



**SADC INTERNATIONAL CONFERENCE ON
POVERTY & DEVELOPMENT**

**“Regional Economic Integration: A Strategy for Poverty Eradication
Towards Sustainable Development”.**

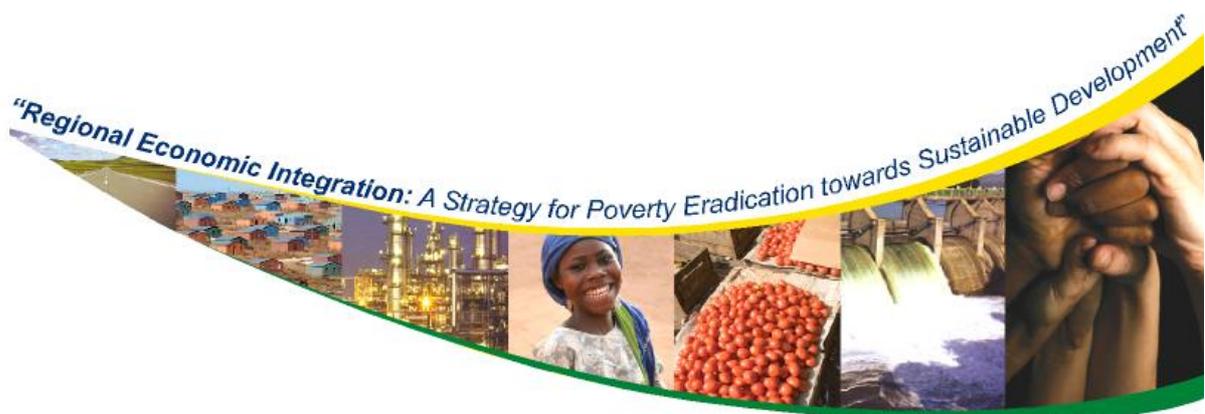
18 – 20 April 2008, Pailles, Mauritius

The Regional Poverty Reduction Framework

(Background Document)



SADC SECRETARIAT



1 Background

1.1 Context

SADC Summit at its ordinary meeting in August 2006 agreed with the recommendation of the Council of Ministers that poverty is one of the major challenges facing the SADC region where about 40 percent of the population lives in abject poverty. This is reflected in poor social indicators such as high levels of malnutrition, illiteracy, unemployment, underemployment, declining life expectancy and unsatisfactory access to basic services and infrastructure needed to sustain basic human capacities. Summit further recalled that the Regional Indicative Strategic Development Plan (RISDP) accords top priority to poverty eradication and is the vehicle through which SADC can achieve the Millennium Development Goals (MDGs). The RISDP target is to halve the proportion of the population that lives in less-than US\$ 1 per day between 1990 and 2015 towards the achievement of Goal 1 of MDGs which states that extreme hunger and poverty should be eradicated by 2015.

Summit noted that in Africa, the MDGs find expression in the Strategic Plan of the African Union Commission. This plan states that it is necessary for Africa to become more competitive in the global economy if the continent is to attain the social and economic objectives defined by the MDGs. Obstacles are, among others, political instability, corruption and the difficulty in consolidating democracy — factors that contribute to the poverty trap of many least developed countries (LDCs). Summit also agreed with the recommendation of the Council of Ministers that it is imperative that SADC have a strategic dialogue on this issue in order to develop specific action oriented interventions targeting vulnerable groups in the region. Summit directed that the agenda of the proposed conference be guided by the outputs of the SADC Regional Economic Integration meeting, and therefore must be convened after the SADC Extraordinary Summit to be held in October 2006 which has been held as scheduled.

At its Extraordinary meeting in October 2006 the SADC Summit deliberated on the status of regional economic integration in SADC and noted that although the focus is on trade integration and in particular the SADC FTA and CU, the functional and developmental integration based on the principles of balance, equity and mutual benefit would continue receiving attention. In this regard, issues such as infrastructure and services, agriculture and food security, social and human development including gender equality, combating of HIV & AIDS, which directly impact on poverty eradication, are being addressed within the wider SADC development co-operation framework. In addition, a SADC Conference on Poverty and Development will be convened to refine the region's interventions in the area of poverty eradication.

Summit also noted that the RISDP remains a regional framework for SADC development and assigns top priority to poverty eradication, achieving high and sustainable economic growth and deeper economic integration through the establishment of a SADC free trade area and customs union. Trade integration must be pursued within a context of complementary policies and measures including convergence of SADC economies, cooperation in the financial services, promotion of cross-border investment and improving the business environment including reduction of the cost of doing business in SADC. Summit further noted the culture of poor implementation in SADC and that as Member States assume obligations that are unenforceable and non-binding. As SADC accelerates regional economic integration, there must be mutual accountability, regular monitoring, auditing and reporting mechanisms and sanctions' regime for those countries that fail to comply with agreed targets and commitments. Summit stressed that the adherence to such transparency and reporting standards must take full cognisance of the need to report back and consult other stakeholders including the private sector in the Member States with the view to obtaining their respective inputs on alleviating regulatory compliance burdens.

“Reference to the decision to formulate the regional poverty reduction framework and regional poverty reduction action plan”

1.2 The Nature of Poverty in SADC

Poverty in SADC is complex and takes a variety of forms, and its causes are diverse. It can be attributed to lack of income, lack of access to means of survival, such as health, water and food, lack of means of production, lack of human capital or skills that are necessary for one to engage in production and general deprivation arising out of conflict, political differences and tribal segregation. The poor may not have acquired essential assets or capabilities because they live in remote, conflict-prone, or resource-poor areas. They may be vulnerable due to age, health, living environment, or occupation. Economic stagnation may limit opportunities for gainful or productive employment. The poor may be denied access to assets or services because they belong to an ethnic minority or a community considered socially inferior, or simply because they are female, disabled, or just different. At a broader level, poverty may stem from situations where gross inequality persists because of vested interests and entrenched power structures. The diversity of the conditions and causes of poverty implies that interventions to reduce it must be comprehensive and tailored to particular circumstances. Overall, poverty is a lack of capability to take up opportunities and the absence of opportunities for one to explore one's human potential. The general thrust is to look at various indicators to tell the story of the poverty level and their nature in the region. An effective strategy for poverty reduction must therefore

help to achieve pro-poor and sustainable economic growth, pro-poor governance, and inclusive social development.

Looking at a number of indicators, there is a clear indication that poverty is indeed a challenge for the region. When considering the population living on USD 1 per day, on average in SADC, the population amounts to 43.6% of the total population. The population that is undernourished, that is it does not have access to nutritious foods and therefore is underweight, accounts for 36.1%. This average figure obscures some of the highest figures of undernourishment where 6 countries have figures in the range of 44-to 72%. These are really high figures which indicate the gravity of the poverty problem in the region. Life expectancy has declined substantially in many countries in SADC with the lowest being 33years and the highest 72 years. Only 7 countries have life expectancy of above 40 years. This decline in life expectancy emanates from poverty and has been exacerbated by the HIV and AIDS pandemic. Infant mortality rates remain above 50 per 1000 in 13 countries and only Mauritius has an infant mortality rate of 14 per 1000. These figures tell a story about how deep-seated poverty is in SADC and it makes it imperative that programs should be designed to deal with poverty at both regional and country level.

Each of the Southern African countries and indeed the region in its collective form is experiencing a high degree of contradictions in that there are pockets of prosperity across the region surrounded by a sea of unspeakable poverty. As already indicated poverty has remained a critical challenge to the region and it would appear to be on the increase in some countries. Recent assessments of the efforts being made to reduce poverty and to meeting the MDGs indicate that most of the countries in SADC are very unlikely to achieve the target of reducing the number of people living on USD 1 a day by half and eradicating extreme poverty by 2015. While formidable efforts have been made, more still needs to be done to achieve these noble goals.

1.3 Rationale for the Regional Poverty Reduction Framework

As the Extraordinary Summit noted in October 2006, the Regional Indicative Strategic Development Plan (RISDP) remains the regional framework for guiding SADC to achieving its development objectives through high and sustainable economic growth and deeper economic integration. The RISDP singles out poverty eradication as the overarching priority of regional integration in SADC. It also states that its ultimate objective is to deepen integration within SADC with a view to accelerate poverty eradication and achieve MDGs. The RISDP further identifies two groups of main intervention areas: i) cross-cutting intervention areas and ii) sectoral cooperation and integration intervention areas. Poverty eradication is one of the priority interventions under the cross-cutting group. The RISDP also states that poverty eradication is integrated and mainstreamed in all priority

interventions areas. The operationalisation of the RISDP has involved developing the implementation frameworks and business plans for most of the intervention areas. However, the poverty eradication intervention area has not yet been operationalised. Furthermore, the implementation of the RISDP is currently focusing on activities that will have impact on poverty in the long term. The purpose of the regional poverty reduction framework is to operationalise the poverty eradication intervention area in such a way that it articulates those activities that will have direct impact on poverty in the short and medium terms and which are currently not or inadequately addressed in the implementation of the RISDP and SIPO.

Therefore, the Regional Poverty Reduction Framework seeks to elaborate and translate the Regional Indicative Strategic Development Plan's priority intervention area on poverty eradication into an implementation framework. This has the effect of fine-tuning the regional agenda for poverty eradication and provides a bridge to align national poverty reduction strategies to regional interventions. The framework selectively covers critical and high impact areas where a regional approach is expected to complement and bolster the national interventions in the fight against poverty across the region. The framework therefore focuses on the regional dimensions of national poverty reduction interventions including cross-border issues which need to be identified and addressed collectively. This must dovetail with the poverty dimensions of regional integration and cooperation policies and programmes (RISDP and SIPO) in order to maximise synergies between regional and national interventions. The framework will enhance countries' awareness of regional policies and programmes and regional dimensions of national poverty reduction interventions so that governments and other stakeholders could take advantage of them as they design and implement national poverty reduction policies and programmes.

Second, the framework pays more attention to cross-border issues in order to improve consistency between national strategies and programmes on one hand and the regional strategies and programmes on the other with a view to enhance the visibility and relevance of regional interventions to country policy makers. Most national poverty strategies have something in common including determination to accelerate growth as the pillar of a sustainable poverty reduction strategy through infrastructure and human resource development, promotion of foreign direct investment, diversification of their economies and private sector development. Also at a regional level there are important interventions in almost all of these areas which have been jointly developed by regional organisations. The coordination between regional and national initiatives therefore increases synergy, enhances scale and visibility and thus the effectiveness and social impacts of national policies. The national

poverty reduction strategies must therefore make reference to regional interventions and ensure alignment in order to benefit from them.

Third, there is need to harmonize indicators for monitoring performance, and to synchronize and accelerate the pace of reforms throughout the region to create a conducive environment for economic growth and poverty eradication. The SADC macroeconomic convergence programme must be implemented vigorously in order to achieve the RISDP objectives and targets on macroeconomic stability. Fourth, there are commonalities and complementarities between the three regional economic communities of Southern Africa (SADC, COMESA, and EAC) which require that they collaborate in developing and implementing their respective regional poverty reduction interventions. In fact the collaboration and partnership among the three regional economic communities should extend to all areas of regional integration and cooperation including trade and investment, infrastructure, human development, agriculture and food security, private sector development, industrial cooperation.

1.4 Principles

The development of the regional poverty reduction framework is guided by three principles:

Subsidiarity: the regional approach is primarily meant and designed to “complement” national poverty reduction initiatives and to take advantage of the competencies that may exist at regional level to bolster national efforts. Therefore, it needs to address only those issues and areas where a concerted or integrated action may bring value-added to the country work.

Selectivity: most importantly, the regional poverty agenda will need to remain selective and poverty-focused so as to minimize overlapping and overstressing SADC limited resources. It is therefore advisable to begin with manageable high impact and poverty focused interventions not already covered in the implementation of the RISDP and SIPO.

Partnership: a participatory process and involvement of all key stakeholders (governments, civil society organizations, private business organizations, and development partners) in the formulation and implementation of the regional poverty reduction framework is paramount. Countries and regional organizations also need to work in close partnership with all key stakeholders at the national level.

2. The Approach

The objective of this section is to outline the approach, propose and the main building blocks of a regional poverty reduction framework for SADC. The Regional Poverty Reduction Framework (RPRF) seeks to elaborate and

translate the RISDP's priority intervention area on poverty eradication into an implementation framework. The RISDP remains a regional framework for SADC development and assigns top priority to poverty eradication, achieving high and sustainable economic growth and deeper economic integration through the establishment of a SADC free trade area and customs union. The RPRF takes into account the fact that all other intervention areas in the RISDP are geared towards addressing the overarching goal of eradicating poverty in Southern Africa and also respond to the goals of the New Partnership for Africa's Development (NEPAD). This will entail fine-tuning the regional agenda for poverty eradication and provide a bridge to align national poverty reductions strategies to regional interventions. In this regard, the framework selectively covers critical areas where a regional approach is expected to complement and bolster the national interventions in the fight against poverty across the region. It also seeks to enhance countries' awareness of existing regional policies and programmes and regional dimensions of national anti-poverty interventions so that governments could take advantage of them as they design national poverty reduction policies.

The RISDP re-affirms the necessary conditions for poverty eradication which include policies for sustainable economic growth, macroeconomic stability and governance. However, evidence seems to suggest that economic growth does not automatically translate into inclusive social development and poverty eradication. The spreading of the benefits of growth depends on its pattern and sustainability: sectoral and geographic pattern, job creation and value creation potential, and government policy. Government intervention is crucial to: i) ensure that the gains of trade and economic growth are distributed across the society rather than captured by a few; ii) protect vulnerable and exposed sections of the society as a result of reforms including trade liberalization; and iii) assist those engaged in declining and challenged sectors to improve their adaptation and mobility.

Evidence also points to the need for countries to invest in human capital in order to benefit from trade and growth opportunities at the regional and global levels. First, countries that invested adequately in education and health both before and throughout their development stages are better placed to take advantage of trade and growth opportunities created by globalization and regionalization. Second, these countries are able to move up the value chain from low to higher value added products with a potential for better quality of growth and therefore poverty eradication. Furthermore, investment in social sectors increases fairness and social cohesion but is also a fundamental pillar of a sustainable growth and development strategy.

The experience of other countries, especially in South East Asia, highlights the importance of a dynamic public policy and an active role of the state in creating enabling conditions for rapid economic growth. The relationship between economic growth and poverty reduction is two-way in nature. High, sustained growth increases labour demand and wages, reducing poverty. Better earnings lead to increased labour productivity and growth. Growth also improves public revenues and enables more public spending on physical and

social infrastructure, helping reduce poverty as well as improving an economy's productive potential.

While pro-poor economic growth favours poverty reduction, broad-based, labour-absorbing growth will have a stronger impact especially if complemented by public policy that passes the benefit of growth to the poor. A combination of sound macroeconomic management and policies that encourage steady growth in employment has proven to be a powerful pro-poor measure. Other policies in this category are those that develop a conducive environment for the private sector and those aimed at increasing employment and income-generating opportunities for women and other groups that may be outside the formal labour force. Similarly, opportunities for self-employment, especially targeting the youth, have a potential of making an important contribution to poverty reduction.

2.1 Regional Integration and Poverty Eradication

The RISDP states that SADC regards combating poverty as the overarching priority in its regional integration initiative. The ultimate objective of RISDP is therefore to deepen regional integration with a view to accelerate poverty eradication and achieve other MDGs. *How does regional integration contribute to poverty eradication?* Governments can adopt pro-poor regional integration policies including measures that:

- ❖ Promote the positive impact of regional trade on the poor especially activities dominated by the poor (small scale and informal cross border trade, micro and informal finance; craft and related industries);
- ❖ Invest in regional infrastructure that open opportunities for the poor (access roads to areas occupied by the poor; access to affordable energy by the poor; ICT connectivity for the poor; water and sanitation for the poor);
- ❖ Build institutional capacity for development and coordination of regional programmes that benefit the poor (integrating and mainstreaming pro poor interventions in all regional programmes);
- ❖ Invest in human capital (education and training as well as skills development at artisan level) and
- ❖ Promote regional cooperation in the provision of regional public goods that benefit the poor

Regional integration and cooperation accelerates economic growth by creating larger markets, enabling economies of scale and scope, and through specialisation and division of labour. Regional integration and cooperation is especially useful for small countries with limited options. Economic development opportunities increase when countries actively pursue regional integration and cooperation. Regional integration and cooperation can also spur private sector development, promote peace and stability, and provide greater economic opportunities to people living close to the borders who are often among the poorest in many

countries. Regional integration and cooperation is also important for providing regional public goods that address joint constraints and opportunities such as preventing communicable diseases and environmental degradation.

SADC continue to accord high priority to regional integration and cooperation as a means to eliminate both physical and institutional impediments to trade and investment hence lowering transaction costs and increasing attractiveness to potential investors. Regional integration and cooperation can help countries diversify the structure of domestic production and exports; harmonize standards; share technologies; and jointly develop the facilities required for the delivery of essential public services such as health care, education, sanitation, electrification, and social protection. It can also promote regional environmental sustainability, facilitate the combating of global crimes such as money laundering and trafficking of women and children, and enhance the global bargaining power of individual states. It is also useful for knowledge sharing of all kinds.

The small average size of the national economies of Southern Africa and the fact that many are landlocked and that much of the region is highly fragmented, place special emphasis on using regional approaches: to build and maintain infrastructure in key trade logistic corridors, to create common institutional and legal frameworks in such areas as customs administration, competition policy and the regulation of common property resources (such as natural resources), and to develop solutions to trans-border problems in health and environment.

Southern Africa's regional integration agenda must emphasize key areas: (i) policy reforms to improve the environment for private sector business, investment and trade for the benefit of the poor; (ii) investment in infrastructure and other facilities and systems to sharpen manufacturing competitiveness, agricultural productivity and improve facilities and systems for trade in order to expand opportunities for the poor; and iii) building productive capacity and competitiveness through investment in cross border value chains especially of the sectors where the poor will benefit the most. A further important objective is to improve service delivery through regional approaches to, for example water management, food security, disease control and tertiary education.

2.2 Governance and Poverty Eradication [text under development]

Despite commitments made towards eradicating poverty in effort to meet the targets espoused in the Millennium Development Goals (MDGs), poverty and hunger is on the increase resulting in an ever-growing disparity between rich and poor, between and within nations. Although, the Poverty Reduction Strategies, the RISDP and Strategic Indicative Plan for the Organ (SIPO) have articulated development

areas in the SADC region, they have not highlighted how poverty is being eradicated.

The RISDP re-affirms the commitment of SADC Member States to good political, economic and corporate governance entrenched in a culture of democracy, full participation by civil society, transparency and respect for the rule of law. In this context, the African Union's NEPAD Programme is embraced as a credible and relevant continental framework, and the RISDP as SADC's regional expression and vehicle for achieving the ideals contained therein. The RISDP emphasises that *good political, economic and corporate governance are prerequisites for sustainable socio-economic development, and that SADC's quest for poverty eradication and deeper levels of integration will not be realised if these are not in place.*

SADC member states have expressed their position on democracy, governance, and peace and security in various key policy documents including the Treaty, Regional Indicative Strategic Development Plan, Strategic Indicative Plan of the Organ, and African Union documents. Article 4 of the Treaty establishing the Southern African Development Community (SADC) stipulates that "human rights, democracy and the rule of law" are principles guiding the acts of its members. Article 5 of the Treaty outlines the objectives of SADC, which commits the Member States to "promote common political values, systems and other shared values which are transmitted through institutions, which are democratic, legitimate and effective. The Protocol on Politics, Defence and Security Cooperation provides that SADC shall "promote the development of democratic institutions and practices within the territories of State Parties and encourage the observance of universal human rights as provided for in the Charter and Conventions of the Organization of African Unity [African Union] and the United Nations." The challenge however, is to relate these to the objective of poverty eradication. The former UN Secretary-General, Kofi Annan, provided some clues in his Annual Report to the UN General Assembly in 1998: *"Good governance is perhaps the single most important factor in eradicating poverty and promoting development."*

As already been mentioned poverty in SADC is multi-dimensional and all spheres of life must be examined in order to identify challenges and opportunities in its eradication. In this regard, it is important to examine what role human rights, democratic governance, peace and security can play in the fight against poverty?

Democratic governance is central to the achievement of the MDGs, as it provides the 'enabling environment' for the realisation of the MDGs and, in particular, the elimination of poverty. In this regard, poverty reduction must be understood not simply in terms of increased income or other improvements in material circumstances, but also in the sense in which informed participation by the poor in decisions that affect their

lives helps to reduce poverty. When this includes citizen or community participation in public decision-making processes, legal empowerment contributes to good and democratic governance thus, pro-poor democracy and governance.

Most SADC countries have since the mid-1990s adopted multi-party systems, and held periodic elections. Their challenge however, is to develop institutions and processes that are more responsive to the needs of ordinary citizens, including the poor and Southern African countries should learn that democracy is not only about elections. It is about distributive and social justice. If democracy fails to provide for justly distributed socio-economic development, human security is likely to be threatened. SADC should develop a greater capacity to deliver basic services to those most in need. CSOs should assist in doing this process.

Although sometimes used interchangeably with democracy, good governance goes beyond traditional conceptions of democracy, and includes social, political and economic aspects. Some of the key elements of good governance therefore include the observance of the rule of law, human rights, transparent economic and corporate governance, as well as the active participation of civil society and other non-state actors in national affairs.

Similarly, peace and security are a prerequisite of poverty elimination. In fact, without peace and security there can be no lasting development and poverty reduction. The lack of, and failures in development can be seen as contributing to instability and the eruption of conflict. Experience demonstrates that poverty, hopelessness, inequity and marginalisation are often among the root causes of devastating conflict. Development and security are inextricably linked as extreme poverty and infectious diseases not only threaten many people directly, but also provide a fertile breeding-ground for other threats, including civil conflict.

Conflict prevention and resolution and people centred development therefore demands a striving good governance, inter alia, respect for human rights and rule of law, promotion of transparency and accountability in government and enhancing administrative and institutional capacity. There is a need for enhancing focus on conflict prevention, which includes both sustainable social and economic development to prevent conflicts in the first place and post-conflict efforts to prevent them from reigniting. The regional security architecture in SADC still remains nascent and challenges for conflict prevention, management and transformation are daunting.

Human rights are a person's most basic rights, such as life, dignity, liberty, and security. When communities are denied their rights, they can neither contribute to, nor benefit from, social and economic

progress. This perpetuates exclusion and often results in conflict, putting progress at risk. Despite the international mandate for a human rights approach to poverty eradication, such an approach has tended to be neglected in justifications for the eradication of poverty. Therefore, the eradication of widespread poverty, including its most persistent forms, and the full enjoyment of economic, social and cultural rights and civil and political rights remain interrelated goals. The well-being of an overwhelming majority of the population in SADC countries is dependent, among others, on the level of socio-economic development, the protection of human rights, governance, and security of each country. SADC has tended to prioritise state security over human security yet human insecurity poses a major challenge for peace in the region today. Human insecurity is exacerbated by economic inequality, endemic health crisis, unabated poverty and hunger etc. As the focus on security shifts to human security with all its different dimensions (economic security, political security, food security, health security, and personal security) it would be unthinkable to deal with human security issues while ignoring the problem of poverty. Therefore, human security policies must consider the fight against poverty as a major challenge for the region.

Recommendations

- i) Undertake a comprehensive investigation of the relationship between poverty on one hand and democratic governance, peace and security on the other hand, with a view to inform the SADC Action Plan on Poverty Reduction. The report must clearly articulate the poverty dimensions of democratic governance, peace and security in order to sharpen the implementation of SIPO in terms of contributing to poverty eradication in the region;
- ii) Build capacity in conflict prevention and resolution such that it integrates sustainable socio-economic development and poverty eradication;
- iii) Leverage capacity of civil society and other stakeholders in peace building and conflict management;
- iv) Implement fully all SADC legal instruments relating to democratic governance, peace and security including the protocol on free movement of people;
- v) Adopt a broader approach to peace and security to include human security.

3. Key Interventions

3.1 Trade liberalisation and economic development:

In the area of trade, regional integration involves trade liberalization, phasing down tariff barriers, ensuring free and efficient customs and border cooperation, eliminating non tariff barriers and compliance with

various protocols. A lot has been done to implement some of the protocols but it would appear there was no deliberate emphasis on those issues that would address the problem of poverty in the short term hence the perception that this effort is associated with big business. The instruments employed have not had a direct impact on the poor in the region.

Trade integration, as a key component, must be pursued within a context of complementary policies and measures including convergence of SADC economies, cooperation in the financial services, promotion of cross-border investment, industrial competitiveness and improving the business environment including reduction of the cost of doing business in SADC. In this way, the region would be able to create new opportunities for the people in the medium to long term. The issue of the poor is a survival question and therefore calls for more direct instruments that address poverty.

It should be emphasised that a lot has been done in implementing the SADC Protocols on Trade and on Finance and Investment and their related instruments. These Protocols have an added impact on the economic development in the region and particularly so on the corporate business sector. The Trade Protocol has facilitated the movement of commercial goods across borders as tariffs are being phased down. The Finance and Investment Protocol has equally facilitated the movement of capital across borders in a managed way. The integration of the financial sector remains a key element for regional integration in SADC and for stimulating robust and sustained economic growth, which is necessary for reducing poverty. However, these initiatives have not had a major effect on the poor. It is therefore necessary to examine new targeted interventions that would support national pro-poor efforts, which the region could employ in its continued fight against poverty. Some of the targeted key intervention areas that could have an immediate impact on reducing poverty in the short to medium term include:

- ❖ Small and medium enterprises, farmers, and informal sector activities
- ❖ Regional microfinance industry
- ❖ Cross border informal trade
- ❖ Regional craft industry

3.1.1 Small and medium enterprises, smallholder farmers, informal operations

The development of small and medium sized enterprises (SMEs) lies at the core of economic growth worldwide. Indeed, the development of this sector has proven to be an engine of economic growth and sustainable development. Estimates suggest that the SME sector employs one-half to two thirds of the labour force in developing

countries and that it contributes significantly towards national incomes. It is therefore imperative that the climate for starting and expanding SMEs is enhanced considerably, with the assistance of the public sector and key players in the private sector. Furthermore, that the key players – both financiers and entrepreneurs – are strengthened. SADC Governments have adopted different policies and strategies to promote SMEs in their countries. Some Governments have gone as far as formulating and putting in place National SME Policies with full government structures to implement the policies while others do it through quasi-state organisations. On the whole the policies and programmes have not been as effective as desired across the region.

Promotion of the micro, small and medium scale enterprises have the potential to reduce poverty and to empower the poor so that they are able to realise their productive capacities and their self-esteem. While the national governments have the prerogative to set the environment and the regulatory processes for micro, small and medium scale enterprises, some activities could be undertaken at regional level to augment this process. The region could assist with the dissemination of new technology developed by various research, science and technology institutions, which otherwise is not being put to good use. SADC could network and interlink the research institutions to the micro, small and medium scale enterprises so that the research carried out has a bearing on the needs of the enterprises. The second element relates to promoting standardization of the products produced by small and medium enterprises and to engage them in joint marketing of their output where possible, especially in cases of large orders being demanded.

Small and medium scale enterprises operate right across the economy ranging from simple agricultural market based vegetable production, off farm business operations to industrial related enterprises involved in manufacturing. These enterprises have a high potential for creating employment and their level of investment per job is much lower than in large companies. What is critical is to ensure that the market is liberalized to allow free entry and exit from the business sector. Using improved technology for small enterprises, it should be possible to add value particularly to agricultural output through processing and canning. At SADC level the resources of the SADC Development Finance Resource Centre should be mobilised to empower SMEs with knowledge on how to manage business as well as mobilising investment capital. Many women are also involved in micro and small enterprises and it is paramount that the women are empowered and given the right environment to operate with the correct legal and regulatory system that promotes SME growth and development.

An SME business linkage program could be developed along with the investment of larger companies in the region. Such programs could be designed around extractive industries, infrastructure, agri-business and

cement projects. SME Solution Centres, which provide retail business development services, access to market information, access to finance, projects bank and service needs all under one roof in a physical “incubator-style” building, could also be established to promote micro-enterprises and SMEs in the region.

SME Development should be seen as a means of promoting expansion of local entrepreneurs and private sector in the SADC economies. SMEs represent the broad concept of democracy, and gender empowerment. SME Development helps to achieve a more equitable distribution of benefits of economic growth and thereby help in alleviating most of the problems (including political) associated with uneven income distribution. Considering that most SMEs productive activities and services employ or are closely associated with female labour the development of such businesses helps to enhance participation of women in economic activities and improve their living conditions. There is need therefore to raise level of participation of marginalised people in business activity with special focus on women and youth.

Closely related to SMEs sector is a thriving informal sector informal that has very strong linkages with the formal sector. This informal sector continues to grow and it supports a very large population of the urban dwellers. The majority of women entrepreneurs operate their business in the informal sector, which supports the livelihood of many poor people. Various studies have noted that no exhaustive study of the informal sector for the SADC region has ever been made. However, the results of surveys conducted in Namibia (in 2004) and Mozambique (in 2005) can provide guidelines for general conclusions for most countries in the region.

The industrial base of the SADC region is characterized by a significant number of small and medium enterprises (SMEs) operating in the informal sector. Despite the absence of accurate statistics, it has been observed that the informal sector is relatively dynamic in basic transformation activities and services. Indeed, the myriad of “informal” small craftwork shops, workshops and small industries cannot be ignored. The size of the informal sector determines its impact on the economies in most of the SADC countries. The informal sector does not only deprive the Member States of important fiscal revenues but also weaken their efforts to formulate and carry out sound structured economic and development policies.

One of the major reasons for not registering with the authorities is the fear that registration might lead to disadvantages. The registration process¹ is seen as a burden and represents an operating

disadvantage. “Informal enterprises” do not have to operate under the same standards (safety, quality) and regulations and have an unfair advantage over the formal enterprises that do comply with the system’s regulations and fiscal rules. Whether in the rural or urban areas, most enterprises operating in the informal sector usually employ unskilled and uneducated workers. Also, some educated young graduates have (or will have) to enter the informal sector as the opportunities in the formal sector are limited and do not enable all graduates to find a job. This educated youth often see the informal sector as an opportunity to become entrepreneurs.

The SADC Industrial Upgrading and Modernization Programme regards the informal sector as a pool of potential entrepreneurs, which can become effective entrepreneurs. With some assistance, they could integrate a local value chain, become key actors in the fight to alleviate local poverty, contribute into the local development, especially in rural areas, ensure the modernization of the most remote areas through technology transfers and the introduction of basic standards and new techniques, improve social security by creating sustainable activities.

The basic features of informal sector operators in SADC could be in general summarized as follows:

- ❖ the majority of businesses are small with high competition among each other;
- ❖ a large number of operators started a business due to a lack of alternatives or other reasons, but not because of a personal motivation;
- ❖ the fact of having informal competitors represents a competitiveness disadvantage for formal businesses;
- ❖ most businesses are less than 5 years old and there are not moderate start-up and closure rates;
- ❖ the employment dynamics for the SMEs are moderate: contrary to popular belief, they do not seem to be a powerful job engine;
- ❖ the usage of existing financial services among SMEs is fairly modest but this is mainly due to fundamental structure and character of SMEs operators;
- ❖ only very few businesses have business linkages;
- ❖ in addition, these linkages are of a very simple nature and have limited profits;
- ❖ the majority of businesses do not make use of BDS, but a large proportion uses market-related business services.

The explosion of the informal sector is a product of rational behaviour of entrepreneurs that desire to escape state regulations. Information on these companies is thus rare and nearly absent although the sector represents a great interest as a base for the socio-economic development of the region. In order to overcome the constraints of this

sector and to take advantage of its opportunities, the Upgrading and Modernization Programme intends to assist the operators of informal sector as well as to undertake various activities (awareness raising, technical assistance and development programmes) to involve and integrate the local companies into the formal economic environment.

These actions will include, most notably:

- ❖ Undertaking studies of the informal sector in each SADC country where such a study has not been carried out in the last five years;
- ❖ Awareness raising among informal sector operators on the benefits of joining the formal sector (access to financing, security, visibility, etc.);
- ❖ Industrial coaching for groups of craftsmen (joinery, weaving, garment, dye-works, small production of furniture, jewellery, etc.);
- ❖ Modernizing the methodologies of the products design to ensure conformity with the modern hygiene and safety standards;
- ❖ Improving conditioning and packaging of production to facilitate its preservation and sales;
- ❖ Providing premises for operators and purchase of small equipment;
- ❖ Technical assistance in searching and acquisition of modern equipment more adapted to the local conditions and of better performance;
- ❖ Assistance in the field of manufacturing methods and in development of the new products;
- ❖ Providing basic accounting and technical trainings including public support for rolling out of the ASCCI SME Toolkit;
- ❖ Assistance on formulation of the requests for funding and other business support services;
- ❖ Assistance in establishing the labour unions and/or associations of suppliers and retailers to facilitate access to funding and to improve availability of the raw materials.

The Small and Medium Enterprises (SMEs) of the informal sector can benefit from specially tailored upgrading activities.

The eligibility criteria to participate in these activities are:

- the real productive activity with its physical acknowledgment;
- new jobs creation or existence of at least 4-5 permanent or associated positions;
- acceptance of transparency conditions and openness towards national and international economic environment.

The informal sector is continuously under attack and subjected to many obstacles despite its importance in providing a living to so many people. SADC and the Member States should find ways of facilitating the activities of the informal sector with a view to allow the enterprises to grow and become formalized at some stage. It is a fact that the informal sector has created a lot of opportunities for the poor and will continue doing so for the foreseeable future.

Consideration should be given to the following issues in order to promote the sector and allow it to contribute even more to the wealth of the economy:

- Provide space and where possible stalls or sheltered premises for the operation of the informal sector;
- Municipalities should provide water and sanitation, electricity and other services in the areas where informal businesses operate;
- Engage the informal operators so that they can air their views on how they can improve their operations for the benefit of the economy;
- Authorities should stop harassing and disrupting the operations of the sector as long as they operate in designated areas;
- Authorities should encourage these operators to expand their activities and to formalise themselves for the sake of statistical information and not taxation, in fact they should be exempted from direct taxation.

Recommendations:

- i. SADC should advocate for simple and low cost registration rules and regulations that allow micro, small and medium scale enterprises to enter into the mainstream business;
- ii. SADC should create a network of SMEs and science and technology research institutions so that the research is geared towards the needs of SMEs;
- iii. SADC should collate and disseminate new technology information to the SMEs for them to improve their productivity and production capacities as well as competitiveness;
- iv. SADC through other institutions such as the SADC DFIs Network should encourage training of the youth and women on how to start their own businesses and how to run them;
- v. Through the Standards, Quality Assurance, Accreditation and Metrology (SQAM), SADC should educate the SME operator on the importance and need to adhere to standards and quality;
- vi. In collaboration with national export promotion institutions, SADC should promote the products of SMEs for export;
- vii. With respect to trade, SADC should urgently implement some of the recommendations of the medium-term review of the SADC Trade Protocol and in particular that: "SADC should develop a

- simple document and procedure to cater for the small-scale (informal) cross-border traders who trade in relatively low values of goods. Such a form can be used for cross-border transactions up to US\$ 1000 and would also replace the certificate of origin. It would be used primarily for recording the trade and help capture trade data that otherwise usually goes unrecorded”;
- viii. SADC should work with large business to encourage them to create inter-linkages with SMEs through subcontracting, fragmented production where SMEs are contracted to produce certain components of a product and skills and technology transfer;
 - ix. On the informal sector which has become a major contributor to economic activity, there is need for a regional policy that facilitate the operations of the sector with a view to ensuring that they graduate to the formal sector in the long term.
 - x. Value chain analysis for identifying opportunities for inserting SMEs into national, regional and global value chains in private and public enterprises
 - xi. The draft protocol on industrial development must address the issue of micro and informal sector enterprises which have direct impact on poverty reduction in the short and medium terms.

3.1.2 Regional Microfinance Industry

Access to financial services matters to all people, as economic agents whether they are rich or poor. In every transaction involving the exchange of goods and services, even through butter trade, there is an aspect of financial services provision through the workings of national financial systems. All economic agents need financial services to participate fully in the exchange; otherwise they cannot sell what they produce or buy what they do not produce. Financing of businesses especially those run by the poor can be an uphill task. In many countries in SADC, micro-finance has taken centre stage as a source of financing micro, small and medium scale enterprises including informal cross border trade and traditional craft production. Microfinance, of which microcredit is a component, is a subset of flexible structures and systems by which a wide range of financial and enterprise development services are offered to microenterprise owners in an affordable and convenient manner. The varied legal and regulatory frameworks for different countries tend to hinder the growth and development of microfinance providers. In some cases the micro-finance institutions operate outside the financial services system and they face various difficulties in executing their work.

Microfinance promises to balance off the rural-urban divide, which causes much tension in resource allocation in SADC countries. Microfinance is assuming greater importance for poverty reduction in many developing countries and the ownership and movement of capital invested in microfinance is starting to attract the

attention of economists regional institutions and governments concerned with achieving rapid economic growth and poverty reduction. The interest is not just in the impact promised by microfinance on poverty reduction, but also on its potential contribution to catalyzing rural development in general and achieving income redistribution. It should also be acknowledged that microfinance is cross-cutting in nature as an aspect of financial service, as a tool for rural development, poverty eradication, and an instrument for economic growth. Thus access to finance for very small and informal enterprises is critical to their ability to grow and become competitive enough in a liberalized and borderless market.

Microfinance is a widely and highly valued service by low-income populations that conventional financial systems exclude from their services. The supply of microfinance should be market or demand driven, not supply-led. For an orderly and dynamic microfinance market to develop there is an important and unavoidable role for the public sector in creating the rules and providing incentives and basic industry infrastructure to encourage and attract investment, promote competition, and facilitate linkages between various market segments and players. In practice, neither regulated nor non-regulated financial intermediaries can, on their own, meet all of the varied needs or provide the wider access to microfinance currently demanded by SADC's financially excluded population. In this regard it is necessary that the development of diverse microfinance institutions and market linkages between regulated and non-regulated financial intermediaries be embarked upon for the overall expansion and deepening of financial services to low-income populations.

Besides domestic capital markets, a wider and more sustainable access to microfinance in SADC is achievable only when the supply of services is also integrated with the local financial systems through which the low-income populations are served. It is important that microfinance institutions are able to mobilize domestic savings from the very populations that they serve, and their participation in the ownership of microfinance institutions should be a priority goal to be encouraged and facilitated. This includes the creation of innovative ways to allow the marginalised population to invest in the domestic capital markets. Some degree of ownership of microfinance institutions by the communities will build adequate confidence and could propel the institutions to greater prosperity. It is therefore imperative that SADC, through the financial sector activities bring some harmonised systems of overseeing the operations of these institutions. Once there is a well functioning system, micro-finance has the potential to:

- Increase the number of low-income families and individuals with access to finance for their development activities;
- Improve and increase the distribution of microfinance to rural areas, especially to small-scale farmers and the more disadvantaged social groups, e.g., women and the youth;

- Enhance the social and economic impact of microfinance, especially maximizing its potential contribution towards achieving the MDGs;
- Scale up the share of local savings invested in financial assets by low-income populations, and also increase the share of local deposits mobilized and invested towards expanding and diversifying local economy;
- Strengthen backward and forward linkages between formal and informal financial systems and enterprises thereby helping in increasing and improving the supply of various financial services to low-income populations and enabling job creation, trade, and investment.

Since women tend to dominate this sector, the Secretariat must adopt regional policies that encourage member States to ensure that women have access to finance, among other gender mainstreaming activities. It is important that all aspects of financing should be gender-sensitive, including ensuring that female headed businesses have equitable representation in public procurement processes, in public/private partnership arrangements, and in the outsourcing, among many possible avenues for business.

Recommendations

- i. SADC should include microfinance as a major component of the Finance and Investment Protocol, which should be integrated into the region's financial markets;
- ii. SADC should develop a regional policy that would facilitate the growth and deepening of the operations of microfinance institutions with the necessary regulatory and supervision frameworks, which become a model for Member States;
- iii. Consideration should be given to cross-border operations of microfinance institutions as a way of distributing opportunities across the region;
- iv. Given the level of participation of women in microfinance and in savings clubs, all activities dealing with microfinance should take into account the role of women in development and the need to empower them.
- v. Formulation of a regional micro finance development strategy to guide the expansion of market for micro finance to include regional market in order to benefit from economies of scale and scope.
- vi. Institutional capacity building for microfinance including a regional microfinance stakeholder dialogue mechanism.

3.1.3 Informal Cross Border Trade

Small scale cross-border trade, sometimes called informal sector cross-border trade, has over the last decade become a significant

feature of regional trade and border movements in Southern Africa. Demographically, it has been observed that women comprise a significant proportion of traders and constitute the majority of traders crossing through nearly half of the border posts in the region. Small scale cross-border trade is providing opportunities for both female and male entrepreneurs in the region, who are not able to get employment in the formal business sector. The majority of traders are entrepreneurs who mostly travel frequently for short visits (often less than a day in length) to other countries to buy goods to sell in their home country, or who buy goods in their home countries to sell in another country. Also becoming prominent is the trade in services for example, part time labour in houses and hairdressing. Hairdressers travel to another country to plait hair for a week or two and do so frequently and some have established customers and on return home they buy goods for sale.

Various studies show that informal cross border trade (ICBT) plays an important role in the movement of goods and services in SADC. The importance of ICBT in SADC manifests through its direct and indirect benefits to the informal cross-border traders (ICBTs), their immediate and extended families as well as the SADC member states and the region at large. ICBT benefits traders by enhancing employment creation opportunities, generating income for the unemployed and supplementing income for the formally employed thereby addressing income poverty. The monthly incomes being generated suggest that on average ICBTs survive on much more than US\$1 a day. Income availability has a multiplier effect insofar as the fight against other forms of poverty is concerned. ICBTs are able to acquire assets, meet the basic needs for their families including food, basic education and health care services. By and large ICBT ensures food security in the region by moving goods from where they are in surplus to where they are in deficit.

ICBT is playing an important role in connecting regional markets, enhancing regional integration and to a certain extent economic development by supplying semi-finished goods that are used as inputs in production by the formal sector. Judging from the average values of income earned by traders that do not get into national records, it is apparent that national income accounts could be understating their GDPs and GNPs resulting in misguided policy formulations. It is apparent that if ICBT is promoted under transparent, supportive, consistent and credible policy frameworks at national and regional levels, ICBT can be a key means to addressing poverty challenges in SADC.

However, despite these essential contributions by ICBT, the participants in this trade face a number of challenges, which if addressed could lead to the optimisation of the benefits from the trade in poverty reduction. These challenges include limited access to

finance, tariff and non tariff barriers, lack of recognition, criminalization and harassment at border posts, poor or no accommodation, lack of clean water and sanitation facilities at the borders and in towns where goods are traded, inadequate transport and transport routes, among others.

The policies at national level tend to be more inclined towards registered SMEs and not the unregistered ICBTs. At present the closest regional policy available is in the form of the SADC Trade Protocol and the Protocol on the Facilitation of Movement of Persons. However, in the main, the SADC Trade protocol does not make special provision for ICBTs and is more inclined towards established business, hence its impact on poverty reduction has been diluted.

There is a direct linkage between the ICBT and formal businesses in that the traders buy all their goods in the formal sector from wholesalers, retailers, manufacturers and commercial farms. Smallholder farmers and marketing boards do not seem to benefit from this sector of regional trade in fruits and vegetables. Many traders appear to act as wholesale importers of goods as they sell the goods they carry across-borders to vendors in informal markets. A smaller proportion sells to retailers and restaurants in the formal sector. Although small scale cross-border trade is firmly located in the informal sector at the selling end of the business, it is thus firmly located in the formal sector at the purchasing end. Most traders negotiate the regulatory frameworks such as migration permits or visas, paying duties and paying VAT at the point of purchase.

Small scale cross-border trade straddles the first and second economies of the region. The scale and scope of trade undertaken by these people suggest that ICBT makes a significant contribution to regional trade and the retail economies of the region. The high level of participation this trade suggests that small scale cross-border trade, if facilitated and promoted, could provide a viable pro-poor trade policy which would have a direct impact at the level of households. The significant participation of women in this sector of regional trade suggests too that it provides opportunities for the economic empowerment of women.

The SADC Trade Protocol mid-term review of 2005 also indicated the growing importance of informal cross-border trade, which is riddled with many obstacles ranging from visa requirements, exchange controls, customs harassment and other non-tariff barriers. In this regard the Trade Protocol mid-term review recommended that SADC should develop a simple document and procedure to cater for the small-scale cross-border traders who trade in relatively low values of goods. Such a form can be used for cross-border transactions up to US\$500 and would also replace the certificate of origin. It would be used primarily for recording the trade and help capture trade data that otherwise

usually goes unrecorded. Besides recording trade data, such a form would reduce the current congestion at border posts and reduce the waiting time even for commercial traders.

To address the challenges faced by the traders and to facilitate their operations and contribution to the fight against poverty, the SADC Authorities, individually and collectively should work on the following:

- *Trade policies* - There is need to streamline trade policies in SADC so that they make favourable provisions for SMEs and ICBT operators. The streamlining should seek to address the problem of multiplicity of permits required for controlled products and licences that are currently not recognised in other countries; issuance of commonly recognised trader's licence; introduction of a special regional form for ICBTs with a reasonable value exempted from customs duties in form proposed in the mid-term review; removal of stringent visa requirements through the implementation of the Protocol on the Facilitation of Movement of Persons. Given the potential informal cross-border trade has on poverty reduction, it is important for regional and national policy makers to engage these operators through their associations. Such engagement would strengthen the associations and be able to encourage their members to formalise their enterprises.
- *Information and knowledge* – Informal traders suffer from lack of information on the requirements at the borders posts and the restrictions that may be imposed on certain goods or permit requirements. SADC should make information available at all exit points on what is required of the traders. Various forms of the media could be used to disseminate the information including through civil society organizations. Market information is also a constraint.
- *Simplification of customs documents*: SADC should implement the recommendation of the mid-term review of the Trade Protocol on the need for a simple special form for small quantities of imports by ICBT operators. This must include recognition of the traders as bona-fide business operators and holders of a regionally recognised trading licence. This would reduce delays at the border posts.
- *Capacity building and advocacy* – SADC may need to engage in building the capacity through training and workshops for the various stakeholders including customs, immigration and other border control authorities, local government, transport operators, clearing agents and the ICBTs themselves for them to work in harmony and remove the criminalisation attitudes and mistrust. More awareness needs to be raised on the rights of ICBTs as citizens of SADC.
- *One-stop border posts* – SADC customs authorities should accelerate the implementation of the One-Stop border post concept

which has been on the cards for some time and is currently being applied at Chirundu Border Post between Zambia and Zimbabwe. This development could ease border crossing not only for informal traders but the commercial sector as well.

- *Suitable accommodation, water and sanitation facilities for ICBTs* – There is need to improve the conditions of border posts in terms of affordable and secure accommodation with descent water and sanitary facilities especially when the traders end up sleeping at the border post.
- *Market space* – SADC should encourage local authorities in the destinations of the traders to provide market space for the traders even if they are foreigner at a fee. This would reduce the harassment they currently face. A regional approach to this issue is critical as these traders are making a contribution to the regional economy.
- *Cost effective mode of transport and better infrastructure* – The region should make the transport system cost effective and efficient for it to better serve its clients. Transport links are still a major obstacle thus making it expensive for the traders to do their work. Rail and road networks need improvement and proper maintenance.
- *Access to Finance* - One of the major obstacles to ICBTs is access to finance and more foreign exchange. This reinforces the need for improved financial services that can provide service to the poor at affordable rates. Microfinance can be an answer to this key problem, as once they have access to finance, the traders would be bound to formalise their activities.

3.1.4 Regional Craft Industry

The craft industry is one of the fast growing industries in SADC and has the potential to contribute significantly to the development of the region if given the right support and promotion. Countries such as Botswana, Lesotho, Namibia, South Africa, Swaziland and Zimbabwe, to mention a few, have growing craft industry that is run by the poor. The advantage of the craft industry is that its raw materials are most locally produced and therefore easy to access. This is area where value addition is being applied concretely and more could be done to enhance that capacity. The industry faces many challenges, which include, market access, marketing strategies, movement of crafts and people, quality and standards and sustainability of production.

The challenges referred to above have to be addressed at both national and regional in order to reap the benefits that could come through the development of the craft industry in SADC. Promoting artisan craft development for regional and global export markets can

create job and income opportunities in rural areas. However, the preservation of traditional culture is often neglected in this undertaking. This in turn affects the livelihoods of the artisans and their families and ignores export potential based on a strong cultural reference. Crafts producers are often unaware of the possibilities and opportunities to export due to a lack of contacts. In addition, artisans are frequently not organized well enough to realize their potential capacity of production and the quality of products is often not sufficiently high to meet foreign market needs.

SADC can formulate regional policies and guidelines for artisan craft sector development and provide a wide range of assistance to preserve and promote Southern African artisan crafts. One of the crucial issues in the promotion of the artisan craft sector is improving the technologies and marketability of products through craft quality and design upgrading, research and training as well as the collection and dissemination of information. The intervention could therefore include advisory services for the establishment of integrated centres (the traditional craft villages). These villages can act as a tourist attraction while containing training and research and development facilities as well as an exhibition hall.

The regional strategy can incorporate a training component in order to provide on-the-job training to artisans with a view to improve the quality of selected crafts. However, an assessment of the craft industry be undertaken to ascertain its potentials, opportunities and constraints. The assessment will be the foundation for formulating a regional craft industry strategy that will inform country approaches. With respect to market access, the key element relates to lack of information on what is being produced where and in what quantities. Information on possible market is usually obtained through customers as the producers have no capacity to provide such information. The producers are also ignorant of the requirements of the potential markets in terms of importation requirements. The region and indeed the member states should be able to provide such information.

Regarding marketing, until recently this has been through middlemen and for some through trade fairs that the producers have realized that they have a market out there. Exhibitions of crafts in museums and art galleries are gathering momentum but this is still limited to a few producers while the majority remains outside the marketing system. SADC should promote special industry fairs at which an industry like the craft one could showcase its wares to the rest of the world. This would give the producers confidence and encouragement.

While the quality of crafts has evolved over time, it has not reached its optimum levels and there are no set standards both in terms of measurements or mass. Most of the crafts have not changed for a long time, a sign of lack of innovation on the part of the producers, or lack of identifying emerging needs and tastes by consumers on the part of the

traders. SADC should through its SQAM program set quality standards for crafts so that they take into account the tastes of consumers. However, the standards should not compromise the uniqueness of crafts which are an expression of a culture in time and space.

In order to continuously improve and produce new crafts, there is need to improve the skills of craft producers instead of leaving it to the traditional way of passing skills from one generation to another. There is urgent need for skills development through in-service training, if the craft industry has to be sustainable.

To promote the craft industry, the region is a major market and there is need to allow for free movement of crafts and the people who produce them as they market them. In some cases the crafts are being produced close to where the market is and the movement of raw materials becomes critical. The protocols on Trade and facilitation of movement of persons should be used to allow crafts and people to move freely across the borders.

Access to finance is another obstacle facing craft producers especially the very small producers. Trading in craft is viewed as risky business hence finance is not made available and this has a bearing on the sustainability of production. The industry needs to be producing continuously for it to be sustainable. It is therefore vital that efforts are made to encourage the financial institutions to provide finance to this industry that has the potential to reduce poverty in the region.

Recommendations

- i. Through the Trade Protocol, SADC should immediately allow duty free and tax free movement of crafts and free movement of the craft producers as they market their products;
- ii. SADC should put in place trade information centres where craft producers can know in advance what each country's import requirements are in particular in relation to some protected animal products used to produce some of the crafts;
- iii. SADC should organize regional trade fairs for crafts as way of promoting the sector and building the confidence of the producers to realize that they can survive on their trade;
- iv. Access to finance is important and SADC through the Finance and Investment protocol should encourage the growth of microfinance which would be a source of finance for the craft producers;
- v. SADC should encourage the national export promotion agencies to include crafts as part of the new export products from the region as exports could enhance the sustainability of the industry in the medium to long term;

- vi. SADC must initiate a comprehensive assessment of the traditional craft industry with a view to formulate a regional craft development strategic framework
- vii. SADC should support training initiatives for new entrants into the craft industry.
- viii. Industry organization and capacity building measures including encouraging formation of industry associations at national and regional levels

3.2 Productive Competitiveness

The industrial sectors in the region need to withstand the challenges of globalisation, which range from competitiveness to industrial and product diversification, productivity, technology transfer and research and development. This can only be achieved with an overall improvement in productivity and competitiveness combined with a diversified and balanced industrial growth in a wider, well-linked economic space that allows for the efficient and effective use of factors of production on the basis of increased value addition.

SADC should pay particular attention to investment promotion, entrepreneurship development and ensuring that the manufactured products meet internationally recognised standards and quality in order to compete favourably in the global economy. In this regard, the upgrading of national and regional institutions providing technical assistance to the industrial sectors is particularly critical for value addition.

The challenges in the manufacturing sector include the acquisition of environmentally friendly industrial technologies and know how to ensure sustainable development in the region. Various policy support measures can be used to promote pro poor industrial development including industrial clusters, value chain integration, and entrepreneurship support programmes.

3.2.1 Pro Poor Industrial Clusters

One of the potential policy instruments to promote small scale and micro enterprises including the craft industry in favour of the poor is industrial cluster development. Industrial clusters can set into motion a range of potential benefits that can directly affect the poor, both as waged workers, home workers, own-account workers as well as small entrepreneurs. Clustering helps small scale and micro enterprises in three ways: externality gains, joint action, and local social capital.

Clustering brings agglomeration benefits and promotes collective efficiency which makes it possible for smaller firms to access markets through a division of labour. Economies of scale and scope can allow individual small firms to survive by specializing in specific tasks within

the production process and by accessing specialist skills and services and inputs from within the cluster. External economies that arise from agglomeration can also result in lowering of costs in accessing inputs, labour and in particular information. Knowledge spill-overs found in clusters makes it possible for small firms to acquire new know-how, new products and new production techniques that could not be obtained through markets.

Clustering also promotes collective capacity through local inter-firm and intra-cluster collaboration. Local cooperation, both between individual firms and through cluster institutions strengthen the ability of firms to compete by sharing costs and by engaging in joint tasks such as shared marketing and distribution. Moreover, such forms of joint action can help clustered firms confront external threats and challenges and face vulnerabilities. These external challenges are pronounced as local clusters engage in global markets. Clusters can help SMEs reduce their exposure to exogenous shocks and risks. Local institutions such as business associations and collective service centres can help clustered firms acquire the skills, the technical abilities to reduce their vulnerability to the exigencies of globalization, thereby enhancing the well-being of workers and producers.

Local initiatives and local collaboration are themselves often strengthened by local social capital. Clusters tend to have a strong presence of social capital, which can take the form of shared norms and/or common identities. This can, potentially, help reduce vulnerability, help flows of knowledge within the cluster, provide the basis to strengthen local institutions, and help firms upgrade. Social capital can also serve to raise local competition as much as it helps local cooperation.

Contribution of clustering to poverty reduction is through cluster employment and incomes especially in pro poor clusters. Poverty impact of pro poor clusters includes addressing issues of risk, vulnerability, empowerment and participation for poor and marginalized groups. However pro-poor outcomes may not necessarily emerge from cluster development without particular forms of policy interventions. A poverty focused strategy requires stronger attention to people within clusters, namely entrepreneurs and workers, their households and the wider community. Governments and donors must pursue pro-poor cluster development strategies that bring new and innovative areas of policy intervention and forms of policy networks that bring together various stakeholders including private sector, civil society and public sector, and donors in order to promote poverty and social development goals within clusters.

AS SADC focuses on growth and competitiveness the cluster development policy initiatives will centre on promoting joint action within clusters that help firms compete effectively, support the provision

of business development services to clustered producers, help clustered firms make links with external traders and wider global markets, and assist clusters to upgrade their technical capacities by improving their products, their processes and organization of production, and widening the range of functions that clustered firms undertake. Public policy interventions will therefore concentrate on managerial, institutional and knowledge-based activities within clusters, on cluster innovators and on business development services.

However, like any industrial development process clusters are dynamic and there will be winners and losers in that dynamic process. The role of public policy is to mitigate the losses for workers and producers, especially if they are found amongst the category of the poor, and to promote cluster growth. Collective failures and gains are public goods in the cluster and required external intervention to mitigate (negative externalities) and foster positive externalities within clusters. There is a potential policy trade-off with regards to poverty concerns between a cluster development policy that promotes dynamic mature clusters and one that focuses on incipient, survivalist clusters. The latter have a greater incidence of poor households, are located in poor rural and urban informal sites, tend to produce goods for local consumption, often by poor communities. In contrast, mature clusters can be “engines of growth”, dynamic and competitive, displaying signs of upgrading as they target both local and global markets.

A SADC pro poor cluster development interventions may need focus on the incipient clusters provide a survival strategy for poor households in order have high and direct impact on poverty. However, cluster development programmes aimed at incipient cluster require analysis to identify niche growth prospects for such clusters such as traditional craft industry. A regional-wide approach to pro poor cluster development will ease the necessity of cross border movement in search of better opportunities. It will also provide opportunities for cross border learning and sharing of knowledge. A SADC pro-poor cluster development strategy thus needs to consider the following points:

- i) Poverty targeting by identifying clusters that have a high incidence of poor households on the basis of location (focusing on clusters in the informal economy, or in rural or peri-urban settings). It could be on the nature of employment (vulnerability of unskilled workers, home workers, or women and family labour). It could be on the nature of the sector such as concentration of relatively labour intensive, employ artisanal skills. Or it could simply be targeting a pro-poor impact particularly with regards to empowering the poorest clustered groups (women, ethnic and religious minorities).
- ii) Targeting cluster advantages by promoting activities that raise local external economies which have a direct effect on poverty

considerations. Promoting activities where local joint action is lacking or where attempts to foster such local cooperation could have more direct impacts on poverty. Thus, using business development services to help promote the employment of poor communities.

- iii) Poverty strategic support which may involve distinguishing between the kinds of support needed for poorer workers and entrepreneurs and for those in the cluster that are better off. Poorer entrepreneurs may have an acute shortage of financial resources which requires micro-credit assistance while other producers may be excluded by the nature of their community. A proposed set of interventions for improving access to credit or facilitate access markets.
- iv) Capacity development including training of the poor, especially unskilled workers in a critical aspect of raising productivity and skills as well as enhancing the competitive abilities of the cluster. Capacity building can also serve to raise the capabilities of workers, improving their incomes and providing them with a greater sense of empowerment through work.
- v) Recognizing cluster differences between firms, as well as between firms and workers and amongst workers. As clusters always produce winners and losers through natural processes or marginalization of segments of the labour force (such as women workers or home workers) or particular types of firms (such as microenterprises). Pro poor policy interventions must ensure that marginal groups are not weakened through deliberate processes and may require more explicit policy targeting of such firms and workers.
- vi) Cluster engagement and impact assessment in order improve the pro-poor effect of cluster development policies. This involves using cluster actors to identify their own notions of poverty—in terms of capabilities and well-being. It also involves using locally ongoing poverty monitoring and evaluation within clusters.
- vii) Promoting pro poor partnerships through identifying the key stakeholders (individuals and institutions) which can support pro poor cluster policy interventions. This includes measures to encourage partnerships between stakeholders (private sector, civil society, government and donors) aimed at enhancing pro poor policy interventions within clusters

Recommendations

- i) Adopt a pro poor cluster development approach in industrial development strategies
- ii) Leverage knowledge and work in partnership with relevant development partners including UNIDO in the formulation and implementation of pro poor cluster development;

3.2.2 Supporting Pro Poor Value Chains

Value chain analysis is a powerful tool for understanding the determinants of competitiveness and supporting competitive and socially inclusive industrial development for pro poor outcomes. It is a useful tool for understanding different production formations and associated threats and opportunities for pro poor development. It helps recognize barriers to entry especially by small firms and other disadvantaged suppliers. It also help assess risks and opportunities related to different value chains and identify appropriate strategies for value chain integration which make it possible to achieve pro-poor growth.

Global supply chains are characterized by production through orders of a dominant lead firm and this can also be applied to influence regional trade patterns. In such supplier relations product and process standards, terms of delivery and other parameters are defined in advance and compliance is enforced by the lead firm. The opportunities of firms to access markets, to pocket economic rents and to upgrade towards sophisticated and better remunerated activities therefore increasingly depend on the characteristics of the value chain and the power relations vis-à-vis the lead firm.

Therefore it is important to understand how these relationships are coordinated, what the rules of the game are, who takes the relevant decisions and what these imply for the inclusion or exclusion of subordinate trading partners, their opportunities for technological learning and the distribution of rents and risks. Given the strong interrelations between different forms of value chain organization and their impact on pro-poor growth there is a case for public policy interventions to achieve pro poor development outcomes.

Governments, donor and other stakeholders have role to play as facilitators and promoters of specific pro poor value chains. Public support of value chains may focus on different value chain organizations that have a pro poor outcome such local farmers or micro-entrepreneurs within marginalized populations, on SMEs or the organizations of such small-scale producers, with the primary aim of strengthening their “value chain readiness”.

The public sector may create incentives for, or build alliances with, lead firms in order to encourage them to integrate local suppliers or to enhance technology transfer. Others options include strengthening

value chain linkages indirectly via business service providers or promoting multi-stakeholder alliances with all relevant value chain partners. The analysis of stakeholder interests may reveal sector-specific differences in the behaviour of value chain actors which must be taken into account.

Global and cross border value chain firms are becoming increasingly reliant on linkages with value-chain partners and providers of complementary services, these linkages may not involve *local* firms. Instead, lead firms may import the overwhelming share of their supplies, and even if they source locally, their partners may be other foreign affiliates which may constrain technological spillovers into the local economy and hamper local accumulation of capital. By and large, nevertheless, the level of development of the local business community and institutions is an important factor for the locational choices of firms. Firms will prefer those locations where all relevant input factors are available at a low cost, where transaction costs are low and the general business environment is supportive. In fact, empirical evidence proves that lead firms are, to a certain extent, willing to invest in the quality of local clusters.

Furthermore, lead firms may improve their profile as good corporate citizens if they show commitment with the social development of their host country or region. Especially consumer pressure on brand-name products is a strong motive for engaging in Corporate Social Responsibility programmes that benefit local suppliers or improve working conditions. All this is in line with the public interest of the host country (or region) in enhancing locational spillovers and upgrading local competitiveness. Local policy-makers and most stakeholders welcome spillovers from lead firms, especially the generation of employment and technological skills. Moreover, local stakeholders have an interest in local linkages because they help to embed investment in local business networks and make them less footloose.

However, even if lead firms, guided by their “enlightened self-interest,” contribute to the upgrading of their local business environment, this is not likely to lead to the most efficient outcome in terms of public welfare. Additional public support and regulation may be required where companies under invest in local capabilities because they are unable to privately appropriate the returns, and in some cases public interests even conflict with the lead firm’s interests even suppress learning processes that might endanger their own knowledge edge in the market place.

Larger firms are willing to invest in creating and deepening local linkages. Every single investment in this direction helps the respective location to move up the technological ladder. Lead firms contribute to local enterprise development in many ways, both deliberately and unintentionally. These may include the facilitation of markets access,

coaching and mentoring, funding of supplier development projects, the introduction of standards or brands which enhance the competitiveness of its supply chain as a whole, or the creation of new enterprises by former employees.

Lack of market transparency hampers the formation of business linkages. This applies in particular to SMEs who are often not familiar with the requirements of regular supplier relationships and may not have a good overview of potential buyers. But also large firms, especially foreign investors, are sometimes not aware of potential local suppliers. As a result they may fall back on imported inputs even if a similar domestic product is available. Three public policy instruments can promote matching between potential customers and suppliers:

- i. *Information and motivation events for suppliers* aim at providing SMEs with information on advantages and potentials of subcontracting for their respective firm and on possible government promotion schemes. In addition to such events SMEs may sometimes visit potential customers that present their supplier strategies. The SMEs thus get an insight in the advantages and disadvantages of subcontracting. At the same time such events stimulate first contacts between customers and suppliers and lower communication barriers.
- ii. *Subcontracting exchange schemes (SES)* offer lists of potential suppliers to interested customers. To this end, the staff of the exchange office visit potential suppliers and evaluate their products and processes so as to give valid information to customers. Some SES aim at an integrated promotion scheme including service provision for SMEs, facilitation of joint bids, and incentives for customers to engage in knowledge transfer.
- iii. *Supplier fairs and exhibitions*, i.e. reverse fairs, give customers the opportunity to exhibit products they would like to source locally. All these instruments help to make markets more transparent and set up first contacts between customers and suppliers. Empirical evidence however shows that matching events are usually not sufficient to build lasting linkages. As a rule, potential SME suppliers in developing countries have too many internal problems to be able to guarantee regular supply at favourable costs at once. Nevertheless matchmaking may be a good starting point for integrated supplier development programmes. For example, the participation of potential customers in matching events provides an opportunities to disclose weaknesses of suppliers which may be addressed by providing specific support. Such integrated approaches have proven to be most successful if lead firms actively engage in support for selected future suppliers.

Governments and donors may encourage lead firms to extend such support either towards their established partners or to other local SMEs:

- a) Partnership between government, value chain leader, donors, and civil society set up special purpose vehicles to support value chain development. Such schemes support spillover activities which can be implemented by value chain leaders. Partnership with value chain leaders has advantages: Lead firms have established market access; their internal production efficiency in implementing supplier development initiatives is higher than that of public agencies; their involvement leverages additional capital for development initiatives; complementarities between public and private actors may create productivity gains; and, cooperation may contribute to mutual appreciation and learning with regard to value chain development.
- b) Various incentives may be offered to induce value chain leaders to source locally and upgrade their suppliers or to make subcontracting more attractive to local suppliers. Some countries use exemptions from corporate income or value-added taxes to encourage investors to develop local linkages or enhance technology transfer. In some countries, expenditure incurred in the training of employees, product development and testing, and factory auditing to ensure the quality of vendors' products, are allowed as a deduction in the computation of income tax.
- c) Governments, private sector, donors and civil society may encourage spillovers from lead firms through Corporate Social Responsibility programmes. In South Africa, for example, the government recommended that all industry sectors should adopt an "Empowerment Charter" and announced that it might link this to certain political benefits. Large corporations negotiate such "Charters" and make time-bound commitments to address issues including the shareholding of local operations, local participation in management and technical staff, and relationships with suppliers and distributors.

Governments, civil society and donors may campaign for such corporate social responsibility supply chain initiatives, organize stakeholder support and encourage value chain leaders to extend such initiatives beyond their first level suppliers. Difficulties to access credit are among the most important constraints for SME development. Value chain integration may facilitate access to credit through two mechanisms:

- a. Directly, by receiving credit from business partners in the value chain, such as buyers or input providers. Direct credit occurs especially often in agriculture, where seed and fertilizer companies advance inputs (thus supplying credit in-kind) or traders or agro-

processors provide loans and often take payment in the form of produce. Credit supply by buyers is especially frequent in out-grower schemes, where relationships between farmers and buyers are captive and loans can be tied to purchase agreements. In manufacturing, machinery producers often supply credit (or leasing arrangements) for the acquisition of their products.

- b. Indirectly, by making the firm creditworthy to financial institutions, e.g. because secure sales channels are accepted as collateral. Public programmes can help to improve both direct and indirect value chain finance. Support agencies may, for instance, provide soft credit lines and credit guarantees to development banks in order to stimulate linkages. Public policy interventions include supporting technological upgrading of SMEs in promising growth sectors and to enable them to acquire the status of preferred partners of transnational corporations or supporting business development services that are necessary for meeting the requirements of becoming and approved industry supplier.

Governments and donors may also promote out-grower schemes as a form of improved value chain coordination, thereby facilitating direct credit supply from buyers (direct value chain finance). Moreover, they may contribute to developing financial products which support value chain integration (indirect value chain finance). The following kinds of financial products seem especially suitable to improve access of suppliers to bank loans:

1. Factoring. Serious problems arise for many suppliers if their customers pay large orders weeks or even months after delivery. This is customary where buyers have sufficient market power. For the suppliers it often creates severe liquidity problems and may force them to solicit costly short-term credits. To alleviate this problem, financial institutions in some countries offer factoring schemes whereby the buyer upon receipt of the merchandise issues a document which the bank accepts as collateral and disburses the respective amount of money, thus helping SMEs to bridge the time between delivery and debt settlement. The bank then claims the credit back from the buyer.
2. Warehouse receipts. Such receipts are issued to depositors of commodities by secure warehouses. Regulatory framework may be designed to encourage commercial banks to accept the deposited inventory for collateral. This instrument is especially suitable in the case of commodities with clearly specified standards and grades and transparent markets.
3. Securitization: which is applies to assets that are illiquid and converts them to liquid assets or cash. This reduces funding costs and asset-liability mismatch. It can also lower capital requirements

and enable firms to lock in profits. Small businesses may benefit from collective securitization

Supporting these financial products may be complemented by relevant legal provisions to avoid abusive behaviour by powerful buyers. These may include legislation relating to delayed payments to small scale and related industries to ensure that large companies make prompt payments to their small suppliers.

Promotion of inclusive standards

In recent years a great number of standards have been created and implemented at a worldwide scale. Many of them are being enforced throughout the whole value chain and consequently affect the welfare of producers and consumers especially the poor in different ways. Standards are documented agreements containing technical specifications to ensure that materials, products, processes and services are fit for their purpose. They address a range of issues including quality management procedures and product properties as well as social, environmental, health and safety concerns.

Whereas in the past most standards were set by government agencies or intergovernmental bodies, there is now a marked trend towards much more differentiated private standards developed and enforced by industry organizations, individual lead firms, and NGOs. Standards are often enforced through value chain relations given that the final producer or distributor of the respective product is held accountable for compliance and thus takes a strong interest in assuring compliance at previous stages of the value-adding process. Standards are used for different purposes ranging from assurance of trade and government requirements (e.g. with regard to safety and health) to altruistic motives (e.g. protecting poor people or vulnerable ecosystems) and commercial interests of companies to develop and protect specific high-value labels. This variety of voluntary and compulsory standards and underlying purposes is reflected in the diversity of government and donor programmes to cope with standards compliance. Activities include:

1. Promoting standards and labels as a means of adding value. Labels that certify fair trade conditions, organic production or regional provenance may increase the consumer's willingness to pay higher prices. As barriers to entry to such labels are relatively modest, donors see such labels as one of the most promising strategies for pro-poor value chain development. This includes support for producers, sensitization of consumers, and capacity building for national certification systems. Increasingly donor cooperate closely with firms which provide market access or develop private labels;

2. Information and sensitization of target groups and support for poor producers with regard to compliance;
3. Participation in the standard-setting process in order to make developmental concerns heard. Donors may assist in setting up inclusive low-cost certification systems and promote group certification.

Governments and donors need to be aware that promotion of standards may have undesired side-effects. Especially, very demanding standards, which may be desirable from the consumer's perspective, may create an unbearable burden for poor producers and exclude them from the market. Donors should therefore be careful in supporting initiatives that raise standards, especially if these are mandatory. Likewise it is problematic to include standard compliance in the conditionality of development agencies.

Most donor agencies are dealing with standards issues. The topic ranks especially high on the agenda of the ILO (labour standards) and the FAO (Good Agricultural Practices). Furthermore, the promotion of certified organic farming through capacity building, marketing support and assistance in the development of accredited certification procedures is a primary concern of many donor agencies. In German development cooperation several hundred public-private partnership projects and some of the most prominent value chain projects in technical cooperation deal with organic standards. Also, initiatives to improve labour standards in global value chains (especially in light industries such as garment, footwear, and toys) play an increasing role across all donor agencies.

Franchise development

Distributional and after-sales services are among the activities most frequently transferred to independent companies, e.g. automobile dealers, gas stations, restaurant chains, travel agencies, drug stores, and courier services. Outsourcing these activities implies considerable advantages for the brand-name company, mainly that it may rapidly cover extensive markets while minimizing risks and investment in distribution channels. On the other hand, brand owners are obviously keen to maintain high and homogeneous standards in their downstream activities. Brand owners therefore often opt for outsourcing plus providing comprehensive training for their distributors. The local distributor thus benefits from the use of an established brand name, a proven business concept and the transfer of knowledge from the brand owner.

This greatly reduces the risk of failure for the local SME. The main disadvantages of such linkages consist in the fact that the local marketing partner remains highly dependent on the brand owner. In

some cases, furthermore, the local SME is forced to pay substantial fees and royalties for using the partner's brand name and business concept.

In most cases franchises develop at the initiative of the entrepreneurs and do not require government action or even donor interventions. In some countries, private-sector franchise associations exist which provide services to the national franchising community. Nonetheless, some countries and international organizations have adopted programs to encourage franchising as an instrument for developing business linkages. Governments can form Franchise Development Centres and Franchise Development Assistance Schemes. In other countries multilateral and bilateral donors support the development of indigenous franchise systems.

Measures to support franchising include organizing events for building awareness of the potential benefits of franchising; reviewing the existing legal requirements regulating the franchising business; facilitating contacts between international franchisers and potential local franchisees; encouraging and supporting the establishment of national franchising associations; providing consultancy and training for potential franchisees during the initial phases of establishment of contacts, negotiation of contracts and setup of the new enterprise; helping to develop indigenous "SME-to-SME" franchises; and providing finance.

Recommendations

- i) Support value chain readiness of SMEs, micro and informal sector operators including smallholder farmers;
- ii) Engage other stakeholders including private sector, civil society, and donors in value chain management;
- iii) Work in partnership with relevant development partners in particular ILO, UNIDO, GTZ who have accumulated experience in this regard;

3.3.3 Fostering Entrepreneurship

The challenge facing the region is reducing unemployment through economic growth and job creation with the objective of eliminating poverty. However, despite major efforts by governments to encourage investment into industrial development and job creation, results remain unsatisfactory as unemployment, poverty, and extreme inequality are on the rise. Entrepreneurship development and promotion of self-employment is one of the strategies that SADC can use to propel economic growth rate to higher levels and overcome unemployment and eradicate poverty in the region. Entrepreneurs not only create new business enterprises and employment but also play a crucial role in economic life through sustainable innovation.

One of the important social benefits of entrepreneurship is the demonstration effect and active approach which helps address issues of dependency and passiveness in relation to traditional forms of welfare. Entrepreneurship offers alternatives those disadvantaged in the mainstream economy such as women, immigrants, minority groups, unemployed, and others. Entrepreneurship creates opportunities for workers to start their own businesses and also provides an incentive for them to play the role of problem-solver rather than executor of pre-determined tasks. Entrepreneurship can also offer governments alternatives in dealing with acute social problems such as unemployment among minorities, distressed urban areas, rural poverty and underdevelopment, all which require local responses involving the affected communities.

Other social benefits include knowledge externalities, that is, information related benefits stemming from the actions of others. This occurs when an entrepreneur establishes a business, valuable information is provided to the market often leading to other business ideas. Other actual or potential entrepreneurs often learn what products or services sell, what marketing strategies work, what general business practices are effective, etc. Even if the new business is unsuccessful information is transmitted to the market about what works and what doesn't. Public policy to support entrepreneurial activities in part contributes to addresses this knowledge externality.

Major constraints to entrepreneurship are regulatory including registration requirements, administrative and compliance costs, firm closure and bankruptcy legislations, and poor infrastructure for doing business. Various World Bank survey reports on "Doing Business" have highlighted these constraints in some SADC countries. Access to capital is another commonly sited impediment to entrepreneurship. Closing the financing gap is one of the most important areas in supporting entrepreneurship. Seed and start up finance are particular important for small and micro enterprises and so as bridging finance. For micro enterprises and informal sector businesses in SADC the most likely source of finance would be micro and informal financial sector.

SADC is experience high unemployment especially among the youth and in rural areas and there is no hope for them to secure formal employment in the short to medium term. In order to expand employment opportunities beyond formal sector employment SADC countries must consider innovative approaches including promoting self-employment (micro-enterprises) through entrepreneurship support programmes, introducing targeted training and assistance to youth and communities where unemployment is high. Targeted training to address start-up needs providing support to establishment of new businesses among the youth is critical. Targeted training and

assistance to youth can also include assessment of business proposals, accessing of technical information, marketing and other business skills such as preparation of loan applications.

The spatial dimension of entrepreneurship allows governments and donors to acute social problems related to areas-specific structural unemployment and rampant poverty. In addition, entrepreneurship is strongly affected by local and regional economic, social and institutional conditions. Moreover entrepreneurial activity often varies markedly across sub-national regions owing to differences in demography, wealth, education, occupational profiles, infrastructure endowments and other factors.

Support to firm clustering, in addition to conferring certain competitive advantages through economies of agglomeration, the geographic concentration of firms often provides an environment conducive to entrepreneurial activity. Clusters are geographic specific and respond to local conditions. Given the variety of location-specific factors which affect entrepreneurship and the opportunities for encouraging entrepreneurship through local measures, policies which fail to take account of regional and local differences are less likely to be successful. Local initiatives have advantages such as being able to better tailor activities to needs, to concentrate resources where most required and to mobilise a wide range of actors relevant to entrepreneurship.

However, policy can consolidate some of the benefits of existing or embryonic clusters by ensuring suitable institutional conditions. For example, amongst other actions, promoting the establishment of supplier associations and learning circles, and facilitating contacts among participants in the cluster can all increase the benefits to firms of belonging to a cluster. There are several types of corporate relationships that lead to increased levels of entrepreneurship. In most cases, these relationships involve various levels of commitment between large enterprises and smaller, entrepreneurial firms. One of the greatest potential areas for the development of entrepreneurship lies in geographically agglomerated industries. These are areas where businesses in like industries cluster, and as a result ideas, cooperation and competition abound.

Other instruments suitable for local support to entrepreneurship include business incubators and science parks which play a major role in nurturing new start-ups and bringing them to a level where they can survive and grow on their own. Incubators and science parks meet one of the key needs for young and small firms – access to suitable and affordable premises and support infrastructure. Incubators and science parks are to be successful in promoting highly innovative enterprises but there must be the right package of services on offer. These must include good basic facilities, working closely with research centres and

technology institutes, well-structured access to risk capital and scope for networking at all levels from the local to the international. In the early stages incubators and science parks suffer from many of the same problems as their clients. Like any start-up, incubators and science parks at first have no customers, no cash flow and no critical mass. Public goods benefit of incubators and science parks in expanding the pool of entrepreneurs should be encouraged, and as they takes many years to achieve break-even there is a need for public support.

Recommendations

- i) SADC must formulate a regional strategic framework for entrepreneurship promotion and solicit support from international development partners in accessing international experience
- ii) Harmonisation of business practices in the region including simplifying business registration and other regulatory requirements
- iii) Facilitation of cross border entrepreneurship activities including knowledge sharing and learning

3.3 Infrastructure for regional integration:

Regional cross-border infrastructure, in particular transport, energy and water has the potential to facilitate intra-regional trade and investment that would create opportunities, and address the special needs of landlocked countries to access the rest of the world. The major constraint in road transport remains as lack of adequate physical infrastructure, especially rural access roads. Better transport services provide the rural and urban poor with possibilities to participate in productive activities and development such as access to job, markets, social services, education and health. So far, most infrastructure activities in transport, energy and water have tended to bypass the poor in rural areas. Even if the rural poor produce agricultural products, they face difficulties of accessing the markets hence they end up producing just enough to feed themselves. Water is becoming a major scarce commodity and it compromises the production processes in the agriculture and industry. People in rural areas travel long distances in search of water. There is evidence of a water crisis in the near future in Malawi, South Africa and Zimbabwe. Something has to be done to harness water and conserve it.

With respect to energy, SADC is intensifying efforts to make energy services affordable to rural communities as a basic right through household electrification and provision of power to public facilities such as schools and hospitals. However, energy deficiencies are not only affecting large business across the region but more so the poor, who rely on fuel wood and cow-dung for their cooking and other energy

requirements. The need for more investment in infrastructure cannot be overemphasised, and SADC has to go all out to mobilise resources for investing in infrastructure which is a pre-condition for development.

Infrastructure development has both social and economic effects, direct and indirect impact on poverty eradication. It can contribute to poverty reduction indirectly by fostering growth and development, as well as directly through job creation and improving access to economic activities and basic social services. For an economy to grow, expanding infrastructure and related services that enhance capacity and efficiency are essential. Expanding opportunities at the local level requires integration with national markets which infrastructure can facilitate. Market-driven growth typically benefits better-off areas where infrastructure and human capital are already reasonably well advanced. In underdeveloped areas, poorer households may not be able to share in the expanding opportunities provided by growth elsewhere, and targeted public investment may be necessary. Major infrastructure deficit slows economic growth, constrains trade, hinders international competitiveness and retards poverty reduction. Landlocked countries are particularly hard hit by high transport costs and poor trade links compared to coastal countries. The remoteness of the country accentuates high internal transport costs. Transport costs for intra-regional trade are high and as a result are one of the barriers to intra-regional trade which is low relative to trade with rest of the world.

3.3.1 Transport

Effective and efficient transport systems in SADC could easily lower costs of doing business particularly for landlocked countries. For some countries transport costs constitute about 40% of their export price thus making the products less competitive. Improved access to cheap and reliable transport system will invariably benefit the poor in many ways. For agricultural producers transport to the market is important and also for ferrying their inputs to the farms. Rural roads are important and they remain in the competency of Member States. A rural road, if complemented by other investments, can result in an increase in agricultural productivity and employment and therefore rural income. SADC should concentrate on cross-border roads networks and rail transport as these will equally have an impact on the poor. For example, the informal cross-border traders indicate that one of their major costs is transport, if this were to improve, then they would be able to make more profit and improve the quality of life of their families. The development corridors approach adopted by SADC is critical if it is geared towards creating opportunities for the people living along the corridors through some income generating activities and supplying services to the transporters plying the routes. While the corridors have been identified, investment resources have remained a major challenge requiring interstate cooperation.

Recommendations

- i. SADC should put more effort in the development of the spatial development corridors and feeder roads linked to the corridors as they are key in distributing development to some depressed areas;
- ii. SADC should try to improve the regional road network in the short term and up scale its effectiveness and efficiency with a view to reduce costs for transportation of goods and people;
- iii. SADC should continue to engage the private sector as a major player in the transport sector with a view to resolve the problem the freight and passenger transport face in the course of their work;

3.3.2 Information and Communication Technology

Information and Communication Technology is being utilized to support poverty reduction strategies as they can help to overcome geographic barriers, to connect communities to local and remote markets, and to create new income generating opportunities. It has the potential to provide individuals and businesses with fast and affordable access to all kinds of information. These benefits are particularly important in the context of Small and Medium Enterprises (SMEs), as SMEs carry great potential to function as the key source of income, employment, and innovation.

ICT also plays a crucial role in disseminating vital information about universal access to a variety of services. SADC has worked considerably on putting in place ICT backbone infrastructure, however, rural areas remain untouched yet this is where the majority of the population lives. Connectivity has tended to be more concentrated in urban areas where most services are available. Through ICT new developments and opportunities can be disseminated widely. SADC should now focus on expanding the ICT infrastructure to remote areas and ensure that the costs are at the basic minimum so that the poor can benefit from this development.

Business information solutions provided by ICT, if available to and well utilized by SMEs, could diminish the disadvantages they may face by enhancing their efficiency and facilitating their market access and integration in value chains. Competitive and productive SMEs can, in turn, be key contributors to the reduction of poverty. A key issue in this respect is how to exploit ICT to either improve existing business or create completely new business processes. ICT is essential for internal office applications, as well as to access and process information. Moreover, the Internet is becoming crucial in building up a new type of businesses: the e-business, including e-commerce, e-payments and e-

procurement. SMEs could enter into e-business with Government, Business and Consumers (respectively B2G, B2B and B2C), which are briefly described below:

- B2G applications have significant potential in developed countries with an advanced level of e-readiness, i.e. where companies and Government offices are on-line and have the potential of establishing e-procurement procedures. It is a growing area in developing countries;
- B2B applications could be of potential interest to SMEs in developing countries, because a number of large suppliers in major industries have adopted Enterprise Resource Planning (ERP) packages for inter-firm transactions. Manufacturers and retailers in remote countries can offer their products or services with information on product capabilities and benefits, content or components, prices, production schedules, delivery terms, and payment conditions. This information allows manufacturers to order from the most competitive suppliers. Other types of on-line cooperation are e.g. data entry services or call centre support. Recently, a new type of Internet B2B cooperation is upcoming: tele-work, i.e. one or more companies jointly producing digital products and services;
- B2C applications assume that consumers have access to the Internet and purchase goods and services on-line, implicitly assuming access to credit cards and efficient delivery systems. A lack of consumers using it, a limited number of consumers connected to the Internet and lack of an efficient distribution service make B2C less feasible in developing countries.

ICT and e-commerce are attractive to women entrepreneurs (who in many SADC countries account for the majority of small and medium-size enterprise owners), allowing them to save time and money while trying to reach out to new clients in domestic and foreign markets. It enables women use the Internet to expand their customer base in foreign markets while at the same time being able to combine family responsibilities with lucrative work. The scope and spread in the poorer areas is still a challenge especially women working in micro-enterprises and the informal sector are far from being in a position to access and make use of the new technologies. Moreover, B2C e-commerce is small compared to business-to-business (B2B) e-commerce and thus only benefits a small number of women. E-commerce has the potential for the promotion and marketing of pro-poor community-based tourism and benefit remote rural communities especially in border areas.

The introduction of wireless communications has also brought wireless data services, essential to conducting m-commerce. M-commerce is defined as the buying and selling of goods and services using wireless

handheld devices such as mobile telephones or personal data assistants (PDAs). If the convergence of ICT continues, access to the Internet for the poor will be cost-effectively achieved using mobile handsets and networks. Wireless technologies have made inroads even in relatively low-income areas, where prepaid cards allow access to people who cannot have a prepaid subscription because of billing or creditworthiness problems. The main areas of m-commerce use are in text messaging or SMS (short messaging service), micro-payments, financial services, logistics, information services and wireless customer relationship management. Text messaging has been by far the most successful m-commerce application in developing countries, where rates of low fixed-line connectivity and Internet access have made it an e-mail surrogate.

ICT in the form of multi-media community centres/tele-centres, especially at the rural level can act as a nodal point for community connectivity, local capacity-building, content development and communications, as well as serving as hubs for applications, such as distance education, telemedicine, support to small, medium- size and micro-credit enterprises, promotion of electronic commerce, environmental management, and empowerment of women and youth. Where such services have a pro-poor strategy, the benefits of ICT can be directed to them. Tele-centres can also offer the opportunity to use ICT for business purposes to small and micro-enterprises that do not have their own private facilities. In some countries in the region, tele-centres are being set up through public and private initiatives in telephone shops, schools, libraries, community centres, police stations, and clinics.

Capacity building also relates to the accumulation of social capital, which refers to those features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit and establishing networks for mutual benefit, that can be nurtured and extended through the use of ICT. ICT can help create and sustain online and offline networks that introduce and interconnect people who are working toward similar goals. Many organizations in the women's movement have recognized this potential and have projects that provide support for ICT to be used as an advocacy tool. ICT can also enable certain individuals, especially early adopters, to spark catalytic change in their communities.

Research suggests that increasing agricultural productivity benefits the poor and landless through increased employment opportunities. As the vast majority of poor people live in rural areas and derive their livelihoods directly or indirectly from agriculture, support for farming is a high priority for rural development. ICT can deliver useful information to farmers in the form of crop care and animal husbandry, fertilizer and feedstock inputs, drought mitigation, pest control, irrigation, weather forecasting, seed sourcing and market prices. Other uses of ICT can

benefit farmers, enabling them to participate in advocacy and co-operative activities. ICT can also be used to help rural indigenous and minority communities achieve custodial ownership and rights of interpretation and commercialisation over their own cultural heritage.

Two areas of employment opportunity arise from the deployment of ICT. First, unemployed people can use ICT to discover job opportunities, and second, they can become employed within new jobs that are created through the deployment of ICT. Poor people in rural localities lack opportunities for employment because they often do not have access to information about them. One use of ICT is to provide on-line services for job placement through electronic labour exchanges in public employment service or other placement agencies. Normally, job brokering is carried out as a closed system involving intermediaries on behalf of their clients. The transparency enabled by ICT opens up possibilities for precise information seeking. Through open job seeker banks, for example, employers can search and directly access résumés, which, in turn, are linked electronically to job vacancy banks. Tools have been developed to assist employers in screening résumés, or to send e-mails automatically to jobseekers when job vacancy announcements fitting certain pre-selected criteria are posted.

Social mobilisation is a process for harnessing local resources that can foster sustainable forms of community self-development. This can help remove the constraints that poor rural communities face in harnessing their potential to develop themselves. To this end, a three-tier strategy is followed, based on social organisation, capital formation and human resource development. First, villagers are brought together to discuss local development issues of common interest and to initiate local development initiatives. Second, they are persuaded of the need to save, which after some time becomes an important source for credit operations. Third, they are trained, mainly in management techniques and income generating activities, in order to create the foundation for grassroots institutional development, to improve sectoral service delivery, and to support those who want to undertake socio-economic activities.

Recommendations

- i) Raise awareness among SADC policy makers that technology development and diffusion is a key tool to ensure economic convergence. The understanding of the profound effect the integration of ICT has on growth, competitiveness and jobs can best be transferred through public private programmes.
- ii) Build institutional ICT capacity with a focus on SMEs through public private partnerships to ensure institutions and policies that facilitate investment, innovation and technology transfer. To measure progress, deploy SADC-wide ICT diffusion indicators.

- iii) To make up for the current under-investment and lack of commitment towards ICT increase funding for ICT infrastructure and development projects including awareness building, capacity building, rural access and connected schools.
- iv) Invest in rural ICT centres and business hubs to support micro enterprises and informal sector operators.

3.3.3 Energy

The goal of energy infrastructure is the provision of reliable, sustainable, low cost energy services for economic and social development as well as to eradicate rural poverty. While the Southern Africa Power Pool has made concerted efforts in integrating the energy grid in order to share the available energy in an equitable way, recent power outages confirm the need for the region to invest substantially in more power generation capacity. A few countries had started bringing electricity to rural areas and this was assisting many public service centres in providing good service.

For the rural poor, energy remains a major challenge particularly energy for cooking. In most rural households women travel long distance to look for fire wood and this has also led to deforestation in some areas. Cow-dung is also used as a source of energy in rural areas. It is strongly suggested that more effort be put on harnessing solar energy and wind power as major sources of energy. The region boasts of sunshine all year round and should be able to utilise this source of energy to the full.

Recommendations

- i. The Southern Africa Power Pool should urgently increase its power generation capacities across the region;
- ii. SADC should encourage rural electrification as the benefits of doing so are enormous;
- iii. Use of solar energy and wind power should be exploited to the fullest as this is clean energy;
- iv. SADC should promote research and development on fuel needs particularly the needs of the poor who rely on wood or cow-dung for fuel;

3.3.4 Water

Water is a critical resource for both rich and poor and if well managed water can contribute to poverty reduction through various means. Of importance to the poor especially in rural areas and in some slums in major cities is the access to clean water and sanitation. This is a major

challenge for Governments as water shortages are becoming perennial in a number of SADC countries despite the creation of many river basin commissions to manage the water resources.

Southern Africa's food production has been affected negatively by floods and drought over the last decade. Much of the agriculture production relies mostly on rain-fed rather than irrigation. There is need to properly manage and utilise water resources so that they optimally contribute to poverty eradication. SADC should urgently seriously consider investing in inter-basin water transfer from the water resource abundant areas to those with scarce water resources. The transfer would also generate new opportunities along the route.

Water underpins almost all types of economic activity from food production, the mainstay of the economy and critical to the livelihoods of poor people, to manufacturing, energy production and transport. Ensuring adequate water is available and equitably distributed supports cultivation of higher-value crops and other small-scale economic activities in rural and peri-urban areas. Many industrial processes at small and large scale require water; inadequate water quantity or poor water quality can significantly increase the costs of production.

Most urban areas in SADC have the bulk of their water infrastructure already in place and regulate and manage their river basins for quantity and quality. This improves reliability of their water services, however, in recent years there have been constraints in their capacities to provide reliable services in water even for household use.

Most peri-urban and rural areas in the region have inadequate infrastructure and lack the institutional capability to manage their water resources and mitigate seasonal and extremes in climate variability. In SADC countries, hydrological events have dramatic economic and social impacts. The expectation of high variability in rainfall and the likelihood of extreme events create disincentives to investment in the infrastructure needed for economic growth and livelihoods. Shocks become unmanageable. Economic losses from floods, droughts and climate variability in the region are significant such as the 2000 floods in Mozambique and Zimbabwe, the recent floods again in Mozambique, Zambia and Zimbabwe are cases in point.

Failure to manage this essential resource through adequate infrastructure for storage and distribution and efficient management systems will reduce economic growth and have a major negative impact on the poor. This is even more urgent given the impact of climate change that is taking place globally.

As populations and economies grow, and as less contentious national water resources become more fully exploited, an increasing share of the remaining development opportunities will be on transboundary shared rivers or aquifers. About 40% of the world's population lives

within the basins of international rivers and over 90% of the world's population lives within the countries that share these basins. This has the potential to become a source of tension and possible conflict and requires effective water management and intervention at the river basin level. The challenge lies in operationalizing mechanisms to identify, value, prioritise and share benefits, including weighing how to 'trade' benefits and costs, including those that are more difficult to quantify, such as the achievement of greater regional security. In line with other regional development processes, a critical challenge remains the reflection of regional cooperation and development agendas within national policies and strategies.

Southern Africa's food production has been affected negatively by floods and drought over the last decade. Much of the agriculture production relies mostly on rain-fed rather than irrigation. Accelerating development of irrigation is a particularly key issue for SADC. At present, Sub-Saharan Africa irrigates only 3% of its agricultural land area, and exploits plus or minus 10% of its irrigation potential. Moreover, two thirds of SADC's irrigated area is concentrated in only two countries, Madagascar and South Africa. At present, most countries in the region have no land with a rain fed growing period longer than 200 days per year and as a result are unable to meet basic food needs from rain fed farming, which makes it imperative that irrigation be a priority to achieve food security.

Water is a critical resource for both rich and poor and if well managed water can contribute to poverty reduction through various means. Of importance to the poor especially in rural areas and in some slums in major cities is the access to clean water and sanitation. This is a major challenge for Governments as water shortages are becoming perennial in a number of SADC countries despite the creation of many river basin commissions to manage the water resources.

There is need to properly manage and utilise water resources so that they optimally contribute to poverty eradication. SADC should urgently seriously consider investing in inter-basin water transfer from the water resource abundant areas to those with scarce water resources. The transfer would also generate new opportunities along the route.

Recommendations

- i. SADC should expedite the implementation of the Regional Strategic Water infrastructure Development Program, which is designed to incorporate poverty –targeted water resource interventions to improve catchment quality and provide livelihoods for poor people;

- ii. SADC should increase land under irrigation through small scale irrigation schemes in rural areas which would provide employment opportunities, provide food and production of other cash crops and income earnings for the poor throughout the year;
- iii. Civil society in partnership with governments, private sector and donors can assist in water resource management and utilisation and more so in providing clean water and sanitation to the rural communities as this will reduce vulnerability to diseases.
- iv. Encourage public-private partnerships in water supply and sanitation programmes

3.3.5 Tourism

Tourism is the fastest growing sector at present and SADC is highly endowed with diverse natural tourist attraction centres and resources. More effort should be made to jointly market the trans- boundary frontier conservation areas. What could also be very important is the promotion of the involvement of communities in managing some of the TFCAs and providing services. Civil society can assist in the mobilization of communities to make reasonable contribution to this process.

Pro-poor tourism aims to increase the net benefits for the poor from tourism, and ensure that tourism growth contributes to poverty reduction. It is not a specific product or sector of tourism, but a specific approach to tourism. Pro-poor tourism strategies unlock opportunities for the poor, whether for economic gain, other livelihood benefits, or participation in decision-making. Early experience shows that pro-poor tourism strategies do appear able to 'tilt' the industry at the margin, to expand opportunities for the poor and have potentially wide application across the industry. Poverty reduction through pro-poor tourism can therefore be significant at a local or district level.

Poor communities are often rich in natural assets; scenery, climate, culture and wildlife. Community based tourism is closely associated with ecotourism, and is regarded as a tool for natural and cultural resource conservation and community development. It is a community-based practice that provides contributions and incentives for natural and cultural conservation as well as providing opportunities for community livelihood. Community-based tourism provides alternative economic opportunities, which are in essence in rural areas. It has the potential to create jobs and generate a wide spectrum of entrepreneurial opportunities for people from a variety of backgrounds, skills and experiences, including rural communities and especially women.

Recommendations

- i. SADC through RETOSA should mobilise the communities that live close to centres of attraction so that they become involved in tourism activities;
- ii. Encourage the development of traditional or cultural villages which can provide services to visitors;
- iii. Promote intra-regional tourism through cheaper packages that reap benefits from volumes;
- iv. Promote linkages between tourism and other value adding activities including traditional craft and cultural industries.

Pro Poor Approach in Spatial Development Initiatives (SDIs)

The SDIs approach, which includes transport and development corridors, is based on the urgent need to kick-start economic development through investment and capacity prioritization based on sound business rationale and value proposition. The aim is to link and synchronise private and public investment opportunities with key infrastructure projects and other activities within the corridor area. This promotes the realisation of wider development potential which is catalysed by provision of key infrastructure facilities and anchor investments. The SDIs therefore provide a spatial focus for pro poor interventions to regional integration and economic development and enables governments integrates pro poor strategies in a sustainable manner.

The basic methodology of SDIs involves focussing economic development initially on inherent economic potential, especially of natural resources including agriculture, mineral resources, and other natural resources such as wildlife, forestry, fisheries, scenery, etc. The interventions tend to focus on configuration of investments to ensure infrastructure viability through sustained revenue streams from economic activities in the corridors. This involves crowding-in private sector investments and promoting public-private partnerships, but also ensuring densification through open-access, linkages, and value addition especially in natural resource beneficiation. The SDIs methodology also provides a framework for coordination to secure political buy-in and commitment of participating countries and to ensure planning and smooth delivery of programme and projects on time. The SDIs strategic objectives are therefore to:

- increase the rate of economic growth and development through promoting entrepreneurship opportunities and generate long term sustainable employment and contributing to achievement of MDGs;
- deepen economic integration of the Southern African economies by promoting complementarities in production structures of the countries in the region and enabling them to eradicate poverty;

- enhance intra-regional and international trade through improved competitiveness of the Southern African exports which would begin to address the trade imbalances in the region;
- promote equitable spatial location of production and other economic activities within Southern Africa based on inherent development potential and comparative advantages; and deliberate strengthening of cross border value chains
- mobilise domestic and foreign investment resources to finance economic development and contribute to poverty eradication through promoting private sector investment and increased donor support;
- identify and encourage opportunities that arise from the processing/beneficiation of minerals, agricultural produce, and forestry produce, whilst ensuring environmental sustainability including integrating local suppliers into major value chains;
- develop adequate transport, communications and business support infrastructure aimed at making the corridor areas a competitive and attractive location for domestic and foreign investments through multi-sectoral interventions; and
- improve pro poor access productive opportunities through infrastructure development including facilitating increased tourism activities and generate additional foreign exchange and also benefit local communities.

While SADC has made substantial progress in regional infrastructure development especially in the conceptualisation of the SADC Infrastructure Master Plan and other similar initiatives, insufficient linkages and operational inefficiencies are still hampering competitiveness and contributing to market fragmentation. Transport costs and operational efficiency of the principal transport corridors in Southern Africa are key elements in facilitating intra-regional trade and integrating SADC into the global trade thereby promoting economic growth and contributing to poverty reduction. Relatively higher unit costs for land transport may result from poor road maintenance and/or inadequate regional and national road networks. It may also result from low performance standards or poor of rail transport networks, ports, communications and other infrastructure facilities. The SDIs is one of the alternative development strategies meant to fill the infrastructure gap, however, a pro poor approach is required if poverty eradication is the ultimate objective

A Pro Poor Approach to SDIs can include the following:

Interventions to make the road, rail, port, telecommunications and other supportive infrastructures fundamental to the efficient and effective functioning of the corridors as transportation routes and as economic development nodes. However, such infrastructure development must integrate and benefit local communities especially the poor through access roads, ICT and other infrastructure services.

Mobilisation of all key stakeholders including private sector, social enterprise operators, and donors to participate in a public-private partnership with the public sector in the development, rehabilitation, operation and maintenance of infrastructure. The involvement of local communities especially in infrastructure that serve them will improve life span of such investments.

Identification of economic development opportunities that could be developed as a means of increasing the development momentum in and around the corridors. This must include articulating the benefits for the poor that are affected such development activities. Deliberate actions to encourage agglomeration of economic activities within the targeted areas bring substantial benefits through economies of scale and scope.

Identification of development opportunities that are suitable for private sector investment and development of strategies to identify and mobilise potential foreign and domestic investors. Also the identification of pro poor opportunities for local communities must be integrated into project development cycle.

The interventions to identify and support opportunities for the local beneficiation of resources derived from the extractive industries and other natural resource-based activities as a basis for generating value added exports and expansion of employment opportunities. Deliberate efforts to include those natural resources that benefit the poor most must be encouraged including tourism activities.

A multi-stakeholder approach to identify opportunities for the establishment of viable and sustainable partnerships between foreign investors, domestic private and public sectors with the involvement of local communities must be encouraged. This is especially important for the pro poor development outcomes but also to entrench pro poor governance.

The development corridor approach enhances linkages between the villages, towns and provinces located astride the various activities spine but deliberate actions are needed to link such villages, towns, and provinces through access infrastructure. Capacity building for local economic development authorities is required to enable them to take advantage of opportunities arising from development corridors.

Recommendations

- i. Adopt a pro poor approach to SDIs implementation to enhance their impact on poverty reduction. SDIs Programmes and projects must explicitly show how they directly contribute to poverty reduction at local level
- ii. Establish and develop institutional capacity at national and regional levels to operationalise pro poor SDIs. SADC Secretariat must develop generic guidelines and criteria for pro poor SDIs which can be one of the triggers for regional prioritisation and funding;
- iii. Fully involve all stakeholders including private sector, civil society, and donors in the development and implementation of SDIs. Appropriate institutional framework must be created for involvement of stakeholders in SDIs implementation;
- iv. Promote and support full participation of local communities in the design and implementation of SDIs projects that affect them. Governments and donors can adopt measures to build capacity of affected local communities to enable them to actively participate and benefit from SDIs implementation.
- v. Adopt specific methods to prioritise local community involvement including using community based public private partnerships.

3.4 Food Security and Natural Resources

Food security remains a huge challenge in SADC. A lot of recommendations have been adopted at the highest level but still the region runs deficits in food requirements. A look at the level of food production in SADC indicates that there has been no growth in food production particularly the grains yet the population has increased substantially. This calls for serious investment in the utilization of water for food production. The irony of this shortage is that in some rural areas there is excess food supply, which goes to waste because it cannot be transported to the market due to lack of roads and means of transport. This points to need to have a comprehensive approach when looking at ways of reducing poverty.

The challenge that continues to face SADC is the prevalence of food shortages in a number of countries. What is most disturbing is the fact that over the last ten years the quantity of food production in the region has on average stagnated despite the continued growth in the size of the population. There is therefore a high degree of food insecurity in SADC. SADC should reinvigorate agricultural production and in particular food production. The region has become more susceptible to droughts or floods which affect yields. Research has also shown that

there are huge pre and post harvest losses. These could be avoided if some degree of processing some of the food stuffs were done, particularly in the area of fruits and vegetables. To reduce reliance on rain fed agriculture, there is need to promote intensive water management for food security through increased irrigation schemes that conserve water. At the same time investment are require in harnessing water especially during floods so that it can be used for irrigation purposes during droughts. For the poor access to water would ensure that they grow their own food and can produce excess for selling. A lot other activities could be generated by harvested water such as fish farming and small holder irrigation schemes that would contribute to food production and bring immediate benefits to the rural poor.

3.4.1 Pro Poor Interventions to Improve Food Security

SADC in collaboration with the United Nations Food and Agriculture Organisation and the African Development Bank has initiated cross border programmes to improve food security especially for the benefit of the poor. Some of the important initiatives include the Upper Okavango and Mid Zambezi River Basins.

The trans-boundary nature of water resources in the two programme areas and the commonality of constraints to food security within the affected riparian states including the cross border movement of agricultural commodities make a multi-country approach likely to be effective and efficient. The proposed interventions focuses on the trans-boundary river basins within SADC that demonstrated a combination of widespread food insecurity, constraints to effective water management for agriculture, and a potential for significant impact on human and economic development. SADC has received international attention especially during periods of acute food insecurity within the region typically as a result of droughts or floods, although armed conflicts have also contributed. The droughts and floods of 2001/03, for example, resulted in an estimated 15 million people across the region in danger of starvation. However, food insecurity does not arise solely from catastrophic events. A growing number of people within the region live in a state of chronic food insecurity, in which the inability of families to grow or purchase sufficient food on a daily and seasonal basis leads to malnutrition, hunger and lowered disease resistance.

The livelihoods of most rural households within the programme areas are dependent on rain fed agriculture and output varies substantially from year to year. Production is declining significantly when severe or partial droughts are experienced. Many of the households lack the resilience to cope with such related shocks largely because agriculture (including livestock herding) tends to be their only significant source of food and income. The situation has been exacerbated by the erosion of

the household resource base as a result of recurring droughts, diseases amongst the livestock herd, and macroeconomic shocks. Variations in output also occur as a consequence of low crop productivity, poor agronomic technologies and lack of access to inputs.

There are potentially attractive returns to irrigation investment around the identified trans-boundary river basins. However, a wider impact on rural poverty and food security can only be achieved through the introduction of improved technologies for rainfed farmers, including conservation farming and water harvesting supported by extension services and accessible inputs. Irrigation schemes, with their relatively high costs and management requirements can demonstrate an earnings potential and a management capacity sufficient to ensure the coverage of such costs, in addition to meeting environmental concerns. This required adoption of high value products, improved access to markets, and the availability of adequate support services, many of which are absent within these river basins. Investments in rainfed areas therefore will have to be low cost and have to establish linkages to markets to ensure access to inputs and outputs for products, even for local consumption.

Programme Rationale

The availability of sufficient soil moisture is often the crucial factor influencing agricultural output levels and food security. As agriculture among small producers is overwhelmingly rain fed, it is susceptible to climatic shocks and often suffers from insufficient moisture for cultivation during the lengthy dry season. A multi-national approach to the programme is considered important due to the trans-boundary nature of water resources of these rivers and the need to support growing efforts towards effective collaboration in the utilisation and management of those resources. The rationale of the proposed programmes is therefore the need to improve the management of agricultural water resources within the programme areas in order to contribute to improved food security and national economic growth. The programmes respond to the duality of the agricultural development potential within the target areas; namely a relatively limited irrigable area where considerable gains in productivity are possible and wider areas where water management approaches are restricted and must focus on improving output and food security to rain-fed agriculture.

Also the critical relationship between agricultural development and the environment within the targeted areas is that long term food security is dependent upon limiting environmental deterioration. The economically important tourism sector is in these areas also heavily environmentally based. All affected riparian states face similar environmental conditions in the programme affected areas and draw on a common set of natural resources for both agriculture and tourism. Therefore developing common approaches to the management and

monitoring of environmental issues is not only important for the success of the programme, but is also important for the long term twin track development of agriculture and tourism in these areas.

Programme Goal and Objectives

The goal of these investment programmes is to attain a significant long-term reduction in food insecurity within the programme areas, with a particular emphasis on reaching those most at risk. The objectives of the interventions are to reduce widespread food insecurity by: (a) increasing the extent and efficiency of agricultural water utilisation within the affected areas through investment in, and improved management of, infrastructure in such areas as irrigation, water supply and access roads; (b) enhancing the sustainable productivity and stability of smallholder agricultural output to reduce the susceptibility of vulnerable households – especially those which are female-headed and/or suffering from HIV/AIDS - to low and unreliable rainfall; (c) creating improved purchasing power amongst target populations through better private sector-led market access and product value; and; (d) strengthening local human and institutional capacity. The proposed interventions comprise two key technical components and a management and coordination component:

Component 1:

Irrigation Scheme and Related Infrastructure Development will have four subcomponents, namely: (a) Irrigation and Drainage and Dams Development; (b) Improved Access to Production Areas; (c) Supply Chain Development; and (d) Capacity Building and Technology Transfer for Irrigation Schemes. Support to schemes in developing supply chain linkages will be achieved through the promotion of direct private sector linkages to schemes supported by the development of on scheme market infrastructure. Technical support to scheme participants will be directed and managed by short term advisors in irrigation agronomy and will include the establishment of water user groups and the development of scheme management capacity, as well as training for government personnel and the preparation of extension materials. These efforts will be backed up by programme provided training and demonstrations for scheme participants in water management irrigated production, marketing and HIV/AIDS awareness, among other areas.

Component 2:

Support to Rainfed Producers has three subcomponents, namely (a) Local Investment in Productivity and Income Generation; (b) Market Linkages Development, and; (c) Capacity Building and Technology Transfer to Rainfed Producers. Interventions will include a demand-driven contributory Local Investment Fund which will finance a wide range of primarily small scale investments in production, post-harvest, processing and entrepreneurship and sustainable natural resources

management, with a substantial focus on improved on-farm water management, including small scale irrigation, conservation agriculture and water harvesting. The component will also provide support for the development of producer to market linkages, including local markets, auction pens and slaughter slabs, as well as grain banks and packing and storage facilities for small scale irrigation sites. Improved technology transfer and technical support will be facilitated through training of both producers and extension services providers including in technical, financial, environmental and HIV/AIDS issues. Non-governmental agencies will be contracted for specific tasks such as farmer organization and small scale irrigation development. Animal health control services will be strengthened including the existing networks of Community Animal Health Agents.

Component 3:

Programme Management and Coordination will also have three subcomponents, namely: (a) Programme Implementation Units; (b) Local Field Offices (Angola only), and; (c) Multinational Programme Coordination and Activities. This last subcomponent will include resources for a number of multinational activities, including the operation of the Multinational Steering Committee for the programme, policy analysis and discussion related to water and agriculture within the basin, regional human resources development and strengthened common environmental standards. Resources will also be provided to strengthen the agricultural capacity of the Secretariats of the rivers basins commissions to ensure effective liaison with programme activities.

Programme Benefits and Social Impact

It is expected that the programme will directly benefit smallholder households through support to irrigation, water supply, on-farm water management, improved agricultural technologies and small-scale productive investments. Benefits to non-scheme producers will be highly variable, as adopted technologies and related investments may vary from on-farm supplemental irrigation to increased use of inputs or improved storage facilities. The social impact of the proposed programme is expected to be positive, increasing food security for smallholder families within the programme areas. Female-headed households comprise a significant percentage of households within the programme areas, and are more likely to be food insecure than other households. Particular attention will be given to the needs of both groups, both in the selection of families for inclusion in irrigation scheme command areas, as well as through education and training of field staff and farmer groups in low-labour input technologies and HIV/AIDS awareness.

Recommendations

- i. Identify and develop similar programmes in other major trans-boundary basins with similar potential;
- ii. Mobilise regional investment resource (private sector, public sector, civil society) to carry out feasibility studies and formulate project proposals;
- iii. Marketing of such project proposals to mobilise financial and technical resources both regionally and internationally

The SADC Extra-ordinary Summit on Agriculture and Food Security in 2003 laid the foundation for regional policy interventions aimed at addressing food insecurity in SADC. The proposed interventions are meant to consolidate and build on the outcome of the Extra-ordinary Summit and these include:

Enhancing opportunities for the poor through equitable distribution of the means of production, including land, agricultural finance, inputs, research, market access, extension services and infrastructure development;

Transforming small-holder agriculture from a subsistence economy to a fully commercial sector; increase the productivity of agriculture, particularly small-holder agriculture, so as to enhance incomes and food security at household level;

Promoting rural savings that will finance rural structural transformation through capital formation; invest in rural industrial development and development of rural based agro-industry and processing in order to create non-farm rural employment;

Diversification programme to move small-holders into high value commodities, particularly tobacco, horticulture, wildlife, dairy and others; improve women's participation at all levels in the agriculture sector; facilitate the land resettlement programme and settle households on the basis of a reformed tenure system in high potential areas;

Encouraging the seed industry to develop improved seeds for crops other than maize, particularly sunflower, small grains, groundnuts and vegetables, including indigenous varieties; improve the availability of mechanisation and inputs, particularly those suitable and affordable by the small-holder farmers;

Increasing the areas of small-holder irrigation, and to improve the overall efficiency of water use by both large scale and small-holder farmers; improve access to fertilizers for small-holders; and encourage the private sector to invest in irrigation development, and encouraging rural communities to own and manage irrigation projects;

Diversification of the agricultural production base (e.g. encouraging pulses, dairy, poultry, piggery, forestry, beekeeping, ostrich farming and wild products harvesting) to generate more employment opportunities;

Encouraging sustainable economic diversification through development of tourism and community based natural resources management and promote non-farm income generating and employment creation activities in rural areas;

Addressing issues of conflicting demands on the land, and enhancing the participation of rural communities in the management and utilization of natural resources, especially wildlife through such measures as TFCAs and CBNRM;

Revitalise existing irrigation schemes in need of modernization, rehabilitation or improved management of operations; developing new small irrigation areas, where technically and financially feasible, to benefit targeted beneficiary groups through the production of high value products;

Work on improvements in low-cost water capture and utilisation among rain fed farmers and livestock herders through such mechanisms as conservation agriculture, small water catchments, water harvesting and supplemental irrigation, such as to stabilise and intensify production of consumption staple livestock products and permit production diversification.

SADC may also need to consider introducing new types of food that may be able to withstand droughts as substitute to the grains that form the staple food of the region.

Recommendations

- i. SADC should put more effort in promoting the increase of land under irrigation through small scale irrigation schemes which have the potential to raise the standard of living in rural communities;
- ii. SADC should expedite the establishment of the food reserve facility as the prevalence of food shortages is on the increase;
- iii. The movement of food products should be liberalised across the region so that areas of food deficit would obtain food from the areas with excess;
- iv. Urgently harmonise all sanitary and phytosanitary measures to facilitate trade in agricultural products;
- v. Enhance the capacity to fight animal and plant diseases collectively across the region;

3.4.2 Community Based Natural Resource Management

Pro Poor Approach to Transfrontier Conservation Areas (TFCAs)

The involvement of communities in the management of natural resources near them is very important as it gives them not only the income but also a sense of ownership and responsibility for the preservation of the environment. SADC has a lot of trans-boundary frontier conservation areas, which have been created to ensure sustainability through joint management. Community based natural resource management is being promoted and it could do more for the poor communities that reside close these natural resources centres.

TFCAs have the potential to meaningfully contribute to the welfare and socio-economic development of rural communities if the Community-Based Natural Resources Management (CBNRM) and other approaches to promote community participation can be integrated into the initiatives and contribute to its success. The CBNRM concept represents a paradigm shift from the traditional centralised management of natural resources, where local communities are excluded from decision-making processes and equitable sharing of benefits, to one where local communities will be active participants in planning, management and utilisation of natural resources in recognition of opportunity costs incurred by those that live in or adjacent to wildlife areas. The primary objectives of CBNRM are to integrate conservation programmes with development needs of rural people and to allow them to realise tangible economic and social benefits that can be directly associated with natural resources in their area, and in the process facilitate change in their practices and attitudes towards the natural environment. These objectives must form the core element of community participation in the SADC TFCA Programme where, in addition to localised resource-use regimes, communities can become part of large, more ecologically robust and economically vibrant wilderness areas.

Socio-economic Benefits and Impact of the Programme

Although TFCAs are intended to benefit the conservation of biological resources, they also have the potential of providing socio-economic benefits at the community and national levels of the SADC Member States. These benefits will be derived from the following:

- Economic integration brought about by cross-border trade, the development of “ecotourism hubs” that disperse tourists over a wider area, and packaged destinations that allow tourists to visit two or more countries in one trip. The revenue generated from these activities will mainly be paid in foreign currencies.
- Direct government and community revenues generated from tourism operations such as lease fees, tourism levies, resource

royalties, sale of crafts, local produce and outsourcing of essential services, as well as related taxation;

- Direct income to households through employment in the various tourism operations with the multiplier effect created by the extended family system characteristic of most rural communities in the region;
- Utilisation of cultural resources of the region thus diversifying the tourism product and increasing the number of visiting tourists. Cultural tourism also enhances community participation in the tourism industry and helps to restore cultural affinities that have been severed by political boundaries;
- Economic empowerment of rural communities through the establishment of legal entities or trusts, training on enterprise development and creation of an environment for affirmative action for rural communities; and
- Reduction in operational costs of law enforcement, marketing, research and monitoring through joint activities and programming.

The specific results expected of the Programme are:

- Management of the migratory wildlife and biodiversity conservation strengthened;
- Integrity of natural ecosystems that straddle international boundaries consolidated;
- Improved utilisation of cross-border tourism opportunities;
- Increased collaboration and co-operation between local communities, private sector and other stakeholders in natural resources conservation and management across international boundaries;
- Increased benefits to local communities through job creation and from the sustainable use of natural resources and wildlife management within Protected Areas and adjacent hunting and tourism concession areas;
- Gathering of consistent and comparable natural resources and tourism-related information across the SADC region; and,
- Improvement of spatial dimensions of natural resources and tourism management through application of Geographic Information System (GIS) and land-use planning models for evaluating development options.

3.5 Social and Human Development

Economic growth must be accompanied by effective social development programs that enable disadvantaged groups in society to benefit from the expanding opportunities it provides. Regional integration and cooperation can support the efforts of member countries by helping them plan for human capital development and by

developing the policies, institutions, and infrastructure needed to deliver basic social services to the poor effectively. Consistent with the MDGs, SADC recognizes that each person should have access to basic education, primary health care, and other essential services. Such access creates opportunities for poor people to improve the quality of their lives and to participate more fully in society. A proactive approach needs to be adopted to help reverse social and economic discrimination and to promote initiatives that meet the needs of previously excluded groups. The reach and sustainability of social development is improved when all people, especially the poor and excluded, have an opportunity to participate in shaping public policies and programs. Ensuring that the voice of the poor is heard at all levels of decision making is central to the success of social development efforts.

The most important strategy of fighting poverty is by empowering the people. It is better to empower the population right from the tender age in order to entrench a sense of responsibility and aspiration to contribute to the development of society. Everybody would like to realise one's self-esteem somehow. Access to education and health plays an important role in empowerment, though acquiring knowledge and good health one is able to look forward to better things to come with clear vision and the will to succeed. More this empowerment should be gender sensitive to ensure that women are not left behind. In this regard SADC should urgently advocate for universal access for all children to education and health for the future of SADC economy lies in how much investment is made in the youth of today and tomorrow.

3.5.1 Human Resources Development

Human capital is often the only asset of the poor, and its development is of fundamental importance in poverty reduction. Building marketable skills, protecting the poor against health hazards and risks, and eliminating harmful practices like child labour are central to the development of human capital. It is necessary to ensure the relevance, quality, and quantity of social services to boost the productivity and participation of all members of society. The correlation between family size and self-perpetuating poverty is generally strong, especially in rural areas. Most countries realize the need to reduce population growth by giving highest priority to (i) ensuring universal education for girls, (ii) providing accessible reproductive health services, and (iii) increasing economic opportunities for women.

In recent years there has been an increase in the flow of unskilled labour across borders to work on farms or other jobs that do not require skills. These migration do face many difficulties including risking their lives. Poverty is what drives them and for those who manage to get employment, they are able to remit their income back to their countries of origin to assist their families. While the Protocol on the facilitation of

movement of natural person is in place, it does not cater for unskilled labour needs. Consideration should be given to allowing seasonal labour during the peak times without any hindrance. This would remove the fear of deportation and ensure the labourers of safe return the next season.

A few countries in the region are benefiting from remittances and other financial flows coming from both skilled and unskilled labour working outside the country. The movement of migrant labour should be given consideration and be protected socially and economically against abuse or exploitation. It is important that this be done at regional level.

3.5.2 Community Cohesion Funds

When poverty is pronounced, social cohesion is often weak, and communities suffer from conflict, marginalization, and exclusion. This happens within and between countries and can be a major stumbling block to regional integration if not addressed adequately. In such cases, strong, proactive policies are required to reverse perceptions of social and psychological inferiority, to foster a sense of empowerment, and to create genuinely participatory institutions. Specific measures may be required to provide suitable social services and equitable access to economic opportunity for localised disadvantaged population groups or underserved communities. Community cohesion funds are handy and allow government to target specific communities especially in rural areas to kick-start economic activities that directly benefit the poor.

Community cohesion funds can be structured as multi-sectoral programmes that provide financing for small-scale public investments targeted at meeting the needs of the poor and vulnerable communities and contributing to development at the local level. They can play an important role in funding community projects, empowering communities, building linkages between communities and their local governments. The community cohesion funds strategy aims at empowerment, capacity building, and sustainability with a focus on long-term objectives. Typical projects for community cohesion funds may include local infrastructure (schools, health centres, water supply and sanitation, electrification, local roads, small bridges); social services (day care centres, orphanages, schools health posts, community centres); productive capacity (small-scale community agro-processing, communal tractors, small-scale irrigation schemes, community-based natural management projects, community tourism projects).

Some of the observed advantages of community cohesion funds include improved allocative efficiency by delivering public goods and services in a way that fits local preferences; allowing local communities to handle manage the implementation of the projects that affect and benefit them; provide a platform to operationalise community

empowerment through use of participatory techniques; enables central government speed up application of budgeted financial resource and improve service delivery. Some of the shortcomings include absence of exit strategy, that is, the need for the long-term system of service delivery; and weak cross sectoral coordination especially when financed through donor resources.

Recommendations

- i) Investigate the potential benefits of adopting community cohesion funds as a method of speeding up service delivery at national level;
- ii) Encourage donor to invest in community cohesion funds with a view to maximise resource mobilisation for local community projects;

3.5.3 Social Protection

Every society has people who are vulnerable because of age, illness, disability, natural disasters, economic crises, or civil conflict. Social protection comprises a cluster of programs designed to assist individuals, households, and communities to manage risks better and to ensure economic security. Such programs include old age pensions, unemployment and disability insurance, and social safety nets. Also included are policies to improve labour mobility and to enforce labour standards. Adopting efficient strategies and public programs for managing risk and vulnerability can help enable the poor and the excluded to participate in economic growth and development.

Promote and strengthen multi-sector social protection systems to reduce vulnerability of the poor:

- ❖ Social protection against economic downturn;
 - ❖ Social protection against natural disasters and
 - ❖ Social protection against individual risks
- Welfare instruments
 - Insurance instruments
 - Resilience building instruments

Recommendations

3.6 Cross cutting issues

3.6.1 Gender and Development

Majority of the poor in the region are female and in most SADC countries women suffer disproportionately from the burdens of poverty and are systematically excluded from access to essential assets and services. Therefore improving the status of women is central to any strategy to reduce poverty in the region as it status addresses a key aspect of poverty and provides important socioeconomic returns through reduced health and welfare costs and lower rates of fertility and maternal and infant mortality. Giving women a voice, empowering them and promoting their full participation socio-economic and political issues can make important contributions to the overall development of society.

Mainstreaming gender in all policies, programmes and projects is paramount but stand-alone projects or project components targeting gender issues are designed and implemented. Such interventions will be required as long as structural constraints and barriers restrict women's development. This is especially true where cultural traditions dictate the segregation of sexes or in situations where women require special assistance to enable their full participation in economic and social activities.

Pro-active measures to build assets of women and to connect them to markets are essential if SADC is to succeed in meeting the challenges of shared growth. A distinguishing characteristic of SADC economies is that *gender* differences lead to men and women playing substantially different economic roles. As already alluded to, much of SADC's informal economic activity is in the hands of women. Studies have shown that women's dominant role in agriculture as food producers. The different structural roles of men and women in the market economy are coupled with their equally different—and unbalanced—roles in the household economy. In addition to their prominence in agriculture, women bear the brunt of domestic tasks: processing food crops, providing water and firewood, and caring for the elderly and the sick. Because men and women differ in their access to, and control over, productive and other assets, economic capacities and incentives are strongly gender-differentiated in ways which affect supply response, resource allocation within the household, labour productivity, and welfare. These differences have implications for the flexibility, responsiveness, and dynamism of the economy, and directly limit economic growth.

The results of both macro- and micro-level analyses portray a remarkably consistent picture of gender-based asset inequality acting as a constraint to growth and poverty reduction in SADC. Beyond education, gender differentials in other areas, such as access to land and agricultural inputs, and labour force participation and labour productivity, also matter for economic growth and poverty reduction. Empowerment of women therefore is key to poverty reduction.

Finally, women-owned businesses account for a significant portion of Africa's MSMEs, and they face even more difficult obstacles to growth and expansion.

Recommendations

- i. SADC countries collectively and individually should empower women across the board including in having access to the means of production and rights to own properties;
- ii. Regional special initiatives should be put in place to improve women's access to finance;
- iii. Gender should be mainstreamed in all intervention areas of the SADC Regional Poverty Reduction Framework.

3.6.2 HIV and AIDS

The SADC region is one of the most affected regions with very high levels of HIV and AIDS infections. Countries have worked hard to reduce the rates of infection through awareness campaigns and it appears in some countries the incidence is declining. The impact of HIV and AIDS on poverty is formidable. The pandemic reduces the capacity of the individual to work, or participate in productive activity, drains on income as hospital bills increase and withdraws one member of the family for productive in order to attend to the sick. This generate a spiral of poverty movement in the affected family.

The issue of HIV and AIDS requires that it be mainstreamed in all areas of intervention so that there is a united fight against the virus.

3.6.3 Statistics (M&E)

The need for statistical information and data for analysis and monitoring implementation of decisions and agreements is crucial, more so as the region commits to fight poverty. While individual Member States collect of information, it is incumbent upon the SADC Secretariat to collate and transform it into a user friendly data that can be used for evaluating progress towards poverty eradication at the regional level. SADC therefore needs to strengthen its poverty related statistical capacity and its ability to disseminate the statistical information to end users. It will also be necessary for SADC to carry out a poverty mapping exercise so that it is clear on the geographical nature of poverty in the region to facilitate better targeted interventions at national as well as regional level.

The SADC Secretariat is in a better position to build strategic skills necessary for strategic management of statistical development processes in the region including coordination, programming and prioritization, planning and resource mobilization, monitoring and reporting. It also would be able to:

- ❖ Support the implementation of the various programmes and initiatives that the global statistical community has already put in place to produce data needed for country development and to monitor poverty profiles and manifestations;
Support the initiatives to scale-up the assistance in statistical capacity building at national and regional levels for purposes of improving poverty monitoring and evaluation; and
- ❖ Build sustainable capacity to address data limitations, and mobilizing and prioritizing use of resources;

Recommendations

- i. SADC should urgently carry out a regional poverty mapping survey which would clearly show the geographical distribution of poverty in the region and its profile;
- ii. SADC should enhance the capacity, skills and competencies of the National Statistics Offices in order to improve their collection, collating, dissemination and reporting of statistics on poverty;
- iii. SADC should scale up capacity building at the SADC Secretariat to enable it to translate the data sets into that which can be used for monitoring and evaluation of progress made in eradicating poverty at the regional level

3.6.4 Private Sector Development

The private sector which has been described as catalytic for growth and job creation has a direct role in poverty reduction. It can participate through public-private partnership in building physical and social infrastructure including provision of basic services that will benefit the poor. For the private sector to contribute more effectively to the delivery of such services, an enabling environment must be established, and the financial sector must be developed. An effective regulatory framework becomes critical to promote competition, enforce fair practices and standards, and ensure that essential services reach the poor.

Development of a strong and dynamic private sector is crucial to long-term, rapid economic growth and is necessary for poverty reduction. SADC must create an enabling environment for private sector participation in regional policy development and to generate business opportunities through public sector operations. The contribution of the private sector to poverty reduction is enhanced through developing enterprises, expanding infrastructure and other public services, and bettering the quality and terms of employment by improving corporate governance and responsibility. Private operators can provide infrastructure and public services and projects targeting the poor

through various mechanisms including public-private partnerships. Regulatory reform must precede sector-specific approaches such as privatization, contracting-out, and private-public partnerships.

In order to improve the investment climate and enhance the capacity of SADC and foreign entrepreneurs to invest and engage in business SADC must address the high cost, high risk business environment at both national and regional level. Indeed the combination of high regulatory costs, unsecured land property rights, inadequate and high cost infrastructure, policy uncertainty, high financing costs for firms, etc increases the cost of doing business. In order to identify and address impediments to private sector development SADC would need to apply proven diagnostic methods including the Investment Climate Surveys, the Doing Business indicators which benchmark the impact of cross cutting investment climate issues, the value chain analyses to identify the binding constraints to growth in a specific industry, and industry specific policy issues. A SADC regional investment climate survey can provide vital information for potential cross border investments in terms of articulating the real issues that may impede business operations in the region.

Recommendations

- i) Regional policy on private sector development taking into account the views of all the stakeholders including civil society, donors and others. This should seek to strengthen regional and national private sector institutions to play a meaningful role in regional policy processes.
- ii) SADC should develop short term programmes supporting entrepreneurship into educational curricula, covering all levels from primary school to higher education to foster entrepreneurial spirit and knowledge. Private sector representatives should be involved into both the concept and roll-out phases of these programmes;
- iii) SADC private sector desk should create a network of one-stop-shops that help company start-ups and reduce the cost of registration and a concrete timetable for the implementation of State programmes enhancing this;
- iv) SADC should design capacity building programmes for the private sector to enable it to actively participate in the necessary reforms. The access of private sector actors to donor funding for capacity building initiatives should also be improved;

4. Monitoring and Evaluation

The SADC countries will need to monitor and periodically review the implementation of the regional poverty reduction framework in order to improve and fine tune policy interventions to address poverty in the region.

Monitoring is a critical component of country poverty reduction strategies, and an area where there is a compelling need for harmonization or standardization of indicators across countries. Monitoring compliance with agreed regional policies is also an important element of the mandate of the regional organizations. With poverty reduction as the primary objective of national policies, multi-country monitoring may extend beyond the macro and trade frameworks and cover all key pillars of national poverty reduction strategies, including income poverty, infrastructure and the social sector (education, health, social safety, etc.). Likewise, multilateral surveillance may be extended to cover country poverty reduction strategies.

Monitoring is also a cost-effective regional activity however the SADC Secretariat still lacks capacity in this area including institutional arrangements such rules and process for requesting standardized information from countries on a regular basis. Therefore coordination of the implementation and monitoring the regional poverty reduction framework would require the establishment and strengthening of a dedicated monitoring and reporting function at the SADC Secretariat.

Cross-country poverty analysis and monitoring will be beneficial to all countries and will stir progress in the fight against poverty. It would add value to country poverty work by facilitating harmonization of indicators, standards and methods. It would fasten the pace of reforms and execution of national poverty reduction strategies. It would provide not only “absolute” benchmarks such as MDGs, but relative regional “best practice” which countries could seek to emulate. It would also allow cross-country comparative performance analysis, which, in turn would create a “competitive” dynamic situation in favour of best practices in poverty work and catalyze the fight against poverty.

Strengthening capacity for poverty work at regional and national levels could kick start the activities and give priority to building capacity at SADC Secretariat for addressing poverty issues. The main objective is to improve analytical capacity for integrating poverty and social dimensions in the SADC peer review process and monitoring performances. The capacity building for poverty work could extend to SADC National Committees which coordinate regional poverty interventions at national level. The SADC Secretariat can improve poverty monitoring information through i) identification and regular production of standardised tables of indicators for assessing poverty and development at regional level. Indicators can be drawn from country poverty monitoring information but may require additional effort to improve harmonisation and standardisation of data and methods; ii) development and installation of a regional poverty data base at a central location e.g. SADC Statistics Unit. This will required close cooperation between the Macroeconomic Convergence Unit, Trade Implementation Unit, Strategic Planning Unit and Statistics Unit.

The monitoring of the implementation of the framework must be carried out by way of output, outcome and impact indicators. Output indicators will include information from national and regional institutions and other implementing

agencies relating to the activities on the implementation of the framework. Outcome indicators will relate to the direct results of activities being implemented by national and regional institutions and other stakeholders (implementing agencies). Impact indicators will provide information on key variables which measure the accomplishment of the ultimate objective of the framework and specific actions taken by the member states and the region in fulfilment of the framework purpose.

Regional Poverty Observatory is a function of the SADC Secretariat that will enable it to monitor and report on the implementation of the regional poverty reduction framework. The regional poverty observatory function will part of the mandate of the Strategic Planning Unit which coordinates the implementation of the RISDP. The observatory function will coordinate stakeholder participation in the implementation of the framework, compile periodic progress reports and uptake stakeholders. Stakeholder liaison is very important to maintain interest in the project. It will be a network of poverty monitoring units in member countries which acts as a forum for sharing experiences. The key stakeholders to participate in the forum will include government, private sector, civil society and donors.

The appropriate SADC Policy Organs including the Summit must deliberate on the progress report and provide guidance to the implementation of the framework.

Recommendations

- i) Strengthen the monitoring and reporting capacity of the SADC Secretariat through allocating a specific function to the Strategic Planning Unit of regional poverty observatory;
- ii) SADC Secretariat will have to unpack the regional poverty observatory function and articulate key activities and resource requirements for carrying out such a function more effectively;
- iii) Develop and adopt a protocol on Statistics that will provide the legal basis for the SADC Secretariat to solicit information from member states and produce the required statistical information;

5. Resource Mobilisation

A Resource mobilisation strategy for the implementation of the framework must take into account the specific role for each key stakeholder and its potential to contribute to achieving the objectives of poverty eradication in SADC. The role of each stakeholder must be clearly articulated including expectations regarding the fulfilment of such role. The resource mobilisation strategy must be based on a realistic implementation plans and budgets. Governments have the primary responsibility to coordinate mobilise public resources at national and regional levels. Governments will have to be more innovative in identifying new sources of finance and expertise in order to fully implement the framework. In this regard, domestic resource mobilisation is a priority. Key components of a resource mobilisation strategy must include

support to the informal and semi-informal financial sectors in addition to the formal financial sector.

Saving instruments for poor households fall into four categories: non-financial savings, informal financial savings, formal financial savings and semi-formal financial savings. The composition of household savings portfolio determines availability of funds for investment, and is therefore relevant to a country's development. In most poor households savings consist mainly of physical assets and some financial savings held in the informal financial sector. Thus, only a small part is available for productive investment into the formal economy. Households, especially in rural areas, often hold considerable diverse portfolios of non-financial assets, such as livestock, stocks of goods for trading, grain and construction materials that are acquired as stores of wealth, and are often bought or sold in the informal economy in such a way as to smooth consumption patterns. The informal financial sector, which refers to all institutions and transactions occurring outside the country's official financial services system, offers a wide range of saving instruments from simple deposit collection to large self-organized saving groups and saving pools.

The informal financial sector

Institutions offering financial services in the informal sector range from large savings groups to individual moneylenders. The range of services offered is similarly vast, with a large array of different savings collection instruments and lending arrangements, including non-commercial financial transactions between friends and relatives. Some of the most prevalent institutions in this sector are deposit collectors, moneylenders and credit associations. There are also micro-insurance groups that pool small contributions from members and make funds available for particular events such as weddings or funerals. Remittances also may go through the informal financial sector channels to reach their intended beneficiaries. Financial transactions in the informal financial sector are typically small and frequent, reflecting the low level of disposable income and the high liquidity preference of poor households and small businesses.

The sector is dynamic, varied and responsive to the needs of the population in terms of financial services. Informal financial institutions rely on personal relations and repeated transactions as principal risk-reducing strategies. The social pressure exerted by the community in which transactions take place is also of key importance in reducing the likelihood of fraud or default. This reliance on personal relations and social pressure constrains the expansion of informal financial institutions beyond the community level. With the advent of new information and communication technologies (ICTs), however, the transaction costs that limit the scale of operations of these institutions should be reduced to a minimum. This may pave the way for turning the informal financial sector into playing an important role in financial intermediation especially to meet the informal sector financial needs. Government intervention may be necessary to facilitate turning the sector into one of the

important role players in financial intermediation based on its strong capacity for savings mobilization at bottom end of the market.

The semi-formal financial sector

An emerging semi-formal financial sector in the region specializes in providing financial services to households and small businesses that do not have access to formal financial institutions. This semi-formal sector could become an important actor in savings mobilization for households if appropriate measures are taken to facilitate its development. The semi-formal sector also holds great potential in terms of improved savings mobilization in the region. If semi-formal institutions succeed in offering safe and reasonably liquid savings instruments that generate positive returns for many households, there could be a substantial increase in financial savings available for profitable investments due to reallocation from both nonfinancial assets and financial assets currently held in the informal sector.

The rapid expansion of microfinance institutions is an important development and requires public support in order to play a meaning full role in poverty reduction. Microfinance commonly refers to financial institutions dedicated to assisting small enterprises, the poor and households that have no access to the more institutionalized financial system, in mobilizing savings and obtaining access to financial services. They include institutions from the informal sector as well as a small but growing part of formal financial sector institutions. Some microfinance institutions are registered and often regulated to some degree, yet are not treated as banks or subject to the strictest application of prudential regulation. The semi-formal sector also holds a potential for bridging the financial services gap that still exists between the informal and formal financial sectors.

The choice of saving instrument reflects issues of access, reliability and relevance of available saving instruments to meeting households' saving needs. The assets they hold are substitutes for insurance and credit, which are not available to them. The saving pattern thus created is one of irregular and short-term saving in which there can be as much saving as dis-saving. The financial requirements of households therefore call for safe saving instruments that allow small transactions at frequent intervals. The very high proportion of non-financial assets in household savings portfolios suggests that the financial sector is currently not adequately fulfilling these needs. Many microfinance institutions use the methods and sometimes even the agents of the informal financial sector in providing financial services to poor and rural areas without incurring prohibitive costs. There are also linkages emerging between microfinance institutions and banks as microfinance institutions use large formal banks for deposit and credit facilities.

Semi-formal microfinance institutions deal with risk partly by using agents and methods, such as group-based lending, from the informal financial sector. The main form of risk management, however, is the development of a large client base and the limitation of loan amounts. The strengthening of this semi-

formal sector can potentially contribute to deepen and diversify financial systems in the region. These institutions can play a crucial role in financing small and medium-sized enterprise growth. They can also participate in increasing the mobilization and pooling of financial resources, thereby contributing directly to increasing the amount of domestic resources available for productive investment in the formal economy.

Financial intermediation is limited and inefficient in the formal sector, almost non-existent in the informal sector and only emerging in the middle ground between the two. An essential part of enhancing the role of domestic resources in economic development will be increasing the quantity and quality of financial intermediation. Greater integration between the formal and informal financial sectors, possibly through the expansion of the semi-formal sector, would increase the coverage of the financial sector and ensure that the financial needs of more households and firms are met. A more integrated financial sector would be better able to pool mobilized resources and perform essential maturity transformation between volatile savings and stable long-term investments. An efficient financial system with better coverage could raise the level of financial resources in the economy, make a larger proportion of these resources available for investment and improve the allocation of funds for productive investment.

Governments can also coordinate multi-stakeholder partnerships that include government, private sector, civil society and donors in the execution of specific programmes and projects that have been agreed upon. This leverages capacity and resources of the stakeholders in order to achieve a common objective of eradicating poverty in the region.

Private sector has the potential and the ability to make substantial contribute to the implementation of the framework through formulation and execution of projects and programmes that have impact on poverty. Some of the projects can be part of the core activities of firms while others can be part of corporate social responsibility activities. However, SADC must engage the private sector in an institutionalised dialogue that considers all regional policies that impact on the activities of the private sector.

Civil society can a role to play in mobilising resources for the carrying out of the activities of the framework through direct implementation of own projects on the ground and in collaboration with other stakeholders. Civil society can provide additional financial resources over and above the direct contribution by donors but also provide technical expertise to regional institutions and national implementing agencies.

Development partners will play a major role in financing the activities of the framework through bilateral and multilateral envelopes. It is therefore important to include them in the monitoring and evaluation forum to be coordinated by the Strategic Planning Unit through its poverty observatory function.

The Diaspora has an important role to play in terms of mobilising resources for the implementation of SADC programmes. The contribution can be in form of expertise and direct financial contribution if conditions and incentives are created for this purpose.

6. Institutional Framework for Implementation

The Extra-ordinary Summit on Regional Integration (October 2006) noted that there is a culture of poor implementation of decisions and agreements in SADC as Member States assume obligations that are unenforceable and non-binding. Various protocols have been agreed upon but implementation is behind schedule in many cases. As SADC accelerates regional economic integration, there must be mutual accountability, regular monitoring, auditing and reporting mechanisms and sanctions' regime for those countries that fail to comply with agreed targets and commitments. The adherence to transparency and reporting standards must take full cognisance of the need to report back and consult other stakeholders including the private sector in the Member States with the view to obtaining their respective inputs on alleviating regulatory compliance burdens. Consultations and partnership with relevant stakeholders can improve the rate of implementation and therefore make a difference in the delivery system.

The directorates and business units will play a major role in the coordination and facilitation of the implementation of the framework as the proposed interventions will be integrated defused into the current ongoing work of the SADC. This fulfils the RISDP's objective of mainstreaming poverty eradication in all its priority interventions. The activities in the framework will be integrated and budgeted for in respective directorates and business units and therefore becomes an integral part of performance management of the directors and heads of business units.

The role of the Strategic Planning Unit will be to provide monitoring and reporting services through the regional poverty observatory function that is proposed in this framework. This coordination requires strengthening of the Strategic Planning Unit by building capacity for monitoring and reporting. The overall coordination of resource mobilisation including analysis of potential interests and identifying and engaging new sources must also be undertaken in the Strategic Planning Unit. Information will be passed to respective directorates and business units for follow up on sector or thematic specific leads. Stakeholders will be involved in the implementation of sector and thematic interventions through the respective directorates and business units.

The regional poverty observatory function will enable the SADC Secretariat to periodically provide and organised forum for exchange of 'best practice' and act as 'hub' for coordinating technical assistance to country poverty work. The forum can play an important role of providing a platform for stakeholder participation in the monitoring of the implementation of the regional poverty reduction framework.

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