

## PART II REGIONAL INITIATIVES AND ACTIVITIES (see Attachment 3)

### II.1 INTRODUCTION

This Part of the paper, **first**, discusses progress made in the various areas constituting the sub-regional or common agenda. These areas or 'sectors' are grouped, for discussion purposes, similar to the groupings of sectors that will constitute the new SADC directorates. This discussion is rather uneven, due to the uneven level of cooperation or integration in SADC and, in some cases, to limited information on the various sectoral groupings as published in official SADC documentation such as sectoral annual reports. **Second**, the paper gives an overview of the current institutional and agenda changes, which SADC is undertaking to align its institutions and common agenda with its vision, objectives and principles.

### II.2 PROGRESS IN THE PROTOCOL DEVELOPMENT PROCESS (see Attachment 3)

Accession to the SADC Treaty commits member states to accepting a series of principles, objectives and strategies on mutually beneficial and equitable cooperation and integration; to participating in the structures and institutions of SADC; and to negotiating a series of protocols to give practical effect to its aims. Specific obligations are to be contained in the respective protocols, which have to 'spell out the objectives and scope of, and the institutional mechanisms for cooperation and integration' [Treaty Art. 22(1)]. These protocols are to be negotiated by the member states and, after approval by the Summit, become an integral part of the Treaty.

As at the end of August 2001:

- **10 Protocols and Instruments have entered into force.** They are: the Declaration and Treaty of SADC & Protocol on Immunities and Privileges; the Protocols on Shared Watercourse Systems, Energy, Transport, Communications & Meteorology, Combating Illicit Drug Trafficking, Trade and the Amendment protocol on trade, Mining, Education and Training,

Development of Tourism, as well as the Charter of the Regional Tourism Organization of Southern Africa (RETOSA) and the Memorandum of Understanding on Cooperation in Standardization, Quality Assurance, Accreditation and Metrology in SADC (SQAM).

- **10 Protocols have been signed but not entered into force due to insufficient numbers of signature or ratification, i.e.** the Protocols for Health; on Wildlife Conservation and Law Enforcement; on Shared Watercourses (revised version); on the Politics, Defense & Security; Control of firearms, ammunition and other related materials, Corruption, and on Legal Affairs; Culture, Information and Sport; the Protocol on the Tribunal and the Rules of Procedures Thereof; and the Protocol on Inland Fisheries and Marine Fisheries and Resources.
- **Protocols which are in the process of development/under preparation include those on:** the Forestry; Food Security, Crops, Livestock Production and Animal Disease Control and Agricultural Research and Training; Facilitation of the Movement of Persons; Environment; and Finance & Investment.

The small number of protocols that have been ratified by the Member States reflects the myriad of problems that have beset protocol development in SADC up till now. These include: development of protocols according to international models rather than being tailored to specific conditions in the Region; insufficient capacity to negotiate agreements before protocol design as well as insufficient institutional capacity, human and financial resources to implement protocols; inadequate involvement of all sectoral stakeholders (private sector and civil society at large) in the design and implementation of protocols; and insufficient prior analysis of the costs and benefits of regional integration efforts through particular protocols for the respective Member States, resulting in a lack of political commitment. It is

also noticeable that SADC's latest members, i.e. the DRC and the Seychelles, have largely failed to accede to or sign protocols up till now, while also failing to contribute their membership fees. Among the founder members of SADC, Angola is also lagging behind in protocol accession.

In an attempt to avoid such problems, it should be noted that the Finance and Investment Sector is following an approach of simultaneously developing a broad principles framework for its protocol, while concluding a set of Memoranda of Understanding on functional cooperation in various areas within the Sector. It is believed, that through such a pragmatic approach the pitfalls of many other SADC protocol processes will be avoided and that SADC-wide 'ownership' will be achieved over the short term, thereby enabling broad-based acceptance and ratification by the time that the protocol would be tabled for signature. Furthermore, over the long-term, it will facilitate the necessary degree of SADC-wide and Member State political and budgetary commitments to greater regional economic and monetary integration.

The fact that most of the protocols have entered into force only since 1998 indicates that SADC still stands rather at the very beginning of its regional integration process. Therefore, up till now, the gains from cooperation and integration within SADC may relate more to non-traditional gains of RIAs such as 'lock-in' into policy reforms and improved international bargaining as a group, rather than to the traditional gains of an open regional economic space<sup>28</sup>. However, the implementation of the Trade Protocol has set in motion a seemingly self-accelerating mechanism for regional economic integration as the adoption of certain sectoral protocols necessitates the adoption of others, especially where the interests of the private sector are concerned.

## II.3 TRADE, INDUSTRY, FINANCE AND INVESTMENT

### II.3.1 Trade

The SADC Trade Protocol was signed in 1996 and came into force in January 2000 when 11 countries signed and ratified it (Angola, the DRC and the Seychelles have not signed or ratified). The SADC Ministers of Trade agreed to implement the Protocol on 1 September 2000, with implementation hinging on a Member State depositing its instrument of implementation with the SADC Secretariat. By August 2001 all 11 signatories had deposited their instruments of implementation. The first round of tariff cuts commenced with implementation (during the period September 2000-July 2001), the second round of tariffs cuts were scheduled for 1 January 2002 and annually thereafter.

Part 1 of the protocol deals with definitions and objectives; Part 2 provides for the elimination of tariff and non-tariff barriers to intra-SADC trade and allows for general exceptions on the grounds of public morals, public order, health, safety and security considerations; Parts 3 & 4 provide for rules of origin, cooperation in customs administration, trade facilitation, cooperation in technical standards, sanitary and phytosanitary regulations as well as trade remedies such as anti-dumping and countervailing measures; Parts 5, 6 & 7 deal with trade-related issues such as the promotion of cross-border investment, trade in services, intellectual property rights, competition policy and trade development; Part 8 regulates trade relations, including preferential trade agreements, coordination of trade policies and cooperation with third parties; and Part 9 provides for institutional arrangements and dispute settlement procedures, the ratification process and the depository of the instruments of ratification.

During the period between signing of the 1996 protocol and the amendment protocol signed in 2000, the SADC countries were involved in a long and intensive negotiation process to find agreement on matters such as the schedules in terms of which member states undertake to phase out tariffs on goods originating in each

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<sup>28</sup> World Bank, 2000. *Trade Blocs*. Policy Research Report. World Bank: Washington, DC.

other's territories; rules of origin on the basis of which SADC products would qualify for duty-free trade; market access arrangements for textiles & clothing, sugar and other sensitive products; strengthening of customs cooperation and the elaboration of other mechanisms for trade facilitation; the creation of a dispute settlement mechanism for the efficient and speedy resolution of trade-related disputes between SADC member states; and the institutional framework to support protocol implementation.

### II.3.1.1 Limitations and Implications of the SADC Trade Protocol

Through the Trade Protocol, SADC countries have made a clear commitment to liberalizing trade within the group. Although the trade protocol is a step towards increased co-operation and integration within SADC, the agreement is limited in a number of respects.

An assessment of progress towards zero tariff rate on intra-SADC imports reveals that the pace of liberalization is very slow. For instance, the share of agreed tariff reductions is very small in the first four years. No SADC country has committed to achieve more than 50% of its tariff reduction in the first four years. At the end of eight years of implementation of the Trade Protocol, a number of countries will have achieved only 75% or less of the target of intra-SADC tariff-free trade<sup>29</sup>. For instance, SACU members, which are the speediest liberalizing countries, offered only 47% of their liberalization of SADC imports in the first four years (See Table 2.1) Zambia and Zimbabwe are the second speediest countries with 39% and 37%, respectively, of their tariff reductions provided in the first four years. At the end of eight years, SACU members are once again the speediest countries offering 99.5% of completely free trade. Tanzania is the second speediest with a commitment to achieve 88% of the free trade on non-SA SADC imports, while Mauritius and Mozambique follow with a plan

to achieve 73% and 76% of the free trade target on non-SA SADC imports. Malawi and Zimbabwe lag far behind with 40% and 38%, respectively, of their free trade targets on non-SA SADC imports unachieved at the end of eight years (See Table 2.2).

Furthermore, the Protocol leaves much room to participant countries to maintain protection: some goods and sectors are excluded from the agreement; and countries are allowed to practice anti-dumping and safeguard measures to protect their infant industry (Articles 18 and 20), while particularly Article 21 allows countries to suspend trade liberalization obligations.

In a number of sectors (for example, textiles and garments, sugar, wheat flour and food products using wheat flour, spices, plastics, machinery and equipment, motor vehicles and components and certain products in Chapter 90), complex rules of origin were set to protect SADC countries' industries. The sugar agreement allows major producing countries to access the South African market at preferential prices higher than the world market prices.

The implementation of the Trade Protocol will have revenue implications for all of the SADC countries. The revenue losses would differ from country to country, depending on their relative reliance on import duties. The estimated loss in terms of total revenue is expected to be insignificant for SA (0.1%) and relatively modest for Tanzania (1.6%)<sup>30</sup>. In contrast, the estimated revenue loss of more than 4% could be of some consequence for Malawi, Mauritius, Zambia, and Zimbabwe. It is also important to note that indirect revenue loss may stem from trade diversion particularly in the case of non-SACU SADC countries. The main reason for this likely effect is related to the importance of SA's exports in the trade flows composition of these countries. SA supplies over 75% of the imports for products representing 22% of

<sup>29</sup> The indicator used to assess the phase-in of the trade protocol is the reductions in trade weighted average tariff rates applicable to intra-SADC trade.

<sup>30</sup> These estimates are derived from IMF, 2000. *The Revenue Implications of the Elimination of Intra-SADC Tariffs*. IMF: Washington, DC.

**Table 2.1: Proportion of Liberalization Achieved in First Four Years (%)**

	Offer to RSA	Offer to Rest of SADC
SACU	NA	46.8
Malawi	1.0	12.0
Mauritius	26.4	7.4
Mozambique	9.2	8.7
Tanzania	8.3	31.4
Zambia	18.5	38.7
Zimbabwe	18.6	37.4

Source: Derived from SADC Trade Protocol Project 2001.

**Table 2.2: Proportion of Liberalization Achieved in First eight Years (%)**

	Offer to RSA	Offer to Rest of SADC
SACU	NA	99.5
Malawi	70.4	60.0
Mauritius	70.4	72.5
Mozambique	62.7	76.3
Tanzania	87.3	87.9
Zambia	62.7	76.9
Zimbabwe	68.3	57.7

Source: Derived from SADC Trade Protocol Project 2001.

Malawi's imports, 21% of Zambia's, 17% of Zimbabwe's, 4% of those of Mauritius and 1.5% of Tanzania's.

The considerable and growing trade imbalance between SA and the non-SACU SADC countries could be seen as a divergent force in terms of the distribution of perceived or real gains and costs of integration. Should the preferences allowed by SA within the regional free trade agreement, together with its current policy measures to encourage reverse flows of investment capital to the region prove to be insufficient equilibrating compensatory measures, the risks are high of other SADC economies incurring large welfare losses with South Africa realizing the counterpart gain. If these risks materialize they could exacerbate negative spillovers for them, such as further de-industrialization in other SADC economies and increased illegal labor migration into the SACU countries, particularly SA, Botswana and Namibia. Thus, if a potential intra-regional rift is to be avoided, SADC may need to consider not only trade preferences for its least developed members, as is being done in the implementation of the Trade protocol, but also other ameliorative measures.

### II.3.1.2 Relationships with other Regional Groupings – The Case of COMESA

The SADC Trade Protocol allows for Member States to continue with their existing preferential

and other trade-related arrangements, provided that they are not inconsistent with the Protocol provisions. However, given that nine SADC countries are also members of COMESA, it is particularly the ongoing evolution of this RIA's trade agenda that may result in inconsistencies in provisions, difficulties in enforcing provisions and other problems, no less for the countries being members of both the RIAs.

#### (i) Differences in Rules of Origin.

According to the requirements provided by both SADC and COMESA Trade Agreements, significant difference may appear in the interpretation of rules of origin. Both agreements allow goods that have been wholly produced in a Member State to be accepted as originating in a Member State if they are consigned directly from a Member State to a consignee in another Member State. The difference appears when dealing with partially produced goods with imported materials. COMESA has recently changed its rules of origin. Its new rule indicates that to qualify as an 'originating good', (i) the c.i.f. value of imported materials contained in such good shall not exceed 60% of the total cost of the materials used in the production of such good, or (ii) the value added resulting from the process of production accounts for at least 35% of the ex-factory cost

of the goods<sup>31</sup>, or (iii) the goods are classified or become classifiable under a tariff heading other than the tariff heading under which they were imported. By contrast, sub-paragraph b) of Rule 2 of the SADC Amendment Trade Protocol allows goods that incorporate imported materials to qualify provided that such materials have undergone 'sufficient working or processing in any Member State'. In addition, SADC's rule appears less restrictive. Non-originating materials may be used in the manufacture of a product provided that their total value does not exceed 10% of the ex-works price<sup>32</sup> of the product.

***(ii) COMESA Free Trade Area:  
Implementation Status and Related Issues***

In 1993 COMESA countries agreed to establish a Free Trade Area by 2000. In October 2000, the FTA entered into force with 9 members: Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe. The other Member Countries of COMESA have not joined but are applying tariff reductions from 0% to 80%.<sup>33</sup> Table 2.3 summarizes the status of these countries:

Two issues seem to emerge from the implementation of the COMESA FTA, so far, namely (i) the rules of origin issue, and (ii) the need to eliminate non-tariff barriers (NTBs). Given the importance of NTBs for implementation of the FTA, the COMESA Secretariat has commissioned a study, which provides an initial overview of existing NTBs and their application across some COMESA countries.

The COMESA FTA is regarded as a first step towards deeper regional integration. The next step will be the introduction of a Common External Tariff (CET) and a Customs Union, which is expected to be in place by December 8, 2004. Although the preliminary agreement on CET rates specified four tariff rates of 0%, 5%, 15% and 30% on capital goods, raw materials, intermediate goods and final goods respectively, the rates may have to be adjusted to reflect the lower rates already achieved by a number of countries. Moreover, a Draft COMESA Tariff Nomenclature harmonizing classification of goods has been prepared by the Secretariat. COMESA Member States have decided to establish a specialized committee and to conduct workshops in order to consider all technical details. Before the CET could enter into force there are a number of problems that would have to be resolved. For this purpose the Secretariat has identified the following activities:

- Study and decide on problems stemming from multiple memberships of some countries to different Free Trade Areas and Customs Unions in the region (SADC, COMESA, EAC, SACU).
- Analyze the impact of the introduction of the CET in terms of revenue loss and competitiveness.
- Study the possible implementation of a revenue-sharing scheme. For the moment, COMESA has decided that upon introducing the CET each country will collect and keep its own import taxes.
- Agree on the conditions for temporary admission, re-exportation of goods and transit of goods. This is a key issue for the grouping, since it affects directly the free circulation of goods within the FTA. A Customs Bond Guarantee Scheme has been designed and is being implemented by the Member States.

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<sup>31</sup> Only Egypt has maintained a 45% value added criteria.

<sup>32</sup> 'Ex-works price' means the price paid for the product ex work to the manufacturer in any Member State in whose undertaking the last working or processing is carried out, provided the price includes the value of all the materials used, plus the profit and minus any internal taxes which are, or may be, repaid when the product obtained is exported.

<sup>33</sup> Angola, DRC and Ethiopia, 0%; Burundi and Rwanda have achieved 60% tariff reduction; Comoros, Eritrea and Uganda, 80%.

**Table 2.3: Tariff Reduction in COMESA**

Country	Rate of Tariff Reduction
Burundi	60%
Comoros	80%
Eritrea	80%
Rwanda	60%
Uganda	80%
Angola	Nil
DRC	Nil
Ethiopia	Nil
Namibia	Pending derogation dialogue to join the FTA
Swaziland	Pending derogation dialogue to join the FTA

Source: COMESA, Briefing Paper prepared for the World Bank and the IMF, September 2001.

### II.3.1.3 The Way Ahead

Initially, the SADC Trade Protocol negotiations have been focusing largely on tariff reductions on goods, neglecting negotiations on services and NTBs. While tariff reductions on goods are important to achieve trade liberalization, the deepening of regional integration would require urgent attention to be paid to particularly the removal of NTBs and quantitative restrictions. The success of the Trade Protocol is directly related to the elimination of all obstacles to trade. Another area that deserves particular attention is trade in services. An improvement in service provision in areas such as financial services, telecommunications and transport services may facilitate trade in goods among SADC countries and is therefore complementary to trade reforms.

The long-term success and the dynamics of the Protocol will also depend on private sector involvement. Therefore, beyond the Trade Protocol, the improvement of the entire business environment becomes an important element of SADC agenda if it were to achieve deeper integration. Enhancing the regulatory framework and strengthening enforcement of business laws, rules and regulations are essential elements that will send clear signals to the private sector about SADC's willingness to facilitate investments. Furthermore, complementary reforms such as strengthening of financial sector cooperation and elements embodied in the trade efficiency concept would need urgent attention.

### II.3.2 Finance and Investment

#### II.3.2.1 Background to Cooperation

After South Africa was allocated the responsibility for SADC Finance and Investment in 1995, the SADC Ministers of Finance adopted the following broad sector objectives:

- to encourage movement towards regional macroeconomic stability through prudent fiscal and monetary policies;
- to provide a framework for cooperation in the area of finance in collaboration with central bankers, other regulatory and supervisory authorities, commercial banks and other financial intermediaries to mobilize resources for investment;
- to promote the coordination of national structural adjustment programs; and
- to promote the development of sound investment policies of member states in order to establish an enabling environment for investment in the region.

#### II.3.2.2 Cooperating Mechanism and Cooperation Agenda

To achieve these objectives, the Finance and Investment Sector established a Finance and Investment Sector Coordinating Unit, FISCO<sup>34</sup>, to coordinate the sector's work and serving as a secretariat and clearing house, facilitator, catalyst and mechanism to encourage intra- and inter-sectoral cooperation in the sub-region, and two main committees, namely the *Committee of*

<sup>34</sup> FISCO were abolished in 2001 and its activities have been incorporated in a centralized Directorate for Trade, Industry, Finance and Investment, within the SADC Secretariat.

*Central Bank Governors* to focus on monetary policy and issues, and the *Committee of SADC Senior Treasury Officials* to focus on fiscal policies and issues:

- The **Committee of Senior Treasury Officials** comprises government officials drawn from the different Finance Ministries, and any other Ministries that deal with finance and investment issues. Accordingly, this committee is concerned chiefly with government policy issues. Reporting via the Committee of Senior Treasury Officials are various sub-committees formed by the SADC Ministers of Finance at their meeting in July 1997. These are the sub-committees on Macroeconomic Policy, Taxation, Development Finance, and Investment. The Committee of Senior Treasury Officials maintains a watching brief over two independent structures, namely the Committee on Insurance, Securities and Non-Banking Financial Authorities (CISNA) and the Association of Accountants and Auditors.
- The **Committee of Central Bank Governors (CCBG)** consists of the governors of the SADC central banks and their officials and deals with development of well-managed financial institutions and markets, cooperation regarding international financial relations, and monetary, investment and foreign exchange policies. The Secretariat of the Committee, which is responsible for coordinating the Committee's activities, is located in the South African Reserve Bank. The Committee also has a Working Group, which meets regularly to discuss the progress of the projects in which the Committee is involved. The Working Group is chaired by the Secretariat, with participation by the fourteen SADC countries being on a rotating basis - representatives from three SADC countries attend each meeting. The Finance and Investment Sector Coordinating Unit (FISCU) has also attended the meetings of the Working Group, to enable it to fulfill its task of coordinating the activities of the Committee of Governors and the Committee

of Treasury Officials. Also linked to the Governors' Committee are two private sector associations, the Committee of Stock Exchanges and the SADC Bankers' Association.

This **Committee for Central Bank Governors** has done or is doing the following (see Attachment 3):

- It has developed an information bank on policies and structures of SADC central banks and the financial markets in SADC Countries;
- It is monitoring exchange controls of the countries and annually report on the status pertaining in the region;
- It coordinates training of central bank officials in SADC, maximizing the use of the region's training facilities and expertise; promote training in the field of central banking;
- Is developing the payments, clearing and settlement systems of SADC countries, by assisting them to develop a strategic framework for their payments system; and will be looking next at integration objectives;
- Is developing a statistical database. A central monetary and financial statistical database for the region has been set up, while the definition of the variables have been established;
- Is devising legal and operational frameworks of central banks. A steering committee is formulating recommendations on central banks legislation for the region. Study areas include the legal basis, ownership and structure of central banks, the relationship between central banks and the government and relevant institutional arrangements.

The CCBG has also established an Information Technology Forum (IT Forum) to support the initiatives of the CCBG and to support the improvement of the information technology function in each SADC central bank. A project aiming at defining a common architecture for banking supervision has been launched.

With regard to the payment system project, amongst others, Mauritius has made great strides in improving its payment system through the adoption of the **Mauritius Automated Clearing and Settlement System (MACSS)** (See Box 2.1).

The **Eastern, Central and Southern African Federation of Accountants**, the **SADC Organization of Supreme Audit Institutions** and the **Eastern and Southern African Association of Accountants-General** met at a workshop in 1999 and again in 2000 to jointly

**Box 2.1 Mauritius Automated Clearing and Settlement System (MACSS). An Example of Progress in Payment System.**

On December 15, 2000, the Mauritius Automated Clearing and Settlement System (MACSS) was introduced based on Real Time Gross Settlement (RTGS) principles to meet international standards for safety, soundness and efficiency.

**Definition:**

MACSS is a system that electronically links all the commercial banks in Mauritius to the Bank of Mauritius via a secure, reliable and efficient payments network. It is a large-value interbank payment system that allows funds to be transferred between two counter parties immediately.

**Advantages:**

- The MACSS provides a customer the opportunity to link electronically all transaction accounts within the banking system. In addition, the time at which a customer's account is debited is entirely within its control because he/she can determine the time at which the payment instruction – a credit transfer or payment order is processed.
- The customer will therefore benefit from the speed, certainty and security of its transactions. The banks also share these advantages. Also, the MACSS provides opportunities to the banking industry to offer new cash-management related services that take advantage of intra day finality.
- The MACSS can be used to send funds from any account with a commercial bank in Mauritius to any other account maintained with a commercial bank in Mauritius.
- A commercial bank receiving the payment instruction incurs no risk in making the associated funds immediately available to its customer because each payment will be settled across the books of the Bank of Mauritius on a transaction-by-transaction basis in real time.
- There are no unsettled debts left between the banks as the funds are transferred between the banks at the same time as the payment instructions. There is therefore a risk reduction.

**The East and Southern Africa Banking Supervisors (ESAF)** have formalized their cooperation through an MOU with a view to implement and maintain internationally acceptable standards of banking supervision across the sub-region.

The **Committee for Insurance, Securities, and other Non-bank Financial Regulators** has identified some areas where cooperation could take place, including training opportunities, implementing, regulating and operating central securities depositories in member countries, accounting disclosure, and the harmonization of legislation concerning collective investment schemes. Possible other strategic issues to be addressed include: (i) the supervision of intermediaries; (ii) harmonization of listing requirements; (iii) stock-broker qualifications; and (iv) consumer protection.

discuss matters relating to the accounting and auditing profession in the broader sub-region and to decide how to institutionalize cooperation among the private-sector and public-sector related initiatives that they respectively represent.

The inaugural meeting of the **SADC Banking Association** was in March 1998 and is cooperating on issues such as good banking practices; money laundering; and robberies, fraud and fraud prevention.

The **Committee of Stock Exchanges in SADC** was formed in late 1997 and has identified a number of projects: (i) harmonization of listing requirements; (ii) development of a model for clearing and settlements (based on international standards); (iii) electronic communication; and (iv) common level entry exams for stock-brokers.



Since the level of development varies greatly between the stock exchanges of the different SADC member states<sup>35</sup>, membership of the Committee is to a large extent a learning exercise for a number of members. One concrete action early on in this Committee's existence was by the JSE, which made its systems (back office, accounting, etc) available to other stock exchanges in the region.

Since its establishment, the following exchanges have harmonized their listing requirements based on 13 principles extracted from the JSE's listing requirements: Botswana, Malawi, Namibia, Zimbabwe, Tanzania and Mauritius. This was done on the premise that common listing requirements could lead to cross-border investments and dual listings. The JSE has also offered its technology platform to other exchanges in SADC – a common trading platform would facilitate the movement of capital and give foreign investors access to all stock listed in the region. The Namibian Stock Exchange was the first to take up the offer and subsequently achieved record trade volumes. The Committee has also reached an advanced stage in preparing recommendations for a central depository system for the region, under its electronic clearing and settlement project. The SADC exchanges have also successfully completed the rationalization of entry-level examinations for stockbrokers, aimed at improving the level of expertise in the region's financial markets.

**The Tax Sub-committee**, chaired by SA, was established in July 2000 and subsequently an MOU on Tax Policy Harmonization has been signed. Its primary objective is 'coordination of taxation policies to the extent necessary to improve efficiency in tax collection, safeguard regional tax bases and reduce obstacles to intra-SADC trade and investment. Amongst others, the sub-committee is tasked with compiling a comprehensive SADC tax database; determining a common policy on tax incentives, especially those aimed at attracting FDI; working towards

the elimination of barriers to intra-SADC trade; identifying and promoting areas in which coordination of direct taxation would significantly enhance the attractiveness of SADC as an investment area; working towards coordination of direct and indirect taxes; minimizing opportunities for tax fraud and smuggling and building institutional capacity in member states with particular emphasis on tax policy-making and revenue collection.

**The Macro-economic Policy Sub-committee**, chaired by Mauritius, has investigated the feasibility of achieving macroeconomic convergence in the sub-region and subsequently SADC member countries have signed an MOU to implement macroeconomic policies that would eventually result in the economies converging on inflation, budget deficits, debt and levels of external account positions. According to the MOU, the Committee of Ministers of Finance and Investment will establish a collective surveillance procedure to monitor macroeconomic convergence in the region, to determine specific targets, to assess progress relative to these targets and to provide advice on corrective measures.

The **Investment Sub-committee**, currently consisting of the investment promotion agencies (IPAs), is developing a joint website to communicate investment information and opportunities in the region, is in the process of developing a consolidated regional investment promotion strategy, is implementing joint training programs for IPAs and is developing an MOU on a Regional Investment Agreement.

**The Development Finance Sub-committee** is facilitating cooperation among development finance institutions (DFIs) in the sub-region. The CEOs of DFIs in the region have signed a broad framework MOU in May 2000, which outlines the various areas for their cooperation. Subsequently they have decided to pool resources and establish a development finance resource centre that will coordinate training and other capacity building activities, with a view to establish viable DFIs in the region, which would then work within a closer network approach.

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<sup>35</sup> SADC member countries with stock exchanges are Botswana, Malawi, Mozambique, Mauritius, Namibia, SA, Swaziland, Tanzania, Zambia and Zimbabwe.

They are also investigating the feasibility of a regional development fund for SADC.

### **II.3.2.3 Protocol Development Process and Way Forward**

During the annual meeting of the SADC Ministers responsible for Finance and Investment in July 1998, the Ministers adopted an Aide Memoire, which set out the approach to developing a Protocol for the Sector. Work has begun on drafting a SADC Finance & Investment Protocol and at their annual meeting in July 1999, Ministers reached consensus on the process and timetable for developing the SADC Finance and Investment Protocol. The process is as follows: (i) Sectoral sub-committees and associations to develop and conclude principles guiding memoranda of understanding (MOUs) in each of their respective areas by July 2000; (ii) A period of at least one year for MOUs to be developed and operationalized and for reviewing progress (July 2000 to June 2001); (iii) Development of a sectoral protocol and specific attachments over a two-year period (July 2001 to June 2003); (iv) Agreement on a SADC Finance and Investment Protocol by July 2003; and (v) Ratification by parliamentary legislatures of Member States by July 2004.

To further the regional integration agenda, the question of integrated financial markets beyond that envisaged in the sub-sectoral finance and investment groupings requires consideration of issues such as:

- How to increase access to financial services? Access relates to (i) availability of finance, i.e. physical access; and (ii) affordability, i.e. income and other quantitative and qualitative constraints as well as price efficiency of various financial service.
- The free movement of capital remains an issue for many SADC countries and would require elimination of exchange controls within SADC, as a crucial issue for financial system integration.
- How could stronger regional financial markets be developed? What is the scope for developing a comprehensive regional financial regulatory framework? Even in the

case of no exchange controls, movement of funds and securities across borders may be inhibited by 'friction points' associated with legal and regulatory differences among countries as well as for bureaucratic or administrative reasons. As part of establishing a common financial sector infrastructure is the issue of accounting and auditing and corporate governance standards. Although the issue is touched upon in different sub-groupings of the sector, it requires coherent and more comprehensive treatment.

### **II.3.3 Industry**

#### **II.3.3.1 Background**

The former SADC Trade and Industry Sector Coordinating Unit developed an Industrial Development Policies and Strategy document in 1989, which has not been officially replaced yet despite major political changes, socio-economic development paradigm shifts and the move towards deeper integration in SADC. Amendments to this document have been proposed at various occasions to the Sector Ministers, but these have not been adopted yet.

The SADC Industrial Development Policies and Strategy document seems to focus on the manufacturing sector and although it acknowledges the linkages with the resource-based sectors, the strategy does not elaborate on measures to develop these sectors. Critical issues for the industrialization process in SADC, which will have to be taken into account in the amendments or a new Policy and Strategy document, would be to clarify what issues on industrial development would call for regional actions versus those amenable to national level actions. Furthermore, linkages between economic sectors, particularly cross-cutting issue, and between the economic and infrastructural, trade, finance, investment, labor and human resource development sectors would warrant particular attention, no less with a view to address constraints to industry and firm-level competitiveness as well as to contemplate the thorny issue of existing and potential industrial polarization in the region.

The remainder of this section focuses on the mining sector, which has been incorporated within the new sectoral grouping related to trade, industry, finance and investment.

### II.3.3.2 Mining

Mining is the backbone of most SADC economies. It represents an important source of foreign exchange earnings, output formation and employment within the region. In 2000, it accounted for nearly 60% of the region's foreign exchange earnings equivalent to 10% of GDP and about 5% of formal employment. SADC

exports, SADC countries' shares of the international market are relatively important and vary between 10 to 45%.<sup>37</sup>

On September 8, 1997, SADC signed the Protocol on mining to serve as an instrument for cooperation between member States. The Protocol entered into force on February 8, 2000. As of February 2001, ten countries (Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Tanzania, Zambia, and Zimbabwe) have ratified the Protocol. SADC has initiated an important Mining Program of Action comprising 38 projects spread into six

**Table 2.4: Employment in the SADC Mining Industry 1994-2000**

Country	1994	1995	1996	1997	1998	1999	2000
Angola	23638	24692	24220	25680	25215	24000	24000
Botswana	13272	12779	13024	13055	15255	14345	12961
DRC	NA	NA	NA	NA	NA	NA	NA
Lesotho	NA	NA	NA	NA	550	NA	636
Malawi	NA	NA	NA	NA	2700	3700	NA
Mozambique	974	1032	929	872	NA	NA	NA
Namibia	9693	9775	8540	8214	7686	5427	6248
South Africa	610294	595384	562249	551677	469045	436702	425752
Swaziland	1373	1301	1417	1220	NA	NA	NA
Tanzania	NA	NA	NA	NA	60000*	1000000*	1500000*
Zambia	47036	45461	42522	37150	36065	25000	NA
Zimbabwe	44835	82846	70087	53432	48449	48091	NA
Total	751115	773270	722988	691300	1675337	1532265	1978845

Source: SADC Mining Sector Annual Report (July 2000-June 2001).

Note: NA: Data not available;

\* Tanzania data includes informal sector employment.

countries produce and export a number of mining commodities, including chromite, cobalt, diamonds, gold, manganese, copper, platinum, uranium and other industrial minerals. Moreover, the DRC is exceptionally abundantly endowed with mineral resources including copper, cadmium, petroleum, and diamonds. SA is the world's largest producer of gold, producing 430778 kg in 2000 followed by the USA 340000 kg in 1999 and Australia 265,000 in 2000.<sup>36</sup> It is also the world's largest producer of the platinum group of metals, followed by Russia, and accounts for over 46% of the total world production while having about 55% of global reserves. With 50% of world production, De Beers (a South African company) is the world's largest producer of gem quality diamonds. With regard to mining commodity

sub-sectors: Information, Geology, Mining and Marketing, Mineral Processing, Environment and Human Resources Development. Considerable progress has been made in implementing these projects, in particular those under the Geology subsector, and the Mining and Marketing subsector. Most of the projects under the Environment subsector are either completed or nearly completed.

#### (i) Reforms in the Mining Sector

Many SADC countries have improved the legal and regulatory framework in the mining sector to facilitate inflows of FDI and attract mining investment. For instance, in July 1999, Botswana's Parliament passed a new Mines and Minerals Act and introduced a new mining

<sup>36</sup> SADC Mining Sector Annual Report (July 2000-June 2001).

<sup>37</sup> See Official SADC Trade, Industry, and Investment Review, 1997-2001.

**Table 2.5: Reforms and Policy Developments in the Mining Sector**

Countries	Mining Reforms and Policy Developments
Angola	<ul style="list-style-type: none"> <li>• Revision and regulation of the Mining Law 1/92 and the Diamond Law 16/94;</li> <li>• Establishment of company for commercialization of Angolan diamonds, and a new system for diamond marketing;</li> <li>• Reduction of the size of the diamond concessions for better control of mining and avoid sleeping investors;</li> <li>• Creation of the Guiche Unique for diamond security;</li> <li>• Creation of computerized Geological and Mining Data Base of the country;</li> <li>• Establishment of Geographical Information System (GIS).</li> </ul>
Botswana	<ul style="list-style-type: none"> <li>• 1999: New Mines and Minerals Act was passed by Parliament and became effective on 1st December 1999.</li> </ul>
DRC	<ul style="list-style-type: none"> <li>• February 2000: First Mining Policy Dialogue Seminar was held in Kinshasa;</li> <li>• The Government has committed to adopt an attractive set of mining regulations to encourage foreign investment.</li> </ul>
Lesotho	<ul style="list-style-type: none"> <li>• The Government is currently working on a new minerals Act.</li> </ul>
Malawi	<ul style="list-style-type: none"> <li>• The process of reviewing the current Mines and Minerals Act is underway.</li> </ul>
Namibia	<ul style="list-style-type: none"> <li>• New Diamond Act came into operation on the 1st of April, 2000.</li> </ul>
SA	<ul style="list-style-type: none"> <li>• A white paper on A Minerals and Mining Policy has been finalized in October, 1998;</li> <li>• A new Mine Health and Safety Act was implemented in January 1997;</li> <li>• The new Mineral Development Bill is currently being drafted.</li> </ul>
Swaziland	<ul style="list-style-type: none"> <li>• The existing mining legislation is being reviewed;</li> <li>• Legislation specific to small scale mining is being developed.</li> </ul>
Tanzania	<ul style="list-style-type: none"> <li>• The Government has undertaken the commitment to no longer directly involve itself in mineral exploration and extraction activities.</li> </ul>
Zambia	<ul style="list-style-type: none"> <li>• The Government has withdrawn direct participation in the operations of the mines.</li> <li>• A mining policy has been developed.</li> </ul>
Zimbabwe	<ul style="list-style-type: none"> <li>• Proposals for a revised and Consolidated Fiscal Framework for Mining has been developed. Mining incentives include: (i) corporate tax rate at 25%; (ii) mining companies have the right to carry over losses indefinitely; and (iii) exploration expenses may be deducted as it is incurred or carried forward until income is realized.</li> </ul>

Source: SADC. Mining Sector Annual Report (July 2000-June 2001).

taxation system. South Africa has recently introduced its new Mineral Development Bill. Zimbabwe is developing a revised and consolidated fiscal framework for mining. Most SADC countries are supporting initiatives for developing Small Scale Mining (SSM) with the view to alleviate poverty. In Angola, the Government has considerably simplified licensing procedures for SSM activities. In addition, the supervision of their activities has been eased. SSM projects are not required to submit detailed reports on the operations carried out. Table 2.5 summarizes some of the main reforms that SADC countries have been undertaking.

### *(ii) Recent Investments in Mining*

In many SADC countries, the mining sector has experienced remarkable development in recent years. In Lesotho, the Government signed an agreement on June 13<sup>th</sup> 2001 with Liqhobong Mining Development Company (Pty) Ltd (LMDC) on commercial development of the Liqhobong Diamond Mine. In Malawi, two companies, Granite Limited and Raval Building Contractors came on stream and are involved in extraction of Green Granite and various Dimension Stones. Mozambique is in a process of rehabilitating ten deposits destroyed during the war. These cover commodities such as rare

earths, gold, gemstones, graphite, coal, iron, dimension stone, heavy mineral sand, bentonite and phosphates. In Namibia, progress has been achieved on the Langer Heinrich Uranium project. TCL mines re-opened in March 2000 under a new company, Ongopolo Mining and Processing Limited. In addition, Malawi is developing an offshore mining activity. Tanzania is developing a new gold mine through the Anshanti Goldfields Ltd/AngloGold company. Rehabilitation programs have started in mining sector in Zambia. In this regard, Bwana Mkumbwa Mining Limited is exploring the possibility of cross-border mining in the Democratic Republic of Congo for copper oxide ore. Moreover, Zambia Consolidated Copper mines, Smelter Company Limited is rehabilitating the Nkana smelter, Refinery and Acid Plants.

With the collaboration of the European Union, SADC has held mining investment forums to inform investors from Europe, North America, Australia, South Africa and Japan of potential benefits and high returns that may arise from investing in this sector.<sup>38</sup> These forums contributed to attracting new investments into

<sup>38</sup> Since 1994, two SADC Mining Investments Forums have been held with the collaboration of the European Union.

**Table 2.6: Mineral Investment Projects in the SADC Mining Industry, 2000**

Country	Company	Mineral	Cost US\$ million (Unless otherwise specified)	Planned output per annum	Date of commencement and/or status
Botswana	1)Debswana Diamond Co. (Orapa Expansion Project)	Diamonds	275+	12 m carats	In operation
	2)Debswana Diamond Co. (Jwaneng Aquarium Project)	Diamonds	76+	-	-
Malawi	Paladin	Uranium	60	-	-
Mozambique	Billiton (Mzal Project)	Aluminum	1.3 billion	250 kt	In operation
Namibia	1) Anglo American Plc Bateman and SNC-Lavalin (Skorpion Zinc Project)	Zinc	450	150000 tons	1 <sup>st</sup> quarter, 2003
	2)Rossing Uranium Ltd	Uranium	5.8	-	Construction of ore sorting plant
	3)Rosh Pinah Zinc Co.	Zinc	4	-	Expansions of ore production capacity
SA	Various Companies	Primary minerals, gold, platinum, processed minerals, other	3326	-	-
Tanzania	1)Ashanti Goldfields Ltd and AngloGold	Gold	165	500,000 ozt	June 2000
	2)Kahama Mining Corporation	Gold	350	400,000 ozt	2 <sup>nd</sup> quarter of 2001
	3)Africa Masharki Gold Mines	Gold	80	200,000 ozt	Late 2001
Zambia	1)Chambishi Metals Plc	Cobalt, Copper	130	4200 (Cu) 6000 (Co)	May 2001 February 2001
	2)Chibuluma Mines Plc	Copper	34	480000 tons	
	3)Non-Ferrous Corporation Africa Mining Plc	Copper	150	-	
	4) Konkola Copper Mines	Copper	523	160000 tons	-
Zimbabwe	1)Zimplats and BHP Minerals	Platinum	69.09*	2.2 m tonnes	2 <sup>nd</sup> quarter of 2001
	2)Rio Tinto	Diamonds	13.36*	-	2002
	3)Sino-Zimbabwe Cement Project	Cement	69.09*	900 tonnes	In operation

Source: SADC. Mining Sector Annual Report (July 2000-June 2001).

Note: + at a Pula/dollar exchange rate of 4.7281 (February 2000); \* At a Zim\$/dollar exchange rate of 43.4197.

the mining sector, including the Golden Pride Mine in Tanzania, the Gamsberg zinc-lead deposits in the Northern Cape Province in South Africa and the Zimplats Platinum project in Zimbabwe. Other new investments include that of Chibuluma Mines Plc, which commenced the development of a new mine at Chibuluma South; construction of the Skorpion zinc project started in Namibia; the Mozambique Aluminum Smelter Project (MOZAL) started to produce metal in June 2000; while in Botswana, the Orapa expansion project, which has doubled the mine's annual production to 12 million carats, started in May 2000.

## II.4 INFRASTRUCTURE AND SERVICES

### II.4.1 Transport and Communications

The economic advantages of a well-developed transport and communications infrastructure include: (i) serving the need of other sectors. For

instance, the expansion of tourism, agriculture or mining activities depends on adequate infrastructure systems; (ii) in the case of a sub-region such as SADC, the development of transport and communications will promote complementarities between the member countries, enhance intra-regional trade and may contribute to increasing the international competitiveness of the region's products and exports. For example, inadequate transport infrastructure services represents a critical obstacle to intra-regional trade and the high cost of transport in the sub-region - estimated at about 30-40% of the total value of goods sold within the sub-region - is an important non-tariff barrier to trade; and (iii) private sector involvement in infrastructural development and service delivery *per se* have the potential to attract considerable amounts of FDI.

#### II.4.1.1. Regional Cooperation and Integration through the

## **Transport, Communications and Meteorology Protocol**

The Transport, Communications and Meteorology Protocol provides a comprehensive framework for cooperation in all modes of regional transport. It includes all policy, legal, regulatory, institutional, operational, logistical, technical, commercial, administrative and human resource issues related to the region's transport. In addition, it incorporates international, continental, regional and national dimensions of transport and all public and private actors in the region.

Chapters 4 (road infrastructure), 5 (road transport) and 6 (road traffic) provide a comprehensive, albeit ambitious, framework for achieving harmonization of regional road traffic and transport systems.

Chapter 7 provides a comprehensive framework for regional cooperation in rail transport. Its objective is to 'facilitate the provision of seamless, efficient, predictable, cost-effective, safe and environmentally-friendly railway service which is responsive to market needs and provides access to major centers of population and economic activity.' To this end, the provisions of chapter 7 include: a harmonized regional railway policy which incorporates a phased and coordinated economic and institutional restructuring of railways; monitoring the adequacy of rail infrastructure required to meet the region's developmental needs; cooperation on operational matters, the development and implementation of compatible technical standards in respect of infrastructure and operational equipment and human resource development.

Chapter 8 provides a comprehensive framework for regional cooperation in the areas of maritime and inland waterways transport. Its objectives are *inter alia*: to maximize regional and international trade and exchange; to provide appropriate frameworks for economic and concomitant institutional restructuring; to establish a customer-sensitive and demand-driven approach; and to promote the establishment of an integrated transport system.

The substantive provisions contained in chapter 8 include: the development of harmonized maritime and inland waterway transport policies; a call for Member States to undertake appropriate institutional restructuring to improve port operations; the application of international standards and human resource development.

Chapter 9 creates a framework for cooperation in civil aviation. Its primary objective is to ensure the provision of safe, reliable and efficient services with a view to improving levels of service and cost-efficiency in support of socio-economic development in the region. In addition, it aims to overcome the constraints of small national markets, market restrictions and the small size of some SADC airlines in order to further ensure the competitiveness of regional air services in a global context.

The Protocol refers explicitly to the involvement of the private sector, restructuring of state enterprises and cooperation between the private and public sectors. It also seeks integration of regional systems through compatible policies and legislation, rather than through explicit operational or investment activities, and emphasizes the importance of competition as a means of improving the diversity of services. Specific obligations on Member States are in attachments. A number of attachments have already been prepared, including: (i) model legislation on flexible investment by the private sector in infrastructure and the provision of services; on establishing road funds, road boards and autonomous road agencies; on economic and institutional restructuring of railways, on port restructuring; and on the economic and institutional restructuring of the telecommunications industry and postal services; and (ii) MOUs on border-post design operations; on road vehicle overloading control; on economic and institutional restructuring of civil aviation; and on the establishment of regional multi-modal search and rescue systems.

In 1999, three attachments were incorporated into the Protocol, namely those on: (i) common definition of SADC regional trunk roads and common route numbers; (ii) harmonized codes and format for driving licenses; and (iii)

establishment and management of the SADC permanent mission to ICAO.

#### **II.4.1.2 Implementation Status of SADC Protocol On Transport, Communications and Meteorology (see Attachment 3)**

The Protocol entered into force on 6<sup>th</sup> July 1998, but three countries (the DRC, the Seychelles, and Zambia) have to ratify it yet. Eight countries (Angola, Botswana, Malawi, Mauritius, Mozambique, Swaziland, Tanzania and Zimbabwe) have completed their national micro-actions plans (MICAPs)<sup>39</sup>. The signatory countries to the Protocol have made considerable progress in achieving policy, legal, and institutional reforms in accordance with the Protocol. Particular progress is evident in building an institutional framework for managing and implementing the Protocol as well as enhancing the business environment for attracting private investments.

##### ***(i) Institutional Framework for Managing and Implementing the Protocol***

Each SADC country has formed a **national protocol implementation coordination team** (N-PICT). The team includes a national coordinator, sub-sectoral coordinators (SSCs) and deputy SSCs for each of the eight sub-sectors, namely roads, railways, maritime and inland waterways, civil aviation, integrated transport, telecommunications, postal services, and meteorology.

A number of SADC countries have established a **roads board**, an **autonomous road authority** and/or a **road fund** as required by the Protocol. For instance, eight countries –Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Tanzania and Zambia– have established road boards and road funds. Five SADC Member States –Malawi, Mozambique, Namibia, South

Africa and Tanzania– have established autonomous road agencies (see Attachment 3).

At regional level, the railways sub-sectoral committees were established in April 2001. Many operator and other associations have been established, including: the Southern African Railways Association (SARA), the Airlines Association of Southern Africa (AASA), the Federation of East and Southern African Road Transport Association (FESARTA), the Ports Management Association of Eastern and Southern Africa (PMAESA), the Federation of Clearing and Forwarding Associations of Southern Africa (FCFASA), Southern Africa Telecommunications Administrations (SATA), Telecommunications Regulators Associations of Southern Africa (TRASA), and the International Transport Workers Unions (ITF).

##### ***(ii) Monitoring of Progress in Protocol Implementation***

The effective monitoring of progress on Protocol implementation requires that SADC Member States submit quarterly reports based on the MICAPs. During the reporting year 2000-2001, it transpired that SA, Zambia, Namibia, Seychelles, the DRC, and Lesotho have not been able to complete their MICAPs. The main reason offered for this failure was the lack of financial resources subsequent to the termination of the USAID financed STEP/PAAS project at the end of 1999. A comprehensive monitoring and evaluation initiative of Protocol implementation is being impeded by the fact that most SADC countries have been failing to provide the required quarterly reports to SATCC-TU. For the period 2000/2001, only Namibia and Mozambique submitted all four quarterly reports.

##### ***(iii) Reforms to Attract Private Investments***

SADC countries are also undertaking reforms to attract private sector investment in infrastructure and involvement in service delivery. As far as **ports** are concerned, these include concessioning of **ports** and restructuring of **port activities** (see Attachment 3). For example, Mozambique has concessioned most terminals in

<sup>39</sup> National micro action plans (MICAPs) are strategic planning instruments. They could also serve as a tool to detect and monitor delays in reforms on a case-by-case basis. MICAP development is supposed to be initiated by the National and Sub-sectoral Coordinators in an inclusive fashion.

the port of Maputo, the container terminal in the port of Beira and all port operations at the port of Nacala (as part of the privatization of CFM-North and the Nacala Corridor Development). Tanzania has concessioned the container terminal in the port of Dar es Salaam as well as all freight operations at the inland port of Kigoma on lake Tanganyika. Zambia concessioned the inland port of Mpulungu at the southern end of lake Tanganyika. In SA, PORTNET was split into two autonomous divisions: a landlord port authority division and a port operations division. Angola and Mauritius have passed Port Authority Acts.

The **road transport industry** has always been dominated by the private sector. However, more recently, the private sector has become involved in the provision of road infrastructure e.g. the N4 toll road, i.e. the section between Maputo in Mozambique and Witbank in SA. In addition, the private sector participates in road funds and road boards in eight countries (Lesotho, Malawi, Mauritius, Mozambique, Namibia, SA, Tanzania, and Zambia).

In the **railways sub-sector**, progress in the institutional framework relates to setting down the SADC Regional Trunk Route Network (RTRN) and the establishment of the Railway Sub-sectoral Committee in April 2001, with its primary functions being: (i) the coordination of policy, legislative and institutional reforms and (ii) the facilitation of the public/private sector partnerships. Although SADC has still a considerable way to go in reforming the railway system, some progress has been made in involving the private sector or other operators with a view to improve efficiency: Malawi has concessioned its national railway to a private consortium; Mozambique has agreed with the same consortium for concessioning of the CFM-North; Tanzania and Zambia are in the process of concessioning their railways; and Botswana, SA and Zimbabwe are considering strategies to attract the private sector in the development and operations of their railways. Although it would probably not be easy to reduce the SADC average railway tariff, which is in the order of 4 US cents per tkm, to the USA's levels of 1.5-2 US cents per tkm, progress is already

discernible, e.g. from 1997-1999, real transport cost of a container on the Durban-Ndola railway route declined from US\$3100 to US\$2500.

**Civil aviation** is the sub-sector where progress have been mixed up till now. Only three countries (SA, Tanzania, and Zimbabwe) have autonomous civil aviation authorities. Seven countries (Angola, Malawi, Mauritius, Namibia, SA, Tanzania and Zambia) have established autonomous airport companies. Aeroport di Roma has acquired 20% of the SA airport company shares. In Tanzania, the private sector participates in the civil aviation sub-sector through the management lease by KADCO, a private SA consortium of companies, of the Kilimanjaro international airport. Tanzania's regulatory framework is not fully developed, but its Civil Aviation Committee has initiated a regulatory harmonization program that began in May 2000. SADC has also been establishing an integrated communications navigation surveillance/air traffic management (CNS/ATM) system to ensure air traffic safety.

With regard to **airlines and air transport services**, the airline sub-sector is dominated by government-owned airlines. Few countries have restructured and privatized their national airlines partially or fully. Zambia is the only SADC country whose government does not currently own an airline - Zambia Airways has been liquidated after accumulating huge losses and credit. Linhas Aereas de Mocambique has been restructured and improved its operations by reducing its fleet, retrenching and setting up management information and financial system. SA has sold 25% shares of its national airline to Swissair (but bought back this equity stake when Swissair was liquidated early in 2002), while Swaziland has privatized its airline and taken 60% in the replacement airline, Airlink Swaziland.

#### **II.4.1.3 Regional Cooperation in the Road Sub-sector**

SADC has undertaken many actions to improve regional cooperation in the road sub-sector.

- **Harmonized road design standards:** Most member States are implementing the road



design standards and specifications as agreed to on the sub-regional level. The following five documents represent these standards: (i) SATCC Standards Specifications for Road and Bridge works; (ii) SATCC Code of Practice for the Design of Roads, Bridges and Culverts; (iii) SATCC Code of Practice for the Design of Pavements; (iv) SATCC Code of Practice for the Geometric Design of Truck Roads and (v) SATCC Code of Practice for the Pavement Rehabilitation. In addition, the Association of Southern African National Road Agencies (ASANRA) was formed in March 2001. Its responsibilities include operational issues such as identification and harmonization of best practices of regional standards (material safety, design, construction and maintenance); development and harmonization of road management systems; implementation of harmonized road user changes and promotion of one-stop border concept.

- **Road traffic:** SADC has designed the Model SADC Driving License. Angola, South Africa and Zambia are already issuing the model license, while Malawi has made preparations to launch the license in 2001.
- **Road transport:** Efforts are made to improve cross-border traffic facilitation including through harmonization of axle load limits and gross vehicle mass. In addition, the creation of the Regional Vehicle Overload Control Association is underway to deal with issues regarding overload control in the region.

#### II.4.1.4 Transport Corridors

Southern Africa is endowed with well-established historical trade routes or transport corridors. Corridors carry 50% of SADC port throughput (excluding SA's bulk commodities) and nearly 100% of landlocked countries' exports/imports. Corridors (including their ports) carry more than 20% of intra-regional trade and almost 80% of the region's trade with the rest of the world.<sup>40</sup> Despite efforts to enhance the corridors' performance, key constraints persist, which limit the corridors' contribution to the sub-region's growth and development (see Box 2.2). However, the Maputo Development Corridor is an example of a concerted multi-country effort to address such constraints and, moreover, to turn a traditional transport corridor into a development corridor (see Box 2.3). Another example may be the Trans-Kalahari Corridor, involving three SACU countries, i.e. SA, Botswana and Namibia, which are working in a concerted fashion to address such constraints. However, the three countries have still to formalize some of the critical understandings reached before they could be fully implemented.

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<sup>40</sup> World Bank estimates.

## Box 2.2: Corridors: Opportunities, Strengths and Weaknesses

The Corridors are systems of physical infrastructure of transportation (by road or rail) that link major ports to their hinterland and to landlocked countries in Southern Africa. There are seven main corridor systems:

- Beira-Lusaka-Beira (Mode: Road/Rail); Beira-Lilongwe/Blantyre-Beira (Mode: Road);
- Maputo-Johannesburg-Maputo (Mode: Road/Rail); Maputo-Harare-Maputo (Mode: Rail); Maputo-Manzini-Maputo (Mode: Road/Rail);
- Nacala-Lilongwe/Blantyre-Nacala (Mode: Rail);
- North/South-Harare (via Beitbridge)-Durban (Mode: Road/Rail); North/South-Lusaka (via Plumtree)-Durban (Mode: Road/Rail);
- North/South-Lilongwe/Blantyre (via Tete)-Durban (Mode: Road/Rail);
- Tazara-Lusaka-Dar Es Salaam (Mode: Road/Rail); Tazara-Lilongwe-Dar Es Salaam (Mode: Road);
- Trans/Capriivi-Lusaka-Walvis Bay (Mode: Road);
- Trans/Kalahari-Pretoria/Johannesburg-Walvis Bay (Mode: Road).

Main import/export corridors are those linking the ports of Dar Es Salaam, Nacala, Beira, Maputo, Durban, and Walvis Bay to their hinterlands. There are also smaller road corridors: Johannesburg/Manzini; Durban/Manzini; Cape Town/Windhoek and Johannesburg/Windhoek through Upington.

### Usefulness and Importance of Transport Corridors

The usefulness of transport corridor systems stems from the major benefits they provide to the region: (i) corridors facilitate intra-regional, inter-continental and domestic trade of SADC countries; and (ii) they ease regional transport and transit flows and increase transport efficiency. It was estimated that corridors carry 50% of SADC port throughput (excluding SA's bulk commodities) and nearly 100% of landlocked countries' export/imports. In terms of their contribution to intra-SADC trade and between those countries and the rest of the world, measured by freight tonnage, corridors (including their ports) represent 22% of intra-regional trade and 78% of the region's trade with the rest of the world. The relative importance of corridors depends on their transport mode and the performance indicator used. Measured by total international traffic carried, the North-South Corridor system is the most important one. This record reflects the fact that this corridor system is the most extensive of all and SA's dominant share in intra-regional traffic is moving along these axes.

### Major Constraints and Weaknesses

**There are several factors that limit the efficiency of transport corridors:**

- **Cost-raising factors:** Long border post delays where the average waiting times can reach a high of more than 30 hours for Beitbridge (the most important road border post of the region) and Victoria Falls, and with incidents reported of shipments from Durban to Harare spending about one quarter, and from Johannesburg to Harare up to one third of the total transit time at the border. Furthermore, higher vehicle operating costs on certain substandard road sections, fuel price differentials, high tariffs, losses due to theft, costs of bribes/fines are, among others, elements that limit corridor efficiency. For instance, data for the port of Durban show that approximately 60% of the ships that arrived at the container terminal in 1995, 1996, and 1997 had been delayed by 20 hours on average while waiting time could last more than a week in some cases. The SADC rail tariffs range of US cent 3-5/tkm are considered high by international standards.
- The **economic and physical environment** influences corridors' performance. The low production levels, low population density, and long distances to either import/exports ports result in small traffic volumes.
- **Deficiencies in the business environment:** Poor policy and regulatory frameworks, management constraints e.g. cancellation of scheduled trains and unpredictable delays; lack of information systems to facilitate communication between the different rail companies and the absence of technical cooperation and marketing exert additional constraint on the corridors' performance. Railway transport also faces several problems including overstaffing, dependence on government subsidies and tariffs barely sufficient to cover operating costs.

### Proposed Measures to Improve Transport Corridors Performance

These measures are stipulated in the SADC Protocol for Transport, Communications and Meteorology and aimed at committing and encouraging member states to implement reforms to improve the efficiency of their transport systems. In railways and ports, reforms include reducing the role of governments in operations, increasing private sector involvement in infrastructure ownership and operations and improving information systems. In order to promote regional co-operation and integration in transport corridors, SADC countries are urged to:

- Harmonize technical standards for infrastructure and operational equipment (such as signaling and communication systems);
- Establish regional traffic rights for railway operators across borders in order to enhance competition and minimize delays at border posts;
- Standardize reporting and accounting procedures and performance indicators.

Similar measures are proposed to enhance cooperation between ports.

### Actions Undertaken

Some SADC countries have taken measures to enhance performance of their transport system. Malawi has restructured and concessioned its railway system; Mozambique has signed a concession for its northern system; Zimbabwe has concessioned one main rail line from Beitbridge to Bulawayo and is promoting private sector involvement in its total rail system. Some measures have also been taken to address the issues of delays at border posts, low quality of border design and services and the lack of coordination and extension of operating hours. E.g., the coordination and extension of hours have resulted in significant reductions in delays at the Botswana border. The establishment of a good clearing facility at the Ressano-Garcia/Komatipoort border post has led to some improvements on the Maputo Corridor. For ports, there are already, among others: the harmonization of regional port policy and standards and the development and implementation of uniform port performance indicators based on the UNCTAD model.

### Potential Gains of Improvement of Transport Corridors

Implementation of the proposed measures may result in a number of benefits: (i) reduction of costs: regional cooperation and integration in railways, road and ports may enhance the quality of service provided by corridors and their ports, with an immediate advantage being reduction of delays at the border posts. Estimates indicate that a reduction in ship delays could lead to potential annual savings of \$US330 million from reduced user charges for transport and handling, savings on inventory costs and user benefits; and (ii) increases in productivity, improved financial management and service provided to customers at lower prices are potential gains stemming from private sector participation.

### **Box 2.3: The Maputo Development Corridor**

#### **Background**

The Maputo Development Corridor (MDC) links the port of Maputo in Mozambique with Gauteng, the SA province that is the nation's industrial heartland and in which Johannesburg is located. In the 1970s the corridor was a major export route for SA and a significant generator of foreign exchange for Mozambique. However, after Mozambique's independence, political considerations led SA to develop alternative routes, primarily through Natal on SA's east coast. The combination of this event with the inefficiency in Mozambique's state-run ports and railways and disruptions from the country's civil war resulted in a substantial decline in the Maputo Corridor activity: Port volume fell from about 11 million tons per annum at independence in 1975 to about 1.6 million tons per annum in the mid-1980s.

The MDC was the first of the Spatial Development Initiatives (SDIs) to be initiated in 1995. The MDC has been developed through a joint initiative of the governments of SA and Mozambique and with the participation of various public and private groups including the World Bank. The initiative focuses on rehabilitation and upgrading of the traditional trade and transport links.

#### **Core elements**

- The upgrading/construction of a toll road linking Johannesburg in South Africa to Maputo in Mozambique
- The improvement of rail and port operations in Mozambique to re-establish competitiveness of the transport route.

#### **The Key Objectives are**

- To rehabilitate the core infrastructure along the corridor with minimum impact to the fiscus (road, rail, port, energy, border post);
- To maximize investment in both the inherent potential of the corridor area and in the added opportunities which the infrastructure rehabilitation will create;
- To ensure that the development impact of this investment is maximized, particularly to disadvantaged communities;
- To ensure sustainability by developing policy, strategies and frameworks that encompasses a holistic, participatory and integrated approach to development.

#### **Key Activities and Progress**

- Development of key infrastructure: the two governments decided to pursue the reconstruction of the Witbank-Maputo road (N4 Toll road) as a BOT toll road project. They awarded a 30-year concession to Trans African Concession (TRAC) in 1997, with a total anticipated investment of US \$ 250 million.
- Rehabilitation of Maputo Port: the Government of Mozambique expected to achieve 'financial closure' by June 2001 for a 15-year management agreement with Mersyside Docks and the Harbour Company from Liverpool (UK).
- Concession of the Southern Mozambique Railways Network in two parts. First part (Limpopo line to Zimbabwe, the Global line to Swaziland and the marshalling yards near Maputo) has been concessioned to Consortia 2000 with the second part (Ressano Garcia line to South Africa) to be concessioned to Spoomet.
- Development of new energy supply: a common project between Eskom (SA), EDM (Mozambique) and the Swaziland Electricity Board, known as Motraco, with the objective of constructing electricity lines from South Africa into Mozambique.
- Upgrading of the border post between South Africa and Mozambique at Ressano Garcia.

#### **Private Sector Involvement**

- The Mozambique Aluminum Smelter (MOZAL): private partners involved are Billiton (47%), Mitsubishi (25%), the IDC of South Africa (24%) and the Government of Mozambique (4%). Future output expected is 500 000 tons of aluminum per year.
- The Maputo Iron and Steel Plant (MISP): construction of an iron and steel plant in Mozambique.
- Beluluane Industrial Park (BIP): establishment of an industrial free zone adjacent to Mozal. Joint venture involving CPI (Mozambique), Chiefton (Australia) and Grinaker (South Africa).
- Natural Gas Industry Projects: Sasol is constructing a 1000 km pipeline from the Mozambique gas fields to Secunda in Mpumalanga.

#### **Impact of the MDC**

- Private sector financing: it is estimated that some US\$ 600 million (mainly private sector) in investment has been committed to the key infrastructure projects.
- Job creation: it is estimated that some 15000 jobs have been created in the MDC area through the larger infrastructure and sector projects.
- Movement of freight and people through the Ressano Garcia/Komatipoort border post have seen strong and steady growth. The number of 'import entries' has increased from 267 in 1995/96 to 4130 in 2000/01 or 58% per annum. 'Export entries' have increased from 8070 in 1995/96 to 112595 in 2000/01, or 55% per annum. Movement of people (both ways) through this border post have increased from 365 229 (1993) to 1 946 329 (2000) representing a growth of about 27% per annum<sup>41</sup>.

#### **World Bank's Involvement**

The Bank Group has been directly or indirectly involved in supporting many of these projects through a combination of loans, grants, and technical assistance. The Maputo Corridor development is widely supported in Mozambique and SA, and it has raised considerable interest in neighboring countries such as Swaziland, Botswana, Namibia, and Zimbabwe. The initiative is fully consistent with the Bank's Country Assistance Strategies for Mozambique and SA, as well as with the 1998 Southern Africa regional strategy. It provides an attractive example of public-private partnership, with the private sector providing most of the investment.

<sup>41</sup> Source: *Immigration – Lebombo Border post*

#### II.4.1.5 Communications

As indicated earlier, although the SADC region is not well equipped in the area of communications, the region has made some progress in reforming the sector, resulting in a relatively rapid expansion of particularly the mobile network, while the fixed-line network has also seen some growth in the 1990s. At the turn of the century, the number of fixed lines stood at around 6,747,824 - equivalent to an average regional teledensity of five per 100 inhabitants, with access varying widely across countries. The sub-region still lags far behind other regions in the world, although it fares better when compared to the averages for SSA, excluding SA.

Chapter 10 of SADC's Protocol on Transport, Communications and Meteorology, adopted in August 1996, creates a framework for cooperation in telecommunications. It outlines a regional telecommunications policy; develops a common understanding of 'universal service'; creates a framework for monitoring regional telecommunications provision and maintenance; exhorts Member States to achieve cooperation in telecommunications; provides for a regulatory framework for the region's telecommunications; defines the responsibilities of national regulatory bodies; calls for the harmonization of technical standards; seeks to achieve cooperation in the realm of human resource development; and creates a framework for the region's relations with international bodies.

In order to take advantage of international technological developments and developing national telecommunications networks for the provision of reliable, effective and affordable telecommunications services, the objectives of regional cooperation are to:

- ensure adequate high quality and efficient services responsive to the diverse needs of commerce and industry in support of regional social and economic growth;
- achieve regional universal service with regard to telecommunications services and regional universal access to advanced information services; and

- enhance service interconnectivity in the region and globally.

The provisions of Chapter 10 of the Protocol provide a comprehensive framework for achieving these objectives. They define the roles of both the public and private sector in the provision of telecommunications, pronounce upon ways of procuring finance to implement the region's agenda, and establish an institutional framework for the implementation of a regional telecommunications network.

In the **telecommunication sub-sector**, in order to develop cooperation between member states, SADC countries have set up associations of telecommunications regulatory authorities and of telecommunications operators, namely Telecommunications Regulatory Association of Southern Africa (TRASA) and Southern Africa Telecommunications Associations (SATA). TRASA established its office in South Africa. TRASA's main objective is to enhance service provision by establishing efficient telecommunications networks and services within the region. One of its major activities is to develop guidelines on specific regulatory functions that its members can adopt and implement at the national level. Its main achievements include: (i) completion of a guideline on interconnection; (ii) development of a regional frequency band plan; and (iii) establishment of a joint telecommunications-broadcasting committee. With the restructuring of SATA in December 1999, this association has also modernized its functioning.

There are also a number of other developments noticeable in the telecommunications sub-sector, e.g. new mobile telephony operators are being licensed; internet demand is growing; and institutional frameworks are being transformed to enhance the competitive environment. Independent telecommunications regulatory bodies exist in Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, SA, Tanzania, and Zambia. Although the privatization process is progressing steadily, full private sector participation remains limited, while the process of enabling other fixed service operators to establish is slow. Lesotho is the

only one that has completely privatized its telecommunications sub-sector, while Seychelles and SA have partially privatized their national telecommunications operations. Six of the incumbent fixed service providers (Lesotho, Malawi, Mauritius, Seychelles, SA and Zambia) are operating privately with strategic equity partners. Seven countries, Botswana, Mauritius, Seychelles, SA, Tanzania, Zambia and Zimbabwe have two or more cellular phone operators. Ten countries have more than two internet services providers each.

In the **postal services sub-sector**, the Protocol provides for an independent Postal Regulator

## II.4.2 Energy

The sub-region is richly endowed with huge and a variety of energy sources. However, development of these resources is constrained by factors such as the shortage of equipment, the inability of SADC energy utilities to meet demand, and tariff and pricing rules. These and other obstacles limit energy's potential to serve effectively the needs of the people of SADC, with an average 75% of the SADC population lacking access to electricity, while in some countries energy supply is unreliable and expensive, contributing to an uncompetitive business environment.

**Table 2.7: Policy and Regulatory Frameworks and Status of Privatization and Competition**

Country	Policy and Regulation		Regulation	Market Operation		
	New Policy	New Law	Autonomous Regulator	Incumbent Privatization	Competition	
					Mobile	Internet
Angola	Y	Y	Y	N	N	F
Botswana	Y	Y	Y	N	D	F
DRC	n/a	n/a	n/a	n/a	n/a	n/a
Lesotho	Y	Y	Y	Y	N	N
Malawi	Y	Y	Y	Y	I/P	F
Mauritius	Y	Y	Y	Y	F	N
Mozambique	Y	Y	Y	N	I/P	F
Namibia	Y	I/P	I/P(R)	N	N	F
Seychelles	Y	Y	N	Y	D	F
South Africa	Y	Y	Y	Y	F	F
Swaziland	I/P	I/P	N	N	N	F
Tanzania	Y	Y	Y	I/P	F	F
Zambia	Y	Y	Y	Y	F	D
Zimbabwe	I/P	I/P	I/P	N	F	F
Progress/Y	11	10	9	6	7	10

Source: SATCC-TU, March 2001.

Note: n/a: Not available; Y: Yes; N: No; I/P: In progress; Non-basic: Services other than fixed telephone; F: More than two service providers; D: Duopoly progressing to full; R: Regulatory authority exists but yet to be strengthened under new law.

which has as primary duty the promotion of consumer/user interests by encouraging competition and high standards of service from operators as well as by regulating prices. Five countries (Malawi, Mozambique, Namibia, SA and Tanzania) have established regulatory authorities and most countries have separated postal services from telecommunications. With regard to the **meteorology sub-sector**, Mozambique and Tanzania have established autonomous meteorology authorities or executive agencies.

### II.4.2.1 The SADC Protocol on Energy: Objectives and Implementation Status

Recognizing that energy problems are common issues within the region and that countries may benefit from cross-border cooperation in the energy sector, SADC countries signed the Energy Protocol in August 1996, which then entered into force on April 17, 1998. The Protocol focuses on the following major objectives:

- Harmonization of national and regional energy policies, strategies and programs on the basis of common interest;

- Co-operation in the development and utilization of energy and energy pooling to ensure security and reliability of energy supply in the most efficient and cost-effective manner;
- Promotion of joint development of human resources and organizational capacity building in the energy sector; and
- Standardization in appropriate energy development and application.

With the exception of the DRC, Mozambique and the Seychelles, all SADC countries have ratified the Protocol (see Attachment 3). Implementation is under way in many member states. Since May 2000, SADC has been implementing a list of 43 projects representing a total amount of USD 608,04 million.

SADC has created the SADC Energy Commission Technical Unit with the view to pursue the realization of optimal social and economic benefits arising from the use of regional energy resources. In addition, the Energy Commission also aims at ensuring that the sector attracts the investments. It focuses primarily on harmonization of current policies, development of new policies, definition of regional strategies, and initiation and monitoring of macro resource planning issues at the regional level.

#### II.4.2.2 SADC Energy Sector Activity Plan 2000-2005

The SADC Energy Sector Activity Plan has recently been completed and serves as a key document guiding the activities of the SADC Energy Sector in the short and medium term. It includes 30 activities and defines priorities in four areas: energy trade; investment and finance; organizational development and capacity building and information and experience exchange.<sup>42</sup>

- **Energy trade:** The Southern African Power Pool (SAPP) has established principles and pricing schedules that form the basis for

power exchange in the region. Reforms have been made to introduce new pricing regimes to ensure more sustainable and cost-reflective energy pricing. However, the effectiveness of the pricing regime may be hampered by high inflation. In fact high inflation, stemming from high currency devaluations, had led to tariff increases of over 100 per cent in local currency terms for some countries without any movement in real prices.

- **Investment and Finance:** The objective is to mobilize investment and financing for the energy sector, with focus on the following: (i) facilitation of financing of commercially viable regional investments projects; (ii) mobilization of finance for the biomass energy sector through appropriate valuation of the existing biomass resource base (i.e. forest stocks) and leveraging finance on the basis of such valuation; (iii) financing of priority pre-investment programs, task-force activities, expert assistance and studies as defined in the Action Plan; and (iv) mobilization of climate change funding to address the environmental concerns and challenges facing the SADC energy sector.
- **Training and Organizational Capacity Building:** The Energy Co-operation Policy and Strategy Document (1996) emphasizes the needs of well-trained human resources for SADC and cites the following as specific needs, amongst others: (i) professional managerial training at executive and middle management levels; (ii) organization development, (iii) strategy development and strategic management; (iv) energy policy, analysis and advocacy; (v) energy economic analysis; and (vi) finance mobilization through climate change and clean development mechanisms.
- **Information and Experience Exchange:** Areas which can benefit from exchange of information and experience include: (i) co-operation in energy sub-sectors that are characterized by a high degree of commonalities, e.g. biomass/wood fuel; (ii) co-operation to utilize synergies, e.g.

<sup>42</sup> Refer to SADC Energy Sector, Annual Report May 2000-June 2001.

standardization, joint policies and strategies; and (iii) co-operation to share resources, utilize economies of scale, and to strengthen the political impact of the SADC region in international bodies, e.g. joint representation in climate change fora.

- an electricity supply industry structure that does not allow for efficiency through competition.

The implementation of the SADC project ‘Regional Energy Planning Network’ has started officially in May 2000. SADC is also mobilizing financial and human resources to implement the SADC Energy Sector Program Action.

### II.4.2.3 Energy Sector Reforms

The power sector is undergoing reform both at national and regional level in southern Africa. Reform agendas are generally motivated by:

- inefficiencies;
- technical weaknesses (particularly in the distribution area);
- poor financial performance of electricity supply industry participants (return on investment < cost of financing) and strong limitation on public sector financing;
- electricity prices being used as political instruments;
- unsustainable subsidies to various consumers groups; and

The purpose of reforms includes the need to attract private investment and to broaden access to electricity to domestic consumers. However, the process of restructuring is slow as indicated in Table 2.8. No SADC country has privatized state-owned electricity sector assets. Only South Africa and Zambia have established an energy regulatory body (the National Electricity Regulator-NER and the Energy Regulation Board-ERB, respectively). Mozambique has established an Energy Policy Coordination Unit and its National Electricity Council resolves disputes and makes recommendations to the government. Mozambique and Zimbabwe, to a certain extent, are the only SADC countries that have significant independent power producers (IPP), namely Hidroelectrica de Cahora Bassa (HCB) in the case of Mozambique. In Swaziland, the Electricity Act of 1963 is still the basis for energy regulation. There are no regulators in the DRC or Lesotho.

**Table 2.8: Status of Reform in SADC Electric Sectors**

	Average Electricity Price US cent/kWh	Private Power IPPs	Privatization of Assets	Restructuring	Regulatory Body	Interconnects
Angola		No	No	No	No	No
Botswana	15	No	No	No		Yes
Lesotho			No		No	Yes
Malawi	4.6	No	No	In progress	Quasi	No
Mozambique	5.0	Yes	No	No	No	No
Namibia	2.9	No	No	In progress	In progress	Yes
South Africa	2.0	No	No	In progress	Yes	Yes
Swaziland			No		No	Yes
Tanzania	10		No		No	No
Zambia	3	Yes	Some	Yes	Yes	Yes
Zimbabwe	3	Quasi	No	No	Yes	No

Source: USAID (The Regional Center for Southern Africa). Energy Program Sub-Strategy for Legal, Regulatory and Policy Assistance to the SADC Countries. March, 2001.

#### II.4.2.4 The Southern African Power Pool (SAPP): An Example of a Promising Regional Cooperation Initiative

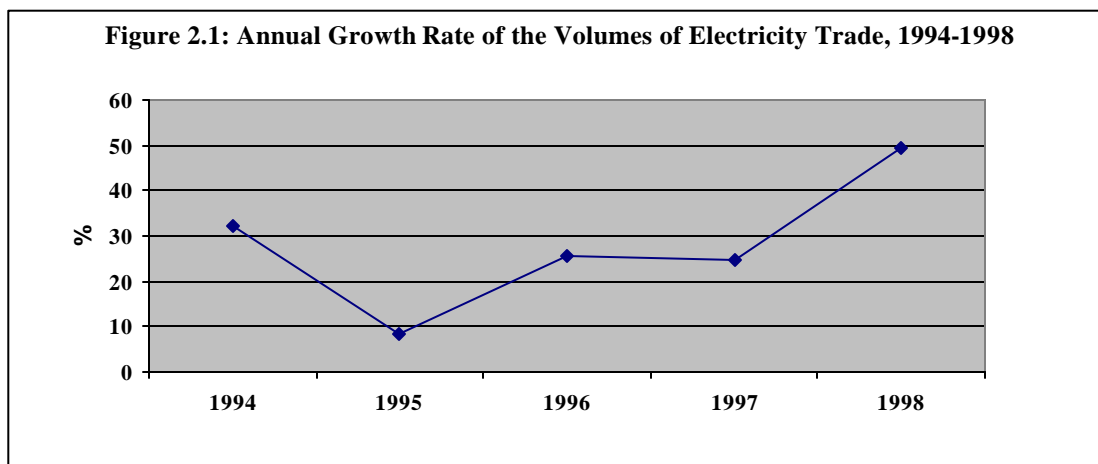
The SAPP is a cooperative effort in the energy sector, which aims at developing strong power interconnections between SADC Member States and providing reliable and economical electricity supply to the consumers of the SAPP Members.

The SAPP has a number of economic, social and environmental benefits that make it an important project. The Short Term Energy Market, which started live trading in April 2001, is expected to lower the average price of energy within the region. For instance, it is estimated that the average kWh price on an Eskom-supplied long-term contract will be reduced by 50%. The SAPP would also reduce operating costs of existing national electricity power agencies. Indirect benefits may also stem from the SAPP as the reduction of electricity prices and the improvement of electricity supplies will raise industrial competitiveness of the region. In addition, the build-up of the Short Term Energy Market will be an incentive for attracting domestic and foreign investments in the energy sector. Savings from additional bilateral contracts are expected to be huge: a study by SADC on electricity power in the early 1990s, comparing integrated regional development with independent development, reached the

conclusion that total savings will amount to US\$785 million over the 1995-2010 period. The total savings amounts to 20% when compared to the costs that each country will support by following a self-sufficiency strategy. The savings are likely to be higher due to the fact that SA and the DRC have joined the SAPP. On the regional basis, the SAPP increases the regional system reliability and is a forum for regional solutions to electricity energy problems.

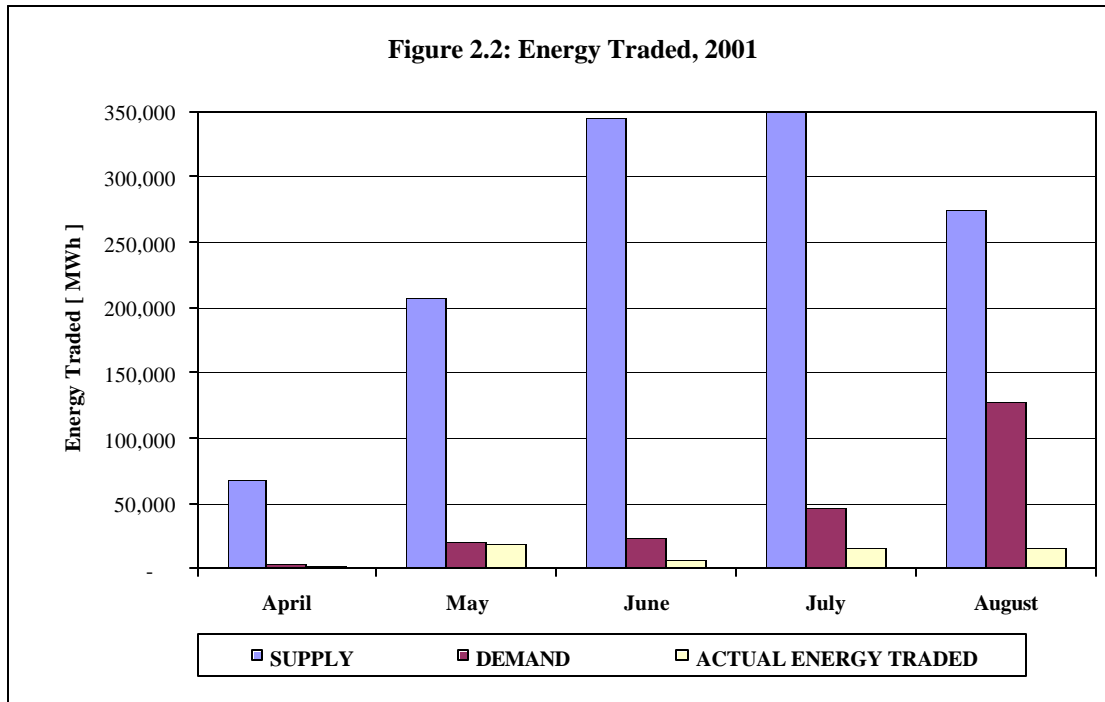
On the social side, the population of Southern Africa would benefit from the improvement and expansion of its electricity supply. Particularly, final consumers would benefit from the reduction of the price of electricity. In addition, some environmental benefits will derive from the displacement of thermal generation by hydropower.

Since the creation of the Southern African Power Pool (SAPP) in 1995, regional electricity trade within the SADC region has increased tremendously. In 1998, the volume of electricity traded between SADC countries increased and reached the order of 1,500 MW and 11,500 GWh compared to 1000 MW and 7,700 GWh in 1997. The annual trading value exceeded the estimated value US\$140 million. The following chart illustrates the increase in the volumes of electricity trade region within the SADC region from 1994 to 1998.



Source: SADC Energy Sector, Annual Report May 2000-June 2001.





Source: SAPP Coordination Centre, 2001

Eskom dominates the market - its exports represented about 50% of the regional electricity trade in 1998. Cahora Bassa is the other major regional trading player with an annual output estimated at 12,000 GWh. In 1998, it supplied approximately 600 MW of power on firm contracts to Namibia, Botswana, Zimbabwe, Swaziland and Lesotho. The DRC supplied 110 MW of peaking and mid-merit type power to SA. SA accounted for 83% of the total regional electricity demand of 33,310 MW in 1998. Zimbabwe was the second biggest market with about 6% while Zambia and the DRC represented 3% and 2% respectively. In terms of sectoral demand, industrial and commercial demand accounted for more than half of electricity demand in SA, but less than 40% in the rest of the region. Mining demand was less important in SA than in the rest of the region (20% and 30% respectively).

The priority projects that have been identified by the SAPP include the development of the link between Tanzania and Zambia, transmission from Mozambique to Malawi and the strengthening of linkages between Zambia and the DRC.

A new regional body, the **Regional Electricity Regulatory Association (RERA)**, was established. RERA has three main objectives:

- Capacity building and information sharing and skills training at national and regional level.
- Coordination of regional electricity trade, with the aims to provide a framework for cross-border trading and develop a policy, strategy and legislation to coordinate electricity trade.
- Regional regulation, with the main goals being the design of economic regulation for electricity interconnections and trade between SADC member states.

There are a number of constraints to the development of the regional power market. These include:

- An inadequate accounting system to deal with increasing energy trades;
- The lack of a system to monitor and predict electricity flows on tie-lines;
- Lack of transmission lines connecting non-operating members to SAPP;
- Insufficient capacity of some of the existing tie lines.

#### **Box 2.4: The Southern African Power-Pool (SAPP)**

##### **Background**

The Southern African Power Pool is an association of 12 member countries represented by their respective electricity power utilities. The members of SAPP include: Botswana Power Corporation (BPC, Botswana), Electricidade de Moçambique (EDM, Mozambique), Empresa Nacional de Electricidade (ENE, Angola), Electricity Supply Commission of Malawi (ESCOM, Malawi), Eskom (South Africa), Lesotho Electricity Corporation (LEC, Lesotho), NAMPOWER (Namibia), Société Nationale d'Electricité (SNEL, the Democratic Republic of Congo), Swaziland Electricity Board (SEB, Swaziland), Tanzania Electricity Supply Company Ltd (TANESCO, Tanzania), ZESCO Limited (Zambia), and Zimbabwe Electricity Supply Authority (ZESA, Zimbabwe). The SAPP is the first formal international power pool established outside Europe and North America. The SAPP covers an area of 9.09 million km<sup>2</sup> and the total number of electricity users of the combined national interconnected systems is estimated at 3.1 million.

Cooperation in the electricity sector is not a new phenomenon in Southern Africa. Two bilateral cooperative projects already existed in the late 1950s. The first project was set-up in 1958 between the DRC and Zambia, consisting of the construction of a line between Nseke in the DRC and Kitwe in Zambia, and aimed at supplying electricity to Zambian copper mines. The other project linked Zambia to Zimbabwe and consisted of the construction of the Kariba dam and associated hydro-electric power stations, which connected the two countries' power systems. SADC recognized the importance of energy to the development of the region and took the following actions to strengthen regional cooperation in the region:

- 1980: creation of a Technical and Administrative Unit (TAU) to act as a coordinating agency for the regional energy sector.
- 1990: establishment of the Electricity Sub-Committee (ESC), as a forum for the regional power utilities to discuss and plan the improvement of regional electricity supply.
- 1995: seven of the eleven SADC members signed the Inter-Governmental Memorandum of Understanding (IGMOU).
- September 28, 1995: The Southern African Power Pool entered into effect.

##### **Main objective, priority and constraints**

The SAPP aims at coordinating planning and operation of electric power systems among member utilities, reducing capital and operating costs through coordination and improving the reliability of the electric power systems. The multi-country electricity trade in the Pool is mostly done through long-term bilateral contracts. The SAPP focuses on the increase of trade through a short-term energy market in order to progressively replace some long-term bilateral contracts between members.

The SAPP Coordination Centre aims at implementing SAPP objectives and has four main functions: (a) technical oversight with emphasis on secure and reliable operation of the Pool; (b) facilitating the short-term energy market (matching bids and offers of energy by daily, weekly and monthly contracts); and (c) gathering and disseminating information, including technical and financial data; (d) liaising with national control centers and electricity regulators. It also provides a training facility for power market operators.

Physical constraints may hamper the expected advantages of the development of regional trade in electricity in SADC. These relate to insufficient transmission infrastructure such as missing links within and between national transmission lines, lack of connection of the non-operating members, and required reinforcement of existing internal transmission. These constraints limit the speed at which the system could have been developed.

##### **World Bank involvement**

Currently, World Bank involvement consists of providing support, including planned IDA credits of about US\$260 million, to the Coordination Centre and appraisal of two of the three priority inter-connections that have to be either constructed or improved. These are the Malawi-Mozambique and Zambia-Tanzania transmission lines. The other priority is the strengthening of the link between the DRC and Zambia with possible rehabilitation of the Inga power plant and DC converter stations, but in which other development partners are involved. The aims of the Bank's involvement, in the SAPP include:

- facilitating regional electricity trade;
- ensuring that all participants in the market have equal access to information;
- financing assets for which private sector financing is difficult to obtain;
- enabling increased private sector involvement in generation;
- reducing need for onerous power purchase agreements.

### **II.4.3 Water**

Given the general water insecurity of the sub-region, the imbalances in water availability and demand, deteriorating water quality and shared water courses, the countries in the sub-region have recognized the benefits that may be derived from regional cooperation on water issues, including reducing the costs and mitigating the risk of rainfall variability through coordinating their actions. Historically, there was extensive

cooperation between southern African states in relation to particular river basins. Examples include the Lesotho Highlands Water Project (LHWP) and the Zambezi basin ZACPLAN project. Cooperation, however, was not coordinated on a regional level.

SADC member states have thus signed a Protocol on Shared Watercourse Systems in August 1995 and, subsequently a refined version of this protocol, the 'Revised Protocol on Shared

Watercourses' in August 2000. Although all SADC Member States but the DRC signed the Protocol, by mid-2001 only two countries (Botswana and Mozambique) have ratified it.

The main objectives of the protocol is to develop close co-operation for judicious and coordinated use of the resources of shared watercourse systems in the SADC region; to coordinate environmentally sound development of shared watercourse systems in the SADC region in order to support socio-economic development; to hold regional conventions on equitable utilization and management of the resources of shared watercourse systems in the SADC region; to consolidate other agreements in the SADC region regarding the common utilization of certain watercourse; and to promote the SADC integration process in accordance with Article 22 of the treaty establishing the Community.

For implementation purposes, the revised protocol has created regional institutions, such as committees of Water Ministers and Water Senior Officials respectively; a Water Sector Coordinating Unit and Water Resources Technical Committee and sub-committees. These are in addition to Shared Watercourse Institutions, which were the main institutional mechanisms for implementation of 1995 protocol. Although responsibility is still placed on the states within a river basin, which should establish appropriate institutions (watercourse commissions, authorities or boards) to cooperate with one another on matters pertaining to the rivers of the basin, a common watercourse would henceforth be managed within the context of the regional objectives and principles.

In order to improve the regional management of watercourses, a **Regional Strategic Action Plan on Water Resources** (1999-2004) was developed in 1998 and contains 44 projects in all. A list of 31 priority projects was established (see Attachment 3). In order to facilitate the implementation of the RSAP at national level, SADC has developed a networking structure called the National Focal Persons (NFP). The role of the NFP is to coordinate activities related to the implementation of the RSAP at national level and in close collaboration with WSCU.

Many international agencies are supporting SADC's effort to improve water management within the region.

SADC has also developed programs and projects in order to address challenges such as floods/droughts, pollution and water supply and sanitation. These are: the SADC Hydrological Cycle Observing System (SADC HYCOS), The Groundwater Management Program for the SADC region, The Regional Project to Control the Infestation and Translocation of Aquatic Weeds and the Program on Water Supply and Sanitation for the SADC region. The Water Resources Technical Committee (WRTC) has appointed four Technical Sub-committees to oversee the implementation of these programs/projects. A Strategy on Floods and Droughts has also been initiated to take into account the devastating effects of recent events of floods. A Strategic Approach to improve Security Against Floods and Droughts has therefore been developed by the Water Resources Technical Committee in early May 2001. Key objectives include:

- To operationalize the recommendations contained in the indicative framework for floods and droughts management in the SADC region;
- To contribute as a building block to the SADC multisectoral disaster management strategy currently being developed by the SADC Secretariat;
- To develop the necessary capacity for vulnerability reduction against floods and droughts related in the SADC region.

The strategic approach focuses on five substantive areas to be pursued over the short-term (2001), the medium-term (2002-2003) and the longer-term (2004 and beyond). These areas are:

- (i) Preparedness and Contingency Planning for Response: The objective is to identify contingency plans that will be needed at the regional and national levels to improve flood and drought preparedness for 2001-2002 rainy season.
- (ii) Early Warning and Vulnerability Information Systems: The Water Sector

along with other SADC technical units will identify and implement the most appropriate technical means in order to improve security of areas and communities most vulnerable to droughts and floods.

- (iii) **Mitigation Measures:** The objective is to design appropriate policy, legal and institutional reforms to run the program. Floods and droughts monitoring, forecasting and warning systems will be developed particularly for the shared watercourse systems or river basins and flash flood prone areas.
- (iv) **Response:** The main purpose is to assist disaster authorities to better identify rainfall, river flow and possible inundations changes. A particular focus will therefore be paid to hydrological and meteorological monitoring systems.
- (v) **Recovery:** The Water Sector will attempt to provide support to the water authorities in SADC Member States to address issues related to national recovery. Its main action will be to help rebuild critical elements of the floods and droughts management systems that may be damaged/affected during the occurrence of disasters as well as other water-related infrastructure and services.

#### **II.4.4 Tourism**

The countries in the sub-region have acknowledged that they might benefit through cooperation in tourism and tourism-related matters through *inter alia* economies of scale and scope, resulting from the joint development of infrastructure, facilities, and services; joint marketing efforts; pooling of scarce resources for research and development, and education and training thereby avoiding unnecessary and expensive duplication; and through offering greater diversity in destinations and products. In order to develop the tourism industry, SADC countries have undertaken regional initiatives, including the signing of a Protocol on the Development of Tourism, the creation of the Regional Tourism Organization of Southern Africa (RETOSA).

#### **II.4.4.1 Protocol for the Development of Tourism: Objectives and Implementation Status**

The **Protocol on the Development of Tourism** was signed in Mauritius on September 14, 1998 and was ratified subsequently. It aims at using tourism as a vehicle to achieve sustainable social and economic development by increasing competitive advantage in the Region vis-à-vis other destinations, contributing towards the human resource development of the region through job creation and improving tourism service and infrastructure in order to foster a vibrant tourism industry. The Protocol also intends to create a favorable investment climate for tourism within the Region and improve the standards of safety and security for tourists. One of the main objectives of the Protocol is to facilitate intra-regional travel for the development of tourism. For this purpose, travel and visa restrictions should be eased or removed. The Protocol thus deals *inter alia* with matters related to cross-border travel, a unified, regional system of collecting and analyzing tourism statistical data, and the establishment of a regional quality and standards control policy, including the harmonization of registration, classification, accreditation and grading of tourism facilities and operators. In order to promote tourism within the region, SADC has undertaken a number of initiatives, including

- Preparation of five-year Tourism Policy and Development Strategies, the latest which is for 1999-2004;
- Contribution to the SADC Multi-sectoral HIV/AIDS Strategy and Plan of Action
- Harmonization of tourism legislation in the respective countries
- Creation of the Regional Tourism Organization of Southern Africa (RETOSA) in 1996.

Recently, a number of initiatives have sprung up at sub-regional level, which - in complementing RETOSA's overall marketing efforts - have started to address some of the above-mentioned investment and integration bottlenecks regarding nature conservation and tourism. Probably best

known amongst them is the *transfrontier national park* concept to merge parks across countries such as the South African Kruger National Park and the Mozambican Gaza Park, which at a later stage may even be linked with the Gonarezhou National Park in Zimbabwe. Other approaches and initiatives are:

- the South-East African Tourism Committee (SEATOC), established in December 1997,<sup>43</sup> representing Southern Mozambique, the three Eastern Provinces of SA,<sup>44</sup> and Swaziland. SEATOC consists of representatives of Tourism Authorities, Government Departments and the private sector and is predominantly a marketing initiative;
- the Upper Zambezi Region Development Initiative (UZAREDI), which was formally established in November 1998,<sup>45</sup> comprising local authorities of four countries (Botswana, Namibia, Zambia and Zimbabwe)<sup>46</sup> bordering the Zambezi River up- and downstream from the Victoria Falls. The major objective of this initiative is the development of a sub-regional tourism master plan;
- an initiative between Botswana, Namibia and SA to jointly manage the Kalahari Gemsbok National Park, which is mainly following a nature conservation approach;
- an initiative along the border areas of northern Malawi and southern Tanzania also looking into the possibility of utilizing the tourism potential of the sub-region;

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<sup>43</sup> The Mpumalanga Tourism Authority and the SADC-project of the KAF initiated SEATOC, which acts as a neutral broker between the interests of the different partners.

<sup>44</sup> Northern, Mpumalanga and KwaZulu/Natal Provinces.

<sup>45</sup> UZAREDI has two different roots: one is the KAF facilitated town partnership between Livingstone (Zambia) and Victoria Falls (Zimbabwe), the other an initiative by the Development Bank of Southern Africa (DBSA) to facilitate a nature conservation area along the upper Zambezi. The SADC-project of the KAF was instrumental in combining both initiatives into UZAREDI through a number of stakeholder meetings.

<sup>46</sup> The local authorities are: Kasane (Botswana), Katima Mulilo (Namibia), Livingstone and Sesheke (Zambia) and Victoria Falls (Zimbabwe).

- the various cross-border tourism projects attached to the Maputo Development Corridor, the Lubombo SDI, and the Beira Development Corridor which all explore the potential for joint marketing and the development of a cross-border tourism infrastructure;
- an initiative between the border towns of Beitbridge (Zimbabwe) and Messina (SA) aimed at exploring a synergetic approach to make the best out of the existing tourism attractions and the busy border post;
- various 'borderland' initiatives instigated and promoted by the SDIs between the eastern part of SA, Mozambique, Swaziland and Zimbabwe.<sup>47</sup>

#### II.4.4.2 Tourism Development Strategy, 2001-2005, Actions and Projects

In order to develop the tourism sector, a Sectoral Strategic Development Plan was prepared in 1993 with a key objective to define a framework along which tourism development within the region would take place. This Development Plan ended in 1999 but has been followed by a new strategy. The objective of the new strategy is the same as that of its predecessor i.e. to promote equitable and sustainable growth of the tourism sector. One of its activities will be the evaluation of the implementation of the first tourism 5-year development strategy to learn from the experiences of the first five years and build on the successes achieved.

In addition to the new development strategy, SADC has been undertaking several actions to promote tourism within the region. These include the following:

- **UNIVISA System:** The main objectives of this system is to facilitate intra-regional travel for the development of tourism through the easing or removal of travel and visa restrictions and the harmonization of immigration procedures and movement of international tourists in the region in order to increase the market share and revenue of the region in world tourism.

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<sup>47</sup> De Beer, et. al. (1998)

- **Harmonization of standards:** The objectives of this project are to design and implement a standard grading and classification system for hotels, other accommodation establishments and ground operators and to achieve harmonization of service standards throughout the region.
- **Model Tourism Legislation:** The objective is to develop model legislation on tourism within SADC, which would be used to help member states align their national tourism legislations to that of SADC.
- **A Regional Website:** The goal is to establish, disseminate and maintain relevant information with particular emphasis on tourism development policy of SADC member states.
- **A Common Tourism Signage Policy:** The main aim is to help tourists by developing effective signs guiding them to various facilities and services.

## II.5 FOOD, AGRICULTURE AND NATURAL RESOURCES (FANR)

### II.5.1 Background

Over the years, the agricultural sector has remained a cornerstone of economic activity in the sub-region. In 2000, it accounted for more than 11% of SADC's aggregate GDP. Its share of GDP varied from 3% (Botswana, Seychelles and SA) to more than 30% (DRC, Tanzania, Malawi and Mozambique). Agriculture's contribution to the region's employment is estimated at 70-80%, while it is a major source

of foreign earnings for most SADC Member States. Although the agricultural sector's share in GDP varies widely among countries in the sub-region, due to its linkages with the manufacturing and other economic sector and with large portions of the population based in rural areas (often dependent on subsistence or small-scale farming), variations in agricultural performance, in general, has a significant impact on overall growth, macroeconomic stability (particularly through food prices) and poverty.

According to SADC sources, of the gross available land base in the sub-region, about 5% is under crops, 41% is rangeland, 33% is forest and woodland, and 21% is classified as unsuitable for agricultural use. Potential for the extension of the arable area is significant in Angola, the DRC, Mozambique, Tanzania and Zambia. SADC has thus considerable unexploited natural resources available for agricultural production. Furthermore, irrigation development is limited and uneven in the sub-region: of the total 2 million irrigated hectares, 1.2 million or 60% is in SA due to either high costs of shortage of water. Agricultural systems throughout the SADC countries are characterized by dualism with commercial agriculture on relatively large holdings alongside traditional subsistence farming on fragile ecosystems. The market is thus highly differentiated into an array of production and marketing modalities, from the local informal to the highly sophisticated formal large-scale export markets competing in the global marketplace. These different sectors each play

**Table 2.9: Agricultural Sector Contribution to GDP, 1990-2000**

	1990	1995	1998	1999	2000
Angola	17.9	7.7	13.0	6.4	5.8
Botswana	4.7	4.1	3.4	3.0	2.6
DRC	56.0	56.8	46.5	53.8	53.0
Lesotho	23.8	17.8	17.8	17.3	16.9
Malawi	39.8	30.8	37.4	38.9	38.0
Mauritius	12.1	9.7	7.6	5.4	6.4
Mozambique	28.0	29.0	31.2	30.4	30.0
Namibia	9.4	8.8	4.8	5.1	5.3
Seychelles	4.8	4.2	3.0	3.2	3.0
South Africa	5.3	3.9	3.3	3.1	2.9
Swaziland	11.2	12.4	11.6	11.6	10.4
Tanzania	47.2	43.6	41.2	41.9	41.6
Zambia	16.0	7.1	6.1	6.8	5.6
Zimbabwe	14.8	13.5	18.1	17.0	17.0
SADC	12.3	8.8	9.4	9.2	11.3

Source: SADC. FANR, Annual Report, July 2000-June 2001.

distinctive roles in SADC's economic growth performance, on the one hand, and fulfill a particular function in the redistribution of income and wealth and employment creation, on the other. The agricultural production systems in the region are generally undiversified, with the respective national economies being heavily dependent on a few primary commodities. With fairly similar climatic and agro-ecological conditions, region-wide agricultural production patterns, especially for the major staple cereal maize, tend to fluctuate in tandem, which, among others, also limit the scope for regional agricultural trade.

Food insecurity is compounded by exogenous factors. The sub-region is particularly vulnerable to vicissitudes of the weather, as illustrated by recent severe droughts in 1992 and 2001/2002 and floods in 2000, adversely affecting the entire regional economy as well as the large portion of the population dependent on the agricultural sector. Indeed, the 2000 floods in the region had a particular disastrous impact on crop output and also led to a human disaster in three SADC countries, namely Mozambique, Zimbabwe, and Botswana.<sup>48</sup> Furthermore, SADC has acknowledged that a number of other environmental and agricultural factors contribute

**Table 2.10 Land Tenure in Selected Southern African Countries (approximate % of national territory)**

Country	Private/ Freehold/ Lease hold	Communal/ tribal/ customary	Conservation/ minerals/ water catchment reserves and other state land
SA	72	14	14
Namibia	44	43	13
Zimbabwe	41 <sup>1</sup>	42	16
Botswana	5	70	25
Swaziland	40	60 <sup>2</sup>	-
Lesotho		95 <sup>3</sup>	5

Source: Adams M., 2002. *Tenure Security, Livelihoods and Sustainable Land Use in Southern Africa*. Paper presented at a SARP Conference, 4-5 June 2002

Note: 1) includes small-scale farm leases and resettlement up to 1999  
 2) includes Swazi Nation Land (SNL) held under customary tenure and SNL land leased to companies by the Monarch  
 3) includes leases in urban areas (all land in Lesotho is vested in the Monarch in trust for the nation)

Overall, the SADC region is characterized by a food deficit situation as illustrated by the combined all-cereals deficit of 499,000 tons for marketing year 2000/2001. Furthermore, household food security in SADC is of major concern. The per capita consumption of staples (cereals and cassava) was only 36, 60, and 71kg annually for Angola, Mozambique, and Tanzania, respectively, compared with 191 and 181kg for Botswana and Lesotho in the late 1990s. This is irrefutable evidence that many households in the poorer SADC countries suffer dire food stress levels. Food security is not only a production issue, but primarily a poverty issue that could probably be more effectively addressed through expansion in household income and economic growth. For example, both Botswana and Lesotho are deficit producers and reliant on commercial food imports yet have higher per capita consumption rates.

to drought and famine in the sub-region: a combination of unequal distribution of land, poor farming methods and unfavorable land tenure and ownership have led to declines in productivity of grazing land, falling crops and diminishing returns from water supplied. Thus, closely related to exogenous shocks influencing the productivity of the agricultural sector and circumstances in rural areas, is the significant development challenge posed by land reforms, which stems from land distribution and ownership patterns and land administration. The nature and degree of land problems vary in each member depending on political, cultural, geographical and historical considerations. Recently, the SADC Member States have acknowledged that unresolved land issues could disrupt the regional economic and political situation. They have thus added this issue to the

<sup>48</sup> It has been estimated that nearly 700 people lost their lives in Mozambique, over 70 people in Zimbabwe and 13 people in Botswana.

regional agenda by the proposal to design a regional framework for addressing the land issue and to seek coordinated land reform approaches among the countries in the sub-region.

SADC has started with cooperation in the agricultural sector more than 20 years ago. Indeed, together with the infrastructural sectors, cooperation in the food and agricultural sector dates back to the inception of SADCC in 1980. Against this background, SADC has developed a multidimensional regional strategy aiming at ensuring food security, agricultural and natural resources development in the region so as to meet the growing demand for food, fostering efficient development, utilization and conservation of natural resources, improving the capacity of the agricultural and natural resource sector to transform the national economies and thereby to raise living standards in a sustainable way in the sub-region. Over the years, this sector has seen considerable expansion in activities and today it is accounting for more than 50% of the SPA. It has also seen different institutional configurations. Today, the FANR cluster of sectors include those on food security, agricultural research and training, crops, environment and land management, livestock production and animal disease control, marine and inland fisheries, forestry and wildlife. Prior to its recent centralization in 2001/2002, each of the FANR sub-sectors was coordinated through units hosted by different member states. In spite of the existence of a FANR Sector Development Unit, planning for the FANR cluster of sectors has remained dispersed thus militating against the development and implementation of an integrated and common vision for agricultural development, growth and competitiveness, food security and other objectives. Moreover, the lack of coordination with other sectors such as those in infrastructure, finance, investment and trade has left the implementation of whatever integrated regional food, agricultural and natural resource strategy rather ineffective and partial.<sup>49</sup>

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<sup>49</sup> The SADC Food Security and Rural Development HUB has been created to focus on rural strategy and policy, capacity building, information generation and exchange, trade policy, regional integration, policy analysis, and could go some way in dealing with these problems over the medium to longer term.

The movement toward a market-based economy in the region, agricultural policy and trade harmonization, and involvement of the private sector in agro-business can be seen as major factors enhancing the agricultural sector's competitiveness. On the other hand, low levels of development of SADC economies in terms of hard infrastructure (transport and communication), soft infrastructure (skills, institutional and technological development) and access to financing and financial services e.g. for production, trade and insurance are among the factors that work against improved competitiveness of the food, agriculture and natural resource sectors. For example, due to high transport costs in SADC, producer price recovery, that is, farmers' shares of the commodity price, is low compared to other developing regions such as Asia and the developed world. In terms of intra-regional trade the cost of transport also machinates against cross-border trade. High transport costs are reflected in the wide differential in prices paid by consumers and those received by primary producers. The absolute margin in Africa is 55% compared to 20% for Asia. Of this margin transport and residual transaction cost make up 38.5% and 23.1% respectively. Moreover, SADC's rural telecommunication system is extremely weak making access to market information and trade opportunities imperfect or non-existent. The lack of electricity distribution services in rural and other agricultural areas, which limits irrigation, crop processing, and mechanization options, is a deterrent to labor productivity. Another factor of importance for agricultural market development is the removal of intra-regional trade barriers – both tariff and non-tariff – and the vexing question of global agricultural trade barriers.

### **II.5.2 Regional Strategy, Policy Objectives and Institutional Arrangements**

No protocol exists for the food security, crop, livestock production and animal disease control and agricultural research and training. Although a protocol development process has been initiated for the food security sub-sector, a collective protocol development process for



these various sub-sectors is called for due to the strong linkages between them.

With the view to address constraints to agriculture development and food insecurity, SADC has developed an integrated policy and strategy. The strategy relies on a broader approach of food security that goes beyond agriculture and food production. Its ultimate objective is to eliminate poverty and economic vulnerability. The main policy objectives are the following:

- (i) increasing agriculture production and productivity so as to ensure food security;
- (ii) ensuring the effective management and conservation of natural resources;
- (iii) generating domestic savings and foreign exchange to finance a transformation of the region's agriculture-dependent economies;
- (iv) improving the living conditions of rural populations in SADC's member countries.

With the purpose of addressing the growing food insecurity problem, in August 1999, SADC decided to transform the Food Security Unit into a Sector Development Unit (FANRSDU), which has responsibilities in the areas of providing policy direction, ensuring information flows, monitoring and evaluation and of ensuring that programs within the five FANR sectors and two institutions, the Plant Genetic Resources Unit and the Regional Early Warning Unit, all which have been based in different countries, are not duplicated.

The FANRSDU is responsible for the following functions:

- Creating the capacity for policy analysis;
- Policy, development and harmonization and program planning, management and coordination;
- Service FANR meetings;
- Monitor and evaluate sector programs;
- Institutional capacity building and human resource development; and
- Continuing the implementation of the existing food security program.

As food security becomes a policy objective that cuts across many sectors, the FANRDU has the duty to maintain the existing strategic alliances with the other sectors. It also cooperates closely with the following sectors:

- (i) The Water Sector in the area of green water;
- (ii) Environment and Land Management Sector (ELMS) in the area of land use planning;
- (iii) Transport Commission to facilitate the mobilization of investment to support agricultural production;
- (iv) The Human Resources Development Sector in the area of training;
- (v) The Trade Sector in providing input for the improvement of trade in agricultural products.

### **II.5.3 Food Security Program**

The objectives and strategies for food security are set out in the FANR Food Security Strategy Framework of 1997. The food security program comprises a number of programs and projects:

- *Regional FANR Coordination and Cooperation Program:* This program provides technical and financial support so as to facilitate cooperation within SADC on all food security, agricultural development, and natural resources development issues. The main functions are developing sectoral policy and strategies and coordinating the activities of the overall cluster of FANR sectors.
- *Regional Information System for Food Security:* This program aims at generating and exchanging information between SADC Member States in various aspects of food security, including policies and data. Specifically, the project aims at collecting data on the agricultural resource base of the region; disseminating results of the data collected; developing crop suitability model; promoting capacity building in agricultural resource management; and promoting coherent agricultural production and trade policy planning and infrastructure support.

- *Food Policy Analysis and Research:* The main objective of this program is to provide and enhance capacity at a regional level so as to coordinate food policy in SADC region.
- *Regional Drought Mitigation Program:* Most Southern African countries have experienced at least one drought in the past ten years. Accordingly, it was decided that a regional approach would be required to mitigate the damaging effects of drought on all areas of activity in the region and thus to establish the Drought Mitigation Program.
- *The Regional Early Warning System:* This program aims at improving food security through provision of advance information on the food and nutrition situation to facilitate national and regional policy and decisions for dealing with food shortages, surpluses and problems. This program also provides technical support in the collection, dissemination and usage of information.
- *Regional Program for Communication and Development:* The main objective of this program is to promote the use of communication for development, identify and implement appropriate policies for economic development, poverty alleviation and improvements in living standards within the region.
- *Food Security and Rural Development Hub:* This is a regional resource facility, which serves as catalyst for rural development within SADC through capacity building and resource mobilization at local and regional level. The main activities include: (i) Assisting national governments in rural development and agricultural strategy formulation, policy analysis and research, program preparation, implementation, monitoring and evaluation; (ii) Supporting regional policy analysis network in food, agriculture and natural resources and promote regional integration in trade, investment, phytosanitary regulations and programs; and (iii) Supporting national and regional capacity building through training and fellowship programs.
- *Regional Food, Agriculture and Natural Resources Policy Analysis Network (PAN):* The objective of this network is to provide a

link between universities in SADC and in other parts of the world, and between researchers and policy-makers. The network could become a conduit for funds to support policy research into food security and wider economic issues facing the region.

- *Regional Food Security Training Program:* The program aims to enhance policy development, management and implementation.
- *Local Indigenous Knowledge Systems (Links):* This program was launched in 1998 and is active in a number of countries, including Swaziland, Tanzania, Mozambique and Zimbabwe. It aims to raise awareness on the rural populations' use and management of bio-diversity and to acknowledge indigenous farmer knowledge, practices and skills, which are natural ecosystem friendly.

The food security program is also supported by a *Vulnerability Assessment Committee*, which serves as a regional watchdog on vulnerability assessment issues, including methodologies and coordination, in the sub-region. This committee comprises members from FANRDU, its sub-sectors and international organizations such as FAO and the World Food Program (WFP).

Four projects namely, SADC Food Security and Rural Development HUB, Regional Food Security Training, Agricultural Potential Information System and Technical Assistance Program account for nearly two-thirds of the funding of projects in this sector, with SADC Food Security and Rural Development HUB accounting for more than 25% of the total funding.

#### **II.5.4 Agricultural Research and Training**

In recognition of the importance of agriculture research and training to food security, trade and industrial development, SADC has prioritized this sub-sector with the view to strengthen National Agricultural Research Systems (NARS) in Member States. The main functions of this sub-sector is to provide SADC countries with the capacity to plan, implement, manage, monitor and evaluate research and training

activities to improve productivity in agriculture sector. The Southern African Centre for Cooperation in Agriculture Research and Training (SACCAR) aimed to coordinate the regional policy in this regard. It has been responsible also for developing managerial,

projects such as the sorghum and millet improvement project, maize and wheat improvement project, grain legume improvement project, agro-forestry research project, regional vegetable research project, and the animal agriculture research network.

**Table 2.11: Regional Collaborative Networks Coordinated by SACCAR**

Sub-regional collaborative networks	Executing agency	Coordination site	Date of creation	Status of the program
Agro-forestry Research Program	ICRAF	Zimbabwe	1988	Ongoing. CIDA grant
SADC Animal Agriculture Research Network (S-AARNET),	ILRI	Kenya	1998	Non active
Southern African bean research network (SABRN),	ICRISAT	Malawi	1986	Ongoing, AFDB-CIAT grant
Biosystematics Network for Southern Africa (SAFRINET),	ARC (South Africa)	Pretoria	1996	Ongoing, Bio net International
Groundnut and Legume Improvement Program (GLIP),	ICRISAT	Malawi	1986	Ongoing, GTZ
SADC Land & Water Management Training and Research Program (L&WMP),	SRCU	Botswana	1987	Under negotiation for a second phase, EU
Maize and Wheat Improvement Network (MWIRNET),	CIMMYT	Zimbabwe	1994	Under negotiation for a second phase, EU
Southern African Root Crops Research Network (SARRNET),	IITA	Malawi	1994	On going USAID
Sorghum and Millet Improvement Program (SMIP),	ICRISAT	Malawi	1984	Ongoing USAID
Regional Collaborative Network for Vegetable Research and Development in the Southern African Region. (CONVERDS)	AVRDC	Tanzania	1991	Ongoing, Internal Funds
The SADC Plant Genetic Resources Centre (SPGRC)	SADC NARS, Nordic Gene Bank	Zambia		Ongoing, Nordic Countries

professional and technical skills, introducing modern agricultural production technologies, and providing mechanisms for information exchange within the region.

The regional programs currently being implemented in the sub-region are called research networks, which go beyond the simple promotion of information exchanges or added value of research activities of different partners. They are based on groups of NARS scientists addressing issues of common concern, with cooperation mechanisms between the partners to implement research activities with regional programming and coordination. SACCAR has developed and are coordinating a number of

## II.5.5 Crops

The Crop sub-sector's mandate is to promote production and productivity of crops by focusing on crop development policies, crop protection, trade in crops, processing and utilization of crops as a means to food security and promoting trade and economic development in the region. In this sector, regional cooperation thus focuses on the following areas:

- Harmonization of sanitary and phytosanitary standards;
- Controlling the spread of migratory pests and diseases;
- Harmonization of pesticide registration procedures and regulations;

- Harmonization of seed laws to promote trade on seed and planting material; and
- Promotion of horticultural production and marketing.

The Crop Program consists of 14 projects, not all, which are necessarily of a regional nature, amounting to an estimated US\$24.9 million but of which only a quarter has been funded (see Attachment 3).

### **II.5.6 Livestock Production and Animal Disease Control**

The livestock industry accounts for a large share of employment, capital and agricultural inputs in SADC region. While the sub-region is endowed with millions of cattle, sheep, goats, pigs and poultry, it still remains a net importer of livestock and livestock products.

SADC has developed a regional strategy that aims to enhance livestock production and improve control of animal disease. In this regard, an institutional framework has been developed with the establishment of four livestock sector sub-committees in the following areas: epidemiology and information; veterinary laboratory diagnostics; and veld, animal production and marketing. Moreover, the SADC livestock sub-sector has developed the following projects:

- (i) *Livestock Feed Resources*: This project aims at documenting current use patterns, location and available quantities of feed resources.
- (ii) *Indigenous Chickens*: The project intends to develop appropriate extension packages for poultry production in rural areas.
- (iii) *Development of Multipurpose Goats*: The objective is to develop goat goods such as meat, milk, skin and fiber.
- (iv) *Livestock Marketing*: The overall aim of the project is to bring about sustainable livestock development through improved marketing of livestock and livestock products within the region.
- (v) *Control of Parasites*: The objective is to improve small ruminant productivity in

the traditional sector through improved management and effective control of parasites.

### **II.5.7 Fisheries**

According to SADC sources, the sub-region has potential to harvest 3,5 million tonnes per annum of which about 71% is from marine waters. The SADC coastline stretches to nearly 10,000 km<sup>2</sup> with five Member States (Angola, Namibia, Mozambique, SA and Tanzania) bordering the ocean. About 1.5 million people are employed in the fisheries sector and at least 5.5 million people are dependant on the sector.

A Fisheries Protocol was signed in August 2001, but has not entered into force. It aims at promoting responsible and sustainable use of the living aquatic resources and ecosystems and to drive the policies and strategies for fisheries development in the region. Its objectives are to:

- Promote and enhance food security and human health;
- Safeguard the livelihood of fishing communities;
- Generate economic opportunities for nationals in the Region;
- Ensure that future generations benefit from these renewable resources; and
- Alleviate poverty with the ultimate objective of its eradication.

#### **II.5.7.1 Marine Fisheries and Resources**

This sub-sector is an important source of employment and foreign currency income for SADC. The regional policy aims at:

- (i) raising production and improving processing methods;
- (ii) undertaking marine research;
- (iii) protecting and enhancing marine and coastal environments;
- (iv) providing training and assistance to promote profitability in operations;
- (v) maximizing foreign exchange value of fish exports; and
- (vi) strengthening and developing small-scale and artisanal fisheries.

The regional strategy focuses on the following activities: establishment of a regional research network; promotion of common approaches to entering into fishing agreements; facilitation of the adoption of a common import and export strategies; promotion of intra-regional trade in fish products; and enhancement of labor-intensive and value-adding technologies and industries; and development of mariculture.

The regional program comprises six projects:

- *Regional Fisheries Information Systems*: It aims at improving sustainable utilization of SADC's fisheries resources to contribute to the national economies and development objectives of coastal communities.
- *Assessment of Marine Fisheries Resources*: This project aims at developing enhanced scientific capability for the best use of marine living resources.
- *Marine Fisheries Training*: The goal of this project is to uplift the socio-economic conditions of fisheries communities in SADC member States.
- *Monitoring, Control and Surveillance of Fishing Activities*: The main objective is to improve management of fisheries resources.
- *Harmonization of Marine Fisheries Policy within SADC Coastal Countries*: The project aims to identify and analyze priority marine policy issues at the regional level. The purpose is to develop a medium term strategy to support SADC's process of harmonization of marine fisheries policy.
- *Benguela Current Large Marine Ecosystem Project*: The objective is to integrate the management of the Benguela current ecosystem.

### II.5.7.2 Inland Fisheries

The SADC region is endowed with abundant inland fisheries resources. This sub-sector is an important source of employment, food security and food diversity in SADC region, in particular, in rural areas<sup>50</sup>. Inland fisheries coordination comprises four sections with specific objectives. These include:

- *Information Section*: Its main objective is to coordinate the management of fisheries information, in particular, to facilitate the flow of information within and between the member States.
- *Training Section*: Its objective is the development of the human resources base in the region.
- *Research and Development Section-Capture Fisheries*: This section aims at coordinating research programs on shared fish resources to generate information on improved knowledge of the resource base; implementing efficient fish resources utilization, improved resource management and effective control mechanisms.
- *Research and Development Section-Aquaculture*: The sector aims to identify which indigenous species are the best candidates.

The sub-sector has a number of projects, including the following:

- *Regional Fisheries Information Program*: It aims at establishing an effective and sustainable information exchange network in the SADC Inland Fisheries Sector. Phase I of this project, which includes, among other things, the training of IFSTCU staff and provision of computer hardware and software for the Unit, has been completed, with financial and technical support from the Icelandic International Development Agency (ICEIDA).
- *Aquaculture for Local Communities Development (ALCOM)*: This main objective of the project is to establish improved management and use of available aquatic resources for food security. The program is active at the local community level through pilot projects in Malawi, Tanzania, Zambia and Zimbabwe.
- *SADC/GEF Lake Malawi/Nyasa Biodiversity Conservation*: The project aims to assist the three riparian States, Malawi, Mozambique and Tanzania, in creating the scientific, educational and policy basis for conserving the biological diversity of the Lake and its ecosystem.

<sup>50</sup> It is estimated that the Inland Fisheries Sector (IFS) provides close to one million jobs.

- *Zambia/Zimbabwe Fisheries Project on Lake Kariba*: The main objective is to set up a system of joint fisheries research and management in order to facilitate the utilization of the shared fisheries resources on Lake Kariba. The project started in 1989. It is currently in its consolidation phase that will focus on setting up and implementing a mechanism for joint fisheries research and management of the Lake Kariba fisheries resources.

## II.5.8 Forestry

The total forest area of the region is 3.97million km<sup>2</sup>. The region is endowed thus seemingly endowed with a huge potential in forestry. However, forest degradation and desertification are key constraints to the region's forest resources.

SADC Member States have not signed a protocol on forestry cooperation yet, but the protocol development process is in an advance stage. According to the draft protocol, it would aim at promoting the development, conservation, sustainable management and utilization of all types of forests and trees and the trade in forest products throughout the Region in order to alleviate poverty, generate economic opportunities for the peoples of the Region, achieve effective protection of the environment, and safeguard the interests of both the present and future generations. Its objectives for Member States are to:

- assist and support each other to address issues of common concern including deforestation, genetic erosion, climate change, forest fires, pests, diseases, invasive alien species, and law enforcement in a manner that makes the best use of the technical, financial and other resources in the Region;
- co-operate in the sustainable management of shared forests, taking account of other protocols to the Treaty;
- facilitate the gathering and monitoring of information and the sharing and dissemination of information, expertise and technology concerning forests, forestry and forest industries, throughout the Region;

- develop human resources in the forest sector through establishing regional facilities for building technical capacity and other means;
- promote trade and investment based on the sustainable management and utilization of forests, including developing and agreeing on common standards for sustainable forest management and forest products;
- harmonize approaches to sustainable forest management, forest policy, legislation and enforcement, and issues of international concern;
- respect the rights of communities and facilitating their participation in forest policy development, planning, and management with particular attention to the need to protect traditional forest-related knowledge and to develop adequate mechanisms to ensure the equitable sharing of benefits derived from forest resources and traditional forest-related knowledge without prejudice to property rights; and
- promote the intangible, cultural and spiritual values of forests;
- establish equitable and efficient ways of facilitating public access to forests especially by neighboring communities.
- establish appropriate institutions and funding mechanisms to support the implementation of this Forestry Protocol; and
- take other appropriate measures to give effect to this Protocol.

Currently, the sub-region cooperates in the forestry sector on the basis of the revised Forestry Policy and Development Strategy of 1997. Development projects have been set up within six regional forestry programs: forestry training and education, improved forest resources management, environmental management, improved knowledge of the resource base, forest resource utilization and marketing, forestry research. The following are, among others, some of the forestry projects.

- *Improvement and Strengthening of Forestry Colleges in the SADC Region-Phase III*. This project aims at strengthening and improving technical forestry education and training programs and institutions in the

SADC region. The project has regional and national components. At the regional level, the main objectives consist of developing curriculum, extending training, developing college management, forestry education and training. At the national level, the aim is to strengthen technical forestry/agriculture colleges through bilateral agreements to be implemented under the overall SADC project agreement. The third phase of this project (1997-2001) started in July 1997 and is funded mainly by the Government of Finland that has provided US\$5.2 million.

- *Management of Indigenous Forests.* The project aims at instituting sound forest management practices for the indigenous forest of the SADC region; compiling and disseminating lessons/experiences on pilot activities on the management of indigenous forest resources in SADC; and developing multiple land use plans.
- *Regional Forest Inventory.* The objectives of the project are: (i) to undertake an extensive forest inventory of the SADC region; (ii) to assist member States in developing appropriate national forest management inventories; (iii) to establish a network for the exchange of forest inventory information and expertise among member States.
- *Tree Seed Centers Network.* The objectives of the project are among others: (i) to support and strengthen SADC member States in the gathering of information on tree seeds in the SADC region; (ii) to establish a network for the exchange of information and tree seeds among SADC member States; (iii) to develop a follow-up project. The Canadian government has agreed to extend the funding for the extension of the project.
- *Southern African Biodiversity Support Program.* The project aims at improving the availability and accessibility of biodiversity information and its application in conservation planning and management. The Global Environmental Facility (GEF) has secured the core funding of the project, US\$4.5 million. World Bank, USAID, CIDA, GTZ, NORAD and Ford Foundation has co-financed US\$2.79 million.
- *Establishment of a Plant Resources Network in the SADC Region.* The project aims at

contributing to the Rio Convention on Biodiversity; developing strategies for biodiversity conservation; and facilitating sustainable utilization of economically useful plant resources in the SADC region. The Government of Italy has secured funding for the implementation of the project in 11 member States.

- *SADC Timber Association.* The project aims at establishing the SADC timber Association in which the private forestry sector individuals and institutions will play a leading role in the development of the region's forest industry.
- *Strengthening of Forestry and Forest Products Research Institutions in the SADC Region.* The objective of this project is to develop an institutional framework for effective management and use of research capabilities in forestry and forest projects.
- *Development of a Forestry Information Management Network in the SADC Region.* The objective of the project is to strengthen capabilities of SADC member States in data collection and management and develop a computer-based information exchange in the Forestry Sector.

## II.5.9 Wildlife

The SADC region is endowed with wildlife rich areas and lands where many elephants, predators and a plethora of birds, freshwater fish species, diversity of mammals and endemic plants thrive. For example, nearly 40% of African elephants reside in the SADC region.

SADC has developed a regional cooperation program aimed at promoting the wildlife sector through sustainable utilization of wildlife resources. An institutional framework has been set up with the creation of the Wildlife Sector Coordinating Unit (WSCU). The Protocol on Wildlife Conservation and Law Enforcement was signed in August 1999, but has not entered into force. It seeks to establish common approaches to the conservation and sustainable use of wildlife resources in the SADC region. It emphasizes the principle of conservation and sustainable use of transboundary wildlife resources and advocates transfrontier

conservation areas. The Protocol also acknowledges other regional agreements e.g. on co-operative enforcement operations directed at illegal trade in wildlife Fauna and Flora. An implementation plan for the Protocol has been drafted but not adopted yet. A program comprising a number of projects has been developed with the view to exploit the potential of the wildlife sector. These are the following:

- *Regional Wildlife Training Program.* The objective of this project is to improve the returns from the SADC region's natural resource base by upgrading the professional competence of its wildlife management agencies.
- *Regional Development of Community Based Management and Utilization of Wildlife Resources.* The project aims at developing community based management and utilization of wildlife resources and their productivity.
- *SADC Regional Rhino Conservation Program.* The main goal of the project is to contribute to the long-term conservation of the region's biodiversity by targeting two key species - the Black Rhino and the White Rhino.
- *Wetlands Conservation Program.* The project aims at: (i) promoting awareness of the role of the wetlands amongst policy-makers, resource planners and resource managers; (ii) to train personnel in wetlands planning and management and protection; and (iii) to provide national governments with the resources to undertake inventories of wetlands.

#### **II.5.10 Land and Environment**

The focus of the SADC Environment and Land Management Sector (SADC-ELMS), originally established in 1985, was on land utilization and soil conservation. In the beginning of the 1990s, water resources and environmental management were added to its mandate, thereby shifting the focus from soil and water conservation to sustainable land management, environment and natural resource management. In 1999, the SADC Ministers of Environment directed SADC-ELMS and the SADC Secretariat to

begin the process of developing the Protocol on Environment.

The SADC Protocol on Environment will be an overarching legal framework committing SADC Member States to co-operation on all issues and priorities relating to environment and natural resources. It will bind Member States on key environmental and natural resource management priorities namely: (i) land degradation and desertification control; (ii) pollution and waste management; (iii) water resource management; (iv) climate change; (v) biodiversity; and (vi) agriculture.

The vision of the ELMS is the achievement of sustainable utilization of natural resources and effective protection of the environment in order to improve the livelihoods of present and future generations in the SADC region and the mission is to promote environmental sustainability by developing and implementing appropriate policies, strategies, programs and protocols for environment and natural resources management in the region; development of capacities of local communities and decision-makers and building partnerships for resource mobilization for implementing the SADC environment and sustainable development agenda.

The SADC Policy and Strategy for Environment and Sustainable Development provides overall policy guidance for management of environment and natural resources for sustainable development and identifies five strategic categories for action:

- Assessing environmental conditions, trends and progress made and needed for sustainable development;
- Reducing significant threats to human health, ecosystems and future development;
- Breaking away from unsustainable to sustainable development for the benefit of present and future generations;
- Managing shared natural resources on an equitable and sustainable basis; and
- Accelerating regional integration and capacity building for sustainable development.



The Environment Sector has developed various policy frameworks for outlining commitment by SADC Member States to co-operate and harmonize their activities on the following:

- Environmental Information Systems Data Policy Framework
- Natural Resources Management Policy
- SADC Environmental Education Policy
- SADC - ELMS Gender Strategy

The SADC-ELMS Program of Action, influenced by concerns regarding food security and poverty, places a strong emphasis on land management. Furthermore, it includes issues related to climate change, waste management and pollution control. More specifically, it includes the following broad programs

- *Land Management Program*: aimed at the development and spread of sustainable land management systems based on partnerships between governments, NGOs, the private sector and rural communities and land users, for the application of production oriented conservation and management of the region's land resources and to combat land degradation and eradicate poverty.
- *Capacity Building and Methodology*: for integrating conservation into farming systems (ICFS); land husbandry; integrated land use planning (ILUP); economics of sustainable development; and innovative rural action learning areas (IRALAS)
- *Land Degradation and Desertification Control Program*: aimed at combating land degradation and mitigate the effects of drought in the SADC region, leading to improved living conditions in particular at the local community level; and initiating a process for coordinating of SADC regional activities in this area and supporting implementation of National Action Programs under UNCCD.
- *Partnership and Capacity Building for Resource Mobilization for UNCCD Implementation in Southern Africa*: a Sub-regional Support Facility for Southern Africa (SSFSA) has been established to support SADC Member States' action program implementation and enabling activities for the implementation of the

SADC regional action program under UNCCD.

- *Environment Management Program*: aimed at (a) monitoring, assessing and reporting on environmental conditions and changes in the region; (b) raising the level of environmental awareness and environmental education and to build national capacities in this regard; and (c) developing and implementing harmonized environmental policies, strategies, regional guidelines and standards.
- *Environmental Information Systems (EIS) Program*: to create awareness and understanding and capacity building for collection, management and exchange of information/data for the sustainable management of environment and natural resources. A SADC EIS Data Policy Framework was developed recently.
- *SADC EIS Technical Unit (SETU)*: aimed at collection, management and exchange of data/information on environment and natural resources.
- *SADC EIS Training and Education Sub-Program (SETES)*: aimed at strengthening capacity in environmental information systems in SADC member states. The University of Botswana, Department of Environmental Science, is hosting SETES, with a number of other countries and universities also being involved.
- *Environmental Education (EE) Program*: aimed at enabling environmental education practitioners in the SADC region to strengthen the environmental education process through enhanced and strengthened environmental education policy, networking, resource material and training capacity.
- *Environmental Monitoring Program*: aimed at assessing and reporting regularly on environmental conditions and trends in the SADC region. For this purpose it has been designing an indicator framework and has contributed towards the Africa Environment Outlook in 1994 and currently to a revised version. It is also developing Environment Monitoring Instruments aimed at updating and harmonizing existing guidelines already developed by SADC-ELMS to those of international environmental conventions.

The program is also establishing a database on environmental standards / guidelines / quality control issue to be disseminated to Member States.

- *Environmental Impact Assessment (EIA) Program*: aimed at promoting sustainable utilization of the regions natural resources and effective protection of the environment by improving capacities and competence in EIA nationally and regionally.
- *Brown Environment Management Program*: aimed at (a) strengthening the analytical, decision-making, legal, institutional and technological capacities for achieving sustainable development in the sub-region; (b) increasing public information, education and participation on environment and development issues in Southern Africa; and expanding regional integration and global co-operation on environmental and natural resources management for sustainable development. For implementation of the program, institutional structures and linkages with existing relevant institutions have been established and the program has seen some action in the areas of pollution and waste management; and compliance with the United Nations Framework Convention on Climate Change, specifically the management of chlorofluorocarbons (CFCs) and on intra-regional transboundary air pollution management

## II.6 SOCIAL AND HUMAN DEVELOPMENT

It is noted by SADC (1997)<sup>51</sup> *‘...that the most binding constraint to development of the region*

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<sup>51</sup> SADC, 1997. *Discussion Paper on a Regional HRD Strategy and Strategic Policy Framework for SADC*. Mbabane: SADC HRD Sector Coordinating Unit, Mimeo; SADC, 1997. *Employment and Labour Sector: Progress Report 1996/1997*. Lusaka, Mimeo; SADC, 1997. *Employment and Labour, Report*. Maputo, Mimeo; SADC, 1997. *Gender and Development: A Declaration by Heads of Government of the Southern African Development Community*. Gaborone, Mimeo; SADC, 1997. *Record of Council of Ministers Held in Blantyre*. Gaborone, Mimeo; SADC, 1997. *Record of the Meeting of Ministers and Social Partners of the Employment and Labour Sector*. Pretoria, Mimeo.

*is inadequate professionally and technically qualified and experienced personnel to plan and manage the development process effectively’*. In this context, it calls for a ‘holistic’ approach to human resource development, which is defined as: *‘...encompassing all efforts and activities intended to make people productive and that goes beyond the narrow focus on education and training and skills development to encompass their interrelated aspects: education, training and skills development; employment, entrepreneurship, labor and productivity; social welfare, health and shelter.’*

In the southern Africa region, cooperation initiatives exist in areas such as education and training, employment and labor, health, HIV/AIDS and mainstreaming of gender.

### II.6.1 Education and Training (see Attachment 3)

As far as education and training is concerned, the challenges faced in the sub-region are largely common to all countries and dissimilar only in degree. In principle and policy, all countries in the sub-region emphasize access, equity, quality, efficiency, relevance and democracy in their educational and training policies. Although the share of education and training spending in budgetary allocations has increased during the 1990s, in about half of the countries education and training absorbs about 20% of their national budgets, all countries are facing resource constraints. In practice, resources are allocated largely towards basic education - primary, junior secondary schooling and non-formal basic education - with limited (remaining) resources being thinly spread across higher education, teacher education, technical and vocational education, adult education and curriculum development. In most countries universal access to primary & secondary education, and in Mozambique and Malawi even for basic education only, would require large additional resources for the expansion of infrastructure and instruction/learner material, in primary and secondary schools and for teachers training.

The quality of education in the region is hampered by a number of factors such as the

high pupil/teacher ratios, high pupil/classroom ratios, un- or under-qualified teachers, inadequate textbooks and instructional materials. These factors, coupled with declining teacher salaries (in real terms) render teacher motivation, professional development and management areas of concern. At the tertiary level, under-funding, low pay and staff departures are seen to be undermining delivery.

Education, particularly tertiary education and training, is still not regarded as being in support of the needs of the economy, having an unduly emphasis on formal training. However, recently most countries have attempted to address this problem by vocationalizing education and broadening the non-formal education curricula to providing education for industry and education for self-employment or enterprise education.

In general, these and other factors make for a weak link between educational spending and outcomes in terms of quantity, quality and relevance of education and training in relation to labor markets and trends in the real economy as determined by trade and capital movements in the region.

SADC countries have thus embarked on a series of national and regional initiatives to address the issue of education and specifically higher education and training. One of these is the development of the SADC Protocol on Education and Training tabled for signature on September 8, 1997. The Protocol entered into force in July 2000. As of February 2001, all Member States except Angola, the DRC, Mozambique, the Seychelles and Zambia have ratified the Protocol. The objective of the Protocol is *'to progressively move towards equivalence, harmonization and standardization of the education systems in SADC to reinforce community building and regional identity'*<sup>52</sup>. The Protocol has defined a number of areas of cooperation, reflecting its detailed objectives. Commendable progress has been made in the various areas of regional cooperation since the

establishment of the Sector. These areas (see Attachment 3 for a more detailed list of regional initiatives/projects in the area of education and training) include the following:

- *Regional Cooperation in policy for education and training:* In this area, a major development is the development of the project to improve regional capacity in education policy formulation, planning and management.
- *Regional cooperation in basic education:* The Technical Committee on Basic Education was established in March 2000. Its main objective is to develop a strategic plan that will serve as a framework for implementing the Protocol.
- *Regional cooperation on intermediate education and training:* A SADC Technical Committee on Intermediate Education was established through its inaugural meeting in February 2001.
- *Regional cooperation on distance education:* A Technical Committee on Distance Education was established in April 2000 to spearhead cooperation in this area.
- *Regional cooperation in education and training for people with disabilities/special needs:* A major activity undertaken by the Technical Committee during 2000-2001 was the development of a Strategic plan and financing proposal thereof.
- *Regional cooperation on scholarship and training awards:* The SADC HRD Sector has continued to receive short-term scholarship offers from donors in areas such as management training for small and medium enterprises; geological data management; tourism destination management, etc.

Other initiatives include the MINEDAF (Meeting of Ministers of Education in Africa). The MINEDAF VII Secretariat in Pretoria has developed a database and website for Ministers of Education to interact and share information. The Human Resources Development Sector is currently developing the SADC Student and Staff Exchange Program, and which is scheduled for implementation in 2002. In this program,

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<sup>52</sup> SADC, 1999, *Human Resources Development, Annual Report*

each SADC country commits itself to train a certain number of students from the region other than its own in its own institutions on an annual basis in designated priorities areas. In order to facilitate mobility of students and citizens in the region for purposes of study or work, SADC has initiated the comparability of qualifications program. SADC is also in a process of developing an action plan for the region in higher education as well as establishing the Technical Committee on Higher Education and Training with the view to spearhead the development of higher education in the region.

### **II.6.2 Employment and Labor Initiatives (see Attachment 3)**

The current focus of the SADC Employment and Labor Sector is on social security, occupational safety and health, training and education, labor relations, eliminating the use of child labor, acceding to international labor conventions and gender issue. This focus seems to be less concerned with the causes underlying the regional economy' continued problems with low labor absorption capacities. In the wake of various economic reforms by almost all the countries, this issue may require more attention at both the national and regional levels than is currently the case. Indeed, the national economic reforms, with or without intensive regional economic co-operation, seem to preclude the resolution of the pervasive problems of unemployment and under-employment, which are endemic to all the countries except Mauritius. On the resolution of this issue hinges the sustained capability of Member States to deliver social services such as education, training and health, because it relates to the need to create viable economic bases for both the state and households.

Furthermore, the current employment and labor agenda seems to favor the developmental implications of employment and labor markets in the context of increasing regional co-operation rather than regional labor market allocation issues such as those of intra-regional low-skilled and high-skilled labor migration with South Africa as the centripetal force. Nevertheless, this Sector has developed a draft

protocol on the free movement of persons, aimed at the eventual elimination of all restrictions on the movement of persons between Member Countries. However, this protocol has not been signed yet by Member States and it seems that particularly South Africa and Botswana have been reluctant to sign this protocol.

### **III.6.3 Health and HIV/AIDS**

Recognizing the poor quality of health status in the sub-region and its widespread implications, SADC has established a Health Sector in 1997, which aims at promoting, coordinating and supporting the individual and collective effort of member States to provide people of the region with a high quality of health services. SADC countries have also signed a Health Protocol in 1999. The Health Sector has adopted a program of actions with the following components:

- Standardization of Data and Surveillance;
- The establishment and coordination of the SADC HIV/AIDS Task Force and HIV/AIDS policy analysis work;
- Epidemic Preparedness;
- Bulk Purchasing – a system of coordinated procurement of anti-TB drugs for countries of Southern Africa;
- Human Resource Mobilization;
- Reproductive Health;
- Disaster Management.

Apart from actions undertaken at the national level, SADC also launched a program of fighting HIV/AIDS at the regional level. The HIV/AIDS Multi-Sectoral Task Force has developed a **SADC Strategic Framework and Program of Action on HIV/AIDS** for 2000-2004, which was approved by the SADC Council of Ministers in August 2000. A five-year regional plan has been developed with the purpose of enhancing overall coordination and capacity in HIV/AIDS initiatives. Ten sectors are involved: Health; Tourism; Mining; Transport and Communications; Labor and Employment; Information Culture and Sports; Human Resource Development; Finance and Investment; Industry and Trade; and Food Agriculture and Natural Resources. Each of the

relevant sectors incorporates sector-specific initiatives to combat HIV/AIDS and for risk mitigation in their programs. For example, the Transport Sector has launched a project to combat the spread of HIV/AIDS in the road transport sector of SA, Zimbabwe and Mozambique. The focal point of the project will be the main transport corridors in Mozambique: Maputo and Beira/Tete. Actions will particularly target long-distance truck drivers and their sexual partners.

Efforts are being made to prevent and control HIV/AIDS and other communicable diseases. For example, SADC countries agreed to collaborate on the development of a vaccine that is appropriate for the region. The Southern African Tuberculosis Control Initiative (SATCI) was adopted to fight tuberculosis. The SADC Health Ministers adopted the malaria framework in May 2000 and the Malaria Task Force was established to design a plan for implementing effective malaria control in the SADC region. The main goal of the project *Roll Back Malaria in the SADC Region* is to halve malaria mortality and morbidity by the year 2010 with further reduction of the 2010 morbidity and mortality figures by 50% and 75% respectively by 2015. Similar initiatives are on the way to respond to the cholera epidemic.

The health sector enjoys major support from the donor community for combating and dealing with HIV/AIDS. DFID has made available £7.5 million over a 5-year period to reduce HIV/AIDS related risk behavior among BLNS people most vulnerable to infection; and the EU made available Euro7.5 million over a 4-year period to increase the capacity of SADC sectors in identifying multisectoral solution for HIV/AIDS. UNAIDS has provided US\$140 000 and US \$315 000 has been provided by the US to review policies that have an impact on HIV/AIDS in SADC Member States and for harmonization of such policies.

## II.7 SADC: RECENT INSTITUTIONAL DEVELOPMENTS<sup>53</sup> (see Attachment 3)

SADC's institutional mechanisms, systems, procedures and approaches are remnants of its past. These have been superimposed on a regional agreement that is pursuing not only sectoral cooperation any more, but also market integration and harmonization of policies and strategies, leading to internal tensions in the functioning of the organization. Since 1992, the inappropriateness of SADC's institutional mechanisms has become increasingly apparent due to the influences of a combination of factors, i.e. the broadening and deepening of the scope of the agreement; the expansion of membership, no less due to the accession of such a heterogeneous group of countries in terms of size, and levels of development and stability such as SA, Mauritius, the DRC and the Seychelles; and the shift in political and socio-economic development paradigms, finding expression in political and socio-economic reforms being unevenly implemented among Member States as well as between the regional and national levels. The broadening scope and deepening agendas of both SADC and COMESA<sup>54</sup> are also accentuating Member States' resource and institutional constraints to effectively participate in the plethora of meetings and activities of these institutions as well as to comply with their multiple regional obligations.

### II.7.1 SADC Institutional Machinery: 1992-2001

The SADC institutional machinery and functioning suffered from a number of deficiencies and idiosyncrasies, including:

- That the governing structures of SADC remained similar to that of SADCC, with the

<sup>53</sup> See **Kritzinger-van Niekerk, L., 2001.** *Institutional Developments in the Southern Africa Development Community.* World Bank, SA Country Office. Unpublished Mimeo.

<sup>54</sup> That is apart from the resource demands of effective participation in other regional and global agreements and fora.

exception of the Tribunal (on which a Protocol was signed but only in 2000), and the creation of the Organ for Politics, Defense and Security (in 1996, but then suspended after 15 months, and again created, and this time within the folds of the overall SADC institutional mechanisms in 2001). A manifestation of the impasse on the Organ for Politics, Defense and Security as well as priorities of the international cooperating partners particularly of the EU and USA (rather than the Treaty) was the incorporation within the SADC Secretariat (which preferred and was equipped to deal with the socio-economic integration agenda only) various 'special programs' such as a regional drug control program, landmine clearance, integration of demobilized soldiers in society, measures against illicit trafficking in small arms, etc.

- In spite of a moratorium on the creation of new sectors, in order to consolidate work within existing sectors, which was declared in 1990 and reaffirmed in 1998, SADC continued unabated with the creation of new sectors. Aspects of the Legal Sector could have been a central coordinating function within the Secretariat, rather than a separate Sector. Other important issues have been neglected. For example, an issue, which has not found a 'champion' among any SADC country or cooperating partners in a comprehensive way, has been cooperation on statistics and information. The result has been that the small Statistical Unit within the SADC Secretariat, which is supposed to provide data required for planning, monitoring and evaluation of policies and programs (and arguably for a management information system) has remained extremely weak, while SADC has been suffering from a dearth of reliable and comprehensive information for its management, planning and monitoring. Up till now, the statistical unit has been supposed to deal with the *SADC statistical system*, composed of 'macro data' on different subject matters, i.e. national accounts, transport and communications, agriculture, fisheries and forestry, balance of payments, tourism,

public finance, education, labor and employment, prices, population, environment, industry, trade, etc. In addition, the *SADC Program of Action (SPA)*, i.e. all its sectors and associated programs and projects, was supposed to generate and provide data and information in order for SADC to complement the SADC statistical system to form a comprehensive *regional data and information system*. The decentralization of the SPA has effectively ruled out the possibility of proper integration and consolidation of the two information systems at the level of the Secretariat. There has been considerable overlap between the SADC statistical system and the SPA, but together they have still failed to provide SADC with a reliable, coherent, internally consistent and comprehensive regional data and information system.

- The admission of new members without following appropriate membership criteria has had a debilitating effect on regional integration. The admission of the DRC and, to a lesser extent, the Seychelles has contributed in many ways to a serious erosion of SADC's coherence. Furthermore, the accession of these two francophone countries has increased the running cost of the organization due to SADC having had to accommodate their language concerns in meetings and documentation in addition to the requirements of the lusophone members. Both the DRC and the Seychelles have not only been slow in acceding to existing protocols and signing of new ones, but have also fallen into arrears in membership contributions since their accession to SADC. The Seychelles has also introduced an awareness of the special conditions applying to small (and island) member states and brought these into relation with the equal member state contributions to SADC. With these two countries having failed to pay their membership contributions, in addition to some of the other Member States, the application of Article 33 of the Treaty on Sanctions has become impossible, while the peer-pressure approach has become largely ineffective.

- Another practice, a legacy of the SADCC approach, was to seek donor support for SADC activities in the same way and format than in the 1980s, in spite of a significant development paradigm shift (also on national level) in terms of the role of the public vis-à-vis private sector during the late 1980s and early 1990s. The practice of perpetuating the Annual Consultative Conference tradition, mainly to seek donor support for regional integration activities might have contributed to a delay in a reorientation of SADC in this regard. With ODA having shown a declining trend since the early 1990s, it is clear that SADC's resource mobilization strategy will have to shift from foreign donor assistance to promotion of domestic and foreign investment. It will not only become increasingly necessary to involve the region's private sector in the financing of the SPA, but also in its management and implementation. In the past, the SADC institutional mechanisms have not had adequate capacity to take maximum advantage of donor support. Specifically, SADC has had technical capacity constraints in the conception and design of projects for inclusion in the SPA, and experienced a related problem of absorptive capacity for resources made available by ICPs.
- SADC has also chosen to continue with the equal membership contribution system as under SADCC. Annual percentage increases have not been sufficient for funding the daily administrative expenses and staffing of the SADC Secretariat and Commissions as well as for the 'soft SADC projects' such as studies, creation of databases and capacity building. The resource constraints have been compounded by the decline in ODA from the international cooperating partners (which have also shifted resources to issues of their concerns). In spite of relatively moderate budget increases per annum, SADC has been increasingly suffering from late or outstanding membership fees. According to the Council of Ministers meeting Annotated Agenda of 23-24 February 2001, an amount

of US\$6,8m was outstanding as at 30 July 2000. Countries in arrears at that stage included the DRC, Seychelles, Tanzania, Zimbabwe, Zambia and Malawi.

It is not clear what the annual operational cost of SADC institutions amount to. However, an estimate by the Review Committee on SADC's Institutions and Operations put that figure to at least US\$43.2 million for the 2000/2001 financial year, consisting of:

- \* US\$15.47 million for SADC institutions such as the Secretariat (about US\$6.6 million), the 2 Commissions (about US\$3 million), other programs and institutions funded by SADC (US\$2.5 million) and US\$3.6 million for operational cost of the SCUs (which were by an large underfunded); and
- \* US\$27.5 million for Member States to attend meetings

Were all SCUs funded at the average level of the 2 Commissions, which would have been more in line with SCU's task at hand, this amount would have increased to an estimated US\$76m for 2000/2001.

- Apart from the remnants of the past such as the equal member state contribution and donor dependency, no attempt has been made to put in place a 'compensatory mechanism', structural and/or development funds. Currently, SA's<sup>55</sup> countervailing measures to compensate for potential disproportionate benefits in terms of trade and investment in the regional integration arrangement revolve around:
  - \* its modalities of implementing the SADC Trade Protocol (asymmetrical trade preferences). It attempted to negotiate these in a way where the extent of and timeframes for an asymmetric tariff reduction between

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<sup>55</sup> Botswana and Mauritius do not have clear strategies in this regard. Largely self-interest rather than that of the rest of SADC inspires Mauritius' increasing cross-border investment and entrepreneurial activities in continental SADC.

itself and the rest of the region as well as the linkages between elimination of NTBs and tariff reductions would reduce the need for a regional compensation mechanism.

- \* more relaxed exchange controls for the rest of the region vis-à-vis the rest of the world;
- \* making the human and financial capacities of institutions such as the Development Bank of Southern Africa (DBSA) and the SA Industrial Development Corporation available for operating in the rest of the region (although there is a limit of 33.3% of shareholders' equity on such investment in place for the DBSA);
- \* encouragement of cross-border investment by public utilities such as Eskom and Transnet; and
- \* technical assistance for promoting the Spatial Development Initiative concept – which is slow to see implementation beyond the Maputo corridor.

These measures have not been seen as necessarily sufficient 'compensation' for 'balanced, equitable growth and development' in the region by the least developed member countries. Hence the debate on 'compensatory mechanisms', whether in the form of a structural and/or development fund has been kept alive in the region by all except for SA, Botswana and perhaps Mauritius. For SA, compensation mechanisms through automatic fiscal transfers have been regarded as a 'non-subject', no less as it has maintained that these are notoriously difficult issues in terms of calculation of benefits and costs, structuring and financing, apart from the fact that no country in SADC is sufficiently wealthy and developed to make significant annual fiscal transfers. It is interesting to note that countries such as SA and Botswana are also reluctant to support a protocol on free cross-border movement of labor, another aspect which would have had an influence on the size and scope of any such regional compensation mechanism. Thus from the perspective of the wealthier

countries in the region, the debate may have to be steered towards the concept of structural and/or development funds, rather than automatic fiscal transfers in order to make headway on this issue.

- The small number of protocols that have been ratified by the Member States, reflect the myriad of problems that have beset protocol development in SADC up till now as indicated in section III.3.1.

Due to the misalignment between the deeper integration agenda of SADC and the sector and project-led institutions and values of SADCC, various problems regarding the functioning of SADC and its institutions presented themselves during the 1992-2001 period. These, severally or jointly, have been the topic of investigations since 1992. During 1996/97, SADC again reviewed its institutional mechanisms, policies, strategies and SPA aimed at a rationalization of these.

However, the September 1998 Annual Summit decisions regarding the recommendations coming out of this review were weak and tantamount to a rejection of proposals vital for transforming SADC's structures to cater for the requirements of development integration. At that time, the important challenge for SADC was to implement these diluted decisions in order to achieve streamlined structures and procedures aimed at a 'lean but efficient' intergovernmental machinery and to realign the current policies, strategies, programs, projects and practices to reflect the principles and objectives of regional integration as contained in the Declaration and the Treaty. Needless to say, the rationalization of the institutional structures did not take place, although there was a general refocusing of the SADC sectors more on policy harmonization away from identification and implementation of projects<sup>56</sup>.

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<sup>56</sup> This is not always clear without closer scrutiny of activities as SADC still upholds the tradition of calling all activities 'projects'.



The Review Committee, appointed in 2000, thus reiterated the problems and shortcomings of the current system<sup>57</sup>, including:

- The main actors in the decentralized structures (SCUs, Commissions, the Secretariat, Sectoral and National Contact Points) having unclear lines of authority and accountability, resulting in poor communication, coordination and performance as well as duplication of efforts and resources;
- Disparity in and inadequate provision of resources and staffing by member States, leading to inequitable distribution of responsibilities and obligations;
- Different management and administrative procedures and rules, varying standards, qualifications and performance criteria for staff involved in the management of the regional program;
- Rapid increase of sectors resulting in a plethora of priorities and activities dependent on limited resources, which have led to a proliferation of meetings and an increase in associated costs;
- Under the current structure and circumstances, the Secretariat has been unable to execute its mandate as provided for in the Treaty, especially that of undertaking strategic planning and management; and
- Lack of an institutional framework in which Ministers responsible for Foreign Affairs could discuss and adopt common positions on matters pertaining to the organization in various international fora.

## II.7.2 SADC Institutional Mechanisms and Systems, from 2001 onwards

At its Extra-Ordinary Meeting held on 9<sup>th</sup> March 2001 in Windhoek, Namibia, the Summit of Heads of States of SADC took a number of decisions aimed at restructuring SADC. The main points of this evolution are summarized below:

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<sup>57</sup> **SADC, 2001.** *SADC Extraordinary Summit, Windhoek, Republic of Namibia: Draft Annotated Agenda, 9 March, 2001.*

### (i) SADC's Common Agenda

The common agenda should include the following:

- the promotion of sustainable and equitable economic growth and socio-economic development that will ensure **poverty alleviation** with the ultimate objective of its eradication.
- The promotion of common political values, systems and other shared values which are transmitted through institutions which are democratic, legitimate and effective; and;
- The consolidation and maintenance of democracy, peace and security.

In order to accomplish the above concerns, a ten year strategic development plan - a **Regional Indicative Strategic Development Plan (RISDP)** - will be developed based on the following priorities:

- **Economic**
  - \* Development of measures to alleviate poverty with a view to its ultimate eradication;
  - \* Agricultural development and sustainable utilization of natural resources;
  - \* Development of a common market through a step by step approach while restructuring and integrating the economies of Member States;
  - \* Harmonization of sound macroeconomic policies and a maintenance of an environment conducive to both local and foreign investment;
  - \* Development of deliberate policies for industrialization; and
  - \* Promotion of economic and social infrastructure development.
- **Political**
  - \* To consolidate democratic governance;
  - \* Establishment of a sustainable and effective mechanism for conflict prevention, management and resolution.
- **Social**
  - \* Mainstreaming of gender in the process of Community Building through regional integration;

- \* Development, utilization and management of human resources;
- \* Combating of HIV/AIDS and other deadly diseases;
- \* Development of programs for the improvement of quality of Health and Social Welfare
- **Others**
  - \* Development of Science and Technology, Research and Development;
  - \* Development of an effective disaster preparedness and management mechanisms;
  - \* Consolidation of international cooperation with other regional groupings.

The Regional Indicative Strategic Development Plan (RISDP) will be developed and implemented over two, five-year periods. Its main objective is 'to provide SADC Member States, institutions and policy makers with a coherent and comprehensive development agenda on social and economic policies over the next decade (2002-2011)<sup>58</sup>. The design of the RISDP will take into account SADC's vision, mission, objectives and priorities as well as a set of principles pertaining to e.g. subsidiarity, additionality, dynamic and scale gains, variable geometry and scope, and development integration. Towards the beginning of 2002, the Secretariat has finalized a terms of reference, approach to the RISDP and an inception report to initiate the drafting first of a desk background study and then of the RISDP.

#### *(ii) New Structure*

**The SADC Institutions** would include:

- Summit
- The Troika. The practice of a Troika system consisting of the Chair, Incoming Chair and the Outgoing Chair of SADC
- Organ on Politics, Defense and Security
- Council
- Integrated Committee of Ministers

- Tribunal
- SADC National Committees
- Standing Committee of Officials
- Secretariat.

The structure of the **Secretariat** shall comprise the following:

- Deputy Executive Secretary;
- Legal Affairs;
- Internal Audit;
- Information, Communication and Technology including statistics and library services;
- Administration; and
- Finance.

**Four Directorates** would replace the Commissions and Sector Coordinating Units, namely on.

- Trade, Industry, Finance and Investment;
- Infrastructure and Services;
- Food, Agriculture and Natural Resources (FANR);
- Social and Human Development and Special Programs.

They will be based at the SADC headquarters. Their overall functions would include the promotion of regional integration and key issues such as gender mainstreaming, poverty eradication and promotion of sustainable socio-economic development.

The following **priority actions** had to commence immediately:

- Establishment of the Directorate for Trade, Industry, Finance and Investment (by August 2001);
- Establishment of the Directorate for Food, Agriculture and Natural Resources (by December 2001);
- Establishment of the Department of Strategic Planning, Gender and Development and Policy harmonization (by August 2001).
- Recruitment of the Chief Director (by August 2001). The old position of Chief Economist was abolished.
- Formulation of the Regional Indicative Strategic Development Plan.

<sup>58</sup> **SADC Secretariat, 2001.** *Terms of Reference: Regional Indicative Strategic Development Plan.*

- The remaining Directorates to be put in place during 2002 and 2003.

The total costs of the new structure were estimated at US\$12.1 million against the old structure's costs of US\$ 16.2 million.

## II.8 CONCLUDING REMARKS

Both SADC and COMESA are implementing or preparing to implement the areas, which they have decided, that could be best dealt with through a regional approach rather than on a national basis. COMESA is implementing regional integration in accordance with its Treaty, while SADC is converting its Treaty objectives and principles into concrete cooperation and integration obligations and actions through the development and implementation of sectoral protocols. This background paper did not attempt to give an account of progress in regional integration in terms of COMESA policies and programs, but rather focused on cooperation within the SADC framework.

Currently, there are no monitoring and evaluation systems in place to determine the 'destination' and pace of regional integration in SADC. This background paper has also not attempted to design such a monitoring and evaluation system. In stead, it has merely reported on progress made in cooperation of the respective sectors, and even then such progress made cannot be unambiguously attributed to membership of the RIA. For example, the levels and patterns of trade between South Africa and the rest of the region have occurred in the absence of any regional trade arrangements. Although policy harmonization across sectors and member countries are clearly discernible, many such policy and institutional changes in the constituent countries have come about through unilateral decisions, although their pace of implementation might have been accelerated through complementary regional-level obligations. Changes in the transport sector may be a case in point.

From the discussion in Part II it is thus not altogether clear to what extent and at what pace the sub-region is moving towards deeper

integration. On the one hand, Part II finds that much progress has been made in some discrete areas of cooperation, i.e. in either entire sectors or in specific sub-sectors. On the other, it finds that political problems, inappropriate institutional mechanisms and the uncoordinated pace in implementing sectoral programs and projects seem to have been bogging down regional integration. Overall, it may be safe to say that SADC is still in the initial design and/or implementation phase of a framework for cooperation that would allow, in terms of the SADC Declaration,<sup>59</sup> for

- *'Deeper economic co-operation and integration, on the basis of balance, equity and mutual benefit, providing for cross-border investment and trade, and freer movement of factors of production, goods and services across national borders;*
- *Common economic, political, social values and systems enhancing enterprise and competitiveness, democracy and good governance, respect for the rule of law and the guarantee of human rights, popular participation and alleviation of poverty;*
- *Strengthening regional solidarity, peace and security, in order for the people of the region to live and work together in peace and harmony.'*

As far as its economic objectives are concerned, the implementation of its trade protocol heralds an era of market integration for SADC, although the current target date of 2012 for full implementation of the FTA also indicates the duration towards achieving a common market as mentioned in the Declaration. As far as the scope of developments towards a common market is concerned, much remains to be done in the areas of finance and services, apart from the goods market integration.

Nevertheless, the implementation of the Trade Protocol has set in motion a seemingly **self-accelerating mechanism for regional economic integration** as the adoption of certain

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<sup>59</sup> SADC, 1992. *Declaration and Treaty of the Southern African Development Community*, pp. 1-11.

sectoral protocols necessitates the adoption of others, especially where the interests of the private sector are concerned. Unlike in the past, SADC is now forced to deal, over the short term and in very practical ways, with cross-sectoral issues such as trade efficiency. The broadening of the sectoral cooperation agenda by market integration has contributed, therefore, to a visibly increased sense of urgency among SADC stakeholders to e.g. address structural constraints to diversification and industrialization in order to realize the benefits of trade integration. SADC now clearly sees that its transport, telecommunications, energy, water, agriculture and human resource development sectors have a critical role to play in both enhancing intra-regional trade and developing the region's industrial capabilities. Large amounts of resources and major efforts are put into human and institutional capacity building for implementing cooperation agreements within these sectors on the national level. However, for SADC to fully exploit multisectoral linkages for purposes of regional integration, a much deeper understanding is required of the contribution of the various sectors, eg. specific infrastructural investments, and their maintenance and operations, to objectives such as diversification of production and growth in exports. Without this, one is merely left with a list of shortcomings or wish list of projects (as is clear from the Attachment elaborating on the 'projects' for cooperation within each sector), and unable to appreciate the particular importance of any specific project to the objectives of regional integration.

Another challenge is lying for SADC in meeting its objective of '*[d]eeper economic co-operation and integration, on the basis of balance, equity and mutual benefit,...*' The considerable and growing trade imbalance between SA and the non-SACU SADC countries could be seen as a divergent force in terms of the distribution of perceived or real gains and costs of integration. This may call for the design and implementation of regional equilibrating measures in a far more deliberate and structured way than at present where it is largely relying on SA's unilateral countervailing trade and investment measures to

compensate for potential disproportionate benefits from trade integration.

Furthermore, **a significant challenge for SADC in the design of its Regional Indicative Strategic Development Plan, would be to avoid the pitfalls of its past** including the following:

- Unclear objectives, i.e. whether SADC is pursuing an approach of sectoral cooperation and policy harmonization or whether its approach is one of regional integration, with time-bound and in-built milestones or targets for the integration process.
- Insufficient pragmatism in prioritizing objectives, goals and intermediate targets for regional cooperation and integration, taking into account the capacities of Member States and their economies.
- Lack of clarity regarding the concepts of 'regional public goods' and regional priorities, i.e. whether these are a summation of national priorities or regional cross-sectoral and cross-border issues. Due to insufficient differentiation between national and regional priorities, some of its policies, programs and strategies have clearly failed to lead towards regional integration.
- Insufficient harmonization of national, regional, continental and global agendas.

A critical constraint to progress in its regional integration agenda has been SADC's **regional-level institutional machinery and functioning. These have precluded the development of linkages within and between sectors**, and thereby failed to draw them all within the framework of its market and broader development integration agenda. After changing from the Southern African Development Coordination Conference (SADCC) to SADC, the Development Community in 1992, SADC has only recently commenced with a process of realigning its institutional machinery and functioning with its regional integration agenda. The new institutional model implies greater responsibility to a centralized Executive Secretariat, which would include four directorates: Trade, Industry, Finance and Investment; Infrastructure and Services; Food,

Agriculture and Natural Resources (FANR); Social and Human Development and Special Programs<sup>60</sup> and strengthened units such as that on knowledge and information. Thus, apart from a more clearly articulated and focused 'common agenda', deeper regional integration would critically hinge on **the speedy and smooth implementation, reorientation and functioning of the new regional institutional mechanisms.**

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<sup>60</sup> The decision to create these directorates has been taken at the Extra-Ordinary Summit of Heads of State and Government of SADC, held in Windhoek, Namibia, on 9 March 2001. The phasing out of existing Commissions and sectors would be undertaken within two to three years and directorates would be established in accordance with the following time frame:

- March-August 2001: establishment of the Directorate on Trade, Industry, Finance and Investment;
- August-December 2001: establishment of the Directorate on Food, Agriculture, and Natural Resources;
- The remaining Directorates would be established in 2002 and 2003.