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SOUTHERN AFRICA

REGIONAL ASSISTANCE STRATEGY PAPER, 2004 - 2008
PROGRESS REPORT

REGIONAL DEPARTMENT, SOUTH A – ORSA
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REGIONAL ASSISTANCE STRATEGY PAPER

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This Progress Report for the Bank's Regional Assistance Strategy for Southern Africa was prepared following a mission to Gaborone, Botswana from 11 - 19 November 2007. The mission was led by Mr. Andrianarison R. Rakotobe, Director, Regional Department, South A, and comprised of Mr. Philippe Durand, Lead Infrastructure and PPP Specialist, Infrastructure Department; Mr. Samuel C. Ijeh, Principal Financial/Country Economist for South Africa and SADC, Regional Department, South A; Mr. Chi L. Tawah, Principal Livestock Officer, Agriculture and Agro-Industry Department; and Mr. Emmanuel Anusionwu, Consultant, Nepad, Trade and Regional Integration Department. This Progress Report was peer reviewed by Mr. Themba Bhebhe, Principal Country Programme Officer, ZMFO and Mr. Toussaint Houeninvo, Senior Macroeconomist, OSGE.

ACRONYMS AND ABBREVIATIONS

| | |
|-----------|--|
| ADB | African Development Bank |
| ADF | African Development Fund |
| AIDS | Acquired Immune Deficiency Syndrome |
| CIDA | Canadian International Development Agency |
| CPIX | Consumer Price Index (Excluding Interest Rates on Mortgage Bonds) |
| CSPs | Country Strategy Papers |
| DBSA | Development Bank of South Africa |
| DFI | Direct Foreign Investment |
| DFID | UK Department for International Development |
| DFIs | Development Finance Institutions |
| DRC | Democratic Republic of Congo |
| FANR | Food, Agriculture and Natural Resources Directorate |
| Eassy | East and Southern African Submarine Cable Systems |
| EIB | European Investment Bank |
| ESKOM | Electricity Corporation |
| ESW | Economic and Sector Work |
| EU | European Union |
| GDP | Gross Domestic Product |
| GTZ | Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation) |
| HIPC | Highly Indebted Poor Countries Initiative |
| HIV | Human Immunodeficiency Virus |
| ICA | Investment Climate Assessment |
| IDC | Industrial Development Corporation |
| IFC | International Finance Corporation |
| ILO | International Labour Organization |
| IMF | International Monetary Fund |
| I&S | SADC Directorate for Infrastructure and Services |
| JSE | Johannesburg Stock Exchange |
| LDC | Less Developed Countries |
| LIC | Low Income Countries |
| LoC | Line of Credit |
| MDGs | Millennium Development Goals |
| MDRI | Multilateral Debt Relief Initiative |
| MIC | Middle Income Countries |
| NEPAD | The New Partnership for Africa's Development |
| NGO | Non-Governmental Organization |
| ODA | Official Development Assistance |
| OPSM | Private Sector Department |
| PIUs | Project Implementation Units |
| PPP | Public Private Partnership |
| RASP | Regional Assistance Strategy Paper |
| RBCSP | Bank Group's Result-Based Country Strategy Paper |
| RERA | Regional Electricity Regulators Association |
| RISDP | Regional Indicative Strategic Development Plan |
| SACU | Southern African Customs Union |
| SADC | Southern African Development Community |
| SADC-DFRC | SADC Development Finance Resource Centre |

| | |
|--------|--|
| Safex | South African Futures Exchange |
| SAPP | Southern Africa Power Pool |
| SARB | South African Reserve Bank |
| SDI | Spatial Development Initiative |
| SIPO | Strategic Indicative Plan for the Organ |
| SMEs | Small and medium enterprises |
| SMMEs | Small Medium and Micro Enterprises |
| SNC | SADC National Committees |
| SOEs | State Owned Enterprises |
| TADs | Transboundary Animal Diseases |
| TIFI | SADC Directorate for Trade, Industry, Finance and Investment |
| TNC | Trans-National Companies |
| UN | United Nations |
| UNDP | United Nations Development Programme |
| USAID | United States Agency for International Development |
| Wescor | Western Corridor |
| WHO | World Health Organization |
| YP | Yamoussoukro Decision |
| ZAR | South African Rand |

Executive Summary

1. Introduction

The Regional Assistance Strategy Paper (RASP) for Southern Africa covering the period, 2004 – 2008 was approved by the Board of Directors on the 5th of October 2004. It was the first regional assistance strategy prepared by the African Development Bank Group and concentrates on the group of countries that belong to the Southern African Development Community (SADC). It seeks to establish complementarities between the Bank's client-focused country strategy papers and its sub-regional interventions.

The RASP is underpinned by the Regional Indicative Strategic Development Plan (RISDP) of SADC approved in 2003. In approving the RASP for Southern Africa, the Board commended SADC for preparing and adopting a RISDP which seeks to enhance regional integration and operationalize the SADC Common Agenda and noted with satisfaction the progress made by the sub-region to align its policies, strategies and programmes to the NEPAD initiative and promote private sector development at a sub-regional level. The Board, however, noted with concern the challenges facing the sub-region in its efforts to foster regional integration including the problems of widespread poverty and high unemployment as well as the high rates of HIV/AIDS prevalence in the sub-region. The Board urged the sub-region to take steps to address these problems.

2. Assessment of Integration Performance in the Sub-Region

In general, macroeconomic performance has been improving in the Southern Africa region. Specifically, inflation has been declining (except for Zimbabwe), fiscal deficits have been improving (although not consistently so), public debt has stabilised, and current account balance has improved. The improvement in region-wide macroeconomic performance can be attributed to several factors including, a steadily improving macroeconomic policy environment, the benefits of stabilisation and structural adjustment policies, improved adherence to IMF programmes which has helped to unlock donor funds, debt reduction through the HIPC and MDRI initiatives, higher commodity prices (oil, metals), ending of civil conflict (Angola, DRC), consolidation of democratic processes, and buoyant world economic growth. Evidence from the region indicates a weak inverse relationship between real growth and GDP per capita. In other words, countries with lower real income levels have experienced higher economic growth rates than richer countries. This is an indication that there has been some degree of convergence of per capita incomes in the sub-region.

3. Progress in the implementation of the RASP

The preparation of the RASP for Southern African preceded the adoption of the result-based framework in Strategy Papers. Although the RASP has a result orientation, the target/indicators provided therein were not robust. However, in this report we have refined the intervention, strategy and targets monitoring matrix of the RASP to conform to the result-based framework for use to assess the implementation progress so far. In terms of operations, the Bank proposed a medium term work programme to be executed during the RASP period, 2004 – 2008 in accordance with the three strategic areas of focus identified in the RASP. The

work programme combines both lending and non-lending activities. An analysis of the progress towards achieving the targets of the work programme shows that substantial progress has been made.

4. Bank Group Strategy for the Remaining Period

For the RASP remaining period, the Bank will maintain the main thrust of the Regional Assistance Strategy Paper (RASP) for Southern Africa covering the period, 2004 – 2008. In terms of operations, the Bank will pursue the Mid-Zambezi River Basin project and the Investment Project for the Rehabilitation of INGA I and II. The Bank will also provide support for the feasibility study for the Greater INGA project as well as the Nacala Corridor project which has already been identified. The Bank was supposed to provide technical assistance grant to SADC to establish a Monitoring and Surveillance Unit to facilitate macroeconomic convergence. However, the SADC Secretariat has already established the unit. Consequently, the Bank would engage the SADC Secretariat in further discussions on how to strengthen the capacity of the unit in 2008. With regards to non-lending activities, the Bank and the TIFI Directorate in the SADC Secretariat and the SADC-DFRC are exploring the possibility of jointly undertaking a capital make development study in 2008. The study would be financed using, preferably, grant resources.

5. Conclusion and Recommendations

As at 2007, Southern African countries achieved a relatively good performance against the 2008 macroeconomic convergence targets of the RISDP. Based on projections for 2008, it is expected that all SADC countries, except three, would meet all the macroeconomic convergence targets. In terms of operations, an analysis of the progress towards achieving the targets of the Bank's work programme shows that substantial progress has been made. Given that the RISDP on which the strategic focus of the RASP was based has not changed and cognizant of the fact that the work programme proposed for the full RASP period has not been fully executed, there will be no change in the main thrust of the Bank's strategy for the remainder of the RASP implementation period.

Given that the implementation of the current RASP for Southern Africa will expire at the end of 2008, the Bank will initiate dialogue with the SADC Secretariat on the process of preparing a new RASP for Southern Africa in the second quarter of 2009. Management is also proposing that the duration of the current RASP be extended to the end of 2009. This is necessary to ensure that a strategic framework for the Bank's continued engagement with SADC is in place pending the completion of a new RASP.

The Board is invited to approve this progress report on the RASP for Southern Africa for the period 2004 – 2008; and to approve the extension of the duration of current RASP for Southern Africa to the end of 2009.

1. Introduction

1.1 The Regional Assistance Strategy Paper (RASP) for Southern Africa covering the period, 2004 – 2008 was approved by the Board of Directors on the 5th of October 2004. The strategy which concentrates on the group of countries that belong to the Southern African Development Community (SADC)¹ was the first regional assistance strategy prepared by the African Development Bank Group. It seeks to establish complementarities between the Bank's client-focused country strategy papers and its sub-regional interventions. The RASP is underpinned by the Regional Indicative Strategic Development Plan (RISDP) of SADC which was approved in October 2003. The RISDP has the following as its main objectives: (i) the eradication of poverty, the development of a common market through a step by step approach restructuring and integrating the economy of member states; (ii) the harmonization 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; and (v) combating HIV/AIDS.

1.2 In approving the RASP for Southern Africa, the Board commended SADC for preparing and adopting a RISDP which seeks to enhance regional integration and operationalize the SADC Common Agenda. The Board noted with satisfaction the progress made by the sub-region to align its policies, strategies and programmes to the NEPAD initiative and promote private sector development at a sub-regional level and also noted the efforts of SADC at implementing institutional reforms, including the strengthening of the Secretariat, to make it more effective in delivering the regional integration programme. The Board, however, noted with concern the enormous challenges facing the sub-region in its efforts to foster its integration into the global economy. These include the slow pace of macroeconomic convergence and stability partly resulting from uneven levels of development. Furthermore, the Board urged the sub-region to address the problems of widespread poverty and high unemployment as well as the high rates of HIV/AIDS prevalence.

1.3 SADC has made some effort to address the HIV and AIDS pandemic including the development of an HIV and AIDS Business Plan. SADC International Cooperation Partners (ICPs) review progress on implementation of the Business Plan through the forum provided by the HIV/AIDS Thematic Group and a number of donors make financial contribution through a Joint Financing and Technical Cooperation Arrangement. SADC has also established a regional fund for HIV/AIDS in line with the Maseru Declaration. Contribution from member states to the fund amounts to USD 650,000. In support of the efforts of SADC the Bank approved in May 2006 the SADC Support to HIV/AIDS, Malaria and TB project.

2. Objective and Scope of the Progress Report

2.1 Mid-term progress reports of Bank's Country Strategy Papers were made a requirement in the Annotated Format for Bank Group's Result-Based Country Strategy Paper (RBCSP) which was approved by the Boards in September 2006, at which time the implementation of the current RASP for Southern Africa had gone past mid-course. Moreover, the draft "Annotated Format for the Mid-Term Progress Report of RBCSP" was

¹ SADC countries are: Angola, Botswana, DR Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

released in May 2007. Consequently, this progress report of the RASP for Southern Africa, 2004 – 2008, has been prepared following a Bank mission to Gaborone in November 2007.

2.2 **The objective** of this progress report of the RASP for Southern Africa is to review the progress that has been made in the implementation of the Bank Group's Regional Assistance Strategy for Southern Africa since its approval in October 2004 and to draw useful lessons from the implementation experience of the RASP.

2.3 **Scope and Coverage:** In line with the objective stated above, assessments of the macroeconomic policy convergence performance of SADC countries and performance with respect to trade and economic integration are undertaken in sections 3 and 4 respectively while section 5 reviews the progress that has been made so far in the implementation of the RASP by both SADC and the Bank. We discuss portfolio management donor coordination issues in sections 6 and 7 respectively and draw useful lessons from the implementation experience of the RASP as a guide to the implementation of the strategy during the rest of period in section 8. In section 9 we present the Bank Group Strategy for Southern Africa for the remaining period of the RASP while the conclusions and recommendations are presented in section 10.

3. Assessment of Macroeconomic and Policy Convergence Performance in the Sub-Region

3.1 Macroeconomic Policy Convergence

3.1.1 The Finance and Investment Protocol (FIP), signed by SADC member states in 2006, includes a range of commitments to co-operate and harmonize policies in the areas of finance, investment and macroeconomic policies and focuses on four macroeconomic variables: inflation, fiscal balance, public debt, and the current account of the balance of payments. The specific targets to be achieved in terms of these four variables gets progressively stricter overtime from 2008 to 2018 as set out in table 1 below.

Table 1: Macroeconomic Convergence Targets

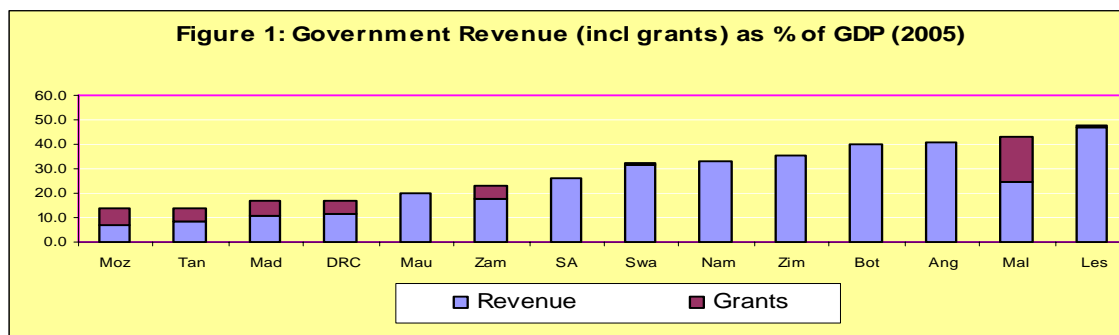
| Indicators \ Year | 2008 | 2012 | 2018 |
|-----------------------|--------|-------|-------|
| Inflation annual rate | < 9.5% | < 5% | < 3% |
| Fiscal Deficit/GDP | < 5% | < 3% | < 1% |
| Public Debt/GDP | < 60% | < 60% | < 60% |
| Current Account/GDP | < 9% | < 9% | < 3% |

3.1.2 In terms of the above four variables, a number of region-wide trends seems to emerge from available information (see annex 1). In comparison to the situation in 2004 when the RASP was prepared it could be said that generally, macroeconomic performance has been improving. Specifically: (i) except for Zimbabwe which is currently passing through a peculiar circumstance, inflation has been declining; (ii) fiscal balance has been improving (although not consistently so); (iii) public debt is stabilizing; and (iv) current account balance has been improving. These are elaborated upon below and in annex 1.

3.1.3 ***Inflation has been declining*** (except for Zimbabwe), and most of the countries are already within the inflation target set for 2008. However, some countries including Angola,

DRC, Madagascar, Malawi, Mozambique, Zambia and Zimbabwe show a much less consistent performance in terms of meeting the inflation target.

3.1.4 ***Fiscal balance is improving*** and most have met the 2008 target (although not consistently so). This apparent impressive performance masks the fact that many of the countries remain highly dependent upon donor grants to fund public spending, especially investment spending (notably DRC, Madagascar, Malawi, Mozambique, Tanzania and Zambia). See figure 1 below. Fiscal sustainability in these countries is therefore fragile given the relatively high dependence on continued access to donor funds with its attendant uncertainties. Also, the ability of SADC countries to raise domestic revenues varies widely. In 2005, for instance, total fiscal receipts (including grants) in SADC countries ranged from about 13% to 50% of GDP depending on, inter alia, a country's economic structure and resource base and the efficiency of revenue collection systems.



Source: IMF Article IV Consultations

3.1.5 ***Public debt is stabilizing*** and by 2005, the SACU² countries as well as Mauritius and Angola had attained public debt levels below the target set by SADC for 2008. A number of countries had debt problems in 2005 include DR Congo, Madagascar, Malawi, Mozambique, Tanzania, Zambia, and Zimbabwe. These are countries with historically high debt levels and they had debt levels above the SADC 2008 Target of 60% of GDP in 2005. However, five of these countries (Madagascar, Malawi, Mozambique, Tanzania and Zambia) now show a much improved performance due to receipt of MDRI debt relief in 2006.

3.1.6 ***Current account balance has improved.*** The low current account deficit countries include SACU (except Lesotho) plus Mauritius and Angola. Most of these countries have consistently had low deficits (or surpluses in the case of Botswana and Namibia). As at 2005, they all had a current account deficit within the SADC 2008 target. On the other hand, other SADC countries showed a more volatile and less consistent record. In some, the current account deficit has been improving (Zambia, Mozambique and Lesotho) while in others it has been stable. However, by 2006, most countries had current account deficits within the SADC 2008 target, assisted by considerable donor grants inflows in many cases.

3.1.7 A general conclusion that can be drawn from the observed regional trend is that there are two emerging convergence groups within SADC - the high and the low convergence groups.³ This is illustrated in figure 2 below, which graphically presents a summary of macroeconomic convergence performance in SADC.

² SACU countries are: Botswana, Lesotho, Namibia, Swaziland and South Africa.

³ Keith Jefferis (2007), *Macroeconomic Convergence in the Southern African Development Community: A Review of Achievements and Challenges*. May 2007.

Figure 2: Summary of Performance

| Country | Inflation | Budget | Public Debt | Current Account |
|--------------|-----------|--------|-------------|-----------------|
| Angola | | | | |
| Botswana | | | | |
| Congo DR | | | | |
| Lesotho | | | | |
| Madagascar | | | | |
| Malawi | | | | |
| Mauritius | | | | |
| Mozambique | | | | |
| Namibia | | | | |
| South Africa | | | | |
| Swaziland | | | | |
| Tanzania | | | | |
| Zambia | | | | |
| Zimbabwe | | | | |
| Key: | | Low | | High |

Source: Keith Jefferis, May 2007

3.1.8 The improvement in region-wide macroeconomic performance can be attributed to several factors: (i) a steadily improving macroeconomic policy environment, (ii) the benefits of stabilisation and structural adjustment policies, (iii) improved adherence to IMF programmes, thereby unlocking donor funds, (iv) debt reduction through the HIPC and MDRI initiatives, (v) higher commodity prices (oil, metals), (vi) ending of civil conflict (Angola, DRC), (vii) consolidation of democratic processes, and (viii) buoyant world economic growth.

3.2 Prospects for Achieving 2008 Targets

3.2.1 On the basis of recent macroeconomic performance and trends, as well as on country forecasts, we can make an assessment of the likelihood of achieving the 2008 SADC targets. Looking at 2007 data given in table 2 below, we have attempted to identify those countries that are high performers and are likely to achieve the 2008 target and those where there are problems.

Table 2:
Performance against 2008 Targets as at 2007

| Country | Inflation | Fiscal Balance | Public Debt | Current Account Balance |
|---|-------------------|-------------------|---------------------------|-------------------------|
| <i>SADC Macro Economic Convergence Targets (2008)</i> | <9.5% | Deficit<5% of GDP | <60% of GDP | Deficit<9% of GDP |
| Angola | 11.8 | 10.0 | 15.6 | 17.7 |
| Botswana | 7.7 | 7.1 | 12.1 | 21.0 |
| DR Congo | 9.5 | 2.2 | 53.0 | -6.9 |
| Lesotho | 6.6 | 7.7 | 43.2 | 1.6 |
| Madagascar | 9.8 | -3.5 | 28.5 | -12.5 |
| Malawi | 8.5 | -1.5 | 94.7 | -4.0 |
| Mauritius | 8.8 | -4.3 | 14.0 | -5.4 |
| Mozambique | 7.9 | -5.1 | 34.9 | -10.2 |
| Namibia | 6.7 | 1.9 | 21.1 | 15.5 |
| South Africa | 6.5 | 0.8 | 21.5 | -6.8 |
| Swaziland | 6.8 | -2.0 | 16.8 | 0.2 |
| Tanzania | 7.1 | -4.5 | 31.1 | -11.8 |
| Zambia | 10.8 | -1.8 | 6.2 | -4.1 |
| Zimbabwe | 6,723.7 | -24.6 | 34.4 | -0.9 |
| Key: | Meets 2008 target | | Does not meet 2008 target | |

Source: IMF Article IV Consultations and SADC
na = Not Available

3.2.2 From table 2, the performance against the 2008 macroeconomic convergence targets as at 2007 was quite good: (i) 9 out of 14 countries met the inflation target; 12 out of 14 countries met the fiscal deficit target; (iii) all of SADC countries except Malawi met the public debt target; and 11 out of 14 countries met the current account target.

3.2.3 Looking forward to end 2008, the projected performance against the macroeconomic targets is shown table 3 below. Based on these projections, all SADC countries, except Angola and Zimbabwe are expected to meet the inflation target and all of them except Zimbabwe are expected to meet the fiscal deficit and external debt target by 2008. With regards to the Current Account deficit target only Madagascar is expected to fall short of the target.

Table 3:
Performance against 2008 Targets based on Country Projections

| Country | Inflation | Fiscal Balance | Public Debt | Current Account Balance |
|---|-----------|--------------------|-------------|-------------------------|
| <i>SADC Macro Economic Convergence Targets (2008)</i> | <9% | deficit <5% of GDP | <60% of GDP | deficit <9% of GDP |
| Angola | 15.2 | 1.4 | na | 12.2 |
| Botswana | 6.3 | - | 5.6 | 13.4 |
| Congo, DR | 6.0 | -1.5 | 57.0 | -3.7 |
| Lesotho | 4.5 | 2.7 | 36.0 | -2.1 |
| Madagascar | 7.1 | -4.5 | na | -10.0 |
| Malawi | 7.2 | -0.2 | 41.6 | -1.1 |
| Mauritius | 5.0 | -2.9 | 54.5 | 0.1 |
| Mozambique | 5.7 | -3.4 | na | -8.5 |
| Namibia | 5.0 | 3.6 | 34.8 | 8.4 |
| South Africa | 4.4 | -0.2 | 23.7 | -5.6 |
| Swaziland | 4.7 | -3.5 | 34.3 | -3.1 |
| Tanzania | 4.0 | -3.2 | 57.5 | -8.2 |
| Zambia | 5.0 | -1.0 | na | -5.9 |
| Zimbabwe | 4278 | -43.0 | 130 | -0.5 |

Source: Keith Jefferis, May 2007
na = Not Available

3.3 Broader Convergence Issues

3.3.1 **Exchange Rate and Interest Rate Convergence:** The ultimate objective of the SADC macroeconomic convergence programme is to serve as a basis for the eventual adoption of a single currency, as part of a wider goal of establishing regional currencies in Africa. Convergence in real interest rates is also a prerequisite for monetary union. Theoretically, there are a number of ways by which exchange rate convergence may be measured. One approach which has been widely applied is to consider the level of volatility in regional exchange rates and the degree of co-movements amongst them. Using this indicator, it is clear that (even excluding Zimbabwe) there has been no trend towards reduced volatility or greater co-movements. However, there is some evidence of convergence in real interest rates in the range of 5% - 15% (excluding the outliers of Zimbabwe and Angola).

3.3.2 **Policy Convergence:** In general, macroeconomic convergence requires policy convergence, implying that countries should follow similar, and consistent, macroeconomic policies. Though this has been achieved in SADC to some extent, with most countries in the region pursuing fiscal restraint, debt reduction, and monetary policy focused on low inflation, there still remains wide divergence in monetary and exchange rate policies.

3.3.3 Convergence in Economic Growth: Wide divergences exist between economies in SADC in terms of per capita incomes and economic structure, and this is not expected to disappear very soon even with macroeconomic convergence. However, the attainment of convergence of per capita incomes and reduction of disparities between countries in the region is one of the objectives of pursuing macroeconomic convergence in the region. This means that the poorer countries would need to grow faster than their richer neighbours. To a large extent the fear that the gains of improved regional economic performance resulting from regional integration would accrue mainly to the richer countries – notably the large and relatively rich South Africa – has not materialized. Available data indicates a weak inverse relationship between real growth and GDP per capita (see table 4). In other words, countries with lower real income levels have recorded higher economic growth rates than richer countries. This tends to suggest that there has been some degree of convergence of per capita incomes in the sub-region. The major factors responsible for this include the effective and consistent implementation of economic reforms in some of the poorer countries and the end of civil conflicts in others which provided an impetus to growth and room for “catch-up” growth for the poorer countries, especially in the face of slower growth in the richer and more mature economies.

Table 4: SADC: Growth Performance (2004 – 2007)

| SADC Countries | 2004 | | 2005 | | 2006 | | 2007 | |
|----------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|
| | GDP Growth Rate | GDP Per Capita US\$ | GDP Growth Rate | GDP Per Capita US\$ | GDP Growth Rate | GDP Per Capita US\$ | GDP Growth Rate | GDP Per Capita US\$ |
| Angola | 11.18 | 1,265 | 20.61 | 1,903 | 18.56 | 2,728 | 19.84 | 3,574 |
| Botswana | 3.07 | 4,865 | 9.19 | 5,514 | -0.85 | 5,618 | 6.05 | 5,690 |
| DR Congo | 6.63 | 115 | 6.46 | 121 | 5.1 | 141 | 6.2 | 169 |
| Lesotho | 4.05 | 671 | 2.95 | 735 | 7.16 | 766 | 4.9 | 814 |
| Madagascar | 5.26 | 241 | 4.6 | 270 | 5.02 | 288 | 6.32 | 372 |
| Malawi | 5.0 | 148 | 2.3 | 157 | 7.9 | 170 | 6.76 | 185 |
| Mauritius | 5.8 | 5,189 | 1.2 | 5,063 | 3.9 | 5,190 | 5.6 | 5,866 |
| Mozambique | 7.5 | 284 | 8.4 | 320 | 8.0 | 326 | 7.18 | 358 |
| Namibia | 6.63 | 2,834 | 4.82 | 3,092 | 4.07 | 3,389 | 3.81 | 3,525 |
| South Africa | 4.86 | 4,544 | 5.0 | 5,055 | 5.39 | 5,325 | 4.91 | 5,614 |
| Swaziland | 2.07 | 2,138 | 2.34 | 2,323 | 2.1 | 2,336 | 2.1 | 2,387 |
| Tanzania | 7.83 | 342 | 7.37 | 368 | 6.74 | 359 | 6.56 | 359 |
| Zambia | 5.36 | 483 | 5.22 | 633 | 6.2 | 929 | 5.8 | 958 |
| Zimbabwe | -3.82 | 362 | -5.26 | 261 | -4.82 | 374 | -6.16 | 354 |
| SADC | 5.58 | 1,252 | 6.67 | 1,401 | 6.62 | 1,523 | 6.96 | 1,640 |

Source: ADB Statistics Department and IMF

4. Intra-Regional Trade and Economic Integration

4.1 One of the main measures of the success of SADC as a regional integration community is the extent to which it promotes intra-regional trade. Though increasing, total intra-regional trade is considered to be still low with most of the sub-region’s trade being with the European Union, the United States and Japan. Intra-regional trade is dominated by South Africa and most intra-regional trade is done within SACU. Countries with high import sourcing from the region among non-SACU countries are Malawi, Mozambique, Zambia and Zimbabwe. These countries stand the risk of losing substantial tariff revenue from the full implementation of the SADC Trade Protocol (TP).

4.2 The SADC Free Trade Area (FTA) which is governed by the SADC TP has come into effect in January 2008 but is expected to be formally launched at the Heads of States Summit in August 2008. The coming into effect of the SADC FTA would imply that about 85% of SADC trade would be duty free while the remaining tariff on sensitive products will be

removed over the 2008 – 2012 period. Relative to other countries in SADC, SACU countries have fast-tracked their implementation of the SADC TP in line with the asymmetry principle while some countries including Malawi and Zambia delayed tariff cuts due mainly to fiscal deficits. Malawi has however, announced that with economic recovery the government would resume implementation of the TP.

5. Progress in the implementation of the RISDP and RASP

5.1 Progress in the implementation of the RISDP

5.1.1 The Regional Indicative Strategic Development Plan (RISDP) which covers the period 2005 – 2019 was approved in October 2003. It provides strategic guidance to SADC member states and the Secretariat in achieving SADC's objectives of promoting regional economic integration amongst its member states. Specific commitments for achieving these objectives are laid out in various protocols. The RISDP lays out a programme of regional economic integration targets, as follows: SADC Free Trade Area (FTA) (2008), Customs Union (2010), Common Market (2015), SADC Central Bank (2016), Monetary Union (2016) and Regional Currency (2018). The SADC FTA came into effect in January 2008 and is expected to be formally launched in August 2008 while the preparation of the SADC Customs Union Roadmap is on-going. To ensure smooth operationalization of the RISDP SADC has developed implementation frameworks and business plans for all the intervention areas specified in the RISDP. See annex 2 for details of progress on implementation of the frameworks and business plans for the intervention areas.

5.2 Indicators for Monitoring Progress in the implementation of the RASP

5.2.1 The preparation of the RASP for Southern African preceded the adoption of the result-based framework in Strategy Papers. Although the RASP has a result orientation, the target/indicators provided therein were too broad and outside the control of the Bank. Moreover, they were not presented in a form that conforms to the result-based framework of the Annotated Format for Bank Group's RBCSP in terms of outcomes and intermediate outputs. However, as the Bank has now adopted a results-based system of development management, this progress report of the RASP for Southern Africa refines the intervention, strategy and targets monitoring matrix of the RASP to conform to the result-based framework. It specifies expected outcomes and defines expected results and indicators for monitoring progress towards achieving the expected outcomes. This is used to assess the implementation progress so far and would be used also when the completion report is prepared at the end of the RASP period.

5.3 Progress towards RASP Outcomes

5.3.1 It is difficult to undertake an assessment of the progress that has been made towards achieving the RASP outcomes since these were not explicitly indicated in the RASP in the first place. However, in this report we have used the targets/indicators indicated in the RASP as proxies for outcomes and an analysis of the progress towards achieving these targets are provided below.

5.3.2 The first strategic focus: Investment Support for Regional Cooperation.

5.3.2.1 Under this strategic area of focus, three outcomes were expected: (i) sustainable food security; (ii) infrastructure support for regional integration and poverty reduction; and (iii) human and social development (capacity building and combating HIV/AIDS).

5.3.2.2 Sustainable Food Security: The result statements/indicators that were proposed for this outcome were: (i) Establishment of facilities to support land reform programs by 2005/06; (ii) Doubling the area under irrigated agriculture from 3.5% to 7% by 2015; (iii) Reducing the incidence of trans-boundary animal diseases by half by 2015; and (iv) Promoting policies and legislation harmonization (including phytosanitary regulations) to foster intra and extra SADC trade in agriculture and food items.

5.3.2.3 On the first indicator, an institutional study for the operationalization of the facility to support land reforms was completed in April 2007. The recommendations of the study were endorsed by SADC Permanent Secretaries responsible for land matters in September 2007 and are due to be presented to Ministers for approval. On the second indicator, SADC has adopted a river basin approach to agricultural water management and significant progress has been made in the development of the Upper Okavango and Mid-Zambezi River Basins both of which are expected to contribute to the development of about 5,550 ha of irrigated land. As at 2007, the area of land under irrigation as a percentage of cultivated area has increased from 3.5% to 6.1%⁴. Towards achieving the third indicator, SADC has received a grant of USD 21.86 million from the Bank and a framework for the Southern African Commission for the Control of TADs is currently being worked out. Also, the European Union provided financing for two related projects namely, Promotion of Regional Integration (PRINT) and SADC Foot and Mouth Disease Project (SFMD) while South Africa provided support through the South Africa-Fund TADs Control Project, which is managed by the Food and Agriculture Organization (FAO). On the fourth indicator, the Secretariat has mobilised €750 million for a project on Food Safety. The aim of this project is to promote regional trade through regional integration and greater access by SADC Member States' exporters to the EU and world markets for agricultural products. The immediate purpose of the various activities under this project will be to harmonize food safety control regulations, guidelines and procedures through institutional strengthening in the region. The FANR Directorate has also completed the harmonization of seed regulatory systems in the region. The harmonized seed regulatory system involves three main components: variety release, seed certification and quality assurance, and phytosanitary measures for seed.

5.3.2.4 Infrastructure Support for Regional Integration and Poverty Reduction: The result statements/indicators that were proposed for this outcome include, (i) Implementation of the Protocols on the Energy, Transport and Communications sub-sectors and the Shared Water Courses; (ii) Improvement of regional transport corridors within the context of SDIs; (iii) Reducing transport costs and enhancing trade competitiveness by upgrading regional infrastructure network and promoting PPP in the area of infrastructure development and SMEs; (iv) Implementation of the Yamoussoukro Decision for liberalization of air transport (v) Capacity Building in the Southern African Power Pool (SAPP) Regional and National Control Centres; (vi) Establishment of private sector bodies such as Petroleum and Gas Association, and Regional Electricity Regulatory Associations (RERA) by 2004; (vii)

⁴ Source: FAOSTAT and SADC Secretariat (Member States Reports) 2007

Establishment of energy data banks and planning networks by 2005, and (viii) Harmonization of policies, legislation, regulations, standards, etc. for energy, petroleum and gas by 2006.

5.3.2.5 SADC has identified investment backlog priority projects in the sector and developed guidelines for preparation of regional projects. The Shared Water Courses Protocol is being implemented. The SAPP provides a platform for a competitive energy market in SADC and there has been progressive movement towards a competitive energy market in SADC including the establishment of a Day Ahead Market (DAM). The SAPP has developed a roadmap to increase power generation capacity and to develop priority transmission interconnectors. It has also undertaken the update of its pool plan, as well as a tariff study, and has signed a MOU for increased coordination and collaboration with the Regional Electricity Regulators Association (RERA). The Western Corridor Power project (Westcor) has been established as a joint venture company in 2006 and has started work on project development and SADC has developed an Indicative Implementation Plan for the SADC Biofuels Programme.

5.3.2.6 A SDI/corridor strategy was developed in 2006 and a transport corridor study was completed in October 2007. Priority corridors have been identified (Lobito, Trans Cunene, Trans Caprivi, Shire Zambezi Waterway, Mtwara and Nacala). A number of projects have been implemented to improve regional transport corridors within the context of SDIs including the Beira Transport corridor in Mozambique and development of the North-South corridor (South Africa – Copperbelt – Tanzania) which started in 2007. A permanent secretariat was established in 2007 for the management of the Trans-Kalahari corridor (Walvis Bay – Gauteng) and a MoU was signed in 2006 for the construction of the Kazungula bridge linking Zambia, Zimbabwe and Botswana. A one-stop border post strategy and final report has been prepared. A road map for the implementation of the Yamoussoukro Decision (YD) for liberalization of air transports has been proposed to Ministers in August 2007 and it is expected that the YD will be implemented by SADC in January 2009.

5.3.2.7 Human and Social Development (Capacity Building and Combating HIV/AIDS): The result statements/indicators that were proposed for this outcome include, (i) Coordination and harmonization of education; (ii) Halving the proportion of people living on less than \$1 per day by 2015; (iii) Increasing SADC Human Development Index from 0.5 to 0.8; and (iv) Reducing the spread of HIV/AIDS and prevalence particularly among young people by 25% in all member states by 2007. With regards to education, SADC has developed a framework for quality assurance in the region and is currently in the process of undertaking an analysis of existing qualifications in the region. SADC has also developed an 8-year regional education and training implementation plan (2007-2015). As at the time of the mid-term review, SADC is in the process of collecting baseline data for most of the other indicators.

5.3.3 The Second Strategic Focus: Facilitation of Trade and Financial Liberalization.

5.3.3.1 One of the main measures of the success of SADC as a regional integration community is the extent to which it promotes intra-regional trade. Though increasing, total intra-regional trade is considered to be still low with most of the sub-region's trade being with the European Union, the United States and Japan. This strategic area of focus envisaged two outcomes during the RASP period: (i) Macroeconomic Policy Harmonization and Convergence, and (ii) Financial Integration and Capital Markets Development. To achieve the objective strategic focus, the RASP has the following results/indicative targets for which progress are being assessed:

5.3.3.2 Macroeconomic Policy Harmonization and Convergence: The result statements/indicators that were proposed for this outcome include, (i) Establishment of a Monitoring and Surveillance Unit to monitor progress toward Macroeconomic Convergence and (ii) Achievement of Macroeconomic Convergence between 2008 and 2015. The Monitoring and Surveillance Unit to monitor progress toward Macroeconomic Convergence in SADC has been established in June 2007. The SADC Secretariat is considering approaching the Bank for funding to strengthen the capacity of the unit. As indicated in section 2.1 above, most of the member states are progressively moving towards macroeconomic convergence.

5.3.3.3 Financial Integration and Capital Markets Development: The result statements/indicators that were proposed for this outcome was the achievement of full implementation of MoUs by 2004 for the following areas: (a) payments and clearing systems; (b) legal framework; (c) stock exchanges; (d) exchange controls; and (e) IT. There were no sufficient data to assess performance for this outcome indicator because the TIFI Directorate was still compiling the relevant data as at the time of writing this report.

5.3.4 The Third Strategic Focus: Institution Strengthening and Capacity Development.

5.3.4.1 Under this strategic area of focus, two outcomes are envisaged during the RASP period: (i) Institutional and Capacity Support to Strengthen the Role of SADC; and (ii) Cross-Cutting Issues.

5.3.4.2 Institutional and Capacity Support to Strengthen the Role of SADC: The result statements/indicators that were proposed for this outcome included: (i) Institutional and capacity building support to strengthen the SADC Secretariat; and (ii) Assistance to the Secretariat and SADC National Committees (SNCs) in the area of trade facilitation and gender mainstreaming. In 2007, a study on the institutional capacity development need of the SADC Secretariat with the assistance of GTZ and another on the institutional assessment of the SADC Secretariat with the assistance of the Delegation of the European Commission in Gaborone were completed.

5.3.4.3 Cross-Cutting Issues – Gender Mainstreaming: The result statements/indicators that were proposed for this outcome were: (i) Development of policies and framework on gender mainstreaming by 2003; (ii) Ratification of relevant international and regional instruments by 2004; (iii) Repeal of gender discriminatory provisions in laws and policies by mid 2005; (iii) Establishment of enforcement mechanism by 2006; (iv) Adoption of gender sensitive planning, budgeting and implementation process by end 2006; (v) Development of specific programs for the economic empowerment of women by end 2007; and (vi) Taking cross-cutting issues such as gender mainstreaming, good governance and environmental concerns into account in the design and implementation of specific projects for SADC. A regional gender policy for SADC has been adopted by SADC Council of Ministers in August 2007 and a Draft Protocol on Gender and Development is currently being reviewed with member states. The document would be submitted to the Summit of the Heads of States in August 2008 for adoption by the Heads of States. A Concept Note for Business Plan for 2007–2011 with specific programs has been developed. A gender mainstreaming toolkit is currently being developed. It will be used to build capacity of SADC staff and member states

in incorporating a gender perspective into their planning process and implementation of policies, programmes and activities.

5.4 Progress towards RASP Outputs

5.4.1 In accordance with the three strategic areas of focus identified in the RASP, the Bank proposed a medium term work programme for the RASP period, 2004 – 2008. The work programme combines both lending and non-lending activities. The lending activities proposed in the RASP in the medium term are concentrated in the infrastructure sector, particularly transport infrastructure, as well as, in the agriculture, and human development and social sectors. The non-lending activities, on the other hand, are distributed across sectors including human development and social sector, financial sector and capital markets, and capacity building.

5.4.2 **Lending Operations:** The medium term work programme envisaged the following lending activities during the period 2004 – 2008:

5.4.2.1 **Strategic Focus 1, Output 1 - Sustainable Food Security:** The following lending operations were proposed during the period 2004 – 2008, (i) Multinational project in support of irrigation to increase agricultural productivity and enhance regional food security; and (ii) Multinational project in support of Strengthening of Institutions for Risk Management of Transboundary Animal Diseases. Under the first area of intervention a preparation report for a project by the Bank to finance the Upper Okavango River sub-basin has been completed. Also, the Bank undertook an appraisal of the Mid-Zambezi River Basin project in October 2007. With respect to the second area of intervention, the Bank approved grant to strengthen Institutions for Risk Management of Transboundary Animal Diseases in the SADC Region was signed on 13th December 2006 and it became effective on 26th September 2007.

5.4.2.2 **Strategic Focus 1, Output 2 - Infrastructure Support for Regional Integration and Poverty Reduction:** The following operations were proposed for the period 2004 – 2008, (i) The SADC Shared Water Courses Support Project; (ii) Implementation of the Western Corridor Power Interconnectivity Project/INGA Integrator (WESCOR) in collaboration with other development partners; (iii) Provide support for projects for the rehabilitation of corridors linking Lubumbashi in the DRC to the seaports and road and rail corridors within Angola; (iv) Extension of the Bank's technical assistance support to Beira Transport corridor in Mozambique to other transport corridors in SADC; (v) Support for the implementation of the Yamousoukro Decision for liberalization of air transports; and (vi) Support for regional or multinational infrastructure and PPP in infrastructure projects in SADC under the NEPAD-IPPF. The Bank has approved funding for the SADC Shared Water Courses support project for Buzi, Save and Ruvima River Basins in January 2006 and the agreement was signed in May 2006. The project for the rehabilitation of INGA I and II was approved by the Board in December 2007 while a technical assistance grant for the finance of a study on the development of INGA Hydropower site and associated power interconnections was approved in May 2008. The Zambia-Namibia power interconnectivity was successfully completed in 2006. The Bank also provided funding for technical support to the Beira Transport Corridor in Mozambique, which closed in December 2005. Also, the Bank in January 2008 approved funding under the NEPAD-IPPF (NEPAD: US\$331,000 and DBSA: US\$250,000) for a SADC Roads Sub-sector Harmonization Study. The objective of the study is to provide roads authorities in the SADC region with best practice by developing guidelines for use in in-situ recycling for upgrading and rehabilitation of roads and

harmonized manuals for laboratory and field-testing of materials. Other projects with regional dimensions which the Bank has recently supported include a US\$500 million loan to Eskom, the Tanzania Electricity IV and V. In terms of support to multinational infrastructure and PPP projects under the NEPAD-IPPF, the Bank approved a loan in 2006 of US\$101 million to DBSA for regional infrastructure development facility, a loan of US\$50 million for the Eassy Project in 2007, and provided support for the feasibility study of the Botswana-Zimbabwe-Zambia Kazungula bridge project.

5.4.2.3 Strategic Focus 1, Output 3 - Human and Social Development (Capacity Building and Combating HIV/AIDS): The following lending operations were proposed during the period 2004 – 2008, (i) Project in support of HIV/AIDS, Malaria and TB; and (ii) the Open and Distance Learning Systems Capacity Building in SADC Countries project. The targets for this output have been fully achieved. The SADC Support to HIV/AIDS, Malaria and TB project was approved by the Bank in May 2006 and signed in June 2006 and became effective on the 15th of December 2006 while the ODL Systems Capacity Building project was approved in December 2006 and signed in April 2007. Also, regional fund for HIV/AIDS has been established in line with the Maseru Declaration. Contribution from member states to the fund amounts to USD 650,000.

5.4.3 Non-Lending Operations: The medium term work programme envisaged the following non-lending activities during the period 2004 – 2008:

5.4.3.1 Strategic Focus 2, Output 1 - Macroeconomic Policy Harmonization and Convergence: The following non-lending operation was proposed during the period 2004 – 2008, (i) Provide technical assistance grant to SADC to establish a Monitoring and Surveillance Unit to facilitate macroeconomic convergence. An identification report for the financing of a Monitoring and Surveillance Unit to monitor progress toward Macroeconomic Convergence in SADC was prepared by the Bank in 2005 but was not followed up on due to lack of resources under ADF X. Since SADC has already established the unit use resources from other sources, the SADC Secretariat is considering approaching the Bank for funding to strengthen the capacity of the unit in 2008.

5.4.3.2 Strategic Focus 2, Output 2 - Financial Integration and Capital Markets Development: The following non-lending operation was proposed during the 2004 – 2008 period, (i) Discussions are on-going between the Bank, the TIFI Directorate of SADC Secretariat and the SADC-DFRC on the possibility of jointly funding a Study on Capital Markets Development in SADC.

6. Portfolio Management Issues

6.1 The Bank current has seven active interventions in its SADC portfolio amounting to over UA60 million and made up of projects, studies and capacity building activities. All of these interventions were financed from ADF grant resources. Except for one all of the interventions were approved in 2006. With an overall disbursement rate of barely 6.2%, implementation progress on these interventions has been very slow. The major issues identified by a portfolio implementation improvement mission undertaken by the Bank to the SADC Secretariat from 2 – 6 June 2008 to review the Bank Group portfolio under SADC include: implementation capacity constraints in SADC; slow procurement process due to inadequate understanding of the Bank's procedures; bureaucratic bottlenecks and lengthy process of validation and approval at the SADC level; lack of training on project management

for newly recruited project staff; and slow and insufficient communication internally with SADC and between the Secretariat and the Bank on the Bank's operations.

6.2 To address the above problems a coordination mechanism, with an ADB Desk Officer who will be responsible for the coordination of the Bank's SADC portfolio, is to be put in place. This will be funded from the project funds from the active portfolio. SADC Secretariat is expected to initiate the process of recruiting the coordinator immediately and to submit a detailed terms of reference for the coordinator to the Bank for its review and consideration by end of July 2008.

7. Donor Coordination

7.1 The EC Delegation in Botswana serves as the lead agent for SADC donor coordination in the Joint SADC-International Cooperation Partners (ICP) Task Force (JTF). The EC Delegation plays this role in close liaison with the SADC Secretariat's Unit for Policy and Strategic Planning. The principal purpose of the JTF is to enhance coordination between ICPs and SADC in the implementation of the RISDP and the Strategic Indicative Plan for the Organ (SIPO) agendas.

7.2 Following a formal agreement between ICPs and SADC in 2006, a number of Thematic Groups to facilitate donor coordination have been set up. The Thematic Groups include: HIV/AIDS; Water; Pharmaceutical; Capacity Building; Agriculture and Food Security; Trade, Industry, Finance and Investment; Energy; and Transport. The HIV/AIDS Thematic Group has provided a forum for joint ICP-SADC review of progress on implementation of the SADC HIV/AIDS Business Plan.

7.3 ICPs' support to SADC is as diverse as the ICP group and they follow varied procedures and programming periods. Annex 3 - Priority/focal areas of intended ICP support to SADC, and annex 4 - SADC donor support matrix provide a snapshot of areas of focus of a number of ICPs actively engaged with the SADC secretariat and in the region.

8. Lessons Learned at Mid-Term

8.1 Lessons for the Bank

8.1.1 There is a need for the Bank to work more closely with the SADC Secretariat to minimize slippage on programmed timing of activities and to ensure that recommendations made during Project Supervision and Portfolio Review missions, etc., are effected. To facilitate this, RASP follow-up missions will be undertaken regularly on an annual basis. It was also noted that the current approach of setting up project specific PIUs for every projects financed by the Bank has not succeeded in achieving the goal of capacity building in the projects/sectors. The Bank needs to consider sector-wide approach to PIUs were one PIU is set up to handle all Bank/donor financed projects in the specific sectors. This will ensure continuity and contribute to the process of building and maintaining capacity in the sectors.

8.2 Lessons for the SADC Secretariat

8.2.1 The SADC Secretariat should institute its own internal review process to appraise itself on a regular basis of the progress of implementation of the Bank's RASP for SADC and the result of the reviews should be shared with the Bank. The Secretariat should also put in

place an arrangement to facilitate the preparation of the Bank's next RASP for SADC; its preparation is expected to start during the first quarter of 2009.

9. Bank Group Strategy for the Remaining Period

9.1 Consultations With the Stakeholders: The Mission met with officials of the SADC Secretariat including key officials of the departments of Food, Agriculture and Natural Resources (FANR); Trade, Industry, Finance and Investment (TIFI); Infrastructure and Services (I&S); Social and Human Development, the Gender Unit; and the SADC-DFRC. The Mission also met with some development partners that are active in Botswana including the European Commission Delegation to Botswana and SADC and the GTZ to solicit their views and inputs for the preparation and validation of the RASP mid-term review. The mission took the opportunity of its presence in Gaborone to participate in the SADC Core Group meeting of the International Cooperating Partners on the 19th of November 2007 as well as to consult with government officials in Botswana including the officials of the Ministries of Finance and Development Planning, Agriculture, and Works and Transport. The consultations were useful in ensuring widespread support for the RASP implementation.

9.2 Strategy for the Remaining Period for Achieving the Targeted Results: Given that the RASP for SADC was developed within the context of the RISDP of SADC which covers the period 2005 – 2019, and in view of the fact that the RISDP has not undergone material change since the RASP was prepared, and the projects proposed under the RASP have only been partially implemented, the Bank's strategy for the remainder of the RASP implementation period will not change. During this period, the three strategic areas of focus namely: (i) Investment Support for Regional Cooperation in sustainable food security, provision of infrastructure services, and promoting human and social development; (ii) Facilitating Trade and Financial Liberalization; and (iii) Institutional Strengthening and Capacity Development will be maintained and form the basis for the Bank support to SADC for the remainder of the RASP period.

9.2.1 Lending Activities

9.2.1.1 Under the first strategic focus area, for the RASP remaining period, the Bank will pursue the Upper Okavango and Mid-Zambezi River Basin projects. The preparation report of the Upper Okavango River sub-basin has been completed. The estimated cost of the project is US\$104 million and it will develop about 2,750 ha of irrigated area. The preparation process for the Mid Zambezi River Basin project was completed in January 2007 and pre-appraisal was done in October 2007. The estimated cost of the project is US\$122 million. The project will be appraised in the second half of 2008 or first half of 2009, during which time the outstanding issues relating to the financing gap would have been resolved. The Bank will also pursue the Investment Project for the Nacala Corridor project which has already been identified and is currently under preparation. The Nacala Road Corridor Study estimated to cost UA1.5 million would be done in 2009 and the appraisal of the project would be done also in 2009. Other projects in the pipeline for 2009 include; the Southern Africa Telecommunications Association Backhaul Links for UA93 million and the Zambia-Tanzania-Kenya Power Interconnection for UA20 million.

9.2.1.2 Under the second strategic focus area, the Bank was supposed to provide technical assistance grant to SADC to establish a Monitoring and Surveillance Unit to facilitate macroeconomic convergence. An identification report was done in 2005 but was put on hold

because of lack of ADF resources. Since SADC has already established the unit, the SADC Secretariat is considering approaching the Bank for funding to strengthen the capacity of the unit in 2008 and the Governance and Financial Management Department would engage the SADC Secretariat in further discussions when a formal request is made by SADC.

9.2.2 Non-Lending Activities

9.2.2.1 Discussions are on-going between the Bank, the TIFI Directorate of SADC Secretariat and the SADC-DFRC on the possibility of jointly funding a Study on Capital Markets Development in SADC. Modalities for the financing of the study would be worked out as soon as agreement is reached with our SADC counterparts though on the part of the Bank, the study would be financed using, preferably, grant resources.

9.2.3 Extension of the Duration of the Current RASP for Southern Africa

9.2.3.1 The implementation of the current RASP for Southern Africa will expire at the end of 2008. In view of this the Bank will initiate dialogue with the SADC Secretariat on the process of preparing a new RASP for Southern Africa in the second quarter of 2009. Since the process of preparing a new RASP is not expected to be concluded before the end of 2009, Management is proposing that the duration of the current RASP for Southern Africa be extended to the end of 2009. Given that a number of projects are the pipeline for 2009 (see 9.2.1 and annex 2) the extension is necessary to ensure that a strategic framework for the Bank's continued engagement with SADC is in place pending the completion of a new RASP. The completion report of the current RASP would be done during the first quarter of 2010.

9.3 Areas Requiring Dialogue: Successful implementation of the Bank Regional Assistance Strategy will require maintaining an open dialogue with the SADC Secretariat and other stakeholders on a number of key issues particularly in the areas of portfolio performance. This is particularly important given the fact that satisfactory management and performance of the portfolio ensures that projects' benefits are delivered on a timely basis and ensures that the strategy is effectively implemented and that the objectives set out in the strategy are achieved. Thus, to ensure a smooth implementation of the work programme, further improvements in this area will be required.

10. Conclusion and Recommendations

10.1 Conclusion

10.1.1 As at 2007, SADC countries achieved a relatively good performance against the 2008 macroeconomic convergence targets. Based on projections for 2008, it is expected that all SADC countries, except Angola and Zimbabwe would meet the inflation target and all of them except Zimbabwe would meet the fiscal deficit and external debt target by 2008. With regards to the Current Account deficit target, only Madagascar is expected to fall short of the target.

10.1.2 Given that the RISDP of SADC which underpinned the RASP for Southern Africa has not undergone material change since the RASP was prepared, and the projects proposed under the RASP have only been partially implemented, there will be no change in the main thrust of the Bank's strategy for the remainder of the RASP implementation period. The

Bank's engagement with SADC will continue to focus on the three strategic areas indicated in the Regional Assistance Strategy Paper (RASP) for Southern Africa covering the period, 2004 – 2008 which was approved by the Board of Directors on the 5th of October 2004.

10.2 Recommendations

The Board is invited to approve this progress report on the RASP for Southern Africa for the period 2004 – 2008; and to approve the extension of the duration of current RASP for Southern Africa to the end of 2009.

ANNEX 1
SADC: MACROECONOMIC CONVERGENCE INDICATORS

| Country | Inflation (%) | | Fiscal Balance (% of GDP) | | Public Debt (% of GDP) | | Current Account (% of GDP) | |
|--------------|---------------|---------|------------------------------|-------|---------------------------|-------|-------------------------------|--------|
| | 2004 | 2007 | 2004 | 2007 | 2004 | 2007 | 2004 | 2007 |
| Angola | 31.0 | 11.2 | 1.1 | 10.0 | 51.32 | 15.62 | 3.47 | 17.66 |
| Botswana | 7.0 | 7.1 | -0.4 | 7.1 | 10.94 | 12.14 | -0.6 | 21.0 |
| Congo, DR | 9.5 | 9.6 | -4.1 | 2.2 | 164.32 | 52.98 | -2.39 | -6.88 |
| Lesotho | 5.0 | 6.6 | 5.7 | 7.7 | 53.84 | 43.23 | -5.49 | 1.56 |
| Madagascar | 13.4 | 9.8 | -4.9 | -3.6 | 80.14 | 28.51 | -10.32 | -12.48 |
| Malawi | 11.6 | 8.5 | -7.1 | -1.5 | 159450.37 | 94.69 | -7.29 | -4.0 |
| Mauritius | 3.9 | 8.8 | -5.4 | -4.3 | 4.7 | 14.0 | -3.0 | -5.4 |
| Mozambique | 12.9 | 7.9 | -4.5 | -5.1 | 79.4 | 34.88 | -8.58 | -10.22 |
| Namibia | 4.2 | 6.7 | -7.2 | 1.9 | 21.24 | 21.13 | 9.49 | 15.46 |
| South Africa | 4.3 | 6.5 | -1.5 | 0.8 | 20.13 | 21.49 | -3.19 | -6.82 |
| Swaziland | 3.4 | 6.9 | -4.7 | -2.0 | 23.93 | 16.83 | 3.1 | 0.15 |
| Tanzania | 4.7 | 7.1 | -3.2 | -4.5 | 73.49 | 31.06 | -3.31 | -11.76 |
| Zambia | 18.0 | 10.8 | -2.8 | -1.8 | 114.44 | 6.19 | -10.32 | -4.15 |
| Zimbabwe | 350 | 6,723.7 | -7.6 | -24.6 | 105.4 | 34.39 | -8.35 | -0.86 |
| SADC | 9.5 | 11.2 | -1.9 | 1.7 | 35.87 | 22.41 | -2.81 | -2.23 |

Sources: IMF Article IV Consultations and SADC.

na = Not Available

ANNEX 2
RASP Results Framework Monitoring Matrix

| BROAD REGIONAL LONG TERM STRATEGIC OBJECTIVES | BROAD AREAS OF THE RASP FOR SADC FOCUS | RASP Outcomes | | | Bank's Operational Priorities and Performance | |
|--|--|---|--|--|--|---|
| | | EASP Outcomes that SADC Expects to Achieve | Outcome Results Statement / Indicative Target/Timeframe | Progress at mid-term review since 2004 (Outcome) | Bank Deliverables (Outputs) from Operations (Projects and Programmes) | Progress at mid-term review (Output) (actions taken since 2004) |
| <p>Infrastructure Support for Regional Integration and Poverty Eradication</p> <p>Sustainable Food Security</p> <p>Promoting Private Sector Development</p> <p>Development of Common Market</p> <p>Fostering Human Resource Development</p> <p>Combating the HIV/AIDS Pandemic</p> | (A) Investment Support for Regional Cooperation | Sustainable Food Security | <p>Establish facilities to support land reform programs by 2005/06</p> <p>Doubling the area under irrigated agriculture from 3.5% to 7% by 2015</p> <p>Reduce the incidence of trans-boundary animal diseases by half by 2015</p> <p>Promote policies and legislation harmonization (including phytosanitary regulations to foster intra and extra SADC trade in agriculture and food items Support SADC governments' effort to render legal and institutional frameworks more conducive for agric investment and growth</p> | <p>i) Study completed in April 2007 and recommendations endorsed in September 2007 by SADC Permanent Secretaries responsible for land matters.</p> <p>(ii) The area under irrigated agriculture has increased from 3.5 to 6.1% by 2007</p> <p>(iii) A number of projects have been approved and are currently being implemented all aimed at reducing the incidence of TADs and promoting intra- and inter-regional trade in livestock and livestock products</p> <p>(iv) It is important to note that the SADC TADs Projects are also aiming at promoting the harmonisation of legislation and procedures within the region. SADC has also mobilised funds (Euro 750 million)_ for food safety programmes</p> <p>(v) SADC has completed the harmonisation of seed regulatory systems in the region and a MOU for its implementation is expected to be signed in 2008.</p> | <p>Multinational project in support of irrigation to increase agric productivity and enhance regional food security</p> <p>Provide finance for the SADC Shared Water Courses Support Project</p> <p>Provide finance in support of Strengthening of Institutions for Risk Management of Transboundary Animal Diseases</p> | <p>(i) Preparation report for Upper Okavango River Sub-basin project has been prepared.</p> <p>(ii) The Preparation report for the Mid-Zambezi River Basin project was completed in January 2007 and its pre-appraisal done in October 2007. It is expected to be appraisal in the second half of 2008 or first half of 2009 once additional financing has been secured and the consent of the government of Botswana obtained.</p> <p>SADC Shared Water Courses Support Project approved in January 2006 and signed on 18 May 2006.</p> <p>SADC – Strengthening of Institutions for Risk Management of Transboundary Animal Diseases Project approved in May 2006 and became effective on 26 September 2007.</p> |

ANNEX 2
RASP Results Framework Monitoring Matrix (Cont-1)

| BROAD REGIONAL LONG TERM STRATEGIC OBJECTIVES | BROAD AREAS OF THE RASP FOR SADC FOCUS | RASP Outcomes | | | Bank's Operational Priorities and Performance | |
|--|--|---|--|---|---|---|
| | | EASP Outcomes that SADC Expects to Achieve | Outcome Results Statement / Indicative Target/Timeframe | Progress at mid-term review since 2004 | Bank Deliverables (Outputs) from Operations (Projects and Programmes) | Progress at mid-term review (actions taken since 2004) |
| <p>Infrastructure Support for Regional Integration and Poverty Eradication</p> <p>Sustainable Food Security</p> <p>Promoting Private Sector Development</p> <p>Development of Common Market</p> <p>Fostering Human Resource Development</p> <p>Combating the HIV/AIDS Pandemic</p> | (A) Investment Support for Regional Cooperation | Infrastructure Support for Regional Integration and Poverty Reduction | Implementation of the Protocols on Energy, Transport, Communications, and Shared Water Courses | <p>SADC has: (i) identified investment backlogs and priority projects in all infrastructure sectors, (ii) developed guidelines for preparation of regional projects and (iii) established Ministerial Committees as well as thematic groups in 2006 to promote and coordinate infrastructure development.</p> <p>SADC has also sought to clarify its role with regard to regional bodies on the basis of the principle of subsidiarity.</p> <p>Energy: The SAPP has developed a roadmap to increase power generation capacity and to develop priority transmission interconnectors.</p> <p>SAPP has undertaken the update of its pool plan, as well as a tariff study, and has signed a MOU for increased coordination and collaboration with RERA.</p> <p>The Western Corridor Power project (Westcor) has been established as a joint venture company in 2006 and has started work on project development.</p> <p>SADC is implementing the Programme for Biomass energy Conservation (ProBEC) with support from Germany and the Netherlands.</p> <p>SADC has developed an Indicative Implementation Plan for the SADC Biofuels Programme.</p> <p>Transport:</p> | <p>Together with WB, EU and bilaterals, support the implantation of the Western Corridor Power Interconnection project and the Zambia-Tanzania Kenya Interconnection project</p> <p>The Zambia-Tanzania Kenya Interconnection project – Appraisal is expected to be in 2009</p> | <p>Approval in 12/07 of a UA 36 million ADF grant for the Regional Power Markets Development project (rehabilitation of Inga 1 & 2 hydropower) cofinanced with the WB.</p> <p>Appraisal of the Grand Inga feasibility study.</p> <p>Implementation of the IPPF-financed study on transaction structuring for the Zambia-Tanzania Kenya power interconnection.</p> <p>Successful completion in 2006 of the Zambia-Namibia power interconnection project</p> <p>Approval of financing for projects to enhance the power supply/demand balance of national utilities (\$500 million corporate loan to ESKOM, Tanzania Electricity V project, Mozambique Electricity IV project).</p> |

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|--|--|--|--|--|--|--|
| | | | | <p>A SDI strategy was developed in 2006.</p> <p>Priority corridors have been identified (Lobito, Trans Cunene, Trans Caprivi, Shire Zambezi Waterway, Mtwara and Nacala).</p> <p>A Surface Transport Action Plan was approved by Ministers in August 2007, as well as five surface transport technical committees.</p> <p>A study on the Implementation of the Harmonized Road User Charges was completed in April 2007</p> <p>Telecommunications: Identification of fiber interconnectivity missing links in framework of SADC Region Information Infrastructure project (SRII), coordinated by the Southern Africa Telecommunications Association (SATA)</p> | | |
|--|--|--|--|--|--|--|

ANNEX 2
RASP Results Framework Monitoring Matrix (Cont-2)

| BROAD REGIONAL LONG TERM STRATEGIC OBJECTIVES | BROAD AREAS OF THE RASP FOR SADC FOCUS | RASP Outcomes | | | Bank's Operational Priorities and Performance | |
|--|--|---|--|---|--|---|
| | | EASP Outcomes that SADC Expects to Achieve | Outcome Results Statement / Indicative Target/Timeframe | Progress at mid-term review since 2004 | Bank Deliverables (Outputs) from Operations (Projects and Programmes) | Progress at mid-term review (actions taken since 2004) |
| <p>Infrastructure Support for Regional Integration and Poverty Eradication</p> <p>Sustainable Food Security</p> <p>Promoting Private Sector Development</p> <p>Development of Common Market</p> <p>Fostering Human Resource Development</p> <p>Combating the HIV/AIDS Pandemic</p> | (A) Investment Support for Regional Cooperation | Infrastructure Support for Regional Integration and Poverty Reduction | Improvement of regional transport corridors within the context of SDIs | <p>A transport corridor study was completed in October 2007, identifying the missing regional transport infrastructure links.</p> <p>Support to development of North-South Corridor (SA-Copperbelt-Tanzania), started in 2007 with DFID financing.</p> <p>A Permanent Secretariat was established in 2007 for the Management Committee of the Trans Kalahari Corridor (Walvis Bay – Gauteng).</p> <p>A MOU was signed in 2006 for the construction of the Zambia-Botswana Kazungula bridge.</p> | <p>Provide support for projects for the rehabilitation of corridors linking Lubumbashi (DRC) to the seaports and rail and road corridors within Angola</p> <p>The Nacala Corridor project - the appraisal of the project would be done also in 2009.</p> <p>The Nacala Road Corridor Study estimated to cost UA1.5 million would be done in 2009</p> | <p>Technical Assistance to SADC for Transport approved in December 2006 and signed May 2007</p> <p>The Botswana-Zambia SADC North South Corridor project approved on 1 December 2006 and signed 17 May 2007.</p> <p>The Nacala Corridor project has already been identified and is currently under preparation.</p> |

ANNEX 2
RASP Results Framework Monitoring Matrix (Cont-3)

| BROAD REGIONAL LONG TERM STRATEGIC OBJECTIVES | BROAD AREAS OF THE RASP FOR SADC FOCUS | RASP Outcomes | | | Bank's Operational Priorities and Performance | |
|--|--|--|--|---|--|--|
| | | EASP Outcomes that SADC Expects to Achieve | Outcome Results Statement / Indicative Target/Timeframe | Progress at mid-term review since 2004 | Bank Deliverables (Outputs) from Operations (Projects and Programmes) | Progress at mid-term review (actions taken since 2004) |
| <p>Infrastructure Support for Regional Integration and Poverty Eradication</p> <p>Sustainable Food Security</p> <p>Promoting Private Sector Development</p> <p>Development of Common Market</p> <p>Fostering Human Resource Development</p> <p>Combating the HIV/AIDS Pandemic</p> | <p>(A) Investment Support for Regional Cooperation</p> | <p>Infrastructure Support for Regional Integration and Poverty Reduction</p> | <p>Liberalization of electricity markets and enhanced capacity of the SAPP Regional and National Centres</p> | <p>The SAPP has been moving progressively towards a competitive energy market in SADC, including establishment of a Day Ahead Market (DAM) for which rules and procedures were set up with support from SIDA.</p> <p>A thematic group for capacity building in the SAPP has been established.</p> | <p>Extension of the Bank's technical assistance support to the Beira transport corridor in Mozambique and to other transport corridors in SADC</p> | <p>The Bank TA support to the Beira transport corridor was successfully completed in 2005.</p> |

ANNEX 2
RASP Results Framework Monitoring Matrix (Cont-4)

| BROAD REGIONAL LONG TERM STRATEGIC OBJECTIVES | BROAD AREAS OF THE RASP FOR SADC FOCUS | RASP Outcomes | | | Bank's Operational Priorities and Performance | |
|--|--|---|--|--|--|--|
| | | EASP Outcomes that SADC Expects to Achieve | Outcome Results Statement / Indicative Target/Timeframe | Progress at mid-term review since 2004 | Bank Deliverables (Outputs) from Operations (Projects and Programmes) | Progress at mid-term review (actions taken since 2004) |
| <p>Infrastructure Support for Regional Integration and Poverty Eradication</p> <p>Sustainable Food Security</p> <p>Promoting Private Sector Development</p> <p>Development of Common Market</p> <p>Fostering Human Resource Development</p> <p>Combating the HIV/AIDS Pandemic</p> | (A) Investment Support for Regional Cooperation | Infrastructure Support for Regional Integration and Poverty Reduction | <p>Liberalization of air transport</p> <p>Increased PPPs in infrastructure development</p> | <p>Road map for Implementation of Yamoussoukro decision (YD) proposed to SASC Ministers in August 2007.</p> <p>A Project Preparation and Development Facility (PPDF) was established at DBSA in 2006 with AFD support.</p> <p>SADC Banking Association promotes PPPs and provides specialized training.</p> <p>The Finance Investment Protocol approved in 2006 explicitly encourages PPPs.</p> <p>Between 2004-2006, according to PPIAF database, 22 infrastructure PPP projects have been contracted in SADC countries, including 11 projects in electricity, 5 in transport, 5 in telecom and 1 in W&S.</p> | <p>Support for the implementation of the Yamoussoukro decision for liberalization of air transport, including safety aspects.</p> <p>Support for regional or multinational infrastructure and PPPs in infrastructure projects in SADC under the NEPAD-IPPF</p> | <p>IPPF-financed studies are supervised by the Bank for:</p> <p>(i) Botswana-Zambia Kazungula bridge (\$2.7 million) – underway;</p> <p>(ii) Eastern Africa Submarine Cable System, EASSY (\$0.5 million) - completed;</p> <p>(iii) SATA Backhaul Links (\$0.5 million) - underway;</p> <p>(iv) Zambia-Tanzania-Kenya power interconnection (\$0.5 million) - underway.</p> <p>Approval of a \$104 million loan in 2006 to DBSA for a Regional Infrastructure Development facility.</p> <p>Approval of a \$50 million loan in 2007 for the Pan-African Infrastructure Development Fund.</p> <p>Approval of a \$14.5 million loan in 2007 for the EASSY project.</p> |

ANNEX 2
RASP Results Framework Monitoring Matrix (Cont-5)

| BROAD REGIONAL LONG TERM STRATEGIC OBJECTIVES | BROAD AREAS OF THE RASP FOR SADC FOCUS | RASP Outcomes | | | Bank's Operational Priorities and Performance | |
|--|--|---|--|--|---|---|
| | | EASP Outcomes that SADC Expects to Achieve | Outcome Results Statement / Indicative Target/Timeframe | Progress at mid-term review since 2004 | Bank Deliverables (Outputs) from Operations (Projects and Programmes) | Progress at mid-term review (actions taken since 2004) |
| <p>Infrastructure Support for Regional Integration and Poverty Eradication</p> <p>Sustainable Food Security</p> <p>Promoting Private Sector Development</p> <p>Development of Common Market</p> <p>Fostering Human Resource Development</p> <p>Combating the HIV/AIDS Pandemic</p> | (A) Investment Support for Regional Cooperation | Infrastructure Support for Regional Integration and Poverty Reduction | <p>Establishment of regional private sector bodies and professional associations (including Petroleum and Gas Association, and Electricity Regulators Association, by 2004</p> <p>Establishment of energy data banks and planning networks (by 2005)</p> <p>Harmonized policies, regulations and standards for electricity, oil and gas, and telecom sectors</p> | <p>Establishment of the Southern Africa Postal Regulators Association in May 2004.</p> <p>Ministers approved the formation of the Meteorological Association of Southern Africa (MASA).</p> <p>The SADC Regional Energy Planning Network (REPN) project was implemented with Belgium's support between 2000-2005, although only in part and with limited sustainability prospects.</p> <p>The SADC Training Programme on Rural Energy Planning and Environment Management (REPEM) continued with its successful implementation with Support from the Netherlands (1994-2008).</p> <p>The Regional Electricity Regulators Association (RERA) continued with successful activities with regard to capacity building and information sharing, facilitation of electricity regulations, and regional regulatory cooperation.</p> <p>Approval by Communications Regulators Association of Southern Africa (CRASA) in 2005 of Guidelines on wireless technologies policies and regulations, and preparation of a number of other draft guidelines.</p> | | |

ANNEX 2
RASP Results Framework Monitoring Matrix (Cont-8)

| BROAD REGIONAL LONG TERM STRATEGIC OBJECTIVES | RASP OUTCOMES | | | | BANK OPERATIONAL PRIORITIES AND PERFORMANCE | |
|--|---|--|---|---|--|---|
| | Broad Areas of the RASP for Southern Africa Focus | RASP Outcomes that the Bank expects to achieve through its interventions | Outcome Results Statement/Indicative Target Timeframe | Progress Towards Outcome Indicators at Mid-Term Review | Bank Deliverables (Outputs) from Operations (projects and programs) | Progress towards Achievement of Bank Deliverables (Outputs) at mid-term |
| (i) Mainstreaming Gender in the Process of Integration (ii) Facilitate Democratic Governance and Conflict Prevention, Management and Resolution | © Institution Strengthening and Capacity Development | Institutional and Capacity Support to Strengthen the Role of SADC Secretariat Cross-Cutting Issues – Population Growth, Gender Mainstreaming, Good Governance, Environmental Concerns | Provide institutional and capacity building support to strengthen the SADC Secretariat Assistance to the Secretariat and SADC National Committees (SNCs) in the area of trade facilitation and gender mainstreaming Develop policies and framework on gender mainstreaming 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 mechanism by 2006 Adoption of gender sensitive planning, budgeting and implementation process by end 2006 Development of specific programs for the economic empowerment of women by end 2007 | A SADC Regional Gender Policy has been developed and adopted by council of Ministers in August 2007. A Draft SADC Protocol on Gender and Development is in place. It was submitted to the 2007 Summit of Heads of State and Government for signature, but was deferred back for further national consultations. It will be submitted at the 2008 Summit for adoption and signing. A Gender Mainstreaming Toolkit is being developed, with the support of the EU. The kit will be used to build the capacity of SADC staff and Member States in incorporating a gender perspective into their planning processes and implementation of policies, programmes and activities. Most SADC Member states have ratified important legal instruments dealing with gender such as CEDAW | Provide grant for institutional support and capacity building to the SADC Secretariat to assist in developing human capacity and create administrative infrastructure for regional integration and cooperation | |

| | | | | | | |
|--|--|--|--|--|--|--|
| | | | <p>Take cross-cutting issues such as population growth, gender mainstreaming, good governance and environmental concerns into account in the design and implementation of specific projects for SADC</p> | <p>and its Optional Protocol, the Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa etc.</p> <p>This provision has been included in the draft Protocol on Gender and Development and once adopted Member States will be required to repeal all their gender discriminatory laws and policies by 2015.</p> <p>The draft SADC Protocol will serve as an enforcement mechanism for Member States to implement all gender commitments made in other instruments at both international and regional level.</p> <p>To be catered for in the Gender Mainstreaming Toolkit which is expected to be in place in the first quarter of 2008, after which a capacity building programme will be developed to ensure gender sensitive planning.</p> <p>Programmes have been developed and concept notes but no funding has been acquired to implement activities under this intervention area.</p> <p>The Gender Mainstreaming toolkit and its subsequent capacity building programme will ensure that all other SADC Directorates and Unit as well as different sectors at Member States level incorporate a gender perspective in their project, design, planning and implementation processes.</p> | | |
|--|--|--|--|--|--|--|

ANNEX 3
Priority/Focal Areas of Intended ICP Support to SADC

| SADC Sector/ Directorate | Priority /Focal Area | ADB | Belgium | UK | EC | Finland | FES | France | Germany | Norway | Sweden | UNDP | USAID | Switzerland | World Bank |
|--|--|-------------------------------|---------|----|----|---------|-----|--------|---------|--------|--------|------|-------|-------------|------------|
| Trade, Industry, Finance & Investment (TIFI) | 1. Macro-economic policy convergence and harmonisation and trade integration | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | ✓ |
| | 2. Improving the competitiveness of productive sectors | | | | ✓ | | | | | | | | ✓ | | ✓ |
| | 4. Financial integration | ✓ | | | | | | | | | | | | | ✓ |
| | 5. Capital markets development | ✓ | | | | | | | | | ✓ | | | | |
| | 6. SADC – EPA negotiations and regional coordination | | | ✓ | ✓ | | | | | | | | ✓ | | |
| | 7. Capacity building | ✓ | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | | ✓ | | |
| | Infrastructure & Services (IS) | 1. Water resource management* | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 2. Regional cooperation in infrastructure and services | | ✓ | | ✓ | ✓ | | | | | | | | ✓ | | |
| 3. Transport & Communications | | ✓ | | | ✓ | | | | | | | | ✓ | | ✓ |
| 4. Energy resources development | | ✓ | ✓ | | | | | | | ✓ | | | ✓ | | ✓ |
| Food, Agriculture & Natural Resources (FANR) | 1. Regional cooperation in sustainable food security | ✓ | ✓ | ✓ | ✓ | | | | | | ✓ | | ✓ | ✓ | |
| | 2. Natural resources & wildlife management | ✓ | | | ✓ | | | | | ✓ | ✓ | | ✓ | ✓ | ✓ |
| | 3. Agricultural research & training | | | | | ✓ | | ✓ | | ✓ | | | | | ✓ |
| | 4. Forestry & Land issues | ✓ | | ✓ | | ✓ | | | | ✓ | ✓ | | | | ✓ |
| Strategic Indicative Plan for the Organ (SIPO) | 1. Human rights, democracy and good governance | ✓ | | | | | ✓ | | ✓ | ✓ | ✓ | | ✓ | | |
| | 2. Peace & Security | | | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ | | | | |
| Multi sector & Cross-cutting Areas | 1. HIV/AIDS & Regional drug control | ✓ | | ✓ | ✓ | | | | ✓ | | ✓ | | | | |
| | 2. Gender mainstreaming | ✓ | | | | | ✓ | | | | ✓ | | | | |
| | 3. Information & Communication | | ✓ | | | ✓ | | | | | | | | | |
| | 4. Capacity building – SADC Secretariat | ✓ | ✓ | | ✓ | | | ✓ | ✓ | | ✓ | | | | ✓ |
| | 5. Capacity building – SADC National Committees (SNCs) | ✓ | | | | | | | ✓ | | | | | | |
| Other | | | | | | | | | | | | | | | |

*Includes management of selected river basins

ANNEX 4 SADC Donor Matrix

| Donor | Trade, Industry, Finance and Investment | Infrastructure and Services | FANR | Social and Human Development and Special Programmes | Other |
|---|--|---|--|---|--|
| Belgium €6.4 m | | <ul style="list-style-type: none"> Establishment of Regional energy Planning Network: €730,203 Capacity Building and Institutional Strengthening Water department | <ul style="list-style-type: none"> Institutional Support to FANR in Crop Development: €635,670 | <ul style="list-style-type: none"> HIV and AIDS in the HRD Sector Regional Scholarships and Training: €107,320 Information 21 €2,455,873 | <ul style="list-style-type: none"> Secretariat – Fund for Institutional Capacity Building: €1,000,000 Study and consultancy fund: €1,423,091 Seminar on role of Parliamentarians in Cotonou Agreement |
| Denmark €42.0 m | | <ul style="list-style-type: none"> SADC Water Project. Water Resources Management in the Zambezi Basin Review of Progress on the Implementation of the SADC protocol on Shared Water Courses | | | <ul style="list-style-type: none"> Media Institute of Southern Africa 2005-2010, DKK 15 mill. Nordic SADC Journalism Centre 2005-2007 DKK 10 mill. Defence Management Training Programme 2003-2007, DKK 31 mill. Africa Programme for Peace 2004-2009, DKK 80 mill. African Capacity Building Foundation 2003-2006, DKK 24 mill. Regional Environmental Education Support 2002-2006, DKK 13,4 mill. Human Rights and Conflict Management 2003-2008, DKK 11,5 mill. Development Finance Resource Center 2004-2006, DKK 9,5 mill. |
| European Commission (EDF/EPRD & all ACP) €255.7 m | <ul style="list-style-type: none"> SADC Regional Integration and Multilateral Trading System (€1.1 m) EU/SADC Investment Promotion Programme (€18.3 m) Customs Modernisation (€18.0 m) SADC EPA Negotiations Support Facility (€7.5 m) SQAM – Standards, Quality Assurance, Accreditation and Metrology (€14.2 m) | <ul style="list-style-type: none"> Milange to Mocuba Road (Mozambique) (€15.0 m) Support Programme to the SADC Water Sector (€7.3 m) Hydrogeological Mapping of SADC region (€1.0 m) Economic Accounting of Water use in the SADC Region (€1.0 m) Support to Orange-Senqu (€2.5 m) | <ul style="list-style-type: none"> Promotion of Regional Integration in the SADC Livestock Sector (PRINT) (€7.9 m) SADC Agricultural Research and Training Programme (ICART) (€15 m) Regional Food Security Training (€5.0m) Regional Monitoring, Surveillance and Control of Fishing Activities (€5.7 m) Central African Forestry Management Programme (ECOFAC) (€5.0 m) | <ul style="list-style-type: none"> Multisectoral Response to HIV and AIDS (€7.6 m) SADC Statistical Training Programme (€4.8 m) Soul City (€10.0. m) Health and Development Innovative Consortium (HDIC) (€5.0 m) | <ul style="list-style-type: none"> Regional Integration and Capacity Building Programme (15.6 m) Technical Cooperation Facility (€2.0 m) Capacity Building for Regional Integration (€10 m) NEPAD Capacity Building and Governance Programme (€2.0 m) Peace Facility (€7.7 m) Capacity Building and disaster Mitigation (€ |

| Donor | Trade, Industry, Finance and Investment | Infrastructure and Services | FANR | Social and Human Development and Special Programmes | Other |
|--------------------|--|--|---|---|--|
| | <ul style="list-style-type: none"> Capacity Building on Maximum Residue Levels in Food Products (€7.5 m) Support to Finance and Investment Protocol (€16.0 m) SACU/BLNS Support Programme . (€3.0 m) Risk Capital Facility regional component (€ 10.0 m) | <ul style="list-style-type: none"> Renewable Energy Programme (€2.3 m) | <ul style="list-style-type: none"> Land and Water Management Applied Research Programme (€4.8 m) Regional Foot and Mouth Control Programme (€12.6 m) Pesticide Control (€4.8 m) AMESD (€3.0 m) | | 2.0 m) |
| Finland €8.3 m | | | <ul style="list-style-type: none"> SADC Forestry Colleges – Phase 4 SADC Gene Bank – Phase 4 | • | <ul style="list-style-type: none"> ICT project focusing on capacity building and improvement of SADC internet/web site Local Authority Cooperation Programme Development for African Education African Coastal Zone Management Disabled Women in Business in Southern Africa |
| France €6.1 m | | <ul style="list-style-type: none"> Support to the SADC Directorate of Infrastructure and Services (Water Division) through the provision of a Technical Assistant [Costs vary every year; estimated at around €120 000 / year] Support to the Orange-Senqu River Commission through the French Global Environment Fund (FGEF) [€1 500 000] “Groundwater Management Project” [€80 000] Solidarity Priority Fund “Echel-Eau” [in the pipeline, €1.3 Million for the Limpopo] • | <ul style="list-style-type: none"> Support to the SADC Directorate of Food, Agriculture and Natural Resources through the provision of a Technical Assistant [Costs vary every year; estimation for 2006: €168 265 in 2006] “Fund for Innovative and Regional Collaboration Project” (FIRCOP) [€1.6 Million over 4 years: Sept. 2002 to Sept. 2006, likely to be prorogated | | <ul style="list-style-type: none"> Support to the Department of Strategic Planning through the provision of a Technical Assistant within the Statistics Unit [Costs vary every year; estimation for 2006: €104 013] “Support to the development of African regional processes for economic and financial integration” [€136 400 for the SADC Secretariat, over 3 years from January 2004 to End of 2006] Support to the development of the French language within the SADC Secretariat: sponsoring of language courses + financial support for the translation of SADC documents [€25 000 disbursed in 2005; €28 000 planned for 2006] Strengthening of the SADC Secretariat within the framework of the implementation of the RISDP (in the pipeline, €1 Million) |
| Germany €47.8 m | <p>Facilitation of trade policy and related macro-economic issues</p> <ul style="list-style-type: none"> Support to implementation of the SADC Trade Protocol Macro-economic convergence Economic governance Customs modernisation Private sector development SADC Private-Public Sector Dialogue & Partnership | <ul style="list-style-type: none"> Regional Programme for Biomass Energy Conservation <p>Support for Water Legislation, Policy and Strategy Development</p> <ul style="list-style-type: none"> Strengthening Legal and Institutional Framework for Integrated River Basin Management of the Limpopo and Orange-Senqu Watercourse Systems Support for Water Policy Development in SADC | <ul style="list-style-type: none"> Management of Indigenous Forests Transnational Conservation Areas/Great Limpopo Park Support to the Regional Training Centre “Benguela Environment and Fisheries Interaction and Training” Support to the Training Centre GOBABEB South African Wildlife College | | <p>Support to the SADC Governance & Reform Programme to strengthen Secretariat (institutional capacity development)</p> <ul style="list-style-type: none"> Strengthening the Secretariat in operationalising the RISDP implementation process Support in RISDP planning and monitoring at strategic and operational level Support to Secretariat Organisational Change: Strategic Organisational Change Management |

| Donor | Trade, Industry, Finance and Investment | Infrastructure and Services | FANR | Social and Human Development and Special Programmes | Other |
|-------------------|--|---|---|--|--|
| | Project Preparation and Development Fund (€4.8 m – under preparation) | Water (€9.0 m – under preparation) | FANR (5.8 m – under preparation) | | Project <ul style="list-style-type: none"> ○ Leadership & Management Development ○ Programme Management Development ○ Support in establishing a Performance Management System ○ Support in Secretariat HIV & AIDS Work Place Policy development and implementation ○ Support of a SADC HIV&AIDS School Theatre Outreach Project Support to the Directorate on Politics, Defence and Security Cooperation on conflict resolution and peace building, promotion of democracy and good governance |
| Japan €1.863 m | <ul style="list-style-type: none"> • SMME Training programme €81,912 | <ul style="list-style-type: none"> • Capacity Building in Infrastructure Project Management (US\$ 40,000) planned | <ul style="list-style-type: none"> • Southern Africa Multi Country Productivity Programme; US\$ 1 m on-going | <ul style="list-style-type: none"> • District Health Systems Mid-Level Manager Training for SADC; €87,815 | <ul style="list-style-type: none"> • Capacity Building and Institutional Development; US\$ 975,000 on-going |
| Norway €40.3 m | <ul style="list-style-type: none"> • Program to reduce technical barriers to Trade – SADCA (Southern Africa Development Community Accreditation: € 1.726m | <ul style="list-style-type: none"> • Regional Electricity Regulator RERA € 0.47m • Southern African Power Pool –SAPP €4..335m | <ul style="list-style-type: none"> • Zambezi River Action Plan Project €1.554m • SADC Plant Genetic Resource Centre €1.485m • Biodiversity Programme €1..357m • B.SC. Fisheries for the SADC region €2..724m • Combating desertification in SADC €1..238m • Interim Benguela Current Commission – BENEFIT : €2.7m | | <ul style="list-style-type: none"> • Restructuring SADC €0..557m • Support to Botswana Institute of Development Planning Analyses BIDPA €1.850m • Macro Economic and Financial Management Institute(MEFMI), €0.995m • Media Institute of Southern Africa €1.730m • Women and law. Southern Africa WLSA €0.8m • Institute of Agrarian Studies, Land reform in Southern Africa €0.6m • Human Rights Trust of Southern Africa Programmes: rights of children; anti corruption € 1.33m • Election observation. SADC Parliamentary Forum €0.99m • Project Support Group PSG Regional HIV and AIDS Programme €5.6m • Community Based Natural Resources Capacity Building Programme – WWF €3.157m • Regional Capacity building – Power Sector € 0.619m |

| Donor | Trade, Industry, Finance and Investment | Infrastructure and Services | FANR | Social and Human Development and Special Programmes | Other |
|-----------------------|--|---|--|---|--|
| | | | | | <ul style="list-style-type: none"> Southern Africa Sustainable use Expert group € 0.867m Competence building on Genemodified Mechanisms and the Cartagena Protocol € 1.055m Southern African Sustainable Use Specialist group €0.86m Nordic SADC Journalists (NSJ) Strategic partnership €1.72m |
| Switzerland €4.0 m | • | <ul style="list-style-type: none"> SADC Water Resources Management in the Ruvuma and the Umbeluzi Basin 5.2003 to 4.2006 (second phase will be taken into consideration); €720,000 SADC TFCA: consultant / technical adviser (TA) on Transfrontier Conservation Areas (in discussion) | <ul style="list-style-type: none"> SADC Seed Security Network SSSN 1.2003 to 12.2006 €1.709 (second phase will be taken into consideration)) | <ul style="list-style-type: none"> Specialist on Orphans and Vulnerable Children (OVC) seconded by REPSSI to SADC | <ul style="list-style-type: none"> Electoral Institute of Southern Africa Institute of Democracy in Southern Africa Institute for Justice and Reconciliation Highway Africa News Agency Centre for Conflict Resolution Southern African Regional Poverty Network NEPAD e-Africa Commission Regional Psycho-Social Support for Children Affected by HIV/AIDS Schools as Centres for Care and Support Trans-frontier Park System Management Swiss/ILO Programme (Social Dialogue and Enterprise Development Programme) Trade Law Centre for Southern Africa (Tralac) |
| Sweden €15,75 M | <ul style="list-style-type: none"> SADC Finance Sector – Micro Finance under assessment | <ul style="list-style-type: none"> Water Resources Management in Zambezi river basin (ZACPRO 6.2 and ZAMCOM), max. 15 MSEK Water Research Fund for Southern Africa (WARFSA), 30 MSEK WaterNet, 25 MSEK Groundwater in the Limpopo basin, approx. 8 MSEK. | <ul style="list-style-type: none"> SADC Regional Environmental Education Programme, 21,45 MSEK (period 2001-2006); In 2006 Sida assessment for continued support from 2007 SADC Plant Genetic Resources Centre, 13 MSEK (period 2003-2007) | <ul style="list-style-type: none"> SADC Occupational Health and Safety, MSEK 16 (period 2004-2008) HIV/AIDS Business Plan, JFA. MSEK 12 (period 2005-2007) | <ul style="list-style-type: none"> Engendering SADC Parliaments (Parliamentary Forum) MSEK 5 SADC Gender Unit, Business Plan, MSEK 0.4 SADC Statistics Unit; under assessment |
| UNDP €4.59 m | • | <ul style="list-style-type: none"> Support to the SADC Water Programme – being phased out in its current form (roughly US\$ 740.000 since 2003). | <ul style="list-style-type: none"> Support to the SADC Biodiversity Support Programme (ongoing – GEF funded – US\$ 4.5 million over 5 years) | <ul style="list-style-type: none"> SADC Pharmaceutical Task Force. Technical support for the elaboration of the plan and for ensuring the incorporation of WTO-TRIPS | <ul style="list-style-type: none"> Bridging Support to SADC Peace Building (in the pipeline – US\$ 150.000 – 200.000) Support to the SADC Gender Unit (roughly US\$ 20.000) |

| Donor | Trade, Industry, Finance and Investment | Infrastructure and Services | FANR | Social and Human Development and Special Programmes | Other |
|-------------------------|---|---|--|---|--|
| UNODC € 0.245 m | • | • | • | • Assistance in the formulation and implementation of the SADC Declaration and Plan of Action against Trafficking in Persons, ongoing 2005-2007 | • |
| UK €148.88 m | <ul style="list-style-type: none"> • Regional Trade Facilitation Programme (£11m) • Africa Trade and Poverty Programme(7.5m) • Making Commodity Markets work for the poor (COMMARK)(£10m) • Making Financial Markets work for the poor (FINMARK)(£5m) | | <ul style="list-style-type: none"> • Regional Hunger and Vulnerability Programme (RHVP)(£4.5m) • Regional Land Facility(£300,000) | <ul style="list-style-type: none"> • Southern Africa Regional HIV and AIDS programme (£6.3m) • Soul City regional AIDS Programme(£4m) • Regional DFIDSA HIV and AIDS (SADC)£7,7m) | <ul style="list-style-type: none"> • AU/NEPAD Peace and Security Agenda (APSA)(£300,000) • Roll back malaria and integrated management of childhood disease(£17.3m) • Strengthening the voice of poor people for pro-poor change in Southern Africa [Southern Africa Trust] (£10m) • Southern Africa Regional Poverty Network (SARPN)(£300,000) • Southern Africa Migration Programme (SAMP)(£1,328,000) • African Capacity Building foundation (ACBF)(£15million) |
| USAID €116.3 million | <ul style="list-style-type: none"> • Trade Expansion for Southern Africa (10/2004 – 9/2008: €24.5 million) Ongoing | | <ul style="list-style-type: none"> • Diversification of Rural Livelihoods (10/2004 – 9/2008: €28.1 million) Ongoing • Integrated River Basin Management (10/2004 – 9/2008: €9.6 million) Ongoing | <ul style="list-style-type: none"> • Regional HIV/AIDS Program (10/2004 – 9/2008: €44.0 million) Ongoing | <ul style="list-style-type: none"> • Improved Democratic Governance (10/2005 – 9/2010: €10.1 million) Ongoing |
| ADB €54.179 m | <ul style="list-style-type: none"> • Institutional Support for Establishing the Macroeconomic Surveillance Unit - project under preparation | <ul style="list-style-type: none"> • Shared Water Courses Support project UA 9.39 million (about US\$ 13.40 m) (approved) | <ul style="list-style-type: none"> • Support to SADC Agric. Research UA 1.033 million (about US\$ (1.40 million) • Water Management and Food Security-Mid-Zambezi; UA 60 million (about US\$87.0 m) planned. | <ul style="list-style-type: none"> • Capacity Building in Open and Distance Learning; UA 10 million about US\$ 14.80 m) • Control of HIV/AIDS, MALARIA and TB; UA 20 million (about US\$ 29.40 m) • Control of Transboundary Animal Diseases; UA 12 million (about US\$ 17.75 m) | • |
| World Bank €157 m | • | <ul style="list-style-type: none"> • Corridors and SDI Programme • Southern Africa Power Pool Development Project: Phase I: US\$ 187 m, Phase 2 • Southern Africa Regional Gas Project (Sasol) | <ul style="list-style-type: none"> • Facilitate the Development of a SADC Multi-Country Agricultural Productivity Programme (MAPP) • Global Environment Facility: | <ul style="list-style-type: none"> • SADC Health Protocol Implementation Plan | <ul style="list-style-type: none"> • Capacity Building & Institutional Development: US\$ 800,000 • Statistical Capacity Building for Poverty Reduction Strategies |

Source: Resource mobilisation – SADC Secretariat

ANNEX 5
PROJECTS APPROVED SINCE 2004

| Name of Project | Date of Approval | Date of Signature | Date of Effectiveness | Amount Approved (In UA) | Amount Disbursed (in UA) | Undisbursed Balance (in UA) |
|---|-------------------------|--------------------------|------------------------------|--------------------------------|---------------------------------|------------------------------------|
| Botswana/Zambia - SADC North South Corridor | 01 Dec 2006 | 17 May 2007 | Not Effective | 1,450,000 | 0 | 1,450,000 |
| SADC Technical Assistance - Transport | 01 Dec 2006 | 17 May 2007 | Not Effective | 350,000 | 0 | 350,000 |
| SADC Shared Water Courses Support Project | 25 Jan 2006 | 18 May 2006 | 01 February 2008 | 9,380,000 | 0 | 9,380,000 |
| ODL Systems Capacity Building in SADC Countries | 20 Dec 2006 | 6 April 2007 | Not Effective | 15,000,000 | 0 | 15,000,000 |
| SADC - Strengthening of Institutions for Risk Management of Transboundary Animal Diseases | 5 May 2006 | 13 Dec 2006 | 26 Sept 2007 | 13,710,000 | 2,903,879.62 | 10,806,120.38 |
| SADC - Support to HIV/AIDS, Malaria and TB | 31 May 2006 | 19 June 2006 | 15 Dec 2006 | 2,000,000 | 71,593.46 | 1,928,406.54 |

ANNEX 6
MAP SHOWING SADC COUNTRIES



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