Mining Guidelines Group. The institute is based in South Africa and has branches in Zambia and Zimbabwe and is the only African regional body that is a member[11] (Southern African Institute of Mining and Metallurgy, 2019). Desktop research has not yielded a similar example of a regional organization that participates in strategic networks that bring together established, large firms and micro, small and medium-sized enterprises in relation to innovation and the Fourth Industrial Revolution.

At the government level, to support for micro, small and medium-sized enterprises, greater coordination between ministries of education, science and technology, trade and mining is needed in order to set forward-looking policies that take into consideration emerging trends in each sector.

The prevalence of innovation hubs in the region offers an existing platform that may be expanded and strengthened to support micro, small and medium-sized enterprises.

4.4.2. Access to technology through innovation hubs

Most countries in Southern Africa have multiple innovation hubs (table 22). They are initiated by governments, such as the Innovation Hub for Gauteng Province in South Africa; private companies, such as an innovation hub developed by General Electric that is in Johannesburg but

[11] More details may be found on the Southern African Institute of Mining and Metallurgy website at www.saimm.co.za/about-saimm/branchessaimm.

services the continent; and international cooperating partners, such as the Namibia-based Southern Africa Innovation Support Programme, which is funded by the Government of Finland.

The growth in popularity of innovation hubs presents opportunities for multi-country cooperation. The Southern Africa Innovation Support Programme and the continental network of innovation hubs, Afrilabs, are examples of such collaboration. Given the variance in the number of innovation hubs offered across SADC, there could be much benefit for micro, small and medium-sized enterprises development agencies to facilitate bilateral exchanges with other SADC innovation hubs, especially in the priority sectors of the Industrialization Strategy. At the regional level, funds from international cooperating partners should be sourced to organize annual gatherings of innovation hubs to focus specifically on the latest innovations in the SADC priority sectors. Reporting on trends in the involvement of institutions of higher learning should also be conducted through the SADC body responsible for education. This should also be channelled through ministries responsible for science and technology, small business and industry.

The identification of each country's participation in regional value chains should be accompanied by an assessment of potential synergies, duplications and gaps in the innovation programmes that currently exist in the region. This could lay the foundation for supporting regional clusters that are created to expand to specific global markets. Concentrating resources for the development of specific value chains in

Table 22: Technology innovation hubs in Southern African Development Community

COUNTRY	NUMBER OF innovation hubs
Angola	3
Botswana	2
Comoros	-
Democratic Republic of the Congo	2
Eswatini	-
Lesotho	-
Madagascar	2
Malawi	2
Mauritius	1
Mozambique	1
Namibia	2
Seychelles	-
South Africa	32
United Republic of Tanzania	7
Zambia	3
Zimbabwe	4

Source: *World Bank (2016).*

fewer hubs could lead to the creation of centres of excellence, as envisaged in the Industrialization Strategy.

It is, therefore, not enough to have innovation hubs if they are not located strategically close to large companies that can access their products and services. For this reason, it is important to bring innovation hubs closer to special economic zones or industrial parks.

4.4.3. Bringing innovation hubs closer to industrial parks

The United Nations Industrial Development Organization defines industrial parks as "a tract of land developed subdivided into plots according to a comprehensive plan with or without built up factories, sometimes with common facilities for the use of a group of industries" (UNIDO, 2012 (b), p. 27). Depending on the country, they may also be referred to as industrial areas, industrial zones, industrial investment regions, special economic zones, or industrial corridors (World Bank and others, 2017, p.11). All of the SADC member States have industrial parks (or special economic zones), using at least one of these names. Some have been developed by governments and others by the private sector.

Because they typically aim to attract industrial development through incentives, such as a preferential corporate tax, employment incentives, building allowances and customs-controlled areas, industrial parks are well-positioned to create performance-driven business incubation for micro, small and medium-sized enterprises with high growth potential, while attracting the requisite capital from larger firms to facilitate innovation and technology transfer. For example, in its 10-year master plan for the small and medium-sized enterprise sector, Mauritius has drawn a link between the incubation of micro, small and medium-sized enterprises with high-growth potential and industrial parks. It therefore plans to locate all future incubation programmes within or close to industrial parks in order to swiftly integrate micro, small and medium-sized enterprises that have graduated from incubators into clusters with other companies in their industry (Mauritius, 2016, p. 123). An added incentive is the 50 million Mauritian rupees ($1,327,600) matched funding that the Government had set aside for profit-driven sponsors to select projects likely to yield a good return on investment. This addresses the concern of how to take innovations from concepts to commercially viable products or services (Mauritius, 2006).

An example of a special economic zone that holds potential for companies in the mining value chain is the upcoming Tubatse Platinum Special Economic Zone in the province of Limpopo of South Africa. The Special Economic Zone has been specially designated for platinum group metals, chrome, magnetite, vanadium beneficiation and the development of mining inputs supply (Global Africa Network, 2017). As can be seen from the plans to cut across the beneficiation value chain (box 6), establishing innovation hubs close to a special economic zone would give micro, small and medium-sized enterprises access to opportunities and provide a sense of the innovations required by companies operating in the zone.

Box 6: Tubatse Platinum Special Economic Zone value chain opportunities

The following have been identified as presenting viable options that need to be pursued:
1. Mining inputs and supply
2. Capital goods (yellow metal assembly and maintenance and processing plants)
3. Disposables

The following value chain is envisaged from beneficiation:
1. Catalytic converters (main opportunity for the Tubatse Platinum Special Economic Zone)
2. Hydrogen fuel cells
3. Chrome
4. Chemotherapeutic agents
5. Green energy (solar energy cluster)
6. Turbine blades
7. Magnetite to pig iron to steel
8. Magnetite to vanadium pentoxide
9. Waste to titanium
10. Logistics

PGM downstream beneficiation value chain cluster:
1. Platinum jewellery manufacturing
2. Catalytic converters
3. Hydrogen fuel cell manufacturing

Mining inputs supply park:
Heavy equipment assembly plant

Green energy:
1. Photovoltaic models assembly plant
2. Solar energy plant

Source: *Global African Network (2017).*

4.4.4. Adopting a bilateral and regional approach for industrial parks

Cooperation in financing industrial parks between larger and smaller economies in the region should be considered, especially where those economies participate in the same value chains. For example, Mauritius has established the Mauritius Africa Fund (the Fund), which aims to expand the development of industrial parks beyond its borders. Through the Fund, the Government of Mauritius provides seed capital and assumes 10 per cent equity partnership in projects. The Government has allocated MUR 500 million over five years for this purpose. Among the Fund's stated objectives are the following:

(a) To steer the development of integrated projects, including special economic zones, technology parks, logistics parks, agro-industrial parks, seafood in selected African countries;

(b) To assist in developing joint ventures and partnership agreements between African and Mauritian businesses (Mauritius Africa Fund, 2018).

This type of cross-border cooperation creates the potential for mutually beneficial collaboration among SADC member States within similar industries. It can also create synergies with the transport corridors and spatial development initiatives of the SADC Regional Infrastructure Development Masterplan. Furthermore, there should be ongoing capacity-building programmes and skills training for technology transfer absorption. Bilateral cross-border

industrial parks should be required to set guidelines for protecting the intellectual property of micro, small and medium-sized enterprises upfront. The SADC secretariat, with assistance from international cooperation partners, can assist in developing these guidelines through relevant ministries.

Another special economic zone in the Limpopo province can be used as an example to show how a mining value-chain can cut across more than one country in the region. The Musina-Makhado Special Economic Zone is a development corridor that cuts across Botswana, Mozambique, South Africa and Zimbabwe. Given the similarity in mineral resource deposits (for example, South African and Zimbabwe hold among the world's largest platinum reserves), shared innovation hubs may be located close to the special economic zones or industrial parks. In a manner similar to the earlier Mozambique smelter example, such corridors require governments to have clear, upfront plans for micro, small and medium-sized enterprises integration along the value chain. This calls for micro, small and medium-sized enterprises across borders to be more organized in order to lobby for such opportunities.

Recommendations

The recommendations for micro, small and medium-sized enterprises captured under agroprocessing value chains and mineral value chains are summarized in the following section.

All micro, small and medium-sized enterprises

Policies

1. ***Prioritize formalizing micro, small and medium-sized enterprises***: Because the majority of micro, small and medium-sized enterprises in the region are informal, governments should prioritize formalizing them and building their capacity.

2. ***Taxation***: National and regional efforts to draft micro, small and medium-sized enterprises tax policy should primarily aim to achieve horizontal and vertical equity. The SADC working group of SADC revenue authorities should assist in developing best practice methodologies in this regard.

3. ***Linking micro, small and medium-sized enterprises policy to multinational/large firm policy***: Government planning for attracting foreign direct investment or any investment from large firms should be conducted alongside sectoral plans for the integration of micro, small and medium-sized enterprises into industrialization. Policies should, therefore, reflect plans to incentivize large firms to capacitate micro, small and medium-sized enterprises.

4. ***Tailored content and ownership requirements***: Policies on local content and ownership should be tailored based on the size and capabilities of the micro, small and medium-sized enterprises sector. Local content requirements should be used to increase the procurement opportunities for small and micro enterprises. Local ownership or joint venture requirements should be applied for more established, well-capacitated medium-sized enterprises.

5. ***Preferential procurement***: Governments should consider taking the lead in procuring competitive products and services from micro, small and medium-sized enterprises by developing clear policies, together with measurable targets and milestones, for procurement from micro, small and medium-sized enterprises.

6. ***Reviewing financial sector policy***: Government departments responsible for the development of micro, small and medium-sized enterprises, industrialization-related priority sectors and finance should assess which value chain financing options are suitable for the different stages of the development of small and medium enterprise. Governments should consider reviewing financial sector policy to determine barriers and enablers for the development of micro, small and medium-sized enterprises value chain financing. Policy interventions to promote alternative forms of financing for micro, small and medium-sized enterprises, especially those that eliminate the traditional burden of securitizing debt through assets and strong balance sheets, need to be supported through relevant policy measures.

7. ***Technology and vocational education***: The Third and Fourth Industrial Revolutions have put technology at the centre of all sectoral innovation. National vocational education policies should reflect this transformation by integrating technology into training in traditional sectors, such as agriculture and mining.

All micro, small and medium-sized enterprises

Strategies

1. ***Government support as an incentive for registration:*** Access to government support should be contingent on formal registration. This would also assist the State to collect more accurate data on the performances and needs of micro, small and medium-sized enterprises performance by sector to facilitate the calibration of commensurate policies and strategies.

2. ***Government partnership with micro, small and medium-sized enterprises for formalization:*** To improve their ability to reach micro, small and medium-sized enterprises, governments should partner with the ones that have benefited from government support. It is more effective for micro, small and medium-sized enterprises to be motivated to register by learning about the success of another micro, small and medium-sized enterprises than to simply receive publicity material from the government.

3. ***Effective monitoring and evaluation:*** Governments should strengthen monitoring and evaluation mechanisms so that information on assistance extended to micro, small and medium-sized enterprises is credible.

4. ***Facilitating free (accelerated) movement of goods in the region:*** To avoid congestion at border posts, a system of accredited exporters should be adopted at a regional level. Standards and quality should be maintained.

5. ***Subcontracting partnership exchange:*** Business associations should take the lead in establishing subcontracting partnering exchanges as part of their enterprise development objectives for procuring from micro, small and medium-sized enterprises. This will more effectively facilitate matchmaking, benchmarking and supplier upgrading.

6. ***Pooling government financial resources for greater impact:*** Fragmentation of government resources through multiple government development finance agencies that have meagre resources should be reviewed. Considering the scale of capital required for industrialization, governments should consider pooling resources so that they create institutions with strong balance sheets that allow them to borrow from the market or syndicate loans with other institutions in the region. This, in turn, would boost the pool of resources for on-lending to micro, small and medium-sized enterprises without placing a burden on the fiscus.

7. ***Regional centres of excellence:*** Regional cooperation should be fostered through the development of regional centres of excellence for agriculture and mining in which the focus would be on practical skills transfer from experts in these fields.

8. ***Database of experts:*** The regional centres of excellence should develop a database of experts from around the region and beyond, whose tenure can be funded through a combination of government funding and skills training levies from mining houses operating in SADC member States.

Agroprocessing sector micro, small and medium-sized enterprises

Policies

1. ***Energy infrastructure***: The severe shortage in energy supply and the macroeconomic risks it poses warrant tax incentives to rectify the situation. Using public-private partnerships, governments should prioritize incentives for developing rural energy infrastructure and transfer excess capacity that is generated to the national grid.

2. ***Intellectual property protection***: Intellectual property legislation is needed to protect micro, small and medium-sized enterprises from incurring losses as a result of their innovations being copied. Intellectual Property legislation would also make micro, small and medium-sized enterprises more attractive to foreign investors.

Strategies

1. ***Market observatory***: With assistance from governments, micro, small and medium-sized enterprises representative organizations in the agroprocessing sector should create databases on markets that would empower micro, small and medium-sized enterprises to better understand the demands of large firms by tracking firm conduct and providing insights on the strategies employed by large firms in the region.

2. ***Regional application for back-haul loads***: Micro, small and medium-sized enterprises should develop a regional-level platform or application to identify other micro, small and medium-sized enterprises that are looking to transport goods from the receiving country back to their own country. This would reduce the cost of transportation and make micro, small and medium-sized enterprises pricing more competitive.

3. ***Integrate modern components of the agroprocessing value chains***: At the regional level, SADC should become aware of the more modern components of agricultural value chains, in particular the way information and communication technology can provide greater efficiencies.

4. ***Youth inclusion***: Related to the above strategy, governments should popularize agroprocessing among the region's young people by incentivizing them to develop technology-based solutions at each phase of the agroprocessing value chain.

5. ***Third party standards certification***: To circumvent the unaffordable costs of certification, countries should establish value-chain specific third-party accreditation through government boards or industry associations.

6. ***Non-transport infrastructure***: Where micro, small and medium-sized enterprises can produce infrastructure and related services, such as planters, harvesters, drying and storage facilities, governments should outsource such services to micro, small and medium-sized enterprises. This would serve the dual purpose of mitigating the risk of infrastructure succumbing to governments' inefficiencies and contribute towards the development of more micro, small and medium-sized enterprises in the sector.

7. ***Storage facilities***: Governments should partner foreign storage construction companies with local micro, small and medium-sized enterprises and then integrate skills transfer into contracts with these companies to develop domestic capacity for storage construction and maintenance.

8. ***Branding and marketing***: Government marketing bodies should develop branding and marketing campaigns that are specially designed for micro, small and medium-sized enterprises. Such branding, for example a country flag on an agricultural product, should denote a certain level of standard and quality assurance to local and international buyers.

9. ***Laboratories and testing facilities***: micro, small and medium-sized enterprises programmes should be developed in government testing facilities to encourage more micro, small and medium-sized enterprises to venture into product innovation. This can be done by developing partnerships between micro, small and medium-sized enterprises incubation programmes and such testing facilities.

10. ***Bilateral and regional trade agreements***: SADC countries should accelerate the implementation of regional trade facilitation agreements and train micro, small and medium-sized enterprises on the preferential market access that their goods can enjoy through bilateral and regional trade agreements.

11. ***Climate change***: Start-up incubators led by both government and the private sector should set challenges that are backed by financial resources for the development of technology to mitigate climate change in agroprocessing.

Mineral sector micro, small and medium-sized enterprises

Policies

1. ***Artisanal and small-scale miners***: Formalize artisanal and small-scale miners.

2. ***Mining licences for micro, small and medium-sized enterprises and large-scale miners' collaboration and development***: Use e-mining licences effectively to foster cooperation between large firms and micro, small and medium-sized enterprises in the sector for localization.

3. ***Regional Local Content Policy and micro, small and medium-sized enterprises***: Micro, small and medium-sized enterprises sector representative bodies should mobilize their governments to ensure that in the process of developing regional local content policy, targets for procurement from micro, small and medium-sized enterprises are also included.

4. ***Improving compliance with local content requirements***: Governance structures that are tasked with monitoring the objectives of localization policies should be accorded sufficient resources to carry out early warning detection of non-compliance. They should also be afforded legislative powers to investigate and impose penalties where localization requirements are violated.

5. ***Greater interministerial coordination and cooperation on micro, small and medium-sized enterprises:*** Ensure greater coordination between ministries of education, science and technology, trade and mining for developing forward-looking policies that prepare micro, small and medium-sized enterprises for future trends in the sector.

Strategies

1. ***Local content requirement strategy***: Divide local content targets into three parts: capital goods, consumable goods and services. Ensure that the first two are adhered to, as they are central to industrialization and often have lower compliance rates.

2. ***Micro, small and medium-sized enterprises and new downstream industries***: Bring micro, small and medium-sized enterprises into early stages of planned downstream new industries for the region.

3. ***Sidestream service support:*** Identify and support sidestream activities that would broaden the opportunities and client base of micro, small and medium-sized enterprises beyond the minerals sector.

4. ***Innovation hubs and special economic zones or industrial parks:*** Develop innovation hubs closer to industrial parks that are within multi-country development corridors to target operational, high potential micro, small and medium-sized enterprises.

5. ***Micro, small and medium-sized enterprises participation in global networks***: Ensure representation of micro, small and medium-sized enterprises bodies in industry bodies that are globally affiliated with large companies to stay abreast of technological developments in the region.

Annex I: Interviewed stakeholders in Eswatini

1. **Edward Groening**, Research and Strategy Unit, Eswatini Revenue Authority, 20 August 2019.
2. **Mluleki Dlamini**, Director, Small, Micro and Medium Enterprises Unit, Ministry of Commerce, Trade and Industry, 19 August 2019.
3. **Zamanyambose Mtetwa**, Director of Industry, Ministry of Commerce, Trade and Industry
4. **Philiswa Dlamini,** Promotional Officer**,** Ministry of Commerce, Trade and Industry, 19 August 2019.
5. **David Myeni**, Director Centre for Financial Inclusion, 19 August 2019.
6. **Musa Maseko,** Business Eswatini, 21 August 2019.
7. **Mandla Mdluli,** Owner, Siyaphila Natural Medicine, 20 August 2019.
8. **Nompumelelo Dlamini**, Sifundzekhaya Honey Produce, 20 August 2019.
9. **Ivy Khumalo**, Owner, Visi's Chillies, 20 August 2019.
10. **Nsibande**, Owner: BB Health Products, 20 August 2019.
11. **Nathi Sihlongonyane**, Monitoring and Evaluation Coordinator, Eswatini Water and Agricultural Development Enterprise, 21 August 2019.
12. **Gcina Giniza**, Farmer Development and Support Unit, National Agricultural Marketing Board, 21 August 2019.
13. **Clement Magagula**, Market Specialist, National Agricultural Marketing Board, 21 August 2019.
14. **Muzikayise Dube**, Managing Director, Eswatini National Industrial Development Corporation, 20 August 2019.
15. **Mangaliso Sihlongonyane**, National Maize Corporation, 19 August 2019.

Annex II: Incentives offered by Southern African Development Community Governments

Country / institution(s) / policy framework	Incentives
Angola – National Private Investment Agency – Angolan Private Investment and Export Promotion Agency – Law No. 10/18 of June 26, 2018 (Private Investment Law) – Law 17/2003 (Law on Tax and Customs Incentives for Private Investment) – Law 8/2003 (Amendment of the Privatization Law) Priority Sectors – Priority 1: Education, technical and professional training, higher education, scientific research and innovation; – Priority 2: Agriculture, food and agro-industry; – Priority 3: Specialized health units and services; – Priority 4: Reforestation, industrial transformation of forest resources and forestry; – Priority 5: Textiles, clothing and footwear; – Priority 6: Hospitality, tourism and leisure; – Priority 7: Construction, public works, telecommunication and information, airport and railway infrastructure; – Priority 8: Production and distribution of electricity; – Priority 9: Basic sanitation, collection and treatment of solid waste. Priority Development Zones – Zone A: Province of Luanda and the capital municipalities of the Provinces of Benguela, Huíla and the municipality of Lobito; – Zone B: Provinces of Bié, Bengo, Cuanza-Norte, Cuanza-Sul, Huambo, Namibe and other municipalities of the Provinces of Benguela and Huíla; – Zone C: Provinces of Cuando-Cubango, Cunene, Lunda-Norte, Lunda-Sul, Malange, Moxico, Uíge and of Zaire; – Zone D: Province of Cabinda.	The Government of Angola provides two types of incentive regimes, a prior declaration regime, which is characterized by the simple presentation of the Investment proposal to the competent authority of the public administration for the purposes of attribution of benefits provided in the law; and a special regime, which applies to private investments carried out in the priority sectors of activity and in the development zones provided for in the law. Prior Declaration Regime *(a) Sisa Tax:* rate's reduction by 50%, by the acquisition of real estate for the office and the establishment of the investment; *(b) Industrial Tax:* reduction of the final settlement rate and the provisional settlement rate by 20%, for a period of two (2) years; *(c) Application of Capital:* rate's reduction that affects the distribution of profits and dividends by 25%, for a period of 2 (two years); *(d) Stamp Duty:* reduction of the fee by 50%alf, for a period of 2 (two years). Special Regime *(a) Sisa Tax:* – Zone A: Reduction of the rate by 50% for the acquisition of real estate for the office and the establishment of the investment; – Zone B: Reduction of the rate by 75% for the acquisition of real estate for the office and the establishment of the investment; – Zone C: Reduction of the rate by 85% for the acquisition of real estate for the office and the establishment of the investment; – Zone D: The tax rate of Sisa corresponds to half of the rate that is attributed to Zone C. *(b) Urban Property Tax:* – Zone B: Reduction of the 50% rate for the ownership of real estate for the office and the establishment of the investment, for a period of 4 (four) years; – Zone C: Reduction of the rate by 75%, for the ownership of real estate for the office and the establishment of the investment for a period of 8 (eight) years; – Zone D: The Urban Property Tax Rate corresponds to 50% of the rate that is given to Zone C, for a period of 8 (eight) years. *(c) Industrial Tax:* – Zone A: Reduction of the final settlement rate and the provisional settlement rate by 20%, for a period of 2 (two) years; – Zone B: Reduction of the final settlement rate and the provisional settlement rate by 60% for a period of 4 (four) years; increase of amortization and reintegration rates by 50%, for a period of 4 (four) years; – Zone C: Reduction of final settlement rate and provisional settlement rate by 80%, for a period of 8 (eight) years; – Increase of amortization and reintegration rates by 50%, for a period of 8 (eight) years; – Zone D: The rate of industrial tax corresponds to 50%f of the rate allocated to Zone C for a period of 8 (eight) years; – Increase of amortization and reintegration rates by 50%, for a period of 8(eight) years. *(d) Tax on Application of Capital:* – Zone A: Reduction of the rate that affects the distribution of profits and dividends by 25%, for a period of two (2) years; – Zone B: Reduction of the rate on the distribution of profits and dividends by 60%, for a period of 4 (four) years; – Zone C: Reduction of the rate on the distribution of profits and dividends by 80%, for a period of 8 (eight) years; – Zone D: The tax on capital ratio, which is levied on the distribution of profits and dividends, corresponds to 50% of the rate that is attributed to Zone C for a period of 8 (eight) years.

Country / institution(s) / policy framework	Incentives
Botswana – Department of Industrial Affairs, Integrated Field Services (IFS) Division – Citizen Entrepreneurial Development Agency (CEDA) – Botswana Textile and Small Business Owners Association (BOTSBOA) – Botswana Innovation Hub (BIH)	The Government of Botswana offers three main types of incentives, skills development; concessional financing; and sectoral and industry cooperation through its main government agencies. The incentives are provided by three main government entities, the Integrated Field Services Division, the Citizen Entrepreneurial Development Agency and the Botswana Innovation Hub. (a) Integrated Field Services Division: – Provides business training programmes and mentoring and counselling services through the engagement of qualified consultants in the areas of basic business management, marketing and record keeping countrywide; – Technical skills training support and advisory services are also provided simultaneously with these other programmes; – Training programmes cover a period of one week; costs are met by the Agency, which, in turn, requires a nominal contribution from the clients; – Mentoring and counselling services are provided at hourly rates and are intended to address specific areas where entrepreneurs experience problems. (b) Citizen Entrepreneurial Development Agency: – Provides a holistic approach to the development and promotion of viable sustainable citizen-owned enterprises. This is done through the provision of financial assistance in the form of loans at subsidised interest rates, and back-up business training and mentoring services to enhance the sustainability of these enterprises; – Citizen Entrepreneurial Development Agency lends sums ranging from 500 pula ($45) to 150,000 pula at 5.0% interest per annum payable over a period of five years for the entities in small-scale category of enterprises; – Citizen Entrepreneurial Development Agency lends from 150,000 to 2 million pula at 7.5% interest per annum payable over a period of seven years for medium-sized enterprises; – A venture capital fund has recently been established with the objective to facilitate funding of projects that could be locally or foreign owned. (c) Botswana Textile and Small Business Owners Association: – The Botswana Textile and Small Business Owners Association was established to create a voice for the small and micro citizen enterprises from various sectors of the economy. Its functions also are the following: – To develop business linkages between small, medium and large-scale entrepreneurs to further entrepreneurial development and growth; – To create opportunities for members of the association to interact with government and other organizations, and to facilitate the benefit from government programmes and incentives; – To facilitate bulk buying of raw materials for the members to reduce the costs through buying from the association. (d) Botswana Innovation Hub: – Provides high quality flexible premises that match the development needs of micro, small and medium-sized enterprises; – Provides services to support tenants' competitiveness by allowing them to concentrate on their core business. Botswana Innovation Hub services are the following: – Advanced telecommunications infrastructure and services; – Modern and fully equipped meeting and conference facilities; – Human Resources services; – Reception and help desk services; – Professional facilities management, security and access control; – Telephone, cleaning, mail, cafeteria and catering; – Additional services, such as furniture leasing, removal services, travel services, transportation, shipping agent, courier services and short-term legal advisory services.

Country / institution(s) / policy framework	Incentives
Comoros – National Agency for the Promotion of Investments (ANPI) – The Union of Chambers of Commerce of Industry and Crafts (UCCIA) Investment Categories – Category 1: Companies with an investment programme of 5.0 million Comorian franc (CF) ($11,200) to CF100.0 million; – Category 2: Companies with an investment programme of more than CF100.0 million. – Law No. 07-0010/UA (New Investment Code)	The Government of the Comoros passed a new investment code in 2017 to replace Ordinance No. 92 on Investment of November 1992. The new investment code prioritises the following sectors: Priority Sectors – Priority 1: Agricultural, farming, fishing and forest exploitation activities, and the connected activities linked to processing, storage, conditioning or conservation of plant, animal or fishing products; – Priority 2: Production or processing manufacturing activities; – Priority 3: Research, mining or processing of mineral or natural substances; – Priority 4: Realization of housing programmes of economic and social nature; – Priority 5: Textiles, clothing and footwear; – Priority 6: Realization or running of tourist and hotel infrastructures; – Priority 7: Laboratories of applied or technological researches; – Priority 8: New information and communication technologies; – Priority 9: Banking and financial decentralized institutions; – Priority 10: Sea, ground and air transports; – Priority 11: Services in the following subsectors: – Health; Education and vocational training; assembling and maintenance of equipment; ground, port and airport infrastructures; banking, insurance and micro credit institutions; and – Priority 12: Crafts. The New Investment Code provides the following benefits: (a) Royalties on imported materials and equipment: – Category 1: Provides exemption for 7 (seven) years from the maximum applicable rate; – Thereafter, exemption at 50% of the maximum rate; – Category 2: Provides exemption for 10 years from the maximum applicable rate; – Thereafter, exemption at half of the maximum rate. – The exemption is extended for 2 years in the case of investment in rural areas. (b) Corporate Tax: – Category 1: Provides exemption for 7 (seven) years; – Category 2: Provides exemption for 10 (10) years. – The exemption is extended for two years in the case of investment in rural areas.

Country / institution(s) / policy framework	Incentives
Democratic Republic of the Congo – National Agency for Promotion of Investment (ANAPI) Priority Development Regions – Region A: City of Kinshasa; – Region B: Bas Congo, town of Lubumbashi, town of Likasi, town of Kolwezi; – Region C: Bandundu, Equator, Eastern Kasai, Western Kasai, Maniema, Kivu North, Kivu South, Eastern Province, Katanga. Priority Sectors – Priority 1: Mining and hydrocarbons; – Priority 2: Production or processing manufacturing activities; – Priority 3: Agriculture, forestry, farming and fishing; – Priority 4: Industry: Manufacturing and Basic metallurgic industries; – Priority 5: Electricity and potable water; – Priority 6: Banking; – Priority 7: Infrastructure; – Priority 8: Tourism; – Priority 9: Transport and harbours; – Priority 10: Telecommunications; – Priority 11: Building, Public Works and Habitat (civil engineering). – Law No. 004/2002 of February 21, 2002 (The investment code)	The Government of the Democratic Republic of the Congo) passed the investment code in 2002, which also established the National Agency for Promotion of Investment, a one-stop shop for public, private and semi-public investments in the country. The National Agency for Promotion of Investment receives investment projects for approval within the framework of the investment code and investment projects governed by laws according to the investment code, or the National Agency for Promotion of Investment provides technical advice on other laws applicable to investment in particular sectors, such as the following: Non-Investment Code Sectors – Mining and hydrocarbons (see Mining Code, Law no. 007/2002 from July 11, 2002); – Banking; – Insurance; – Production of munitions and activities related to the military; – Production of explosives; – Assembly of military equipment and paramilitary security services; – Production of munitions, military and paramilitary activities or security services; – Commercial activities. The investment code segregates investments by the regions they are located in. There are different levels of incentives and applicable years for each region. The incentives are applied according to the following years in each of the regions: – Region A: 3 years; – Region B: 4 years; – Region C: 5 years. The Investment Code makes specific provisions exclusively for micro, small and medium-sized enterprises. micro, small and medium-sized enterprises are eligible for the following incentives: – Full exemption from duties and taxes on import of machinery and equipment, event second hand tools (besides the administrative tax); – Possibility of calculating the depreciation according to a degressive mode; – Deduction of expenses made for the training or improvement of the staff, protection and conservation of the environment from the taxable income; – Exemption from duties on charters and registration fees in the new trade register. Depending on the economic region where the investment will take place, the above stated advantages are granted for a period between three and five years, which starts as soon as the goods and services produced by the approved company are on the market

Country / institution(s) / policy framework	Incentives
Eswatini – Eswatini National Industrial Development Corporation (ENIDC) – Eswatini Development Finance Corporation (FINCORP) – Youth Enterprise Revolving Fund (YERF) – Informal Traders Revolving Fund (ITRF) Priority Sectors – Priority 1: Food and beverages; FINCORP – Priority 2: Agribusiness; – Priority 3: Health and pharmaceuticals; – Priority 4: Infrastructure and engineering; – Priority 5: Paper, plastic and leather; – Priority 6: Textiles and apparels; – Priority 7: Communications; – Priority 8: Mining and minerals; – Priority 9: Financial services; – Priority 10: Finance and entertainment.	The Government of Eswatini established the Eswatini National Industrial Development Corporation through the National Industrial Development Corporation Act of 1971, but it fell dormant in 1985. In 2012 the Government revived the Eswatini National Industrial Development Corporation to support industrial development and employment creation, and expanded the mandate by making it custodian of the Government, including shares in various entities. The corporation now operates as a special-purpose vehicle for investing on behalf of the Government to ensure maximum investment returns. The Government of Eswatini established the Eswatini Development Finance Corporation in order to provide accessible financial services. Eswatini Development Finance Corporation is a registered private company owned by the Government of Eswatina (80%) and Tibiyo Taka Ngwane (20%). It provides a range of financial solutions aimed at assisting businesses operating in Eswatini. The range of services provided by the Eswatini Development Finance Corporation are the following: – Agricultural Loans ranging from 10,000 emaligeni (E) ($645) to above E5 million; – Order finance ranging from E10,000 to above E500,000.0; – Asset lease finance ranging from E10,000 to above E200,000; – Working capital Loan ranging from E10,000 up to E500,0000. The Government of Eswatini does not have a consolidated micro, small and medium-sized enterprise incentive programme. Most of the government support provided is limited to concessional financing. Among the non-governmental organizations providing concessional funding and support to micro, small and medium-sized enterprises is the Inhlanyelo Fund.

Country / institution(s) / policy framework	Incentives
Lesotho – Lesotho National Development Corporation (LNDC) – Basotho Enterprise Development Corporation (BEDCO) – Lesotho Tourism Development Corporation (LTDC) Priority Sectors – Priority 1: Agro-industry; – Priority 2: Manufacturing; – Priority 3: Renewable energy; – Priority 4: Infrastructure and construction; – Priority 5: Mining and resource-based; – Priority 6: Services; – Priority 7: Tourism.	The Government of Lesotho established the Lesotho National Development Corporation to promote the country as an attractive investment location for foreign and indigenous investors. The Lesotho National Development Corporation offers tax incentives, including: – A reduced rate of 10% corporate income tax on manufacturing profits; – No withholding tax on dividends distributed by manufacturing firms to local or foreign shareholders; – Partial Credit Guarantee Scheme provides 50% guarantee on loans worth 5 million maloti ($322,000) or less; – Training costs are allowed to be deducted at 125% for tax purposes. The Government of Lesotho established the Basotho Enterprise Development Corporation to support the establishment and development of Basotho-owned enterprises through a number of interventions, including, among them, entrepreneurial capacity building. the Basotho Enterprise Development Corporation provides the following types of training support: – Business management training; – Technical skills training in various trades; – Mentoring services; – Business incubation to assist entrepreneurs with access to business support services, including work space and machines; – Youth entrepreneurship development, which assists young people in developing creative business ideas that are pitched in a forum for seed funding. The Government of Lesotho established the Lesotho Tourism Development Corporation to encourage potential visitors to learn more about Lesotho and plan a visit. The Lesotho Tourism Development Corporation does not provide investment incentives per se. Instead, it facilitates investment by assisting with all the required information to make an investment decision, such as feasibility research for the development of tourism destination areas, and coordinating the required government registrations and licensing or approvals.

Country / institution(s) / policy framework	Incentives
Madagascar – Entreprise Publique à caractère Industriel et Commercial (EPIC) – Economic Development Board of Madagascar (EDBM) Priority Sectors – Priority 1: Tourism; – Priority 2: Agribusiness; – Priority 3: Light Industry Exporter; – Priority 4: Infrastructure and Construction; – Priority 5: Infrastructure; – Priority 6: Mining.	The Government of Madagascar established the Economic Development Board of Madagascar as a one-stop shop for the administering and establishment of all investment projects in 2006. In 2018, the Government enacted the Investment Law and the Law on Zones and Enterprises Free Trade Agreement. The Economic Development Board of Madagascar and the Investment Law Investment Law does not offer incentives, such as exemptions on customs, concessional finance or tax-breaks. Instead, the Board and the Investment Law facilitates the employment of foreigners and access to land for private investment. The Investment Law does not offer customs, financial or tax incentives, but it facilitates the employment of foreigners and access to land. A professional resident visa had been created for investors and the recruitment of foreigners, subject to the sole criterion of "specialization" which is not defined and is assessed very loosely. The Investment Law also extends the duration of emphyteutic leases that can be concluded by investors aged 50 to 99. In addition, the Investment Law had opened the possibility for foreign investors to access land subject to obtaining a land acquisition authorization, but this was suspended in 2009. Law No. 2006-910 of 2006 (Mining Law of Madagascar) provides a number of incentives for investors: – Stability guarantees are provided on many provisions, including legal, tax, exchange and customs regimes. The duration of the stability guarantee varies from 8 to 20 years, depending on the amount invested; – The mining royalty rate is 2%. In addition, a number of provisions are applicable to eligible and interested investors, whose investment exceeds 50 billion ariary (MGA) ($13,500), pursuant to the Mining Law: – Special customs regime (suspension of duties and taxes on imports); – Exemption from value– added tax (VAT) on the importation of materials, goods and equipment; – Exemption for five years from the minimum collection of income tax, payment only of the property tax; – Lower IBS rate (25% for the intellectual property holder and its subcontractors, 10% for the processor and its subcontractors) and additional deductions from taxable income; – An extension to five years on loss carry forwards; – Tax exemption on transferable capital income on interest on foreign loans and 10% withholding tax on dividends paid to shareholders; – Reduction of the royalty rate for local processing of minerals (50%); – Other tax benefits.

Country / institution(s) / policy framework	Incentives
Malawi – Malawi Investment and Trade Centre (MITC) – Malawi Revenue Authority (MRA) Priority Sectors – Priority 1: Agroprocessing; – Priority 2: Electricity Generation, Transmission and Distribution; – Priority 3: Construction; – Priority 5: Energy; – Priority 6: Tourism; – Priority 7: Agriculture; – Priority 8: Transport; – Priority 9: Mining; – Priority 10: Education; – Priority 11: Health; – Priority 12: Manufacturing; – Priority 13: Export processing. Investment Categories for Priority Industries – Priority 1: Agroprocessing investments of more than $500,0000 for locally owned companies; more than $5 million for foreign-owned companies; and 35% local value-addition; – Priority 2: Electricity generation, transmission and distribution investments of more than $30 million for all ownership structures.	The Government of Malawi has established its focus sectors through the Taxation Regulations 2013 (priority industries). The Taxation Regulation provides the following benefits: (a) Corporate income tax: – All investments in the priority sectors receive exemption from income tax for a period not exceeding 10 years. (b) Duty on Importation of Capital Goods and Building Materials: – Exemption from duties on importation of capital goods and building materials as may be prescribed. (c) Customs and excise tax Customs and excise tax Incentives are categorized as general incentives, which apply to any Malawian taxpayer upon importation of a product; and specific incentives, which apply to those approved to operate in a specific sector under agreed conditions. The customs and excise tax Incentives offered by the Government of Malawi include: General customs and excise tax incentives: – Import duty and import VAT exemption on importation of most machinery; – Import duty exemption while import VAT remains payable at 16.5% on importation of specific types of machinery; – Import duty and import VAT exemption on importation of special purpose motor vehicles other than those principally designed for transport of persons or goods. Examples of special purpose vehicles are concrete mixer lorries and mobile drilling vehicles; – import duty exemption while import VAT remains payable at 16.5% on importation of solar products. Examples of such solar products are solar batteries and solar energy lamps. Specific customs and excise tax incentives: There are a number of sector-specific customs and excise tax incentives in the priority sectors determined by the Government of Malawi. The incentives are provided based on specific requirements that apply to different sectors. For the purposes of this paper, agroprocessing and agriculture incentives are highlighted. – Agriculture Sector: animal Breeding – Provides import duty and import VAT exemption on importation of livestock meant for breeding, such as live bovine animals, live swine, sheep and goats; – Agriculture sector: Irrigation – Provides import duty, excise duty and import VAT exemption on importation of the following goods for direct use in irrigation; – Exemption only applies to PVCs, asbestos pipes/rubber seals, galvanized pipes, elbow, sprinklers, drainers, control valves, solvent cement, diesel engine ranging from 12.0 to 17.0 kW with tubes, pressure gauges and nozzles imported by a farming entity. – Agriculture sector: horticulture production – Provides import duty, excise duty and import VAT exemption on importation of the following products and equipment; – Exemption only applies to seeds, cuttings, seed netting greenhouse structure, climate control equipment, one generator set, water pump or borehole, flower power lights, pump, electrical engines, diesel engine for irrigation with tubing, PVC piping, valves, sprinkler system, irrigation filters/nozzles, pressure regulators, new refrigerated trucks per five years, cold rooms, strapping materials and clips, metal wires, strings elastic bands, processing equipment, bag strikers, laboratory equipment, chemical and reagents, soil testing kits, moisture testers, graders, chemicals rose cutter, spray equipment and fumigation equipment.

Country / institution(s) / policy framework	Incentives
Malawi	– Agriculture sector: fishing industry – Provides import duty exemption while import VAT remains payable at 16.5% on importation of fishing vessels, factory ships and other vessels for processing or preserving fishery products. – Agriculture sector: poultry farming – Provides import duty and import VAT exemption on importation of machines for cleaning, sorting or grading eggs; – Provides import duty and import VAT exemption on importation of machinery for preparing animal feeding stuffs, poultry incubators. – Agriculture sector: other agricultural goods – Provides import duty and import VAT exemption on importation of agricultural goods: fertilisers, pesticides, herbicides; – Provides import duty and import VAT exemption on importation of agricultural equipment such ploughs harrows, scarifers, cultivators, weeders, manure spreaders and fertilizer distributors and milking machinery. (d) Domestic tax Domestic tax incentives are also categorized as general incentives which apply to any Malawian tax payer operating as a "business person" or business entity' in the country; and specific incentives which are sector specific and are accessible by a taxpayer operating as a business person' or 'business entity' in that particular sector. The domestic tax incentives offered by the Government of Malawi include: General domestic tax incentives: – Losses incurred by the business are carried forward for a maximum period of six years from the year in which they were incurred; – Capital allowances allow the loss of value of a business's capital items to be treated as a current expenditure and thereby be used in the assessment of a business's taxable income; – Initial allowance is given to the taxpayer in the first year after the tax payer has claimed the allowance at the end of the year upon submission of financial statements; – Annual Allowance is given to the taxpayer every year from the first year for the lifespan of the capital asset; – Commercial buildings with a construction cost above 100 million kwacha (MK) ($136,000) are subject to an annual allowance of 2.5%; – A claim of a 50% allowance for social contributions paid directly into the building of a public hospital or school, or the sponsoring of youth sporting development activities; – Where a taxpayer wants to fund corporate social activities, they can claim 50% of the expenditure; – Taxable expenses are reduced by 50% of the donation as long as the taxpayer has a record of the donation and indicates on the tax return a claim of the tax allowance. Specific Domestic Tax Incentives: Numerous sector-specific domestic tax incentives in the priority sectors have been set by the Government of Malawi. The incentives are provided based on specific requirements that apply to different sectors. For the purposes of this paper, agroprocessing and agriculture the incentives are highlighted. – Agriculture sector: capital and revenue expenditure – Claim on capital expenditures are provided for the agriculture sector in relation to the construction of dams and dykes and land preparation are claimable. In this incentive, the taxpayer is eligible to claim the full cost of the dam, dyke or land preparation. Capital expenditure entails an element of improvement of a capital item;

Country / institution(s) / policy framework	Incentives
Malawi	– For special traders and cases as in the agriculture sector, some capital expenses are treated as acceptable expenses and are, accordingly, used to reduce net profit and thus reduce income tax. Revenue expenditure are expenses incurred in order for one to generate revenue. - Agriculture sector: tea, coffee, tobacco, sugar, cocoa – Growers of tea, coffee, tobacco, sugar, cocoa or other crops, as the minister may approve, at a plantation level are recognized as manufacturers, which enables them to claim all incentives available to a manufacturer. A plantation is a large piece of land (or water) usually in a tropical or semi-tropical area where one crop is specifically planted for widespread commercial sale and usually tended by resident labourers. – Agriculture sector: capital allowances; – An annual and initial allowance is given to the taxpayer for expenditure on staff housing in the agriculture sector.

Country / institution(s) / policy framework	Incentives
Mauritius – MSME Mauritius Ltd (MSMEMU) – Economic Development Board of Mauritius (EDB) – Mauritius Research Council (MRC) – Mauritius Development Bank (MDB) – MauBank Ltd (MBL) Priority Sectors – Priority 1: Tourism; – Priority 2: Agribusiness; – Priority 3: Light Industry exporter; – Priority 4: Infrastructure and construction; – Priority 5: Infrastructure; – Priority 6: Mining.	The Government of Mauritius established MSME Mauritius Ltd as a private company wholly owned by the Government in 2017. MSME Mauritius Ltd has taken over the role and functions of the Small and Medium Enterprises Development Authority. The Act establishing the Authority was repealed and replaced by the MSME Act of 2017 which enabled the establishment of MSME Mauritius Ltd. The role of MSME Mauritius is to promote and develop entrepreneurship, and provide the necessary support and assistance to the micro, small and medium enterprises in Mauritius. MSME Mauritius reports to the Ministry of Business, Enterprise and Cooperatives. It provides a number of schemes including, but not limited to the following: (a) MSME Certification Scheme: – Provides micro, small and medium-sized enterprises with technical assistance for accreditation to international standards and certifications necessary for customer confidence, loyalty and business sustainability; – Enterprises should have export potential and already have Agroprocessing/ manufacturing/ other facilities/ products/ services; – Enterprises infrastructure is assessed for compliance; – Provides a grant of 20 of the cost of a productivity Improvement programme up to a maximum of 50,000 rupees (MUR) ($1,344). (b) MSME Productivity Improvement Scheme: – Provides micro, small and medium-sized enterprises with technical expertise to improve their internal value creation functions, thereby directly affecting their overall competitiveness and sustainability; – Enterprises should be registered with the MSME Registration Unit and have an annual turnover not exceeding MUR 50 million; – Enterprises should have been in operation for at least two years and engage in activities that are not pure trading activities; – Enterprises that have invested in training, information communications technology, plant and machinery, business development or other support services are eligible. (c) Mentoring and Hand Holding Programme: – Provides micro, small and medium-sized enterprises with technical, management and other support; – Provides micro, small and medium-sized enterprises with intensive and pragmatic hand-holding, mentoring and coaching; – Supports innovation and strengthens enterprise development through knowledge sharing with industry experts; – Enterprises that have invested in training, ICT, plant and machinery, business development or other support services are eligible. The Government of Mauritius established the Economic Development Board of Mauritius as a statutory body following the merger between the Board of Investment, Enterprise Mauritius and the Financial Services Promotion Agency. The role of the Economic Development Board of Mauritius is to provide strong institutional support for strategic economic planning and ensure greater coherence and effectiveness in economic policy formulation; promote Mauritius as an attractive investment and business centre, a competitive export platform and an international financial centre; act as the main institution responsible for country branding for investment promotion; and facilitate inward and outward investment and ensure a conducive business environment. The Economic Development Board of Mauritius reports to the Office of the Prime Minister. It offers a number of schemes including, but not limited to the following:

Country / institution(s) / policy framework	Incentives
Mauritius	(a) Smart City Scheme: – Provides exemption from income tax for a period of eight years from the issue of the Smart City Scheme Certificate provided that the income is derived from an activity pertaining to the development and sale, rental or management of immovable property other than an activity in respect of the supply of goods and services; – Provides exemption from land transfer tax and registration duty on transfer of land into the Smart City Company for the development of the Smart City project, provided that the transferor holds shares in the Smart City Company, equivalent to the value of the land transferred; – Provides exemption from land transfer tax and registration duty on the transfer of land from a Smart City Company to a special purpose vehicle set up to develop a component of the smart city project, provided that the Smart City Company holds shares in the special purpose vehicle, equivalent to at least the value of land transferred; – Provides exemption from land conversion tax in respect of the land earmarked for the development of non-residential components (office and business parks, ICT and innovation clusters, tourist, leisure and entertainment facilities including hotels and golf courses, renewable energy and green initiatives); – Provides exemption from VAT for buildings and capital goods; – Provides exemption from customs duty on the import or purchase of any dutiable goods, other than furniture, to be used in the infrastructure works and construction of buildings under the Smart City Scheme; – Provides exemption from VAT in respect of buildings and capital goods; – Provides exemption from morcellement tax for the subdivision of land; – Provides accelerated annual allowance at a rate of 50% of the costs in respect of capital expenditure incurred on renewable energy; energy-efficient equipment or noise control devices; water-efficient plant and machinery and rainwater harvesting equipment and systems; pollution control equipment or devices, including wastewater recycling equipment; an effective chemical hazard control device; a desalination plant; composting equipment; equipment for shredding, sorting and compacting plastic and paper for recycling. (b) Food Processing Scheme: – Provides exemption from income tax for a period of eight years from the income year in which the company starts its operations; – Provides an exemption from registration duty and land transfer tax for the purchase of immovable property; – Provides an exemption from VAT for equipment and machinery. (c) Participation in International Fairs MSME Refund Scheme: – Provides a refund of MUR 200,000 annually on the cost of participation, airfare and accommodation for micro, small and medium-sized enterprises exhibiting in international fairs. The Government of Mauritius established the Mauritius Research Council to advise the Government on science and Technology issues and to influence the direction of technological innovation by funding research projects in areas of national priority and encouraging strategic partnerships. The Mauritius Research Council reports to the Ministry of Technology, Communication and Innovation. It offers a number of schemes including, but not limited to the following:

Country / institution(s) / policy framework	Incentives
Mauritius	(a) Proof of Concept Scheme: – Provides a matching grant of up to MUR 1 million per project for a duration of up to 12 months to local companies or a consortium ranging from micro, small and medium-sized enterprises to large companies for innovative, collaborative research and development projects with commercial potential, in partnership with local academic, research and tertiary education Institution(s). (b) National MSME Incubator Scheme: – Provides training and mentoring, co-financing opportunities, office space and other relevant resources to nurture innovative ideas, early business start-ups and micro, small and medium-sized enterprises willing to expand their activities and explore new markets, based on the following qualifications: – Enterprises need to be registered with the MSME Registration Unit and have an annual turnover not exceeding MUR 50 million; – Enterprises should have been in operation for at least two years and engage in activities that are not pure trading; – Enterprises that have invested in training, ICT, plant and machinery, business development or other support services are eligible. (c) Social Innovation Research Grant Scheme: – Provides an award grant of up to MUR 1 million per project for a duration of up to 12 months to non-governmental organizations, or public funded bodies in collaboration with academic, or research institutions or private sector companies; – Eligible projects need to have a strong research element embedded within to clearly define, describe, monitor and evaluate an intervention in an identified social problem and how, in turn, this intervention brings a novel and practical solution to the area under investigation. The above-mentioned institutions and the support they provide to micro, small and medium-sized enterprises is a central focus for the Government of Mauritius micro- and small-scale enterprises development policy framework. Although many institutions provide financial assistance, this is not the core focus of the development of micro, small and medium-sized enterprises in Mauritius. Financing institutions mainly extend concessional loans and grant funding to micro, small and medium-sized enterprises in Mauritius. The Government of Mauritius established the Development Bank of Mauritius Ltd, which took over the assets and liabilities of the Development Bank of Mauritius and became operational as a public company in 1989. The Development Bank of Mauritius had fully embraced its role of supporting micro, small and medium-sized enterprises and contributing to the socioeconomic development of Mauritius and Rodrigues since 1937. In 2017 the Development Bank of Mauritius established new schemes to facilitate and increase financial access of micro, small and medium-sized enterprises. It provides a number of schemes including, but not limited to the following: (a) MSME Financing: – Provides loans up to MUR 30 million at a concessional interest rate of 3% for the first four years; – Provides a maximum of seven years for repayment with a one-year grace period; – Provides up to 90% of the project costs in financing of micro, small and medium-sized enterprises engaged in manufacturing, service, tourism, Agro-business and ICT.

Country / institution(s) / policy framework	Incentives
Mauritius	(b) Loan Scheme for Small Fisherman in Rodrigues: – Provides loans up to MUR 50,000 at a concessional interest rate of 3% per annum; – Provides a loan for a maximum of four years for repayment without a grace period; – Provides a loan to cover up to 90% of the costs of repairs of boats, purchase of engines and any other fishing accessories to fishermen registered in Rodrigues. (c) Import Substitution Loan Scheme: – Provides loans up to MUR 3.0 million at a concessional interest rate of 3%; – Provides a maximum of five years for repayment with a one year's grace period; – Provides up to 90% of the project costs in financing of micro, small and medium-sized enterprises for former sugarcane planters.

Country / institution(s) / policy framework	Incentives
Mozambique – Investment Promotion Centre (CPI) – Mozambique Revenue Authority (ATM) – Accelerated Development Economic Zones Office (GAZEDA) – Law No. 3/93 (Investment Law) – Law No. 4/09 (Law on Fiscal Incentives of 2009) – Law No. 20/14 (Petroleum Law of 2014) – Law No. 21/14 (Mining Law of 2014) Priority Sectors – Priority 1: Building basic Infrastructure; – Priority 2: Trade in rural areas; – Priority 3: Assembly and manufacturing industries; – Priority 4: Agriculture and fish farming; – Priority 5: Hospitality and tourism; – Priority 6: Science and technology; – Priority 7: Rapidly developing zones; – Priority 8: Industrial free zones; – Priority 9: Mining; – Priority 10: Oil; – Priority 11: Public infrastructure and large-scale projects (more than $500 000).	The Government of Mozambique offers tax incentives for domestic investment projects that are registered with the Investment Promotion Centre. These projects may benefit from tax breaks and other incentives. The incentives are granted to companies operating in the priority sectors determined by the Government of Mozambique. An investment licence from the Investment Promotion Centre is required to obtain incentives as provided under the Law on Fiscal Incentives, with three exceptions investments in commercial and industrial activities in rural areas; investment in infrastructure built for retail and wholesale commerce; and manufacturing and assembly industries. The Law on Fiscal Incentives of 2009 was enacted to rationalize tax incentives. Although special tax treatment continues to apply to many sectors and situations, the law at least regrouped all incentives under a single document. Two broad categories of incentives are defined: general incentives; and specific incentives. As a rule, general incentives apply to eligible investments that do not qualify under one of the specific regimes. General incentives include: General Incentives (a) Customs Duties and VAT: provides exemption from customs duties and VAT on imports of capital goods classified as class K under the customs regime; (b) Income Tax: provides a tax credit of 5% (in Maputo) or 10% (other provinces) of the total value of investment in tangible assets which can be claimed against corporate income tax for a period of up to five years after the start of operations; (c) Application of Capital: Depreciation rates may be accelerated by up to 50% on certain classes of assets; (d) Capital Allowances: expenses on basic infrastructure are deductible at a rate of 110% (in Maputo) or 120% (other provinces). Specific incentives (e) The incentives granted for each of the priority sectors varies, but usually include exemptions from import duties and VAT on certain classes of goods, investment tax credits, and in certain cases, temporary exemptions or reductions in the corporate income tax rate. The most generous incentives are provided for projects in special economic zones and international free zones. (f) Special economic zones and international free zones: - Special economic zones: provides exemption from corporate income tax for the first five years of operation; granted a 50% reduction in the corporate income tax rate from year 11 to 15, and a 25%. reduction subsequently; all industrial activities are allowed within special economic zones; sales to the domestic market are not limited but subject to payment of import duties, VAT and excise duties; – International free zones: provides exemption from corporate income tax for the first 10 years of operation; grants a 50% reduction in the corporate income tax rate from year 11 to 15, and a 25% reduction subsequently; all industrial activities are allowed within the international free zones, provides that 70% of output is exported; sales to the domestic market of up to 30% of output are permitted, but are subject to payment of import duties, VAT and excise duties.

Country / institution(s) / policy framework	Incentives
Mozambique	(g) Mining and petroleum: Activities in mining and petroleum are excluded from the scope of the Investment Law. Accordingly, mining and petroleum activities are not entitled to the tax incentives described above. The general corporate income tax regime applies to mining and petroleum activities. Mozambique imposes royalties and a surface tax. Royalties are charged on the value of the minerals extracted and range from 10% for diamonds and precious metals to 3% for coal and other mineral products. Surface tax is nominal at the prospection phase and increases over time during the exploration phase, from 250 Mozambican metical (MT) $3.82 per km2 in the first two years to MT 3,000.0 per km2 in year 9 and 10. Upon granting of a concession, investors continue to pay a surface tax of MT 2,500.0 per km2 in the first five years and MT 5,000.00 per km2 subsequently.

Country / institution(s) / policy framework	Incentives
Namibia – Ministry of Industrialization, Trade and MSME Development (MTI) – Namibia Industrial Development Agency (NIDA)	The Government of Namibia established the Namibia Industrial Development Agency in 2017 to actively facilitate and drive industrial development in the country in line with the industrial policy and its "Growth at Home" implementation Strategy towards the achievement of its Vision 2030 goal. The Namibia Industrial Development Agency is the result of merging the Namibia Development Corporation and Offshore Development Corporation. The Government has introduced numerous incentives that are largely concentrated on stimulating manufacturing in Namibia and promoting exports into the region and to the rest of the world. The incentives provided include the following: Tax incentives (a) Shareholders' Tax: Non-resident shareholder tax is levied at 10%; (b) Dividends Tax: Dividends accruing to Namibian companies or resident shareholders are tax-exempt; (c) Application of Capital: Plant, machinery and equipment can be fully written off over a period of three years; buildings of non-manufacturing operations can be written off, 20% in the first year and the balance at 4% over the ensuing 20 years. (d) VAT: Import or purchase of manufacturing machinery and equipment is exempted from VAT. Specific Incentives (f) Government has introduced an additional package of tax and non-tax special incentives, applicable to existing and new manufacturing enterprises, exporters and export processing Zone enterprises.

Country / institution(s) / policy framework	Incentives
Seychelles – Seychelles Investment Board (SIB) – Ministry of Finance, Trade and Investment (MoF) – Ministry of Employment, Entrepreneurship Development and Business Innovation (MoE) – Development Bank of Seychelles (DBS) – Act 31 of 2010, S.I. 56 of 2011 (Seychelles Investment Act) – Act 31 of 2010, S.I. 71 of 2014 (Regulation of Economic Activities) – Tourism Incentive Act 2003 – Agriculture Incentive Act 2005 Priority Sectors – Priority 1: Tourism; – Priority 2: Blue economy; – Priority 3: Financial services; – Priority 4: Information communications technology; – Priority 5: Real estate; – Priority 6: Education; – Priority 7: Renewable energy; – Priority 8: Health; – Priority 9: Professional services; – Priority 10: Agriculture.	The Government of Seychelles established the Seychelles Investment Board in 2004 to promote and facilitate local and foreign investments and contribute towards economic growth. The Board's primary role is to facilitate investment in the various sectors of the Seychelles economy, including registration and certification of enterprises based on the Seychelles Invest Act and the Regulation of Economic Activities, which have various restrictions on the level of domestic versus foreign ownership based on the economic activity. For example, only Seychellois residents can own accommodation enterprises (hotels, guesthouses, self-catering establishments and motels with 1 to 15 rooms) and foreign ownership is restricted to an 80% shareholding for accommodation enterprises with 16 to 24 rooms. Economic activities in which foreign ownership is unrestricted are animal or livestock keeping, bakery, fruit and vegetable farming, garage services, hairdressing, production of input services for agriculture, retailing, spa and massages. The Government of Seychelles provides small enabling grants to local citizens through the Ministry of Finance and the Ministry of Employment, Entrepreneurship and Business Innovation. The incentives provided are the following: Seed Capital Grant – Seed Capital Grant: provides a seed capital grant of up to 50,000 rupees (SR) $3,644 to start-up businesses that are fully owned by Seychellois; the start-up should be operating for less than three years without making profits, with an estimated turnover not exceeding SR 2 million and employing 10 or fewer employees (including the owners). The Government of Seychelles provides concessional financing to micro, small and medium-sized enterprises through the Development Bank of Seychelles, which operates the MSME Scheme, which offers the following: – Loans up to SR 3 million at a concessional interest rate of 5% for the first SR 1 million and 7% on the next SR2 million; – A maximum of seven years for repayment with a one-year grace period; – Financing to all sectors and businesses activities excluding the refinancing of existing loans and for financing of retail, wholesale and import businesses; – Loans are only provided to Seychellois citizens residing in Seychelles for the last year who are either employed or self-employed or a company incorporated in Seychelles with at least 51% Seychellois ownership. The Government of Seychelles provides fiscal incentives to investors in the tourism sector under the Tourism Incentive Act 2003 and in the agriculture sector under the Agriculture Incentive Act 2005. Incentives are also granted in the industries, artisan and fisheries sectors. Most of these incentives provide, for example, trade tax concessions, goods and services tax concessions, business tax concessions, social security concessions, gainful occupation permit concessions and fuel concessions. All investors are entitled to incentives, provided they meet the requirements under the respective incentive package. The fiscal incentives are concentrated in the following industries: – Tourism; – Agriculture; – Fisheries; – Industries and artisan.

Country / institution(s) / policy framework	Incentives
South Africa – Department of Trade and Industry (DTI) – Industrial Development Corporation (IDC) – Department of Small Business Development (DSBD) – Small Enterprise Development Agency (SEDA) – Small Enterprise Financing Agency (SEFA) – National Small Business Amendment Act, No. 29 of 2004 – Industrial Development Corporation Act, No. 22 of 1940 – Co-operatives Amendment Act, No. 6 of 2013 Priority Sectors – Priority 1: Manufacturing; – Priority 2: Electricity generation; – Priority 3: Mining; – Priority 4: Services; – Priority 5: Agriculture.	The Government of South Africa provides a wide range of investor incentives for domestic and foreign investors. A variety of grants are available through the Department of Trade and Industry and the Department of Small Business Development in all sectors including micro, small and medium-sized enterprises, business funding and grants for small business. Grants are available for micro, small and medium-sized enterprises and large businesses with turnover exceeding 35 million rand (R) ($323 000) per year. Among the micro, small and medium-sized enterprises incentives are the following: (a) Black Business Supplier Development Programme: – Provides a cost-sharing grant to small black-owned enterprises to assist them in improving their competitiveness and sustainability in order to become part of the mainstream economy and create employment; – Provides a grant of up to R1 million (a maximum of R800 000 for tools, machinery and equipment; and a maximum of R200 0000 for eligible enterprises to improve their corporate governance, management, marketing, productivity and use of modern technology). (b) Cooperative Incentive Scheme: – Provides a 90:10 matching cash grant for registered primary cooperatives (a primary cooperative consists of five or more members, who are historically disadvantaged individuals) to acquire competitive business development services; – Provides a grant of up to R350 000. (c) Incubation Support Programme: – Provides a grant to develop incubates into successful enterprises with the potential to revitalize communities and strengthen local and national economies; – Provides cost-sharing support of 50:50 for large businesses and a cost-sharing of 40:60 for micro, small and medium-sized enterprises; – Provides a grant of up to R10 million per financial year over a three-year period and is subject to the availability of funds. (d) Shared Economic Infrastructure Facility: – Provides a 50:50 cost-sharing grant for funding of common infrastructure that is new, upgraded or maintained and shared by a number of informal businesses, micro, small and medium-sized enterprises and cooperatives, such as markets and township industrial parks, etc.; – Provides a grant of up to R5.0 million to be disbursed as per agreed milestones. The Government of South Africa also offers incentives and extend support to micro, small and medium-sized enterprises through a number of State-owned development finance institutions and agencies, such as the Industrial Development Corporation, the Small Enterprise Financing Agency and the Small Enterprise Development Agency. The incentives and support provided through government agencies includes, but is not limited to the following: (a) Small Enterprise Financing Agency: – Provides micro, small and medium-sized enterprises and cooperatives throughout South Africa with simple access to finance through intermediary or partnership channels such as commercial banks, cooperative financial institutions, micro-finance intermediaries), retail financial intermediaries, strategic partnerships and structured finance solutions); – Provides credit facilities from R500 up to R5 million when applying through any of the Small Enterprise Financing Agency intermediaries or partnerships; – Provides direct loans of R50,000 up to R5 million.

Country / institution(s) / policy framework	Incentives
South Africa	(b) Small Enterprise Development Agency: – Provides training and skills to develop, support and promote micro, small and medium-sized enterprises throughout the country, ensuring their growth and sustainability in coordination and partnership with various role players, including global partners that make international best practices available to local entrepreneurs; – Provides entrepreneurial training courses to empower small business owners with the necessary skills to enable them to take their businesses to greater heights; – Provides other training courses related to, for example, management, customer care, report writing and business writing skills, while helping entrepreneurs to identify areas of improvement for their businesses. (c) Industrial Development Corporation: – Promotes entrepreneurial development and growth of the micro, small and medium-sized enterprises sector through its subsidiary, the Small Enterprise Financing Agency; – Maintains a micro, small and medium-sized enterprises and midcap companies fund of 50 million euro ($56 million) on behalf of the European Investment Bank; – Provides loans of R1 million up to R120 million per transaction targeted at repayment period from 8 to 12 years, with shorter terms considered on a case by case basis.

Country / institution(s) / policy framework	Incentives
United Republic of Tanzania	• Taxation and duty: early stages of enterprises growth, imported machinery • Offers duty exemption • Market and trade • Provides market services, training, market information • Extends preferential treatment in development plans and financial services.
Zambia	• Provides a capital allowance to encourage investment in mining, manufacturing and tourism • Provides a duty exemption on certain raw materials, such as chemicals, iron, steel, rubber, plastic and capital equipment • Offers farming incentives, such as farming allowance to reduce farmer's taxable Income.

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