Monitoring Economic Integration in SADC, 2005

Dirk Hansohm and Rehabeam Shilimela

FOPRISA Research for Regional Integration and Development

REPORT 2

Botswana Institute for Development Policy Analysis
2006

Formative Process Research on Integration in Southern Africa (FOPRISA) is a collaborative research process in which several policy research institutions and the SADC Secretariat are participating. The overarching objective of the programme is to provide inputs that can assist SADC in its efforts to advance regional co-operation and integration in Southern Africa. The programme focuses on carrying out research projects; issuing monitoring reports on the role of SADC's international co-operating partners and the progress of regional co-operation in Southern Africa; and providing support for capacity building. FOPRISA liaises closely with the Policy and Strategic Planning Unit in the SADC Secretariat, to which the programme also gives direct research support, through the provision of a researcher based at the Unit.

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MONITORING ECONOMIC INTEGRATION IN SADC, 2005

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Disclaimer

The opinions expressed in this document are entirely those of the authors, unless stated otherwise. The report does not represent any official opinion of SADC, its Secretariat, BIDPA, or FOPRISA.

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LIST OF ABBREVIATIONS

ACP	African, Caribbean and Pacific countries
AIDS	Acquired Immune Deficiency Syndrome
ANG	Angola
ASCCI	Association of SADC Chambers of Commerce and Industry
ASPB	Advisory Service for Private Business
AU	African Union
BIDPA	Botswana Institute for Development Policy Analysis
BLNS	Botswana, Lesotho, Namibia and Swaziland
BOT	Botswana
CDSM	Centre for Defence and Security Management
CHAMSA	Chambers of Commerce and Industry of South Africa
CMA	Common Monetary Area
CMI	Christian Michelsen Institute
COMESA	Common Market for Eastern and Southern Africa
CPS	Centre for Policy Studies
DBSA	Development Bank of Southern Africa
DFA	Department of Foreign Affairs, South Africa
DFID	Department for International Development, UK
DFIN	Development Finance Institutions Network
DFRC	Development Finance Resource Centre
DRC	Democratic Republic of Congo
EBA	Everything But Arms Initiative
ECB	Electricity Control Board (Namibia)
EISA	Electoral Institute of Southern Africa
EPA	Economic Partnership Agreement
EU	European Union
FESARTA	Federation of Eastern and Southern African Road Transport Associations
FOPRISA	Formative Process Research on Integration in Southern Africa
FTA	Free Trade Area
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Country
HIV	Human Immunodeficiency Virus
HS	Harmonised System (Trade data coding system)
HSRC	Human Sciences Research Council of South Africa
ICM	Integrated Committee of Ministers, SADC
ICP	International Cooperating Partners
ICT	Information and Communication Technology
IGD	Institute for Global Dialogue, South Africa
IGMoU	Inter-Governmental Memorandum of Understanding
ISS	Institute for Security Studies, South Africa
IUMoU	Inter-Utility Memorandum of Understanding
LDC	Least Developed Country
LES	Lesotho
M & E	Monitoring and Evaluation
MAL	Malawi
MAU	Mauritius
MDG	Millennium Development Goal
MIASA	Mining Industry Associations of Southern Africa
MoU	Memorandum of Understanding
MOZ	Mozambique
NAFTA	North America Free Trade Agreement
NAM	Namibia
NDFI	National Development Finance Institution
NEPAD	New Partnership for Africa's Development
NEPRU	Namibian Economic Policy Research Unit

NGO	Non-Governmental Organisation
NORAD	Norwegian Agency for Development Cooperation
NTB	Non-Tariff Barrier (to trade)
NTMs	Non-Tariff Measures
OPDS	Organ on Politics, Defence and Security Cooperation
PPP	Public–Private Partnership
PTA	Preferential Trade Agreement
RBCS	Regional Business Climate Survey
RCSA	Regional Centre for Southern Africa (USAID)
RERA	Regional Electricity Regulators Association (of Southern Africa)
RETOSA	Regional Tourism Organisation of Southern Africa
RI	Regional Integration
RISDP	Regional Indicative Strategic Development Plan (SADC)
Ro SADC	Rest of SADC (excluding SACU)
RoO	Rules of Origin
RSA	Republic of South Africa
SACAU	Southern African Confederation of Agricultural Unions
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Community
SADCC	Southern Africa Development Coordinating Conference
SADC–ESN	SADC Electoral Support Network
SADSEM	Southern African Defence and Security Management Network
SAEN	Southern African Enterprise Network
SAIIA	South African Institute for International Affairs
SAPP	Southern African Power Pool
SARA	Southern African Railways Associations
SARDC	Southern African Research and Documentation Centre
SARPN	Southern African Regional Poverty Network
SBA	SADC Bankers Association
SBF	SADC Business Forum
SCU	Sector Coordinating Unit, SADC
SDF	SADC Development Fund
SEG	SADC Employers Group
SEPAC	Small Enterprise Promotion Advisory Council
SIPO	Strategic Indicative Plan for the Organ on Politics, Defence and Security Cooperation
SME	Small and Medium Enterprise
SNC	SADC National Committee
SPA	SADCC Programme of Action
SPS	Sanitary and Phytosanitary Measures
SQAM	Standardisation, Quality assurance, Accreditation and Meteorology
STP	SADC Trade Protocol
SWA	Swaziland
TAZ	Tanzania
TBT	Technical Barrier to Trade
TDCA	Trade, Development and Cooperation Agreement (RSA–EU)
TIFI	Trade, Industry, Finance and Investment Directorate, SADC
TIPS	Trade and Industrial policy Strategies
TNF	Trade Negotiating Forum
TSG	The Service Group
USAID	United States Agency for International Development
VA	Value Added
ZAM	Zambia
ZIM	Zimbabwe

1. Introduction

Background

The Southern African Development Community (SADC) has, as its aim, deeper political and economic integration. To achieve this aim, it is undergoing a process of restructuring. This report on monitoring economic integration in SADC marks the start of a series of annual reports, intended to assist the SADC secretariat by providing information on the progress of economic integration in the region, measured in the light of SADC's formulated objectives. The monitoring exercise is part of the wider research programme called *Formative Process Research on Integration in Southern Africa (FOPRISA)*. FOPRISA is a research and monitoring programme, developed primarily to support the SADC secretariat in its endeavours towards the implementation of SADC plans and programmes. This support is in the form of relevant demand-based research, monitoring and evaluation of SADC activities.

This first section provides a very brief background on the evolution of SADC. The second section explains the methodology of this initiative, based on an overview of SADC's monitoring mechanism and other relevant activities and institutions. The five following sections focus on key elements of SADC: trade, economic liberalisation and development, public-private sector partnership and dialogue, infrastructure support, and the SADC National Committees. The final section concludes with an overall view on the outcomes of the integration efforts of SADC, and an evaluation.

The evolution of SADC

The Southern African Development Community was established in 1992, but its historical origins take us back to the mid-1970s when the Front Line States (FLS) constituted an informal political grouping in 1974. The FLS comprised of Angola, Botswana, Mozambique, Tanzania and Zambia while Zimbabwe joined them in 1980 (le Pere and Tjønneland 2005:9). The main motive for regional integration (RI) at the time was the political liberation of the southern African region, including the need to react to the then increasing regional dependence on the minority-ruled South Africa.

By 1980, the Southern African Development Coordinating Conference (SADCC) was set up by the then majority-ruled states in the region as a development aid coordination mechanism. These states were the FLS plus Lesotho, Malawi and Swaziland. As regional integrating states increased in number, its mandate has also widened to include poverty reduction and economic liberation. Key regional decisions were then made and operational frameworks were developed. These include commitment by members to pursue policies aimed at economic integration and a sustainable development enshrined in the SADCC Programme of Action (SPA).

Today, SADC has 14 members with highly different sizes and levels of development (see Table 1 overleaf).

The attainment of independence by Namibia in 1990, and the start of the political transformation in South Africa implied that the political anti-apartheid agenda started to lose relevance and it was then regarded as high time that the region embarked on programmes that strove more for economic and social welfare through a deeper regional integration in wider sectors, ranging from socio-economic and political to security.

In August 1992, the Heads of States signed a Dclaration and Treaty of SADC transforming SADCC into the Southern African Development Community (SADC), and redefined the basis of regional cooperation from a loose association – as a matter of fact,SADCC had no legal status – to a legally binding one (SADC 2003a:3).

SADC's objectives, as outlined in the Common Agenda of the 1992 Treaty, revolve around:

- Promoting development, poverty reduction and economic growth through regional integration (RI);
- Consolidating, defending and maintaining democracy, peace, security and stability;
- Promoting common political values and institutions that are democratic, legitimate and effective;
- Strengthening links among the people of the region; and
- Mobilising regional and international private and public resources for the development of the region.

In its first years SADC was a highly decentralised organisation. The main activities were handled within sectors of operation by individual countries through 'sectoral units' or 'commissions', guided by ministerial committees. SADC was also highly project oriented. Its portfolio contained about 470 projects in 2002 (Isaksen 2002: 1). Many of these were actually of a strong national, rather than a regional character.

Although SADC's achievements in its first phase – infrastructure, emerging sense of regional belonging – should not be underestimated, concerns about its effectiveness in actually achieving RI increased in the 1990s. This resulted in a study on *Review and Rationalisation* (Chipeta *et al.* 1997) and a broad *Review of Operations Report* (SADC 2001), directed by the 1999 SADC summit. This review became a blueprint for a wide-ranging restructuring process that included:

- Amendment of the 1992 treaty and realignment with the *SADC Plan of Action* (SPA) priorities;
- Development of a *Regional Indicative Strategic Development Plan* (RISDP);
- Undertaking a study on the SADC organisational structure to determine staffing requirements, functions, responsibilities, reporting lines, grading and salary scales for the new structure;
- Phasing out of Commissions and Sectoral Co-ordination Units (SCUs);
- Creation of Directorates in the Secretariat and secondment, recruitment and redeployment of staff to the Secretariat as well as development and training;
- Creation of SADC National Committees to take over the function of national representation;
- Determining of financing for the new structure, including a study on the development of a new formula for member states' financial contributions and creation of a Regional Fund.

In short, this review resulted in a substantial centralisation of SADC. The RISDP (SADC 2003a) is now the main reference point of SADC, and also for this report. Prior to the year 2001, the

Table 1: Economic profile of SADC countries

Country	Population (millions, 2003)	GNP (US$ billions, 2003)	GNP per capita (US$, 2003)	GDP annual % growth (1990–2003)
Angola	14	10.0	740	3.2
Botswana	2	6.1	3,530	5.2
DRC	53	5.4	100	–3.9
Lesotho	2	1.1	610	3.4
Malawi	11	1.8	160	3.0
Madagascar	17	4.9	290	2.1
Mauritius	1	5.0	4,100	5.2
Mozambique	19	3.9	210	7.0
Namibia	2	3.9	1,930	3.7
South Africa	46	126.0	2,750	2.3
Swaziland	1	1.5	1,350	3.1
Tanzania	36	10.7	300	3.7
Zambia	10	4.0	380	1.4
Zimbabwe	13	n.a	n.a.	1.1

Source: World Bank (2005)

organisational structure of SADC constituted various commissions and 21 Sector Co-ordinating Units (SCUs), each with a mandate to plan and implement SADC programmes in a given sector. These SCUs were based in 12 of the 14 member states (see Table 2 overleaf). The SADC Summit in March 2001 decided on a radical institutional reform that included the clustering of the SCUs and commissions into four directorates to be based at the SADC secretariat in Gaborone, Botswana. The main four directorates of SADC are: Food, Agriculture and Natural Resources (FANR); Trade, Industry, Finance and Investment (TIFI); Social, Human Development and Special Programmes (SHD); and the Infrastructure and Services (IS) directorate. On the national front, the SADC National Committees (SNCs) have been created to coordinate and implement SADC programmes at the national level. The status of SNCs is dealt with in chapter 6 of this report.

The intention was to complete the institutional reforms over a two-year period, from 2001 to 2003, but this was not accomplished on time. By mid-2005, the institutional restructuring was still not completed, although the main components were in place (le Pere and Tjønneland 2005:16). SADC has managed to transfer all SCUs to the Secretariat in Gaborone, but has not yet succeeded in creating an efficient secretariat. There were still unresolved issues regarding staffing and management, leading to major human resource capacity constraints while the secretariat also continued to suffer from bureaucratic inertia (le Pere and Tjønneland 2005:17). It happened that SCUs were mainly staffed through secondment from host-country governments, but after the centralisation of administrative activities at the Secretariat, SADC needs to make more resources available for staffing as secondments have become inadequate, both in terms of the number of seconded staff and also due to the fact that these secondments are primarily on short-term bases.

2. METHODOLOGY AND FOCUS

The methodology of this report is based on some general consideration on monitoring regional integration, the experiences of SADC's own monitoring mechanism, and other existing initiatives and institutions.

Monitoring regional integration

RI is seen as a major instrument for economic progress worldwide and has been studied widely (see references, e.g., Tinbergen 1954, Balassa 1961, El Agraa 1999). All concepts of economic development in Africa focus on RI as an important element. This is true for the past as well as the present, for African as well as external (e.g., World Bank) programmes. However, the few analyses of RI in Africa (e.g., Baldwin 1997, Oyejide *et al.* 1997–1999) find limited complementarity, and modest progress, as indicators on various economic dimensions show. Further drawbacks of the progress include a multiplicity of schemes and objectives, persistence of colonial ties, and concerns about distributional impacts (see Hansohm 2000 and 2002 for an overview of literature). Southern Africa and SADC may be more successful than other regions in Africa, but this is disputed as well (e.g., Mair 2002).

On this background, it is astonishing that the systematic monitoring of RI is only an emerging field of study. Many questions are open for an overview (see References, and de Lombaerde 2003a for an overview). There is not as yet an accepted way of monitoring RI. In particular the institutional dimension of integration has been little studied in a systematic way. The European Union appears to be most advanced in developing instruments for monitoring integration (e.g., Council of Europe 1997).

Other regional and international bodies such as the Inter-American Development Bank (IADB) and World Bank are also considering or developing tools to monitor RI.

The Centre for Regional Integration Studies (CRIS) of the United Nations is spearheading the development of systematic monitoring of the process of RI. De Lombaerde (2002a) proposes the development of a global system of indicators of regional integration. He discusses the criteria of good indicators in general, and various dimensions of indicators.

Referring to economic indicators, Anderson (1991: 48–51) provides criteria for good and bad indicators. As negative criteria he suggests the four below.

- Indicators should not carry with them an automatic evaluation (they should limit themselves to description of reality).
- Indicators need not necessarily be linked to a policy instrument (again they should limit themselves to description of reality).
- Indicators do not have to be new.
- Indicators should not be based on particular theories of economic, human and social development.

He lists the seven positive criteria below for selection of indicators.

- Indicators or the information they are calculated from should be already available, or else able to be made available easily and cheaply.
- Indicators should be relatively easy to understand.

- Indicators must be about something measurable.
- Indicators should measure something believed to be important or significant in its own right.
- There should, preferably, only be a short time lag between the state of affairs referred to and the indicators becoming available.
- Preferably the indicators should be based on information which can be used to compare different areas, groups etc.
- Preferably the indicators should be internationally comparable.

The key points of de Lombaerde's discussion of RI indicators are as shown below.

- The distinction between traditional indicators (permitting a direct comparison between regions on their score on a particular variable) and benchmark type indicators (comparing first the performance of each region with its own objectives).
- An indicators system can be conceived as an ordered presentation of the values of the selected relevant variables (allowing comparison of regions), but without explicit weights for the variables; This simplifies reading, but involves weighting and aggregations procedures that are to some degree arbitrary.
- Quantitative data can be supplemented by qualitative assessment. This may make abstract data (in particular aggregate indices) more understandable. However, qualitative assessments are more difficult to implement in international and intercultural contexts.
- Indicator systems can confine themselves to descriptive measurements of observable variables or combine them with analytical information and estimates. The second option is again richer, but faces the problems of non-standardised methods of analysis concerning data collection and the complexity of interpretation.

Table 2: Indicators for the implementation of the SADC Free Trade Agreement

Indicator	ANG	BOT	DRC	LES	MAL	MAU	MOZ	NAM	RSA	SWA	TAZ	ZAM	ZIM
Subscribed to the SADC Trade Protocol	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Tariff phase down offers gazetted	No	Yes	No	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Tariff phase downs fully and timely implemented (as planned)	No	Yes	No	Yes	No	No	No	Yes	Yes	Yes	No	No	No
Tariff phase downs partly/late implemented	No	No	No	No	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes
Tariff phase downs not implemented at all	Yes	No	Yes	No	No	No	No	No	No	No	No	No	No
Revised Rules of origin gazetted	No	Yes	No	Yes	No	No	No	Yes	Yes	Yes	No	Yes	Yes
Revised Rules of origin implemented	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: TSG 2004 (Tables 1.1 and 1.2), sadc.int (subscription to the STP)

- Other problems relate to the availability, generation, frequency, sustainability, and manageability of data.
- A core issue for designing an RI indicator system is the underlying concept of integration (however, note that this appears to contradict the advice of Anderson – see the above last negative criterion).
- A quantitative approach will not be able to capture the fact that integration processes are not linear and continuous, but characterised by 'significant qualitative steps, breakpoints, accelerations or crises' that should be addressed. Evaluations of the 'before–after' type are regarded as useful.
- An indicator should be sufficiently flexible.
- Formal (based on formal agreements and discourses) and informal or 'real' integration need to be distinguished.
- Actors other than governments, on different levels (e.g., the sub-national level) need to be recognised.
- Positive and negative integration (Tinbergen 1954) should be distinguished.
- An open and flexible theoretical framework is necessary in order to be widely applicable.
- It is important to involve the users of RI indicators in their development.

SADC's monitoring mechanism

The RISDP recognises the importance of monitoring and evaluation and devotes a chapter to its monitoring and evaluation mechanism (chapter 7). Its objectives are to:

- ensure that the correct milestones, as planned, are being achieved;
- act as an early warning system in cases where targets are unlikely to be achieved;
- provide regular information to all stakeholders on progress of the risdp and an informed basis for any reviews;
- ensure the continuous sharpening and focusing of strategies and assist in the mobilisation of appropriate interventions. (SADC 2003a: 128)

The RISDP envisages regular monitoring at three levels: political and policy, operational and technical, and stakeholder. On the first level (political and policy), the summit and various policy organs are expected to exercise continuous oversight. On the second level (operational and technical), the Secretariat and the National Committees are responsible for Monitoring and Evaluation (M&E). While the Secretariat has to develop an integrated monitoring system and to produce an annual report on the overall implementation of RISDP, the National Committees (responsible for M&E at the national levels) have to provide, continuously, status reports to the Secretariat. The Secretariat plans to organise annual RISDP stakeholders' workshops.

An evaluation is planned to 'provide analytical and objective feedback to the organisation and stakeholders on the efficiency, effectiveness, and relevance of the RISDP in achieving the overall objective of poverty alleviation and its ultimate eradication'. Two types of evaluation are planned: self-evaluation and independent in-depth evaluation. Self-evaluation is meant to be an ongoing process of continuous improvement. Independent in-depth evaluation is planned to take place every three years.

RISDP sets the targets to develop M&E guidelines for the implementation of the RISDP (by 2004), and to develop aggregate indicators for regional integration in all priority intervention areas. Until now, no systematic M&E has taken place, and these targets have not been met. One of the contributing factors to this state of affairs is the fact that SADC has been restructuring its institutions since 2001, leading to lack of human capacity at the secretariat.

However, in the southern African region, there are various other institutions with sole or partial mandates to monitor SADC and other regional cooperation initiatives in the region (Hansohm and Adongo 2005). Those that concentrate on monitoring trade and economic integration include the regional integration bodies, multilateral institutions, and civil and academic institutions. Various International Cooperating Partners (ICPs) with SADC monitor activities, projects and programmes that they support. The Southern Africa Research and Documentation Centre (SARDC) runs, inter alia, a regional economic development and integration programme, and publishes various publication series, including SADC's official quarterly publication, *SADC Today*. The Namibian Economic Policy Research Unit (NEPRU) organises annual workshops on the monitoring of economic and political aspects of regional integration with experts from the region and beyond, and publishes the *Monitoring Regional Integration in Southern Africa Yearbook*. NEPRU is also coordinating the Deepening Regional Integration Project. Most of these efforts have, however, proved to be not sustainable. The comprehensive *SADC Regional Human Development Reports*, published by the Southern African Political Economy Series (SAPES) Trust in Harare, only appeared in 1998 and 2000. The *SADC Barometer of the South African Institute for International Affairs* ceased after two years as well.

Proposed monitoring methodology

The methodology of FOPRISA is formative process research, which aims at assessing organisational performance and focuses on the involvement of principal stakeholders in discussions of relevance and interests. It provides data and analysis for ongoing processes of organisational learning, with the intention of improving the organisation's mode of operation, its operational approaches and procedures, and its performance.

SADC's Regional Indicative Strategic Development Plan (RISDP) has been formulated with the main goal of deepening regional integration in Southern Africa. It has set out development objectives, timelines and implementation strategies which provide a strategic direction with respect to its programmes and activities, and which would ensure coherence between SADC priorities and its policies. The SADC Secretariat is tasked with the responsibility of encouraging stakeholders to carry out the monitoring of SADC, and for it to coordinate such a monitoring process. Monitoring of SADC policy implementation is therefore a continuous implementation review undertaken to provide stakeholders with indications of progress towards the achievement of its objectives and outputs.

Monitoring of SADC is essential in order to track (a) the progress of the SADC restructuring process, (b) the production of and subscription to relevant treaties, memoranda of understanding, strategic documents, etc., (c) implementation of these, and obstacles; (d) financing of SADC (sufficiency for present and planned activities, dependence on ICPs, distribution of membership fees), (e) improvement of inter-state relationships of cooperation, (f) relation to the private sector and civil society, and (g) progress towards integration. The RISDP forms the main basis for the monitoring and evaluation exercise.

This research and monitoring builds on:

- the concept paper on monitoring SADC for the preparatory workshop for FOPRISA in July 2003 (Hansohm 2003);
- previous work of the author on monitoring SADC, the region and methodological aspects of monitoring and regional integration;
- work of the working group on monitoring regional integration in Southern Africa, partly published in the *Monitoring Regional Integration Yearbook* (Hansohm *et al.* 2002–05);
- the reports assessing SADC and its restructuring by the Christian Michelsen Institute (CMI) in 2001 to 2003 (Isaksen and Tjønneland 2001, Isaksen 2002 and 2003b);
- interviews and data collected during a visit to Gaborone and Pretoria in October 2005;
- discussions of a draft report on this visit at FOPRISA's annual meeting in November 2005.

Monitoring RI has multiple dimensions (Hansohm 2004). Key ones are listed below.

- The production of, and subscription to, relevant treaties, memoranda of understanding (e.g., on macroeconomic convergence, cooperation on taxation), strategic documents, creation of institutions, etc.
- The implementation of these and obstacles: adherence to agreed principles and actions, functioning of created institutions; tendencies towards bureaucratisation.
- Financing of SADC: sufficiency for present and planned activities, dependence on ICPs, distribution of membership fees.
- Relationship to continental and other regional initiatives, especially the African Union (AU) and NEPAD, but also to SACU, CMA and COMESA: the progress or otherwise of other inter-state initiatives in which member states of SADC are participating may strengthen SADC (SADC as a stepping stone to African integration, SACU as a building block for deeper integration within SADC), but it may also direct scarce human and financial resources away from SADC.
- Relation to the private sector and civil society (including trade unions, churches, media, NGOs, etc.): the degree of their knowledge of, and participation in, the process of regional integration, as well as the real and perceived impacts the process will have on civil society.
- Effects of regional integration on economic and human development: the promise and test of the success of regional integration is convergence of SADC with the richer world ('catching up'), but also of the poorer countries within SADC with the richer members.
- Cost and benefits of the process of regional integration and the perceptions of these on countries and various interest groups. This is believed to be a key driving force for the speed and sustainability of regional integration.

RISDP is the reference point. It has a number of priority areas with many targets (see Table A2 in Appendix 1)

SADC's 'Scoping, prioritisation and ranking of existing and potential SADC RISDP projects' of October 2004 lists the following short term priorities for RI on which RISDP should focus for the next five years, as below.

- Integration of markets and economic development
- Trade facilitation mechanisms
- Financial markets integration
- Macroeconomic convergence
- Infrastructure
- Statistics.

However, 'the other functional areas [of RISDP] are also important, and key projects have been identified to a slightly lesser extent, recognising that the objective is prioritisation and phasing of implementation' (Imani 2004). It is to be noted that this prioritisation relates to RISDP, but does not follow exactly its structure (e.g., trade facilitation is not a priority area or a target).

In light of the interviews with SADC so far, insights from the literature, relevance for RI, expertise of the consultants, resource limitations, and agreement at the FOPRISA annual meeting in November 2005, this monitoring exercise focuses on the following priorities and topics:

- Trade, economic liberalisation and development
- Public–private sector partnership and dialogue
- Infrastructure support for RI and poverty eradication
- SADC National Committees

For each of thiese, the study takes account of the dimensions discussed above, and starts by setting out the respective rationale of RISDP, agreements, mandates, institutions and indicators derived from those. Then it discusses implementation, obstacles and outcomes, and evaluates the respective priority area.

It needs to be emphasised that this report is the start of the monitoring exercise, a first input for discussion with SADC. Because of limitations in budget and in time, the approach is partial, rather than trying to be all-inclusive. A related important aspect that needs to be understood is the limitation of data relevant for monitoring – both in general terms (there are many blank spaces and unknowns in statistics), and in specific terms – not all relevant interview partners could be reached.

An evaluation of progress in the implementation of SADC activities is made in the respective sections, and at the end.

3. Trade, Economic Liberalisation and Development

The RISDP of SADC sets key priority areas under trade, economic liberalisation and development as follows (SADC 2003a: 83–87, 138–39).

- The establishment of a SADC FTA by 2008;
- Diversification of industrial structure and exports with more emphasis on value addition across all economic sectors by 2015;
- Macroeconomic convergence (concerning inflation rate, budget deficit, and debt); and
- The establishment of a SADC monetary union by 2016.

This chapter reports on and discusses each key priority areas. It starts with describing the rationale, specific objectives, binding agreements, responsible institutions and indicators of progress. This is followed by considerations of the state of implementation, obstacles and outcomes, and finally, there is an evaluation for each priority area. Since the priority, area macroeconomic convergence, already works to facilitate the establishment of the monetary union, and as this objective is only to be attained in the longer term (by 2016), the last priority area above has not been elaborated further in key documents or in this report.

The SADC Free Trade Area

Rationale, agreements, mandates, institutions and indicators for the SADC FTA

Behind the reasoning for SADC's free trade area (FTA) RISDP gives the example of the experience of countries that have achieved high growth by trade liberalisation. Trade integration is also generally the key element of RI. RISDP emphasises the role of a regional FTA in enlarging markets (SADC 2003a: 83). In order for SADC to attain its ultimate goal of eradicating poverty in the region, it states the need to eliminate obstacles to the free movement of capital, labour and goods and services (SADC 2003a). This is expected to stimulate intra-SADC trade, development and thereby eradicate poverty. International trade integration, general economic liberalisation, RI ('deeper integration') by trade and economic liberalisation are all stated by RISDP asa means of eradicating poverty.

The RISDP covers all programmes of SADC, but when it comes to trade specific issues, the prior SADC Trade Protocol (STP) of 1996, as amended in 2000, and which came into effect in 2001, is the key document. The protocol (SADC 1996) envisages an FTA by 2008, with a customs union and a common market to follow in 2010 and 2015 respectively. This section concentrates on the FTA, which is the first step to further integration. In line with the above objectives, SADC member states have committed themselves to implement their agreed tariff phase down schedules from 2000, with 85% of all intra-SADC trade scheduled to be duty free by 2008, while the remaining 15% on what has been classified as sensitive products is set to be eliminated by 2012.

The RISDP (SADC 2003a:32) has adopted the following strategies in order to achieve these objectives:

- Gradual elimination of tariffs;
- Elimination of non-tariff barriers;
- Adoption of common rules of origin;
- Attainment of internationally acceptable standards, quality, accreditation and metrology;
- Harmonisation of customs rules and procedures;
- Harmonisation of sanitary and phytosanitary measures; and
- Liberalisation of trade in services

Member states are the key institutions in the implementation of the SADC FTA, while SADC's Trade, Industry, Finance and Investment (TIFI) directorate, its subsidiary institutions in member states, and the Trade Negotiating Forum (TNF) are responsible for coordination and facilitation. It is also noted that regulatory authorities implement the removal of barriers to trade, while it is the business sector that will increase trade and generate growth for the region.

In order to make provision for differentials in development across the region, member states agreed to follow the *principle of asymmetry*, whereby more developed members liberalise faster than underdeveloped members. In the light of this, an arrangement has been reached so that South Africa, the most advanced state in the region, undertakes a faster tariff phase down, while other member states are to offer tariff reductions to South Africa at a slower rate than what they offer among themselves. SACU countries, consisting of Botswana, Lesotho, Namibia, South Africa and Swaziland have jointly offered to implement tariff phase downs faster than the rest of SADC members (by 2006), followed by Mauritius and Zimbabwe and then by the LDCs of Malawi, Mozambique, Tanzania and Zambia.

Besides the removal of tariffs, issues regarding non-tariff measures (NTM) are also set to be cleared and SADC member states have committed themselves to the removal of Non-Tariff Barriers to trade (NTBs) and technical barriers to trade (TBT). These indirect barriers to free trade are collectively referred to as non-tariff measures (NTMs). Elimination of NTBs includes the harmonisation of customs rules and procedures and the harmonisation of sanitary and phytosanitary measures.

SADC Member States have also agreed to implement new Rules of Origin (RoO) and Sanitary and Phytosanitary Measures (SPS). Rules of origin are necessary tools in an FTA used to guard against trade deflection, whereby goods and services tend to enter an FTA via the member with the lowest external tariffs. Rules of origin are then used to identify products that qualify for tariff preferences under an FTA, thereby ensuring that only products originating in member states (to such a degree as members determine) enjoy applicable tariff preferences.

Regarding the attainment of internationally acceptable standards, quality, accreditation and metrology, SADC tabled the MoU on Cooperation in Standardisation, Quality Assurance, Accreditation and Meteorology (SQAM) at the SADC summit of November 1999 and this legal document entered into force in July 2000.

Due to information limitations, this paper will not do an evaluation of the liberalisation of trade in services.

Success indicators are also very much linked to expected outcomes. In fact, agreements and commitments are made with an intention of implementing them in order to attain desired results. Key indicators will be:

- Subscription (ratification or accession) to the SADC Trade Protocol;
- Gazetting of tariff phase down offers;
- Degree and timely implementation of tariff phase downs;
- Gazetting of revised rules of origin (approved in August 2002);
- Subscription (signing or accession) to the MoU on SQAM;
- Improved investment climate in SADC;
- Level and the change in intra-regional trade to total trade ratio;
- Increased SADC share of trade in total global trade; and
- Increased SADC share of investment in total global investment

The outcomes referring to economic diversification are tackled in the next sub-section.

Implementation, obstacles and outcomes of the SADC FTA

The implementation of the STP to form an FTA began in 2000, and thus this process reached its mid-point in 2004. As part of the mid-term review, the SADC Secretariat commissioned various studies, whereby different institutions and experts were allocated with responsibilities of reviewing the STP. Among other issues, review reports have been produced on the rules of origin (Brenton *et al.* 2004), on the structure and pattern of SADC trade (van Seventer and Kalaba 2005), an inventory of regional NTB (Imani 2004), and on the status of implementation of the trade protocol (TSG 2004). Availability of complete and disaggregated data proved to be one of the limitations, but these reports gave a good account on the state of implementation, bringing out interesting findings and producing comprehensive recommendations which have been summarised by the Secretariat (SADC 2005).

Key indicators of the implementation of the protocol as identified above are summarised in Tables 2 and 3 below. All SADC members, except the Democratic Republic of Congo (DRC), have either ratified or acceded to the STP, but in total, four states have not gazetted their tariff phase down offers (Table 2). Only SACU, Zambia and Zimbabwe have gazetted the revised rules of origin, and there are three states that are not implementing the rules (Angola, DRC, and Lesotho). In mid-2004, Mozambique and Tanzania were reportedly in the process of gazetting the revised rules. Those countries that are implementing the rules without having gazetted them believe that ratification of STP is equivalent to the gazetting process. However, theoretically certificates of origin issued by such countries could be declared invalid (TSG 2004:7). But in reality this rule has not been applied in SADC and no problems have been experienced in this respect (TSG 2004:7).

On one of the most important commitments (tariff reduction), SADC member states have gazetted the tariff phase down schedules, but have delayed the implementation. This leaves member states needing to accelerate their tariff reductions in the remaining four years or even to implement tariff offers twice a year. At least all member states, except for DR CONGO which has not acceded to the protocol, have started with the implementation. Zimbabwe, Malawi and Zambia have substantially delayed the implementation of their tariff reductions, while the rest are largely on schedule (TSG 2004:1).

Tariff phase down offers by most member states are heavily back-loaded. The majority of reductions are being delayed until the final years of implementation. This means that the pace of tariff phase downs schedule will need to increase substantially over the next four years and this, in turn, implies that 'any problems encountered to date are likely to be magnified' (TSG 2004: v).

The progress in tariff reduction contrasts with the often-expressed opinions of public and private sector stakeholders – that there is a larger degree of non-implementation. This negative assessment threatens to undermine commitments to free trade in the region. With information lacking about the status of implementation in other countries, policy makers may find themselves hard pressed to resist the pressures of calls for increased protectionism (TSG 2004:vi). This calls for the need for higher levels of transparency and information sharing on the progress in implementing the FTA.

Another obstacle identified by TSG from its country visits is that a number of countries have undergone changes in their tariff regimes/customs administration, which makes matching the original offer and the current tariff book complicated. One example is that countries are changing their commodity classification systems, as the Harmonised System (HS) coding is updated every four to six years (TSG 2004:4). Member states are required to institute tariff phase downs by the first of January each year. Amongst some LDCs, i.e., Malawi and Zambia, financial constraints have been cited as obstacles to implementation.

Trade barriers consist not only of tariffs, but also of other non-tariff measures, which can be classified into NTBs, TBTs, and sanitary and phytosanitary measures (SPS). While tariffs are coming down, the picture on NTM looks gloomy. In fact, during the process of trade liberalisation and tariff reform in the region, NTB have become less identifiable, more arbitrary, qualitative and non-transparent' (Imani 2004:2). They include a wide array of measures, a major one being the Rules of Origin (RoO).

The existence of restrictive rules of origin in some cases and the existence of NTM have served to restrict trade in sectors where member states expected to see greatest results. This is an indication that NTM are also working to replace tariffs as barriers to trade. By early 2004, only SACU and Zimbabwe had formally gazetted the revised rules of origin, which were approved in August 2002, but still, almost all member states are implementing the rules by default (TSG 2004:7). Complicated rules of origin give rise to other NTB (border procedures), thereby undermining targets of smoother trade facilitation and restricting the flexibility of firms in sourcing inputs they need in order to be internationally competitive (see Brenton *et al.* 2005:2).

Brenton *et al.* (2005:1) argue that rules of origin are often manipulated to achieve objectives other than those of identifying the nationality of a product, e.g., to stimulate economic activities of local producers of intermediate goods. This is, for instance, done by encouraging trade partners to switch away from importing such goods from probably cheaper sources based in non-member states and rather to acquire such goods from a more inefficient member state – a trade diversion scenario.

Rules of origin can be general or product specific. SADC had the former kind of rules until 2005, after which it started to implement the revised rules of origin that are more consistent with those in regional ecomic communities (RECs) elsewhere around the globe. The question as to which one of the two sets of rules is better remains an issue of contention, as product-specific rules of origin are said to be more effective in preventing trade deflection. They are, however, also more complicated, and have a potential to increase the burden on both the firms and customs officials (Brenton *et al.* 2005:2).

A key challenge to the SADC FTA is the multiple membership of its members in other regional trade arrangements, notably COMESA. The more parallel bodies deepen integration, the more is coexistence problematic. The current negotiations of SADC members with the EU on economic partnership agreements (EPA) is a case in point. The group of SADC Member States that has chosen to negotiate EPAs under SADC is made up of seven countries, known as BLNS + MAT, i.e., made up of Botswana, Lesotho, Namibia and Swaziland from SACU, plus Mozambique, Angola and Tanzania. South Africa participates as an observer because of its TDCA agreement with the EU, while six other Member States of SADC have opted to negotiate under other groupings.

On the attainment of internationally acceptable standards, quality, accreditation and metrology – SQAM, SADC tabled a MoU on SQAM during November 1999 and this came into force in July 2000. DRC, Swaziland and the new member (Madagascar) are still required to sign it.

SADC aims to increase its share in world trade. Table 3 shows percentage shares of individual SADC Member States, SADC and Sub-Saharan Africa in global exports for 1990 and 2003. Only Angola, Botswana, Lesotho, Mozambique and Tanzania had increased their shares from 1990 to 2003. With missing data on service exports by DRC, Zambia and Zimbabwe, the SADC share in world exports fell from 1.14% in 1990 to 0.91% in 2003. SADC has however performed better than the rest of SSA, whose corresponding share has fallen from 2.22% to 1.62% over the same period. (SADC accounted for 56% of SSA exports in 2003 compared to 51% in 1990.)

Table 3: SADC share (%) in world exports, 1990 and 2003

	1990		2003		Change
	US$ millions	***share (%)***	***US$ millions***	***share (%)***	
Angola	3,975	0.11%	8,997	0.12%	⇧
Botswana	1,967	0.06%	3,305	0.04%	⇩
DRC*	2,326	0.07%	815	0.01%	⇩
Lesotho	96	0.00%	508	0.01%	⇧
Madagascar	448	0.01%	857	0.01%	⇔
Malawi	454	0.01%	512	0.01%	⇔
Mauritius	1,672	0.05%	3,213	0.04%	⇩
Mozambique	229	0.01%	1,180	0.02%	⇧
Namibia	1,191	0.03%	1,634	0.02%	⇩
South Africa	23,352	0.67%	42,896	0.57%	⇩
Swaziland	658	0.02%	1,018	0.01%	⇩
Tanzania	462	0.01%	1,831	0.02%	⇩
Zambia*	1,309	0.04%	940	0.01%	⇩
Zimbabwe*	1,726	0.05%	1,170	0.02%	⇩
SADC	**39,865**	**1.14%**	**68,876**	**0.91%**	⇩
SSA	77,903	2.22%	122,468	1.62%	⇩
World	**4,254,651**		**9,307,830**		

Source: World Bank 2005, tables 4.5 to 4.8
Note: No data were available for DRC, Zambia and Zimbabwe on service exports
Key: ⇧ improvement, ⇩ deterioration, ⇔ remained the same, – no data

Investment climate is a key driver of development in general and increased trade in particular. The private sector is their engine (e.g., Stern *et al.* 2005). Thus the measurement of the investment climate is a vital indicator of development and trade. Important elements of the investment climate are property rights, the rule of law, corruption, obstacles facing firms, barriers to entry and exit, regulation, competition and openness to trade.

There are now a number of monitoring exercises. Most important among them are the Global

Competitiveness Reports by the World Economic Forum (WEF) and the 'Doing Business' reports by the World Bank (2004, 2005). The World Bank and its International Finance Corporation (IFC) have started to compile full-scale investment climate assessment, for, up to now, 18 countries, out of these four are in the SADC region: Madagascar, Mozambique, Tanzania, Zambia. However, there are few time lines that allow a monitoring over time. Although WEF's competitiveness rankings go back to 1998, they cover only nine of the 14 SADC economies.

To improve the business climate and achieve freer trade, entry and exit barriers of firms need to be reduced. Barriers to entry of firms can be measured in terms of the number of procedures and the time it takes to establish a business. Table 4 indicates that barriers to entry have in fact increased in Botswana, the DRC, and Namibia. They were reduced in Madagascar, Malawi, Mozambique, Zambia, and Zimbabwe between 2003 and 2005.

Table 4: Starting a business – number of procedures and time (2003 and 2005)

	Procedures (number)			Time (days)		
Country	*2003*	*2005*	*Change*	*2003*	*2005*	*Change*
Angola	14	14	⇔	146	146	⇔
Botswana	10	11	⇩	97	108	⇩
DRC	13	215	⇩	13	155	⇩
Lesotho	9		–	92	92	⇔
Madagascar	15	11	⇧	67	38	⇧
Malawi	11	10	⇧	45	35	⇧
Mauritius	n.a.	6	–	n.a.	46	–
Mozambique	15	14	⇧	153	153	⇔
Namibia	10	10	⇔	85	95	⇩
South Africa	9	9	⇔	38	38	⇔
Swaziland	n.a.	n.a.	–	n.a.	n.a.	–
Tanzania	13	13	⇔	35	35	⇔
Zambia	6	6	⇔	40	35	⇧
Zimbabwe	10	10	⇔	122	96	⇧

Source: World Bank (2004, 2006)
Key: ⇧ improvement, ⇩ deterioration, ⇔ remained the same, – no data

Table 5 overleaf makes an evaluation of barriers to firm exit, measured in terms of the time and the cost associated with closing a business. The picture is mixed for most countries.

Table 6 overleaf quantifies transaction costs, barriers associated with business operations due to cost of regulation. The data for the proxies of procedures necessary to enforce contracts, and of days necessary for this, indicate deteriorations in almost all countries for which data are available for the two years 2003 and 2005 (Angola, Botswana, Madagascar, Malawi, Mozambique, South Africa, Tanzania, Zambia, Zimbabwe). In the DRC the picture is mixed.

The level of corruption is another very important factor that determines transaction costs and thereby the business climate. The Corruption Perceptions Index (Table 7) ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians (focusing on the public sector). It reflects the views of business people and analysts from around the world, including experts based in evaluated countries. For the purposes of these ratings, corruption is defined as the abuse of public office for private gain. The index scores range from 10 (highly clean) and 0 (highly corrupt). As of the year 2005, leaders in SADC are Botswana, South Africa, Namibia and Mauritius, but the scores are generally low in SADC, indicating high perceived corruption levels. Alarmingly, although the short-term trend (2004–2005) is mixed (5 improving, 4 declining), the long-term trend is negative for all but three SADC countries: Angola, Madagascar and Tanzania. It is as worrying that the cleanest countries (Botswana, Mauritius, Namibia and South Africa) have all slightly deteriorated over the long term.

Table 5: Exit barriers – closing a business (2003 and 2005)

	Time (years)			Cost (% of estate)		
Country	***2003***	***2005***	***Change***	***2003***	***2005***	***Change***
Angola	n.p.	6.2	–	n.p.	22.0	–
Botswana	2.2	2.2	⇔	18.0	14.5	⇧
DRC	n.p.	5.2	–	n.p.	22.0	–
Lesotho	n.a.	2.6	–	n.a.	8.0	–
Madagascar	n.p.	n.p.	–	n.p.	n.p.	–
Malawi	2.8	2.6	⇧	8.0	29.5	⇩
Mauritius	n.a.	2.0	–	n.a.	14.5	–
Mozambique	n.p.	5.0	–	n.p.	9.0	–
Namibia	n.a.	1.0	–	n.a.	14.5	–
South Africa	2.0	2.0	⇔	18.0	18.0	⇔
Swaziland	n.a.	n.a.	–	n.a.	n.a.	–
Tanzania	3.0	3.0	⇔	8.0	22.0	⇩
Zambia	3.7	3.1	⇧	8.0	9.0	⇩
Zimbabwe	2.3	2.2	⇧	18.0	22.0	⇩

Source: World Bank (2004, 2006)
Key: ⇧ improvement, ⇩ deterioration, ⇔ remained the same, – no data

Table 6: Enforcing contracts (2003 and 2005)

	Procedures (number)			Time (days)		
Country	***2003***	***2005***	***change***	***2003***	***2005***	***change***
Angola	46	47	⇩	865	1011	⇩
Botswana	22	26	⇩	56	154	⇩
DRC	55	51	⇧	414	909	⇩
Lesotho	n.a.	49	–	n.a.	285	–
Madagascar	29	29	⇔	166	280	⇩
Malawi	16	16	⇔	108	277	⇩
Mauritius	n.a.	17	–	n.a.	367	–
Mozambique	18	38	⇩	540	580	⇩
Namibia	n.a.	31	–	n.a.	270	–
South Africa	26	26	⇔	207	277	⇩
Swaziland	n.a.	n.a.	–	n.a.	n.a.	–
Tanzania	19	21	⇩	210	242	⇩
Zambia	16	16	⇔	188	274	⇩
Zimbabwe	13	33	⇩	197	350	⇩

Source: World Bank (2004, 2006)
Key: ⇧ improvement, ⇩ deterioration, ⇔ remained the same, – no data

Table 7: Development of the Corruption Perceptions Index, 1998–2005

Country	1998	1999	2000	2001	2002	2003	2004	2005	Short-term trend (2004–2005)	Long-term trend (1998–2004)
Angola	–	–	1.7	–	1.7	1.8	2.0	2.0	Constant	Positive
Botswana	6.1	6.1	6.0	6.0	6.4	5.7	6.0	5.9	Negative	Negative
DRC						2.2	2.0	2.1	Positive	Negative
Lesotho	–	–	–	–	–	–	–	3.4	–	–
Madagascar					1.7	2.6	3.1	2.8	Negative	Positive
Malawi	4.1	4.1	4.1	3.2	6.9	2.8	2.8	2.8	Constant	Negative
Mauritius	5.0	4.9	4.7	4.5	4.5	4.4	4.1	4.2	Positive	Negative
Mozambique	–	3.5	2.2	–	–	2.7	2.8	2.8	Constant	Negative
Namibia	5.3	5.3	5.4	5.4	5.7	4.7	4.1	4.3	Positive	Negative
South Africa	5.2	5.0	5.0	4.8	4.8	4.4	4.6	4.5	Negative	Negative
Swaziland	–	–	–	–	–	–	–	2.7	–	–
Tanzania	1.9	1.9	2.5	2.2	2.7	2.5	2.5	2.9	Positive	Positive
Zambia	3.5	3.5	3.4	2.6	2.6	2.5	2.6	2.6	Constant	Negative
Zimbabwe	4.2	4.1	3.0	2.9	2.7	2.3	2.3	2.6	Positive	Negative
SADC	**4.4**	**4.3**	**3.8**	**4.0**	**4.0**	**3.2**	**3.2**	**2.8**	Negative	Negative

Source: http://www.transparency.org
Key: – no data

Economic freedom is an overall indicator and a good proxy for business climate. The Heritage Foundation/Wall Street Journal Index of Economic Freedom ranks countries based on economic freedom (currently 161 countries ranked). The rating is an overall score which covers sub categories of trade policy, fiscal burden, government intervention, monetary policy, foreign investment, banking/finance, wages/prices, property rights, regulation and the informal market. Scores in the range of 1 to 1.99 signify free, 2 to 2.99 (mostly free), 3 to 3.99 (mostly not free) and those in the range of 4 to 5 signify not free. Scores for SADC countries are much worse when compared to those of developed countries, but both the short-term and long-term trends for SADC are overall positive. Botswana, South Africa and Madagascar have their economies ranked mostly free (see Table 8).

Table 8 overleaf is on Foreign Investment Climate, one of the sub-variables ranked in Table 9 overleaf, but since SADC has set the improvement of investment climate as one of its targets, it is important to look at the foreign investment climate separately. The scores in Table 8 are to read exactly the same as in Table 9, except that Table 8 refers to foreign investment climate only. Here Zimbabwe, Lesotho and Angola have lowest scores. Overall, the investment climate for SADC has not changed much since 1995.

Table 8: Development of the Index for Foreign Investment Climate 1995 to 2006

Country	1995	2000	2001	2002	2003	2004	2005	2006	Short term trend (2005–2006)	Long term trend (1995–2006)
Angola	4.0	4.0	–	–	–	–	–	4.0	–	Constant
Botswana	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	Constant	Positive
DRC	4.0	5.0	–	–	–	–	–	–	–	–
Lesotho	–	3.0	3.0	3.0	3.0	4.0	4.0	4.0	Constant	Negative
Madagascar	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	Positive	Constant
Malawi	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	Constant	Constant
Mauritius	–	3.0	3.0	3.0	3.0	3.0	3.0	2.0	Positive	Constant
Mozambique	4.0	3.0	3.0	2.0	2.0	2.0	2.0	3.0	Negative	Positive
Namibia	–	2.0	2.0	2.0	2.0	3.0	3.0	3.0	Constant	Negative
South Africa	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	Constant	Negative
Swaziland	2.0	2.0	2.0	2.0	3.0	3.0	4.0	3.0	Positive	Negative
Tanzania	3.0	3.0	3.0	2.0	3.0	3.0	4.0	3.0	Positive	Constant
Zambia	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	Constant	Negative
Zimbabwe	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	Constant	Negative
SADC	**3.1**	**3.0**	**2.8**	**2.7**	**2.8**	**3.0**	**3.3**	**3.1**	**Positive**	**Constant**

Source: www.heritage.org
Key: – no data

Table 9: Development of the Index of Economic Freedom 1995 to 2006

Country	1995	2000	2001	2002	2003	2004	2005	2006	Short term trend (2005–2006)	Long term trend (1995–2006)
Angola	4.38	4.47	–	–	–	–	–	3.84	–	Positive
Botswana	3.33	2.93	2.95	2.99	2.54	2.55	2.49	2.29	Positive	Positive
DRC	3.89	4.60	–	–	–	–	–	–	–	–
Lesotho	–	3.44	3.44	3.39	3.29	3.50	3.41	3.24	Positive	Positive
Madagascar	3.74	3.39	3.29	3.29	2.85	3.14	2.73	2.75	Negative	Positive
Malawi	3.74	3.84	3.76	3.59	3.63	3.51	3.65	3.63	Positive	Positive
Mauritius	–	2.90	2.98	2.95	2.96	2.99	2.90	3.03	Negative	Negative
Mozambique	4.34	3.94	3.35	3.20	3.40	3.33	3.29	3.35	Negative	Positive
Namibia	–	2.98	2.93	2.84	2.70	2.96	3.15	3.11	Positive	Negative
South Africa	3.23	3.01	3.00	2.79	2.63	2.79	2.83	2.74	Positive	Positive
Swaziland	3.11	3.16	3.05	3.21	3.05	3.18	3.11	3.04	Positive	Negative
Tanzania	3.79	3.58	3.60	3.51	3.49	3.24	3.41	3.20	Positive	Positive
Zambia	3.15	2.99	3.30	3.35	3.55	3.55	3.45	3.34	Positive	Negative
Zimbabwe	4.09	4.04	4.21	4.44	4.63	4.54	4.36	4.23	Positive	Negative
SADC	**3.71**	**3.52**	**3.32**	**3.30**	**3.23**	**3.27**	**3.23**	**3.21**	**Positive**	**Positive**

Source: www.heritage.org
Key: – no data

Many analysts also argue that political freedom is an indicator of development (see Breytenbach (2005) for the region). While there has not been much change in the short term (see Table 10), over the long term the trend is encouraging for most countries.

Table 10: Development of Political Freedom 1990 to 2005

Country	**1990**	**1995**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**Short term trend (2004–2005)**	**Long term trend (1990–2005)**
Angola	7	6	6	6	6	6	6	6	Constant	Positive
Botswana	1	2	2	2	2	2	2	2	Constant	Negative
DRC	6	7	7	6	6	6	6	6	Constant	Positive
Lesotho	6	4	4	4	4	2	2	2	Constant	Positive
Madagascar	4	2	2	2	2	3	3	3	Constant	Negative
Malawi	7	2	3	4	4	4	3	4	Positive	Positive
Mauritius	2	1	1	1	1	1	1	1	Constant	Positive
Mozambique	6	4	3	3	3	3	3	3	Constant	Positive
Namibia	2	2	2	2	2	2	2	2	Constant	Positive
South Africa	5	2	2	2	2	2	2	1	Positive	Positive
Swaziland	6	6	6	6	6	6	7	7	Constant	Negative
Tanzania	6	5	4	4	4	4	4	4	Constant	Positive
Zambia	6	3	5	5	4	4	4	4	Constant	Positive
Zimbabwe	6	5	6	6	6	6	6	7	Negative	Negative
SADC	**5**	**4**	**4**	**4**	**4**	**4**	**4**	**4**	**Constant**	**Constant**

Source: www.FreedomHouse.org

Coming to the expected outcome of the FTA – did trade in the region and with the world increase? Using just less than a quarter of product groups, the review by van Seventer and Kalaba (2005) found little evidence that tariff phase downs by other SADC member states (excluding SACU) have, in the context of the STP, had any significant impact on stimulating intra-regional trade.

Due to data limitations, there are only data for two short periods before and after implementation of the free trade agreement (1999–2000 and 2001–2002). Comparison of these is a tricky and very tentative exercise, because one expects a time lag before trade liberalisation efforts can be reflected in changed trade patterns. Nevertheless, trade structures of SADC countries give us some interesting findings (Table 11):

Table 11: Measuring the outcome of the implementation of the SADC Trade Protocol

Indicator	**ANG**	**BOT**	**DRC**	**LES**	**MAL**	**MAU**	**MOZ**	**NAM**	**RSA**	**SWA**	**TAZ**	**ZAM**	**ZIM**
Intra–SADC trade to total trade ratio (1999–2000), %	–	44.6	–	74.8	29.6	2.0	39.7	60.8	6.6	82.2	15.1	43.1	36.3
Intra–SADC trade to total trade ratio (2001–2002), %	–	40.1	–	75.6	37.7	1.9	30.7	60.5	6.3	81.0	10.3	50.7	39.4
Direction of change in the ratio	–	⇩	–	⇩	⇩	⇩	⇩	⇩	⇩	⇩	⇩	⇧	⇧

Source: Calculations based on analysis by van Seventer and Kalaba 2005.

Key: ⇧ improvement, ⇩ deterioration, – no data

- The regional giant, South Africa and the much advanced Mauritius trade relatively less with SADC as compared to their total trade, and their SADC to total trade ratios have decreased further between the two short periods.
- With the exception of Lesotho, Zambia and Zimbabwe, while also recognising the limitation of time series data, intra-SADC trade became less important for most member states between 1999/2000 and 2001/2002.

Key trading partners of SADC member states include the EU, East Asia, NAFTA and the rest of the world. There is not much trade with the rest of Africa. SADC member states still maintain high trade shares with above-mentioned trading partners, but their shares and growth rates for trade within SADC are slightly increasing for most members. Economic growth performance has also improved for many SADC countries, including those that recorded poor growth rates in the past. Zambia is one of the main drivers for the intra-SADC trade growth and the country has recorded good output growth rates as well. There is a mildly improved intra-SADC trade performance since 2000. Whether this is the result of the inception of the SADC trade protocol or any other event is hard to say at this stage (van Seventer and Kalaba 2005:iv).

The performance of SADC and Africa as a whole in attracting FDI has shown an improvement. Table 12 shows that over the period of 1998 to 2000, SADC accounted for 0.3% of global FDI inflows. This share has improved to 0.8% over the period 2001 to 2004. Africa also increased its corresponding share from 1.0% to 2.4%.

In summary the results of the SADC FTA are mixed. Key findings are:

- While almost all members ratified the STP, not all are implementing the rules.
- Tariff phase down offers by most member states are heavily backloaded, meaning that the speed of regional trade liberalisation will have to increase substantially in future years.
- While tariffs are coming down, they are partly replaced by NTB and other NTMs, that are less transparent.
- The investment climate, vital to increase regional trade and investment, is not improving consistently. Rather, according to a number of indicators, it is deteriorating.
- There is no clearly identifiable increase in trade within the region.

Table 12: Inward FDI inflows 1998 to 2004, millions of US$ and % shares

	1998	1999	2000	2001	2002	2003	2004	1998–2000	2001–04
SADC	2,963	4,944	2,825	9,967	3,751	5,562	4,638	10,732	23,918
Africa	9,049	11,886	9,627	20,027	12,994	18,005	18,090	30,562	69,115
World	701,124	1,092,052	1,396,539	825,925	716,128	632,599	648,146	3,189,714	2,822,797
SADC % of Africa	**32.7%**	**41.6%**	**29.3%**	**49.8%**	**28.9%**	**30.9%**	**25.6%**	**35.1%**	**34.6%**
SADC % of World	**0.4%**	**0.5%**	**0.2%**	**1.2%**	**0.5%**	**0.9%**	**0.7%**	**0.3%**	**0.8%**
Africa % of World	**1.3%**	**1.1%**	**0.7%**	**2.4%**	**1.8%**	**2.8%**	**2.8%**	**1.0%**	**2.4%**

Source: World Bank 2005 (World Investment Report)

Diversification of industrial structure and exports

Rationale, agreements, mandates, institutions and indicators for diversification

The SADC Trade Protocol has set the enhancement of economic development, diversification of economic activities and industrialisation in the region as some of its key objectives. As it has been further elaborated in the RISDP, this includes the diversification of industrial structure and exports, with more emphasis on value-addition across all economic sectors, and taking into account the following indicators:

- diversify (increase of non-traditional exports) and sustain export growth rate of at least 5% per annum;
- increase in manufacturing as a % of GDP to 25% by 2015.

It is noticeable that this priority area does not provide activity benchmarks, but only outcomes. This leaves us not very clear as to how the envisaged diversification is to be achieved.

During the formulation of the RISDP in 2003, it was realised that SADC economies have small manufacturing sectors and they do not produce a diversified range of products. Mauritius and South Africa were then leading in diversification, with manufacturing–GDP ratios of around 25%. Both the diversification and advances in manufacturing are necessary to reduce vulnerability with respect to global price shocks and it would also work to facilitate more trade compared to a situation where all regional countries are producing a limited range of goods and services. Due to the prevalence of trade creation and trade diversion scenarios associated with regional trade integration, net effects of integration are more bound to be positive and larger, when the economic size of the integrating states is large, and when those states have wider product ranges to offer. This scenario limits the chances that production may have to be moved from a more efficient non-member to a less efficient member, following the formation of a regional trade agreement. Statistics show that SADC states produce a similar range of products such as foodstuffs, beverages, tobacco, textiles, clothing and footwear, which are agriculture–resource based (SADC 2003a). In order to enhance industrialisation and move away from exclusive exportation of raw materials, SADC has stressed the need to develop its industries and to promote entrepreneurship. It is crucial for states to diversify trade destinations as this does not only reduce vulnerability to trade shocks, but also increases choice over trading partners, allowing free market dynamics to unfold. Information about export destinations for SADC countries (with trade shares) is not readily available, but available information indicates that trade destinations for SADC remained largely the same, while there is more diversification towards SADC (van Seventer and Kalaba 2005:12).

The key implementers for diversification targets are practically the member states and their stakeholders in the private sector, while the SADC secretariat and its subsidiary institutions are to coordinate the process. Since these targets are ranging from short to long term, indicators should be:

- the rate of change in regional trade structure i.e., change in the number of products traded;
- the rate of annual growth in exports by SADC; and
- the change in manufacturing to GDP ratios.

Implementation, obstacles and outcomes of diversification

The Review of the SADC Trade Protocol (van Seventer and Kalaba 2005) indicates that the majority of SADC countries are still exporting raw materials, while importing most manufactured goods from developed countries. South Africa has more diversified exports, although these are largely resource based. The second is Mauritius whose main export products comprise textiles, clothing and sugar. The rest of SADC exports agriculture related commodities and minerals.

Data on the growth of exports and of manufactured exports comparing the periods before (1994–99) and after (2000–03) the implementation of the FTA (Table 13) show that SADC exports (weighted average) have grown less in the second as compared to the first period: SADC exports grew by 6.7% per annum over the period 1994 to 1999, but growth slammed to 3.0% during 2000 to 2003 period. South Africa, which accounts for over 70% of SADC GDP, recorded 6.3% and 2.0% export growth rates respectively, and that has been the major determining factor. The exceptions to the regional trend are Lesotho, Mozambique, Namibia, Swaziland, Tanzania, and Zambia.

The region has managed to increase the share of exports of manufactured goods (Table 13), improving the ratio of manufactured to total exports by over 2 percentage points as compared to the first period. However, this is due to developments in SACU – the rest of SADC countries as a group export less manufactured goods now. Only Malawi, Mauritius, and Zambia export more. Botswana, a SACU member, registers a drastic decline of manufactured exports.

Most SADC countries continued to reduce their dependency on the primary sector (see Table 14. Only Angola, Malawi, and Zimbabwe have larger agricultural value added in 2001–03 than in 1998–2000. SACU diversified more towards the services sector, while the rest of SADC has diversified towards industry. This table gives an idea of value added in three sectors over three periods (1994–1997; 1998–2000 and 2001–2003). These sectors are not exhaustive of the whole economy, but they give an idea of how SADC is diversifying across primary, industry and tertiary sectors. The picture painted here is that there is little progress towards industrialisation in SADC. The economies of DRC, Malawi and Tanzania are highly dependent on agriculture and less on industry and services.

While Mozambique appears to have industrialised at an astonishing pace over the last ten years or so, the actual change is more from service sector to industry. And while

Table 13: Growth of exports and manufactured exports, 1994 to 2003

Indicator	SADC	SACU	Ro SADC[a]	ANG	BOT	DRC	LES	MAL	MAU	MOZ	NAM	RSA	SWA	TAZ	ZAM	ZIM
The % annual growth in exports, 1994 – 99	6.7	6.2	8.3	9.5	5.4	17.5	10.2	5.8	6.3	10.8	2.7	6.3	3.8	2.3	3.9	9.2
The % annual growth in exports, 2000 – 03[b]	3.0	2.3	5.4	3.3	1.3	2.1	19.5	−1.3	6.0	26.9	3.2	2.0	17.8	10.3	7.9	−10.8
Manufactured to total exports (%), 1994–99[c]	44.7	52.0	20.0	2.2	12.0	14.5	14.3	12.7	66.4	4.6	20.9	54.9	8.2	12.9	17.8	35.2
Manufactured to total exports (%), 2000–03	46.8	55.7	17.1	1.4	1.9	13.3	15.4	17	71.4	2.2	22.4	59.6	1.9	7.1	24.4	25.9

Sources: SADC Bankers 2005

NB: Average growth rates for SACU, Ro SADC and SADC are weighted averages with respective country shares in total GDP being used to approximate weights.

Notes: (a) The Rest of SADC, excluding SACU, (b) This refers to growth in real exports of goods and non-factor services, (c) Total exports refer to total merchandise exports, noting South Africa's dominance in SACU, the SACU region is moving to the service sector, with the shares of both agriculture and industry on a decline. Over half of merchandise exports by Mauritius and South Africa are domestically manufactured, while the rest of SADC members export predominantly non-manufactured goods.

From Table 15 overleaf, one can see that the manufacturing to GDP ratio for SADC has fallen from 17.3% in 1990s to 16.8% during 2000 to 2004 period. This reflects declines in Botswana, Malawi, Namibia, South Africa, Swaziland, and Zambia. Although the 25% target is a long-term one (by 2015), attention needs to be given to this declining ratio.

In summary:

- the regional trade structure has barely changed for SADC;
- exports by SADC grew much slower from the year 2000 on; and
- manufacturing activity is declining and raw materials feature relatively more in exports.

Country comparisons do not reveal any significant difference in performance between countries implementing the STP and those that are not implementing it. This is qualified by the fact that one should expect a time lag between implementation and when the impact will be felt.

Other noteworthy points include:

- Diversification of production and exports is assumed to be unambiguously positive. However, they stand in potential conflict with comparative advantages. There may thus be a trade-off with the growth objective.
- Thus, diversification needs to be based on a sound analysis of where the region and its parts will, or are likely to, develop comparative advantages (dynamic perspective).
- In particular, the focus on diversification

Table 14: Sectoral contributions to GDP, 1994 to 2003

Indicator	SADC	SACU	Ro SADC	ANG	BOT	DRC	LES	MAL	MAU	MOZ	NAM	RSA	SWA	TAZ	ZAM	ZIM
Real VA in Agriculture as % of total, 1994–97	8.4	3.4	25.5	5.3	4.2	59.6	17.5	30.7	8.8	28.7	10.5	3.3	17.0	47.0	21.5	15.6
Real VA in Agriculture as % of total, 1998–00	8.3	3.3	24.7	5.5	3.2	62.6	18.3	37.7	7.3	28.6	10.6	3.2	16.9	45.6	22.1	17.5
Real VA in Agriculture as % of total, 2001–03	7.9	3.0	24.0	6.6	2.7	61.0	17.0	39.3	6.9	27.1	9.6	3.0	14.3	44.4	20.0	18.0
Real VA in Industry as % of total, 1994–97	30.5	30.7	30.8	68.1	50.4	19.9	41.3	19.7	30.9	15.2	29.8	33.5	44.0	14.1	32.4	29.3
Real VA in Industry as % of total, 1998–00	29.9	29.6	33.9	71.3	50.1	19.1	40.3	18.2	31.0	24.0	29.0	31.9	44.2	15.5	26.2	26.4
Real VA in Industry as % of total, 2001–03	29.8	29.0	38.0	73.0	50.7	20.0	42.9	16.2	30.7	30.1	28.4	31.0	45.0	16.5	27.6	24.5
Real VA in services as % of total, 1994–97	52.0	56.2	37.9	26.6	45.4	20.6	41.2	49.6	60.3	56.1	59.7	63.2	39.0	38.9	46.1	55.0
Real VA in services as % of total, 1998–2000	52.8	57.7	36.9	23.3	46.7	18.3	41.4	44.2	61.6	47.4	60.4	64.8	38.9	38.9	51.6	56.1
Real VA in services as % of total, 2000–2003	53.5	58.8	35.9	20.3	46.6	19.0	41.1	44.4	62.5	42.9	62.0	65.9	40.7	39.1	52.4	57.5

Sources: World Bank African Database 2005

NB: Average figures for SACU, Ro SADC and SADC are weighted averages with respective country shares in total GDP being used to approximate weights into manufacturing needs to be questioned. In current developments in the world economy, not only of the high-income countries, the services sectors are growing rapidly. For a number of countries in the region, service sectors may have higher growth and employment potential than manufacturing.

- Because of these factors, a systematic approach to diversification, based on a sound disaggregated economic analysis is necessary.

Table 15: Manufacturing to GDP ratios (%), 1994 to 2004

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1994–99	2000–04
Angola	4.9	4.0	3.4	4.4	6.3	3.3	2.9	4.1	3.7	12.0	13.5	4.4	7.2
Botswana	4.7	5.0	5.1	5.0	5.0	5.2	5.0	4.7	4.4	4.2	4.1	5.0	4.5
DRC	7.4	6.0	5.9	2.0	1.9	2.3	4.8	4.8	5.3	5.3	5.4	4.3	5.1
Lesotho	16.3	15.9	16.5	16.3	17.5	16.4	16.8	17.7	18.4	17.6	17.8	16.5	17.7
Malawi	15.6	16.0	14.4	13.8	13.4	12.8	1.6	1.3	0.9	1.2	1.8	14.3	1.4
Mauritius	23.3	23.7	24.2	24.2	24.0	24.0	23.6	23.3	22.4	21.5	21.0	23.9	22.4
Mozambique	8.7	7.4	8.6	9.4	9.9	9.8	12.0	16.6	12.1	11.4	–	9.0	13.0
Namibia	15.5	12.4	10.1	14.2	16.3	16.5	10.0	9.4	10.1	10.9	–	14.2	10.1
South Africa	20.9	21.2	20.2	19.9	19.4	18.5	19.0	19.1	19.8	19.6	20.0	20.0	19.5
Swaziland	27.6	27.8	25.8	25.9	25.3	25.0	24.9	25.0	24.0	–	–	26.2	24.6
Tanzania	7.4	7.2	7.4	6.9	7.5	7.3	7.5	7.4	7.4	7.2	7.0	7.3	7.3
Zambia	10.6	9.9	11.8	11.6	11.5	10.8	10.0	10.0	10.0	11.0	11.0	11.0	10.4
Zimbabwe	19.1	19.3	16.4	14.9	13.9	13.4	17.6	17.1	16.2	15.6	18.6	16.2	17.0
SACU	**20.3**	**20.5**	**19.5**	**19.3**	**18.9**	**18.1**	**18.3**	**18.3**	**19.0**	**18.6**	**18.7**	**19.4**	**18.7**
Ro SADC	**11.3**	**10.8**	**10.4**	**9.8**	**10.1**	**9.4**	**9.9**	**10.5**	**9.5**	**11.1**	**10.6**	**10.3**	**10.6**
SADC	**18.3**	**18.3**	**17.4**	**17.1**	**16.8**	**16.0**	**16.4**	**16.5**	**16.8**	**16.8**	**16.8**	**17.3**	**16.8**

Source: SADC Bankers 2005

***NB:** Average ratios for SACU, Ro SADC and SADC are weighted averages with respective country shares in total GDP being used as weights.*

Macroeconomic convergence

Rationale, agreements, mandates, institutions and indicators of macroeconomic convergence

Through RI countries open up their economies to a group of other economies. That means increasing economic interdependence within the group. Bad economic management by one member will affect other members more than in the absence of RI. This is the basis of SADC's rationale for macroeconomic convergence.

The MoU on cooperation on macroeconomic convergence that was tabled in August 2002 and came into force during the same month formed the key legal framework for the macroeconomic convergence targets, which are an integral part of financial market integration. These targets were further articulated in chapter four of the RISDP. Under the MoU on Cooperation on Macroeconomic Convergence, Member States have agreed to achieve and maintain macroeconomic stability, where all countries should converge on stability-oriented economic policies, which include restricting inflation to low and stable levels, maintaining a prudent fiscal stance that eschews large fiscal deficits, minimising market distortions, etc. (SADC 2003a:34).

Necessary policy and institutional coordination include the harmonisation of exchange rate systems, liberalisation of capital and current account transactions, and adoption of a market-oriented approach to the conduct of monetary policy. Policy and legal documents relevant to this section include the RISDP, the STP and the MoU on Cooperation on Macroeconomic Convergence.

The Finance and Investment Protocol (FIP), which is yet to be tabled before the SADC summit, is another relevant document. The FIP is an instrument for coordinating and harmonising the financial policies of SADC member states, which will facilitate the free movement of capital, labour, goods and services and it has been under consideration for about ten years (le Pere and Tjønneland 2005:34). It is a comprehensive legal instrument, consisting of 13 MoUs that have been incorporated as annexes. The Integrated Committee of Ministers (ICM) plays a political enabling role, but it is the Committee of Ministers of Finance and Investment and the Committee of Central Bank Governors that are key players in the implementation of the FIP.

The RISDP has set the establishment of a SADC monetary union by 2016 as the main target for financial market integration. This requires SADC to finalise preparations for an institutional, administrative and legal framework to set up a SADC Central Bank by the same year, and to launch a regional currency for the SADC monetary union by 2018. RISDP has set the following as specific targets for macroeconomic convergence (SADC 2003a:86):

- getting inflation rates to a single digit by 2008, to 5% by 2012 and to 3% by 2015;
- budget deficit to GDP ratio not to exceed 5% by 2008 and 3% as an anchor within a band of 1% by 2012 and to be maintained at the 2012 level up to 2018; and
- nominal level of public debt and public guaranteed debt should be less than 60% of GDP by 2008, and this to be maintained throughout the plan period (until 2018).

In addition to the three specific targets above, other indicators for financial integration listed below have a bearing on macroeconomic convergence and to the establishment of a SADC Monetary Union. These are (SADC 2003a:86):

- external reserves/import cover of at least 3 months by 2008 and more than 6 months by 2012;

- Central bank credit to government less than 10% of previous year's tax revenue by 2008; less than 5% by 2015;
- increase the level of savings to at least 25% of GDP by 2008 and to 30% by 2012;
- increase domestic investment levels to at least 30% of GDP by 2008;
- gradual interconnection of payments and clearing system in SADC by 2008;
- achieve currency convertibility by 2008;
- finalise the legal and regulatory framework for dual and cross listing on the regional stock exchanges by 2008;
- liberalise exchange controls: current account transactions between member states by 2006 and the capital account by 2010;
- increase the share of credit accessed by women and SMEs to at least 5% of total private sector credit by 2008;
- finalise preparation of institutional, administrative and legal framework for setting up a SADC Central Bank by 2016;
- launch of a regional currency for the SADC Monetary Union by 2018.

In addition, the SADC MoU on Macroeconomic Convergence has identified good balance and structure of the current account as one of key indicators for macroeconomic convergence in the region, but no clear RISDP target has emanated from this.

The next sub-section will measure progress indicators based on these targets where data is available, and which fall in the short to medium term. Due to data limitations, some variables such as central bank credit to government, liberalisation in exchange controls, external reserves and access to credit by SMEs and women are not measured.

Commercial banks are the most important financial intermediaries in SADC, and most of these are South African banks with subsidiaries in the region. They concentrate mainly on financial trade and investment, rather than on retail banking (le Pere and Tjønneland 2005:35). Other players include investment banks, insurance companies, leasing finance institutions, and the capital market. Financial institutions not only need to be efficient and to channel funds into productive investment, but also to ensure access to finance by SMEs and women as envisaged in the RISDP. The SADC committee of central bank governors is to take care of the legal framework, at least in the commercial banking sector, through the harmonisation of financial policies.

On the capital market, the SADC Association of Stock Exchanges has a role in promoting dual listing procedures, reducing exchange control restrictions and sharing information technologies. The Development Finance Resource Centre (DFRC) and the Development Finance Institutions Network (DFIN) made up of National Development Finance Institutions (NDFIs) have also been created. The DFRC functions as a hub of the network, and together with the proposed SADC Development Fund (SDF), will be critical for support and coordination in the sector.

Here targets for macroeconomic convergence are merely given in terms of what needs to be achieved by various dates. Though some countries have prepared their macro convergence plans, step-by-step action plans for SADC as a whole are not available. Progress indicators will, therefore, consist of levels and changes in variables listed below:

- inflation rates;

- budget deficit to GDP ratios;
- public debt to GDP ratios;
- savings–GDP ratios; and
- domestic investment–GDP ratios.

Implementation, obstacles and outcomes of macroeconomic convergence

SADC countries have different levels of inflation, varying from as low as just over 1% to hyperinflation rates. What is encouraging about SADC inflation is that there is a consistent downward trend for the region and for all individual Member States (see Table 16). The weighted average inflation for SADC has improved from 182% in 1995 to just over 13% in 2004.

A single digit inflation target by 2008 looks very ambitious, but is achievable if the three member states with substantially higher inflation rates (Angola, DRC and Zimbabwe) were to take drastic measures to curb their inflation surges. Zimbabwe's inflation, in the lower twenties by the mid 1990s, rose sharply to exceed 350% by 2003 and 2004. Angola experienced hyperinflation in the past (close to 3,800% in 1995), but this has been on a constant decrease until it reached a

Table 16: Trends in SADC inflation (% change in CPI), 1994 to 2004

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1994–00	2001–04	Change
Angola	971.87	3783.25	1650.11	147.74	134.75	329	268.35	116.07	105.6	76.57	31.02	1040.7	82.3	⇧
Botswana	9.8	10.7	9.6	7.8	6.4	8.4	8.5	6.6	8.0	9.2	7.8	8.7	7.9	⇧
DRC	–	381.7	693.0	13.8	134.8	483.7	511.2	135.1	15.8	4.4	9.2	369.7	41.1	⇧
Lesotho	7.2	9.7	9.3	8.6	7.8	8.6	6.1	6.9	11.9	5.9	5.1	8.2	7.5	⇧
Malawi	34.6	83.3	37.6	9.2	29.7	44.7	29.7	27.5	14.8	9.6	11.5	38.4	15.9	⇧
Mauritius	7.3	6.0	6.6	6.6	6.8	6.9	4.2	5.4	6.4	3.9	4.7	6.3	5.1	⇧
Mozambique	–	56.5	19.3	6.2	–1.0	6.2	11.4	21.9	9.1	13.8	9.1	16.4	13.5	⇧
Namibia	10.7	10.1	8.0	8.3	6.2	8.6	9.3	9.3	11.3	7.3	3.9	8.7	8.0	⇧
South Africa	9.0	8.7	7.4	8.6	6.9	5.2	5.4	5.7	9.2	5.8	1.4	7.3	5.5	⇧
Swaziland	13.9	12.3	6.5	7.2	8.0	5.9	7.3	7.5	11.7	7.4	3.4	8.7	7.5	⇧
Tanzania	33.1	28.4	21.0	16.1	12.8	7.9	5.9	5.1	4.6	3.5	4.1	17.9	4.3	⇧
Zambia	54.6	34.9	43.1	24.4	24.5	26.8	25.9	21.0	38.0	17.0	18.0	33.5	23.5	⇧
Zimbabwe	22.3	22.6	21.7	18.8	31.7	58.5	55.9	71.9	133.2	365.0	350.0	33.1	230.0	⇩
SACU	**9.1**	**8.8**	**7.5**	**8.6**	**6.9**	**5.4**	**5.6**	**5.8**	**9.2**	**6.0**	**1.7**	**7.4**	**5.7**	⇧
Ro SADC	**186.7**	**777.3**	**428.1**	**42.2**	**55.5**	**138.5**	**123.9**	**55.2**	**50.0**	**63.8**	**51.8**	**250.3**	**55.2**	⇧
SADC	**48.9**	**181.8**	**103.7**	**16.1**	**18.4**	**36.7**	**32.8**	**17.1**	**18.7**	**19.4**	**13.3**	**67.3**	**17.6**	⇧

Source: SADC Bankers 2005 *NB: Regional average figures have been weighed using GDP shares as weights.* *Key: ⇧ improvement, ⇩ deterioration, – no data* low of 31% in 2004. Similar to the inflation trend for Angola, Zambia also saw its inflationary situation improving from 54% in 1994 to 18% in 2004. Weighted average inflation rates for SACU, the rest of SADC – excluding SACU, and SADC stood at 1.7%, 51.8% and 13.3% respectively in 2004.

The budget deficit is one of the important measures, also influencing the level of public debt. Some questionable budgeting saw the DRC budget deficit rising steadily from 1996 to over 2,600% of GDP in 1999, which is a clearly an outlier in the region. Amazingly, the country ended the period with a budget surplus of 0.8% of GDP in 2004. Excluding DRC will derive a deficit of 3.9% (1994–99) and 3.5% (2000–04) for SADC. Based on Table 17, the RISDP target for the deficit–GDP ratios has already been achieved by most countries. In 2004, three Member States recorded deficit–GDP ratios ranging between 5.4 and 6.7%, two states recorded budget surpluses and the rest ranged from 0.2 to 3.6%.

On public debt, Mauritius and SACU (with the exception of Lesotho) have relatively low external debt ratios of less than 25% of GDP, which are low by both theoretical and international standards. The rest of SADC countries, which include Heavily Indebted Poor Countries (HIPCs), have debt–GDP ratios of over 80%. These are Angola, DRC, Madagascar,

Table 17: Public deficit as % of GDP, 1994 to 2004

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1994–00	2001–04	Change
Angola	–	–	–	2.3	7.5	0.7	8.0	0.9	-5.1	7.0	1.9	4.6	1.2	⇧
Botswana	-7.9	-1.6	-1.9	7.3	4.3	64.5	-6.1	-8.8	3.0	3.8	0.2	9.4	-0.4	⇧
DRC	2.4	-0.5	35.4	267.0	251.0	2635.0	3.5	-0.1	-1.2	0.4	-0.8	532.3	-0.4	⇧
Lesotho	-5.4	-4.9	-3.1	-4.4	3.8	6.5	3.5	0.7	4.3	-0.8	-5.2	-0.6	-0.3	⇩
Malawi	6.5	5.4	4.0	4.5	7.0	4.9	–	–	8.5	7.2	6.4	5.4	7.4	⇩
Mauritius	-3.7	5.6	4.5	3.7	3.6	3.6	3.8	6.7	6.1	6.2	5.4	3.0	6.1	⇩
Mozambique	5.4	3.2	3.1	2.5	2.4	1.1	5.2	4.8	8.1	–	–	3.8	6.5	⇩
Namibia	1.8	3.9	6.4	2.8	4.4	4.6	1.3	4.3	2.7	7.5	1.6	3.6	4.0	⇩
South Africa	5.2	5.2	5.0	3.4	2.6	1.7	1.8	0.7	0.6	2.5	–	3.5	1.3	⇧
Swaziland	5.2	1.5	1.1	3.0	0.1	1.7	1.3	6.7	4.6	2.9	3.6	2.0	4.5	⇩
Tanzania	–	–	0.0	0.0	–	0.0	1.7	1.2	0.5	1.5	3.3	0.4	1.6	⇩
Zambia	-5.8	4.8	3.9	2.4	6.9	3.7	7.0	8.0	6.3	6.6	1.7	3.3	5.7	⇩
Zimbabwe	3.8	9.4	6.1	5.0	7.8	6.1	21.8	–	–	–	6.7	8.6	6.7	⇧
SACU	**4.7**	**5.0**	**4.8**	**3.5**	**2.7**	**4.0**	**1.5**	**0.5**	**0.8**	**2.7**	**0.0**	**3.7**	**1.3**	⇧
Ro SADC	**0.8**	**3.0**	**7.0**	**36.1**	**33.6**	**289.6**	**7.5**	**2.26**	**1.0**	**3.5**	**2.8**	**70.8**	**3.5**	⇧
SADC	**3.8**	**4.5**	**5.3**	**10.8**	**10.0**	**71.2**	**2.9**	**0.9**	**0.9**	**2.8**	**0.7**	**19.0**	**1.8**	⇧

Source: SADC Bankers data 2005. NB: Regional average figures have been weighed using GDP shares as weights. A negative deficit is a surplus.

Key: ⇧ improvement, ⇩ deterioration, ⬄ remained the same, – no data

Malawi, Mozambique, Tanzania and Zambia. The RISDP target is for the debt–GDP ratio not to exceed 60% by 2008. This is more problematic because, at least by the year 2003, Lesotho and Zambia had external debt to GDP ratios in excess of 300% (World Bank 2004). Thus, the RISP cannot realistically be expected to be achieved by all Member States.

The RISDP has set the target of increasing national savings to reach at least 25% of GDP by 2008. This is a mammoth task, but the region is slowly moving in the right direction. Table 18 shows Gross National Savings to GDP ratios for 8 out of 13 SADC countries for which data is available. A weighted average for this group of countries has improved slightly from 15.6% during the 1994–2000 period to 15.8% during 2001–2004, which is by far short of the target.

Domestic investment performance is even further below its 30% of GDP target (see Table 19 overleaf). A weighted SADC average for Gross Domestic Investment to GDG ratio fell from 18.0% (1994–2000) to 16.8% (2001–2004).

In general, macroeconomic convergence has been more evident within SACU countries, and with the exception of Mauritius, it remained low for the rest of SADC countries. This is evident in the inflation development, budget deficit development and in a series of other variables examined in this report.

Table 18: Gross national savings as % of GDP, some SADC countries

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1994–00	2001–04	Change
DRC	26.5	15.8	22.5	9.8	5.3	9.9	7.8	3.4	7.8	13.0	12.3	13.9	9.1	⇩
Lesotho	36.1	30.5	23.5	25.4	14.3	22.4	22.6	26.4	27.9	28.9	27.5	25.0	27.7	⇧
Malawi	–9.2	6.9	6.6	–1.3	–1.4	5.6	13.9	10.5	9.9	8.2	7.1	3.0	8.9	⇧
Mauritius	25.3	25.3	25.5	26.8	26.5	26.0	25.8	28.4	27.6	25.0	22.8	25.9	26.0	⇧
South Africa	16.9	16.5	16.1	15.1	15.2	15.9	15.8	15.4	16.8	15.7	14.4	15.9	15.6	⇩
Swaziland	33.1	11.9	16.6	15.0	24.4	19.2	16.1	18.6	21.0	–	–	19.5	19.8	⇧
Tanzania	–0.2	2.7	7.8	6.6	5.8	5.7	12.0	14.2	16.5	15.2	15.2	5.8	15.3	⇧
Weighted average	**16.6**	**15.9**	**16.1**	**14.7**	**14.5**	**15.4**	**15.7**	**15.4**	**16.9**	**15.7**	**14.5**	**15.6**	**15.8**	⇧

Source: SADC Bankers data 2005. Key: ⇧ improvement, ⇩ deterioration, – no data

Table 19: Gross Domestic Investment, % of GDP (1994 to 2003)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1994–00	2001–03	Change
Angola	16.6	28.1	34.7	25.5	35.5	27.1	12.7	13.4	13.3	12.8	25.7	13.2	⇩
Botswana	26.5	24.6	25.0	28.1	33.5	28.0	20.0	23.0	28.0	27.5	26.5	26.2	⇩
DRC	7.9	9.4	27.9	2.5	1.8	3.1	3.5	5.4	7.3	13.7	8.0	8.8	⇧
Lesotho	55.6	60.5	58.4	54.0	47.1	48.6	42.2	40.2	42.3	44.3	52.3	42.3	⇩
Malawi	29.1	17.4	12.3	11.6	13.5	14.7	13.6	13.9	10.9	11.2	16.0	12.0	⇩
Mauritius	30.9	28.8	25.3	27.2	27.6	26.0	26.1	23.3	21.4	22.9	27.4	22.5	⇩
Mozambique	25.3	29.6	21.8	20.6	24.2	23.9	21.1	24.6	25.0	26.9	23.8	25.5	⇧
Namibia	21.7	21.7	23.1	20.2	25.8	23.3	19.5	23.4	17.2	22.7	22.2	21.1	⇩
South Africa	16.8	18.0	17.3	16.6	17.0	16.4	15.9	15.3	16.1	17.2	16.9	16.2	⇩
Swaziland	21.5	20.0	20.7	20.6	22.4	18.7	19.9	24.6	19.8	18.0	20.5	20.8	⇧
Tanzania	24.6	19.8	16.6	14.9	13.8	15.5	17.6	17.0	19.1	18.6	17.5	18.2	⇧
Zambia	8.2	15.9	12.8	14.6	16.4	17.6	18.7	20.0	23.0	26.1	14.9	23.0	⇧
Zimbabwe	23.7	19.7	18.5	18.1	17.1	16.1	12.6	7.8	8.3	11.4	18.0	9.2	⇩
SACU (weighted)	**17.5**	**18.6**	**18.0**	**17.3**	**18.0**	**17.2**	**16.3**	**16.0**	**16.8**	**17.9**	**17.6**	**16.9**	⇩
Ro SADC (weighted)	**20.0**	**20.9**	**22.7**	**17.6**	**19.9**	**18.6**	**15.4**	**15.2**	**16.0**	**17.6**	**19.2**	**16.3**	⇩
SADC (weighted)	**18.0**	**19.1**	**19.0**	**17.4**	**18.5**	**17.5**	**16.1**	**15.8**	**16.6**	**17.8**	**18.0**	**16.8**	⇩

Source: World Bank Africa database 2005,

Key: ⇧ improvement, ⇩ deterioration, ⇔ remained the same, – no data

4. Public-Private Sector Partnership (PPP) and Dialogue

Rationale, agreements, mandates, institutions and indicators of PPP

The rationale for developing a regional common market is to create favourable conditions and opportunities for the private business sector in which major economic activity would take place. While governments facilitate trade, employment creation and poverty eradication through policy and legislation, the actual realisation of these ultimate goals depends primarily on the performance of the private sector, which is the engine for any economy.

Prior to the formulation of the RISDP, the issue of SADC–private sector partnership has not been really articulated in SADC documents. It has, however, in the preamble of its protocol on trade, recognised that "an integrated market will create new opportunities for a dynamic business sector" (www.sadc.int). SADC formulated two MoUs with the Small Enterprise Promotion Advisory Council (SEPAC) and with the Association of SADC Chambers of Commerce and Industry (ASCCI) respectively. The MoU with ASCCI is dated August 2000 and the one with SEPAC is from February 2001.

Both of these MoUs are not yet legally binding instruments because they have not been finalised. Despite the fact that these agreements are not legally binding, the SADC–ASCCI MoU formed the basis for the creation of a private sector desk at the SADC Secretariat and the inclusion of the ASCCI white paper issues in the RISDP (SADC 2003a:75).

The white paper covered five main issues in its five chapters, i.e., investment and growth; trade expansion; competitiveness; policy harmonisation; and HIV-AIDS. Furthermore, it identified the following needs (ASCCI 2001:2):

- the betterment of macroeconomic environment to attract investment;
- the security of investment;
- the facilitation of the movement of labour;
- the speeding up of the UNIVISA and its extension to SADC nationals;
- the speeding up of the free movement of capital;
- the facilitation of intra-regional trade;
- the removal of NTBs;
- the provision of regional trade and market information;
- the prevention of dumping practices;
- the adoption of more liberal air access policies;
- the enhancement of national and regional competitiveness;
- the harmonisation of business arbitration systems
- a concerted approach to the HIV and AIDS issue.

The ASCCI white paper was then accepted by SADC member states as a working document towards the formulation of a more binding SADC–private sector partnership. ASCII met in May 2002 to review their White Paper and identified three priority areas for implementation by its members. These were:

- training in export procedures and business training in order to enhance investment growth;
- market information on import/export procedures, potential buyers/sellers, data on trade flows, customs duties and NTBs in order to enhance competitiveness; and
- a reduction of customs procedures and bureaucracies to enhance trade expansion.

During the formulation of the RISDP, SADC Bankers, Miners and Transporters were recognised as regional associations by SADC on account that they were represented in more than three SADC countries and were invited to take part in the formulation of the RISDP. SADC has realised that the regional economy is evolving from a largely state controlled to a private sector led entity (SADC 2003a:74), and, through RISDP, it has recognised the need to partner with the private sector formally. SADC has therefore set the goal of integrating the private sector in policy and strategy formulation, and programme implementation, in order to accelerate and achieve sustainable regional economic integration. In striving to achieve this goal, the RISDP set the following targets:

- a SADC policy on public-private sector partnership by June 2004;
- SADC private sector MoUs reviewed, enhanced and signed explicitly allowing for engaging the private sector through the structures of SADC by June 2004;
- adoption by the SADC Summit, of a public–private sector Action Plan based on the ASCCI_White Paper, to be implemented over the RISDP period, at the 2004 Summit;
- Competitiveness and Business Climate Survey which was launched in September 2003, The survey was completed and its final report circulated in June 2004 to facilitate private sector–public dialogue;
- institutionalise a private sector unit to carry out a support function for both the Secretariat and private sector institutions as part of the restructured SADC Secretariat by January 2004;
- facilitate the assessment of capacity, and capacity building, within SADC Chambers of Commerce and Industry and Business Associations to be conducted in 2003, and thereafter every two years; and
- facilitate the creation of sector business associations where these add value to public–private sector dialogue on an ongoing basis.

The attainment of these objectives should be adequate as success indicators in the area of SADC–private sector partnership and dialogue. The two MoUs (SADC–ASCCI and SADC–SEPAC) were found to be insufficient to integrate the private sector into the SADC framework on the basis that they seemed to suggest cooperation with SADC and not integration of these institutions into SADC policy framework, structures and programmes (SADC 2003a: 76).

Implementation, obstacles and outcomes of PPP

The SADC–private sector MoU has not yet been signed. It is reported that there is a draft MoU between SADC and the SBF, which is tipped to be a good instrument if it gets finalised. It follows that there is no SADC policy or action plan for the private sector and there is no private sector unit at the SADC secretariat at the moment.

As envisaged, the Regional Business Climate Survey was launched in 2003, the first reports became available as of September 2004, and it is currently an on-going activity. The Association of SADC Chambers of Commerce and Industry (ASCCI) and the Namibian Economic Policy Research Unit (NEPRU), in conjunction with the Advisory Service for Private Business (ASPB) coordinate the survey.

The assessment of capacity, and capacity building, within SADC Chambers of Commerce and Industry and Business Associations has not been facilitated as planned.

Living up to its promise of establishing a formal relationship with the private sector, the SADC secretariat, with representatives from its four directorates, held a roundtable meeting with 11 Regional Business Organisations (RBOs) on November 14, 2003 where the SADC Business Forum (SBF) was initiated (SACAU 2004). The SBF was then launched on November 26, 2004 as a formal grouping of RBOs that will act as an apex dialogue partner of SADC through the Secretariat and its structures. Nine RBOs have applied and have been accepted as the founding Members of the SBF (see Table A3 in Appendix 1). Key interests of the SBF are the timely implementation of, and the development of the Monitoring and Evaluation system for the RISDP (SACAU 2004).

According to a widespread view in the private sector, SADC has not recognised the private sector as a partnering stakeholder at macro level as yet. According to interviewed experts, the old SADC private sector desk (not any more existing) rather concentrated on how SADC can address issues concerning the private sector and it did not attempt to internalise or integrate the sector into SADC structures.

The second factor contributing to the evolving, but as yet weak relationship between SADC and the private sector are the generally weak private sector organisations.

5. Infrastructure Support for Regional Integration and Poverty Eradication

Rationale, agreements, mandates, institutions and indicators

An important indicator for the degree of regional integration and cooperation is the level of physical infrastructure development. Examples are inter-connectivity by regional roads, corridors, telecommunication services and harmonisation (or standardisation) of policies and procedures. The SADC infrastructure support constitutes five sub-sectors, namely, transport, energy, tourism, communication, and meteorology and water.

The overall goal of the SADC infrastructure support is to ensure the availability of a sufficient, integrated, efficient and cost-effective infrastructure system, and provision of sustainable services that will support and sustain regional economic development, trade, investment, and agriculture, thus contributing towards poverty eradication (SADC 2003a:87). The development of regional infrastructure and services is critical for promoting and facilitating regional economic development through trade and investment. This involves deepening of RI and cooperation through the sharing of production, management and operations of infrastructure facilities, hubs, development corridors and other infrastructure services. SADC has identified inadequacy, poor maintenance, weak financing, inefficient management systems and development differences across member countries in the region as issues needing urgent attention (SADC 2003a:38). In this light, SADC has developed legal and policy frameworks in the form of legal instruments and policy guidelines in all sub-sectors of infrastructure.

The SADC Protocol on Transport, Communication and Meteorology of SADC was tabled for signature in August 1996 and came into force during July 1998. The Protocol, among other issues, requires member states to put in place institutions, regulatory frameworks and incentives that would facilitate the provision of infrastructure by the private and/or public sector. The Protocol has also set the elimination or reduction of hindrances and impediments to the movement of persons, goods, equipment and services as one of its strategic goals. This was complemented by the Declaration on Information and Communications Technology (ICT) of August 2001, while the draft protocol on the facilitation of the movement of persons (of August 2005) is to take it further once signed into law.

The Protocol on Energy was tabled for signature in August 1996 and entered into force in April 1998. The Protocol, among other objectives, requires member states to harmonise energy policies, to pool energy production and supply regionally, to diversify the sources of energy, and to conserve these resources. Article 4 of the Protocol has provided for the establishment of the commission which would be responsible for the implementation of the Protocol. There are two additional MoUs aimed at facilitating regional integration within the energy sector. These are the Inter-Governmental Memorandum of Understanding (IGMoU) and the Inter-Utility Memorandum of Understanding (IUMoU). The creation of various regional power inter-connectors has been facilitated under these legal instruments.

In the tourism sub-sector, the SADC Protocol on Tourism was tabled for signature in September 1998 and finally entered into force during November 2002. Amongst the key agreements under the Protocol, member states committed themselves to make the entry and travel of visitors as smooth as possible and to remove practices that are likely to constitute obstacles to the development of travel and tourism both regionally and internationally. Furthermore, member states are required to include tourism education in schools, to ensure harmonised systems for maintaining tourism statistics, while the Regional Tourism Organisation of Southern Africa (RETOSA), in consistency with its charter (Charter of the Regional Tourism Organisation of Southern Africa) has been given the responsibility of marketing and promotion of regional tourism.

In the water sub-sector, the Protocol on Shared Watercourse Systems was first tabled for signature in August 1995 and entered into force during September 1998. This was revised, tabled again in August 2000 and finally enforced during September 2003. Under the Protocol, member states committed themselves to share information and to consult each other regarding measures on shared watercourses. Article 5 of the protocol established the SADC water sector organs, which consist of the Committee of Water Ministers, the Committee of Water Senior Officials, the Water Sector Co-ordinating Unit, and the Water Resources Technical Committee and sub-Committees.

Since the above-mentioned instruments call for the conservation of various natural resources, the Protocol on Wildlife Conservation and law enforcement and the SADC treaty (Article 5) complete the legal framework for the infrastructure support.

The RISDP targets for each sub-sector under the infrastructure support are listed below. These are transport, energy, tourism, communication and meteorology, and water.

The SADC region is known to have high transport costs by international standards. SADC has put mechanisms in place in order to change this and has set the following targets for itself:

- to liberalise regional transport markets by 2008;
- to harmonise transport rules, standards and policies by 2008;
- recovery of all costs for maintenance of infrastructure by 2008 and full infrastructure investment costs by 2013; and
- removal of avoidable hindrances and impediments to the cross border movement of persons, goods and services by 2015.

At the moment, there is insufficient information to make an informed evaluation of the progress on above targets, but based on available information, the progress towards the achievement of these targets will be evaluated under the section 'Implementation, obstacles, and outcomes of infrastructure support' below.

Under the energy sub-sector, SADC concentrates on electricity, petroleum and gas, and has set the following objectives:

- establishment and strengthening of private sector regional associations such as the Petroleum and Gas Association, and regional associations of regulators such as the Regional Electricity Regulatory Association, by 2004;
- establishment of energy data banks and planning networks by 2005;
- harmonisation of energy sector policies, legislation, rules, regulations and standards, by 2006 to facilitate energy market integration;
- identification and strengthening centres of excellence for energy research and technology development by 2008;
- achievement of a 100% connectivity to the regional power grid for all member states by 2012; and

- 70% of rural communities to have access to modern forms of energy supply by 2018.

As with the transport sub-sector, information on the progress towards the attainment of energy objectives is not readily available, most of these being long-term objectives. These will also not be evaluated under the following sub-section.

Tourism is one of the key economic sectors in the region and it is necessary to manage the sector so as to maximise current and future benefits. SADC has set the following targets for tourism:

- to facilitate the implementation of the tourism protocol by all member states by 2005;
- to developm the Tourism Policy and Strategy Document by 2004;
- to increase the SADC share of world market of tourist arrivals to 5% by 2005;
- to mainstream gender into the tourism industry by 2005;
- to increase the SADC share of world tourism receipts from 1% in 2001 to 3% by 2005;
- to implement the SADC UNIVISA system by 2008;
- to harmonise policies, legislation and standards by 2008; and
- to brand SADC as a destination of choice for tourism.

SADC is also known to have some costly communication services by international standards. In its RISDP, SADC has set the following targets for communications (SADC 2003A:91):

- to upgrade the capacity of ground stations to retrieve information from the high-resolution second-generation meteorological satellites by 2005;
- to develop appropriate policy and legal frameworks to facilitate operational cost-recovery, harmonisation and regional integration by 2006;
- to develop the operational capacity of regulators to respond to customer expectations by 2007; and
- to facilitate the growth of public–private sector partnerships to achieve national universal access to services by 2010.

Water is a necessity for life and it is a scarce resource in the region. SADC established a water division, whose objective is to ensure that water in Southern Africa becomes a sustainable resource through the coordinated management, protection, and equitable use of its shared watercourses. The RISDP has set the following targets for the water sub-sector (SADC 2003A:92):

- long term regional water policy and strategy developed and approved by March 2004;
- increased awareness, broad participation and gender mainstreaming in water resources development and management by 2005;
- centres of excellence for water research and technology development are identified and strengthened by 2005;
- water sector policies and legislation are to be harmonised by 2006;
- establish and strengthen at least eight River Basin Organisations by 2006;
- water data banks and planning networks are established and fully operational by 2007;

- training and institutional capacity strengthening programmes are developed and implemented by 2008;
- halve by 2015 the proportion of people without access to safe drinking water and sanitation services; and
- develop by 2015 the water resources infrastructure needed to double land under irrigation.

Most of the above targets are long term. For those that needed to be completed by the year 2005 or earlier, their state of implementation will be looked at in the section below.

Implementation, obstacles, and outcomes of infrastructure support

On the legal framework, though the process has been slow in some areas, we have the Protocol on Shared Watercourse Systems (and its revised version), the Protocol on Energy, the Protocol on Transport, Communication and Meteorology and the Protocol on Tourism being developed and enforced (see Table A4 in Appendix 1). Furthermore, the SADC charter on RETOSA was one of the quickest legal instruments to enter into force after its tabling and enforcement in August 1997. However, more legal framework needs to be developed. According to Tjønneland *et al.* (2005), insufficient regional policy and legislation in some sub-sectors of the directorate of infrastructure and services and lack of policy harmonisation across member states are still factors hampering progress.

Besides the legal framework, necessary institutions both within and outside SADC, have been established and are operational. Examples of institutions outside SADC, usually referred to as special implementing agencies, are the Southern African Power Pool (SAPP) and the Regional Electricity Regulator (RERA) in the electricity sub-sector SADC does have direct influence over regional projects implemented by their special implementing agencies; however, it could strengthen its position in this area through further development of policy and legislation.

The integration of air services is fairly advanced and continues to improve, but some sectors such as air freight services are more constrained and are lagging behind in terms of set targets. The regional road network is adequately developed and integrated, while the realisation of cross-border facilitation in a one stop context is still in infancy stage. The rail network is reasonably integrated as well, but little has happened in terms of maintenance, efficiency improvements, and further interconnectivity. The integration of all countries into the community, especially starting with linking the conflict hit countries of Angola and DRC, is being accorded a high priority (SADC 2006). The state of implementation of transport policies and regulations, and removal of hindrances to the movement of persons, goods and services are moving slowly, but they can be said to be on course as targets are for 2008 to 2015.

To reflect on the progress to date, most of the targets under the transport sector are ranging from medium term to long term. As far as SADC is concerned, there is little progress on liberalisation in general. The same goes for transport where transport rules need to be harmonised and transport markets to be liberalised by the year 2008.

In the energy sector, no more associations or energy data banks have been established for SADC as targeted and some of the existing organisations still need to be strengthened. Besides the sector targets, some power networks (inter-connectors) have been attained, notably between:

- Mozambique and South Africa;
- South Africa and Botswana;
- Botswana and Zimbabwe;
- Mozambique and Zimbabwe;
- DRC and Zambia; and
- Mozambique and Zimbabwe.

To reflect on the progress within the tourism sector, and starting with the SADC Protocol on Tourism, two countries are still to sign and ratify it, and two further countries are still to ratify. Facilitating the implementation by all member states by 2005 has not been accomplished. The facilitation of the implementation of the SADC Protocol on Tourism was given high priority toward 2005 (sadcreview.com).

The implementation of the UNIVISA system by 2008 appears to be on schedule as the study on its implementation had already been commissioned as of 2004 (sadcreview.com). However, delays in the harmonisation of immigration laws, regulations and procedures that would facilitate the implementation of the UNIVISA system are some of the drawbacks cited as slowing down progress in the tourism sector. The Tourism Policy and Strategy Document has also not been developed yet.

Based on the data provided by the World Tourism Organisation, SADC's world share in international tourism arrivals has risen from 1.1% in 1995 to 1.2% in 2000 and remained at this level until 2004. In terms of the tourism receipts, SADC gets a lesser share than its share in arrivals. This was 0.6% in 1995, rose to 0.7% in 2000 and then to 1.1% in 2004. What is very interesting here is that both the share of visiting tourists and the expenditure of tourists (receipts per tourist) has increased for SADC. All these achievements are still far below their initial targets of a 5% share in arrivals by 2005 and a 3% share in receipts by 2005.

In the water sector, a draft Regional Programme on Water Supply and Sanitation was developed (late 2003), approved by the ICM in 2004, and has then been directed to the SADC Secretariat which need to mobilise resources for its implementation (sadcreview.com). The development of a regional policy on water was finalised in May 2004, with financial assistance from Belgian and German governments (sadcreview.com).

The major general obstacles to infrastructure support appear to be the concentration on restructuring (with the resulting interruptions) and lack of finance as manifested in the limited access to qualified staff.

The key outcome of infrastructure support would be increased economic activity on the regional level, and this is difficult to isolate.

6. SADC National Committees

Rationale, agreements, mandates, institutions and indicators of National Committees

In the old SADC structures, the country-based sector coordinating units (SCUs) and commissions, guided by the committee of ministers, were responsible for resource mobilisation and implementation of SADC programmes (le Pere and Tjønneland 2005:23). 12 of 14 member states were allocated at least one sector to manage and coordinate (see Table A1 in Appendix 1). Towards the end of the 1990s, a study on the review and rationalisation of the SADC Programme of Action was conducted (Chipeta *et al.* 1997). This was followed by a review of the operations of SADC institutions, following the instructions by the SADC Heads of State and Government (Isaksen 2002:2). This review proposed a comprehensive restructuring of SADC institutions, including proposals to amend the SADC treaty and the creation of SADC National Committees (SNCs).

Among other amendments, Articles 9 and 16A of the SADC treaty were amended, mainly to facilitate the creation of SNCs. The main idea behind the creation of SNCs, along with specialised subsidiary organisations at the national level, is to ensure coordination and implementation of SADC programmes in member states. The restructuring of SADC took off in 2001, with 21 SCUs and SADC commissions being upgraded to regional institutions and combined to form four clusters or four SADC directorates.

The amended SADC treaty obliged member states to establish SNCs, which should consist of all stakeholders. These stakeholders are the Government, the private sector, NGOs, civil society, and workers and employers organisations. The composition shall reflect the functions of the four SADC directorates (le Pere and Tjønneland 2005:24). According to SADC guidelines issued by the secretariat, SNCs shall *inter alia*:

- provide input in the formulation of SADC policies, strategies and programme of action;
- coordinate and oversee the implementation of the SADC programme of action;
- promote and broaden stakeholder participation in SADC affairs in member states;
- facilitate information flows and communication between member states and the SADC secretariat; and
- coordinate the provision of inputs for the development of the RISDP and monitor its implementation.

The timeline for the establishment of SNCs, according to the Review of Operations Report, was the end of 2001 (see Isaksen 2002:4). The SNCs mimic the SADC secretariat in its organisational structure. It should have linkages to the ministerial, permanent secretary and stakeholder levels; it should have a secretariat and a national steering committee and five sub-committees corresponding to SADC directorates (including the OPDS).

Implementation, obstacles, outcomes of National Committees

According to a 2005 review, by March 2005, twelve SADC member states (all except DRC and

Madagascar) had established SNCs (MetaCom 2005: Annex I). Nine states have also established the SNC secretariat and six states have officially launched these institutions. None of these institutions, however, correspond fully to the required structure. Following the country visits by the Monitoring SADC team of researchers during October 2005, it was realised that SNCs are not established in some countries as reported. For instance, South Africa has signed all necessary documents with SADC, committing itself to establish the SNC, but has not yet done so. The Department of Foreign Affairs (DFA), which is the contact point for SADC, carries out coordination and implementation roles that were supposed to be undertaken by the SNC.

The main challenge facing SADC as far as SNCs are concerned is how to mobilise resources in order to equip these institutions so that they can implement SADC programmes. The SNCs are still not autonomous (no financial and operational autonomy), but are rather funded under various government departments. The current status of the SADC secretariat, being in the middle of the restructuring process and faced with human capacity problems, is also a contributing factor to the lack of progress with SNCs.

The key difference to the old structures is that sector coordinating units were national institutions, staffed by civil servants (mainly through secondment) of the sector-responsible country. Following the restructuring of SADC, the SNC does not only need to be representative of all sectors of SADC, but also needs to attract representative stakeholders, undertake much wider mandates, and thereby require more resources from the national government in form of finance, personnel and infrastructures. The fact that SADC had a lot of International Cooperating Partners (ICPs) involved in sector coordinating units, and almost none in the current SNC structures, has contributed to the slow progress within the overall SADC institutions. ICPs have rather moved to Gaborone to concentrate their efforts on assisting the secretariat.

A capacity needs assessment was recently carried out by MetaCom (2005), which basically found that the challenges identified by the SADC secretariat workshop for SNC representatives (South Africa, 29–30 July 2003) are now genuine obstacles. These challenges were identified as:

- the lack of qualified and experienced manpower;
- the lack of material resources (offices, equipment etc);
- the lack of clarity on the SNC linkages to the SADC secretariat on budgetary provision for programmes and projects for implementation within the RISDP context;
- the lack of mechanism for integration of SNCs into government systems and procedures;
- the lack of full comprehension;
- the lack of internalisation and understanding of the roles of SNCs by stakeholders; and
- the lack of technical capacity for SNC sub-committees. (MetaCom 2005:6)

According to le Pere and Tjønneland (2005:24), SNCs are established, but they are still dependent on, and serviced by, official SADC contact points or focal points for SADC affairs, in most cases the foreign affairs ministry. This raises the feeling that they still need to define their role as an implementing agency. Most of these institutions are also not established with the recommended structure and their scope of encouraging wider participation in SADC affairs is limited.

The SADC secretariat has secured working relations with government departments, agencies and public utilities, both in member states and at the regional level, but no such relations are established with the private sector, civil society, or even with parliaments (le Pere and Tjønneland 2005:25). Some progress has however been made in improving relations with the private sector, including links with the SADC Business Council and the SADC Business Forum.

7. Conclusion: Outcomes of SADC Regional Integration, Evaluation and Recommendations

The key expected outcomes of RI are higher growth and lower poverty. SADC as a whole has recorded good average growth during the period 2001–2004 when compared to the previous period (1995–2000). However, a disaggregated view shows that in almost half of the SADC countries growth was slower in the second period. Table 20 shows the real GDP growth rates for SADC countries from 1995 to 2004, with weighted average figures for SACU, SADC and the rest of SADC (SADC excluding SACU). Regional averages have been weighted by country shares in GDP in order to account for the importance of growth for each member state in the total SADC GDP. Towards the end of this period, Zimbabwe recorded negative growth rates, attributable to economic crises in that economy, while other countries such as Lesotho, Malawi, Mauritius, Namibia and Swaziland have also recorded declining growth rates. Mozambique, Angola, DRC, Tanzania and Zambia have joined Botswana to become the fastest growing economies in the region.

Owing to limited poverty surveys in the region, hard data on poverty are not readily available. Table 21 makes use of available data on poverty to compare the percentage of people living below the international poverty line i.e.,

Table 20: Real GDP growth (%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1995–00	2001–04	Change
Angola	10.7	11.3	7.7	5.5	2.7	3.6	5.2	15.5	5.2	–	6.9	8.6	⇧
Botswana	3.2	5.5	5.6	8.1	4.1	6.6	8.6	2.1	7.8	5.7	5.5	6.1	⇧
DRC	0.7	–1.1	–5.4	–1.7	–4.3	–6.9	–2.1	3.5	5.8	6.6	–3.1	3.5	⇧
Lesotho	4.4	10.0	8.1	–4.6	2.2	1.3	3.2	3.5	3.3	3.4	3.6	3.4	⇩
Malawi	13.8	10.9	5.0	3.3	6.7	0.8	–4.1	2.1	3.9	4.6	6.7	1.6	⇩
Mauritius	5.6	6.2	5.6	5.8	6.8	9.3	5.6	2.1	3.9	4.1	6.6	3.9	⇩
Mozambique	3.3	6.8	11.3	12.1	9.0	1.9	13.1	8.7	7.9	–	7.4	9.9	⇧
Namibia	5.1	3.0	2.6	2.4	2.9	3.5	2.4	2.5	3.7	–	3.3	2.9	⇩
South Africa	3.1	4.3	2.6	0.5	2.4	4.2	2.7	3.6	2.8	3.7	2.8	3.2	⇧
Swaziland	3.8	3.3	3.8	3.3	3.5	2.0	1.8	2.8	–	–	3.3	2.3	⇩
Tanzania	3.6	4.2	3.3	4.0	4.8	4.9	5.7	6.2	5.7	6.7	4.1	6.1	⇧
Zambia	–2.8	6.9	3.3	1.9	2.2	4.0	5.0	3.0	4.0	5.0	2.6	4.3	⇧
Zimbabwe	0.2	9.7	1.4	0.5	–3.6	–7.9	–2.8	–5.7	–8.3	–2.5	0.0	–4.8	⇩
SACU (weighted)	**3.2**	**4.3**	**2.7**	**0.8**	**2.5**	**4.2**	**2.9**	**3.5**	**3.0**	**3.7**	**2.9**	**3.3**	⇧
Ro SADC (weighted)	**4.0**	**6.7**	**3.7**	**3.7**	**2.3**	**1.2**	**3.8**	**5.9**	**3.8**	**2.9**	**3.5**	**4.9**	⇧
SADC (weighted)	**3.3**	**4.9**	**3.0**	**1.5**	**2.4**	**3.5**	**3.1**	**4.1**	**3.2**	**3.5**	**3.1**	**3.7**	⇧

Source: SADC Bankers 2005. Key: ⇧ improvement, ⇩ deterioration, – no data living on less than one United States dollar per day. What we can conclude from this table is that, over the long run, there is an indication that poverty is falling in SADC. Only in Zimbabwe is the proportion of the poor increasing. However, this is not more than a tentative conclusion, as the data are incomplete. Nevertheless, the conclusion of overall declining poverty draws some credibility from the fact that it is in line with the global trend of decreasing poverty.

Table 21: Poverty in SADC: % population living on less than $1 a day

	Previous survey		Latest survey		Change
	Survey year	*%*	*Survey year*	*%*	
Angola	–	–	–	–	–
Botswana	1986	33.0	1993	23.5	⇧
DRC	–	–	–	–	–
Lesotho	1987	48.8	1995	36.4	⇧
Madagascar	1993	72.3	2001	61.0	⇧
Malawi	–	–	1998	41.7	–
Mauritius	–	–	–	–	–
Mozambique	–	–	1996	37.9	–
Namibia	–	–	1993	34.6	–
South Africa	1993	23.7	2000	10.7	⇧
Swaziland	–	–	–	–	–
Tanzania	–	–	1993	19.9	–
Zambia	1993	84.6	1998	63.7	⇧
Zimbabwe	1991	41.0	1996	56.1	⇩

Source: World Bank 1998 and 2005
Key: ⇧ improvement, ⇩ deterioration, – no data

Tables 22 and 23 overleaf show life expectancy at birth and adult literacy rates respectively, which are good indicators of poverty and vulnerability. Life expectancy has drastically declined in the region, mainly due to the spread of HIV/AIDS. Only Mauritius, Madagascar and Angola have experienced increasing life expectancy between 1990 and 2003. Adult literacy has increased significantly in a number of countries over the last decade (Table 23).

Nevertheless, this carries a risk of a backlash against RI in Southern Africa – a danger that needs to be urgently addressed. The development of institutional RI, notably competition and industry policies, would be key instruments in balancing regional development. But the question of spatial effects of RI in Southern Africa and ways to address inequities are also research questions that are as yet hardly addressed.

A related and as yet neglected aspect of RI in Southern Africa is the role of small countries in the process, notably towards the dominant economy of South Africa. It is generally, but wrongly, assumed that every government is keen on RI. But in reality it needs to be recognised that small countries have serious concerns (Helleiner 1996). These include those detailed below.

Policy autonomy

Small countries' access to the integration arrangement is likely to be highly conditioned. Thus, it would be misleading to address benefits and costs of integration primarily (or even exclusively) on the basis of trade effects. Modern integration arrangements are increasingly about the rights and obligations of partner countries' governments in respect of foreign investors, capital flows,

Table 22: Life Expectancy at birth (years) in SADC: 1990 and 2003

	1990	2001	2003	Change: 1990–2003
Angola	45	47	47	⇧
Botswana	57	39	38	⇩
DRC	52	51	45	⇩
Lesotho	58	43	37	⇩
Madagascar	53	55	56	⇧
Malawi	45	38	38	⇩
Mauritius	69	72	72	⇧
Mozambique	43	42	41	⇩
Namibia	58	44	40	⇩
South Africa	62	47	46	⇩
Swaziland	57	45	43	⇩
Tanzania	50	44	43	⇩
Zambia	49	37	36	⇩
Zimbabwe	56	39	39	⇩

Source: World Bank 2003 and 2005.

Key: ⇧ improvement, ⇩ deterioration

Table 23: Adult literacy rates in SADC: % of age group of 15 and above

	1990	1998	2002	Change: 1990–2002
Angola	–	–	–	–
Botswana	68.1	75.6	75.6	⇧
DRC	47.5	58.9	58.9	⇧
Lesotho	78	82.4	82.4	⇧
Madagascar	58	64.9	64.9	⇧
Malawi	51.8	58.2	58.2	⇧
Mauritius	79.8	83.8	83.8	⇧
Mozambique	33.5	42.3	42.3	⇧
Namibia	74.9	80.8	80.8	⇧
South Africa	81.2	84.6	84.6	⇧
Swaziland	71.6	78.3	78.3	⇧
Tanzania	62.9	73.6	73.6	⇧
Zambia	68.2	76.3	76.3	⇧
Zimbabwe	80.7	86.2	86.2	⇧

Source: World Bank 2000 and 2004a

Key: ⇧ improvement – no data

intellectual property, modes for the supply of a variety of services, and the 'harmonisation' of innumerable other laws. Small countries can expect to have little influence over the rules that are to be harmonised. Small country negotiators need to devote most of their current attention to these non-trade issues. Despite the advantages of credibility, policy autonomy may be desirable to permit the encouragement of innovation, technical change, indigenous learning, and diversification into more developmentally 'nutritious' activities.

Credibility of commitments

The degree of dependence on an international agreement in the small country is bound to be much greater than that in the larger countries. Reciprocal agreements can generate benefits for the small countries in terms of increased credibility of their own policies, but the policies to which such commitments are made may not always be in the development interests of the small countries.

Adjustment costs

The standard trade theory argument abstracts from adjustment costs, but these may be substantial – in any case they are larger for the small countries.

Risk

The small countries face the risk of non-adherence of the large country to the agreement. The short-term adjustment costs and large country's possible failure to adhere to the agreement pose significant risks to the small countries.

These concerns apply very much to the situation in the region. These concerns can explain why the progress of RI is not faster than it is. The concerns are reinforced by the fast differences between rich and poor countries in the region in terms of capacity.

This leads to the (research) question on the motives of the actors and their incentives – again an as yet largely ignored research question. It is an urgent question because only an understanding of the incentives actors face will allow policy recommendations that are successful in terms of contributing to policy change.

Following are some specific relevant comments.

Adequacy of SADC monitoring indicators: These (see Table A2 in Appendix 1) do not reflect all of the stated aims of RISDP. For instance, the necessity of policies addressing special needs of less developed countries such as industrial policy are not part of the indicators.

Concentration on trade: The discussion of economic integration is generally concentrated on trade policy. This has at least two shortcomings. First, there are other important links to the world: investment, labour migration and aid, to name but three. Second and more importantly, trade policy is intertwined and often confused with other, and in some cases more general, macroeconomic policies (Oyejide 1998). The heavy focus on trade policy in economic reform policies overestimates the role of trade policy. A number of domestic policies are crucial to underpin the success of trade policy.

Regional versus global trade integration: There is a limited potential of regional trade because of similar production structures in SADC economies. Most member states of SADC continue to export predominantly raw materials, while importing manufactured goods – there is a lack of diversity in terms of product ranges traded in the region (van Seventer and Kalaba 2005: v).

Recent years have seen an unprecedented proliferation of preferential trade agreements (PTA) in the world as a whole and in Southern Africa in particular. There is also a number of bilateral agreements that are currently in existence and under negotiation by SADC members. As an FTA, the STP does not in general restrict the external trade policies of its individual member states.

In this context, the future impact of the SADC FTA and its evolution to a customs union, planned by 2010, is complex and unclear. It needs to take cognisance of the evolution of other regional initiatives. Notable are SACU (all members are also SADC members), the East African Community (Tanzania is a member of both) and COMESA (some SADC countries are members). Both COMESA and EAC plan to establish customs unions in 2006. Any customs union will necessitate the establishment of a common external tariff.

Regional versus national policy: Not all of the objectives of RISDP are best dealt with at the regional level – they are rather issues to be dealt with mainly at national levels (see Kanbur 2001).

Trade–growth–poverty: The relationship between these objectives is multifold and complex. This fact is not given much attention within RISDP.

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APPENDIX 1: STATISTICAL APPENDICES

Table A1: Former Sector Coordinating Units (up to 2001)

Responsible MS	Coordinated Sector
Angola	Energy Commission
Botswana	Agricultural Research and training; livestock production and animal disease control
DRC	No sector responsibility
Lesotho	Environment and land management, and water
Malawi	Inland fisheries; forestry; wildlife
Mauritius	Tourism
Mozambique	Culture; information and sport; and the Transport and Communications Commission (SATTCC)
Namibia	Marine fisheries; legal affairs
Seychelles	No sector responsibility
South Africa	Finance and investment; health
Swaziland	Human resources development
Tanzania	Industry and trade
Zambia	Employment and labour; mining
Zimbabwe	Crop production; food, agriculture and natural resources

Source: http://www.sadc-sqam.org/sadc/sadcresp.html

Table A2: RISDP targets and responsible units

Priority Area	Targets	Responsibility
Poverty Eradication	1. Annual GDP growth rate of at least 7%; 2. Halve the proportion of people living on less than US$1 per day between 1990 and 2015;	Member states SADC Secretariat
Combating of HIV and AIDS Pandemic	1. Ensure that at least 95% of youth (15 to 20) have access to information and education (all) by the year 2010; 2. Halve the proportion of infants infected with HIV by the year 2010; 3. Halt and begin to reverse the spread of HIV and AIDS by 2015.	Member states SADC Secretariat
Gender Equality and Development	1. Development and strengthening of national gender policies and institutions (harmonisation at regional level) by 2004. 2. Signature, accession and ratification of international and regional human rights instruments on gender equality by 2004 (member states); 3. Repeal of gender discriminatory provisions in member states' laws, policies and other sources by 2005, and enactment of provisions guaranteeing substantive gender equality by 2005; 4. Establishment of enforcement mechanisms and service delivery institutions by mid-2006; 5. Adoption of gender responsive planning, budgeting and implementation processes, regular gender capacity-building training programmes, and mechanisms for the collection of gender disaggregated data by 2006; 6. Development, strengthening and implementation of specific programmes for the economic empowerment of women by 2007; 7. The achievement by all Member States of: * At least 30% women in decision-making positions in local government, parliament, cabinet and senior positions in the public sector by 2005, or affirmative action measures in place to accelerate the attainment of this target; * At least 40% women in decision-making positions in local government, parliament, cabinet and senior positions in the public sector by 2010, or affirmative action measures in place to accelerate the attainment of this target; * At least 50% women in decision-making positions in local government, parliament, cabinet and senior positions in the public sector by 2015, or affirmative action measures in place to accelerate the attainment of this target; and * At least 20% women in decision making positions in large private sector firms as defined by Member States by 2005, 30% by 2010 and 40% by 2015. 8. Eradication and reduction of all forms of violence against women and children: * Reduction by at least 50%, all acts of violence and abuse of women and children by 2007; * Eradication of all forms of violence against women and children by 2015.	Member states SADC Secretariat NGOs

Science and Technology (S&T)	1. Policies and strategies for regional cooperation in S&T including technology transfer and diffusion by 2005; 2. Institutional and legal framework for cooperation in S&T by 2006; 3. Harmonisation of Intellectual property rights legislations in all member countries by 2010; 4. SADC programmes on regional research and technology development by 2006; 5. Network of centres of excellence in S&T operational by 2006; 6. SADC programme to promote public understanding of S&T by 2008; 7. National expenditures in research and technology development to reach at least 1% of GDP by 2015.	Member states SADC Secretariat Research institutions (4, 5 & 6)
Information & Communications Technology	1. Review the 1996 Telecommunications Protocol and the Broadcasting protocol to accommodate the wider perspectives of ICT by 2005; 2. Submit a request for funding SADC ICT plan to the EU for approval by 2004; 3. Assist member states in developing a national integrated ICT policy and strategic plan as specified in the SADC ICT guidelines by 2005; 4. Convene a preparatory SADC ICT Forum in 2004 to define SADC's position on the final work plan of the World Summit on Information Society (WSIS) which will take place in Tunis 2005; 5. Develop SADC model legislative provisions (MLP) or guidelines on pertinent ICT issues to clearly define the digital landscape. An e-commerce MLP is scheduled to be completed by 2004; 6. Develop an ICT performance index and standards to facilitate cross-country e-readiness comparisons by 2005; 7. Facilitate dialogs between ICT stakeholders via seminars and forums 2004–2006.	Member states SADC/SATA
Environment and Sustainable Development	1. Finalise legal instruments for regional cooperation in environment and natural resources by 2006; 2. Environmental standards and guidelines developed and being implemented by 2008; 3. State of Environment Reports for Southern Africa produced regularly at five-year intervals; 4. The Strategy and Programme for the Management of the Brown Environment in southern Africa finalised and being implemented by 2005' 5. Finalisation of the Strategy and Programme for Brown Environment Management in Southern Africa; 6. Adoption of environment responsive planning and implementation processes, regular environment and sustainable development capacity building and training programmes by 2007; 7. Implementation of at least 50% of the trans-boundary natural resources management programmes and projects in line with NEPAD initiated by 2008; 8. A SADC Plan of Action for the implementation of the 2002 Johannesburg Plan of Action (2002 WSSD) developed by 2004 and specific programmes and projects emanating from the plan developed by 2005; 9. Principles of sustainable development integrated into country policies and programmes and reverse the loss of environmental resources by 2015.	Member states SADC Secretariat

Public–Private Sector partnership and Dialogue	1. A SADC policy on public–private sector partnership by June 2004; 2. SADC Private sector MoUs reviewed, enhanced and signed explicitly allowing for engaging the private sector through the structures of SADC by June 2004; 3. Adoption by the SADC Summit of a public–private sector Action Plan based on the ASCCI White Paper, to be implemented over the RISDP period, 4. Competitiveness and Business Climate Survey launched in September 2003, and completed and final report circulated in June 2004 to facilitate private sector public dialogue on an ongoing basis; 5. Institutionalise a Private Sector Unit to carry out a support function for both the Secretariat and Private Sector Institutions as part of the restructured SADC Secretariat by January 2004; 6. Facilitate the assessment of capacity, and capacity building, within SADC Chambers of Commerce and Industry and Business Associations to be conducted in 2003, and thereafter every two years; 7. Facilitate the creation of sector business associations where these add value to public–private sector dialogue on an ongoing basis.	Member states Private sector SADC Secretariat
Statistics	1. Development of a legal framework, 2004–2006; 2. Harmonisation of SADC statistics, by 2015; 3. Development of integrated regional statistical database in all priority areas including poverty, gender, informal sector, HIV and AIDS, by 2015; 4. Development of indicators for monitoring and evaluation, 2004–2005; 5. Enhancement of statistical capacity in SADC, by 2015; 6. Development of economic models and forecasting mechanisms for statistics, 2004–2006; 7. Establishment of a multi-sectoral forum of users and producers of statistics, 2004; 8. Enhancement of the utilisation of cost effective ICTs in sharing information in the priority areas, 2015.	Member states SADC Secretariat

Trade, economic liberalisation & development	1. Free Trade Area – 2008 (to be informed by the outcome of the mid-term review to be completed by June 2004); 2. Completion of negotiations of the SADC Customs Union – 2010; 3. Completion of negotiations of the SADC Common Market by 2015; 4. Diversification of industrial structure and exports with more emphasis on value addition across all economic sectors (2015), taking into account the following indicators: * Diversify (increase of non-traditional exports) and sustain exports growth rate of at least 5% p.a.; * Increase in intra-regional trade to at least 35% by 2008; * Increase in manufacturing as a % of GDP to 25% by 2015. 5. Macroeconomic convergence on: * Inflation rate single digit by 2008, 5% by 2012, and 3% by 2018; * Ratio of budget deficit to GDP not exceeding 5% by 2008 and 3% as an anchor within a band of 1% by 2012, and be maintained at the 2012 level up to 2018; * Nominal value of public and publicly guaranteed debt should be less than 60% of GDP by 2008; and this be maintained throughout the plan period (to 2018). 6. Other financial indicators: * External reserves/import cover of at least three months by 2008 and more than six months by 2012; * Central Bank credit to Government less than 10% of previous year's tax revenue by 2008; less than 5% by 2015; * Increase the level of savings to at least 25% of GDP by 2008 and to 30% by 2012; * Increase domestic investment levels to at least 30% of GDP by 2008; * Gradual interconnection of payments and clearing system in SADC by 2008; * Achieve currency convertibility by 2008; * Finalise the legal and regulatory framework for dual and cross listing on the regional stock exchanges by 2008; * Liberalising exchange controls: Current account transactions between Member States by 2006 and the capital account by 2010; * Increase the share of credit accessed by women and SMEs to at least 5% of total private sector credit by 2008. 7. The establishment of a SADC monetary union by 2016: * Finalise preparation of institutional, administrative and legal framework for setting up a SADC Central Bank by 2016; * Launch a regional currency for the SADC Monetary Union by 2018.	Member states SADC Secretariat

Infrastructure support for regional integration and poverty eradication	1. Establishment and strengthening of private sector regional associations such as the Petroleum and Gas Association, and regional associations of regulators such as the Regional Electricity Regulatory Association by 2004; 2. Establishment of energy data banks and planning networks by 2005; 3. Harmonization of energy sector policies, legislation, rules, regulations and standards by 2006 to facilitate energy market integration; 4. Identification and strengthening centres of excellence for energy research and technology development by 2008; 5. Achieve 100% connectivity to the regional power grid for all Member States by 2012; 6. 70% of rural communities to have access to modern forms of energy supply by 2018.	Member states (Tourism ministries) SADC Secretariat RETOSA The private sector NGOs, Universities ASANRA etc
Tourism	1. Facilitate implementation of the Tourism Protocol by all Member States by 2005; 2. Development of Tourism Policy and Strategy document by 2004; 3. SADC share of World Market of tourist arrivals to reach 5% by 2005; 4. Gender mainstreaming in the tourism industry by 2005; 5. Increase the SADC share of world tourism receipts from 1% in 2001 to 3% by 2005; 6. Implement the SADC UNIVISA system by 2008; 7. Harmonise policies, legislation and standards by 2008; 8. Brand SADC as a destination of choice for tourism. Protocol on Transport, Communications and Meteorology.	Member states (Tourism ministries) SADC Secretariat RETOSA The private sector NGOs, Universities ASANRA etc
Transport	1. Liberalise regional transport markets by 2008; 2. Harmonise transport rules, standards and policies by 2008; 3. Recovery of all costs for maintenance of infrastructure by 2008 and full infrastructure investment costs by 2013; 4. Removal of avoidable hindrances and impediments to the cross-border movement of persons, goods and services by 2015;.	Member states SADC The private sector ASANRA Road transport Industry, Regional Operators Association
Communications & Meteorology	1. Upgrade the capacity of ground stations to retrieve information from the high-resolution second-generation meteorological satellites by 2005; 2. Develop appropriate policy and legal frameworks to facilitate operational cost-recovery, harmonisation and regional integration by 2006; 3. Develop operational capacity of regulators to respond to customer expectations by 2007; 4. Facilitate growth of public–private sector partnerships to achieve national universal access to services by 2010; 5. Separate operational responsibilities of policy units and regulators particularly for the postal services by 2005.	Member states SADC The private sector

Water	1. Long term regional water policy and strategy developed and approved by March 2004; 2. Increased awareness, broad participation and gender mainstreaming in water resources development and management by 2005; 3. Centres of excellence for water research and technology development are identified, strengthened by 2005; 4. Water sector policies and legislation harmonised by 2006; 5. Establish and strengthen at least eight River Basin Organisations by 2006; 6. Water data banks and planning networks are established and fully operational by 2007; 7. Training and institutional capacity strengthening programmes developed and implemented by 2008; 8. Halve the proportion of people without access to safe drinking water and sanitation services by 2015; 9. Develop by 2015 water resources infrastructure needed to double land under irrigation.	Member states SADC The private sector
Sustainable Food Security	1. Food Availability 2. Access to food 3. Nutritional value of food 4. Disaster preparedness for food security 5. Institutional framework	Member states SADC (Secretariat, Directorates) The private sector ICPs & NGOs Farmers
Food Availability	1. Establish a technical facility to support land reform programmes by 2005/6; 2. Double cropland under irrigation from 3.5% to 7% as a percentage of the total by 2015; 3. Increase fertilizer consumption from 44.6 kg/ha of arable land to 65 kg/ha of arable land by 2015 (world average is 98.8 kg/ha); 4. Increase cereal yield from an average of 1,392 kg/ha during to 2,000 kg/ha (world average) by 2015; 5. Double the adoption rate of proven technologies such as improved seed varieties, management of water and land, by 2015; 6. Reduce the incidences of trans-boundary animal diseases (TADs) in particular Foot and Mouth Disease by half in 2015 with the ultimate objective of elimination; 7. Increase livestock production by at least 4% annually; 8. Adherence to SPS Measures and standards in line with WTO Agreements.	
Access to food	1. Increase the daily per capita dietary energy and protein intake from 2,160 kcal to 2,700 kcal and 49g to 68g by 2015 respectively; 2. Halve the proportion of people who suffer from hunger by the 2015.	
Nutritional value of food	1. Halve the proportion of underweight children who are less than five years of age between 1990 and 2015.	

Disaster preparedness for food security	1. Develop an integrated regional agricultural information system based on existing systems by 2005.	
Institutional framework	1. Relevant legal instruments on food security and agriculture developed by 2006/7; 2. Medium-tern action plan on food security programme by 2004; 3. Completion of the Annex to the Trade Protocol by 2005; 4. Implementation of existing protocols on Fisheries, Forestry and Wildlife on-going up to 2015.	
Human and social development	In view of the long gestation period required for interventions in social and human development to yield expected results, targets in this area will be in line with those of the Millennium Development Goals. These broad targets are as follows: 1. All Member States should achieve universal primary education and ensure that all children complete a full course of primary schooling by 2015; 2. Enrolment gaps between boys and girls in primary and secondary education should be eliminated, preferably by 2005, and at all levels of education by no later than 2015; 3. Under-5 mortality rates should be reduced by two-thirds between 1990 and 2015 in all member states; 4. Maternal mortality rates to be reduced by three quarters between 1990 and 2015 in all member states; and 5. All member states should halt, and begin to reverse, the incidence of malaria and other major diseases by 2015.	

Source: SADC 2003a (RISDP)

Table A3: Founding members of the SADC Business Forum

ASCCI	Association of SADC Chambers of Commerce and Industry
FESARTA	Federation of Eastern and Southern African Road Transport Associations
MIASA	Mining Industry Associations of Southern Africa
SACAU	Southern African Confederation of Agricultural Unions
SAEN	Southern African Enterprise Network
SARA	Southern African Railways Associations
SBA	SADC Bankers Association
SEG	SADC Employers Group
SEPAC	Small Enterprise Promotion Advisory Council

Source: SACAU 2004, Newsbreifing no.4

Table A4: Status of SADC member states signatures and ratifications of, and accessions to the protocols and other legal instruments

	Protocol	Date Tabled before summit	Entered into force	States ratified/ acceded (number)	Comments
1	Immunities an privileges	1992, August	30.09.93	14	DRC acceded on 20.02.98
2	Shared watercourse systems	1995, August	28.09.98	14	ANG signed in 1999
3	Energy	1996, August	17.04.98	12	DRC is to accede
4	Transport, communication and meteorology	1996, August	06.07.98	12	DRC is to accede
5	Combating illicit drugs	1996, August	20.03.99	13	DRC is to accede
6	Trade	1996, August	25.01.00	12	DRC is to accede
7	Education and training	1997, September	31.07.00	11	ANG & DRC to accede
8	Mining	1997, September	10.02.00	10	ANG & SWA to ratify, DRC to accede
9	Tourism	1998, September	26.11.02	9	ANG & DRC to sign and ratify. MAL & ZAM to ratify
10	Wildlife conservation and law enforcement	1999, August	30.11.03	9	ANG, DRC, SWA and ZIM to accede
11	Health	1999, August	14.08.04	9	ANG, DRC, SWA and ZAM to accede
12	Tribunal and the rules of procedure	2000, August	14.08.01	14	Entered into force upon the adoption of the Agreement Amending the Treaty of SADC on 14.08. 2001. Thus there is no further requirement for Member States to ratify it.
13	Legal affairs	2000, August		6	DRC to sign. ANG, DRC, MOZ RSA, SWA, ZAM and ZIM to ratify
14	Revised protocol on shared watercourses	2000, August	22.09.03	9	DRC to sign, ANG, DRC, MAL & ZIM to accede
15	Amendment protocol on trade	2000, August	07.08.00	12	DRC required to deposit instruments of implementation
16	Politics, defence and security cooperation	2001, August	02.03.04	9	ANG, DRC, SWA & ZAM to accede
17	Control of firearms, ammunition and other related materials	2001, August	08.11.04	9	ANG, DRC, SWA & ZIM to accede
18	Fisheries	2001, August	08.08.03	10	DRC, SWA & ZIM to accede
19	Corruption	2001, August		7	ANG, DRC, MOZ, NAM & SWA to ratify
20	Culture, information and sport	2001, August		7	ANG, DRC, SWA, ZAM & ZIM to ratify
21	Extradition	2002, October		6	MOZ to sign. ANG, BOT, DRC, MAL, MOZ, NAM, SWA & ZIM to ratify
22	Forestry	2002, October		4	BOT, MOZ & NAM to sign. All except LES, RSA & TAZ to ratify
23	Mutual legal assistance in criminal matters	2002, October		3	MOZ to sign. All except MAU, RSA & TAZ to ratify

24	Agreement amending the protocol on the tribunal	2002, October	03.10.02	11	MOZ & ZAM to sign
25	Treaty of SADC	1992, August	30.09.93	14	
26	SADC Charter of RETOSA	1997, September	08.09.97	12	DRC to accede
27	MoU on Cooperation in SQAM in SADC	1999, November	06.07.00	10	DRC & SWA to sign
28	Notice of adoption agreement amending the treaty of SADC	2001, August	14.08.01	14	
29	MoU on Cooperation in Taxation and Related Matters	2002, August	08.08.02	12	DRC & MOZ to sign
30	MoU on Cooperation on Macroeconomic Convergence	2002, August	08.08.02	12	DRC & ZAM to sign
31	Charter of Fundamental Social Rights	2003, August	26.08.03	12	ANG & BOT to sign
32	SADC Mutual Defence Pact	2003, August		4	ANG to sign. All except BOT, MAU, NAM & ZIM to ratify
33	Facilitation of movement of persons	2004, August			

*Source: Derived from SADC website (*www.sadc.int*)*

Note: (a) Ratification by two-thirds (at least nine member states) is required for the legal instrument to enter into force

APPENDIX 2: LIST OF OFFICIALS MET

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Mr. Helmut Mueller-Glodde, SADC Technical Advisor, GTZ

Ms. Regine Qualmann, Trade Policy Adviser, SADC Secretariat

Mr. Jonas Ottosen, Policy Advisor on SADC Issues, UNDP

Mr. Helmut Orbon, GTZ Coordinator: SADC Peace & Security Programme

Ms. Katarina Fried, First Secretary: Embassy of Sweden, Gaborone

Dr Erika Malekia, Public Health Specialist, SHD, SADC secretariat

Ms. Amanda Sealy, Second Secretary: Development and Regional Affairs, British High Commission, Gaborone

Dr. Anthony Vodraska, Deputy Regional Mission Director, USAID Centre for Southern Africa

Ms. Lisa Y. Whitley, Programme Economist, USAID Centre for Southern Africa

Ms. Roslyn Waters-Jensen, Supervisory General Development Officer, USAID Centre for Southern Africa

Mr. E. M. Dewah, Executive Director, Botswana Confederation of Commerce, Industry and Manpower (BOCCIM)

Dr. R. Makumbe, Director, Infrastructure & Services, SADC secretariat

Mr Thomas Feige, First Secretary: Delegation of European Commission in Botswana

Dr. Happy Fidzani, Executive Director, Botswana Institute for Development Policy Analysis

Ms. Lisa M. Yarmoshuk, Director: Trade Facilitation and Capacity Building Project, Southern African Global Competitiveness Hub

Ms. Paulina Elago, Deputy Director: Trade Policy Development, Southern African Global Competitiveness Hub

Ms. Gina van Schalkwyk, Information and Communications Coordinator, Southern African Global Competitiveness Hub

Mr. Gideon Phiri, Consultant (mainly working on SADC), former SADC–Private Sector Desk Officer

Mr. Cunningham Ngcukana, Governance programme, The New Partnership for Africa's Development

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APPENDIX 3: MONITORING SADC QUESTION GUIDELINES

- Monitoring of SADC and RI in Southern Africa
- Who monitors?
- What is monitored by SADC and others?
- Do planned monitoring mechanisms function?
- What is missing, what needs to be monitored?
- Existence of M&E, feedback channels
- The production of and subscription to relevant treaties, memoranda of understanding (e.g., on macroeconomic convergence, cooperation on taxation), strategic documents, creation of institutions, etc.)
- Relevant documents: RISDP, SIPO, Memoranda
- Consistency of policy objectives – internal consistency, with other policies
- Consistency with national policies
- Realistic, achievable?
- Actors: are they the right ones? How is involved? Do the actors have the capacity?
- Relevant institutions: National Committees (in each country), SADC National Committee network (to be created)
- Are those planned actually existing?
- SADC Secretariat: four directorates
- OPDS
- Partner Review Forum
- Joint Task Force
- Committee of Permanent Representatives to SADC
- Foreign embassies of SADC member states
- SADC Parliamentary Forum
- The implementation of plans and institutions and obstacles: adherence to agreed principles and actions, functioning of created institutions, tendencies towards bureaucratisation
- Dialogues between the institutions
- Secretariat and SADC National Committees
- Adherence to commitments
- Institutional implementation capacity: Institution building, HR level
- Conceptual development: Conceptual awareness
- Compensation mechanisms: Existence of mechanisms to counter unequal effects of RI, social safety nets
- Financing of SADC: sufficiency for present and planned activities, dependence on ICPs, distribution of membership fees
- Sources of finance of SADC: member countries, ICPs
- Alternative funding mechanisms, including basket funding
- Sufficiency of funding; contributions by governments, donors, others (absolute, percentage)
- Relation to continental and other regional initiatives, especially the African Union (AU) and NEPAD, but also to SACU, CMA and COMESA: the progress, or otherwise, of other inter-state initiatives in which members states of SADC are participating may strengthen SADC (SADC as a stepping stone to African integration, SACU as a building block for deeper integration within SADC), but it may also direct scarce human and financial resources away from SADC
- All: mandates, capacity
- Formal/informal communication channels

- Relation to the private sector and civil society (including trade unions, churches, media, NGOs, etc.):
- Degree of respondents' knowledge of and participation in the process of regional integration
- Real and perceived impacts the process will have on civil society
- Private sector: market pressure for RI?
- Effects of regional integration on economic and human development: The promise and test of the success of regional integration is the convergence of SADC with the richer world ('catching up'), but also of the poorer countries within SADC with the richer members.
- Cost and benefits of the process of regional integration and the perceptions of these on countries and various interest groups. This is believed to be a key driving force for the speed and sustainability of regional integration.

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