The political economy of regional industrialization policies

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1. Introduction

This paper is an initial draft of a framework paper under the AERC's call for papers on 'rethinking regional integration. According to the call for papers, "*framework papers are background research papers produced to provide coherent theoretical and methodological guidance for multiple country case studies to be conducted in the second, final stage of a collaborative project*."

Industrial policy is making a comeback as a priority across Africa as governments seek to promote the creation of more and better jobs to address poverty and persistent unemployment. This policy revival is influenced by several factors: (i) the end of the commodity super-cycle, which has underlined the need for economic diversification and transformation; (ii) demographic growth that vastly outpaces and therefore raises the need for job creation; and (iii) frustration with 'Washington Consensus' policies that focused on getting prices right and largely ignored - or even vilified - the use of industrial policies to promote economic transformation.[1]

> *"What largely explains why GDP per capita growth has been so low compared to those of the developing countries in East Asia and why employment generation and poverty reduction has been far slower than in other developing regions is Africa's negligible manufacturing base (see Szirmai and Verspagen, 2011; Noman and Stiglitz, 2011; and ECA, 2015)." (UNECA, 2016)*

[1] Less than a decade ago, major policy documents such the World Bank's World Development Report 2005 on the investment climate mentioned 'industrial' only in the appendix (te Velde, 2013)

The recourse to industrial policy is not only happening nationally, but also at a regional level. Most African Regional Economic Communities (RECs) have adopted some form of regional industrialisation policy or strategy, or are in the process of doing so, while the African Union adopted the African Industrial Development Action Plan (AIDA) in 2008.[2] However, despite an apparent common interest in supporting industrialisation at the regional level, the strategies adopted by Africa's RECs to promote industrialisation vary widely and face multiple challenges.

This policy brief discusses the above frameworks for regional industrialisation policies, drawing on political economy analyses of the industrialisation strategies of COMESA, the EAC, ECOWAS and SADC.[3] It aims to answer the following questions:

- What do the regional industrialisation processes aim to achieve i.e. what is the value they seek to add in relation to national processes?
- How do political economy dynamics within and between countries shape regional strategies and implementation in practice in the focus regions?
- What are the implications for policymakers and international partners in supporting such strategies?

Overall, this policy brief aims to highlight the political economy dynamics within and between countries that policymakers and international partners must take take account of when promoting, implementing and/or supporting regional industrialisation policies and strategies. In doing so, it identifies relevant lessons from across Africa's regions and points to areas for additional research.

2. Regional industrialisation strategies - why now?

Industrial policy on the rise

Cooperation on industrialisation has long been central to political and economic integration policy processes in Africa. The 1980 Lagos Plan of Action was explicit about an "urgent need to implement a plan for the collective industrialisation of Africa". It called for African states to "give a major role to industrialisation in their development plans", and for regional industrial cooperation and harmonisation of industrial activities to support national efforts to industrialise. The Lagos Plan envisaged, among other activities, the preparation of regional plans for the creation of major industrial complexes, and the creation of regional institutions to support industrialisation. In a similar vein, the 1991 Abuja Treaty Establishing the African Economic Community called for African states to harmonise their industrial policies and adopt a common policy on industry. It also provided for joint industrial development projects at the regional level and for African states to prepare regional plans for establishing cross-border industries. This reflected ambitions for industrial planning, with a notably ideological focus on "collective industrialisation".

Regional cooperation on industrial development was also foreseen by the foundational documents of Africa's regional economic communities (RECs), though the language is somewhat softer: the 1993 Treaty Establishing the Common Market for Eastern and Southern Africa (COMESA) calls for COMESA member states to "cooperate in the field of industrial development" and provides for the formulation of a regional industrialisation strategy, among other cooperation agendas. In 1999, the East African Community (EAC) Treaty similarly cited strengthened industrial relations as an objective of the EAC, and mandates EAC member states to "develop an East African Industrial Development

[2] https://au.int/en/ti/aida/about
[3] Policy Briefs and Background Papers on the these can be found at: http://www.ecdpm.org/regionalorganisations

Strategy". The Southern African Development Community (SADC) Treaty also cites "industrialisation of the region" as an objective, and calls on member states to cooperate in the area of industry. Though not explicitly mentioned in the SADC Treaty, the SADC Protocol on Trade (2000) calls for an industrialisation strategy to accompany implementation of the SADC Free Trade Area. The SADC Regional Indicative Strategic Development Plan (RISDP), adopted in 2003, also calls on SADC member states to develop a regional industrial development policy and strategy framework.

Recently, these objectives have been translated into regional industrialisation policies and strategies. In 2011, the EAC Summit approved the EAC Industrialisation Policy 2012-2032 and the associated EAC Industrialisation Strategy 2012-2032. In 2013, the SADC Council of Ministers approved the SADC Industrial Development Policy Framework, in 2015 the SADC Industrialisation Strategy and Roadmap 2015-2063 and in 2017 an Action Plan for the SADC Industrialisation Strategy and Roadmap. COMESA also adopted its COMESA Industrialisation Policy 2015-2030 while in 2017 they adopted the COMESA Regional Industrial Strategy 2017-2026.

The growing prominence of industrialisation on regional agendas is reflected not only in the development of regional industrialisation strategies, but also in the themes of recent REC Summits, which have focused heavily on promoting industrialisation in their regions.[4]

As all this suggests, the regional industrialisation objective is not in fact new, though meeting the objectives has been a challenge, not least with ideological trends aligning against government intervention and industrial policy from the 1980s to the early 2000s. The recent flurry of regional industrial policies and strategies rather suggest that a range of external and national-level factors have aligned to generate renewed interest in designing regional approaches to industrialisation in Africa.[5]

National imperatives

One key driver of regional industrialisation strategies has been the emphasis in the rhetoric of African policymakers on the need to promote structural transformation in their economies, with renewed emphasis on national industrialisation. Although manufacturing production in Sub-Saharan Africa more than doubled between 2005 and 2014 and has grown at 3.5% annually in real terms over the past decade, faster than global growth in manufacturing production (Balchin et al., 2016), the share of manufacturing value added in Africa's economic output is lower now than it was in the 1970s, and African countries still account for a small share of global manufacturing output.

Recent commodity and investment-driven growth across Africa has failed to make significant inroads into high levels of poverty, unemployment and income inequality in many African countries. Nor has it created sufficient jobs to match the continent's young and rapidly-growing population, a particularly pressing concern for African governments given the risk of political and social unrest posed by high levels of youth unemployment.[6] Moreover, recent economic growth has failed to stimulate significant

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[4] For example, the themes of the most recent COMESA Summits were "Consolidating Intra-COMESA Trade through MSME Development" (17th Summit - 2014) and "Inclusive and Sustainable Industrialisation" (18th Summit - 2015 and 19th Summit - 2016), while the themes of the most recent SADC Summits were "Partnering with the private sector in developing industry and regional value chains" (37th Summit - 2017), "Resource Mobilisation for Investment in Sustainable Energy Infrastructure for an Inclusive SADC Industrialisation for the Prosperity of the Region" (36th Summit - 2016) and "Accelerating Industrialization of SADC Economies through transformation of natural endowment and improved human capital" (35th Summit - 2015).

[5] In 2015, ministers from the Economic Community of West African States (ECOWAS) adopted a Revised West African Common Industrial Policy (WACIP) Strategy (2015-2020) - the WACIP had originally been adopted in 2010. The Southern African Customs Union (SACU), meanwhile is also seeking to develop a regional policy on industrial development.

[6] The AFD-World Bank publication "Youth Employment in Sub-Saharan Africa" gives evidence to the effect that the Sub-Saharan African labour force is expected to increase by 11 million people per year over the next 10

structural transformation into higher productivity sectors and activities on the continent (ERA, 2014). As a result, many African countries remain overly dependent on exporting primary commodities, such as minerals and agricultural products, leaving them vulnerable to fluctuating commodity prices and global demand shocks (ERA, 2014). A growing body of literature - exemplified by recent editions of the influential Economic Report on Africa - therefore makes the case for African countries to prioritise industrialisation, with 'sustainable industrialisation' agreed on as one of the Sustainable Development Goals.

While structural adjustment policies in the 1980s were partly a response to the failure of import-substitution industrialisation attempts in South America, the importance of industrialisation for economic development is also highlighted by the experiences in East and Southeast Asia. Those countries relied on their manufacturing sector as the main engine of growth to facilitate their transition from low-income to upper middle- and high-income status. Consequently, African policymakers increasingly advocate the need to promote domestic industrialisation in order to generate employment opportunities and improve standards of living for their populations, and many African countries have prioritised industrialisation in their long-term development strategies.

Relatedly, industrial policy has become increasingly accepted as a legitimate and necessary tool to promote economic development, what Rodrik (2008) has called the 'normalisation' of industrial policy. During the 1980s and 1990s the policy prescriptions of the 'Washington Consensus' discouraged African (and other developing country) governments from proactive involvement in the structural and industrial development of their economies. The failure of these policies to boost structural transformation and create sufficient jobs in Africa and elsewhere, coupled with the apparent success of proactive government approaches in East and Southeast Asia, led to a reevaluation of the appropriate role of governments in fostering structural transformation and the reappearance of industrial policy on the economic development agenda, especially in Africa.

In 2008 the African Union adopted the Action Plan for Accelerated Industrial Development of Africa (AIDA) calling for African states to develop and implement industrial policies.[7] More recently, the 2014 Economic Report on Africa, outlined the need for African countries to introduce "credible industrial policies" and promote effective industrial policy organisations to promote structural transformation on the continent. Many African countries have adopted dedicated national industrial policy frameworks in recent years, including South Africa (2007), Uganda (2008), Ghana (2011), Rwanda (2011), Zimbabwe (2012), Ethiopia (2013), Botswana (2014), Côte d'Ivoire (2014) and Kenya (2015). The reasons and focus of these vary, while success also varies widely, depending largely on political interests and incentives (see e.g. Whitfield et al., 2015, McMillan et al., 2017).

A new direction for regionalism?

While regional strategies have emerged as part of the same set of rhetorical and ideological shifts, there are additional reasons. African stakeholders have become increasingly frustrated that regional integration in Africa has so-far failed to generate expected benefits in terms of boosting intra-African trade and supporting structural transformation and economic diversification.[8] Africa's RECs adopted the 'European' model of market integration largely based on a logic of addressing the constraints posed by Africa's small domestic markets. Market integration and the removal of barriers to intra-regional trade are meant to provide opportunities for African firms and industries to benefit from

years (COMESA IP)

[7] To operationalise the AIDA, the African Union Commission, with the support of UNIDO, developed an Implementation Strategy that focuses on creating coherent industrial policy frameworks at national, regional and continental levels that are well-focused and sensitive to local endowments.

[8] Multiple examples can be found from local press and from conferences around the regional integration implementation gap. Just one example relating to cross-border trade barriers that remain: https://www.businesslive.co.za/bd/opinion/2017-04-19-progress-on-hold-as-trade-barriers-constrain-africa/

economies of scale inherent in larger regional markets which then allows greater specialisation and productivity growth. The mechanisms established to govern regional integration are also meant to provide platforms for promoting trade facilitation and cross-country knowledge sharing to support industrial capacity building at the national level.

Though regional integration processes in Africa have yielded the formal trappings of market integration, with agreements to establish free trade areas and customs unions, there has been only partial implementation and insignificant impacts on intra-African trade. Though often explained as an issue of capacity, finance or 'political will', this is often a shorthand for the political incentives of leaders, state-business relations and relations between members of a regional bloc, that all appear to be more determinant in outcomes (e.g. Vanheukelom et al., 2016). Slow market integration is relevant for industrialisation as intra-African trade involves a higher proportion of manufactured products and intermediate goods than Africa's extra-regional exports, and is therefore particularly important in terms of supporting Africa's manufacturing industries.

A commonly cited reason for limited intra-African trade is that integration has focused largely on removing barriers to trade without the effective development of the productive capabilities on the continent (AID). In their absence, African economies remain relatively undiversified and their trade complementarity low. In other words, having failed to develop diversified industrial sectors that produce the goods demanded by African consumers, African countries are simply not in the position to exploit opportunities provided by eliminating barriers to intra-regional trade.

From regional to global?

The recent rise of global value chains as conduits for global economic activity has also contributed to reframing the discourse on how African and other developing countries can foster industrialisation. Instead of having to develop value chains as late industrialisers such as South Korea did, integrating into global value chains theoretically allows African countries to participate in the global economy by specialising in specific tasks in line with their comparative advantages (e.g. Baldwin, 2013). In theory, this can then be leveraged to generate knowledge and technology spillovers that stimulate industrial upgrading.

Typically, however, African countries find themselves in the low value-added, 'upstream' end of global value chains, supplying raw materials such as minerals and agricultural goods to lead firms from more advanced economies. In many cases, poor firm-level capabilities to meet quality standards and conform with formal requirements prevent them from breaking into higher value-adding activities within global value chains. Regional value chains are therefore seen by some to offer a more accessible way for firms to build capabilities through learning-by-exporting, but with lower barriers to entry, such as less stringent quality standards (e.g. UNCTAD, 2013).

All these elements - lessons from elsewhere in the world, a change in narrative towards employment and economic transformation in Africa, the 'normalisation' of industrial policy (Rodrik, 2008) among international institutions, the emergence of global and regional value chains, and frustration with traditional regional market integration - have led to the greater prominence of industrialisation strategies in regional discourse (Rodrik, 2008).

3. Industrial policy: what and how?

It is now accepted that governments can play a key role in fostering economic transformation through industrial policies. The broad aim of such policies is to encourage the search for new business models and markets, and channel resources into promising and socially desirable new activities (Altenburg, 2011). Since the seminal work of Rodrik and McMillan (2014), the goal of industrial policy is not just diversification and raising manufacturing value added, but more specifically to promote raising productivity within sectors, but also assist the movement of workers between sectors from low productivity activities, in agriculture and informal services, to high productivity activities in modern services and manufacturing.

There are clearly many ways to attempts to do that. But at a general level, Hausmann et al. (2008) identify three forms of market failure that justify the use of industrial policy and help guide policy focus (see box).

1. Public inputs failure - Private investments are often unattractive due to a lack of certain key public inputs such as transport and energy infrastructures or a sound legal framework. Government can therefore assist the industrial sector through the provision of specific legislation, accreditation, R&D, transport etc, without which some industrial activities would not take place.

2. Coordination failures - Beyond the above, "New economic activities often require simultaneous and lumpy investments upstream, downstream, and in parallel forks, which decentralised markets are not good at coordinating" (Hausmann, et al. 2008). Governments can help coordinate complementary investments with services such as the matching of suppliers and clients, the provision of detailed enterprise databases and/or sectoral platforms to improve information flows, and improved policy coordination between different Ministries.

3. Self-discovery failures - It costs money for a firm to experiment with what new products and activities can be carried out profitably in a specific economy. The social benefits may be high, but the private gains subject to free-riding. Potential replication by competitors reduces the incentive for firms to experiment in the first place. Government can help by offsetting the risk to entrepreneurs entering new markets.

This appears to move away from the dichotomy often drawn between 'horizontal' (general, or functional) policies and 'vertical' (selective or sectoral) policies or 'picking winners'. But as UNECA (2016) set out in their report on "Transformative Industrial Policy for Africa", those policies sometimes perceived as being neutral inherently benefit some sectors and activities over others, so there may not be such a thing as a neutral, horizontal policy.

The emphasis instead is on the *process* of consultation and coordination between public and private sector actors to identify specific market failures and address them in a coordinated way, with adjustments along the way, informed by functioning feedback loops. This raises challenges of policy design with sufficient ownership; provision of clear, transparent and predictable rules; well-functioning feedback loops; state capacity and high-level commitment (Altenburg, 2011; Page & Tarp, 2017).

Inherent in all of this is the fact that industrial policy is highly political. "Politics are central to understanding why governments pursue industrial policies, which sectors they target and with what kinds of policies, and how those policies are actually implemented" (Whitfield et al., 2015). Developing countries face a particular challenge: "they need more proactive governments to cope with all their market failures, but their political systems are often built on favouritism, and their administrations typically lack both the resources and the right incentives for effective service provisioning" (Altenburg, 2011).[9] State-business relations must balance efficient information sharing and cooperation with the risk of capture, requiring a form of 'embedded autonomy' of public and private actors (Rodrik, 2004).

[9] While this is a risk, "not having an industrial policy - leaving it to the market, structured as it is by special interests - is itself a special-interest agenda" (Stiglitz, 2015).

Successful industrial policies hence rely on three conditions: mutual interests among state bureaucrats, firms/farms, and ruling elites; pockets of bureaucratic efficiency; and ways of "learning for productivity" (Whitfield et al., 2015).

Beyond the challenges this raises at a *national* level, little has so far been analysed of the implications of working at a *regional* level. The logic for regional approaches to industrialisation relates to "regional fragmentation, small economies and small markets with limited scope for economies of scale" Hartzenberg (2011). Accordingly, a more integrated approach to industrialisation across countries within a region will encourage investment and enable firms to produce more competitively in a larger market. At the same time, greater industrialisation is often seen as a necessary precursor to further trade liberalisation - 'you need to produce before you have something to trade'. Industrialisation strategies and regional integration processes thus appear to go hand in hand.

But do regional and national industrial policies necessarily have the same objectives? On paper, one might simply substitute 'regional organisation' for 'government' in the areas proposed by Hausmann et al. (2008): *Regional organisations* can help by offsetting the risk to entrepreneurs entering new markets; *regional organisations* can help coordinate complementary investments... and improved policy coordination between different Ministries/Governments; and *regional organisations* can assist the industrial sector through the provision of specific legislation, accreditation, R&D, transport etc. But do regional organisations play this same role? Or does industrialisation promotion at a regional level imply different objectives and approaches? And where do political economy dynamics enter the equation?

As the following section illustrates, our analysis of COMESA, the EAC and ECOWAS all suggest that the translation of industrial policy from national to regional level is not simply a question of scale. Rather, within and between country interests and politics are fundamental in understanding where regional policies can add value to national efforts, and garner genuine regional traction.

4. Taking industrialisation Policy Regional

4.1 Regional industrialisation policy *objectives*

Prima facie, the objectives of regional industrialisation policies are the same as those for a country, simply scaled up to a larger geographical area and population. The focus remains on encouraging structural transformation into higher productivity activities, diversifying production and trade, raising value added and providing sustainable employment (UNCTAD, 2015[10])

Although their regional industrialisation strategies are at different stages of development, those of the EAC and COMESA being most in their infancy, all share the same broad goal: developing the manufacturing base and encouraging value addition and industrialisation in the region as a whole. The 2015 SADC Industrialisation Strategy and Roadmap suggests a need to "identify areas where the SADC region can have the greatest success in capturing high opportunities based on present and future strengths and capabilities", stating its concrete objectives as:[11]

1. double the share of manufacturing value added (MVA) in the region's GDP to 30 percent by

[10] See also more information at http://www.mz.undp.org/content/mozambique/en/home/presscenter/articles/2016/05/17/industrialization-and-diversification-key-to-reverse-decline-caused-low-commodity-prices-0.html
[11] http://www.ilo.org/wcmsp5/groups/public/---africa/---ro-addis_ababa/---ilo-pretoria/documents/meetingdocument/wcms_391013.pdf

2030,
2. increase manufactured exports to at least 50 percent of total SADC exports by 2030,
3. build SADC's market share in the global market for the export of intermediate products to East Asian levels of around 60 percent of total manufactured exports
4. lift the regional growth rate of real GDP from 4 percent annually (since 2000) to a minimum of 7 percent a year;
5. increase the share of medium-and-high-technology production in total MVA from less than 15 percent at present to 30 percent by 2030 and 50 percent by 2050 and;
6. increase the share of industrial employment to 40 percent of total employment by 2030.

Similarly, the ECOWAS West Africa Common Industrial Policy talks of the need to "accelerate the industrialisation of West Africa through the promotion of endogenous industrial transformation of local raw materials; development and diversification of industrial productive capacity". It has similar specific objectives: raise the local raw material processing rate from 15-20% to an average of 30 % by 2030; increase the manufacturing industry's contribution to the regional GDP, currently at an average of 6-7 %, to an average of over 20 % in 2030 (ECOWAS, 2010). COMESA also seeks to "promote regional economic transformation and employment creation", with the following specific targets: increasing i) in value added products and exports as a percentage of GDP from the current estimate of 9% to 29% by 2026; ii) the share of manufacturing to GDP to at least 20% by 2026 and; iii) intra-regional manufactured exports relative to total manufactured imports to the region from the current 7% to 20% by 2026" (COMESA, 2017). So at first sight, regional objectives seem to mirror those of national strategies.

The implementation challenge of regional policies

Implementation is difficult to measure as the different regional policies are at different stages - though the EAC's Industrial Policy has been around since 2012, it has reportedly had little traction so far. The COMESA industrialisation strategy was only formally adopted in 2017 and that of SADC in 2015.The ECOWAS WACIP was first adopted in 2010 and updated in 2015, thus offering a longer period over which to understand the regional dynamics at play in this policy area.

Beyond that, the starting point for implementation of industrialisation strategies also varies considerably given the great differences among regional groupings. Depending on the nature of the task, promoting 'regional industrialisation' in COMESA's nineteen member states that include Egypt, the Seychelles and Zimbabwe, is likely to create different demands from doing the same for the five (now six) member EAC, or fifteen member ECOWAS.

But beyond the more foundational factors affecting progress between RECs, some of the key challenges emerge in terms of dynamics between countries within RECs. In the same way that even 'neutral' industrial policies have differential impacts across sectors, regional goals nonetheless imply variable impacts across places, implying differential country benefits. While sectoral impacts can be managed through national government processes, at a regional level the dynamics of winners and losers *between countries* are potentially different. Between-country competition can have national winners and losers located in one country or another, and therefore potentially able to affect application of the regional strategy. This will depend on their degree of political influence, which is partly determined the underlying political settlement that defines how power is distributed across organisations (e.g. Pritchett et al., 2017). Given that industrial policy has uncertain results that may take a long time to emerge, short-term political survival imperatives constrain the ability of ruling elites (or a faction of them) to prioritise and pursue industrial policies both at national and regional levels, (Whitfield and Therkildsen, 2011). The result is that support for regional industrial policies is often piecemeal and fragmented.

The SADC industrialisation strategy makes explicit reference to the the difficulties around designing industrial policy within a regional integration context due to the economic diversity of the Member States in terms of structure, endowments, size and approaches to regional policy. It thus emphasises that collective development requires complementarity of production and trade structures and policy convergence over time (SADC, 2015). But region-wide industrial objectives do not take account of the fact that even if achieved, benefits are likely to be concentrated in one member country (e.g Venables et al., 2002; World Bank, 2009). The EAC experience is a case in point. Though arguably a historical detail, the first EAC collapsed in the late 1970s in part due to a sense of unequally shared gains among countries, with Tanzania perceiving Kenyaas benefiting disproportionately from the regional agreement to share industries according to comparative advantages. Beyond the economic rhetoric, their differences in terms of administrative and political systems (capitalist vs. socialist economy), influenced by the geo-strategic pressures and alliances of the Cold War, contributed to these tensions and the collapse of the EAC (Grosse-Puppendahl, 2017).

The resulting primacy of national interests is most clearly shown in the tension between how countries use trade policy to achieve industrial policy objectives. Though market integration has been at the core of regional agendas, and is often the core purpose of regional membership, most countries have traditionally pursued industrialisation through protection of national economies against foreign (including regional) competition - that was the experience of SACU, where the vertical, sector-specific approach resulted in a bidding war around the allocation of certain industries between member states (see SDC paper). This is still visible today in the many non-tariff barriers and import bans that undermine regional Free Trade Agreements and Common External Tariffs. The EAC Industrial Policy (2012-2032), for instance, emphasizes above all its market based approach and the preservation of the Common Market, while planned interventions have remained largely unimplemented and non-tariff barriers to intra-regional trade remain. Recent evidence of trade wars within the EAC are especially illustrative of how national industrialisation concerns can undermine regional commitments. For example, as part of the cross border trade war between Kenya and Tanzania, Brookside Dairy (owned by the family of the Kenyan President Kenyatta), was one of the companies (including 19 others) that were banned from accessing the Tanzanian market through import bans and restrictions (going against the EAC FTA). Still today, these countries continue to disagree over certificates of origin at the Namanga border (Byiers, Karaki and Pharatlhatlhe, forthcoming).

The West African Common Industrial Policy (WACIP) has similarly had little influence on national policies, with countries like Nigeria erecting trade barriers and bans: Nigeria has an Import Prohibition List that included cement, violating the ETLS. No further cement import licenses have been granted since early 2012, while those companies with existing licenses can only import with a planned mandate to develop their domestic manufacturing (Byiers, Karaki and Vanheukelom, 2017). In general, Chambers et al. (2012) note that the Nigerian trade regime remains unstable and protectionist, but also opaque and arbitrary (Fasan, 2015). Due to non tariff barriers, Nigeria has essentially remained closed to imports, even though waivers were granted by the government of Umaru Yar'Adua and Goodluck Jonathan to domestic powerful interest group (idem). Nigeria therefore has the lowest rate of implementation of the ETLS in West Africa (Hulse, 2016) with detrimental effects for countries in the region hoping to produce for export to the large Nigerian market.[12]

What role for regional organisations?

These aspects raise clear challenges for preparing and agreeing on a regional approach to industrialisation, but also for implementation. Partly as a consequence, much of the regional industrial strategies in the four regions has remained largely unimplemented, indicating that the traction for a regional approach to industrial policy is often far more limited than implied in the (often ambitious) policy documents.

[12] Chambers, V., Foresti, M. and Harris, D. 2012. Final report: Political Economy of Regionalism in West Africa: Scoping study and prioritisation. ODI. March 2012 and http://www.arabnews.com/node/1046341/business-economy#.WI7GoC-xHRk.twitter.

Relatedly, it raises questions about the role that regional organisations can realistically play in promoting industrialisation among member states.

Looking across a range of RECs and policy areas, Vanheukelom et al. (2016) find that regional policies have more traction when the nature of the commitments aligns with national leadership objectives, not least since ultimately regional agreements are implemented at the national level. This is also akin to the observation from Whitfield et al. (2016) cited above on the need for alignment of interests between bureaucrats, businesses and elites for industrial policy to actually be implemented. A challenge of scaling up national objectives to the regional level is therefore that national governments may have limited incentives to implement unless they see a national (political) advantage, while regional organisations have limited mandates to push member state governments to act, something that runs through the following discussions.

Key points:

1. *At first sight seems to be logical that if industrialisation is desirable at the national level, then so too at the regional level.*
2. *That allows some rhetorical support at a political level, but raises questions about whether that leap can really be made in terms of national interests and priorities.*
3. *In particular, if the principal concern of countries is the distribution of benefits, then attention will be needed as to whether said policies potentially perpetuate existing intra-regional economic disparities; or whether they aim to offset those disparities by specifically targeting equitable gains across countries.*
4. *Industrial development is about altering the economic status quo, which can sometimes goes against the interests of political elites (e.g. rent seeking and distribution through business connections e.g. Khan 2017). This helps explain why in some countries you have commitments towards industrialisation that never get implemented. Building on these rhetoric commitments for a regional industrialisation will not produce much results but to reinforce the actual political economy dynamics in place*

4.2 Regional approaches to *missing public inputs*

Even if regional strategies share similar overall objectives to national industrial policies, do they aim to address the same market failures as identified by Hausmann et al. (2008)? And if so how does that work in practice?

At a national level, one key objective of industrial policy is to help overcome the coordination failure associated with missing public inputs. Correcting for these make investment more commercially feasible and attractive while firms may not want to undertake such investments for fear of free-riding by others. Hausmann et al. (2008) point specifically here to "legislation, accreditation, R&D, transport and other infrastructure specific to an industry".

Industrial policy or just regional integration?

Given the national-regional tensions cited above, an effective approach to regional industrialisation may indeed be to complement national approaches at the regional level in a more politically neutral way, focusing on the 'horizontal policies' that don't target any specific industry or benefit one country's industrial capacity, but which aim to improve the environment for cross-border trade and investment more broadly. For example, the COMESA Industrialisation strategy refers to its regional trade facilitation programme (Woolfrey and Verhaeghe, 2017). Similarly, the EAC industrial policy states that: "Successful industrialisation will depend on ensuring coherence [sic] in various policies including application of CET and Customs Union instruments; Implementation of Common Market Protocol; harmonisation of taxation and management of taxes; removal of non-tariff barriers (NTBs); harmonisation of Standards; and development of a robust agricultural sector etc." [13] Likewise, the WACIP includes expected results (part of the broader WACIP specific objective) such as the adoption of the ECOWAS CET; or the development of infrastructure and integrating investment projects in the area of energy.

In this regard, a lot of what takes place *outside* industrialisation strategies might be perceived as providing supporting public inputs to underpin industrial investment and connect markets. Examples include the SADC and ECOWAS focus on transport infrastructure provision in the form of corridor development, cross-border trade facilitation measures, trade policy more generally, and standards. Cross-border and regional energy pools such as the West African Power Pool, Southern African Power Pool and the Eastern African Power Pool (under COMESA) arguably also underpin regional industrial development.

In this regard, the SADC Industrialisation strategy is in some ways a *response* to the difficulties of progressing in other regional policy areas - it is based on the premise that implementation of the SADC Free Trade Area (FTA) is slow because of the lack of an industrial base among member states - Zimbabwe is therefore said to have succeeded in prioritising industrial policy at the SADC level, which was accepted by other members even if South African interest groups did not immediately appear convinced (Vanheukelom and Berthelsmann-Scott, 2016). Recent evidence suggests that South Africa is very much on-board, but this raises questions then about what this will mean for how a regional strategy can be shared and implemented by such a diverse group of countries with the winners and losers it will entail.

Box 1: Industrialisation beyond the regional policy in the SADC

Of all the regions studied, the SADC region has perhaps been the most ambitious in putting industrialisation objectives at the forefront of its integration project. Even before the SADC Industrialisation Strategy (2015-2063) came into force, SADC regional policies had a strong focus on productive capacity and infrastructure. SADC has made important progress in the development of transport corridors to ease cross-border trade in strategic territories. In the area of trade, it has adopted strict Rules of Origin aimed at stimulating local manufacturing over the import of foreign goods, though this benefits mainly South African and Zimbabwean industries.

Nonetheless, while industrial ambitions are strongly entrenched in regional and national strategies, until recently there was less traction for regional sectoral policies that might undermine national interests. Moreover, regional trade has been subject to various non-tariff barriers, such as discriminatory charges, onerous customs procedures and various SPS and other regulatory barriers, reflecting the increasing use by some member states of policies and regulatory measures intended to protect domestic industries from regional competition. There has been an unmistakable shift in rhetoric among member state officials away from deeper market integration to the need to 'consolidate' the FTA, and strengthen the region's cross-border infrastructure and industrial base.

Source: Vanheukelom and Bertelsmann-Scott (2016); Woolfrey and Verhaeghe (2017b).

In the ECOWAS, the formulation of its Common External Tariff was subject to disputes between the more protective (and industrialised) regional 'swing state' Nigeria and other member states, eventually resulting in an extra tariff band to reflect Nigerian priorities to protect their industries (Karaki and Verhaeghe, 2017).

Although in theory industrial and infrastructure strategies should be mutually supportive, targeting or underpinning specific types of industrial investment, the analysis suggests that these are often disconnected. Infrastructure and industrial strategies are designed and approved separately through different processes, involving different actors at the national and regional levels. While there are less

[13] http://easteco.org/wp-content/uploads/2016/08/EAC_Industrial_Strategy-September-2012.pdf

apparent tensions between regional energy/transport/infrastructure and industrial policies than for trade, a lack of coordination and coherence between responsible bureaucracies can mean that regional organisations essentially fail to play the coordinating role of promoting public inputs for industrialisation[14].

Yet, the institutional setups that shape relations between different policy areas and regional industrialisation strategies vary across regions. If industrial strategy is seen as a sectoral area without the cross-cutting coordination, then this raises organisational problems. Just looking at the level of the regional organisations, industrial strategy is generally under the authority of the Directorate of Industry, and infrastructure by that division. This is the case of the ECOWAS, where there is a Industry and Private Sector Promotion directorate, while other departments include Energy and Mines; Infrastructure; or Trade, Customs, and Free Movement, while also COMESA includes separate directorates on Trade; Infrastructures; and Industry & Agriculture.

Of course, there is some joint coordination but as the studies show, industrialisation strategies have to date appeared as yet another *sectoral* approach rather than an integrated goal of overall regional strategies. COMESA is a case in point where energy is an industrial policy priority sector, but also the focus of the COMESA-related EAPP, where these reportedly do not align. In ECOWAS, the lack of coordination between the different directorates (including Trade, Customs, and Free Movement and Industry and Private Sector Promotion) has impeded the implementation of the WACIP (Karaki, 2017), with trade agreements such as AGOA and EPA, providing further opportunities for raw material exports, but much less for ECOWAS manufactured products (idem). W**hether nationally or regionally, industrial outcomes are not shaped and promoted by the work of the Ministry or department of industry alone. Instead, they rely on a whole cross-section of policy areas and actors.**

While the the EAC Industrial Policy Coordination explicitly mentions the goal of synergy building between industrial development and other sectoral initiatives, much of regional infrastructure and corridor development takes place outside regional institutional frameworks. This has been the case with the Northern and Central Corridors, but also through special purpose vehicles funded by external partners such as TradeMark East Africa.

One exception to this may be the case of SADC. Though initial indications of why the regional industrialisation strategy was proposed suggested limited genuine political traction for such a policy, more recent evidence suggests that industrialisation is becoming something of an overarching goal for *all* SADC policies. The (re)framing of cross-cutting interventions on trade, trade facilitation, infrastructure, standards, etc. as crucial for regional industrialisation in order to reinject momentum that in some cases has waned, may help overcome some of the coordination and organisational challenges further discussed below.

Standards as 'horizontal' public inputs?

One particular area of the ECOWAS Industrialisation Strategy which has reportedly garnered traction is the Standardisation, Quality Assurance, Accreditation, and Metrology Programme (SQAM). Indeed this is one of ten regional industrial programmes, and anecdotally the only one that has made any real progress.

[14] The transport sector provides a case in point: while transport is a crucial factor in stimulating cross-border trade and creating cross-border linkages, reforms in the transport sector have often been held back by national transporters' associations, and implementation is often hindered by rent-seeking behaviour of low-level government officials and limited central control. Meanwhile, cross-border transport infrastructure works have been susceptible to political disputes at the highest level (Saana, 2016).

Based on the regional strategy and programmes rolled out under it, the WACIP has resulted in the harmonisation of regional standards for more than 320 products, and certification of firms for 40 industrial goods, providing a good basis for cross-border and regional value chains. Although arguably more about cross-border trade policy than industrial policy, interviews and analysis suggest the implication that targeted efforts around a technical, well-defined area, that is perceived as being neutral to political interests and serving broad, private sector needs, can help stimulate greater traction at a regional level.

Other examples might include supporting the standards and accreditation processes across the region for a priority sector, dealing with specific NTBs, reducing a Common External Tariff on relevant inputs though here too the political economy of trade policy and implementation often lead to violation of regional agreements when needed to satisfy private sector groups, as highlighted for the case of Nigeria above and mentioned in terms of the EAC member state trade wars (Byiers, Karaki and Pharatlhatlhe, forthcoming).

While the ECOWAS WACIP proposes numerous regional public inputs such as an industrial research and development Programme (IR&D), development of regional intellectual property rights (IPRs) and development of regional financing, only the SQAM has really gained traction in implementation. In that sense, this programme seems to be an example of an industrial policy public input that *needs* to be tackled at the regional level (common tariffs, NTBs, lack of harmonisation of standards) to support cross-border trade and value chain development in a specific sector or sub sector (e.g. dairy).

Box 2: The WACIP as a tool for trade facilitation through regulatory public input

The West African Common Industrial Policy (WACIP) is an extensive document, covering 10 different programmes. Together these programmes respond to various needs and market failures, including issues of self-discovery, coordination and public input. In practice, however, the policy document has remained largely unimplemented, partly due to the lack of a concrete action plan, timetable or division of labour. However, the Standardisation, Quality Assurance, Accreditation, and Metrology (SQAM) programme achieved significant progress, with member states expressing satisfaction with the concrete efforts made via WACIP. Under the SQAM, the region engaged in the development of a Quality Policy (ECOQUAL), a Standards Harmonisation Model (ECOSHAM), and a West African Accreditation System (SOAC).

There are several reasons for the success of the SQAM compared to other aspects of the WACIP, including the availability of sufficient (external) funding, a certain degree of experience in this area, and a well-developed institutional framework. Though potentially due to being a technical area and with limited political visibility, importantly, the SQAM responded to urgent needs of some private sector actors in enhancing market access and increasing competitiveness. Thus, both the government and the private sector are strongly engaged in the quality process, as witnessed by the number of certified companies, which has been increasing in recent years. OSIWA (2016) also highlights the joint efforts of ECOWAS and UEMOA, which had already made progress in certification of local entities for the production of certain industrial goods. This success seems to point to a convergence of interests between ECOWAS, its member states and their national private sectors in the name of trade. Although data is not available to date on the type of companies and sectors/industries using the SQAM processes, it would be an interesting avenue to pursue further.

Source: Karaki (2017a); OSIWA (2016).

Key points:

1. *From the RECs studied, provision of missing public inputs clearly is an aspect for regional industrial strategy.*
2. *The successful SQAM example suggests that* ***while cross-cutting, complementary policies are necessary, more political traction is likely where addressing a clearly definable private sector constraint that does not directly create winners or losers across member states.***

3. *The main concern raised around the public inputs aspect of regional industrialisation strategies is organisational - unless the industrial strategy is an overarching framework for regional organisations, it is not clear that provision of regional infrastructures or trade measures necessarily help underpin the regional strategy.*

4.3 Overcoming regional coordination failures?

While establishing and implementing a regional system of standards is partly about providing public inputs, it is also about coordination of different national actors and systems.

Beyond coordinating public inputs, Hausmann et al. (2008) refer to national coordination failures in terms of coordinating private investments to enhance their profitability, through provision of services such as the matching of suppliers and clients, or the provision of detailed enterprise databases to improve information flows. Clearly, once looking at industrialisation regionally, the number of actors to coordinate and align interests expands, with poor provision of regional public inputs potentially also undermining attempts to better coordinate private investments.

Most regional industrial strategies studied cite regional value chain promotion as an objective. [15] The EAC Policy talks of mapping priority regional value chain and raising awareness among stakeholders. Though not framed explicitly in terms of value chains, ECOWAS rather talks of "the promotion of endogenous industrial transformation of local raw materials; development and diversification of industrial productive capacity and strengthening regional integration and export of manufactured goods." This is another approach to adding value at a regional level that relates to overcoming coordination failures through a "Business Opportunity Information Management System (ECO-BIZ)" and "Creation of the regional industrial partnership network". However, to date these have seen very little traction - possibly due to a lack of private sector consultation on actual needs, discussed below.

Encouraging priority sectors, regional value chains

Related to the aspiration to promote regional value chains is the promotion of 'priority sectors'. The industrial strategies of the COMESA, ECOWAS, EAC and SADC have all identified priority sectors for regional industrialisation. For example, COMESA has ten priority sectors for regional cooperation; the EAC has six. These include energy, which might be considered a whole regional cooperation area in itself, and other sectors in which it aims to foster linkages between SMEs and larger firms by developing regional supply chain networks.

However, given that regional organisations can only work based on a mandate from the member states, the regional priority sectors are established as those that the member states already prioritise in their national industrial policies. Though a seemingly logical step to scale national industrial policy objectives up to the regional level (why would you pick other 'non-priority' sectors?), and therefore easy to understand why member states subscribe to the rhetoric, it is not clear that there is sufficient member state buy-in or complementarity or coordination of efforts for this to work in practice. To illustrate, though building on national priorities, the COMESA strategy also aims to encourage development of national policies and strategies in the key sectors. ECOWAS similarly offers assistance for countries to align

[15] "The COMESA Industrial Policy will promote both regional and global value chains and, in doing so, will promote industrialisation through strong regional linkages which will, in turn, promote regional economic transformation and employment creation." http://www.comesa.int/wp-content/uploads/2016/06/Vol-20-No.1-March-2015.pdf The EAC strategy also cites "Promoting strategic regional industry value chains with widespread linkages and economic benefits extending across the region https://easteco.org/wp-content/uploads/2016/08/EAC_Industrial_Strategy-September-2012.pdf

their *national* priorities with those at the regional level - there is therefore some confusion about where the priorities come from and what their purpose actually is.

Thait means that regional policies must focus on *specifically regional* barriers and coordination failures to avoid duplication of national efforts, linking up producers and suppliers, while targeting ways to make these regional value chains commercially attractive and productivity enhancing.

SADC saying ZIm produce this, Zam produce that…

Whose priorities? Whose interests?

While the various regional industrialisation strategies ostensibly aim to target regional coordination failures in specific 'priority' sectors, the challenge is again to do with the tension inherent between regional cooperation and competition among member states. This has already been raised in terms of achieving industrial objectives and the way this plays out through 'trade wars', for example in the EAC but also raises deeper questions again about the purpose of regional industrialisation strategies *vis-a-vis* national strategies.

This is especially clear in the selection of priority sectors. The regional priority sectors established are often those that the member states ostensibly prioritise. That might make sense in that countries seek additional support for what is a national priority (and that regional organisation need to base their priority sectors on those of member states to generate enough traction for policy implementation). However, taking such priorities to a regional level then also potentially invites competition, leading to the barriers discussed above. To illustrate, although ECOWAS WACIP prioritises the pharmaceutical and the industrial material sectors based on the stated interests of some of ECOWAS Member states, it doesn't necessarily mean that they can and want to do that in a common regional approach. Given a dependency on French pharmaceuticals in the francophone ECOWAS countries, reflecting international relations and historical dependencies that the ECOWAS policy aims to address, Nigeria has put medicines, waste pharmaceuticals and bagged cement on their import prohibition list.[16] Broad, regional sector-based approaches either result in competition or are not implemented (see example of SADC).

Part of the challenge then is the *relation* between regional policies and national policies. The SADC Strategy suggests that Member States should align their national industrial policies with the regional vision. COMESA does similarly, stating that ""Member States are responsible for the implementation of the COMESA Industrial policy by aligning the national industrial policies and other related policies to the regional one." But the national industrial policies of the COMESA member states rarely refer to the region's industrial and value-chain policies, though recognising the importance of COMESA market integration, (Woolfrey et al. 2017). ECOWAS follows a similar model, whereby they even provide assistance to help their member states align their strategies with the regional objectives stated in the West African Common Industrial Policy. The ECOWAS Commission offered technical assistance and support to help member states draft national industrial policies in line with regional industrialisation policy objectives. However, member states have not used such assistance and conducted very few consultations with the regional level, suggesting a limited role and traction for this approach to regional industrialisation policy.

[16] https://www.customs.gov.ng/ProhibitionList/import.php

Where is the private sector?

Clearly ‘priority sector’ promotion should also be based on underlying commercial interest from the private sector. Returning to the national level, as Hausmann et al, (2008) state, “The government in turn requires the cooperation of firms and entrepreneurs because it needs to elicit the relevant information about the obstacles and opportunities they face and because it has to be able to influence their behavior in the desired direction. Hence the necessity of collaboration between the two sectors in the search for distortions and their solutions.” Engaging the private sector at the regional level has been notoriously difficult for regional organisations.

Though most of the RECs has a counterpart private sector organisation in the form of the COMESA or EAC Business Council,, or the ECOWAS Business Council, the way these function and engage in regional policy formulation and implementation implies that feedback loops into industrial policy adjustments are often weak. For example the ECOWAS Business Council does not seem to exist in practice (no information can be found), though it is mentioned in documents. That said, another regional private sector organisation, FEWACCI has an observer status at the ECOWAS. This private sector association can rely on its national CCI members to get a better sense of what the national and regional private sector interests are. But while in some ECOWAS countries, the CCI are considered as legitimate representative of the private sector interest, this is not the case in others, and may thus undermine the necessary feedback loops process (interview). In SADC, there is no official umbrella regional business organisation that is recognised and regularly consulted on policy issues, thus limiting opportunities for the business community to participate directly in the current dialogue on industrialisation in SADC. The Southern African Business Forum (SABF) and the SADC Private Sector Forum (SPSF) have the potential to play roles as Apex Bodies in a regional dialogue mechanism, although both these organisations are relatively new and could do more to broaden their outreach to national Apex Bodies (SADC, 2018). At present, most public-private sector dialogue takes place at national level, and rarely result in real commitments by the business community to regional objectives and plans (Vanheukelom et al., 2016). The East African Business Council also faces challenges in providing the necessary feedback loop, such as the lack of capacities (human and financial resource) in face of a burgeoning regional private sector agenda, and a source of finance coming exclusively from donors (SADC, 2018).

From analysis of the different regional strategies, where there is limited private sector consultation process around industrialisation policies there seems to be little motivation to implement regional policies - to date this seems to have been the case in the EAC, where the regional policy is based more on AU/tripartite objectives than on national priorities; or ECOWAS, where the industrial policy updated in 2015 was reportedly based on studies carried out by consultants rather than consultations with the private sector operating within member states. COMESA is seen to have been better among the RECs in this regard.

Further, private sector ‘interests’ are not uniform. As raised in the study on ECOWAS, for example, importers benefit strongly from weak industrialisation in the region, and often have close ties with the political elite. Similarly in the EAC, political connections with the transport sector often shape policy decisions and implementation.

Issue of transport as a ket sector for coordination with elite interests (e.g. in EAC) here?

Key points on overcoming coordination failures

1. **Though regional industrialisation strategies in some ways attempt to address coordination failures through selection of priority sectors, these efforts** often gets stuck at the policy level with little in terms of actual linking businesses across borders.
2. **Aggregating national industrial priorities to a regional level ignores potential competition and complementarities between Member States, suggesting that regional**

industrialisation strategies should seek to *complement* rather than duplicate those of its member states.

3. **This means that the actual industrialisation process remains national, and that the regional level essentially takes up a supporting rather than directing role *where regional action will support national ambitions.***

4.4 Regional policy for firm-level self-discovery?

Finally, Hausmann et al. (2008) point to the need for industrial policy to address “self-discovery failures”. As they put it, “Learning what new products can be produced profitably in an economy, and how, is an activity whose social value greatly exceeds its private value... Search is costly, and its returns uncertain. Ideas can be copied, to the benefit of the imitator but not the originator. In general firms will under-invest in searches that provide “public” benefits and will seek to prevent competitive entry” thus requiring public intervention. This then goes beyond simple sector support strategies or wider public inputs, suggesting more targeted approaches, requiring the cooperation of governments, firms and entrepreneurs to elicit the relevant information about the obstacles and opportunities firms face “to be able to influence their behavior in the desired direction”.

Regional strategies to support firms?

Taking this process to a regional level seems somewhat unpropitious beyond the kinds of broad sectoral interventions discussed above, targeting regionally agreed priority sectors.

That said, one of the targets of numerous of the regional industrialisation strategies is SME promotion, for example the ECOWAS WACIP where one of the ten proposed programmes is “Development of micro-enterprises, SME/SMIs and major industries”. The EAC Industrial Policy is also *de facto* much more about SME promotion and the promotion of manufacturing sectors at the national level than about regional market development

Beyond a general rhetoric around boosting SMEs, other regional examples go further in terms of uncovering firm opportunities.

Though yet to fully prove its value and impact, COMESA has engaged in several initiatives on cotton, cassava and leather, selecting pilot countries from among its members and working with firms to assist with industrial upgrading. The regional leather initiative has been most successful (see Box 4). In this area, the COMESA/LLPI has acted mainly as a broker and facilitator of *national* processes, with its traction in fostering regional industrialisation (e.g. through the establishment of regional value chains) to be seen.

Box 4: The regional level as broker of national processes in the COMESA leather strategy

The COMESA leather strategy originated as part of the 2012 regional Cluster Development Programme, which focused on capacity building of Small and Medium Enterprises (SME) in the three sub-sectors of cassava processing, leather and leather products, and clothing and textiles. With the support of the International Trade Centre (ITC), the Leather and Leather Products Institute (LLPI) was revitalized, and a regional Leather Strategy was adopted. While the regional strategy puts in place an overarching regional framework, it leaves flexibility for member states and leather value chain operators to align or adapt according to local priorities and multi-stakeholder inputs. This approach seems to be having some success and to be finding traction among COMESA member states, with several member states requesting support in drafting national leather strategies. Other regional organisations, e.g. SADC, have approached ITC/LLPI to learn more about the approach that has been adopted in COMESA.

The successful experience of the COMESA Leather and Leather Products Institute (LLPI) in promoting value addition indicates that, while industrial development goals are generally pursued at the national level, countries do have an interest in receiving regional support. Moreover, the 'political legitimacy' of the LLPI as a regional institution and its direct access to the highest political levels have enabled it to act as a platform for sharing experiences and best practices and to broker public-private and private-private linkages between value chain stakeholders. However, it is harder to find evidence of real traction in the case of COMESA's efforts to support the cassava processing or cotton-to-clothing value chains. While the reasons for these differences in traction should be subject to further research, it is clear that the COMESA leather strategy has benefited some very specific advantages, including the existence of the Leather and Leather Products Institute (LLPI) as an institutional 'anchor' for the policies, the involvement of experienced external partners such as the ITC, and a strong demand from and active participation of the private sector.

Source: Woolfrey and Verhaeghe (2017).

While something of a success, the doubt that the COMESA approach raises is the precise regional value added that it creates. Rather than promoting regional coordination around a specific value chains, it appears to rather offer support from a regional body for national industries. Finally, that is in line with the ECOWAS proposal to assist countries in transforming their raw materials. This then brings the discussion back to how regional a regional industrialisation strategy can really be - does it simply have to support national policies and objectives?

Regional self-discovery?

The different experiences in the WACIP and the COMESA leather strategy raise questions on the most appropriate level of engagement in the promotion of industrialisation. Indeed, the case of the COMESA leather sector seems to indicate that regional policies have most traction when they adopt a flexible approach to participation, and leave room for national priority setting.This approach might hence owe its success to the fact that it allows member states to maintain national policy space, without imposing concessions in favour of regional industrialisation.

Key points on self-discovery failures

1. *Despite the rhetorical support for a regional approach to industrialisation and the creation of regional value chains, the nature of regional cooperation may have to begin with relatively narrowly identified national interests from which lessons can be drawn for other willing countries and sectors.*

5. Implications for policymakers and partners?

If industrial policy is complicated by *within country* political interests and incentives as Whitfield et al. suggest, going regional adds actors and factors operating *between countries (see e.g. PERIA)*. While looking regionally may broaden the potential benefits of overcoming *coordination* failures between countries, the increased number of actors can also make this more challenging. Regional *public input provision is* essentially part of the wider regional integration agenda around energy, infrastructure and trade; *self-discovery* might be supported through regional value chain promotion (RVCs), an increasingly cited policy goal and step towards integrating into global value chains (GVCs) and the global economy (e.g. Weigert, 2016).

There are therefore numerous challenges in terms of designing and implementing industrialisation strategies at a regional level, where interests and incentives among bureaucrats, businesses and elites is important but includes both national level interactions among those, and regional interactions, with an additional level of bureaucrats in the form of regional organisations.

Based on the above examples, traction for regional approaches to industrial policy appears to depend on the following main factors:

The level of engagement: Industrial policies appear to have more traction where the regional policy is defined through consultations with the national level and/or there is room for national priority setting, with guidance from the regional level, as in the COMESA case. Where this is not the case there seems to be little motivation to implement regional policies such as the EAC case, where the regional policy is based more on AU/tripartite objectives than on national priorities; or ECOWAS, where industrial policy was reportedly based on studies rather than consultations with the national level.

Regional policies also seem to have more traction when the nature of the commitments is national. Broad, regional sector-based approaches either result in competition or are not implemented (see example of SADC). In some cases, the regional policies are so broad that despite the formulation of priority sectors, the nature of the commitments are not clear, for example in ECOWAS.

The nature of the public good: Regional policies address all kinds of market failures, including issues of self-discovery, coordination and public inputs. However, depending on the context, different things can have success. In COMESA, its approach seems to suggest that narrowly targeted coordination and self-discovery support have the most traction, with public inputs reserved for the national level. In ECOWAS, coordination has been very limited, but one specific form of public input has had particular success in the form of SQAM. In SADC, coordination and public inputs through the corridor approach has been relatively successful while transport remains a key sector - , although this is not equally the case for all projects.[17]

A range of regional policies influence industrialisation outcomes such as on trade, infrastructure, and energy. These can be put to support industrialisation, but this is certainly not always the case. Trade policies/practices in particular are linked directly to industrialisation efforts, with a difficult relation between trade and industrialisation policies. Some RECs/member states see industrialisation more in function of trade (i.e. industrialize to be able to trade better) while others see trade as supporting industrialisation, such as the EAC. At the same time, trade incentives can limit the traction for industrialisation, for example when incentive structures reward export of raw goods over local manufacturing; when certain interest groups such as importers also having political ties to ruling elites.

Political elite interests/rent seeking behaviour: Political elite interests tend to be situated at the national level, so that they do not easily contribute to a regional approach to industrialisation. Those regional policies that damage elite interests are unlikely to be implemented, while state-business relations around cross-border trade and investment may ultimately determine which aspects of regional industrialisation strategies are implemented.

External support - Role of international partners -
"Altenburg: Donors are major drivers of industrial policy. In many poor countries, industrial policy programmes are almost entirely donor-financed. Donors supply funds and technical expertise to

[17] The SADC Industrialisation Strategy notes that "the efficiency of the present transport corridors should therefore receive particular priority to enhance trade facilitation and open up alternative transport links," while the draft Industrialisation Action Plan spells out the need to "develop priority transport corridors by improving hard and soft infrastructure".

implement industrial polices and build institutional capacity. But they sometimes also contribute to policy fragmentation, overburden local administrations and tie up scarce professional resources. The ability of governments to harmonise donors and align them with country strategies is thus an important determinant of in-dustrial policy success or failure in poor countries.

Many donors, however, remain reluctant to harmonise with other donors and align with country strategies. Quite often they set up new implementation units that, even if they are located in the relevant counterpart organisation, operate de facto as independent entities.25 This unwillingness also reflects a weakness of the host country. Governments obviously often lack the capacity to develop operational national strategies and to ensure that all do- nors are aligned with these strategies. In fact, it is common to observe several donors en- gaging in similar activities, setting up their own specialised institutions and applying their own methodologies for analysis, implementation and monitoring. In Ethiopia, for exam- ple, about ten donors were involved in supporting the development of value chains in 2006 according to an internal report by the Development Assistance Group (a platform to coor- dinate donor activities). The Development Assistance Group did not try to homogenise the different methodologies, nor were there any discernible efforts by the Ethiopian govern- ment to develop a “country-owned” value chain approach and align donor contributions with it.”

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