

REGIONAL INTEGRATION IN SOUTHERN AFRICA

OVERVIEW OF RECENT DEVELOPMENTS

**Lolette Kritzinger-van Niekerk
Emmanuel Pinto Moreira**

December 2002



Copyright © 2002
The International Bank for Reconstruction and Development/
THE WORLD BANK
Africa Region Human Development Department
1818 H Street NW
Washington DC 20433 USA

Callisto Madavo, Vice President
Paula Donovan, Sector Director
Philippe Le Houerou, Sector Manager
Lolette Kritzinger van-Niekerk, Task Team Leader

A copy of this report may be obtained from:
Internal Document Unit
The World Bank
1-202-473-4641

For further information about the Africa Region Regional Integration Unit, please send an e-mail message to the following address: promandheuyer@worldbank.org

The views and conclusion expressed in this report are those of the authors and do not necessarily reflect the opinions of the World Bank or any of its affiliated organizations.

Cover design by World Bank Printing and Graphics Department

Photo of Oil Workers © dos Santos, Quintilhano 2002 / from “A Day in The Life of Africa”.
Other photos courtesy World Bank staff members and the World Bank Photo Library.

REGIONAL INTEGRATION IN SOUTHERN AFRICA

Overview of Recent Developments

**Lolette Kritzinger-van Niekerk
Emmanuel Pinto Moreira**

December 2002

The findings, interpretations, and conclusions expressed in this paper are entirely those of the author(s). They do not necessarily represent the views of the World Bank Group, its Executive Directors, or the countries that they represent and should not be attributed to them.

Foreword

This study is published by the World Bank in its informal series of Discussion Papers on regional integration in Africa, and specifically covers recent developments in Southern and Eastern Africa. In accordance with the April 2, 2001 Board Presentation on the Africa Region's greater focus and new approach to regional integration, the teams for regional integration in southern and eastern Africa have:

- renewed interaction with the Southern Africa Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) in order to establish their objectives and priorities for regional integration in their respective arrangements;
- undertaken an update of the Bank's knowledge base on the status of and prospects for regional integration in southern and eastern Africa.

The purpose of this background paper is to inform the Bank and others about challenges and opportunities for strengthening socio-economic integration in southern Africa, and specifically in SADC, by:

- highlighting some salient political, socio-economic and geographical features of the sub-region,
- giving an overview of recent developments in regional integration in southern Africa, and
- giving an indication of selected international development partners' support for regional integration in sub-region.

Without the benefit of 'regional' economic and sector work, the paper provides a 'broad-brush and impressionistic' picture of selective developments within the southern African region. Each of the issues covered requires further study, while some other important issues might not have received attention at all.

The paper finds that the political, institutional and socio-economic environment between countries in the southern Africa region is heterogeneous in the extreme, converging in policies, but not necessarily in outcome. Together with the multiple memberships of countries in regional integration arrangements, this is posing particular challenges and opportunities for regional cooperation and integration efforts and no less to development partners' support for integration in the sub-region. Currently, SADC finds itself in the midst of major reforms of its institutions, processes and management as well as of its regional integration agenda. One of the outcomes of SADC's restructuring process would be a regional indicative strategic development plan. This plan would also be important for the Bank in designing a responsive regional integration assistance strategy with the sub-region

We hope that this paper would contribute not only to updating the Bank's knowledge base on regional integration in the southern and eastern Africa region, but also to wider discussions and debate that will help the sub-region move forward towards a better future.

Marie-Françoise Marie -Nelly
Program Manager Regional Cooperation and Integration, SSA
The World Bank
December 2002

This is an informal study by World Bank staff, published for discussion purposes. It is not an official World Bank document.

TABLE OF CONTENTS

Acronyms and Abbreviations		viii
Executive Summary		xiii
Introduction.....		xxi
PART I: POLITICAL, INSTITUTIONAL AND SOCIO-ECONOMIC FEATURES OF THE SOUTHERN AFRICAN REGION.....		1
I.1 INTRODUCTION.....		1
I.2 POLITICS OF REGIONAL INTEGRATION.....		1
I.2.1 Multiple Membership of Regional Integration Arrangements.....		1
I.2.2 Overlapping Mandates but Different Approaches to Regional Integration.....		2
I.2.3 Multiple Membership Seems to be Inefficient and Costly		2
I.2.4 Trade and/or Development Agreements within the International Context make for a Fluid Operating Environment in Southern Africa		5
I.2.5 Implications for the Bank.....		6
I.3 THE POLITICAL SITUATION IN THE SOUTHERN AFRICA REGION		7
I.4 THE SOCIO-ECONOMIC SITUATION IN SOUTHERN AFRICA		9
I.4.1 A Relatively Small Sub-Regional Market but Size More than 50% of SSA’s GDP ...		9
I.4.2 Wide Disparities in Socio Economic Development among Countries within the Sub-Region Associated with Small and Weak Markets		9
(i) Vast Differences in Population Size and Dispersion		9
(ii) Uneven Levels of Income across and within Countries.....		10
(iii) Low Levels of Human Development: A Structural Economic Weakness, Compounded by HIV/AIDS		12
(iv) Insufficient and/or Inefficient Infrastructure: An Obstacle to Production and Trade Development in General, Especially for Landlocked Areas.....		14
(v) Uneven Development of Financial Systems		25
(vi) Uneven Economic Size, Undiversified Production Structures and Commodity Dependence.....		26
I.5 ECONOMIC REFORMS AND OUTCOMES		28
I.5.1 Economic Reforms		28
(i) Macroeconomic Reforms		28
(ii) Changes in Investment Regimes.....		29
(iii) Trade Reforms.....		29
I.5.2 Economic Outcomes.....		30
(i) Budget Performance.....		30
(ii) Inflation		31
(iii) Real Interest Rates.....		32
(iv) Savings and Investment.....		32
(v) External Performances: Current Account Balance.....		35
(vi) Trade		35
(vii) External Debt and Aid Dependence.....		38
(viii) HIPC and Poverty Reduction Strategy.....		39
(ix) Economic Growth		41
(x) Income Convergence in SADC		42

I.6	CONCLUDING REMARKS.....	43
PART II	REGIONAL INITIATIVES AND ACTIVITIES.....	47
II.1	INTRODUCTION	47
II.2	PROGRESS IN THE PROTOCOL DEVELOPMENT PROCESS	47
II.3	TRADE, INDUSTRY, FINANCE AND INVESTMENT	48
II.3.1	Trade.....	48
II.3.1.1	Limitations and Implications of the SADC Trade Protocol.....	49
II.3.1.2	Relationships with other Regional Groupings – The Case of COMESA.....	50
	(i) Differences in Rules of Origin	50
	(ii) COMESA Free Trade Area: Implementation Status and Related Issues	51
II.3.1.3	The Way Ahead	52
II.3.2	Finance and Investment	52
II.3.2.1	Background to Cooperation.....	52
II.3.2.2	Cooperating Mechanism and Cooperation Agenda.....	52
II.3.2.3	Protocol Development Process and Way Forward.....	56
II.3.3	Industry.....	56
II.3.3.1	Background.....	56
II.3.3.2	Mining.....	57
	(i) Reforms in the Mining Sector	57
	(ii) Recent Investments in Mining	58
II.4	INFRASTRUCTURE AND SERVICES.....	59
II.4.1	Transport and Communications.....	59
II.4.1.1	Regional Cooperation and Integration through the Transport, Communications and Meteorology Protocol.....	60
II.4.1.2	Implementation Status of SADC Protocol on Transport, Communications and Meteorology.....	61
	(i) Institutional Framework for Managing and Implementing the Protocol	61
	(ii) Monitoring of Progress in Protocol Implementation	61
	(iii) Reforms to Attract Private Investments	62
II.4.1.3	Regional Cooperation in the Road Sub-Sector.....	63
II.4.1.4	Transport Corridors	63
II.4.1.5	Communications	66
II.4.2	Energy	67
II.4.2.1	The SADC Protocol on Energy: Objectives and Implementation Status.....	67
II.4.2.2	SADC Energy Sector Activity Plan 2000-2005	68
II.4.2.3	Energy Sector Reforms.....	69
II.4.2.4	The Southern African Power Pool: An Example of a Promising Regional Cooperation Initiative	70
II.4.3	Water.....	72
II.4.4	Tourism.....	74
II.4.4.1	Protocol for the Development of Tourism: Objectives and Implementation Status.....	74
II.4.4.2	Tourism Development Strategy, 2001-2005, Actions and Projects.....	75
II.5	FOOD, AGRICULTURE AND NATURAL RESOURCES	76
II.5.1	Background	76
II.5.2	Regional Strategy, Policy Objectives and Institutional Arrangements.....	78
II.5.3	Food Security Program.....	79

II.5.4	Agricultural Research and Training.....	80
II.5.5	Crops.....	81
II.5.6	Livestock Production and Animal Disease Control.....	82
II.5.7	Fisheries.....	82
II.5.7.1	Marine Fisheries and Resources	82
II.5.7.2	Inland Fisheries.....	83
II.5.8	Forestry.....	84
II.5.9	Wildlife.....	85
II.5.10	Land and Environment.....	86
II.6	SOCIAL AND HUMAN DEVELOPMENT.....	88
II.6.1	Education and Training.....	88
II.6.2	Employment and Labor Initiatives.....	90
II.6.3	Health and HIV/AIDS	90
II.7	SADC: RECENT INSTITUTIONAL DEVELOPMENTS.....	91
II.7.1	SADC: Recent Institutional Machinery, 1992-2001	91
II.7.2	SADC Institutional Mechanisms and Systems, 2001 and Onwards.....	95
	(i) SADC's Common Agenda	95
	(ii) New Structure.....	96
II.8	CONCLUDING REMARKS.....	97
PART III: DONOR STRATEGIES, INVOLVEMENT AND PROJECTS IN SOUTHERN AFRICA.....		101
III.1	The World Bank Programs and Projects	101
	(i) Regional Transport	101
	(ii) Financial System Infrastructure	101
	(iii) Strengthening Statistical Capacity	101
	(iv) Education	102
	(v) Energy and Telecommunications: Southern African Power Market Project ...	102
	(vi) Environment and Natural Resources Management	102
	(vii) African Connection Initiative	103
	(viii) Macro and Trade Dialogue	103
III.2	The IMF Strategy and Work Program in the Eastern and Southern African (ESA) Region.....	103
III.3	The European Union (EU) Projects in ESA and Indian Ocean.....	104
	(i) EU/SADC Regional Projects	104
	(ii) Priority Areas of EU Financing Support	105
	(iii) Other Activities Under Preparation	105
	(iv) EU/COMESA Regional Projects	105
III.4	Development Bank of Southern Africa's Financing Role in SADC.....	106
III.5	United States Agency of International Development Strategy and Focal Areas.....	107
	(i) Background for the USAID's Involvement in SADC	107
	(ii) Focal Areas.....	107
III.6	African Development Bank (AFDB) Strategy and Projects.....	108
III.7	Conclusion.....	109
PART IV: CONCLUDING REMARKS.....		111

REFERENCES		115
Attachment 1	Trade and/or Development Arrangements in Southern Africa and by Southern African Countries	121
Attachment 2	Socio-Economic and Political Information	157
Attachment 3	Regional Initiatives and Progress in Regional Integration	183
Attachment 4	Involvement by International Development Partners in Regional Integration in Southern Africa	229

Lolette Kritzinger-van Niekerk (AFTP1), Task Team Leader, and Emmanuel Pinto Moreira, Consultant, prepared this report as a broad introductory and background work on regional integration in southern Africa for the World Bank to promote its dialogue aimed at a coherent support initiative for regional cooperation and integration in the sub-region. Members of the southern Africa team provided valuable inputs for and comments on earlier drafts.

LIST OF BOXES

Box 1.1	Development Impacts of HIV/AIDS in Southern Africa	15
Box 1.2	The Yamoussoukro Decision. The Liberalization of Access to Air Transport Markets in Africa.....	21
Box 2.1	Mauritius Automated Clearing and Settlement System (MACSS): An Example of Progress in Payment System.....	54
Box 2.2	Corridors: Opportunities, Strengths and Weaknesses.....	64
Box 2.3	The Maputo Development Corridor.....	65
Box 2.4	The Southern African Power Pool.....	72

LIST OF FIGURES

Figure 1.1	Population, Labor Force and Unemployment (million).....	11
Figure 1.2	Sectoral Distribution of Employment.....	11
Figure 1.3	Freight Tonnage.....	18
Figure 1.4	Number of Passengers.....	18
Figure 1.5	SADC Ports' Share of SADC Transit Traffic, 1999.....	19
Figure 1.6	Domestic Aircraft Movements: SADC vs. Africa, 2000.....	19
Figure 1.7	Share in Nominal GDP (%).....	27
Figure 1.8	Share in Total Volume of Exports US\$, 1995 (%).....	27
Figure 1.9	Inflation Rate in 2000 (Changes in CPI).....	33
Figure 1.10	FDI Inflows (Average 1995-98 million of US dollars).....	34
Figure 1.11	SADC: Destination of Exports, 1990.....	37
Figure 1.12	SADC: Destination of Exports, 1999.....	37
Figure 1.13	COMESA: Destination of Exports, 1990.....	37
Figure 1.14	COMESA: Destination of Exports, 1999.....	37
Figure 1.15	Evolution of Real GDP Growth in SADC.....	41
Figure 1.16	Evolution of Income Divergence in SADC (Standard Deviation of Real GNP per capita).....	42
Figure 1.17	Convergence-Divergence of Real Income Per Capita, 1990-2000	43
Figure 2.1	Annual Growth Rate of the Volumes of Electricity Trade, 1994-1998.....	70
Figure 2.2	Energy Traded, 2001.....	71

LIST OF TABLES

Table 1.1	Eastern, Southern and Indian Ocean Countries' Membership in Selected Regional Integration Arrangements	1
Table 1.2	Mandates of Regional Integration Groupings in Eastern and Southern Africa.....	3
Table 1.3	Existing Bilateral Trade Agreements - SADC Member States.....	5
Table 1.4	Political Issues.....	7
Table 1.5	Population, GDP, Exports and Income, 1970-2000.....	9
Table 1.6	Population Density and Urbanization	10
Table 1.7	Social Data.....	10
Table 1.8	Education Indicators for SADC and COMESA Countries.....	12
Table 1.9	The Economic Impact of AIDS in Southern Africa.....	14
Table 1.10	SADC General Water Statistics.....	15
Table 1.11	Top 10 African Domestic Aircraft Movement Forecast, 2000-2012.	21
Table 1.12	Growth in Mobile Telephony.....	22
Table 1.13	Size of Information Infrastructure Relative to Population, Selected Indicators, 1999.....	23
Table 1.14	Main Telephone Lines, SADC Countries.....	24
Table 1.15	Waiting List: SADC Countries.....	24
Table 1.16	Telephone Tariffs: SADC Countries.....	25
Table 1.17	Some Features of Financial Systems in Southern African Region.....	26
Table 1.18	GDP and Exports: Share of Individual Countries.....	26
Table 1.19:	Contribution of Each Sector to GDP in SADC Countries.....	28
Table 1.20	Income Effect of Terms of Trade Variability.....	29
Table 1.21	Intraregional Trade in Selected Sub-Saharan African Regional Trade Arrangements in 1999.....	36
Table 1.22	SADC and COMESA: Intraregional and Extraregional Trade.....	38
Table 1.23	Net ODA Per Capita, 1970-1999.....	39
Table 1.24	Southern African Heavily Indebted Countries and Status in Debt Relief Initiative, October 2001 (Million of US\$).....	40
Table 1.25	The PRSP and Southern African Countries.....	40
Table 1.26	Selected Income Per Capita Differences Between SADC Countries.....	42
Table 2.1	Proportion of Liberalization Achieved in First Four Years (%).....	50
Table 2.2	Proportion of Liberalization Achieved in First Eight Years (%).....	50
Table 2.3	Tariff Reduction in COMESA.....	52
Table 2.4	Employment in the SADC Mining Industry, 1994-2000.....	57
Table 2.5	Reforms and Policy Developments in the Mining Sector.....	58
Table 2.6	Mineral Investment Projects in the SADC Mining Industry, 2000.....	59
Table 2.7	Policy and Regulatory Frameworks and Status of Privatization and Competition.....	67
Table 2.8	Status of Reforms in SADC Electric Sector.....	69
Table 2.9	Agricultural Sector Contribution to GDP, 1990-2000.....	76
Table 2.10	Land Tenure in Selected Southern African Countries (approximate percentage of national territory).....	77
Table 2.11	Regional Collaborative Networks Coordinated by SACCAR.....	81
Table 3.1	List of Ongoing Regional Projects Funded by EDF8/7 and Implemented by COMESA.....	106
Table 3.2	DBSA's Cumulative Loans by Country.....	106

Acronyms and Abbreviations

AASA	Airlines Association of Southern Africa
ACP	African, Caribbean and Pacific States
ADI	African Development Indicators
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
AIDS	Acquired Immune Deficiency Syndrome
ANC	African National Congress
ANG	Angola
ANSARA	Association of Southern African National Road Agencies
ASEAN	Association of South Africa East Asian Nations
ASYCUDA	Automated System for Customs Data Analysis
AU	African Union
BBR	Beitbridge Bulawayo Railway
BLNS	Botswana, Lesotho, Namibia, Swaziland
BOT	Botswana
BR	Botswana Railways
CARICOM	Caribbean Community
CAS	Country Assistance Strategy
CBI	Cross-Border Initiative (See RIFF)
CCBG	Committee of Central Bank Governors
CEAR	Central East African Railway
CEMAC	Central African Economic and Monetary Union (Communauté Economique et Monétaire de l'Afrique Centrale)
CET	Common External Tariff
CFA	Communauté Financière Africaine
CFM	Caminhos de Ferro de Mocambique
CFM-C	Caminhos de Ferro de Mocambique-Centro
CIDA	Canadian International Development Agency
CIF	Cost, Insurance and Freight
CISNA	Committee on Insurance, Securities and Non-Banking Financial Authorities
CMA	Common Monetary Area (SACU members minus Botswana)
CMG	Corridor Management Group
COMESA	Common Market for Eastern and Southern Africa
CNS/ATM	Communications Navigation Surveillance/Air Traffic Management
CPCs	Corridor Planning Committees
CU	Customs Union
DANIDA	Danish International Development Agency
DBSA	Development Bank of Southern Africa
DCA	Department of Civil Aviation
DFI	Development Finance Sub-Committee
DMC	Drought Monitoring Centre
DRC	Democratic Republic of Congo
EAC	East African Community

ECA	Economic Commission for Africa
ECOWAS	Economic Community for West African States
EDF	European Development Fund
EEC	Commission of the European Communities
EIB	European Investment Bank
EPZ	Export Processing Zone
ESW	Economic Sector Work
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FESARTA	Federation of East and Southern African Road Transport Association
FISCU	Finance and Investment Sector Coordinating Unit
FOB	Free On Board
FTA	Free Trade Area
GATS	General Agreement on Trade in Services
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GNP	Gross National Product
GSP	Generalized System of Preferences
GTZ	German Association for Technical Cooperation
HCB	Hydroelectrica de Cahora Bassa
HDI	Human Development Index
HIV	Human Immune Deficiency Virus
HRD	Human Resources Development
HS	Harmonized System
HSCU	Health Sector Coordinating Unit
HYCOS	Hydrological Cycle Observing System (SADC)
IBRD	International Bank for Reconstruction and Development
ICAO	International Civil Aviation Organization
IDA	International Development Association
IFC	International Finance Corporation
IGAD	Inter-Governmental Authority for Development
ILO	International Labor Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
IOC	Indian Ocean Commission
IPA	Investment Promotion Agency
IPP	Independent Power Producer
IRRN	Interconnected Regional Rail Network
IT	Information Technology
ITF	International Transport Workers Unions
ITU	International Telecommunications Union
JTC	Joint Trade Commission
KADCO	Kilimanjaro Airport Development Company
LDC	Least Developed Country
LES	Lesotho

MAL	Malawi
MACSS	Mauritius Automated Clearing and Settlement System
MAUR	Mauritius
MDC	Maputo Development Initiative
MFN	Most-Favored Nation
MICAP	Micro Action Plans
MIGA	Multilateral Investment Guarantee Agency
MINEDAF	Meeting of Ministers of Education in Africa
MPL	Model Legislative Provisions
MOU	Memorandum of Understanding
MOZ	Mozambique
MR	Malawi Railways
NAFTA	North American Free Trade Agreement
NAM	Namibia
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
NORAD	Norwegian Agency for Development
NORTEL	Northern Telecom
N-PICT	National Protocol Implementation Coordination Team
NPIW	National Protocol Implementation Workshops
NTB	Non-Tariff Barriers
NRZ	National Railways of Zimbabwe
OECD	Organization for Economic Cooperation and Development
ODA	Official Development Assistance
OHADA	Organisation pour l'Harmonisation du Droit des Affaires en Afrique
OPEC	Organization of Petroleum Exporting Countries
PMAESA	Ports Management Association of Eastern and Southern Africa
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Papers
PTA	Preferential Trade Area for Eastern and Southern Africa
QR	Quantitative Restrictions
RAPID	Regional Activity to Promote Integration through Dialogue and Policy Implementation
RERA	Regional Electricity Regulatory Association
RETOSA	Regional Tourism Organization of Southern Africa
REVOCA	Regional Vehicle Overloading Control Association
REWU	Regional Early Warning Unit
RIA	Regional Integration Arrangement
RIAS	Regional Integration Assistance Strategy
RIFF	Regional Integration Facilitation Forum (See CBI)
RMI	Road Maintenance Initiative
RISDP	Regional Indicative Strategic Development Plan (SADC)
ROO	Rules of origin
RPK	Revenue Passenger Kilometer
RSA	Republic of South Africa
RSIS	SADC Railways Rolling Stock Information System
RTA	Regional Trade Arrangement
RTRP	Regional Telecommunications Restructuring Program

SA	South Africa
SAA	South African Airways
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SAMSA	South African Maritime Safety Authority
SAPOA	Southern African Postal Operators Association
SAPP	Southern African Power Pool
SARA	Southern African Railways Association
SATA	Southern Africa Telecommunications Authority
SATCI	Southern African Tuberculosis Control Initiative
SATTC	Southern Africa Transport and Communications Commission
SARB	South African Reserve Bank
SCU	Sector Coordinating Unit
SDI	Spatial Development Initiative
SIDA	Swedish International Development Agency
SIMA	Statistical Information Management and Analysis
SITC	Standard International Trade Classification
SITCD	SADC Industry and Trade Coordination Division
SPT	Spoornet
SR	Swaziland Railway
SSC	Sub-sectoral Committees
STEP	SADC Transport Efficiency Project
SWA	Swaziland
TAAG	Linheas Aereas de Angola
TAN	Tanzania
TAZARA	Tanzania Zambia Railway Authority
TCM	Technical Comité Meeting
TCU	SADC Tourism Coordinating Unit
TNR	Namibia Railways
TOR	Terms of Reference
TRC	Tanzania Railways Corporation
TRAC	Trans African Concession
TRASA	Telecommunications Regulators Association of Southern Africa
TWGs	Technical Working Groups
TZR	Tazara Railways
UEMOA	Union Economique et Monétaire Ouest Africaine
UNAIDS	United Nations Program on HIV/AIDS
UNCTAD	United Nations Commission for Trade and Development
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
USA	United States of America
USD	United States Dollar
USAID	Agency for International Development (USA)
VAT	Value Added Tax
WB	World Bank
WDI	World Development Indicators
WDR	World Development Report

WRTC	Water Resources Technical Committee
WTO	World Trade Organization
WTO	World Tourism Organization
ZAM	Zambia
ZIM	Zimbabwe
ZRL	Zambia Railways Ltd.