

Report on Regional Policy Dialogue on Leveraging Local Content Policies and Frameworks to Accelerate Growth and Sustainability of MSMEs in Southern Africa

17th to 18th October 2023

Maseru, Lesotho

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1. Introduction

The Government of the Kingdom of Lesotho in collaboration with the United Nations Economic Commission for Africa (UNECA) Sub Regional Office for Southern Africa (SRO-SA) and the United Nations system in Lesotho convened a two-day Regional Policy Dialogue (RPD) on Local Content Policies (LCPs) and Frameworks to explore the growth and sustainability of MSMEs in Southern Africa. The RPD was held in Lesotho's Capital City, Maseru from the 17th to 18th October 2023.

The main objective for the dialogue was for regional member states and other stakeholders to share their experiences on utilizing LCPs and other relevant policy frameworks in supporting MSME's growth and sustainability and canvassed the enablers and barriers to active involvement along the value chains. The Dialogue achieved the following objectives: examined country experiences in utilizing LCPs and frameworks in terms of challenges, opportunities, and best practices for MSMEs and key entry points for consideration; assessed key issues for the alignment and harmonization of regional and national local content policies and frameworks in Southern Africa; interrogated the policy and regulatory requirements on Regional Value Chains (RVCs) and Local Content Requirements (LCRs) in terms of enablers and barriers in the integration of MSMEs and; identified best practices on policy and regulatory frameworks on LCPS and Frameworks in Africa/internationally.

The RPD was attended by representatives of various government ministries and agencies from regional member states (Ms) under the Economic Commission for Africa in southern Africa (ECA-SRO-SA). The following Nine (9) ECA SRO SA countries were represented: Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia and Zimbabwe. Furthermore, the following organisations/institutions also participated in the RPD, the Common Market for Eastern and Southern Africa (COMESA) Secretariat, and the Southern African Development Community (SADC) Secretariat; Standards and Trade of Lesotho, Lesotho National Development Cooperation (LNDC); the USAID embassy office in Lesotho, National University of Lesotho (NUL), Radio Lesotho, The Post, Newsday and Lesotho Today, among others. Full details of the participants are found in Annex 1.

2 Opening session

Ms. Olayinka Bandele, Chief, Inclusive Industrialization Section of the ECA SRO SA, speaking on behalf of the organisation's Director, Ms. Eunice Kamwendo, stated that LCPs and Frameworks offer opportunities in support of the development of domestic MSMEs. She reiterated that globally, an increasing number of countries have introduced or reinforced LCPs with a view to stimulating the use of local factors of production, such as labour, capital, supplies of goods and services in order to create value in the domestic economy and hence expand the industrial sector and linkages. She noted that, a study by the World Bank in 2023 found that LCPs can increase access to finance for MSMEs by up to 20% and that earlier in 2021 the International Labour Organization reported that local content policies can improve the skills of MSMEs by 15%. She further noted that in another study, the African Development Bank observed that, local content policies can increase access to markets for MSMEs by up to 10% while the United Nations Industrial Development Organization in 2019 found that local content policies can promote the development of local industries and supply chains by up to 5%".

She emphasised that a focus on delivering a successful local content policy and its supporting regulatory framework has the potential to support the following economic development aims: export diversification; import substitution; an improved national forex position and therefore

debt sustainability. She noted, “When delivered at scale; LCP creates an enabling environment for private sector development; value chain development and mapping into global value chains (GVCs); gender economic empowerment; improved productive capacity; and improved export readiness of participating MSMEs”. Ms. Bande observed, “while LCP is not a panacea for all ills of an economy, however, it is a proven robust strategy when deployed effectively. At UNECA SRO SA, we are keen to support countries in Southern Africa to transform their economies through the benefits that accrue from utilization of LCPs and Frameworks”.

Officiating at the RPD meeting, the Principal Secretary, Ministry of Trade and Industry, Business Development and Tourism, Mr. Pomelo Mahlomola, highlighted that the strategic approach to Micro, Small and Medium Enterprises (MSMEs) development must focus on enhancing their survival rates through tailored training programs, facilitating access to information, improving financial accessibility, creating favourable fiscal policy environments, and assisting in the adoption of modern technology. The Principal Secretary lauded UNECA for its continuous support to the Government of the Kingdom of Lesotho in various recent interventions including the National Industrial Policy Review, drafting of the National Minerals and Mining Policy, the Response to the COVID-19 pandemic, the Ratification of the Agreement establishing the African Continental Free Trade Area (AfCFTA), Development of the National Spatial Framework on Gender Issues, and on the Measurement of GDP of the City of Maseru.

3 RPD proceedings

To facilitate structured discussions, the RPD was organized into various sessions, each with a moderator to guide the presentations and the attendant discussions.

3.1 Overview and objectives of RPD

Ms. Talumba Ireen Chilipaine, Economic Affairs Officer, UNECA SRO-SA provided the overview and objectives of the RPD. Ms. Chilipaine informed delegates that in pursuit of attaining inclusive industrialisation within southern Africa, there is need for a well-articulated local content program with well-defined policies and supportive legal and regulatory instruments in support of the MSMEs in the region. Ms. Chilipaine indicated that the RPD provides an opportunity for countries to share their experiences on utilizing LCPs and frameworks in terms of challenges, opportunities, and best practices. In addition to examining current practices in the region, the discussions also looked at emerging practices on the horizon.

In her presentation, the following were highlighted as key issues for consideration for the RDP discussions as well as the expected outputs:

3.1.1: Key issues for Consideration

- i.** Local content Frameworks: Prospects and the future in the context of MSMEs in Southern Africa
- ii.** Challenges and Opportunities for MSMEs in the Implementation of Local Content Policies and Key Entry Points for Consideration
- iii.** Policy and Regulatory Requirements on Regional Value Chains (RVCs) and Local Content Requirements (LCRs)

3.1.2 Expected Outcomes

- i. Enhanced understanding and appreciation among the stakeholders on the importance of LCPs and Frameworks in RVCs, building on existing local content policies and strategies both at national and regional level.
- ii. Recommendations on the key elements of LCPs and Frameworks essential for accelerating growth of MSMEs.
- iii. Enhanced understanding on the challenges and opportunities and best practices in the implementation of national LCPs and Frameworks within procurement systems in favour of MSMEs.
- iv. Recommendations for a critical gendered approach in the development of LCPs and Frameworks in support of MSMEs integration into RVCs.
- v. Enhanced understanding on the key LCPs in support of MSMEs integration into RVCs in Southern Africa.

3.2 Overview on the conceptual framework on LCPs and frameworks

Following the presentation of the RPD overview and objectives, Professor Albert Makochekanwa, the consultant made a presentation which centred the debate/discussion around the utility of local content policies and frameworks (LCPs), key factors, and experiences of deployment in Southern Africa and internationally. Professor Makochekanwa indicated that if successfully implemented, LCP and frameworks, could result in a number of benefits and possible opportunities associated with local content procurement (the use of inputs into the value chains such as labour, supplies of intermediate goods, services, knowledge and technology, etc) as experiences from other countries have shown. The following are some of the benefits of effective implementation of LCP and frameworks: (i) formal employment creation, (ii) increased tax revenue, (iii) foreign currency generation and savings, (iv) industrial development, (v) increased capacity utilization, (vi) value chain development, (vii) boost in manufacturing activities, (viii) enhanced competitiveness, (ix) investment in research and development (R&D) and price reduction. The consultant noted that there was no “blueprint” solution to designing local content regime and that, the choice of policy targets and implementation tools depends on specific country contexts.

The presentation also focused on supplier development program (SDP)¹. A well-designed supplier development program ultimately leads to better overall buyer-supplier relationships. A discussion ensued on the various issues presented on LCPs and SDP. The key messages from the discussion included among others that: if properly implemented LCP can improve or enhance the performance of MSMEs in southern African countries; the need for governments in each country to support LCP design and implementation; the need for harmonization of LCP and frameworks in southern Africa countries, and MSMEs are ready for effective implementation of LCP. Some of the questions that were raised and discussed include: why is there slow uptake and/or implementation of LCP and frameworks in most southern African countries? What is the best way of developing and implementing LCP and framework at national level?

¹ SDP is a process by which a company identifies and selects suppliers who can provide the products or services required to meet its specific needs. As a process SDP activity may include supplier interviews, supplier surveys, supplier audits, and supplier selection criteria development

As a follow up to the discussions of this sessions, three plenaries were done to digest further some of the issues that were presented during the preceding presentations.

3.3 Plenary sessions

The plenaries were conducted sequentially whereby all the delegates participated in each of the plenaries. The plenaries covered different but complementary discussions and issues on LCP and frameworks, and they were grouped according to the following topics: (i) Plenary 1 which dealt with LCP and frameworks, focusing on prospects and the future in the context of MSMEs in Southern Africa; (ii) Plenary 2 which discussed challenges and opportunities for MSMEs in the implementation of local content policies/frameworks and key entry points for consideration; and (iii) Plenary 3 was dedicated on policy and regulatory requirements on regional value chains (RVCs) and local content requirements (LCRs). The following sub-sections provides more detail on each of the 3 plenaries.

3.3.1 Plenary 1: Local content policies and frameworks: Prospects and the future in the context of MSMEs in Southern Africa

This plenary focused on local content policies and frameworks and the future prospects in the context of MSMEs in Southern Africa. Two presentations were made on LCPs from a regional perspective covering ongoing work on LCPs and Frameworks from two Regional Economic Communities (RECs) namely; COMESA Secretariat and SADC Secretariat. This was followed by a presentation that articulated on regional and national LCPs and Frameworks can be aligned and harmonised in Southern Africa

In the case of COMESA Secretariat, focus was on the COMESA Regional Local Content Policy alongside with its implementation strategy. On the other hand, SADC SEC's presentation articulated on SADC Framework on local content policy.

- i. Presentation on the COMESA Local Content Policy Framework on Industrialization 2019-2026 by Ms. Esther Mwimba, Senior Private Sector Development Officer, COMESA Secretariat.*

The presentation by Ms. Mwimba, a senior private sector development officer with COMESA Secretariat on COMESA local content policy framework touched on the following aspects, among others: Local content (LC) guiding principles; LC opportunities; approaches to LCP; LCP legal framework and LCP requirement cycle. With regards to LC guiding principles, Ms. Mwimba highlighted that there is no “blueprint” solution to designing local content regime and as such the COMESA LCP framework considers the choice of policy targets and implementation tools as dependent on specific country contexts.

She went further to indicate that local content presents opportunities in terms of revenue, businesses and potential for employment creation that require deep and detailed knowledge, in order to inform the strategic orientation of government policy. In the whole process, governments need to be clear about the specific development failures that are being addressed through LCPs. Ms. Mwimba informed delegates that LCP can be approached in two ways, and a given country has to choose what fit her context. Implementation of LCP can take a mandatory approach which relies on efforts from companies to grant preferences to local

stakeholders. Also LCP implementation can be incentive-driven where a government puts in place policies that expressly state what measures are required to be undertaken by investors for them to be confirmed as to have abided by certain requirements.

ii. *Presentation on the SADC Framework on Local Content Policy by Mr. Noel Lihiku, Programme Officer Clusters, SADC Secretariat.*

In his presentation with regards to existence of SADC framework on LCP, Mr. Lihiku, a Programme Officer Clusters with SADC Secretariat, informed the delegates that SADC as a regional block, is yet to have a local content policy framework, though this is currently in under consideration. In his presentation, Mr. Lihiku referred to the SADC Industrialization Strategy and Roadmap (SIRS) (2015–2062) which seeks to engender a major economic and technological transformation at the national and regional levels within the context of deeper regional integration. His presentation also highlighted the fact that industrial policy must be crafted within the context of a country’s competitive advantage, including future or nascent advantage. In conclusion, he alluded to the fact that the SADC region is in catch-up mode and needs to accelerate to converge with upper middle-income and high-income countries.

iii. *Alignment and Harmonization of Regional and National Local content Policies and Frameworks in Southern Africa by Professor Albert Makochekanwa, Consultant.*

The experiences from countries and regions that successfully implemented LCP and frameworks was brought into the discussion by Professor Makochekanwa’s presentation. His presentation indicated that alignment and harmonization of regional and national LCPs and frameworks is very important, especially when it comes to enhancing regional value chains. At national level, after securing political commitment, ensuring that local content is aligned with national development plans and setting national requirements and targets for local content towards ensuring domestic value creation and long-term economic growth, the next step for national authorities should be to develop comprehensive and holistic legal frameworks that clarify and simplify LC.

The consultant emphasized the fact that rather than approaching LCRs from a compliance or mandatory project requirement that demands more local content or introduces more punitive enforcement measures, governments should adopt a more collaborative approach built on clear, transparent, and attainable LC measures, with adequate institutional support for companies or investors to achieve those goals. The LC measures should be prepared based on inputs received from all stakeholders.

3.3.2 Plenary 2: Challenges and opportunities for MSMEs in the implementation of local content policies and key entry points for consideration

The plenary dwelt on challenges and opportunities for MSMEs in the implementation of local content policies and key entry points for consideration. Case study presentations from Lesotho, South Africa and Zimbabwe underpinned the discussions.

i. *Challenges and Opportunities for MSMEs in the Implementation of Local Content Policies/Frameworks and Key Entry Points for Consideration by Ms Zukiswa Kimani, Chief Director: Industrial Policy Sectors Branch, Department of Trade, Industry and Competition (DTIC), Republic of South Africa*

South Africa Government's procurement statistics, according to Ms. Kimani, shows that its purchasing power through public procurement is estimated to be between 15% and 25% of the country's Gross Domestic Product (GDP). Economic activities associated with this level of economy shows that manufacturing value added can be extracted from public expenditure for industrial development and SME development, especially in large-scale strategic projects. According to Ms. Kimani, South Africa's legislative framework and policies provides opportunities for MSMEs to equally participate in supplying various goods and services especially to government entities on merit basis. For instance, Section 217 (S217) of the Constitution of the Republic of South Africa, 1996 ("the Constitution") requires that when state contracts goods and services it must do so in accordance with principles of fairness, equitability, transparency, competitiveness, and cost effectiveness. On the other hand, the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) permits organs of state to implement preferential procurement policy persons previously disadvantaged by unfair discrimination.

Despite existence of legal provisions which support procuring of goods and services from MSMEs, Ms. Kimani indicated that there are many challenges which are common to MSMEs in South Africa that hinder their ability to benefit from procurement systems. These challenges include but not limited to the following: (i) limited access to finance; (ii) limited access to markets; (iii) limitation in managerial and technical skills; and (iv) poor product quality.

To help participation of MSMEs, she indicated that South Africa Government programmes (the DTIC) rolled out different programmes aimed at developing SMMEs which include the following: (i) Supplier Development Programmes (SDP); (ii) localisation; (iii) industrial financing; (iv) support for market access; (v) support for innovation and technology transfer, and (vi) other programmes such (a) national industrial participation programme (NIPP), (b) defence industrial participation (DIP) and (c) township economies.

In her conclusion, Ms. Kimani emphasized on the following three as recommendations for consideration:

- Effective legislation that enables the participation of MSMEs in procurement systems.
- Meaningful integration of MSMEs in supplier chains.
- Localisation and Supplier Development Programmes (SDP) allows MSMEs to build the capacity and capabilities and increase their participation in major value chain locally and globally.

ii. Key Challenges and Opportunities for MSMEs in the Implementation of National LCPs and frameworks within the Public Procurement Systems in Zimbabwe. Mr. Kupukani Masunungure, Deputy Director, Ministry of Industry and Commerce (MIC), Zimbabwe

The presentation by Mr. Kupukani Masunungure, a Deputy Director in the Ministry of Industry and Commerce (MIC), Zimbabwe indicated that MSMEs sector in Zimbabwe, accounts for more than 76% of total employment and the sector also play a crucial role in employment creation, food security and nutrition, poverty reduction, and urban and rural development. He indicated that Zimbabwe's local content policy (LCP) (2019 – 2023) aim to promote local value addition and linkages through the utilization of domestic resources. He cited the following as the three specific objectives of Zimbabwe's LCP: (i) to increase local content levels in prioritized sectors from approximately 25% to around 80% by 2023; (ii) to

increase capacity utilization in prioritized sectors from approximately 40 percent to around 75% by 2023 and; (iii) to increase manufactured exports in prioritized sectors by 5% per annum.

Mr. Masunugure indicated that Zimbabwe's LCP present various opportunities for MSMEs and these include, among others: (i) preferential local procurement, (ii) creation of business opportunities for local firms; (iii) rural industrialization; and (iv) technology transfer. Despite the significant contribution of MSMEs to national development, and the possible opportunities arising from the LCP, the presenter said the sector continues to face many challenges, key among them being: (i) restrictive regulatory environment, (ii) limited access to finance and appropriate workspace and markets (iii) MSMEs products fail to meet international standards due to inadequate skills and limited technology (iv) Shortages of raw materials (v) competition from substandard imports and (vi) high operational costs.

Going forward, Mr. Masunugure provided three recommendations that are aimed at ensuring that implementation of LCPs and framework benefits the MSMEs.

- the need for the government to accelerate and expand the funding scope for MSMEs as they contribute significantly towards value addition, employment creation and trade in Zimbabwe.
- the importance of accelerating MSME infrastructure development that would help to reduce production cost and improve quality of goods and services.
- The need for government to reduce import duties on raw materials that are not locally produced so that local companies can produce at viable costs and create employment.

3.3.3 Plenary 3: Plenary on policy and regulatory requirements on regional value chains (RVCs) and local content requirements (LCRs)

This plenary 3 discussed issues on policy and regulatory requirements on RVCs and local content requirements (LCRs). The plenary had two country presentations from Mauritius and Zambia and a presentation from the UNECA Regional Integration Trade Division (RITD) as follows:

- i. *Key regulatory enablers and barriers on LCPs and frameworks in the integration of MSMEs into RVCs Mauritius by Ms T. Ramnarain. Business and Enterprise Analyst, Ministry of Industrial Development, SMEs and Cooperatives (SMEs Division), Republic of Mauritius.*

In her presentation, Ms. Ramnarain indicated that there are around 139,961 SMEs in Mauritius which contribute 45.4% towards employment, 34.5% towards Global Value Chain (GBV) and 6.6% towards the country's exports. The main areas of activities of SMEs in Mauritius include, but not limited to wholesale and retail trade; repair of motor vehicles and motorcycles, transportation, and storage; accommodation and food service activities, agriculture, forestry, and fishing; manufacturing and construction; and emerging sectors such biotechnology, pharmaceutical, renewable energy, blue economy, among other. Despite the importance of the SMEs sector in the country, the sector is bedevilled by following issues and challenges: (i) limited access to finance; (ii) rising operating costs and reduced revenue; (iii) labour skills and talent shortages and (iv) limited access to market. At the same time, there are also issues and challenges faced by governmental organisations in implementing support programmes for SMES and these includes: (i) lack of human capital and skills development; (ii) external factors (such as COVID 19); and (iii) persistence of the informal sector.

To deal with some of the above challenges Ms. Ramnarain indicated that several schemes have been put at the disposal of SMEs and these include, among others (i) SME employment scheme, (ii) business transformation scheme (iii) technology and innovation scheme (iv) market readiness scheme (v) greening support scheme (vi) Agri- business scheme (vii) training and skills development (viii) organisation of fairs and outreach sessions (ix) SME e-directory (x) economic development board (EDB) of Mauritius.

ii. Local Content Policies and Frameworks in Zambia by Mr. Morgan Nyanga, Economist, Ministry of Commerce, Trade and Industry, ZAMBIA

In the case of Zambia, Mr. Nyanga indicated that the country developed its first National Local Content Strategy (LCS) which covers the period 2018 to 2022. The objective of the LCS was to promote inclusive growth and sustainable development through value addition by increased utilization of locally available goods and services in growth sectors as stated in the National Industrial Policy (2018-2027). The Strategy was aimed at ensuring that there are strong linkages between foreign companies or enterprises and the local economy. The Strategy required that companies or enterprises operating in Zambia purchase 35% of their inputs locally. To enhance the achievement of the strategy's objective, several policies were put in place to promote local content requirements directly or indirectly in the production and provision of goods and services in the economy. Such instruments include the following: (a) Citizens Economic Empowerment Act – No. 9 of 2006; (b) Private Public Partnership Act No. 14 of 2009; (c) Act; and (d) Zambia Public Procurement Act No. 14 of 2009.

The major lesson that was learnt, according to Mr. Nyanga, is that there was lack of legislation to back up the successful implementation of the LCS in that the strategy did not compel procurement of 35% of local inputs. Thus, the country could not successfully achieve the LCS objective. Going forward, he said that there is need to develop a local content policy/law which will compel all the companies operating in Zambia to procure 35% of local inputs for use in their production processes.

iii. Best practices on LCPs policy and regulatory frameworks by Ms. Brendah Phiri-Mundia, Principal Regional Advisor, Regional Integration and Trade Division, UNECA

In her presentation, Ms. Brendah Phiri-Mundia indicated that international best practice on LCP vary depending on specific goals and economic context of a country given the fact that countries are differentiated by (i) resource endowments with sector specific LCPs, (ii) skill sets in the local suppliers and labour force, (iii) infrastructure assets and challenges, and (iv) business/investment environments. Critical and comprehensive analysis of experiences and best practices from other countries that have implemented LCP and frameworks have shown the following as some of the critical success factors: (1) comprehensive regulatory frameworks, (2) stakeholder engagement and collaboration, (3) balancing national interests and regional/global integration, (4) targeted incentives and support; (5) technology transfer and knowledge sharing, (6) capacity building and skill development, and (7) continuous monitoring and evaluation. With African countries emphasizing the importance of implementing the African Continental Free Trade Agreement (AfCFTA), the presentation by

Ms. Brendah Phiri-Mundia also looked at unlocking synergy between LCPs and AfCFTA where the nexus between the two can be understood through the following dimensions namely: promotion of intra-Africa trade; boosting local industries; compliance with AfCFTA rules and integration of regional value chains. Of importance under integration of regional value chains is the application of the concept of cumulation in the AfCFTA rules of origin (RoO). Within AfCFTA cumulation of RoO will imply allowing countries to jointly fulfil the RoO criteria in a shared value-adding arrangement, thereby reducing the burden on individual producers while encouraging the development of regional value chains. This will mean inputs sourced from and originating in other Member States will be count as local inputs when further processed. Her presentation, Ms. Brendah also articulated the importance of gender considerations in LCPs emphasizing the fact that gender-responsive localization policy frameworks should aim to ensure that these policies (i.e., LCPs and frameworks) and practices consider and address gender disparities and promote inclusivity at the local level.

In concluding her presentation, Ms. Brendah provided the following as recommendations for countries to consider implementing for successful implementation of LCP and frameworks in their respective jurisdictions: (1) adopt and implement a coherent industrial policy, (2) create appropriate inclusive and transparent institutional industrial-policy mechanisms, (3) develop an appropriately directed local content policy (LCP), (4) raise lead-firm procurement, sourcing and processing, (5) adopt strategic interventions to insert indigenous firms in supply chains, (6) boost local skills and technological capabilities, (7) address infrastructure constraints and bottlenecks, (8) improve policy implementation through coordination among ministries, and (9) negotiate regional trade arrangements and foster intra-African trade.

iv. Recap for Day 1 presentation by Ms. Maria Njambi Ngarachu, Economic Affairs Officer, UNECA SRO SA

This recap for day 1 presentation by Ms. Maria was in three parts (i) What the dialogue set out to do and how it was done, (ii) Guidelines and best practice for LCPFs, and (ii) Summary of key issues.

a)What the dialogue set out to do and how it was done

- The Dialogue interrogated the conceptual framework on local content policies and frameworks (LCPFs) and examined best practices on LCPFs in the region and globally. The dialogue assessed key issues for alignment and harmonization of national with regional LCPFs. Professor Makocheke, the consultant, presented briefly on COMESA & SADC LCPFs.
- Various country experiences from South Africa, Zimbabwe, Lesotho, Mauritius, Zambia and Malawi in utilizing LCPFs, including key challenges and opportunities/entry points for MSMEs were discussed. Group discussions to delve into issues from plenary and proffer recommendations:

b)Guidelines and best practice for LCPFs

- LCPFs should be SMART with among others, clear and specific about what they aim to achieve for the country, with responsibilities properly allocated, clearly defined time limit. There should be transparent, inclusive (especially for public procurement) and participatory (e.g., social compact and private sector engagement)
- Best practice for LCPFs indicates that there are two (2) approaches namely mandatory and incentive driven. Evidence also shows that some countries implement a balanced

regime with a mix of mandatory requirements and incentives (e.g., fiscal/tax incentives)

- There is need to incorporate mandatory monitoring and enforcement mechanisms
- Countries should put in place enabling environment for LCPFs, including robust legal and institutional frameworks and support of other policies (e.g., investment, MSME policy)

c) Summary of key issues

Successful implementation of LCPFs requires among others, high quality product which meet international standards and products that are accredited in their respective field. All this implies the need for capacity building in the region; rolling out of Supplier Development Programs (SDPs) which are useful in addressing quality issues, building MSMEs capacities and capabilities, and increasing participation in major local and R/GVCs. Public/preferential procurement was also discussed as a key tool and support measure for LCPFs, MSME development and capacity building, and broader industrial development.

4 Plenary group sessions

The RPD had group discussions that were divided into three plenary groups, whereby each group was given the assignment of discussing various topical issues. Annex 2 provides list the questions that underpinned each group discussion. The group discussions also included proposed way forward on the topical issues.

4.1 Plenary 1 discussion highlights

The group answered some questions which were formulated as follows: how can challenges on implementing local content policies and frameworks (LCPFs) by MSMEs be addressed? What are the key entry points to this? What are the good case studies we can learn from in our countries and from other parts of the world? What initiatives are there to get private sector actors engaged in LCPFs, for example through Corporate Social Responsibility? The following are the major highlights from plenary/group discussions in which some of the questions were answered.

a) Challenges and opportunities for micro, small and medium enterprises (MSMEs)

- Leveraging finance
- Limited access to markets
- Upscaling capacity building
- Linkages with larger firms/companies
- Access to technologies
- Government procurement

b) Addressing challenges on implementation

- Institutional arrangement
- Capacity building
- Establishment of MSME agency
- Put a standard, quality & certification body in place.
- Have a robust procurement policy in place.

c) Entry points

- Agriculture sector activities
- Identification /selection of high value products
- Formation of clusters
- Training and capacity building
- Lead firm (vertical alliance)

d) Implementing LCPF in region

- Not enough knowledge
- Mauritius case study
- Government vision of MSME in next 5 years
- Development of 5 to10-year strategy
- Identification of implementing body
- Support programmes in place

e) How to get private sector engaged in LCPFs.

- PPPD
- Tax incentives
- Fair Trade certification

4.2 Plenary 2 discussion highlights

The group discussed the following questions: What more can be done for LCPs and frameworks to enhance participation of MSMEs in the supply chains in the context of public procurement systems? Is there sufficient economic sector specificity of LCPFs in countries? Is it appropriate to target LCP at the sector level, and if so, what is the pathway in pursuing this approach? How can partnerships be created for the actualization of the local content agenda through the Supplier Development Programmes (SDP)? The following are the major highlights from plenary/group discussions in which some of the questions were answered.

a) MSMEs require finance to successfully participate in supply chains.

- One of the major challenges which limits participation of MSMEs in supply chains is lack of access to finance. To deal with this challenge, there is need for respective countries to develop clear procedures as to how MSMEs access funds from the formal financial institutions.

b) Clarify on local content requirements for investors to support MSMEs

- There is lack of clarity with regards to local content requirements for investors to support MSEM. Going forward, it is recommended to develop clear policies reflecting investors' requirements on local content.

4.3 Plenary 3 discussion highlight

The group discussed the following questions: What are the existing gaps on legislative frameworks and regulations on LCPFs that are an impediment to MSME's in your respective countries? Is there alignment in LCPFs guidance at regional or continental level and how are these being implemented at the national level? What's needs to be done in order to attain harmonization of these policies for the creation of regional value chains (RVCs)? What appropriate measures should be undertaken to harness the potential of local content policies and frameworks in integrating MSMEs into RVCs and enhance their competitiveness? The

following are the major highlights from plenary/group discussions in which some of the questions were answered.

a) Existing gaps on legislative frameworks

- There is fragmentation of local content policy and framework which are housed in different ministries within most SADC countries, making it difficult to implement and monitor LCP and framework progress. To deal with this challenge countries are recommended to have a national local content policy and framework which is comprehensive and inclusive.

b) Alignment of LCP and framework at regional level

- Whilst there is alignment between COMESA LCP framework and SADC Industrialization Framework, however SADC and AU have no Local Content Policies and Frameworks. Going forward, it is recommended that SADC and AU should develop their respective local content policy and framework that member states can align with.

c) Appropriate measures to harness potential of LCP and frameworks

The following are the proposed appropriate measures that should be undertaken to harness the potential of LCP and frameworks in integrating MSMEs into RVCs and enhance their competitiveness:

- Ensure access to finance- the government to put in place measures for accessing MSMEs that qualify for guarantees.
- Capacity building- take MSEs to exhibitions, provide incubation programs and provide training.
- Ensure compliance with international standards- provide funding for MSMEs to acquire certifications.
- Technological transfer- support MSMEs to procure software
- Branding and packaging-provide support for MSMEs to package and brand their products to meet international market demands. Introduce a program for supporting MSMEs.
- Market locally produced goods- hold campaigns to promote locally produced goods.
- Combat corruption- Produce legal framework to combat corruption and ensure their enforcement.

5 Discussions, recommendations, and way forward

The Economic Affairs Officer, UNECA SRO SA moderated the session which summarized discussions, key recommendations and provided a way forward in facilitating implementation of dialogue's recommendations and in finalizing the policy briefs for dissemination. In addition to the specific recommendations proffered under each of the thematic plenary areas of the policy briefs, this session recommended the following:

1. Alignment and harmonization of national policies to regional/continental policies
2. Improvement of the regulatory environment for LCPs including transparency and gender responsiveness.
3. Develop local content thresholds including sector specific value chains.
4. Provision of Incentives e.g tax incentives
5. Stakeholder engagement e.g (private-private public dialogues (PPPD)) to build backward and linkages in the integration of MSMEs in the supply chains.

6. Supplier development programme (SDPs) through linkages in Value Chain Development
7. Capacity development for MSMEs in certification programmes, and through incubation, branding, packaging and labelling of products.
8. Establish robust sensitization and awareness raising programmes.

The meeting agreed that the draft recommendations be circulated to participants for possible further reflections and finalization, if any.

6 Closing session

The Closing session included remarks by Ms. Olayinka Bandele, UNECA SRO-SA - Chief, Inclusive Industrialization Section (IIS) and Ms. Maseeiso Lekholoane, Director Private Sector Development, Ministry of Finance, Lesotho Government of Lesotho.

In remarks, Ms. Olayinka Bandele, UNECA SRO-SA - Chief, Inclusive Industrialization Section (IIS) thanked the Government of Lesotho for the collaboration in hosting the regional policy dialogue. She also thanked the participants for their dedication and substantive contribution to the Dialogue. Ms. Bandele assured the participants that the recommendations of the dialogue would be carried forward and that ECA would work on recasting the policy dialogue report to reflect the outcomes of deliberations. The finalized workshop report will be circulated as widely as possible. She urged participants to continue the dialogue on leveraging local content policies and frameworks to accelerate growth and sustainability of MSMEs in Southern Africa.

Ms. Maseeiso Lekholoane, Director Private Sector Development, Ministry of Finance, Lesotho Government of Lesotho closed the Dialogue on behalf of the Lesotho Government by thanking the UNECA SRO-SA Secretariat and SADC regional member States and stakeholders for the rich discussions and the actionable recommendations focused on supporting leveraging local content policies (LCPs) and Frameworks to accelerate growth and sustainability of MSMEs in Southern Africa. She expressed the appreciation of the Lesotho of Malawi on the opportunity to host the dialogue and urged participants to ensure that the shared experiences find home in national policies and strategies. He then wished all participants safe passage back to their destinations.

ANNEX 1: List of participants

Regional policy dialogue on leveraging local content policies and frameworks to accelerate growth and sustainability of MSMEs in Southern Africa

No.	Names	Organization	Physical Address	Tel No.:	Email Address
1	Noel Lihiku	SADC Secretariat	Gaborone, Botswana	267 756 25655	nlihiku@sadc.int
2	Relebohile Ramakhale	Trade and Industry	Maseru, Lesotho	266 58029279	ntjoetse@yahoo.com

No.	Names	Organization	Physical Address	Tel No.:	Email Address
3	Pokello Mahlomola	MTIBDT	Maseru, Lesotho	266 62229247	Pokellom.uuz@gmail.com
4	Prof. A. Makochekanwa	Consultant	Harare, Zimbabwe	263 774444390	Almac772002@yahoo.co.uk
5	Masunungure Kupukani	Min. of Industry	Harare, Zimbabwe	263 772847062	mkupukani@gmail.com
6	Morgan Nyanga	Min. of Commerce	Lusaka, Zambia	260 971924916	Demorgannyanga09@yahoo.com
7	Mapello Kali	U.S. Embassy	Maseru, Lesotho	266 58881253	Kalimместate.gov.
8	Thaneshwaree Ramnarain	SMES Division	Port Louis, Mauritius	230 57596070	Ramanarian017@gmail.com
9	Kemong Masupha	Trade Indus & Business	Maseru, Lesotho	266 58511138	kemongmusupha@yahoo.com
10	Matsenki Mohapeloa	Trade Industry BDT	Maseru, Lesotho	266 63012482	Matsenki.mohapeloa@gov.ls
11.	Esther Mwimba	COMESA Secretariat	Lusaka, Zambia	260 760764285	emwimba@comesa.int
12	Mamoeletsi Moshao	MTIBDT	Maseru, Lesotho	266 63997554	Mamoeletsimoshao187@gmail.com
13	Luis Machave	MOZ-IPEME	Maputo, Mozambique	258 823305430	elmachave@yahoo.com.br
14	Teboho Tsekoa	MTIBDT	Maseru, Lesotho	266 62000032	Teboho.tsekoa@gov.ls
15	Mantletse Maile	MTIBDT	Maseru, Lesotho	266 59536238	Mantletse@mable.gov.ls
16	Litseko Fiee	MTBBDT	Maseru, Lesotho	266 62009290	litsekofiee@gmail.com
17	Papali Maqalika	NUL	Maseru, Lesotho	266 59187279	Papali2020@gmail.com
18	Zukiswa Kimani	DITC	Johannesburg, South Africa	27 60 967 1489	zkimani@thedtic.gov.za
19	Rakotomanana Evelyne	SADC	Gaborone, Botswana	267 71 802637	zkimani@thedtic.gov.za
20	Maseiso Lekholoahae	MFDP	Maseru, Lesotho	266 59227116	Maseeiso.letletose@gov.ls
21	Mokakata Mphane	MTIBDT	Maseru, Lesotho	266 63382792	Mphane.m25@gmail.com
22	Libeo Monethi	MAFSN	Maseru, Lesotho	266 62007474	libeo@yahoo.com
23	Elisha K. Muhongo	Min. of Industrialization	Windhoek, Namibia	264 81 8085445	elisiamuhongo@ymail.com
24	McDonald Mizati	MITI	Lilongwe, Malawi	256 997 828525	mmizati@yahoo.fr
25	Masitise Makhotla	MTIBDT	Maseru, Lesotho	266 58513742	Masitise125@gmail.com
26	Sekoala Molapo	CNLA Lesotho	Maseru, Lesotho	266 58905089	molapes@mialesotho.org.ls
27	Charlotte Moeketsi	MCA Lesotho	Maseru, Lesotho	266 58882106	moeketsic@mcalesotho.org.ls

No.	Names	Organization	Physical Address	Tel No.:	Email Address
28	Makama Masitha	SMME SNL	Maseru, Lesotho	266 58882032	smmenet@leo.co.ls
29	Philiswa Dlamini	Min. Of Commerce	Mbabane, Eswatini	268 76059545	dphiliswa@gmail.com
30	Mosito Kannonno	Standards Trade	Maseru, Lesotho	266 58051691	mositokanono@gmail.com
31	Mamahlaphe Ntsasa	MTIBT	Maseru, Lesotho	266 63146287	Mamahlapentasasa@gmail.com
32	Masenate Tlali-Mphahama		Maseru, Lesotho	266 53872233	mimuphahama@gmail.com
33	Dr. Johnson Adelekun	National Union	Maseru, Lesotho	266 56538945	johnsonadelakun@gmail.com
34	Learongoa Sefuli	Min.of Trade – Legal	Maseru, Lesotho	266 50203999	Lsefuli@national.com
35	Mookho Mahloane	Min. of Communication	Maseru, Lesotho	266 69271792	Mookhomalaane633@gmail.com
36	Noliwe Tlamane	Min. of Comm	Maseru, Lesotho	266 53914533	noliwethalmane@gmail.com
37	Nakofa Hlabathe	Min. of Comm	Maseru, Lesotho	266 58070265	n.hlabathe@gmail.com
MEDIA					
38	Noliwe Tlamane	LENA	Maseru, Lesotho	266 53914533	Noliwetlamane@gmail.com
39	Mookho Mahloane	Radio Lesotho	Maseru, Lesotho	266 692 71792	Mookhamaloene633@gmail.com
40	Maselone Ramofelo	Radio Lesotho	Maseru, Lesotho	266 564 75561	r.maselone@gmail.com
41	Samuel Alice	The Post	Maseru, Lesotho	266 68800020	Samuelalice201@gmail.com
42	Leroato Tauka	Lesotho Today	Maseru, Lesotho	266 58990440	tanklerato@gmail.com
43	Mamajara Nkhube	Leontsee La Lesotho	Maseru, Lesotho	266 58764659	mmjankuebe@gmail.com
44	Rebbolule Rhoda	LNBS	Maseru, Lesotho	266 63113560	rebolulerhoda@gmail.com
45	Tsala Chasic	LNDS	Maseru, Lesotho	266 65241996	deeptaac@gmail.com
46	Nokofa Hlabathe	Communications	Maseru, Lesotho	266 58070265	nhiabathe@gmail.com
47	Seabata Mahao	Newsday	Maseru, Lesotho	266 59334217	mahaoabels@gmail.com
48	Tsepag Pheelo	Tsenolo FM	Maseru, Lesotho	266 5742843	Tshepangpheel630@gmail.com
49	Salemone Ramong	Communications	Maseru, Lesotho	266 63073256	songremangoaela@gmail.com
50	Albert Makokechanwa	Consultabt	University of Zibwabwe		

No.	Names	Organization	Physical Address	Tel No.:	Email Address
UNECA SECRETARIAT					
51	Olayinka Bandele	Chief, IIS	ECA-SRO, Lusaka, Zambia	260 211 228502	Olayinka.bandele@un.org
52	Maria Njambi Ngarachu	EAO	ECA-SRO, Lusaka, Zambia	260 211 228502	maria.ngarachu@un.org
53	Talumba Ireen Chilipaine	EAO	ECA-SRO, Lusaka, Zambia	260 211 228502	talumba.chilipaine@un.org
54	Brendah Mundia	EAO	ECA Headquarters	251 992439720	Brendah.mundia@un.org
55	Bedson Nyoni	Snr. Info. Mgt. Assistant	ECA-SRO, Lusaka, Zambia	260 211 228502	nyonib@un.org

Annex 2: Guiding questions for group discussions

Group 1 questions

1. How can Challenges on implementing Local Content Policies and Frameworks (LCPFs) by MSMEs be addressed? What are the key entry points to this?
2. Do we know enough about how to implement LCPF in the region? What are the good case studies we can learn from in our countries and from other parts of the world?
3. What initiatives are there to get private sector actors engaged in LCPFs, for example through Corporate Social Responsibility?

Group 2 questions

4. What more can be done for LCPs and Frameworks to enhance participation of MSMEs in the supply chains in the context of Public Procurement systems?
5. One of the key entries for MSMEs to utilize Local Content Policies and Frameworks is through Supplier Development Programmes. How can partnerships be created for the actualization of the Local content agenda through the supplier Development Programmes?
6. Is there sufficient economic sector specificity of LCPFs in countries? Is it appropriate to target LCP at the sector level, and if so what is the pathway in pursuing this approach?

Group 3 questions

1. What are the existing gaps on legislative frameworks and regulations on LCPFs that are an impediment to MSME's in your respective countries?
2. Is there alignment in LCPFs guidance at regional or continental level and how are these being implemented at the national level? What's needs to be done in order to

attain harmonization of these policies for the creation of Regional Value Chains (RVCs)?

3. What appropriate measures should be undertaken to harness the potential of Local Content Policies and Frameworks in integrating MSMEs into Regional Value Chains and enhance their competitiveness?