

AFRICAN DEVELOPMENT BANK GROUP



SOUTHERN AFRICA

REGIONAL ASSISTANCE STRATEGY PAPER (2004-2008)

ONCB DEPARTMENT

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ABBREVIATIONS

ACP	African, Caribbean and Pacific
ADB	African Development Bank
AEC	African economic Community
AGOA	Africa Growth Opportunity Act
AMU	Arab-Maghreb Union
ASCCI	Association of SADC Chambers of Commerce and Industry
AU	African Union
BLNS	Botswana, Lesotho, Namibia and Swaziland
BOT	Build-Operate-Transfer or Build-Own-Transfer
CBI	Cross Border Initiative
CCBG	Committee of Central Bank Governors
CEMAC	Communauté Économique et Monétaire de l'Afrique Centrale
CET	Common External Tariff
CITES	International Convention on Trade in Endangered Species
COMESA	Common Market for Eastern and Southern Africa
CSOs	Civil Society Organisations
CUs	Customs Unions
DAC	Development Assistance Committee
DBSA	Development Bank of Southern Africa
DFIs	Development Finance Institutions
DFID	Department for International Development
DFRC	Development Finance Resources Centre
DRC	Democratic Republic of Congo
EAC	East African Community
EAIIF	Emerging Africa Infrastructure Fund
ECOWAS	Economic Community of West African States
EPAs	Economic Partnership Agreements
EU	European Union
FAO	Food and Agricultural Organisation
FANR	Food, Agriculture and Natural Resources
FDI	Foreign Direct Investment
FISCU	Finance and Investment Sector Co-ordinating Unit
FTA	Free Trade Area
GDI	Gross Domestic Investment
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GNP	Gross National Product
GNS	Gross National Savings
GTZ	Deutsche Gesellschaft Fur Technische Zusammenarbeit (German Technical Cooperation)
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immune-Deficiency Virus/Acquired Immune Deficiency Syndrome
HPI	Human Poverty Index
ICM	Integrated Committee of Ministers
ICPs	International Co-operating Partners
ICT	Information and Communications Technology
IMF	International Monetary Fund

IOC	Indian Ocean Council
IPAs	Investment Promotion Agencies
IPOs	Initial Public Offering
M & E	Monitoring and Evaluation
MMA	Multilateral Monetary Area
MOU	Memorandum of Understanding
NEPAD	New Partnership for Africa's Development
NGOs	Non-governmental Organisations
NORAD	Norwegian Agency for Development Cooperation
NTBs	Non-Tariff Barriers
OAU	Organisation of African Unity
ODA	Official Development Assistance
PPPs	Public-Private Sector Partnerships
PRSP	Poverty Reduction Strategy Paper
PTA	Preferential Trade Area
RECs	Regional Economic Communities
RIAs	Regional Integration Arrangements
RIFF	Regional Integration Facilitation Forum
RISDP	Regional Indicative Strategic Development Plan
RASP	Regional Assistance Strategy Paper
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADC-FTA	SADC Free Trade Agreement
SADCC	Southern African Development Co-ordination Conference
SAEN	Southern African Enterprise Network
SAPP	Southern African Power Pool
SATCC-TU	Southern African Transport Communications Commission-Technical Unit
SCUs	Sector Co-ordinating Units
SDIs	Spatial Development Initiatives
SEPAC	Small Enterprise Promotion Advisory Council
SMEs	Small and Medium Scale Enterprises
SNC	SADC National Committee
SPA	SADC Programme of Action
SRDCP	SADC Regional Drug Control Programme
STAP	Short-Term Action Plan
TIFI	Trade, Industry, Finance and Investment
UN	United Nations
USAID	United States Agency for International Development
USAID-RCSA	USAID Regional Centre for Southern Africa
WESTCOR	Western Corridor Power Interconnectivity Project
WTO	World Trade Organisation

EXECUTIVE SUMMARY

I. Background and Rationale

1.1 The Regional Assistance Strategy Paper (RASP) for Southern Africa is the first in the series of assistance strategy papers with a regional integration focus to be prepared by the African Development Bank. The Bank Group policy on Economic Co-operation and Regional Integration, which, was approved by the Boards of Directors in March 2001 requires the Bank to select and support organisations that can effectively foster regional integration efforts. Consistent with the founding mission of the Bank Group, regional integration has re-emerged as one of the central mandates of the 8th and 9th Replenishment of ADF, with the Deputies earmarking part of ADF resources for multinational operations that enhance regional integration.

1.2 The proposed Regional Assistance Strategy Paper for Southern Africa, which covers the period 2004-2008 will concentrate on the group of countries that belong to the Southern African Development Community (SADC). The strategy was prepared using a participatory approach and seeks to assist in deepening the integration of the sub-region in the global economy, recognising the limitations of small domestic markets and low level of capitalisation.

II Analyses of Recent Integration Trends in the Sub-region

2.1 The countries of Southern Africa constitute an important economic space, with a combined population of 211 million in 2003 and a combined GDP of \$ 229 billion in 2003. But there are great differences between countries, both in population and economic terms. In terms of population, the Democratic Republic of Congo (DRC) is the largest, accounting for a quarter of the sub-region's population, while in economic terms, South Africa is by far the largest country, accounting for 70 per cent of the sub-region's GDP. Recent economic performance has been sluggish, with real GDP growth averaging 2.6 percent during 2000-2002, and improving slightly to 3.3 per cent in 2003, though economic performance varies widely across countries, reflecting, among other factors, the diversity of performance in macroeconomic management of countries. The sub-region's per capita income, which is relatively high has deteriorated recently. In 2002, the average per capita income stood at \$812, down from \$1004 in 2001. The declining income per capita in the sub-region is a worrying trend, which reflects the rising level of poverty due to poor economic performance associated with, among other factors, the debilitating, negative impact of the HIV/AIDS pandemic, poor economic management, and the constraints to deeper regional integration. It is estimated that between 40 and 50 per cent of the sub-region's population lives in extreme poverty as reflected by poor social indicators such as high levels of malnutrition, unemployment, underemployment, declining life expectancy, and low access to the basic services and infrastructure needed to sustain basic human capacities

2.2 Macroeconomic convergence has evolved unevenly within the region. It has been faster among the five countries that make up the Southern African Customs Union (SACU), namely, Botswana, Lesotho, Namibia, South Africa and Swaziland, and has, with the possible exception of Mauritius, remained low for rest of SADC member states. While in all countries, inflation is declining, the average for SACU countries between 2000-2003 was 8.2 per cent, compared with 46.5 per cent non-SACU SADC countries and 32.4 per cent for the whole sub-region. Similarly, fiscal deficits are much lower among SACU countries, averaging 1.6 per cent of GDP for the period 2000-2003, while among non-SACU SADC member states, they averaged 5.6 per cent. The trends in the evolution of external debts show a similar picture of closer convergence within SACU and slow convergence with the rest of the Member States.

2.3 Trade integration is also low, with total intra-regional trade accounting for 22 per cent of the sub-region's total trade for the period 1999-2003. SACU countries, particularly South Africa, account for a substantial share of intra-regional imports and exports. Also, within the sub-region, there appears to be a disconnect between trade and integration, both regionally and globally. Although a number of countries now follow export-oriented strategies as part of their economic reforms introduced in the 1980s and 1990s, intra-SADC tariff rates are high and uneven across countries within the sub-region. For example, Tanzania's exports to Zimbabwe face a high tariff of up 94 per cent. The slow pace of trade integration is a cause for concern, as success of SADC as a regional integration community will be measured by the extent to which it promotes intra-regional trade.

III. Obstacles and Opportunities for Regional Integration

Southern Africa exhibits strong real positive forces for integration. These include the greater potential for intra-regional trade, the existence of potential economic complementarities, and the presence of South Africa as a strong growth pole. The sub-regional integration programme is constrained by a number of obstacles, which lack of macroeconomic convergence and stability, overlapping regional integration memberships, fragile social conditions, the incidence of natural disasters and the resulting food insecurity, political stability and governance, and the weak infrastructure linkages and internal institutional constraints.

IV. The Sub-regional Agenda and Strategy

SADC has a vision of a common future to develop a deeper economic co-operation and integration, based on balance, equity and mutual benefit. In order to provide strategic direction to the Organisation and to operationalise the SADC Common Agenda, a Regional Indicative Strategic Development Plan (RISDP) has been prepared. The main objectives of the RISDP include the following: (i) the eradication of poverty, the development of a common market through a step by step approach while restructuring and integrating the economies of the member states; (ii) the harmonisation of macroeconomic policies and the maintenance of an environment conducive to both local and foreign investment; (iii) facilitating democratic governance and conflict prevention management and resolution; (iv) fostering human resource development; (v) mainstreaming gender in the process of integration; and (vi) Combating HIV/AIDS. Cooperation and integration interventions include trade and economic liberalisation and trade (macroeconomic convergence, finance and investment and creating a common market); infrastructure support for regional integration and poverty eradication; sustainable food security; and, human and social development. The RISDP gives top priority to poverty eradication by ensuring sustainable and equitable economic growth and socio-economic development.

V. Bank group Assistance Strategy and Work Programme

5.1 The Bank Group has a Cooperation Agreement with SADC, which was signed in 1997. The Agreement provides a framework for both the Bank and SADC to cooperate to promote economic and social development as well as economic integration of countries of common membership. The current RASP for Southern Africa will seek to deepen and strengthen the collaboration between the SADC and the Bank.

5.2 The long-term goal of the RASP for Southern African is to assist the region to prepare for a competitive and socially beneficial incorporation into a globalising world economy by creating a customs union by 2015. In the medium-term, the Bank will concentrate on assisting the region improve co-operation in a number of areas such as relaxing the infrastructure constraints,

promoting private sector growth, and improving institutional capacity in order to achieve the long-term goal of creating a customs union. This strategy has been designed and will be implemented taking into account the objectives of the countries, stages of development of the processes, and the efficient sequencing of policies and multilateral rules. The strategy will have a results orientation, that is, it will have the ability to monitor and evaluate the development effectiveness of Bank Group interventions in the region. The implementation of the strategy will be guided by the principles of subsidiarity, selectivity, private sector participation, and collaboration with other development partners.

5.3 The proposed Bank Assistance programme for the SADC sub-region has three areas of strategic focus. The first strategic area will focus on providing *Investment support for Regional Co-operation* in sustainable food security, provision of infrastructure and services, and promoting human and social development. The second area relates to *facilitating trade and financial liberalisation*, where the focus will be the provision of institutional support for macroeconomic policy convergence and harmonisation, and fostering financial integration and capital markets development. Third, the strategy will focus on *Capacity Building* for both the Secretariat and country focal points.

5.4 *The work programme* contains both lending and non-lending activities. Within the framework of the RASP for Southern Africa (2004-2008), the Bank Group envisages presentation to the Boards, multinational operations in agriculture and sustainable food security, and in infrastructure development. In *agriculture and sustainable food security* assistance will focus on providing support to irrigation as a way of increasing agricultural productivity and enhancing regional food security. In infrastructure, the work programme will be implemented within the context of the NEPAD Short Term Action Plan, concentrating on water, energy and transport. In the water sector, the work programme will provide support to the SADC Shared Water Courses project, focussing on capacity building for the joint integrated river basin management, economic accounting of water use, assessment of surface water resources, and groundwater management. In the *energy sector*, the RASP for Southern Africa has identified the need for capacity building and institutional strengthening to support power pool arrangements thereby ensuring an efficient regional power market. In the *transport sector*, support will focus on the development of missing links in the regional infrastructure network including roads and bridges, facilitation of road transport, liberalisation of transport services and concessioning of transport infrastructure under PPP arrangements. As part of its non-lending activities, the Bank will undertake comprehensive and detailed regional economic and sector work, which should form the basis for its support for policy reform, capacity building, and institutional strengthening in the SADC sub-region.

VII. Recommendations

The Boards of Directors are invited to approve the strategy and the strategic focus proposed in this Regional Assistance Strategy Paper for Southern Africa covering the period 2004-2008.

SOUTHERN AFRICA
REGIONAL ASSISTANCE STRATEGY PAPER (2004-2008)

I. INTRODUCTION

1.1 The Regional Assistance Strategy Paper (RASP) for Southern Africa is the first regional assistance strategy to be prepared by the African Development Bank Group. The Bank Group strategies seek to establish complementarities between the Bank's client focused country strategy papers and the institutions sub-regional interventions. These strategies will aim at enhancing the economic integration of African countries based existing regional institutions such as SADC, COMESA and ECOWAS, among others, as organs of delivery. Support for regional integration is an integral part of the Bank's mission and operational activities. The articles establishing the African Development Bank and the African Development Fund specifically mandate it to contribute to the economic development and social progress of its regional member countries (RMCs) - individually and jointly. In March 2000, the Boards of Directors of the Bank Group approved a Bank Group policy on Economic Co-operation and Regional Integration, which, through operational activities, seeks to facilitate economic co-operation and regional integration among its RMCs. The policy requires the Bank to select and support organisations that can effectively foster regional integration efforts. Regional integration also emerged as one of the central mandates of the 8th and 9th Replenishment of ADF, with the Deputies earmarking part of ADF resources for multinational operations that enhance regional integration. In September 2004, the Boards of Directors of the Bank Group approved the creation of a Regional Integration Unit, which will provide strategic and policy support to the Operations complexes and to ensure effective Bank-wide coordination of regional activities. Furthermore, the Bank is a major partner to NEPAD, which also seeks to promote regional economic integration.

1.2 The rationale for designing a RASP for Southern Africa also springs from the need to deepen the integration of the region into the global economy, recognising the limitations of small domestic markets and low level of capitalisation. Evidence indicates that regional integration contributes to the objective of stimulating economic growth, fostering good governance and reducing poverty. Further, the NEPAD Action Plan, which makes the promotion of regional integration as one of its main pillars for stimulating economic growth and creating larger regional markets and production networks in Africa has given new impetus to the Bank's projects and programmes, particularly those aimed at attaining economic co-operation and integration at the regional and continental levels.

1.3 *Geographic Focus of the RASP for Southern Africa:* The proposed Regional Assistance Strategy Paper for Southern Africa, which covers the period 2004-2008 will concentrate on the group of countries that belong to the Southern African Development Community (SADC)¹. The Bank has decided to channel its regional assistance efforts mainly through SADC because it is the most geographically integrated grouping in Southern Africa covering all countries in the sub-region. SADC is also a very promising scheme of supranational co-operation, especially given the strategic presence of South Africa, which is both the sub-region's and the continent's largest economy. More importantly, SADC has just completed a Regional Indicative Strategic

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At the beginning of 2004, the 14 countries were Angola, Botswana, the Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. Though included

Development Plan (RISDP) that offers opportunities for channelling Bank Group assistance and that of other development co-operating partners to the sub-region. However, recognising the synergies that exist between SADC and COMESA, the Bank will continue to work with both organisations, individually and jointly, within the context of the RASP for Southern Africa. For example, the Bank has an Agricultural Marketing Promotion and Regional Integration Project with COMESA, which has the objective of enhancing intra-and extra-COMESA agricultural marketing.

II. ANALYSES OF RECENT INTEGRATION TRENDS IN THE SUB-REGION

2.1 Economic Characteristics of the Sub-region

2.1.1 The fourteen countries that comprise SADC constitute an important economic block with a combined population of about 211 million and a nominal GDP estimated, in 2003, at \$229 billion. There are, however, significant differences among countries in terms of population, economic size and level of the development (see Box I)

Box I
KEY FEATURES OF SOUTHERN AFRICA

The Southern African region shows great variations between countries in terms of economic development, physical size, population size and natural resource endowment. In economic terms, South Africa is the largest and the most dominant economy in the region, accounting for more than two-thirds of the region's total GDP. The four next largest countries in terms of GDP, namely Angola, Tanzania, Zimbabwe and Botswana, account for a combined share of only 10 per cent of the sub-region's total GDP.

In terms of physical size, the sub-region occupies 9,274, 789 square kilometres, which represents about 30.8 per cent of Africa's land area. However, only three countries, namely the Democratic Republic of Congo (DRC), Angola and South Africa occupy slightly over 50 per cent of the land area in the sub-region, while fewer than half occupy 88 per cent of the land area. At the other extreme, the island states of Mauritius and Seychelles, have a land area of only 1,865 square km and 455 square km respectively, and account for 0.025 per cent of the sub-region's land area.

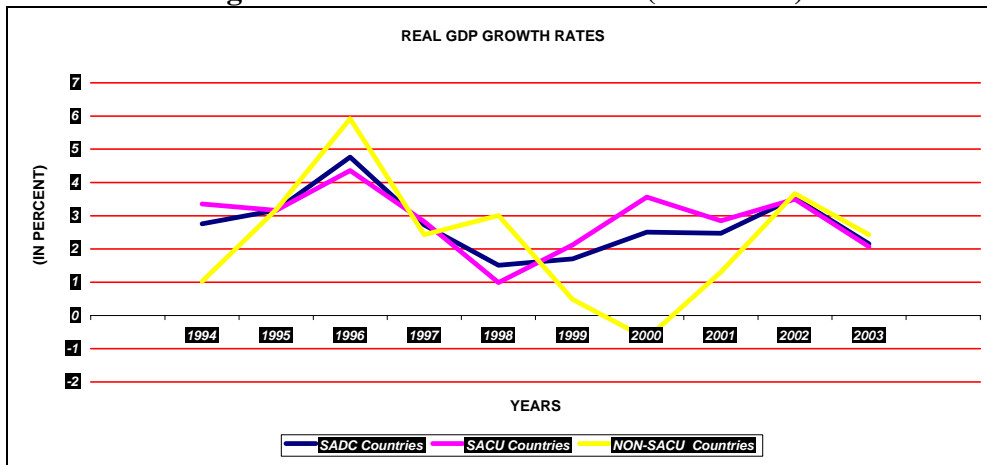
The total population of the SADC member states in 2003 was 211 million people, which is about a quarter of the continent's population. Again there is a wide dispersion in population size, with three countries, namely, the DRC, South Africa and Tanzania accounting for 64% of the sub-region's population. The three largest countries in terms of population size are the DRC (25, 8% or fifty millions people), followed by South Africa (21, 5%) and Tanzania (16, 95). At the other end Seychelles, Swaziland and Mauritius have the smallest populations, accounting for 0, 04%, and 0, 5% and 0.6% of SADC's population respectively. Population growth rates are highest in the DRC at an average of 3.2 per cent per annum, followed by Swaziland and Angola at 3.0% and 3.1% respectively. In 2002 Mauritius recorded the lowest population growth at 1.1 per cent. Population densities are generally low in SADC, with an average of 22.8 inhabitants per square km, compared with an Africa average of 27.6. As a result of their small geographic size, Mauritius and Seychelles have the highest concentrations (590 and 166 inhabitants per square km, respectively) while Namibia and Botswana have the lowest (2.2 and 2.6 respectively). The level of urbanisation in the sub-region is relatively low, estimated at 36, 9 per cent in 2002, though there are great variations, ranging from 25 per cent in Malawi to 53.7 per cent in Botswana and 65 per cent in Seychelles.

The sub-region has large variety of energy resources, although these tend to be unevenly distributed across countries. Angola is so far the only country in the region endowed with substantial quantities of oil reserves and hence petrochemical resources. There is limited production in DRC and South Africa where synthetic fuels are also produced. The uranium reserves are concentrated in South Africa and Namibia. South Africa alone has 79 percent of the uranium of the region and when combined with Namibia they account for more 99.6 percent of the uranium reserves of the region. Although almost all the countries in the region have some reserves of coal, the largest are in South Africa with 90 per cent of the regions coal reserves. When combined with Botswana and Zimbabwe, they sum up to 98 per cent of the total coal proven reserves of the region. Sizeable deposits of natural gas have been found in Mozambique, with smaller finds in Namibia, RSA and Tanzania. The successful exploitation of coal-bed methane is also being investigated.

In terms of poverty, the sub-region has the highest proportion of the people subsisting on less than \$1 a day. Zambia has the highest level of poverty, with 86 per cent of the population estimated to be living below the poverty line, followed by Zimbabwe (74%), Mozambique (69.5%), Angola (67%), Swaziland (66%), Malawi (54%) and Tanzania (51%). Mauritius has the lowest poverty levels, with 10.6 per cent of the population estimated to be living below the poverty line. Inequality within the region is also very high, with the regional Gini-coefficient put at 0.58.

2.1.2 With respect to economic size, South Africa is, by far, the largest economic unit both in the Sub-region, where it accounts for 70 percent of output, as well as the rest of the continent where its output represents about a third of that of the continent. Thus with appropriate macroeconomic and regional policy, South Africa represents an important growth pole with a potential to attract foreign direct investment for the country and the sub-region. It is anticipated that with deeper integration and greater economic cooperation, particularly in the fight against the HIV/AIDS pandemic, the region would be able to exploit its growth potentials and reverse the trend of growing poverty in the region.

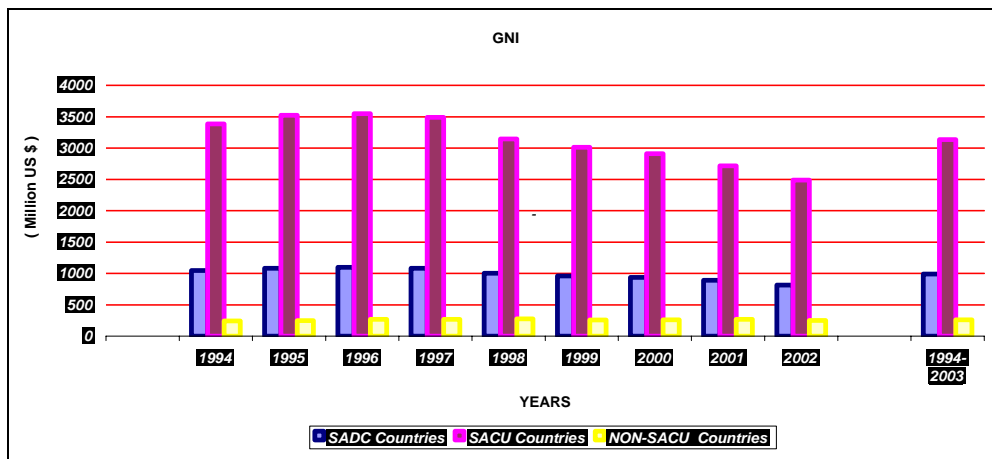
Fig. I: SADC Real GDP Growth (1994-2003)



2.1.3 During 2000 - 2002 SADC's GDP grew at an average of 2.6 percent, which, given the sub-region's average population growth rate of 2.5, translates into very little improvement in standard of living. There was a marginal improvement in 2003 with the rate rising to 3.3 percent for the sub-region. However, even with this improvement, relative to other sub-regions in Africa, during 2003 the SADC sub-region experienced the lowest rate of economic expansion. For example, the Arab Maghreb Union (AMU)² sub-region grew at annual rate of 5.6 per cent while the Communauté Économique et Monétaire de l'Afrique Centrale (CEMAC)³ sub-region recorded a growth rate of 4.6 percent. It is, however, worth noting that within SADC, economic performance varied and still vary widely, reflecting, among other factors, the diversity of performance in macroeconomic management of countries. The sub-region's per capita income, which has generally been relatively high has deteriorated recently. In 2002, the average per capita income stood at \$812, down from \$1004 in 2001. This compares with a capita income for the African continent of \$646. The six countries (Botswana, Mauritius, Namibia, Seychelles, South Africa and Swaziland) classified as middle-income countries have an average per capita income of \$2,886. However, the low income countries of the sub-region have an average per capita income of only \$ 236. The declining income per capita in the sub-region is a worrying trend, which reflects the rising level of poverty due to poor economic performance associated with, among other factors, the debilitating, negative impact of the HIV/AIDS pandemic, poor economic management, and the constraints to deeper regional integration.

² AMU is made of Algeria, Libya, Mauritania, Morocco and Tunisia.

³ CEMAC comprises the Central African Republic, Cameroon, Chad, Gabon, Equatorial Guinea and the Republic of Congo.

Fig. II: Gross National Income Per Capita (US\$, 1994-2002)

2.1.4 Economic activity in the sub-region is dominated by the services sector, which includes tourism, transport and business services. In 2003, the sector accounted for 66.9 per cent of GDP. This is followed by industry and agriculture, which accounted for 24.3 per cent and 8.8 per cent respectively. The services and agriculture sectors are also the largest employers of labour, accounting for 44 per cent and 37 per cent respectively of the average labour force employment. The manufacturing sector accounts for a significant part of the economic base in South Africa, Mauritius, Swaziland and Zimbabwe and together with the agriculture and mining sectors produce most of the region's exports. The services and manufacturing sectors are dominant in intra-regional import trade.

2.2 The Sub-Region's Agents of Integration

2.2.1 Within the continent, the *African Unity (AU)* and *New Economic Partnership for Africa's Development (NEPAD)* are important drivers of regional integration in Africa, and the eventual establishment of the African Economic Community (AEC). According to the Abuja Treaty, which came into force in 1994, the AEC would be achieved gradually through a process of co-ordination, harmonisation and integration of the activities of the existing Regional Economic Communities (RECs). Southern Africa has played a positive role in the activities of the AU, and the first two Chairpersons of the AU are from the region. Also, Southern Africa has taken a leading role in promoting the work of NEPAD, with the NEPAD Secretariat based at the Development Bank for Southern Africa in Pretoria, South Africa. NEPAD, as an AU project, represents a pledge by African leaders to eradicate poverty and to place their countries, both individually and collectively, on a path of sustainable growth and development and at the same time to participate actively in the world economy and body politic. NEPAD also acknowledges the important role that regional development and economic integration must play in promoting growth and sustainable development given the diseconomies of scale that many African countries face in most sectors. It gives the African Development Bank and other developmental institutions a central role in financing regional studies, programmes and projects toward that end. The Heads of State Implementation Committee of NEPAD gave the Bank the mandate to coordinate activities and serve as the lead agency in the areas of infrastructure development as well as banking and financial standards. In May 2002, a NEPAD Short-Term Action Plan (STAP) was produced for Infrastructure. The priority given to infrastructure was based on the recognition that 'bridging the infrastructure gap' was an important element in promoting regional integration and economic development. In May 2003, the Action Plan was subjected to a review to determine

the lessons learned as a basis for enhancing future implementation. This RASP will provide a strategic framework for the implementation of NEPAD programmes in Southern Africa.

2.2.2 Southern Africa is a sub-region awash with RECs, which include the Southern African Customs Union (SACU), the Common Monetary Area (CMA), the Southern African Development Community (SADC), and the Common Market for Eastern and Southern Africa (COMESA). Some member states also belong to other RECs outside the region, such as the East African Cooperation/Community (EAC) and the Indian Ocean Commission (IOC). In addition to these arrangements, which are characterised by established institutions, some of the countries are also members of the Regional Integration Facilitation Forum (formerly, the Cross-Border Initiative, or CBI), which is a non-institutional initiative focusing primarily on the private sector to generate economic integration.

2.2.3 However, most of these institutions face a number of institutional challenges, which are exacerbated by overlapping memberships. The *Southern African Customs Union*, which dates back to 1889 is the oldest REC and possibly the most advanced on the African continent⁴. It has abolished all import duties between member states and operates a common external tariff (CET) against all non-members of the customs union. All customs and excise duties collected in the common customs area are paid into a National Revenue Fund operated by South Africa, and then shared between the countries according to an agreed formula. With the exception of Botswana, other SACU members belong to a Common Monetary Area (CMA), which subjects monetary and exchange rate policies of Lesotho, Namibia, and Swaziland to those of South Africa. Also in these countries, the South African Rand is a legal tender. Economic activity is facilitated by the transferability of funds within the CMA. A positive impact of the system is the clear evidence on the convergence of policies and macroeconomic indicators among the SACU countries since 1971. Fiscal and monetary policy, inflation rates, interest rates as well as per capita incomes of the SACU have tended to converge.

2.2.4 *The Southern African Development Community (SADC)*: made up of all SACU countries plus Angola, the Democratic Republic of Congo, Malawi, Mauritius, Mozambique, Seychelles, Tanzania, Zambia, and Zimbabwe came into effect by the signing of a Treaty in August 1992 in Windhoek transforming the Southern African Development Coordinating Conference (SADCC) from a co-ordinating conference into a development community, the Southern African Development Community (SADC). The main thrust of SADC is to achieve meaningful development and economic growth, alleviate poverty, enhance the standard and quality of life of the people of Southern Africa and support the socially disadvantaged regions through regional integration. The Windhoek Treaty made provision that allows other countries to join by a unanimous decision of the SADC Summit and upon acceding to the Treaty. South Africa became a member of SADC in 1995 and later Mauritius, the Seychelles and the Democratic Republic of Congo joined the organisation. This brought the number of countries belonging to SADC to fourteen⁵.

2.2.5 *The Common Market for Eastern and Southern Africa (COMESA)*, is one of the largest RECs in Africa covering a total of twenty countries in Southern, Eastern and Northern Africa with a combined population of over 380 million people, covering 12,886,591 square km, with a gross domestic product of over \$166 billion, and, and intra-COMESA trade amounting to over \$4 billion a year. Nine SADC countries are also members of COMESA.

⁴ SACU member include Botswana, Lesotho, Namibia, South Africa and Swaziland.

⁵ As of July 2004, Seychelles terminated its membership of SADC, while Madagascar membership was approved.

The organisation has made reasonable progress in facilitating trade and promoting economic development among member states. In October 2000, nine of the 20 member states launched the COMESA Free Trade Area (FTA)⁶. Though likely to slip, it is expected that during 2004, a common external tariff (CET) and Customs Union will be introduced. There are still a number of obstacles to be faced regarding the CET, including agreement on the tariff levels to be adopted, compliance, identification of alternative sources of revenue where revenue loss could result from adopting the CET, definition of the modalities of administering the CET and the categorisation of goods into the proposed CET structure.

2.2.6 SADC member states are also engaged in a number of trade initiatives that seek to enhance the sub-region's integration into the global economy. These include the proposed regional economic partnership arrangements (REPAs) with the EU, the US-Africa Growth and Opportunity Act (AGOA), the proposed Free Trade Area (FTA) between the SACU and the USA and participation in the World Trade Organisation. A notable difference between these arrangements and their predecessors, especially with regards to REPAs, is that they will be based on the principle of 'reciprocity', meaning that there will be contractual arrangements for the exchange of trade and other preferences. Southern African countries are also active participants in multilateral trading system through the World Trade Organisation, which is a key organ in the management and governance of an increasingly globalising world. While WTO membership gives Member States the opportunity to participate in the shaping of the rules of international trade in favour of their economic and development interests, it also places severe demands on their limited financial and human resources to prepare adequately and subsequently engage fully in the negotiations. In the circumstances, the obvious alternative is for countries to pool their resources under a regional integration institution such as SADC.

2.3 Assessment of Integration Performance in the Sub-region

Macroeconomic Policy convergence

2.3.1 Although a common currency is not an immediate goal for SADC, macroeconomic convergence is still important for attaining macroeconomic stability, which is required for attracting foreign investment and advancing regional integration. The parameters on macroeconomic convergence proposed by the SADC Committee of the Central Bank Governors to help orient the efforts of member States towards reforms and stability that ensure cohesiveness and unity of purpose include the rate of inflation, the net present value of public or publicly guaranteed debt as a ratio of gross national income, the public budget deficit as a ratio of GDP, and the current account deficit as a ratio of GDP. Table I shows that progress towards policy harmonisation and convergence as measured by these indicators of policy compatibility has been uneven. Macroeconomic convergence has occurred faster among the SACU countries plus Mauritius, while it has been slower for the remainder.

⁶ These included Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe.

Table I SADC: Macroeconomic Convergence Indicators

	Inflation (%)		Fiscal Deficit as a % of GDP		Current Account Deficit as a % of GDP		External Debt as a % of GDP	
	2000-02	2003	2000-02	2003	2000-02	2003	2000-02	2003
ANGOLA	195.5	95.2	-5.6	-4.6	-4	-4.3	108.2	67.8
BOTSWANA	6.9	4.7	2.5	-2.7	8.3	3.5	22.7	17.7
DRC	313.1	9.1	-3.4	-4.9	2.3	-3.3	244.7	143.3
LESOTHO	8.4	9.3	-1.5	-3.5	-14.5	-12.3	69.4	48.8
MALAWI	23.6	5	-5.9	-1.3	-6.9	-6.6	154.2	171.2
MAURITIUS	5.4	5	-5.2	-5.9	2.3	4.5	22.3	19.4
MOZAMBIQUE	12.8	12.9	-5.6	-3.9	-19.4	-27.9	46	97.5
NAMIBIA	10.0	9.5	-3.1	-3.7	3.6	3.8	2.6	2.2
SEYCHELLES	4.1	7	-11.2	6.4	-14	-6.8	75.5	80.1
SOUTH AFRICA	6.7	5.8	-1.6	-2.1	-0.1		29.5	13.5
SWAZILAND	9.7	9.5	-4.4	-6.7	-3.7	-3.3	28.2	23.1
TANZANIA	5.3	5.3	-2.0	-3.2	-4.3	-7.3	81.8	74.8
ZAMBIA	23.4	18.4	-6.1	-5.6	-18.2	-16.6	158.5	107.4
ZIMBABWE	90.9	420	-13.1	-8.8	-1.6	-3.2	50.8	81
SADC	32.2	23.3	-2.8	-1.8	-1.4	-2.0	47.1	35.5

Source: ADB Statistics Division

2.3.2 More significantly, Figs. III - V show that there is less convergence between SACU countries and non-SACU SADC member states. While in all countries, inflation is declining, the average for SACU countries between 2000-2003 was 8.2 per cent, compared with 46.5 per cent non-SACU SADC countries and 32.4 per cent for the whole sub-region. Such high inflation levels often translate into high input costs, thus frustrating the production of exports and constraining intra-regional trade. Similarly, fiscal deficits are much lower among SACU countries, averaging 1.6 per cent of GDP for the period 2000-2003, with Botswana recording (albeit declining) budget surplus since 2000. It is nevertheless encouraging that even among non-SACU SADC member states, fiscal deficit as a ratio of GDP has steadily fallen, averaging 5.6 per cent between 2000 and 2003. A number of countries in the sub-region, such as Mozambique and Tanzania are implementing economic reform programmes that have reduced inflation and fiscal deficits. There have been significant slippages in other countries, such as Zimbabwe, the DRC and Angola. Finally, the trends in the evolution of external debts show a similar picture of closer convergence within SACU and slow convergence with the rest of the Member States. With the possible exception of Lesotho, the other SACU member states, plus Mauritius have relatively low external debt ratios of below 25 per cent of GDP, while the remaining Member States have debt to GDP ratios above 80 per cent, with Malawi being the most indebted country. Overall, the picture provided by convergence indicators suggests that SADC governments still need to adopt domestic policies that are consistent with low inflation, fiscal deficits and public debt, in order to achieve overall macroeconomic convergence as a way of promoting trade and investment.

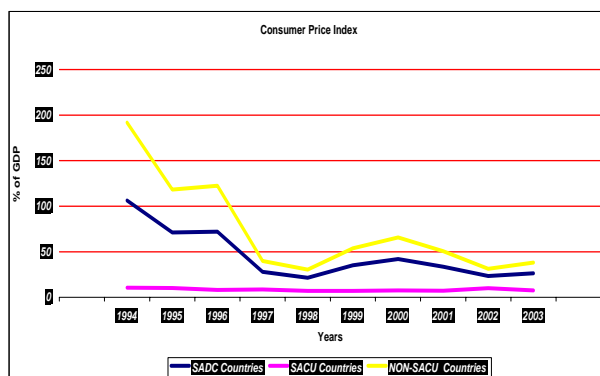
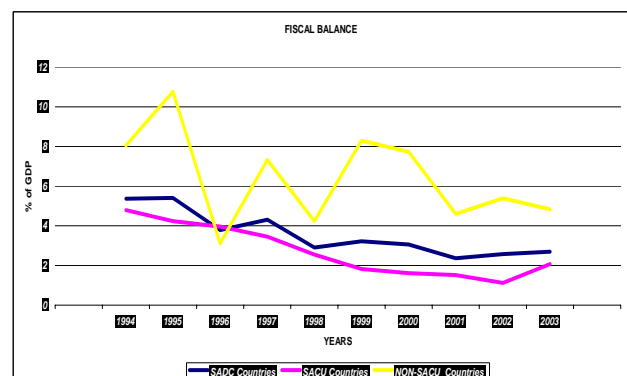
Fig. III: Consumer Price Inflation**Fig. IV: SADC Fiscal Balance**

Fig. V: SADC Share of EXTERNAL DEBT IN GDP (1994-2002)

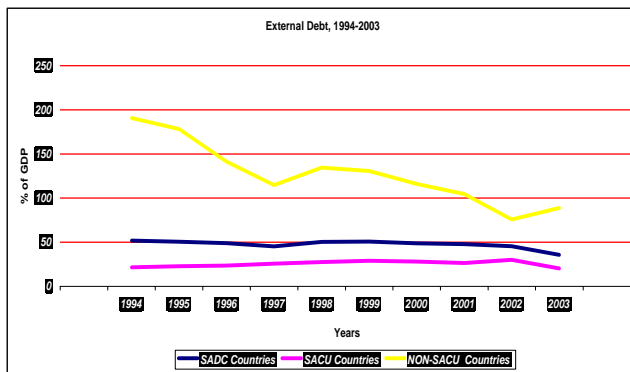
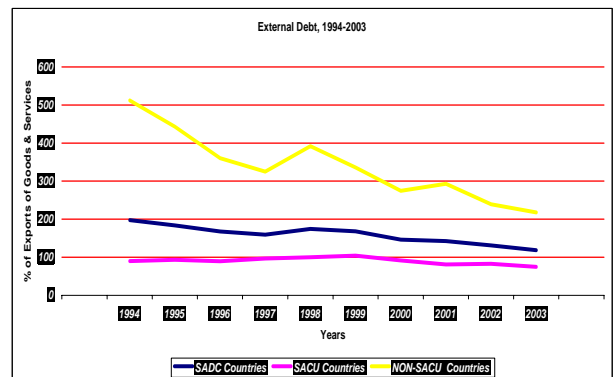


Fig. VI: SADC Share of EXTERNAL DEBT IN EXPORTS



Trade integration

2.3.3 The success of SADC as a regional integration community will be measured by the extent to which it promotes intra-regional trade. While increasing, total intra-regional trade is still low, accounting for 22 per cent of the sub-region's total trade for the period 1999-2003. Most of the sub-region's trade is with the European Union, the United States and Japan. Within the sub-region, SACU countries, particularly South Africa, account for a substantial share of intra-regional imports and exports (see Tables II and III). All SADC countries (including those in SACU) have a large trade deficit with South Africa, principally due to South Africa's overall competitiveness, but also due to South Africa's somewhat restrictive trade policies, as for example, in the case of textiles. SADC member states are significantly dependent on primary goods exports, principally agricultural and mineral exports. As a result, these countries are exposed to external shocks.

2.3.4 The challenge facing SADC is thus that of diversification and increasing intra-regional trade to levels similar to other RECs outside the continent, such as in South America and Asia. This will require that Member States deepen, harmonise and liberalise their trading environment, while also tackling supply side constraints, such as weak infrastructure linkages, that restrict intra-SADC trade. However, within the sub-region, there appears to be a disconnect between trade and integration, both regionally and globally. Although a number of countries now follow export-oriented strategies as part of their economic reforms introduced in the 1980s and 1990s, intra-SADC tariff rates are high and uneven across countries within the sub-region. Zimbabwe operates the highest tariff rates against other member states, for example, as high as 94 per cent against imports from Tanzania. The interesting case is that of SACU countries, where on the one hand trade within the customs union is fully liberalised, while on the other hand, SACU as a whole has been highly protected. Although South Africa's average tariffs against other SADC states are relatively low, ranging from 0 to 10 per cent, the tariff regime is highly protective of certain imports. For example, tariffs against other SADC countries range from 13-31 per cent for clothing, between 10-20 per cent for textiles, and between 49-100 per cent for food processing. This situation is not helped by the practice of negotiating bilateral agreements within the sub-region that excludes others, such as the agreement between SACU and MMTZ (Malawi, Mozambique, Tanzania and Zambia) countries that allows for tariff-free access of textile products into SACU under quota.

Table II: Total Intra-SADC Exports

	As a share of Intra-SADC Exports	As a Share of total Country Exports	As a share of Intra-SADC Exports	As a Share of total Country Exports
SADC Countries	1992-96		1997-2002	
ANGOLA	0.55	0.5	0.23	0.17
DRC	2.64	6.46	0.99	3.54
MALAWI	2.5	17.5	1.66	15.97
MAURITIUS	0.63	1.39	0.65	1.68
MOZAMBIQUE	1.4	26.2	3.33	24.4
SEYCHELLES	0.04	2.48	0.12	2.78
SACU	70.9	44.94	77.32	40.6
TANZANIA	0.72	3.95	1.08	6.52
ZAMBIA	3.19	11.45	4.88	27.88
ZIMBABWE	17.43	31.64	9.74	17.27

Source: ADB Statistics Division

Table III: Total Intra-SADC Imports

	As A share of Intra-SADC Imports	As a Share of total Country Imports	As A share of Intra-SADC Imports	As a Share of total Country Imports
SADC Countries	1992-96		1997-2002	
ANGOLA	5.28	9.29	7.43	10.84
DRC	5.83	19.73	4.17	21.3
MALAWI	9.01	54.34	9.56	66.99
MAURITIUS	7.15	12.82	7.29	13.53
MOZAMBIQUE	11.86	42.66	10.5	38.03
SEYCHELLES	1.12	14.92	1.15	11.07
SACU	18.54	52.96	12.74	44.44
TANZANIA	3.36	7.37	5.24	13.2
ZAMBIA	9.6	47.1	16.15	63.55
ZIMBABWE	28.25	36.45	25.78	51.16

Source: ADB Statistics Division

2.3.5 Intra-SADC trade has been boosted by the signing of the SADC Trade Protocol, which became effective in October 2000 after it was ratified by two-thirds of the member states. The objectives of the Protocol are to (i) further liberalise intra-regional trade in goods and services on the basis of fair, mutually equitable and beneficial arrangements; (ii) ensure efficient production within SADC reflecting the current and dynamic comparative advantages of its members; (iii) contribute towards the improvement of the climate for domestic cross border and foreign investment; (iv) enhance the economic development, diversification and industrialisation of the region; and, (v) establish a free trade area in the region. Given the different levels of preparedness, a 5 year special trade arrangement has been agreed upon which allows Malawi, Mozambique, Tanzania and Zambia to export textiles and clothing products meeting a "single stage transformation" rule of origin into the SACU market duty free but subject to quota limits. All other trade outside the special agreement will take place under the double state transformation rule of origin. Implementation of the protocol recognizes the principle of asymmetry in order to reduce the

negative trade balance other countries have against South Africa. Under this arrangement, SACU will phase down tariff in 8 years [by 2008] while the rest of SADC will do so in 12 years [by 2012]. As such each non-SACU SADC country prepared two offers one to RSA and the other to rest of SADC. In order to compensate the other members of SACU, namely, Botswana, Lesotho, Namibia and Swaziland (BLNS), that were liberalizing their imports much faster than the other non-SACU SADC states, the SACU offer was made conditional upon BLNS countries being able to maintain the preferences they were enjoying in trading with the non-SACU SADC states, even under other preferential arrangements not related to SADC. In pursuant of this, some of the BLNS insisted on getting enhanced market access for selected products of export significance to their countries. Through the principle of asymmetry, there was a general understanding that the more developed non-SACU states [namely, Mauritius and Zimbabwe] would mid-load their tariff reductions while the LDCs non-SACU countries would backload.

Financial Integration, Savings Mobilisation and Investment flows

2.3.6 The financial sector plays an important role in mobilising long-term savings and channelling these into productive investment. In SADC, commercial banks are the most significant financial intermediaries. Other players in the financial sector include investment banks, insurance companies, leasing finance institutions, development banks, building societies, and the capital market. Foreign and state-ownership within the sector is very strong, though in recent years, the domestic private sector has made significant inroads. Following the financial sector reforms introduced in the 1980s and 1990s as part of the overall structural adjustment programmes, significant liberalisation of the sector has occurred. In addition, a number of South African banks have made significant inroads into the rest of the sub-region, concentrating mainly on financing trade and investment as opposed to retail banking.

2.3.7 To deepen financial integration, SADC has formed the Committee of Central Bank Governors whose mandate is to spearhead the harmonisation of financial sector policies and ensure greater financial co-operation within the region, especially with emphasis on enhancing the efficiency of payment systems of member countries and improving bank regulation and supervision. Also the Association of SADC Stock Exchanges has been established to work on dual listing procedures, reducing exchange control restrictions, and sharing information technology. SADC has also set-up a sub-regional Development Finance Resource Centre (SADC-DFRC) and a SADC-wide Development Finance Institutions (DFI) Network of all national DFI in the sub-region. The SADC-DFRC functions as the hub of the Network and together with the proposed SADC Development Fund would be critical to support the DFIs in their efforts to concretely address development and poverty reduction in the SADC region.

2.3.8 Overall, the sub-region has been successful in attracting foreign direct investment (FDI), which between 1999 and 2002 amounted to \$22.1 billion, representing 43.8 percent of FDI flows to Africa. South Africa has emerged as a significant “growth pole” for attracting investment to the region, receiving US\$9.9 billion in 1999-2002 (or 44.9 per cent of inflows to southern Africa and 19.7 percent of inflows to Africa). Other major destinations of FDI inflows within the region include Angola, Tanzania and Mozambique. An important development is the growth of South African investments throughout the region, especially in financial services, mining and quarrying, clothing and textiles, tourism, and retail and food and beverages. The growth of FDI inflows to the sub-region reflects the progress that has

been made in removing investment barriers and in fostering an environment conducive to the functioning of the private sector in general. Private sector organisations such as the Association of SADC Chambers of Commerce and Industry (ASCCI), the Southern African Enterprise Network (SAEN) and the Small Enterprise Promotion Advisory Council (SEPAC) now play a significant role in the process of regional integration and co-operation.

Regional Labour Markets and Movement of Persons

2.3.9 As SADC moves towards greater trade liberalisation, issues of employment and the free movement of persons (in addition to the free movement of capital) have come into prominence. This is mostly because of the high level of labour market integration and labour movements, which pre-date the organisation. In recent years, sub-regional labour markets have performed poorly and have been unable to create enough formal jobs. Thus, Southern African countries are grappling with the problems of high levels of unemployment and under-employment, skills development challenges, high HIV/AIDS infection rates, and high levels of labour mobility within the sub-region. It is estimated that currently, about a third of the labour force in the sub-region is in formal employment, while the remainder is involved in informal activities and subsistence living. Although reliable statistics are difficult to come by, unemployment across the region is high, and is estimated to be in the range of 20-30 per cent in Namibia, 30-40 per cent in South Africa, 40-50 per cent in Zimbabwe, and greater than 50 per cent in Mozambique. Also, wage dependency, especially in South Africa, Zimbabwe and Namibia is relatively high compared with the rest of Africa. However, apart from South Africa Botswana and Mauritius, wages within formal employment are generally low, with most workers in the wage sector earning below poverty wages.

2.3.10 A major challenge facing SADC is that of movement of persons. Southern Africa has a long history of migration, dating back to the 19th Century when labour moved from other countries in the region to South African (and to an extent Zimbabwean) mines and commercial farms. Most of the migrations, especially to the mines were well organised and took the form of contract labour. However, the character of labour migration has changed since the 1990s in that besides mine and agriculture workers, migrants now include professionals and skilled workers, and also consists of legal and undocumented migrations. The flow of labour is generally to the relatively more developed countries of the sub-region, principally South Africa, Botswana and Namibia. The push factors are both political and economic factors, such as higher incomes in the receiving countries and political instability in some of the labour sending countries. The increasing flow of migrants, especially undocumented ones has initiated intense political debates within the receiving countries, leading to the tightening of immigration laws and border controls to try and keep out unskilled workers. In addition, the one-sided nature of the flow has delayed progress on the SADC Protocol on the Facilitation of the Movement of Persons.

2.3.11 Determining the impact of these migrations on the sending and receiving countries is complex as there are both costs and benefits. While for the labour originating countries such as Mozambique, Lesotho and Swaziland, it is clear that remittances make up a substantial proportion of GDP, these countries also suffer from serious brain drain as professionals and skilled labour are attracted by the higher incomes in richer SADC countries. While the labour receiving countries benefit from better trained labour, increasingly this is creating social tensions within these countries. Notwithstanding their better economic prospects the labour receiving countries also face high levels of unemployment and are struggling to provide basic amenities such as housing, health care etc for their own citizens.

Trends in Poverty and Social Development

2.3.12 Despite the sub-region's relatively high level of development in comparison with other sub-regions on the continent, poverty levels are high. It is estimated that between 40 and 50 per cent of the sub-region's population lives in extreme poverty as reflected by poor social indicators such as high levels of malnutrition, unemployment, underemployment, declining life expectancy, and low access to the basic services and infrastructure needed to sustain basic human capacities. Pockets of civil strife and conflicts in some member states, and the HIV/AIDS pandemic in others further compound the problem of poverty. Poverty in the sub-region is also associated with a high degree of income inequality inherited from the colonial era. The Gini coefficient is very high, which with the exception of Mauritius, Tanzania and Seychelles, exceeds 0.5, suggesting a need for these countries to implement effective redistribution policies. SADC member states have made firm commitments to alleviate poverty in line with the MDGs, and have thus put in place various policies, measures, and strategies. Policy frameworks already in place include PRSPs, economic and structural reforms, the broadening of democratisation processes, as well as the promotion of good governance and increased accountability. However, given the strong correlation between civil conflict and poor economic conditions and the human and social indicators, the improvement in the human and social conditions in the sub-region will largely depend on the extent to which integration can spur economic growth and meet the MDGs, particularly the reduction in the levels of poverty, HIV/AIDS infection and the prevalence of tuberculosis.

2.3.13 Access to education is relatively high in Southern Africa, with Zimbabwe having the highest literacy rate in the sub-region at 89 per cent, followed by South Africa at 86 per cent and then Mauritius, Lesotho, Namibia, Seychelles and Swaziland at over 80 per cent, while in Botswana, Tanzania and Zambia the literacy rate is just under 80 per cent. Generally, the literacy rate is lowest among females, especially in Mozambique, Malawi and the DRC, where 72 per cent, 55 per cent and 51 per cent of the females are illiterate. In terms of providing universal basic education, most SADC countries have made significant progress. During the 1996-2000 period, as many as nine countries recorded gross primary enrolment rates above or very close to 100 per cent. Education quality as measured by teacher-pupil ratio is high, ranging from 24 pupils per teacher in Mauritius to 58 and 59 pupils per teacher in Mozambique and Malawi. However, progress regarding the provision of secondary and tertiary education has been slow. On average, less than 50 per cent of the primary school leavers progress to secondary school and less than five per cent to tertiary education.

2.3.14 Regarding the health indicators, infant mortality improved between 1990 and 2002 in nine countries, namely, Angola, the DRC, Malawi, Mauritius, Mozambique, Namibia, Tanzania, Zambia and Zimbabwe, but worsened in Botswana, Lesotho, South Africa and Swaziland. The HIV/AIDS pandemic is a major obstacle to the progress on meeting the MDGs in the SADC sub-region. SADC member states have the highest rate of HIV/AIDS infection rates in the world, with over 25 per cent of the adult population infected in Swaziland, Botswana, Zimbabwe, and Lesotho. The HIV pandemic is undermining many of the development gains of the past decades, leading to higher rates of poverty, losses of human capacity across key sectors such as industry, health and education and a sharp decline in life expectancy to very low levels. The pandemic also causes impoverishment since it usually leads to the death of the economically active population or the breadwinners. As a result of the HIV/AIDS pandemic, tuberculosis (TB) infection rates have also increased.

Gender

2.3.15 Southern African countries have made significant progress in mainstreaming gender into the integration and co-operation processes. In 1997 the Heads of State and Government signed the SADC Gender and Development Declaration and committed themselves to promoting women's full access to and control over productive resources, repealing all laws that discriminate against women, and encouraging mass media to disseminate information and materials in respect of the human rights of women and children. In addition, SADC countries have committed themselves to have 30 per cent of all positions in political and decision-making structures to be occupied by women by 2005. At the national level, all SADC member states have a government office responsible for "women's affairs" and for integrating gender issues in government policy-making and planning process. Nevertheless, gender inequalities remain in a number of areas, including legal rights, power sharing and decision-making. For example, only Mozambique and South Africa so far have women holding 30 per cent of the seats in National Parliaments. In eight countries, women occupy less than 15 per cent of the parliamentary seats, the lowest being Lesotho and Mauritius, where women parliamentarians occupy 3.8 per cent and 5.7 per cent of the seats respectively. Further, within the professional and technical jobs, the participation of women is still heavily concentrated in traditional female-dominated professions such as teaching, nursing and secretarial services. Thus, despite the fact that women in SADC constitute 51.1 per cent of the population, their participation in the formal economy is still limited, and is confined mainly to agricultural production for domestic consumption and other household related tasks, such as fetching water and firewood. Women have less access to and control over land, credit and technologies and inputs, and as in other parts of the continent, they account for a larger proportion of the poor.

2.4 Constraints and Potentials for Integration

Constraints to Regional Integration in Southern Africa

2.4.1 *Lack of Macroeconomic Convergence and Stability.* Within the region, only the SACU countries and Mauritius have reached a very high level of stability and convergence, while Mozambique and Tanzania are making commendable progress. The rest of the countries are expected to prepare and/or implement their own plans for convergence, involving the control of budget deficits, inflation, debt service, current account, and government borrowing. It may, therefore, be necessary to adopt a wholesale market integration process that allows disaggregation between countries within the same regional institution and provide for a multi-speed approach. This is the case for adopting the principle of 'variable geometry', which allows for different parts of the region to move ahead at a different pace depending on their readiness for closer economic integration.

2.4.2 *Overlapping Regional Integration Memberships.* Southern African countries belong to several regional integration schemes, and as a result, the countries in the region are chasing many conflicting goals and programmes simultaneously. The problem with countries belonging to several formal arrangements is that they are often forced to deal with conflicting objectives, time-tables, development agenda and priorities, as happens with SADC and COMESA. Another problem is the duplication of effort. The effectiveness of one grouping tends to be undermined by the existence of the other as the limited financial resources of members cannot meet all requirements, and technical expertise in the region gets stretched to its limit. This is seen in the different pace for creating a free trade area set in the SADC Trade

Protocol and the COMESA Free Trade Area. It is, however, encouraging to note that SADC and COMESA have decided to work together, and in May 2001 established a Joint Task Force to harmonise the programmes of the two organisations in areas such as harmonisation of customs procedures and trade policy; development of a Regional Customs Bond Guarantee Scheme and third party vehicle insurance; sharing of trade statistics and statistical training; developing a common programme on trading standards; and, developing common programmes in transport and communications which will reduce the cost of intra-regional trade.

2.4.3 Fragile Social conditions, high poverty and the HIV/AIDS challenge : A major challenge facing the SADC region is the high levels of poverty, even among the middle-income countries like Botswana and South Africa. Poverty is a major constraint to regional integration because it retards improvements in human capabilities, especially human capital formation. Further, the situation is exacerbated by the high rates of HIV/AIDS infection, which can be considered a regional public “bad” that needs to be tackled at both the national and sub-regional levels. The SADC region also still suffers from lack of sufficient skilled human resources, and this has been worsened by the HIV/AIDS pandemic and human capital flight, especially from the poorer members of the region. This suggests that in the SADC region, skilled labour should be treated as a scarce resource, and that countries should seek to co-ordinate their capacity building programmes to the advantage of all, especially the poorer members of the region. Efforts to combat the spread of HIV/AIDS should also be on the agenda and co-ordinated across the sub-region.

2.4.4 Regional Food Insecurity: The SADC region is subjected to the chronic problems of drought and flooding, which are amongst the most devastating and frequent natural disasters affecting the economic, social and environmental stability of the region. Also dependence on rain-fed agriculture for livelihoods is high, while agriculture has strong linkages with the rest of the economy. Thus, drought and flood conditions reduce economic activity, lower personal and public income, and put pressure on resource bases, including resulting in vast human, crop, livestock and environmental losses. However, given that some of the countries are surplus food producers, a major challenge facing the sub-region is to achieve sustainable food security through regional co-operation.

2.4.5 Political Stability and Governance Issues: Political stability is perhaps the most significant factor currently influencing development prospects in the region. The Organ on Defence, Politics and Security Co-operation, established by a SADC protocol signed by the Heads of State and Government in Blantyre, Malawi on 14 August 2001, is responsible for promoting peace and security in the region and reports to the Chairman of the SADC Summit. Lack of peace and security has huge economic and social costs, and retards regional co-operation and integration efforts. A variety of recent events have underscored the importance of political stability, as witnessed in the growing movement of persons to the more stable and peaceful members of the community from conflict areas. The tensions created by these movements suggest that faster progress will be required on the Protocol on the Movement of Persons.

2.4.6 Weak Infrastructure Linkages: Infrastructure constraints contribute to increasing transaction costs and therefore, the competitiveness of the region. In land-locked countries, such as Botswana, Swaziland, Lesotho, Malawi, Zambia, and Zimbabwe transport costs account for a significant share of total import and exports costs, in some cases accounting for as high as 30 per cent of the final sales prices. There is also the need to maintain existing

infrastructure to ensure continued reliability of service. Major transit problems, which add to the cost of doing business in the region, also need to be addressed to enhance Southern Africa's trade competitiveness. It is estimated that a truck spends at least as much time at the border post as travelling to its destination. SADC is using Development Corridors and Spatial Development Initiatives (SDI) such as the Maputo Development Corridor and the Walvis Bay Corridor Group (WBCG) as vehicles for promoting the development of regional transport corridors within the framework of public private partnerships.

2.4.7 The energy sector is dominated by hydro-energy resources that are mostly concentrated along the Zambezi and Congo Rivers. Most of the region's citizens have limited access to electricity with the exception of Mauritius and Seychelles where access is above 80%. This low level of access to electricity has increased dependence on biomass energy, which has serious adverse effects on environment and for poverty alleviation. In addition, the insufficient power transmission infrastructure limits connectivity to an integrated electric network that is essential for ensuring the availability and reliability of supply. With regard to water resources, the region is experiencing a large imbalance between water availability and water usage. Only 10% of water resources are in South Africa and the country accounts for more than 80% of total consumption. The region has 15 major rivers, most of which are transboundary, or watercourses shared by two or more countries. About eight countries share the Zambezi, one of the largest river basins that is wholly within the region. Though the per capita annual renewable freshwater resources in the region are large, averaging some 7,370 cubic meters (equal to about 20,000 litres per person per day), the availability of water is unevenly distributed in time and space. A large part of the region is semi-arid and is prone to extreme meteorological events. The water infrastructure is inadequate to alleviate vulnerability and provide secure water resources for sustainable socio economic development

2.4.8 *Institutional Constraints:* There is a concern that SADC is still a political block (where political solidarity overrides everything else) and is yet to be transformed into a true instrument for regional economic integration. This is further complicated by the organisation's seemingly exclusive focus on projects rather than policy harmonisation, even though there are no mechanisms for evaluating and monitoring projects or assessing their development effectiveness. The institutional constraints encountered by the SADC include supra-nationality versus loose arrangements, lack of empowerment (enforcement authority) of the Secretariat and policy organs, which are currently powerless to take initiatives to strengthen the organisation, and, inadequate national mechanisms for integration to conceptualise relevant national policies, coordinate and monitor the implementation of community decisions. To address some of these constraints, SADC has established National Committees (SNCs) to co-ordinate regional projects at the national level.

Potentials for Integration

2.4.9 *Potential for greater Intra-SADC Trade:* As mentioned before, the Southern African region enjoys a fairly open investment and trade regime, making the region the most significant economic space in Africa. Intra-SADC trade has grown significantly since the 1980s. The coming into force of the SADC Trade Protocol is expected to result in a significant increase in aggregate intra-sub-regional trade. Also, intensive and complex negotiations on tariff reduction schedules, rules of origin, harmonisation of customs and trade documentation, non-tariff barriers, sanitary and phytosanitary and other trade measures have taken place within SADC. Under the SADC Trade Protocol, tariffs on all 'non sensitive' products will be gradually phased out by 2008, and trade will be fully liberalised by 2012.

2.4.10 *Economic Complementarities*: The presence of complementarities is crucial for ensuring growth in intra-regional trade. Despite the large trade surplus South Africa has with the region, which may suggest that complementarities between South Africa and the rest of the SADC region are low, an analysis of the products traded within the region and with the rest of the world suggests that complementarities do exist. While the rest of the countries in the region are primary commodity exporters, South Africa, and to a lesser extent, Mauritius and Zimbabwe, export industrial goods. South Africa is strong in exporting capital-intensive goods such as machinery, transport and chemicals. Zimbabwe exports a significant share of foodstuffs and beverages, crude materials and basic manufactures. In addition, there is an overlap between the primary commodities exported by other SADC countries to the rest of the world and the imports of South Africa from the rest of the world, suggesting the existence of significant potential complementarities within the region. Overall, manufacturing exports account for a significant share of total merchandise exports in South Africa, Seychelles and Zimbabwe, while for the other 11 member countries, primary commodity exports account for a significant share. To exploit these potential complementarities, it will be necessary to rapidly reduce the intra-regional trade barriers in sectors and products that reveal a regional comparative advantage.

2.4.11 *Presence of a strong growth pole*: From the literature, a regional integration arrangement that is built around some larger and rapidly growing member countries that serves as a “growth pole” for the region could have growth enhancing effects for the region. The participation of South Africa, the largest economy on the continent, provides a strong basis for successful economic co-operation. The country represents a *potential* growth pole for the rest of the region, contributing positively through both trade and FDI to the development of its neighbours. With real GDP that is three times larger than the combined GDP of the other 13 SADC member countries, a small increase in South Africa's import demand from its neighbouring countries will have a disproportionately large economic impact. Also South Africa's investment within SADC has grown substantially since 1993, more than doubling in Lesotho, Namibia and Swaziland. South African companies have been investing in mining, food processing, retailing and financial services. Intra-SADC investment flows have also come from other member countries, such as Zimbabwe, and Malawi.

2.4.12 *Agency of Restraint*: SADC can act as an effective “agency of restraint” and provide support for conflict prevention and peace-building within the region. The region has been involved in conflict resolution in Angola and the DRC. Further, SADC could help rationalise and enhance the credibility of trade and investment policies.

III. THE SUB-REGIONAL AGENDA AND STRATEGY

3.1 The SADC Vision

SADC has a vision of a common future to develop a deeper economic co-operation and integration, based on balance, equity and mutual benefit. This would result in enhanced investment and trade and freer movement of factors of production, goods and services across national borders; common economic, political and social values and systems, enhancing enterprise and competitiveness, democracy and good governance, respect for the rule of law and the guarantee of human rights, popular participation and the alleviation of poverty; regional solidarity, peace and security in order for the people of the region to live and work

together in peace and harmony; and, mobilisation of regional and international private and public resources for the development of the region.

3.2 Institutional Reforms and Restructuring

3.2.1 Originally, the SADC model of regional integration and co-operation eschewed the creation of strong centralised supranational institutions to guide the process of integration. The model favoured a decentralised sector-based approach in which countries were delegated the tasks of co-ordinating regional developments in particular sectors. SADC, therefore operated with a small Secretariat based in Gaborone, Botswana. However, as the process of integration deepened, this model created difficulties. The approach resulted in a weak Secretariat that lacked the power, authority and resources required to facilitate regional integration. The performance of the sector-coordination units in member states proved to be highly uneven due to the varying levels of technical and institutional capacity, and resources existing in different member states. As a result, the SADC Programme of Action lacked a regional focus, with many projects having a national focus. At an Extraordinary Summit of the Heads of State and Government held in Windhoek in March 2001, a decision was taken to restructure the SADC institutions to make them more effective in delivering the regional programme.

3.2.2 A significant change has been the abolishment of the 21 sector-coordinating units and commissions located in member states, and replacing them with four clusters or directorates, each under a Director, namely, Trade, Industry, Finance and Investment (TFII); Infrastructure and Services; Food, Agriculture and Natural Resources; and Social and Human Development and Special Programmes. These Directorates, based at the Secretariat in Gaborone will now take over the policy functions of sector-coordinating units and commissions. At the national level, SADC National Committees, composed of key stakeholders in government, private sector and civil society provide inputs in the formulation of regional policies and strategies and co-ordinate the activities of respective individual Member States. The Secretariat has been strengthened, and its responsibilities expanded to include strategic planning and management, and coordination and harmonisation of policies and strategies of member states. It also monitors and evaluates the implementation of regional policies and programmes, and, mobilises resources and co-ordinates programmes and projects with donors and co-operating partners.

3.3 The Regional Development Agenda

3.3.1 In line with its development integration approach, the SADC work programme was initially contained in the SADC Program of Action which was a compendium of a number of project proposals, virtually all dependent on donor funding. In addition, SADC also concluded a number of protocols such as the Trade Protocol which seeks to bring the region to a free trade area by 2012; the Protocol on Energy, Transport, Communications and Meteorology, the Protocol on the Shared Water Courses which promote regional cooperation on shared water resources, the Fisheries Protocol, the Protocols on Education and Training, on Health, on Culture, Information and Sport, and on Combating Illicit Drugs. Other policy instruments include a memorandum of Understanding on Macroeconomic Convergence and Cooperation in Taxation, a Regional Tourism Organisation of Southern Africa Charter and Declaration on Gender and Development and Plan of Action for Gender in SADC.

3.3.2 In order to provide strategic direction to the Organisation and to operationalise the SADC Common Agenda, a Regional Indicative Strategic Development Plan (RISDP) has

been prepared to cover the period 2005-2019. It was adopted by the Heads of State and Government at the Dar es Salaam Summit in October 2003. The Plan takes into account relevant sectoral policies, strategies and programmes including broad continental framework, such as the New Partnership for African Development (NEPAD). It has been drawn up with the involvement of all stakeholders. The RISDP together with the on-going restructuring of the organisation marks a significant departure from the previous projects based approach that is based on programmes and policy formulation and harmonisation. The main objectives of the RISDP include the following: (i) the eradication of poverty, the development of a common market through a step by step approach while restructuring and integrating the economies of the member states; (ii) the harmonisation of macroeconomic policies and the maintenance of an environment conducive to both local and foreign investment; (iii) facilitating democratic governance and conflict prevention management and resolution; (iv) fostering human resource development; (v) mainstreaming gender in the process of integration; and (vi) Combating HIV/AIDS. The RISDP gives top priority to poverty eradication by ensuring sustainable and equitable economic growth and socio-economic development. The RISDP is now being operationalised through 5 year and one year implementation frameworks.

3.3.3 Macroeconomic Convergence and Surveillance: Pursuit of macroeconomic convergence, fiscal policy co-ordination and harmonisation, liberalisation of the current and capital accounts, and reforming the payment systems are central to deepening regional integration in SADC. Countries have signed a Memorandum of Understanding (MOUs) on Macroeconomic Convergence and another on Cooperation in Taxation and Related Matters. To achieve and maintain macroeconomic stability the countries have agreed to restrict inflation to low and stable levels; maintain prudent fiscal stance that eschews large fiscal deficits and high debt servicing ratios; and, minimise market distortions. The RISDP proposes a number of targets, including reducing inflation rates to single digit by 2008, 5 per cent by 2012 and 3 per cent by 2018; reducing the budget deficit to 5 per cent of GDP by 2008 and 3 per cent as an anchor within a band of 1 per cent by 2012; reducing the nominal value of public and publicly guaranteed debt to less than 60 per cent of GDP by 2008 and maintain this level up to 2018; reducing central bank credit to government to less than 10 per cent of previous year's tax revenue by 2008 and less than 5 per cent by 2015; achieving currency convertibility by 2008; and establishing a SADC monetary union by 2016.

3.3.4 Finance and Investment: The objectives of financial and investment integration are to foster movements towards regional macroeconomic stability and convergence through prudent fiscal and monetary policies; provide a framework for co-operation in the area of finance; promote development of sound investment policies and encourage savings; facilitate and stimulate investment flows and technology transfer. The targets set in the RISDP include increasing the level of saving to at least 25 per cent of GDP by 2008 and 30 per cent by 2012; increasing domestic investment to at least 30 per cent of GDP by 2008; finalising the legal and regulatory framework for dual and cross listing on the regional stock exchanges by 2008; and achieving interconnection of payments and clearing system in SADC by 2008. The promotion of SADC as an attractive destination for investment will be in line with the Investment Memorandum of Understanding and the Protocol on Finance and Investment that is currently under preparation.

3.3.5 The Establishment of A Common Market: The overall goal is to facilitate trade and financial liberalisation, competitive and diversified industrial development and increased investment for deeper regional integration and poverty eradication through the establishment of a SADC Common Market by 2015. In this context, SADC countries have all ratified the

SADC Protocol on Trade, whose objectives include a further liberalisation of intra-regional trade in goods and services, ensuring efficient production, improving the climate for domestic and foreign investment, and promoting export diversification. The SADC preferred strategy is to start with a Free Trade Area, which should be achieved by 2008, after which negotiations on the establishment of a SADC Customs Union will commence. It is expected that the SADC CU will be established by 2012, while a Common Market status will be attained by 2015. It is expected that by 2008, over 85 per cent of the products will be traded at zero tariff. In addition, the RISDP places emphasis on export diversification towards manufacturing and increasing intra-regional trade to at least 35 per cent by 2008. The strategies adopted to achieve these objectives include the gradual elimination of tariffs, adoption of common rules of origin, harmonisation of customs rules and procedures, and sanitary and phyto-sanitary measures, elimination of non-tariff barriers, and liberalisation of trade services.

3.3.6 Regional Infrastructure Services: The overall sub-sector goal is to ensure the availability of 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. SADC has established the Infrastructure and Services Directorate consisting of transport, communications, water, tourism, and energy to spearhead regional co-operation in this area. Focus will be on ensuring availability of sufficient, reliable and least cost energy supplies, providing efficient, cost-effective and fully integrated transport, communications and meteorology system, and promoting the integrated water resource development and management. In the energy sector, the Plan proposes to promote power pooling through the extension of grid interconnections and creating a regional electricity market by consolidating the transformation of the Southern African Power Pool (SAAP) to a competitive pool; promoting joint explorations and development of petroleum and gas; and improve the access of affordable energy services to rural communities. In transport and telecommunications, the objective of the RISDP is to increase efficiency and reduce costs by promoting private-public partnerships in the provision of infrastructure and services, liberalising the transport network services by 2008, and harmonising transport sector policies and the regulatory framework to facilitate cross-border movement of people, goods and information by 2008. In the water sub-sector, the objectives of the RISDP include establishing and strengthening shared watercourse institutions, improving the legal and regulatory frameworks at national and sub-regional levels, promoting the development of strategic water infrastructure, strengthening the capacity of national and sub-regional water institutions for water resources planning, development and management; and enhancing the knowledge base on water resources. It is planned that water sector policies and legislation will be harmonised by 2006; and that the proportion of people without access to safe drinking water and sanitation services will be halved by 2015.

3.3.7 Sustainable Food Security: In food security, the overall goal of SADC is to achieve sustainable access to safe and adequate food at all times by all people. The RISDP identifies five areas of focus, namely ensuring long-term food availability; improving access to safe food; enhancing the nutritional value of the food consumed; improving the forecasting, prevention, mitigation and recovery from disaster induced emergencies; and, strengthening the institutional framework and capacity for implementing food security programmes in the sub-region. Food availability will be promoted through a number of strategies, some of which include promoting access of farmers to inputs, appropriate technology and extension services; promoting efficient irrigation systems; promoting the access of women and small-scale farmers to key productive resources including land, credit and training; removing barriers to agricultural trade; and encouraging public and private investments in agriculture.

Implementing land reforms in a number of member countries will be crucial to enhancing food availability. Thus the RISDP proposes to establish a technical facility to support land reform programmes by 2005. Also, given the threat posed by transboundary animal disease, especially foot and mouth, the Plan proposes to reduce the incidences of such diseases by 2015, with the aim of eventually eliminating them. To strengthen the institutional framework, the Food, Agriculture and Natural resources (FANR) Directorate is to develop a Medium-Term Action Plan to address food security issues.

3.3.8 Human and Social Development: In the area of human and social development, the main goal of SADC's integration agenda is to increase the availability of educated and highly skilled personnel and attain acceptable standards of health for all citizens by improving primary health care. Intervention under this pillar will also focus on reducing human poverty, combating the HIV/AIDS pandemic, and empowering women. The strategies proposed in the RISDP include developing, sustaining and utilising human capabilities with the target of achieving universal primary education by 2015, closing the enrolment gap between boys and girls at all levels of education by 2015, reducing under five mortality by two-thirds between 1990 and 2015; and halting and reversing the incidence of malaria and other major diseases by 2015. In addition, the Plan seeks to mainstream *gender* into all sectoral policies and programmes and activities at the national and regional levels.

3.3.9 HIV/AIDS: the goal of the RISDP is to reduce the number of people infected with the HIV/AIDS virus and the number of families affected by the disease. The intervention will focus on the combating the incidence of HIV/AIDS infection, its socio-economic impact and establishing appropriate policy and legislative frameworks at a sub-regional level. The main activities will focus on planning, co-ordination, implementation, monitoring and evaluation of the SADC HIV/AIDS response across all sectors. SADC plans to establish an HIV/AIDS unit in the Secretariat by 2005, and develop an integrated and detailed HIV/AIDS action plan and programme, including the establishment of an HIV/AIDS Regional Fund by 2007.

3.3.10 Promoting Private Sector Development: The private sector goal of the RISDP is to integrate the sector into policy and strategy formulation and programme implementation in order to accelerate and achieve sustainable regional economic integration. The main areas of focus identified by the RISDP include promoting and institutionalising public-private partnerships and dialogue, enhancing the capacity of private sector institutions and the SADC Secretariat to meet the needs of the anticipated partnership; and improve the information flow between the public and private sectors, including the Secretariat. It is planned that a SADC Policy on Public-Private Sector Partnership will be completed in 2005. To facilitate public-private sector dialogue, the SADC Biennial Business Forum will carry out regional competitiveness and business climate surveys biennially. A Private Sector Unit will also be institutionalised to provide support to the Secretariat and private sector institutions as part of the on-going organisational restructuring of SADC.

3.3.11 Financing the RISDP: With regard to the funding of the SADC development activities, the RISDP proposes that these would come from own member states public finance, official development assistance, including those mobilised through NEPAD, debt relief, domestic savings, foreign direct and portfolio investment, and, development finance and a DFI network. Further, the Plan proposes financing mechanisms for funding development that go beyond the traditional forms of development financing of public finance and development assistance. These include (i) building public-private partnerships (PPP); (ii) developing domestic financial and capital markets, and, (iii) using private equity and venture

capital. SADC also proposes to establish a Development Fund that will seek to address concerns of asymmetry in the share of the benefits of regional integration and the provision of sustainable financing for the regional development programme.

3.4 Evaluation of the Regional Development Agenda

3.4.1 The development of a comprehensive strategic regional plan demonstrates a desire within the organisation to move towards deeper integration driven by programmatic approach rather than co-ordination of sectors in individual member countries. Hence a successful implementation of the RISDP will be closely tied to the on-going re-organisation of SADC and the strengthening of the Secretariat. To this end, the establishment of the four Directorates at the Secretariat to co-ordinate and guide the regional development agenda and co-operation process is an essential and a positive step.

3.4.2 With regards to monitoring macroeconomic convergence, important steps have been taken as building blocks towards establishing a system of surveillance. The SADC Committee of Central Bank Governors, which could serve as a basis for establishing a surveillance mechanism, is developing a monetary and financial statistical database and an data bank on the policies and structures of SADC Central Banks. Further, within SADC, the SACU and Common Monetary Area (CMA) members have made significant progress towards macroeconomic convergence, and provide another basis for establishing such a mechanism. The four members of the CMA, though having their own currencies, have maintained parity with the Rand, and foreign exchange regulations and monetary policy throughout the CMA reflects the influence of the South African Reserve Bank, which serves to guarantee policy credibility. In the MOU on Macroeconomic Convergence, it is proposed that the Committee of Ministers for Finance and Investment will establish a collective surveillance mechanism to monitor macroeconomic convergence in the Region, determine specific targets, assess progress relative to these targets and provide advice on corrective actions. However, although it has been discussed by the Ministers of Finance, such a mechanism is yet to be established.

3.4.3 The liberalisation of regional trade is driven by the Trade Protocol. All the countries have now gazetted the legal instruments to implement tariff reduction schedules. However, issues yet to be resolved include negotiating modalities for liberalising trade and services and identifying and eliminating non-tariff barriers to regional trade. Further, while recognising the problem posed by overlapping membership to different RECs, the RISDP does not provide a clear vision on how this problem is to be addressed. As the implementation of Trade Protocol progresses and the process of integration and co-operation deepens, the bureaucratic and financial strains resulting from multiple membership and lack of co-ordination between the bodies will become more visible. Countries will soon have to make choices on which Common External Tariffs to apply, as it is not possible for a country to apply more than one CET simultaneously. Already, due to financial and administrative difficulties, Seychelles quit SADC in July 2004 and decided to concentrate its efforts within COMESA, while Tanzania left COMESA and Mozambique has suspended its membership in COMESA. Although the solution to the problem will be largely political, the SADC vision should stress the idea of variable geometry to allow for integration to move at different speeds, where for example, SACU countries could be allowed to move at a faster speed, given the significant progress they have made towards achieving a customs union.

3.4.4 In the area of social and human development, despite a general improvement in human capabilities over the last decade, there are a number of major challenges that the region needs to address. These include the high cost of providing the required social infrastructure; loss of educated and skilled personnel arising from the brain drain and the devastating impact of the HIV/AIDS pandemic. There is also the need for the education system to prepare students for self-employment through the provision of relevant technical, entrepreneurial and indigenous skills. Particularly with regard to HIV/AIDS, the RISDP places much emphasis on prevention and mitigation of the impact of the diseases, and very little attention on treatment and the provision of drugs. However, individual countries are implementing national anti-retroviral plans within the public health system, while in others, HIV/AIDS suffers access antiretroviral therapy from their medical insurance or as out of pocket expenses.

3.4.5 Finally, it is commendable that the private sector is identified as the main engine of growth and therefore, regional integration and co-operation. However, there is no discussion in the RISDP of employment standards, social responsibility agreements (SRAs) and other mechanisms to ensure that development benefits will also flow to the vulnerable.

IV. BANK GROUP ASSISTANCE

4.1 Assessment of Current SADC-Bank Co-operation

4.1.1 The Bank Group has a Cooperation Agreement with SADC, which was signed in 1997. The Agreement provides a framework for both the Bank Group and SADC to cooperate to promote economic and social development as well as economic integration of countries of common membership. Areas of cooperation outlined in the Agreement include food security, land and agriculture; infrastructure and services; investment and finance; trade and industry; human resource development; natural resources and environment; and other areas as may be agreed upon between the two parties. During the period 1991-93, the Bank conducted an extensive study on "Economic Integration in Southern Africa" (SEISA), with financial assistance from bilateral Nordic funding, which examined the prospects and opportunities for integration in SADC. The study indicated that for Southern Africa, the pay-off from sub-regional co-operation would be considerable. This would arise from (i) a more effective co-ordination of their investments in specific sectors; (ii) harmonisation of particular laws, rules and regulations; and, (iii) from more advanced approaches involving the convergence of trade, fiscal and monetary policies. The gains would come from three principal sources: (i) substantial cost savings resulting from co-ordinated investments in physical, social and institutional infrastructure, for example, a regional power grid or a coherent regional airline system; (ii) the benefits of trade liberalisation which will increase output and trade, stimulate larger investment flows and produce greater economies of scale; and, (iii) externalities, which increased competition generates such as greater product range and diversity; improved production techniques leading to lower costs; and more attractive opportunities for foreign investment in the region. The SEISA showed that there were numerous opportunities for moving ahead, ranging from initiatives to economise on power generation, reduce transport costs while improving service, share agriculture technology and research and manage scarce water resources to plans to promote cross-border investment and regional exchange rate stability.

4.1.2 Bank interventions in Southern Africa take place at the national and regional levels. Up to now, the dominant form of Bank Group support for the region has been guided by the national development strategies of the individual countries. Under the principle of

subsidiarity, this is expected to continue to be largely the case. However, given the importance that the Bank Group now attaches to promoting regional integration, especially within the context of NEPAD, it is expected that multinational forms of intervention will increase in importance. Under the ADF -VIII and IX lending cycles, significant levels of the resources (5-10 per cent) have been earmarked for financing multinational activities aimed at promoting regional cooperation and integration.

4.1.3 At the national level, the Bank has a number of projects with each of the SADC member states. Six SADC member states, namely Botswana, Namibia, South Africa, Swaziland, Seychelles and Mauritius can only borrow from the ADB window. Zimbabwe is a blend country, while seven, namely, Angola, Lesotho, Democratic Republic of Congo, Tanzania, Malawi, Mozambique and Zambia have access to concessional ADF resources. The Bank's cumulative commitments to SADC countries amounted to UA6.8 billion at the end of 2003. The Bank Group resources are basically targeted to rural and urban infrastructure, public utilities, agricultural development, industrial development and multi-sector. Other areas of Bank intervention have been for policy and institutional reforms, human resources development and capacity building projects. In addition, four SADC countries, namely, Mozambique, Tanzania, Malawi and Zambia have received HIPC debt relief up to the amount of UA495.88 million in nominal terms.

4.1.4 The Bank also provides assistance to the region through multinational investment projects and provide resources directly to SADC. Some of the multinational projects include the Technical Assistance to the Southern Africa Transport and Communications Commission (SATCC), the Capacity Building for Disability Rehabilitation in the Region, the SASOL Natural Gas Project, and the TAZAMA Pipeline. Only the SATCC and SASOL projects are still under implementation. The objectives of the SATCC are to strengthen the transport policy co-ordination and monitoring capacity of the Secretariat, and to reduce operational constraints on the Beira Corridor, including cross border delays, HIV/AIDS transmission and road accidents. The lessons learned from the Beira Corridor will be used to design similar programmes for other corridors in the region. The SASOL project, approved in October 2003 for ZAR 550 million seeks to finance a natural gas project in South Africa and Mozambique. The project involves the upstream development of the gas fields of Temane and Pande in the northeastern region of Mozambique, construction of a central processing facility and an 860-km gas pipeline from Mozambique to South Africa. In terms of facilitating regional integration through the private sector, Bank projects include the South African Infrastructure Fund for which the Bank has approved about R113 million and which aims to invest up to 30 per cent of its resources in other SADC countries. The Bank recognises the importance of regional business organisations although no resources have been allocated by the Bank to support and strengthen them.

Lessons Learnt

4.1.5 Bank experience with implementing multinational projects points to some useful insights, which can guide the Bank's regional integration strategy and the preparation of guidelines for assisting regional integration. First, the implementation of multinational projects points to the need for selectivity in the choice of areas of intervention, development of a prudent integration policy underpinned by sound guiding principles, and, the need to develop a criteria for selecting multinational projects and programmes. Second, since integration initiatives involve projects that cover more than one country, the relevant countries must demonstrate commitment to and own the initiatives and be integrally involved in all phases of the project/programme cycle. Third, since multinational projects tend to be

large and involve high sunk costs, the Bank should endeavour to lock in co-financing arrangements that involve other development partners and the beneficiary countries. Finally, an effective implementation of multinational projects depends on the presence of good governance, peace and stability at a sub-regional level, macroeconomic policy harmonisation, and a rules based regulatory framework. In this connection, the Bank should assist regions in creating an enabling environment in which the private sector can play its role as the primary source of investment and dynamic engine of growth. There is also the need for institutional capacity building and for studies to strengthen the ability of regional institutions to effectively articulate programmes and projects for regional integration. Capacity constraints also affect the private sector both in terms of their institutional capacity to organise themselves into effective advocacy organisation and in the preparation of investment projects.

4.2 Goal, Rationale and Principles

Goal

4.2.1 The long-term goal of the RASP for Southern African is to assist the region to prepare for a competitive and socially beneficial incorporation into a globalising world economy by creating a common market by 2015, which is the intended objective of the organisation. This is clearly a long-term objective. To achieve this goal, the Bank will, in the medium-term, concentrate on assisting the region improve co-operation in a number of areas such as relaxing the infrastructure constraints, promoting private sector growth, and improving institutional capacity as a way of achieving the long-term goal of creating a common market. Concentration on co-operation rather than on integration issues is driven by the realisation that to achieve a common market, the countries of Southern Africa would need to go beyond a trade-focussed regional preferential arrangements and directly target economic growth and sustainable development by focussing on relaxing the supply side constraints, such as closing the infrastructure gap and agricultural development. However, it is expected that the subsequent RASPs for Southern Africa will progressively expand into areas of trade and macroeconomic convergence.

Rationale

4.2.2 In line with its development mandate and the Vision Statement, the African Development Bank Group places high priority on national, sub-regional/regional development operations, which strengthen intra-African economic cooperation and regional integration. The Bank views development through regional integration and co-operation as an important element in its overall strategic goal of assisting African countries to reduce poverty. The preparation of the first RASP for Southern Africa is justified on the need to assist SADC countries overcome the main constraints to sustainable economic growth and poverty reduction. Regional integration offers opportunities to improve mutual access and coordinate resource management and sound exploitation of natural resources. Thus, under the ADF IX Lending Policy, the Bank has been mandated by the Deputies to design and implement limited and targeted policy-based loans (PBLs), aimed at promoting regional integration. For SADC, the aim will be to assist these countries maximise the benefits to regional integration, which range from higher rates of economic growth and social development, to lower risk and uncertainty for domestic and foreign investors. The strategy will also assist the region to position itself in international markets in order to optimise the costs and benefits of globalisation, and will provide an appropriate strategic framework for the implementation of the NEPAD programme by the Bank in Southern Africa.

4.2.3 The imperatives of regional public goods also make it vital for the Bank to provide support for the regional integration process. The RASP will allow the African Development Bank to expand its roles in the provision of global and regional goods, that is those goods whose benefits cut across borders and population groups. In today's environment, infectious diseases, trade frictions, financial panic and social crises, security and stability, and natural disasters are among a growing number of cross-border development challenges that call for solutions at the regional level. Improving the effectiveness of development assistance requires that the Bank considers regional dimensions to such development challenges within SADC. The challenge posed by the HIV/AIDS pandemic, is a case in point that requires action at both the national and regional level due to the high cross-border human migratory activity in the region. There is evidence that the prevalence and patterns of spread of HIV/AIDS and other infectious diseases is closely associated with patterns of human mobility. Another area where Bank Group support will be critical for the provision of regional public goods is that of peace and security. Three members of the region, namely, Angola, DRC and Mozambique are post-conflict countries, while the low-intensity social and political instability in Zimbabwe has resulted in a large outflow of skilled and unskilled labour as economic migrants in neighbouring countries.

Principles

4.2.4 It is envisaged that the Bank Group Assistance strategy for SADC will be guided by the principles of subsidiarity, selectivity, private sector participation, and collaboration with other development partners. Subsidiarity, because national interventions will remain the main framework for channelling Bank Group assistance to member countries in Southern Africa, and the RASP will serve to enhance regional dimensions of development. Thus, the strategy should be coherent with the national programmes. In other words, interventions at the regional level will be undertaken when the envisaged objective can only be best achieved at this level. This will be the case with the provision of most regional public goods, such as food security, disease control (HIV/AIDS, foot and mouth, etc.), regional peace and security, and infrastructure and trade services. The subsidiarity principle will thus serve, not only to improve the quality of Bank Group interventions in countries, but will also enhance overall development effectiveness of its operations by recognising the primacy of national CSPs in Bank operations, which will be complemented by the RASP. That is to say, the subsidiarity principle will demarcate the operational interventions for national CSP as the main instruments for managing and directing Bank Group assistance to RMCs, while at the same time ensuring that the implementation of those activities with a regional focus are co-ordinated and managed within the RASP.

4.2.5 Limited availability of resources requires that the Bank be selective in its operational focus, and intervene in areas where it has a comparative advantage and where it can make the maximum impact on poverty reduction. Selectivity is not about picking winners, but rather, it implies channelling the Bank's limited resources more strategically to achieve maximum development effectiveness, and thus will need to be combined with maintaining a critical mass for the Bank to remain relevant in the region. In this regard, the choice of the sectors in which the Bank will intervene is of critical importance.

4.2.6 As a guiding principle, private sector development is important to the Bank Group strategy because SADC has a vibrant private sector, which can play a central role as the dynamic engine of growth within the sub-region. Thus, the strategy would seek to create a conducive business environment for increase in cross-border investment. As in other parts of the continent, in SADC, the recognition of the importance of private sector participation in

the provision of infrastructure projects, such as water and sanitation management, transport and energy development, has increased. Private sector participation can infuse the technology and managerial expertise required to increase efficiency and lower costs of service delivery. The RASP for Southern Africa will thus seek to ensure that in Bank Group operations, decisions to involve private sector are based on a well-defined criteria of efficiency and cost-effectiveness.

4.2.7 Finally, the Bank will build partnerships with other donors who are already on the ground in order to avoid duplication of activities. Co-financing will also be central to implementing the Bank strategy. In this case, the Bank will seek to collaborate closely with SADC's ICPs.

4.3 Priority Focus of Bank Group Assistance

4.3.1 The proposed choice of the Bank Group's strategic interventions discussed in this section is in line with the Bank's Vision Statement, the Bank Group Policy on Regional Integration, the Bank Group Strategic Plan (2003-2007), the NEPAD provisions, and SADC's list of priorities as enunciated in the Regional Indicative Strategic Development Plan (RISDP). It also received validation from a workshop organised jointly by the SADC Secretariat and the Bank that included major stakeholders and international co-operating partners (see Box 2). Emanating from the discussion with the SADC Secretariat and the conclusions of the consultation workshop, the Bank Assistance programme for the SADC sub-region would focus on three strategic areas. The first strategic area will focus on providing *Investment support for Regional Co-operation* in sustainable food security, provision of infrastructure and services, and promoting human and social development. The second area relates to *facilitating trade and financial liberalisation*, where the focus will be the provision of institutional support for macroeconomic policy convergence and harmonisation, and fostering financial integration capital markets development. Third, the strategy will focus on *Capacity Building* for both the Secretariat and country focal points. The strategy will have a results orientation, that is, the ability to monitor and evaluate the development effectiveness of Bank Group interventions in the region.

Box 2. RASP Participatory Approach

The RASP for Southern Africa is based on the Regional Indicative Strategic Development Plan (RISDP) to be implemented over a period of 15 years adopted by the SADC Heads of State and Government in Dar es Salaam in August 2003, the various protocols and sectoral development agendas prepared by SADC, and a Bank commissioned study on Integration in Southern Africa. The RASP is in line with the Bank Group Vision Statement, the Bank Strategic Plan for 2003 – 2007, the Bank policy on regional Integration, and the NEPAD provisions.

The RASP for Southern Africa was prepared based on a participatory approach in which extensive discussions were held with the SADC Secretariat, selected member countries, and major stakeholders in the region. Discussions with the staff of the SADC Secretariat focused on the evolving SADC integration agenda and possible assistance by the Bank Group. Missions were organised to four member states, Botswana, Lesotho, Malawi, South Africa and Tanzania, where discussions were held with the relevant officials and private sector organisations on key national priorities and concerns and the extent to which the regional agenda was responding to both. Discussions were also held with the Development Bank of Southern Africa (DBSA) to get an overview of the work of the bank and an update on the NEPAD programme. DBSA is a major player in the sub-region, providing resources for regional integration projects and houses the NEPAD Secretariat. The RASP for Southern Africa was presented to two workshops. First a one-day workshop attended by 40 representatives was organised in Gaborone, Botswana, to discuss the RASP with various stakeholders, including SADC's International Cooperating Partners (ICPs). The workshop emphasised the need for selectivity, alignment of programmes between donors. *Combating HIV/AIDS was identified* as a major health and development challenge in the SADC region, and the international community was urged to treat this as an emergency issue. Second, the RASP was presented and discussed at a regional workshop of SADC National Committees (SNC). The workshop was attended by a total of 53 SNC representatives from the Member States, and 10 staff of the Secretariat. SNC representatives included government officials, representatives from the civil society organisations, and the private sector. The workshop concluded that the RASP for Southern Africa should become an avenue for strengthening the relations between the Bank and the Sub-region.

A. Investment support for Regional Co-operation

4.3.2 This component of the strategy will focus on co-operation in the creation of regional public goods in three main areas, namely sustainable food; infrastructure support for regional integration and poverty reduction; and human and social development

Sustainable Food Security

4.3.3 The growth of agricultural production and trade and rural development are key elements in increasing welfare and generating wealth in the sub-region. Agriculture is the main source of livelihood in the region. It accounts for close to 35 percent of GDP, directly employs 70 percent of the labour force, accounts for significant amounts of foreign exchange earnings, is a major source of food security, and is a major input into the manufacturing sector. Its performance is, however, erratic and this is a major cause for concern, as it is prone to climatic shocks. Further, in most countries in the region, it is the most protected sector, with the result that marketing and trade in agriculture within the region is well below potential. As a result, despite remarkable improvements in aggregate production in some countries, there remains an underlying food crisis in the region, while rural incomes remain low. The SADC region is highly vulnerable to effects of climate change mainly due to its over dependence on rain fed agriculture, poor infrastructure and poverty. These problems are now compounded by high prevalence of HIV/AIDS impacting on quality and quantity of labour in the agricultural sector and diversion of national resources to non-productive areas. The region has two dominant climate regimes, namely, the semi arid and semi-humid in the east, the dry and hyper-arid in the west, and because of this, there are wide variations in degrees of aridity and wetness. The countries most vulnerable to erratic rainfall are Malawi, Zimbabwe, Mozambique, Zambia, Tanzania and South Africa.

4.3.4 The proposed Bank Group support for this sector will focus on efforts to stabilise agricultural productivity and food security within the region. This is because the regional food security situation displays signs of chronic instability. Over the last fifteen years, food imports have almost doubled, and cereal demand is estimated to reach about 58.4 million tonnes in 2015, or more than double the current requirement of 28.4 million tonnes. Although there have been improvements in a few countries, average per caput dietary energy and protein supplies have decreased over the past fifteen years and now stand at 2,160 KCal (an average intake of 2,700 KCal per caput/day is estimated to be the level necessary to satisfy the food needs of the region) and 49g per day, respectively.

4.3.5 From the supply side, key causes of food insecurity in the SADC region include declining per capita agricultural and food production caused by erratic climatic conditions, and an over-dependence on rain-fed agriculture, as well as the relatively higher population growth rate, compared to the region's agricultural growth rate. The existence of such large food shortfalls in the region provides a potential market for small farmers, amongst whom poverty and hunger are concentrated, to expand their output and improve their livelihoods, thereby enabling member states to reduce their food import dependence. For this to happen in a situation of increasingly liberalised regional markets, farming in the region should become more competitive and technologically intensive.

4.3.6 The proposed strategy envisages enhancing regional food security through production, by doubling the area under irrigated agriculture by the end of 2015. A number of measures will be supported by the programme to improve irrigation's economic viability, reduce the high capital costs that characterise irrigation development in the region and maximise returns

through efficient performance of the sector. The FAO/ADB supported Special Program for Food Security (SPFS) programme, which was undertaken in 3 countries in the SADC sub-region, namely, Malawi, Mozambique and Tanzania has conclusively tested and demonstrated the viability of the technological methods to be promoted. In addition, the proposed strategy will promote policies and legislation harmonisation (including phytosanitary regulations), which will foster intra and extra SADC trade in agriculture and food items. Finally, the programme will support SADC governments in their on-going efforts to render their legal and institutional frameworks more conducive for agricultural investment and growth, including well-functioning factor and product markets. The strategy will actively support the implementation the NEPAD Comprehensive Africa Agriculture Development Programme (CAADP), which focuses on directing investment into three areas, namely, (i) extending the area under sustainable land management and reliable water control systems; (ii) improving rural infrastructure and trade-related capacities for improved market access; and (iii) increasing food supply and reducing hunger.

Infrastructure Support for Regional Integration and Poverty Reduction

4.3.7 Regional cooperation also offers scope for addressing the constraints posed by inadequate infrastructure in border areas. Improved infrastructure and services are needed to encourage the development of small businesses that require flexible, low-cost for low-volume shipping, and lower the costs of operations and reduce the disincentives to new investment in large enterprises. Although the infrastructure deficit, estimated at US\$6.5 billion, is narrower in Southern Africa compared with other parts of the continent, the state of infrastructure in SADC is nevertheless still a major impediment to economic growth and regional trade, while access varies widely between the countries.

4.3.8 Emanating from its long experience in financing national and regional/multinational projects in infrastructure, the Bank will focus on those infrastructure projects that facilitate regional cooperation and integration in Southern Africa. The focus for the Bank Regional Assistance Strategy in the infrastructure sector would be on assisting SADC to implement the Protocols on the Energy, Transport and Communications sub-sectors, and the Protocol on the Shared Water Courses. The overall aim of the Bank intervention would be to ensure availability of sufficient, reliable and least cost energy supplies, providing efficient and cost-effective and fully integrated transport, information and communication technology (ICT) and meteorological systems; promoting an integrated river water courses management system, and promoting and strengthening regional power pool market through grid interconnection. Another key focus of the strategy in this area will be to assist the region in improving regional transport corridors within the context of Spatial Development Initiatives (SDI). The main strategy will be to reduce transport costs and to enhance trade competitiveness by upgrading key elements of the regional infrastructure network and by reducing the non-physical barriers to the movement of people and goods. In infrastructure, the strategy will also be guided by the NEPAD priorities for the sub-region in particular as set out in the STAP prepared by the Bank for NEPAD.

4.3.9 As the continent's premier financial institution, the Bank will also seek to foster public-private partnerships (PPP) in the region. In collaboration with other development partners, the Bank Group strategy will seek to strengthen the foundation for long-term economic growth in the SADC region through private direct investment, growth of small and medium-scale enterprises and improvement in the business environment. Thus, the Bank strategy will emphasise PPP in the area of infrastructure development and small and medium-scale enterprises.

Human and Social Development (Capacity Building and Combating HIV/AIDS)

4.3.10 In the area of human and social development, the Bank strategy will focus on the coordination and harmonisation of education, and combating the HIV/AIDS pandemic. In realisation of the development challenge posed by this pandemic, SADC is revising its Multi-Sectoral HIV/AIDS Framework, whose focus is on both prevention and mitigation of the impact that this disease has on the region's development efforts. The Framework also provides for a review, development and harmonisation of policies, strategies and legislation relating to prevention, care and treatment, and to develop and strengthen the capacity to undertake the mainstreaming of HIV/AIDS at all levels in SADC. The Bank will seek to play a major role as a regional promoter of health issues by providing support for activities specifically targeted to the region to prevent the spread and transmission of contagious diseases such as HIV/AIDS and malaria. It will emphasise the following key interventions: (i) prevention and increasing public awareness; (ii) improving care, access to counselling and testing services, treatment and support; (iii) accelerating development and mitigating the impact of HIV/AIDS; (iv) intensifying resource mobilization; and (v) strengthening institutional, monitoring and evaluation mechanisms.

B. Facilitation of Trade and Financial Liberalisation

Macroeconomic Policy harmonisation and Convergence

4.3.11 Harmonising macroeconomic policies including fiscal, monetary and operations of financial institutions is a necessary condition for a smooth implementation of economic integration and fostering cross-border investment. To achieve convergence and macroeconomic stability, SADC states have adopted two related Memoranda of Understanding (MOU), one on Macroeconomic Convergence, and another on Co-operation on Taxation and Related Matters. While compliance with the convergence targets will be based on moral suasion, the Ministers of Finance have approved the establishment of a Monitoring and Surveillance Unit to over-see progress towards macroeconomic convergence. However, this unit has not yet been established due to lack of resources. The Bank will assist in the establishment of this unit by providing technical assistance. In addition, the Bank will, in collaboration with the Bretton-Woods Institutions conduct policy dialogue and consultation with the Secretariat in the area of macroeconomic policy harmonisation, convergence and surveillance and trade policy. Macroeconomic harmonisation and convergence will be done as part of normal country economic monitoring. The Bank will also strengthen and build its knowledge on governance and economic policy environment through the preparation of Country Governance Profiles and Economic and Sector Work prepared by Country Departments. These will be useful in informing regional policy dialogue.

Financial integration and Capital Markets Development

4.3.12 The relatively small size of most SADC countries required the development of broad and diversified financial systems across national boundaries in order to improve the system's ability to mobilize domestic and foreign savings for development. Also, the limited availability of domestic human capacity compromises the authorities' ability to enforce prudential and other regulations that safeguard the soundness of the financial system. To overcome these constraints, SADC members need to explore the possibility of harmonizing banking and property rights laws and prudential criteria, establishing sub-regional

supervisory mechanisms, allowing cross border banking, developing sub-regional money and capital markets, and harmonizing their monetary policies over time. Within SADC, essential pre-conditions have broadly been satisfied for the stock markets to become vibrant and efficient channels for intermediating long-term and cross-border funds. These include: sound and well functioning banking system, appropriate security laws, regulations, corporate governance requirements, and trading practices, functioning money and bond markets, regulatory infrastructure, and institutions (pension funds, insurance companies, etc.) that can make securities markets function, provide primary issue demand and secondary market liquidity. The Bank will work with the Secretariat, the DFRC and the DFI Network, who are expected to be at the cutting edge of financial services delivery in the priority areas set by the RISDP, to support the region attract greater and better quality investment to address the supply-side constraints to trade and regional integration.

C. Institutional strengthening and Capacity development

4.3.13 SADC has negotiated a number of protocols and development agendas, which have to be implemented at the national level. However, national capacities to implement these protocols and agendas are weak. The Secretariat also lacks the financial and technical capabilities to oversee and monitor the implementation of the regional programme, and this has tended to slow down the pace of integration. The Bank will intervene by providing institutional and capacity building support to strengthen the role of the SADC Secretariat as the organisation's principal policy formulation and co-ordination institution. The Secretariat and the SADC National Committees (SNCs) as implementation focal points require assistance in the area of trade facilitation and gender mainstreaming.

4.3.14 *Cross-cutting Issues.* The Bank Group strategy recognises the importance of a number of cross-cutting issues such as population growth, gender mainstreaming, promoting good governance, and addressing environmental concerns in strengthening regional integration. Although the proposed Bank Group regional assistance strategy may not directly address these cross-cutting issues, it is expected that these will be taken into account in the design and implementation of specific projects.

4.4 Overview of the Medium to Long Term Work Programme

Lending Activities

4.4.1 Within the framework of the RASP for Southern Africa (2004-2008), the Bank Group envisages presentation to the Boards, multinational operations in agriculture and sustainable food security, and in infrastructure development. In *agriculture and sustainable food security* assistance will focus on providing support to irrigation as a way of increasing agricultural productivity and enhancing regional food security. A key feature of the water sector in the SADC region is that the 12 continental member states share water from at least 15 river basin systems (see Table IV below). To a large extent, successful and long term irrigated agriculture in SADC directly or indirectly depends on water supply from these river basins.

4.4.2 The multiplicity of international water basins in the region makes these water sources often prone to unsustainable utilization, as well as poorly coordinated under-exploitation by riparian countries. Rainfall patterns in the region also vary dramatically; some countries are water abundant, while others are water scarce. Water quality deterioration is putting pressure on available water resources. At best, it increases the cost of water development; at worst, it

increases water scarcity. Lack of awareness of the state of water resources in the region obstructs efforts to address the economic, social, and environmental implications of poor water resource management. Moreover, the allocation of water in SADC often favours supply over demand management, with inadequate social and environmental considerations. Furthermore, water users generally do not pay a price commensurate with the true economic benefits that they desire from water. In the absence of effective and sustained national and regional co-operation in water management, the potential for conflicts among riparian countries has increased and may intensify with increased water scarcity.

Table IV: Overview of River Basins Shared by Continental SADC Member States

Countries	Number of Basins	Basins Shared with Other SADC Member States
Angola	5	Congo, Cunene, Cuvelai, Okavango, Zambezi
Botswana	4	Limpopo, Okavango, Orange, Zambezi
DRC	2	Congo, Nile
Lesotho	1	Orange
Malawi	1	Zambezi
Mozambique	9	Buzi, Incomakti, Limpopo, Maputo, Pungwe, Ruvuma, Save, Umbeluzi, Zambezi
Namibia	5	Cunene, Cuvelai, Okavango, Orange, Zambezi
South Africa	5	Incomati, Limpopo, Maputo, Orange, Umbeluzi
Swaziland	3	Incomati, Maputo, Umbeluzi
Tanzania	3	Congo, Ruvuma, Zambezi
Zambia	2	Congo, Zambezi
Zimbabwe	6	Buzi, Limpopo, Okavango, Pungwe, Save, Zambezi

4.4.3 The above situation calls for national and regional co-operation to strengthen and streamline the legal and institutional frameworks on water resources management. SADC's Revised Protocol on Shared Watercourses is the region's model to foster closer cooperation for judicious, sustainable and co-ordinated management, protection and utilization of shared watercourses. The Protocol seeks to i) promote and facilitate the establishment of shared watercourse agreements and shared watercourse institutions for the management of shared watercourses; ii) advance the sustainable, equitable and reasonable utilization of the shared watercourses; iii) promote a co-ordinated, integrated and environmentally sound development and management of shared watercourses; iv) promote the harmonization and monitoring of legislation and policies for planning, development, conservation, protection of shared watercourses, and allocation of the resources thereof; and v) promote research and technology development, information exchange, capacity building, and application of appropriate technologies in shared watercourses management.

4.4.4 The proposed programme qualifies as an ADF Multinational Operation as it seeks to first, facilitate cooperation among RMCs in tackling common problems, including joint approaches to capacity-building and policy harmonization; second, deepen economic integration among RMCs by helping to eliminate physical, tariff and non-tariff barriers to cross-border trade and production factor flows; third, support joint development of shared natural resources; and, fourth, promote among RMCs common principles of good governance, peace and stability, gender mainstreaming, and sound environmental management. Under the NEPAD Short-Term Action Plan (STAP), the Bank will also finance the SADC Shared Water Courses Support Project.

4.4.5 In the *energy sector*, the RASP for Southern Africa has identified the need for capacity building and institutional strengthening to support power pool arrangements thereby ensuring an efficient regional power market. Possible areas of support include: (i) Capacity building to the Southern African Power Pool (SAPP) Regional Control Centre and National Control Centres; (ii) Establishment of a regional energy regulatory association and a regional petroleum and gas association; (iii) Establishment of a Regional Energy Planning Network and an Energy Data Bank; and (iv) Harmonisation of regional energy policies and regulatory framework. New energy sources are urgently required to avert power shortages in the next 2 - 3 years, bearing in mind the need to find least-cost solutions. The regional project with the highest priority and that also has potential for Public Private Partnerships (PPP), and is included in the NEPAD STAP is the Western Corridor Power Interconnectivity Project/INGA Integrator (WESTCOR) covering the countries of DRC, Angola, Namibia, Botswana and South Africa, and Zambia, Tanzania and Kenya Interconnection network. The Bank will cooperate with the World Bank, EU and other bilateral and sub regional development partners in the implementation of the projects and programmes.

4.4.6 In the *transport sector*, support will focus on the development of missing links in the regional infrastructure network including roads and bridges, facilitation of road transport, liberalisation of transport services and concessioning of transport infrastructure under PPP arrangements. With the return of peace to Angola and the Democratic Republic of Congo (DRC), SADC has placed a high priority on the rehabilitation of corridors linking Lubumbashi in the DRC to the seaports and road and rail corridors within Angola. The Bank will consider support for the financing of projects along these emerging corridors. There are also proposals to extend the Bank's current technical assistance support to the Beira Transport Corridor in Mozambique to other transport corridors in the region. In the area of air transport, SADC has indicated that it will be submitting a request to the Bank for support in the implementation of the Yamoussoukro Decision for liberalization of air transport following its approval by the SADC Integrated Committee of Ministers. The air transport project would also have a component addressing the improvement of safety in the skies and airports.

Non-Lending Activities

4.4.7 *Facilitating Macroeconomic Convergence*: During the current RASP period, the Bank will assist SADC to establish a Monitoring and Surveillance Unit in line with the decision of the Ministers of Finance. This will require assistance in the form of a technical assistance grant to enhance the sub-region's capacity for economic monitoring and surveillance. It is envisaged that some of the activities that will be undertaken will include the training of central bank and finance ministries officials in economic monitoring and surveillance, promoting regional initiatives in monitoring short-term capital flows, and supporting the relevant activities of the SADC Monitoring and Surveillance Unit at the Secretariat. The Bank will also conduct a special study on capital markets development.

4.4.8 *Capacity Building*: ADF grant resources will be utilised for institutional and capacity building and studies at both the national and regional levels. At the national level, utilisation of ADF grant resources will be guided by the individual CSPs. At the regional level, a grant for institutional support and capacity building would be made available to the Secretariat to assist in developing human capacity and creating administrative infrastructure for regional integration and co-operation.

4.4.9 *Feasibility Studies*: A number of middle-income countries (MICs) in SADC suffer from institutional and technical deficiencies, especially with regard to project preparation activities. The Boards of Directors have approved a Middle Income Countries Technical Assistance Fund to finance non-lending activities in MICs. The Bank will make available to SADC part of the resources of this Fund to finance feasibility studies for infrastructure and HIV/AIDS programmes.

4.4.10 *Strengthening the private sector involvement in implementing the SADC Regional Integration Strategy*. The Bank will assist the Secretariat in developing and designing a specific regional strategy for the private sector. Road-shows will be organised in relation to private sector development as a way of strengthening the capacity of the Secretariat and related regional bodies dealing with private sector development.

4.4.11 *NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF)*: The purpose of this facility is to fund activities of an advisory or operational nature related to preparation of infrastructure projects and programmes within the framework of NEPAD. The facility is operational and is managed by the NEPAD Unit of the Bank. The Bank will consider applications for funding of regional infrastructure projects and programmes under this facility ranging from a minimum of US\$5,000 to a maximum of US\$500,000. Eligible beneficiaries are sub-regional bodies including SADC, regional member countries (at least two) if project entails regional infrastructure and public-private partnerships in infrastructure.

Lending Instruments and Financing Issues

4.4.12 Two main issues stand out with regard to providing finance at a regional level. First, there is a need to establish an appropriate mix between country-level support of national operations that have a regional focus and region-wide activities carried out by regional bodies. Currently, multinational funding is largely, though not exclusively, used to finance national operations that have a regional focus. Second, there is need to establish an appropriate mix between loans and grants at a regional level. In general, because regional public goods create opportunities for free-riding, grants tend to be preferable to loans as countries are usually reluctant to borrow to fund goods where the cross-border benefit is likely to be higher. However, for the Bank, the allocation and management of such grants will be complicated by the fact that the SADC region includes ADB and ADF countries. The former are not eligible for ADF grant allocations. This would make it difficult to implement regional public goods programmes, such as combating HIV/AIDS, which for effectiveness needs to cover all member countries. One approach that the RASP for Southern Africa could adopt would be to seek co-financing. In the provision of loans, the Bank will continue with the current policy of differential pricing along the lines of providing concessional loans to ADF borrowers and non-concessional loans to ADB borrowers. When required, the Bank may also combine loans with grant funding in appropriate combinations to foster the provision of mixed goods.

4.5 Collaboration with Other Development Partners

4.5.1 Recent initiatives such as NEPAD have brought to the forefront the necessity for the Bank Group not only to intensify its efforts to enhance its development effectiveness but also to work with appropriate development partners in providing finance for the economic development and social progress of African countries. Regional projects tend to be large and complex. Thus, in order to achieve maximum results, the Bank will place a lot of emphasis

on collaborating with other development partners in order to mobilise additional resources. The RISDP process has also increased co-financing possibilities. The Bank will continue to play its role as catalyst for increasing financial flows to SADC to assist in the implementation of the RISDP. Overall, co-financing opportunities will be explored through the donor-co-ordination within the context of implementing the NEPAD short-term action plan. Also, the SADC Secretariat and the ICPs have set up a task force which co-ordinates the activities between the Secretariat and the ICPs. The Task Force is currently compiling a Donors' Matrix showing the status of different donor engagement with SADC.

4.5.2 Major development partners within the region include the World Bank, the IMF, the European Union, DBSA, and bilaterals such as GTZ, NORAD, USAID and DIFD. The EU and its member countries and the USAID are by far the largest development partners to SADC. The EU has prepared a Regional Strategy Paper for Southern Africa to cover the period 2002-2007. The focal areas include promoting Regional Integration and Trade and promoting regional infrastructure, specifically transport and communication. Non-focal areas include peace and security and capacity building. To implement the strategy, the EU has allocated Euro 101 million, exclusively in grant form. The USAID program is spearheaded by the USAID Regional Centre for Southern Africa (USAID-RCSA), which is based in Gaborone, Botswana (the seat of the SADC Secretariat). All of the assistance is in grant form and works on a 5-year program cycle and the current one, which began in 2004 will fund work in regional market integration, agriculture, natural resources management and democracy building. World Bank activities are concentrated in regional transport and water, financial system infrastructure, energy and telecommunications, education, and environment and natural resources management. To achieve maximum results, the Bank strategy will place a lot of emphasis on co-financing with SADC's ICP in order to mobilise additional resources.

4.6 Monitoring Outcomes

The strategy will have a results orientation, which means the ability to monitor and evaluate the development effectiveness of Bank Group interventions in the region. The monitoring and evaluation of the Strategy implementation will be done through indicators to measure inputs/outputs and outcomes. *Input/output indicators* will include the number and volume of loans approved related to regional integration, and multinational activities, and the number of evaluations and sector performance reviews. *Outcome indicators* will include the following: reduction of trade barriers; the level of common external tariffs; level of preferences; growth, composition, distribution and levels of trade and intra-regional trade; diversification of exports; intra-industry regional trade; attraction of foreign investment and efficiency of regional incentives; progress in implementing the various protocols, and, progress with Millennium Development Goals. These indicators are contained in Annex II below.

V. RISKS

5.1 There are a number of risks associated with the Bank Group regional integration assistance strategy for Southern Africa. One set of risks stems from the differing levels of development and uneven economic performance between SADC countries. About half of the countries are classified as middle-income countries, while the other half are low income countries. Within the broad framework of sustainable economic growth and poverty reduction, these two groups of countries face different sets of challenges. Middle-income countries such as South Africa and Botswana have greater access to domestic foreign public and private resources compared with low-income countries, and the challenge they face

relates to skills deficiencies in converting these resources into poverty reduction activities. On the other hand, the options of low income countries are limited as this group of countries is dominated by high indebtedness, low savings and investment rates, and high incidence of poverty. Thus, in defining the strategic priorities that will ensure sustainable, broad-based economic growth with poverty reduction for the two groups of countries, the Bank Group interventions should recognise these differences.

5.2 Another important challenge that may pose a risk to a successful implementation of the RASP stems from the uneven political will to implement measures called for in the various protocols and development agenda agreed upon at the regional level. Some member countries tend to take longer to sign or ratify SADC protocols. This problem is exacerbated by the existence of overlapping regional integration schemes, which, as mentioned before, tend to overload already limited administrative, institutional and technical capacities of the member countries and burden them with many conflicting tasks and goals. SADC and COMESA have tried to mitigate this risk in the context of the SADC Trade Protocol and the COMESA Free Trade Area by working together to harmonise and streamline the rules of origin, customs procedures and other issues pertaining to trade facilitation.

5.3 The frequent occurrence of natural disasters, such as droughts and floods constitute another risk to the implementation of the RASP. Natural disasters tend to focus attention and resources away from implementing planned regional integration and co-operation programmes. The Bank Group strategy will need to anticipate unplanned emergency support, such as grant requests for food aid or flood and disaster management. But perhaps one of the most significant risks to a successful implementation of the Bank Group strategy is the threat of conflict, insecurity, and economic crises. However, the work of the SADC Organ for Politics, Defence and Security, which is responsible for promoting peace and security in the region will mitigate this risk.

5.4 Finally, there are risks related to the potential tensions with regard to the implementation of the principle of subsidiarity and the need to harmonise the implementation of national CSPs and the RASP. To minimise this risk, the Bank will establish a Regional Economic Team that will operate along the lines of the current Country Teams. Its function will be to monitor and harmonise regional and national Bank interventions. Another risk inherent in the strategy refers to the uncertainty created by the possible lack of sufficient resources available for regional integration activities, especially in grant form. Some of the countries in the region cannot benefit from ADF grant resources. The Bank will therefore need to find a way of combining ADF grants with the MIC Trust Fund. There is also the problem of low visibility of the Bank within the region, and this is exacerbated by the lack of local Bank presence in the region. However, the Boards of Directors have approved the transformation of the country programme office in Mozambique into a regional office, with another country office will be opened in Malawi.

VI. CONCLUSION AND RECOMMENDATION

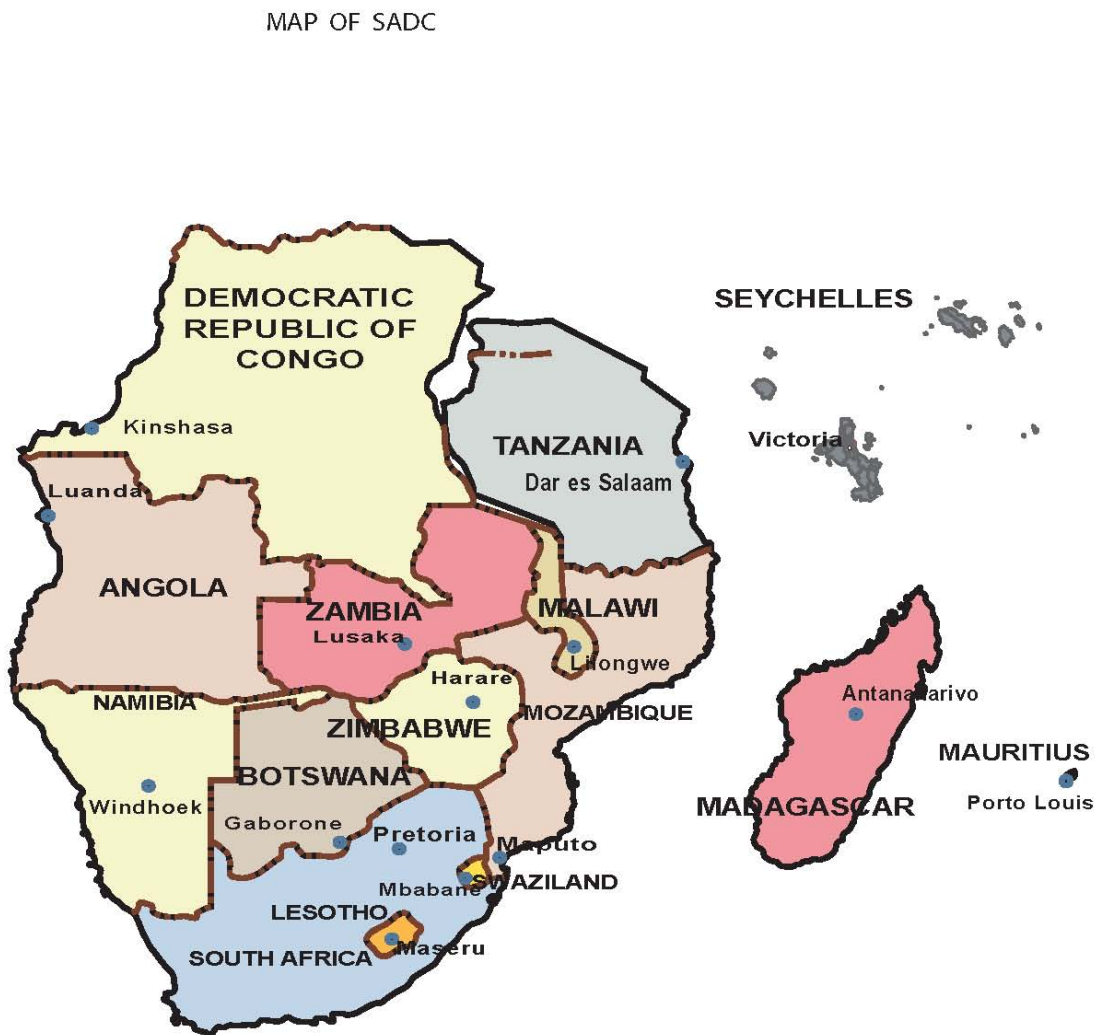
6.1 The economic reforms of the last few years and the end to the wars and civil conflicts have significantly improved the sub-region's economic performance and prospects. Furthermore there is recognition within the region for the private sector to function as an engine of both economic growth and regional integration. However the region faces both institutional and financing constraints to take full advantage of the new and more conducive economic environment and the full potential offered by regional integration. The situation

calls for new measures to develop the necessary institutional capacity at national and regional levels, within the private sector and other civil society organisations to bring them to a level where they can participate meaningfully in deciding the direction and content and design of regional integration. This is the purpose of the proposed RASP for Southern Africa.

Recommendation

6.2 The Boards of Directors are invited to approve the strategy and the strategic focus proposed in this Regional Assistance Strategy Paper for Southern Africa covering the period 2004-2008.

Map of the Southern African Region



This map was provided by African Development Bank exclusively for the use of readers of the report to which it is attached. The names used and borders shown do not imply on the Bank and its members any judgement concerning the legal status of territory nor any or acceptance of these borders.

Key Intervention Areas, Focus, Strategy and Targets

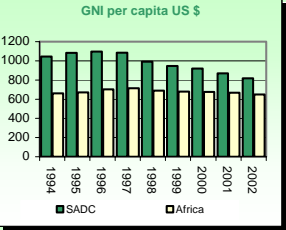
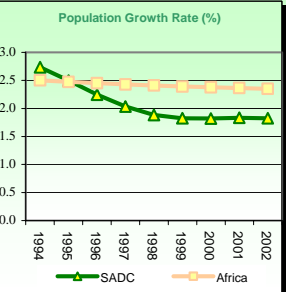
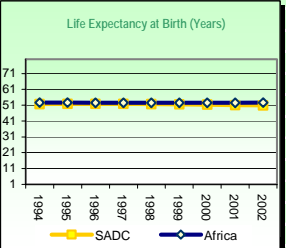
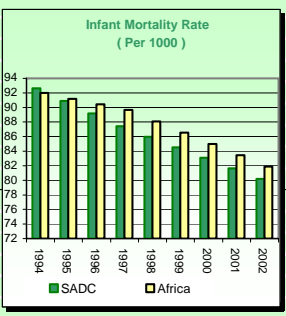
Intervention area	Focus areas	Strategy	Targets/Indicators
Poverty eradication	HIV/AIDS pandemic, gender equality and development, infrastructure support for integration and poverty alleviation, human and social development, economic liberalisation and development, good governance.	Capital assets for the poor, redistributing natural assets, constructing and maintaining infrastructure, promoting knowledge and health, protecting the environment and reducing income inequalities, expanding the regional and international markets and stimulating investment	Halve the proportion of people living on less than \$1 per day by 2015.
Combating the HIV/AIDS pandemic	Prevent infection among the most vulnerable groups; Mitigate the impact of HIV/AIDS; Harmonise policies and legislation relating to prevention and control of HIV/AIDS; Mobilise/coordinate resources for HIV/AIDS multi- sectoral response.	Developing and improving clinical management standards and strategies; Improving disease surveillance; Providing health related technical assistance to other sectors; Catalysing other sectors to become innovative and take ownership of the disease;	Spread of HIV/AIDS and prevalence particularly among young people reduced by 25% in all member states by 2007
Gender equality and development	Gender equality and institutional frameworks; Women's human and legal rights; Gender mainstreaming; access to and control of resources; access to key political and decision-making positions	Development of explicit gender policies, strengthen gender coordination machineries and harmonise them at regional level; Ratify international instruments on gender equality and incorporate their provisions into national laws and set up appropriate enforcement mechanisms; adopt women economic empowerment policies and strategies including gender sensitive budgeting practices, affirmative action; develop gender capacity building programmes.	Development of policies and frameworks by 2003; Ratification of relevant international and regional instruments by 2004; Repeal of gender discriminatory provisions in laws and policies by mid 2005; Establishment of enforcement mechanisms by mid 2006; Adoption of gender sensitive planning, budgeting and implementation processes by end 2006; Development of specific programmes for the economic empowerment of women by end 2007.

<p>Trade, economic liberalisation and development</p>	<p>Establishment of SADC FTA; Establishment of SADC customs area; Establishment of SADC common market; Increase SADC competitiveness and effective participation in the global economy.</p>	<p>Fast track implementation of trade protocol; Commence negotiation of the establishment of customs union; Harmonise policies, legal and regulatory frameworks for free movement of factors of production; Implementation of industrial and mining development strategies; Enhancing competitiveness taking advantage of the regions natural resources and promote SADC as an attractive investment destination.</p>	<p>Free trade area by 2008; Customs union by 2010; Common market by 2015; Diversification of industrial and mining sector by 2015;</p>
<p>Infrastructure support for regional integration and Poverty Eradication</p>	<p>Increase efficiency and reduce cost of operations; Improve accessibility and mobility in the rural areas; Promote PPPs in the provision of infrastructure; Liberalise markets in all modes of transport; Harmonise policies, legislation, rules and regulations etc; Improve access thru the use of appropriate technology.</p>	<p>Liberalise regional transport markets, harmonise rules. Recover all maintenance costs. Recover full infrastructure costs;</p> <p>Remove avoidable hindrances to cross border movement of persons, goods and services</p> <p>Strategies for Energy:</p> <ul style="list-style-type: none"> • promotion of power pooling thru strengthening interconnections of power grids; • Upgrading the SAPP to a regional electricity market; • Improve access by rural communities. <p>For petroleum and gas:</p> <ul style="list-style-type: none"> • Joint exploration and development of resources; • Harmonisation of policies and legislation; • Cooperate in joint procurement; <p>Overall institutional strengthening, research and information exchange</p>	<p>By 2008 By 2013 By 2015</p> <p>Establish private sector bodies such as Petroleum and Gas Associations, Regional Electricity Regulatory Association by 2004; Establishment of energy data banks and planning networks by 2005; Harmonisation of policies, legislation, regulations, standards etc by 2006; Identification of centres of excellence by 2008; Achieve 100 connectivity by 2012; 70% of rural communities with access to modern energy supplies by 2018</p>

<p>Sustainable Food Security</p>	<p>Improving food availability Improving access to food Improving nutrition</p>	<p>Development of regional food reserve facility. Market development for food products and promoting private sector trading in food. Improving rural transport infrastructure. Promoting agricultural production and productivity through an enabling environment, access to land and credit and enhancing access to technology and empowering women.</p>	<p>Establish facility to support land reform programmes by 2005/6. Double cropland under irrigation from 3.5% to 7%. Increase fertiliser production from 44.6 kg per hectare to 65 kg by 2015. Increase the yield of cereals from an average of 1392 to 2000 kg per hectare which is the world average by 2015. Double the adoption rate of proven technologies by 2015. Reduce the incidence of trans-boundary animal diseases by half by 2015. Increase livestock production by at least 4% per year. Adherence to SPS measures and standards in line with WTO agreements.</p>
<p>Tourism</p>	<p>Using tourism as a vehicle for achieving sustainable socio-economic development and poverty eradication as an incentive for conservation and sustainable utilisation of natural resources; Develop tourism strategy, cooperate in marketing and promotion, brand SADC tourism destination, introduce UNIVISA system, promote community-public-private and partnerships, transfrontier conservation areas, harmonise standards etc</p>	<p>Signing and ratification of the SADC Tourism Protocol by all member states.</p>	<p>Signing of protocol by end 2003. Development of strategy by 2004; SADC share of tourism arrivals to reach 10%; Implement the SADC UNIVISA by 2008; Harmonise legislation and standards by 2008;</p>

<p>Macroeconomic Convergence</p>	<p>Attainment of macroeconomic convergence; Development and strengthening of capital markets; Increase SADC share of FDI;</p>	<p>Formulate and implement policies to achieve macroeconomic convergence and engineer credibility;</p>	<p>Macroeconomic convergence between 2008 and 2015 depending on the factor, inflation, budget deficits debt service, credit to government, external reserves /import cover, balance and structure of current account and levels of savings and domestic investment. Full implementation of MOUs by 2004 for the following areas: *payments and clearing systems; * Legal framework; * Stock exchanges; *Exchange controls and IT.</p>
<p>Human and Social Development</p>	<p>Increased access to quality and appropriate education; Develop positive cultural values, attitudes and practices for healthy lifestyles, increasing productivity etc The provision of information for public understanding of science and technology, income generating opportunities, etc Promote media diversity and access to media and information thru the use of local languages.</p>	<p>Coordination and harmonisation of policies; Establishment of exchange programmes; Support programmes for vulnerable groups; Harmonisation and standardisation of qualifications; Allocation of adequate human and financial resources; etc</p>	<p>Increase SADC Human Development index from 0.500 to 0.800</p>
<p>Private Sector</p>	<p>Public private sector partnerships; Quality of dialogue between the public and the private sector; Capacity of the private sector institutions and at the SADC Secretariat to meet the needs of the anticipated partnerships; Information flow between the public and private sectors</p>	<p>Institutionalise public –private sector dialogue; Create and support the private sector unit which should be appropriately resourced to meet the needs of the sector. Review the capacities of the SADC Chambers and Business associations and facilitate their development.</p>	<p>By 2003 SADC Policy on public-private sector partnerships by 2003; Policy to allow private sector participation in key SADC meetings by June 2003; Review of Chambers of commerce, 1st SADC Biannual Business forum; creation of private sector unit and Business Association's business plan by 2004.</p>

SADC
COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	SADC	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		9 277	30 061	80 976	54 658
Total Population (millions)	2002	207.3	831.0	5,024.6	1,200.3
Urban Population (% of Total)	2002	37.8	38.6	43.1	78.0
Population Density (per Km ²)	2002	22.3	27.6	60.6	22.9
GNI per Capita (US \$)	2002	812	650	1 154	26 214
Labor Force Participation - Total (%)	2002	45.2	43.1	45.6	54.6
Labor Force Participation - Female (%)	2002	39.9	33.8	39.7	44.9
Gender -Related Development Index Value	2001	0.458	0.484	0.655	0.905
Human Develop. Index (Rank among 174 countries)	2001	n.a.	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	1990-99	40.0	46.7	23.0	20.0
					
Demographic Indicators					
Population Growth Rate - Total (%)	2002	1.8	2.2	1.7	0.6
Population Growth Rate - Urban (%)	2002	3.8	3.9	2.9	0.5
Population < 15 years (%)	2002	42.8	43.2	32.4	18.0
Population >= 65 years (%)	2002	3.1	3.3	5.1	14.3
Dependency Ratio (%)	2002	88.1	86.6	61.1	48.3
Sex Ratio (per 100 female)	2002	96.8	98.9	103.3	94.7
Female Population 15-49 years (% of total population)	2002	23.9	23.9	26.9	25.4
Life Expectancy at Birth - Total (years)	2002	50.9	50.6	62.0	78.0
Life Expectancy at Birth - Female (years)	2002	51.2	51.7	66.3	79.3
Crude Birth Rate (per 1,000)	2002	39.0	37.3	24.0	12.0
Crude Death Rate (per 1,000)	2002	21.0	15.3	8.4	10.3
Infant Mortality Rate (per 1,000)	2002	80.2	81.9	60.9	7.5
Child Mortality Rate (per 1,000)	2002	135.6	135.6	79.8	10.2
Maternal Mortality Rate (per 100,000)	1990-96	577.1	641	440	13
Total Fertility Rate (per woman)	2002	5.5	4.9	2.8	1.7
Women Using Contraception (%)	1997	26.1	40.0	59.0	74.0
					
Health & Nutrition Indicators					
Physicians (per 100,000 people)	1995-02	19.0	37.0	78.0	287.0
Nurses (per 100,000 people)	1997	153.0	105.8	98.0	782.0
Births attended by Trained Health Personnel (%)	1998	58.2	38.0	56.0	99.0
Access to Safe Water (% of Population)	2000	55.1	60.3	78.0	100.0
Access to Health Services (% of Population)	1992-98	40.0	61.7	80.0	100.0
Access to Sanitation (% of Population)	2000	59.0	60.5	52.0	100.0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2001	13.7	7.0	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2000	209.4	198.0	144.0	11.0
Child Immunization Against Tuberculosis (%)	2002	78.0	76.4	82.0	93.0
Child Immunization Against Measles (%)	2002	70.0	67.7	73.0	90.0
Underweight Children (% of children under 5 years)	1996-00	25.0	25.9	31.0	...
Daily Calorie Supply per Capita	2001	2 103	2 444	2 675	3 285
Public Expenditure on Health (as % of GDP)	1998	1.3	3.3	1.8	6.3
					
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2000/01	93.1	89.2	91.0	102.3
Primary School - Female	2000/01	91.7	83.7	105.0	102.0
Secondary School - Total	2000/01	40.7	40.8	88.0	99.5
Secondary School - Female	2000/01	40.5	38.2	45.8	100.8
Primary School Female Teaching Staff (% of Total)	1998/01	52.6	49.9	51.0	82.0
Adult Illiteracy Rate - Total (%)	2002	26.9	37.9	26.6	1.2
Adult Illiteracy Rate - Male (%)	2002	19.4	29.2	19.0	0.8
Adult Illiteracy Rate - Female (%)	2002	34.1	46.4	34.2	1.6
Percentage of GDP Spent on Education	1998	2.7	3.5	3.9	5.9
					
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2002	5.8	6.2	9.9	11.6
Annual Rate of Deforestation (%)	1995	0.7	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	1981-90	7.8	10.8	...	...
Per Capita CO2 Emissions (metric tons)	1998	0.3	1.1	1.9	12.3

Source : Compiled by the Statistics Division from ADB databases; UNAIDS; World Bank Live Database and United Nations Population Division.

Notes: n.a. Not Applicable; ... Data Not Available.

Table A3.1 SADC: Key Economic RATIOS and Long-TERM TRENDS					
	Unit	2000	2001	2002	2003
GDP (US\$ billions)	Million US \$	192,925	175,816	173,305	229,319
Exports of goods and services/GDP	% GDP	32.9	31.6	28.8	27.7
Gross domestic investment /GDP	% GDP	17.9	16.5	16.7	16.9
Gross domestic savings/GDP	% GDP	18.5	17.3	16.9	17.6
Gross national savings/GDP	% GDP	15.7	13.8	15.3	15.8
Current account balance/GDP	% GDP	-0.7	-2.4	-1.2	-2.0
Interest payments/GDP	% GDP	2.4	2.4	5.0	1.5
Total debt/GDP	% GDP	47.9	47.3	46.1	35.5
Total debt service/exports	% exports	17.1	18.9	31.3	15.3
Present value of debt/GDP	% GDP	33.5	...	...	...
Present value of debt/exports	% GDP	102.6	...	...	...
(average annual growth)					
GDP	%	2.9	2.1	2.7	3.3
GDP per capita	%	0.5	0.5	1.9	2.7
Exports of goods and services	%	5.4	5.9	4.8	3.9
Structure of the Economy					
Agriculture	% GDP	8.0	8.8	9.2	8.8
Industry	% GDP	29.1	28.6	24.8	24.3
Manufacturing	% GDP	14.6	14.0	15.0	15.8
Services	% GDP	62.8	62.6	66.0	66.9
Private Consumption	% GDP	128.1	117.5	80.1	57.5
General government consumption	% GDP	18.4	18.4	17.8	18.4
Imports of goods and services	% GDP	29.9	29.1	30.5	29.3
(average annual growth)					
Agriculture	%	2.9	0.5	3.1	2.7
Industry	%	0.5	0.5	1.9	2.7
Manufacturing	%	3.0	2.6	3.8	4.6
Services	%	1.9	1.8	1.7	1.7
Private consumption	%	2.0	1.3	-2.7	
General government consumption	%	-0.3	6.5	-13.5	-1.9
Gross domestic investment	%	4.3	3.2	6.8	2.5
Imports of Goods and services	%	3.6	7.8	10.2	-0.7
Domestic prices and Government Finance					
Consumer prices	%	34.30	39.10	23.30	26.60
Implicit GDP deflator	%	-0.2	-10.8	-4.0	1.6
Government Revenue	% GDP				
Government expenditure	% GDP	24.8	24.5	24.4	24.4
Primary fiscal balance 1/	% GDP	-1.6	-0.9	1.3	2.0
Overall fiscal balance, including grants	% GDP	-3.0	-2.0	-3.4	-1.8

Table A3.2 SADC BALANCE OF PAYMENTS					
TRADE	Unit	2000	2001	2002	2003
(US\$ millions)					
Total exports (fob)	Million US \$	51,790.0	49,010.0	52,220.0	57,740.0
Manufactures	Million US \$	1,712.13	1,007.50	2,883.18	3,127.14
Total imports (cif)	Million US \$	48,642.0	47,124.0	50,226.0	57,156.0
Food	Million US \$	3,039.6	2,719.8	...	...
Fuel and energy	Million US \$	4,838.5	4,113.2	5,407.7	5,364.0
Capital goods	Million US \$	19,257.9	16,892.3	10,390.5	9,096.7
Export price index (1995=100)	%	100.9	98.7	98.3	100.1
Import price index (1995=100)	%	101.0	100.4	96.1	100.9
Terms of trade (1995=100)	%	107.5	104.5	102.4	105.4
BALANCE of PAYMENTS					
(US\$ millions)					
Exports of goods (fob)	Million US \$	60,100.0	56,720.0	60,330.0	66,070.0
Imports of goods (fob)	Million US \$	57,031.2	56,140.3	60,004.6	67,360.0
Resource balance	Million US \$	3,068.8	579.7	325.4	(1,290.0)
Net income	Million US \$	(5,670.0)	(6,100.0)	(4,500.0)	(5,750.0)
Net current transfers	Million US \$	1,410.0	1,460.0	2,050.0	2,460.0
Current account balance	Million US \$	(1,191.2)	(4,060.3)	(2,124.6)	(4,580.0)
Financing items (net)	Million US \$	6,540.0	5,800.0	4,500.0	5,340.0
Changes in net reserves	Million US \$				
Memo:					
Reserves including gold (US\$ millions)	Million US \$				
Conversion rate (DEC, local/US\$)	local/US				
External DEBT and RESOURCE FLOWS					
(US\$ millions)					
Total debt outstanding and disbursed	Million US \$	656,368.1	546,294.3	188,126.4	23,506.2
IBRD	Million US \$	717.3	655.6	...	...
IDA	Million US \$	8,830.3	8,868.2	...	...
Total debt service	Million US \$	40,799.8	41,423.5	2,316.6	2,162.7
IBRD	Million US \$	137.1	64.5	...	...

IDA	Million US \$	113.4	160.6	...	...
Composition of net resource flows					
Official grants	Million US \$	3,859.4	3,817.9	...	...
Official creditors	Million US \$	272.8	(57.8)	...	...
Private creditors	Million US \$	(700.4)	(645.8)	...	...
Foreign direct investment	Million US \$	3,115.3	10,072.0	3,407.1	...
Portfolio equity	Million US \$	4,025.9	(962.0)	...	...
World Bank program					
Commitments	Million US \$	828.4	730.7	...	...
Disbursements	Million US \$	621.1	438.3	...	...
Principal repayments	Million US \$	157.3	149.9	...	...
Net flows	Million US \$	463.8	288.4	...	...
Interest payments	Million US \$	93.5	75.4	...	...
Net transfers	Million US \$	370.5	212.8	...	...

Source: ADB Statistics Division, 2004

Table A4.1 Intra-SADC Exports
Trade Between SADC Countries

Exports fob to	1990														Total
	(Million of USD)														
SADC	ANGOLA	BOTSWANA	DRC	LESOTHO	MALAWI	MAURITIUS	MOZAMBIQUE	NAMIBIA	SEYCHELLES	SOUTH AFRICA	SWAZILAND	TANZANIA	ZAMBIA	ZIMBABWE	SADC
ANGOLA	-	-	-	-	-	-	-	-	-	-	-	-	0.00	0.05	0.06
BOTSWANA	-	0.10	-	0.10	3.24	0.45	-	0.11	0.02	-	0.11	0.44	5.85	58.47	68.88
DRC	-	-	-	-	-	0.13	-	-	-	0.21	-	0.21	6.91	81.75	89.22
LESOTHO	-	0.02	-	0.02	0.13	0.02	-	0.02	-	-	0.02	0.00	0.14	0.53	0.89
MALAWI	0.02	1.75	1.97	0.01	-	0.29	1.68	-	0.08	28.78	0.00	1.73	11.10	13.00	60.40
MAURITIUS	0.00	0.40	0.10	-	0.12	-	0.00	-	3.36	6.49	0.22	0.16	0.32	3.10	14.27
MOZAMBIQUE	0.09	-	-	-	2.04	0.05	-	-	-	4.43	-	0.34	0.02	0.64	7.62
NAMIBIA	-	2.13	-	2.13	0.15	-	-	-	-	-	-	-	0.47	0.13	5.00
SEYCHELLES	-	-	-	-	-	0.17	-	-	-	-	-	-	-	-	0.17
SOUTH AFRICA	-	-	23.37	-	161.90	129.70	-	-	22.88	-	-	-	186.96	360.71	
SWAZILAND	-	7.58	-	7.58	1.80	1.35	-	-	0.10	-	-	2.31	7.19	9.95	37.87
TANZANIA	-	0.63	1.64	-	0.87	0.45	0.87	-	-	-	-	-	1.99	3.43	9.87
ZAMBIA	0.84	0.18	7.62	0.00	3.94	-	0.08	0.21	-	1.84	0.00	2.85	-	16.48	34.04
ZIMBABWE	11.45	86.95	14.36	2.58	72.21	1.00	55.75	1.17	0.20	131.01	0.86	11.84	51.26	-	440.65
TOTAL	12.40	99.74	49.06	12.41	246.38	133.60	58.38	1.51	26.63	172.77	1.21	19.90	272.21	548.24	1,654.47

Table A4.2 Intra-SADC Exports

Exports fob to	2002															Total
	(Million of USD)															
SADC	ANGOLA	BOTSWANA	DRC	LESOTHO	MALAWI	MAURITIUS	MOZAMBIQUE	NAMIBIA	SEYCHELLES	SOUTH AFRICA	SWAZILAND	TANZANIA	ZAMBIA	ZIMBABWE	SADC	
ANGOLA	-	-	-	-	-	-	-	-	-	1.42	-	-	0.03	0.01	1.46	
BOTSWANA	-	0.10	-	0.10	-	0.10	0.11	0.11	-	-	0.11	1.29	6.39	33.07	41.38	
DRC	-	-	-	-	0.03	0.00	-	-	0.02	2.58	-	0.12	-	94.82	97.57	
LESOTHO	-	0.02	-	0.02	-	-	-	0.02	-	-	0.02	-	0.02	0.02	0.10	
MALAWI	-	-	1.05	-	-	1.04	0.64	-	0.07	40.78	-	2.06	2.66	2.86	51.16	
MAURITIUS	0.01	0.61	0.03	-	0.00	-	1.12	0.04	5.58	13.38	0.08	3.00	0.31	6.67	30.84	
MOZAMBIQUE	0.54	0.01	-	-	12.71	0.08	-	-	0.01	116.81	0.74	0.20	0.12	40.31	171.54	
NAMIBIA	-	2.13	-	2.13	-	0.27	2.13	-	0.07	-	-	0.09	1.52	4.09	12.43	
SEYCHELLES	-	-	-	-	-	4.78	-	-	-	4.27	-	0.01	0.00	0.01	9.08	
SOUTH AFRICA	330.96	-	116.63	-	237.59	265.32	720.90	-	27.94	-	-	195.15	616.76	678.59	3,189.85	
SWAZILAND	-	7.58	-	7.58	-	7.58	8.47	-	0.49	-	-	13.96	5.35	10.49	61.52	
TANZANIA	0.42	0.13	10.58	0.35	13.21	2.99	0.70	0.09	0.06	4.54	0.31	-	11.27	0.06	44.72	
ZAMBIA	0.43	3.42	-	0.04	68.35	2.16	-	1.16	0.00	51.82	0.69	29.89	-	13.91	171.87	
ZIMBABWE	1.03	13.21	2.94	1.05	9.49	0.17	3.76	2.10	0.03	137.96	0.04	2.23	12.13	-	186.13	
TOTAL	333.40	27.22	131.24	11.27	341.38	284.50	737.83	3.51	34.28	373.56	1.98	248.00	656.55	884.92	4,069.65	

Table A4.3 Intra-SADC Imports

Imports cif from	1990														Total
	(Million of USD)														
SADC	ANGOLA	BOTSWANA	DRC	LESOTHO	MALAWI	MAURITIUS	MOZAMBIQUE	NAMIBIA	SEYCHELLES	SOUTH AFRICA	SWAZILAND	TANZANIA	ZAMBIA	ZIMBABWE	SADC
ANGOLA	-	-	-	-	0.02	0.00	0.10	-	-	-	-	-	0.92	12.60	13.65
BOTSWANA	-	0.11	-	0.02	1.92	0.44	-	2.34	-	-	8.34	0.69	0.20	95.65	109.71
DRC	-	-	-	-	1.08	0.09	-	-	-	25.71	-	0.76	7.19	7.96	42.79
LESOTHO	-	0.11	-	0.02	0.01	-	-	2.34	-	-	8.34	-	0.00	2.83	13.65
MALAWI	-	3.56	-	0.14	-	0.19	2.24	0.17	-	178.09	1.98	1.58	18.10	53.91	259.96
MAURITIUS	-	0.49	0.55	0.02	0.42	-	0.05	-	0.10	142.68	1.48	0.45	0.01	2.55	148.80
MOZAMBIQUE	-	-	-	-	1.85	0.00	-	-	-	-	-	0.96	0.08	61.33	64.22
NAMIBIA	-	0.12	-	0.02	-	-	-	-	-	-	-	-	0.24	1.29	1.66
SEYCHELLES	-	0.02	-	-	0.04	3.97	-	-	-	25.16	0.11	0.07	-	0.15	29.53
SOUTH AFRICA	-	-	0.23	-	31.66	7.14	4.88	-	-	-	-	-	2.03	144.11	190.05
SWAZILAND	-	0.12	-	0.02	0.00	0.24	-	-	-	-	-	-	0.00	0.95	1.33
TANZANIA	-	0.49	0.55	0.01	0.64	0.01	0.37	-	-	-	2.54	-	5.18	4.67	14.45
ZAMBIA	0.01	6.44	8.82	0.16	4.23	-	0.02	0.51	-	205.65	7.91	2.21	-	56.96	292.93
ZIMBABWE	0.06	64.31	90.36	0.58	4.80	5.28	0.70	0.15	0.09	396.78	10.94	1.77	10.74	-	586.57
TOTAL	0.06	75.77	100.51	0.98	46.66	17.36	8.38	5.51	0.19	974.07	41.65	8.50	44.69	444.96	1,769.29

Table A4.4 Intra-SADC Imports

Imports cif from	2002														Total
	(Million of USD)														
SADC	ANGOLA	BOTSWANA	DRC	LESOTHO	MALAWI	MAURITIUS	MOZAMBIQUE	NAMIBIA	SEYCHELLES	SOUTH AFRICA	SWAZILAND	TANZANIA	ZAMBIA	ZIMBABWE	SADC
ANGOLA	-	-	-	-	-	0.01	0.60	-	-	364.06	-	0.46	0.47	1.14	366.74
BOTSWANA	-	0.11	-	0.02	-	0.68	0.01	2.34	-	-	8.34	0.15	3.76	14.53	29.94
DRC	-	-	-	-	1.15	0.03	-	-	-	128.29	-	11.64	-	3.24	144.36
LESOTHO	-	0.11	-	0.02	-	-	-	2.34	-	-	8.34	0.38	0.05	1.15	12.40
MALAWI	-	-	0.03	-	-	0.00	13.98	-	-	261.35	-	14.53	75.19	10.43	375.52
MAURITIUS	-	0.11	0.00	-	1.15	-	0.89	0.30	5.26	299.24	8.34	3.29	2.37	4.25	325.20
MOZAMBIQUE	-	0.12	-	-	0.71	0.77	-	2.34	-	422.25	9.32	0.77	-	8.82	445.10
NAMIBIA	-	0.12	-	0.02	-	0.04	-	-	-	-	-	0.10	1.28	2.31	3.87
SEYCHELLES	-	-	0.03	-	0.08	6.13	0.01	0.07	-	30.74	0.54	0.07	0.00	0.03	37.70
SOUTH AFRICA	1.57	-	2.84	-	44.85	21.45	34.04	-	4.70	-	-	4.99	57.00	197.36	368.80
SWAZILAND	-	0.12	-	0.02	-	0.09	0.82	-	-	-	-	0.34	0.76	0.04	2.18
TANZANIA	-	1.42	0.13	-	2.27	3.30	0.22	0.10	0.01	214.67	15.36	-	2.88	2.45	242.80
ZAMBIA	0.03	7.03	-	0.02	2.92	0.34	0.13	1.68	0.01	678.43	5.89	37.24	-	13.34	747.05
ZIMBABWE	0.02	36.37	104.30	0.02	3.15	11.72	97.71	4.50	0.02	875.30	11.54	0.07	15.30	-	1,160.02
TOTAL	1.61	45.52	107.33	0.11	56.27	44.56	148.41	13.68	9.98	3,274.33	67.67	74.03	159.05	259.10	4,261.66

Source: ADB Statistics Division, 2004

SADC Progress Towards the Millennium Development Goals

Country	Target Halve the prop. Of people suffering from hunger: Undernourished people as per cent of total population	Target Ensure all children can complete primary education		Target: Eliminate gender disparity in all levels of education		Target: reduce under-5 and infant mortality rates by two-thirds	Target halve the proportion of the population of people without access to improved water sources
		Net prim Enrolment Ratio per cent	Children reaching grade 5 per cent	Female gross Prim. enrol. Ratio in per cent of per cent male ratio	Female gross Sec. Enrol. Ratio in per cent male ration		
Angola	On track	...	...	...	...	Slipping back	...
Botswana	Slipping back	Slipping back	On track	achieved	achieved	Slipping back	...
Congo-DRC	Slipping back	...	...	...	...	Far behind	....
Lesotho	lagging	Slipping back	...	achieved	achieved	Far behind	On track
Malawi	On track	...	...	On track	On track	lagging	lagging
Mauritius	On track	On track	On track	achieved	achieved	On track	On track
Mozambique	On track	Slipping back	...	Far back	Far behind	Far behind	...
Namibia	Far behind	On track	...	achieved	achieved	Far behind	lagging
Seychelles	..	..	...	...	...	On track	...
South Africa	...	On track	...	On track	Achieved	Slipping back	...
Swaziland	Far behind	On track	Far behind	On track	On track	Slipping back	...
Tanzania	Slipping back	Far behind	Far behind	On track	On track	Far behind	Far behind
Zambia	Far behind	Slipping back	...	On track	On track	Far behind	Far behind
Zimbabwe	Far behind	...	...	On track	Far behind	Slipping back	On track

Source: Human Development Report, 2002

SADC Protocols and their status

Protocols	Status
Protocol on Immunities and Privileges	Entered into force on 30 th September, 1993
Protocol on Shared Watercourse ⁷	Entered into force on 28 th September, 1998
Protocol on Energy	Entered into force on 17 th April, 1998
Protocol on Transport, Communication and Meteorology	Entered into force on 6 th July, 1998
Protocol on Combating Illicit Drugs	Entered into force on 20 th March, 1999
Protocol on Trade ⁸	Entered into force on 25 th January, 2000
Protocol on Education and Training	Entered into force on 31 st July, 2000
Protocol on Mining	Entered into force on 10 th February, 2000
Protocol on the Development of Tourism	Entered into force on 26 th November, 2002
Protocol on Health	To be ratified.
Protocol on Wildlife Conservation and Law Enforcement	To be ratified.
Protocol on Legal Affairs	To be ratified.
Protocol on Tribunal and Rules of Procedure ⁹	Entered into force on 14 th August 2001
Protocol on Politics, Defence and Security Cooperation	Not entered into force
Protocol on the Control of Firearms, Ammunition and Other Related Materials in SADC	Not entered into force
Protocol on Fisheries	Entered into force on 8 th August, 2003
Protocol on Culture, Information and Sports	To be ratified.
Protocol Against Corruption	To be ratified.
Protocol on Extradition	To be ratified.
Protocol on Forestry	To be ratified.
Protocol on Mutual Legal Assistance in Criminal Matters	To be ratified.

⁷ SADC protocol on Shared Watercourse has been revised, but the revised protocol has not entered into force.

⁸ SADC Protocol on trade was amended and the Amendment Protocol entered into force on 7th August, 2000

⁹ The Agreement Amending the Protocol on Tribunal entered into force on 3rd October, 2002

Funding Status of Some SADC Projects			
Sector	Project Title	Funding	
		Amount	Source
US \$ Million			
Culture, Information & Sport	SADC Festival on Arts & Culture	0.050	SADC
		0.600	NORDICS
	SADC Press Trust	1.000	NORDICS
Employment & Labour	Capacity Building for the Employment & Labour Sector	0.036	
		-	
	Study on the Formulation of Policies and Strategies for the ELS	0.150	
		-	
	Implementation of International Labour Standards (ILO) and Compliance with Reporting Obligations	0.034	
		-	
	Creation of SADC Regional Databank on Employment and Labour	0.059	
		-	
	Study on Labour Market issues in Southern Africa	0.090	IOM
		0.060	EU
	Regional Programme on Occupational Health & Safety	0.058	SIDA
		0.268	IOM
	Energy	Energy Wheeling on SAPP System	0.350	Utilities
Capacity Building at the SAPP		0.800	Utilities
SAPP Short Term Energy Market		0.140	Utilities
Specialised Training in the Field of Power		0.960	Utilities
Rural Energy Planning & Environment		3.400	Netherlands,
		-	SADC
Programme for Biomass Energy		0.170	SADC
Conservation		1.530	Germany
Regional Energy Planning Network		2.500	Belgium
Food Agriculture & Natural Resources	<i>Environment & Land Management</i>	4.900	
	<i>FANR Development Unit</i>	26.370	
	<i>Agricultural Research & Training</i>	88.840	
	<i>Crop Sector</i>	6.830	
	<i>Livestock Production & Animal Disease Control</i>	53.710	
	<i>Inland Fisheries</i>	30.830	
	<i>Marine Fisheries & Resources</i>	34.690	
	<i>Wildlife</i>	75.990	
<i>Forestry</i>	34.400		

<i>Environment & Land Management</i>	Development of Environmental Impact Assessment	0.230	SADC
	Plan of Action for the Kalahari - Namib Project	0.040	Perez
	SADC Environmental Information Systems	0.300	USAID
		0.190	SADC
	Environmental Education Programme	2.500	SIDA
		0.300	SADC
	Land Degradation & Desertification Control Programme	0.440	SIDA
		0.300	SADC
	Strengthening of the Desert Research Foundation of Namibia	0.300	SADC
		0.300	GTZ
<i>FANR Sector Development Unit</i>	Technical Assistance Programme for FANR Coordination & Cooperation	1.320	
		-	
	SADC Food Security & Rural Development HUB	7.500	WB, FAO, JICA
		-	IFAD, FRA
	Regional Early Warning System (REWS) - Phase II	2.500	SADC
		-	
	Remote Sensing for Early Warning System	2.400	EU + NET
		-	
	Regional Food Security & Nutrition Information System	1.880	NET
		-	
	Regional Food Security Database Project	2.770	UNDP
	Regional Food Security Training	4.500	EU
		2.000	SADC
	Regional Communication Programme	1.500	ITA + SADC
<i>Agricultural Research and Training</i>	Land & Water Management Programme - Phase II	4.650	EU
		-	
	Sorghum & Millet Improvement Programme - Phase III	7.290	USA
		2.780	FRG
		0.300	SADC
	Grain Legume Improvement Programme	1.600	FRG
		0.500	SADC
		0.320	ADB
	Training in Research Management - Phase II	0.180	ADB
	Agroforestry Research Programme	9.110	CIDA
	SADC Plant Genetic Resource Centre (SPGRC)	11.600	SADC
		11.000	NORDICS
	Maize & Wheat Improvement Network	5.200	EEC

		0.850	SADC
	Strengthening Faculties of Agriculture, Forestry and Veterinary Medicine	10.800	FRG
		0.050	UK
		2.550	GTZ
		3.600	SADC
	Dairy Livestock Productivity Improvement in large and smallholder farmers in Southern Africa	3.950	SADC
		-	
	Regional Collaborative Network for Vegetable Research & Development	1.000	BMZ
		1.730	SADC
		0.820	BMZ
	Southern African Root and Tubers Crops Research Network (SARRNET)	7.000	USA
		1.610	SADC
	Wool and Mohair Improvement	0.030	SADC
	Biosystematics Networks for Southern Africa (SAFRINET)	0.320	SADC
		-	
<i>Crop Sector</i>	Support to the Coordination Unit	1.000	BEL
	Small Scale Seed Production for Self Help Groups	3.600	FRG
		0.080	SADC
	SADC Seed Security Network	0.150	AUSTRIA
		0.050	SADC
	Improved Irrigation in the SADC region	0.480	AUSTRIA
		0.020	SADC
	Regional Integration Development	0.050	SADC
	Strengthening & Coordination of Migrant Pest Control	1.120	DFID
		0.280	SADC
<i>Livestock Production & Animal Disease Control</i>	Regional Heartwater Research and Vaccine Production	4.000	USAID
		-	
	Training of Animal Health Auxilliary Personnel Region	0.110	SWE
		-	
	Management of Farm Animal Genetic Resources in SADC	2.300	UNDP
		-	
	Assistance for the Establishment of the National Laboratory in Angola	2.800	SADC
		-	
	Regional Foot & Mouth Disease Control - Phase II	15.700	EEC
		-	
	Regional Tsetse & Trypanosomiasis Control - Phase II	28.800	EEC
		-	
<i>Inland Fisheries</i>	Regional Fisheries Training Programme	2.200	NORAD, ICE
	Regional Fisheries Information Programme	0.050	

	Aquaculture for Local Communities (ALCOM) Phase II	7.070	SWE
		2.200	BEL
	Support to SADC Fisheries Coordination Unit	0.800	ICE
		0.170	SADC
	Conservation of Biodiversity of Inland Waters of the SADC Region	10.000	CIDA
		-	
	Zambia/Zimbabwe SADC Fisheries Project (Lake Kariba)	0.770	DEN
		7.570	NOR
<i>Marine Fisheries</i>	SADC Regional Fisheries Information System	2.700	DFID
	Support to SADC Fisheries Coordination Unit	0.130	NOR, FRA, ICE
	Assessment of Marine Fisheries Resources of the SADC Region	1.330	ICE, NOR, GTZ
		-	
		0.180	SADC
	Harmonisation of Marine Fisheries Policy within SADC Coastal Countries	0.250	FAO
		-	
	SADC Monitoring Control and Surveillance of Fishing Activities	16.100	EU
		-	
	Large Marine Ecosystem Benguela Current	14.000	GEF
<i>Wildlife</i>	Relief Programme for Drought stricken Wildlife Areas	0.030	USF, WS
		-	
	Regional Wildlife Training Programme	8.000	EEC
	Wetlands Conservation (Phase II)	0.290	NOR
	Regional Wildlife Conservation Education	0.040	DFID
	Regional Wildlife Resource Inventory	0.200	EU
	Regional Development of Community Based Management & Utilisation of Wildlife	65.000	USA
		-	
	Establishment of Southern Africa Conservation for Wildlife management	0.030	SACIM
		-	
	SADC Rhino Conservation Project	2.400	ITA
<i>Forestry</i>	Tree Seed Centre Network	14.000	CIDA
	Southern African Biodiversity Programme	7.290	GEF
		1.600	SADC
	Improvement & Strengthening of Forestry Colleges in the SADC Region (Phase III)	0.600	FIN + SADC
		-	
	Management of Indigenous Forests	5.300	GER
	Establishment of Plant Resources Regional Network in SADC	0.940	ITA
		-	
	Strengthening of Forestry and Forest Products Research Institutions in SADC	0.070	SADC
		-	

	Centre for Advanced Practical Forestry Training	4.600	NOR
		-	
Health	US Support for HIV/ AIDS Activities	0.315	USA
	Communication Strategy Study	0.200	Belgium
	DFID Support for Regional HIV/AIDS Programmes	12.300	DFID
		-	
	Regional Support to the Multisectoral Response to HIV/AIDS in SADC	8.680	EU
		-	
	Disease Control & Health Promotion (TB & Others)	0.550	GTZ
		-	
Tourism	Strategy for the Development of the Tourism Sector in the SADC Region	0.100	SADC
		-	
	Workshop on UNIVISA System	0.085	JICA
	Harmonization, Rationalisation, Strengthening of Education & Training Systems of SADC	-	
		-	
	a) Intra-Regional Skills (Study)	0.075	EC
	b) SADC Initiative (Project)	0.504	NET
	Strengthening of Regional Centre of Specialisation for Critical Areas	0.800	FRG
		-	
	Capacity Building for HRD Sector (Study)	0.088	Belgium
Water	Zambezi River System Action Plan	6.050	NOR, DEN, SWE
		1.810	SADC
	Hydrological Cycle Observing System for SADC (HYCOS) - Phase I	2.500	EC
		0.500	SADC
	Guidelines for the Review and Formulation of Water Legislation	0.210	SADC
		-	
	Regional guidelines for Dam Safety Legislation & Procedures	0.030	SADC
		-	
	Capacity Building for Joint Integrated River Basin Management	1.000	SADC
		-	
	Programme on Water Supply & Sanitation for SADC Region	0.110	Denmark
		0.010	SADC
	Groundwater Management Programme for the SADC region	2.610	FRA, GEF, WB,
		-	SWE, GER
		1.700	SADC
	WSCU Capacity Building	0.090	Belgium
		0.120	SADC
	Support for Implementation of the SADC Protocol on Shared Watercourse System	2.200	Germany
		0.350	SADC

	Guidelins and Support for National Water Policy and Strategy Formulation	0.300	SADC
		-	
	Formulation of Regional Water Sector Policy and Strategy	0.180	Belgium
		0.020	SADC
	Economic Accounting of Water Use	0.200	USA
		0.200	SADC
	Study for Expanding Private Sector Participation in Water & Sanitation	0.030	UK
		0.010	SADC
	Assessment of Surface Water Resources	0.300	RSA
		1.600	SADC
	Consolidation and Expansion of SADC	0.100	Canada
		0.800	SADC
	Regional Project to Control Infestation and Translocation of Aquatic Weeds	0.390	GEF, WB
		1.600	SADC
	Integrated Water Resources Management of Lake Malawi/Nyasa Sub-Basin	0.150	Sweden
		1.460	SADC
	Awareness Creation on Water Issues	0.050	GWP
		2.250	SADC
	Capacity Building for the Water Sector	0.130	Belgium
		1.140	SADC
	Waternet	4.030	Netherlands
		0.550	SADC
	Consultation & Participation of Stakeholders in Water Resources Management	0.090	UK
		0.360	SADC
	Integrated Water Resources Management of the Orange/Senqu River Basin	0.100	FRG, FRA
		0.170	SADC
	Integrated Basin Management Plan for the Okavango River	5.250	GEF, USA
		0.570	SADC

Source: SADC Annual Reports July 2001 – June 2002