



# **SADC Major Achievements and Challenges**

25 Years of Regional Cooperation  
and Integration

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## Acknowledgements

The production of SADC Major Achievements and Challenges was a process that involved many stakeholders in the SADC region.

We wish to acknowledge the ideas and work of various researchers, scholars and writers which have been drawn upon in the development of this publication.

Special acknowledgements go to Rama Arya and Annie Snoeks of Southern African Marketing Company (Pty) Ltd. who compiled the draft manuscript and sourced the photographs.

Many thanks are also due to Dr. Prega Ramsamy (Former Executive Secretary) and Albert Muchanga (Former Deputy Executive Secretary); Fudzai Pamacheche, Dr. Nicolau Sululo, Dr. Moeketsi Senaoana, Chowa Chanda, Jabulani Mthethwa, David Hollinrake and Regine Qualmann of the TIFI Directorate; Mr. Remigious Makumbe, Dr. Charles Kunaka and Fanile Mathangwane of the I&S Directorate; Margaret Nyirenda, Sandy Davies, Bentry Chaura, Dr. Bonaventure Mtei, Richard Masundire and Daniso Mbewe of the FANR Directorate; Stephen Sianga and Tracy Mudzi of the SHDSP Directorate; Dr. Antonica Hembe, Dr. Erika Malekia, Innocent Modisaotsile and Manasa Dzirikure of the HIV and AIDS Unit; Joao Ndlovu of the Politics, Defence and Security Directorate; Bookie Kethusegile-Juru and Christine Warioba of the Gender Unit; Dr. Angelo Mondlane of the Policy and Strategic Planning Unit; Dr. Stephen Kokerai and Dr. José Barroso of the Legal Affairs Unit; Clement Kanyama and Ernest Mwemutsi of the Finance Unit; Arthur Nemalekonde and Assa Guambe of the Statistics Unit; Tracy Zinanga of the Resource Mobilization Unit; Petronilla Ndebele, Mpho Kgosidintsi and Maria Tali of the Corporate Communications Unit; Pooransingh Jaddoo of the ICT Unit; Rosalind Thomas and Stuart Kufeni of DFRC; the Walvis Bay Corridor Group; Shepherd Nyaruwata of RETOSA; Charles Nkhoma of SPGRC; SADC National Contact Points; and various SADC non-State actors who all contributed in the review of the manuscript.

And finally we would like to thank the Department of Information Services in Botswana; Communications Unit and FANR Directorate at the SADC Secretariat; Government Communication and Information System, Department of Foreign Affairs, Office of the President and South African Tourism in South Africa; Southern African Marketing Company (Pty) Ltd.; and Zambia Information Services for the photography used in this publication.

## Foreword



**President Festus G. Mogae  
Chairperson of SADC**

Dear Readers,

As we commemorate our organization's 25<sup>th</sup> anniversary it is with great pleasure and pride that I welcome you to 'SADC Major Achievements and Challenges'. This document not only chronicles and celebrates SADC's achievements over the last 25 years, but goes a step further recalling SADC's very beginnings of how our people came together as a Community as well as discusses the region's current challenges and future opportunities.

Our Community, dear Readers, is more than a political grouping. It has a past and a future whose roots can be found in the liberation movements and in the Frontline States. But, more fundamentally they are revealed in the hearts and souls of our proud sons and daughters of the soil who have stood together in their insistence that this region be transformed into something new and different.

SADC has without doubt come a long way since its launching in Lusaka, Zambia in 1980. We can look back with pride and satisfaction on the progress made over the past 25 years in all our joint endeavours aimed at improving the quality of life of our peoples. Our visionary Founding Fathers' pioneering leadership made a significant contribution in ushering an era of political independence, peace, security and stability in our region.

This solid foundation paved the way for the historic transformation of our organization in Windhoek, Namibia in 1992 from a loose alliance to a cohesive Community geared to meet the daunting challenges and potential opportunities presented by both a wider regional social economic space and globalization.

The eventual adoption of Protocols in nearly all our major areas of cooperation and integration, the restructuring of the organization and the launching of the Regional Indicative Strategic Development Plan (RISDP) as well as the Strategic Indicative Plan for the Organ (SIPO) are all clear testimony of our leaders' dedication to the practical realization of these ideals and shared vision.

With the effective implementation of the regional development blueprints underway, we now look up to a better future with great optimism and confidence in pursuing our Common and ambitious Agenda. The great strides we have made in the area of trade among our Member States from a mere 5 percent in 1980 to about 25 percent today, gives us great hope that we can reach our target of 35 percent by 2008 in a Free Trade Area Arrangement to which all our Member States are committed.

We are also vigorously addressing supply constraints by generating the much-needed energy through the Southern Africa Power Pool, which was established to expand electricity trade and to reduce energy costs. With the construction of highways such as the Trans-Kalahari and Trans-Caprivi, there is increased flow of goods and services within the region. In the same vein, Development Corridors such as the Maputo, Beira, Limpopo, Mtwara, Nacala and Lobito Corridors are unlocking the development and trade potential of our Member States.

On the macro-economic front, progress continues to be registered. For a record of 11 years, the region has sustained positive economic growth rates which in 2004 stood at 4.1 percent in comparison to the growth rate of 3.2 percent in 2003. With peace and stability consolidated in the last troubled spots of our region, higher than average growth rates have been recorded in Angola, Mozambique and the Democratic Republic of Congo of 11 percent, 7.8 percent and 6.3 percent respectively. In addition, two SADC Members States, Botswana and Malawi had average growth rates of 4.8 percent and 4.9 percent respectively which were above SADC's average growth rate.

Notwithstanding these positive developments, we should guard against complacency since the region is still confronted with a number of challenges such as poverty, food insecurity and the HIV and AIDS pandemic.

Dear Readers, SADC was not formed for transient strategic benefit. Our Community is the product of our own history, and a beacon for our future. We have been, and must continue to be, guided by an appreciation that it is the legacy of our own people's timeless demands for dignity, democracy and development in our past, present and future.

President Festus G. Mogae  
Chairperson of SADC  
October 2005

## Preface



**Dr. Tomáz Augusto Salomão**  
**SADC Executive Secretary**

In the 25 years of its existence, SADC has made tremendous achievements in a number of areas of regional cooperation and integration notably, in the areas of governance, democracy, peace and security; infrastructure and services; trade, industry, finance and investment; food, agriculture and natural resources; and social and human development. Notwithstanding these achievements, our region still has a long way to go in order to emerge as an effective and competitive player in international relations and world markets.

The SADC Major Achievements and Challenges is a one of its kind publication which not only showcases SADC's achievements during the past 25 years but elaborates on its roots as well as its challenges and way forward at this momentous stage of its being.

The document is composed of 5 chapters. The first chapter – Introduction – is the backdrop explaining what SADC is about as well as emphasizing the potential of the region. In chapter two – Regional Integration in Southern Africa – the concept of regional integration and cooperation in Southern Africa is outlined, together with stages of regional integration in SADC and the costs/benefits of regional integration in general.

Chapter three – The Achievements of SADC – is the core of the document. It provides an overview of the major achievements of SADC during the past 25 years and includes the main intervention areas of the Directorates under the RISDP. The chapter covers the important aspects of the Trade Protocol in some detail, as it is the heart of regional integration and ends with the cooperation between SADC and the International Cooperating Partners.

Chapter four – Challenges – elaborates the key economic, social, and political challenges as well as some institutional and integration challenges. It also explains how the RISDP and SIPO respond to these challenges. Lastly, chapter five – The Way Forward – highlights priority areas for action by SADC in order to achieve its vision.

It is my sincere hope that you will find this document a useful source of information on SADC and more specifically on its achievements in regional integration and cooperation during the past 25 years.

Dr. Tomáz Augusto Salomão  
SADC Executive Secretary  
October 2005



## Chapter 1. Introduction

### A Region with Potential

The Southern African Development Community comprises of Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, the United Republic of Tanzania, Zambia and Zimbabwe. It is a diverse group of nations, ranging from least developed countries, small island and land-locked states to countries with vast land masses and resources and with considerable potential.



SADC nations represent a growing family with dynamic complementarities and the potential to become a united trading block, ready to take on the opportunities and challenges presented by globalization and the multilateral trading system. SADC also represents a union of countries determined to forge ahead toward a brighter future.

SADC's market has grown from a population of 60 million in 1980 to over 228 million in 2005. The sharp increase is attributed to natural growth as well as new Member States that have joined over the years, increasing from nine founding nations to the present 14 members. Seychelles withdrew its membership in 2004 but the number was restored as Madagascar was unanimously admitted as the 14th Member by the Summit, held in Gaborone, in August 2005.

SADC is aware that regional political instability can divert attention away from economic integration initiatives. Hence, the region has made considerable efforts to maintain continued political stability to attract cross-border and Foreign Direct Investment. SADC is striving to become one of the safest and most stable destinations of foreign investment in the world.

The region's resources are abundant, ranging from its people with a rich historical and cultural heritage to stunning natural features, including several World Heritage Sites such as

Tsodilo Hills in Botswana, Virunga National Park in the Democratic Republic of Congo, Lake Malawi National Park, the Island of Mozambique, the Ngorongoro Conservation Area, Kilimanjaro National Park and Zanzibar Stone Town in the United Republic of Tanzania, the Greater St. Lucia Wetlands Park and Robben Island in South Africa, Victoria Falls in Zambia and Zimbabwe, Great Zimbabwe National Monument and Mana Pools National Park in Zimbabwe and many more.

The attractions of the region to major tourist markets are the abundant wildlife in game reserves and natural parks, the pleasant climate, the unspoilt sandy beaches and special natural habitats and features such as the Okavango Delta, Mount Kilimanjaro, Table Mountain, Victoria Falls and the Maluti Mountains.

Tourism is one of the fastest growing industries in the SADC region with immense possibilities for further development. The SADC region received 15.1 million tourist arrivals in 2004 compared to 12.2 million in 2000. This accounted for 1.95 percent of the global arrivals or a growth of 24 percent.

The SADC region is well endowed with mineral resources that provide considerable potential for industrial development including precious and base metals, industrial minerals and precious stones. The SADC region is a major reservoir of some of the world's most valuable minerals, many of which have not been exploited to the full. Currently less than 10 percent of this mineral wealth is consumed within the region mostly because the mining sector is almost entirely integrated into the world economy.

**Table 1. Mineral Reserve Base of the SADC Region**

MINERAL	UNIT	WORLD	SADC	% SADC
Chromite	Mt	44,446	41,290	92.9
Platinum Group Metals	Tonnes	67,041	58,900	87.9
Manganese	Mt	4,796	3,992	83.2
Gold	Tonnes	46,000	24,500	53.0
Uranium	Kt	2,320	289.7	12.5
Coal	Mt	525,500	60,000	11.5
Nickel	Mt	123.3	12.8	10.4
Phosphate Rock	Mt	33,710	3,440	10.2
Copper	Mt	595	47	7.9
Cobalt	Kt	8,800	555	6.3
Antimony	Kt	4,690	250	5.3
Iron Ore	Mt	101,100	5,900	5.2

Source: SADC Secretariat.

Of the over 900 million hectares of total SADC landmass 147 million hectares is arable land. Consequently, agriculture plays a major part in the SADC regional economy, contributing 35 percent to its Gross Domestic Product. About 70 percent of its people depend on it for food, income and employment. In addition, agriculture is a dominant source of exports in many countries, on average contributing about 13 percent to total export earnings and about 66 percent to the value of intra-regional trade. The performance of the agricultural sector has a strong influence on the rate of socio-economic development, poverty reduction and regional integration. Given the fact that many SADC economies are agro-based, many investment opportunities exist in food processing, agribusiness, and clothing and textile.



In order to encourage domestic and international investors in all the areas with development potential, SADC embarked on a programme aimed at inflation targeting, macro-economic stability and the creation of a wider economic space. Member States continue their efforts to improve economic growth in order to reduce poverty and achieve sustainable development.

The SADC region constitutes a small market, smaller than that of Turkey and about one-fifth of the United States market. However, within the African context, its aggregate Gross Domestic Product (GDP), amounting to US\$187.7 billion in 2000, is more than double that of ECOWAS and equivalent to more than half of Sub-Saharan Africa aggregate GDP.

SADC has maintained positive growth trends, which began in the early-1990s. In fact, throughout the mid-1990s, the SADC region recorded growth rates of above 2.7 percent. The average economic growth rate for the region in 2004 was 4.1 percent compared to 3.2 percent in 2003.

SADC's total volume of exports (estimated at US\$66 billion) is more than double that of ECOWAS and COMESA. While Gross National Product (GNP) per capita fell over the last two decades (from US\$1,023 in 1980 to US\$932 in 1999) the region still has the highest level of income per capita compared to other regional arrangements on the continent.

<b>Table 2. GDP, Exports and GNP per Capita; 1970-2000</b>									
<b>GROUPS</b>	<b>Nominal GDP (US\$ billion)</b>			<b>Exports (Volume, 1995 US\$ billion)</b>			<b>GNP per Capita US\$ (Atlas Method)</b>		
	<b>1970</b>	<b>1980</b>	<b>2000</b>	<b>1970</b>	<b>1980</b>	<b>2000</b>	<b>1970</b>	<b>1980</b>	<b>1999</b>
SADC	32.4	130.6	187.7	32.2	35.7	65.9	355	1,023	932
COMESA	24.0	76.0	97.8	n/a	15.1	28.2	n/a	n/a	260
ECOWAS	21.0	97.2	81.9	14.4	22.1	29.3	176	622	316
SUB-SAHARAN AFRICA	63.8	270.9	333.2	52.1	66.6	112.1	205	648	492

Source: World Bank, SIMA, Regional Database, 2001.

SADC is focusing on increasing its competitive advantage as a Sub-Saharan Africa destination for investment through deepening cooperation amongst its Member States. To date, 24 Protocols have been signed which provide the legal framework for implementation of agreed decisions at regional level. Some of the key areas agreed by Member States to make SADC an attractive investment destination include macro-economic stability, infrastructure developments and regional peace and stability. SADC is viewed as the region with the greatest potential to spearhead the African Renaissance.



The SADC Flag was launched at the 15<sup>th</sup> SADC Summit held in August 1995, in Midrand, South Africa.

## SADC's History

### The Frontline States

The very earliest expression of regional political, economic and social cooperation and integration in Southern African States can be traced back to the Mulungushi Club (1970-1974), the immediate predecessor to the Frontline States. Its original four members were the United Republic of Tanzania, Uganda (until Idi Amin replaced Milton Obote in a 1971 *coup*), Zaïre (Mobutu attended meetings from 1973) and Zambia. Its name reflected its nature - that of an informal group of respected Heads of State rather than an inter-State institution. It had as its focus the liberation of Southern Africa. Its relatively small size allowed it to meet frequently and at short notice.

The structured and documented idea of the establishment of SADC took root in the subsequent Frontline States, which, bonded by historical, economic, political, social and cultural factors, championed solidarity and unity among the leadership and peoples of the region, thus fostering a common identity and a sense of belonging.

During the 1960s, the struggle for political independence in the region gained momentum. The United Republic of Tanzania and Zambia established the Frontline States (FLS), with Botswana joining in 1975; Mozambique and Angola joined upon their independence in 1975, Zimbabwe at the attainment of its independence in 1980 and Namibia in 1990.

The concept of the FLS was born out of the Organization of African Union (OAU) and its Liberation Committee, and on the basis of the United Republic of Tanzania's role as the main rear base for those liberation movements intent on waging war against settlers in Angola, Mozambique, Namibia, South Africa and Zimbabwe. Zambia would, likewise, accept the responsibility at the attainment of independence and provided support and a resource base for the struggle for Southern African liberation. By the turn of the 1970s Botswana was overtly within the FLS and played an invaluable role in support of the struggle, welcoming refugees from Angola, Namibia, South Africa and Zimbabwe.

The commitment of the three African leaders, namely: Mwalimu Julius Nyerere of the United Republic of Tanzania, Kenneth Kaunda of Zambia and Sir Seretse Khama of Botswana, to the struggle for political independence of their Southern African neighbours is legendary. Interestingly, Nigeria, a complete outsider played a critical fundamental role in the liberation

of Southern Africa to such an extent that the Frontline States were always referred to as the Frontline States + Nigeria.

Against a backdrop of mass poverty, economic underdevelopment and the ever-present threat of destabilization by apartheid South Africa, the need to work together became increasingly apparent to the leaders of Southern Africa as a pre-condition for political survival, economic development and social advancement.

The Frontline States became the vehicle through which the region could coordinate its efforts, resources and strategies to support national liberation movements, and at the same time resist the constant military and economic destabilization by apartheid South Africa.

### **Birth of the Conference**

In May 1979, Foreign Ministers of the Frontline States met in Gaborone, Botswana to discuss economic cooperation. They agreed to convene an international conference in Arusha, the United Republic of Tanzania, with donor governments and international development institutions.

The Arusha Conference of July 1979 brought together for the first time, government and international agency representatives from all parts of the world to discuss regional cooperation in Southern Africa. The Conference recommended the formation of a formal structure to coordinate efforts and promote collective action.

Thus, the leaders of nine independent States – Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe – driven by the need to complement political independence with economic emancipation, met in Lusaka on 1 April, 1980 to launch the Southern African Development Coordination Conference (SADCC).

Adopting the Lusaka Declaration, “Southern Africa: Towards Economic Liberation”, the Summit drew up a Programme of Action covering areas of transport and communications, food and agriculture, industry, manpower development and energy.

At the regional level, the main SADCC institutions were the Summit of Heads of State or Government, which had responsibility for overall policy direction and control of the functions of the Conference; the Council of Ministers, which reported to the Summit, oversaw the work and development of SADCC and approved SADCC policies; the Standing Committee of Officials, which was a technical advisory committee and advised the Council; and the Secretariat, which was responsible for the coordination and management of SADCC programmes.

In response to new realities and circumstances, the Member States gradually expanded the areas of common interest, focusing on functional cooperation in key sectors and developing joint projects.

Much was achieved through SADCC in the various cooperation areas. The greatest achievement, however, was the establishment of a firm foundation for regional integration. SADCC fostered confidence and a spirit of regional solidarity among Member States as well as a sense of regional belonging that went beyond governments to ordinary people in various spheres of life.

## From SADCC to SADC

Namibia's independence in 1990, significant progress towards the demise of apartheid in South Africa and a rejuvenated continental and international push towards stronger regionalism moved SADCC towards deeper regional integration.

At their meeting in Windhoek, Namibia on 17 August<sup>1</sup>, 1992, the SADC Heads of State and Government signed a Treaty transforming the "SADCC" from a coordination conference into the Southern African Development Community (SADC), and redefined the basis of cooperation among Member States from a loose association into a legally binding arrangement.

Since its inception, SADC has inculcated a sense of regional belonging as well as a tradition of consultation among the peoples and governments of Southern Africa, which, among other things, has improved regional security. It has also formulated the SADC Programme of Action, which covers cooperation in several economic and social sectors, and implemented several infrastructure and other projects. Furthermore, SADC has developed Protocols in a number of areas of cooperation, which provide the legal framework for cooperation among Member States.

## The Restructuring of SADC Institutions

While SADC recorded some remarkable achievements, difficulties and constraints have also been encountered. These include lack of institutional reforms for effective transformation from SADCC into SADC, lack of synergy between the objectives of the Treaty on the one hand and the existing SADC Programme of Action and institutional framework on the other, and finally lack of appropriate mechanisms capable of translating the high degree of political commitment into concrete programmes of community building and integration.

In order to address these constraints, SADC embarked on the restructuring of its institutions with a major objective to increase the efficiency and effectiveness of SADC policies and programmes and to implement a more coherent and better coordinated strategy to eliminate poverty in the region. The Heads of State and Government approved the restructuring of SADC institutions at their Extraordinary Summit held in March 2001, in Windhoek, Namibia. Under the restructuring, the 21 sectors were grouped into clusters under four Directorates at the SADC Secretariat. At the national level, SADC National Committees now coordinate their respective individual Member State interests relating to SADC. At the regional level, an Integrated Committee of Ministers (ICM) was created to coordinate the work of different clusters. The new structure also includes the Troika system and the Organ on Politics, Defence and Security.

The restructuring has considerably improved coordination and communication within SADC. Decisions are made more expeditiously through the Troika system consisting of Chair, incoming Chair and immediate past Chair of SADC making the organization more effective in responding to issues of regional interest. The pace of regional integration is now desirable following the design of a Common Agenda, key priorities, goals and a regional development plan guided by the vision of SADC.

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<sup>1</sup> 17 August is SADC Day



To buttress the restructuring, two roadmaps have been developed: the Regional Indicative Strategic Development Plan (RISDP), the anchor of the SADC Development Agenda, and the Strategic Indicative Plan for the Organ on Politics, Defence and Security (SIPO), the linchpin of a safe environment for the attainment of the SADC Development Agenda. The Regional Indicative Strategic Development Plan (RISDP) was approved at the SADC Summit in Dar es Salaam, the United Republic of Tanzania, in August 2003. At an Extraordinary Summit in Blantyre, Malawi on 14 January 2002, the Organ was mandated to prepare the Strategic Indicative Plan for the Organ on Politics, Defence and Security (SIPO). RISDP and SIPO were launched in 2004. They provide strategic direction with respect to SADC programmes and activities and have a direct bearing on improving the life of citizens in SADC. They are also intended to make effective use of the opportunities for development that globalization presents, while containing the adverse effects of global trends.

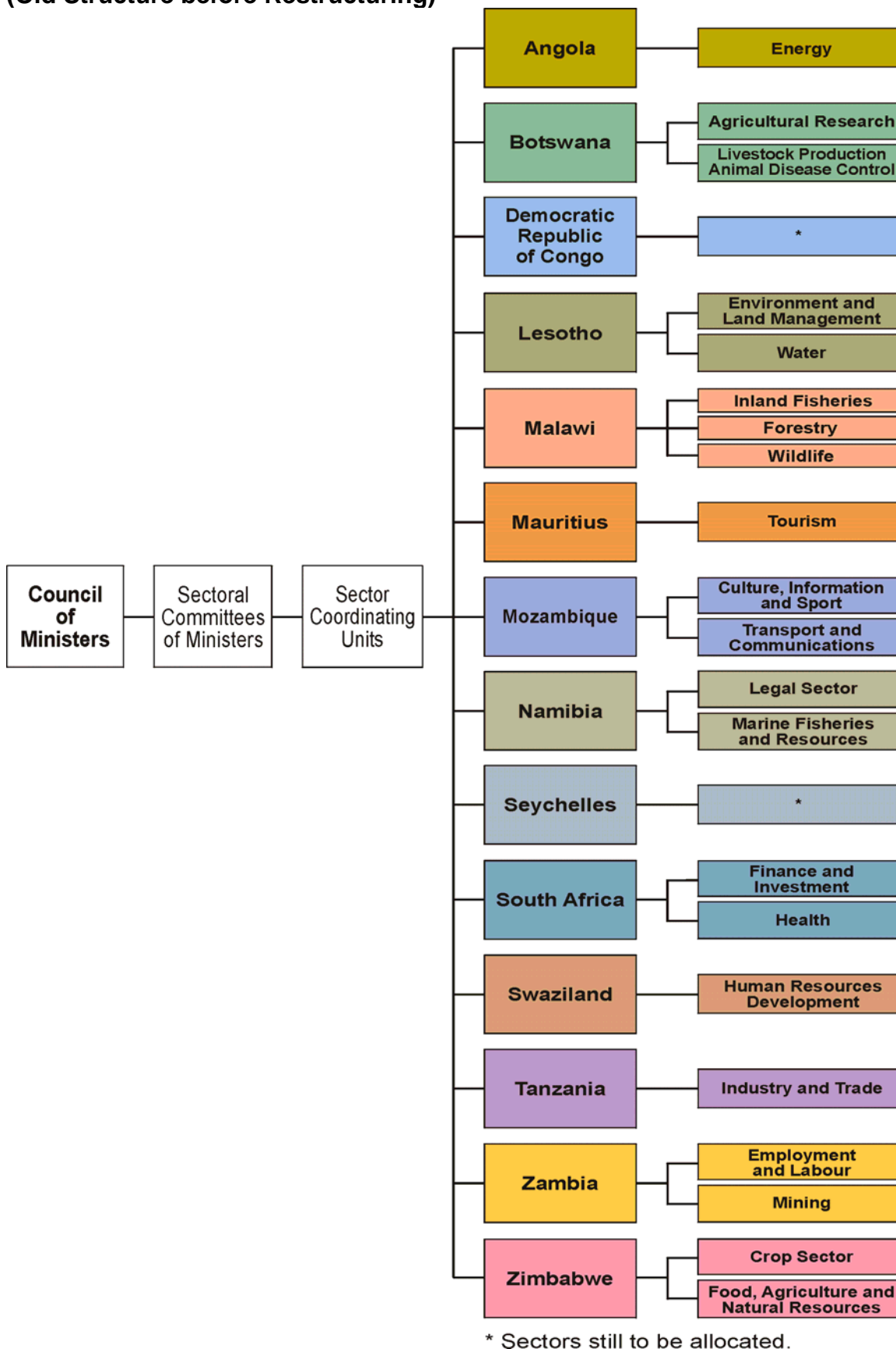


**The RISDP launch at the SADC Council of Ministers Meeting in March 2004 held in Arusha, the United Republic of Tanzania.**



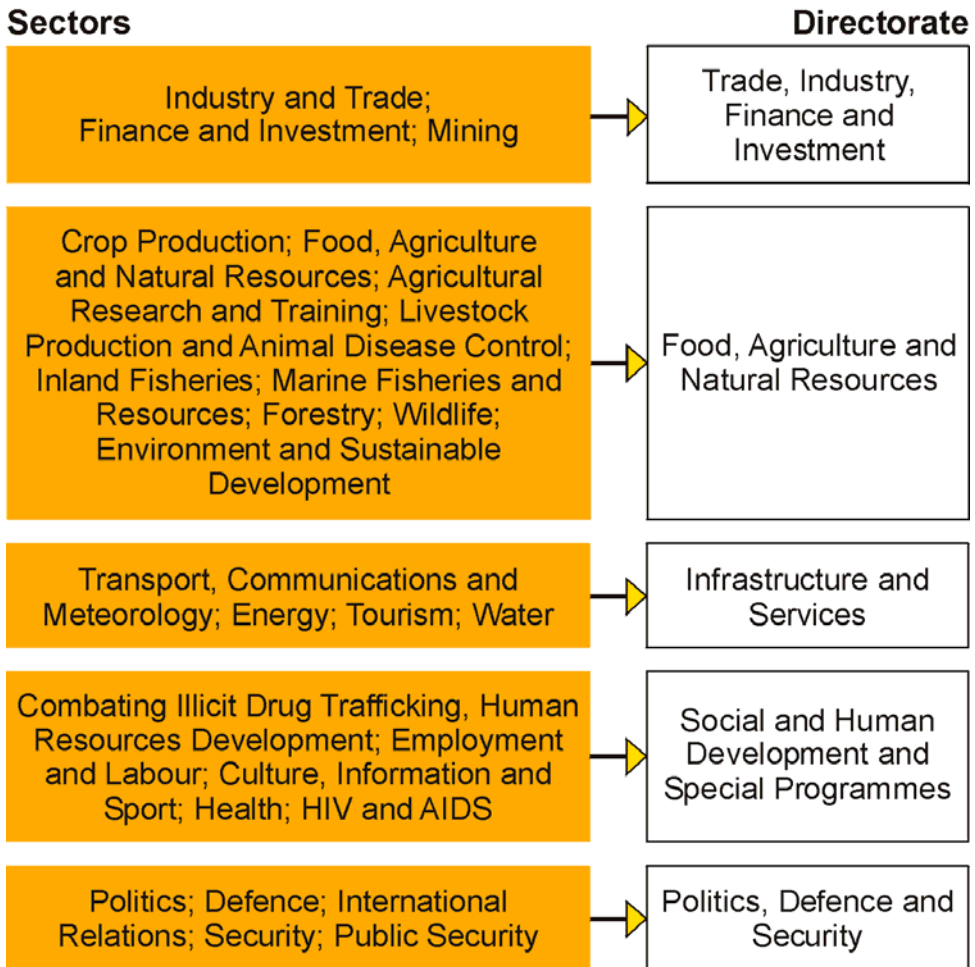
**The launch of SIPO by Prime Minister Prof Pakalitha Mosisili of Lesotho, at the SADC Summit held in Mauritius in August 2004.**

**Figure 1. SADC Sectoral Responsibilities  
(Old Structure before Restructuring)**



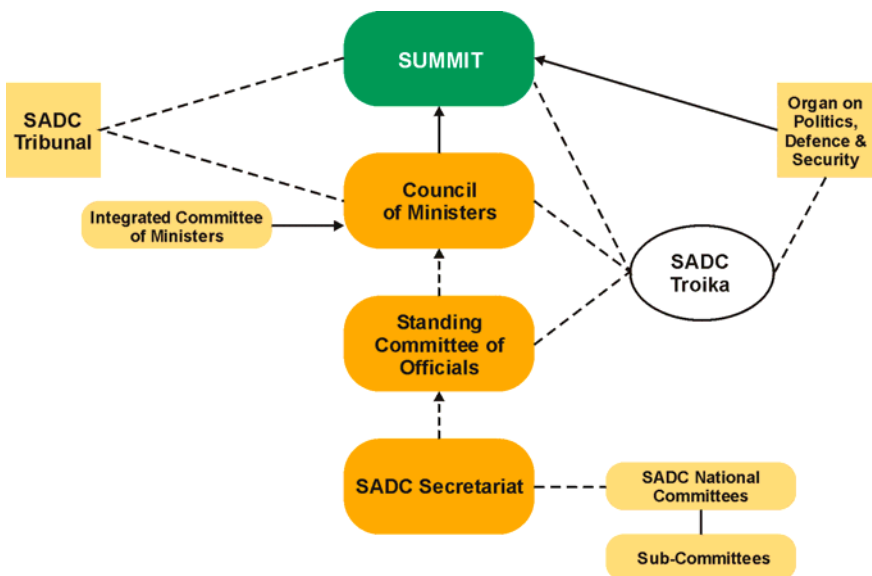


**Figure 2. SADC Sectoral Responsibilities – Areas of Cooperation (New Structure after Restructuring)**



SADC Institutions

**Figure 3. Structure of SADC (Institutional Framework)**



The principal institutions of SADC are as follows:

### Summit

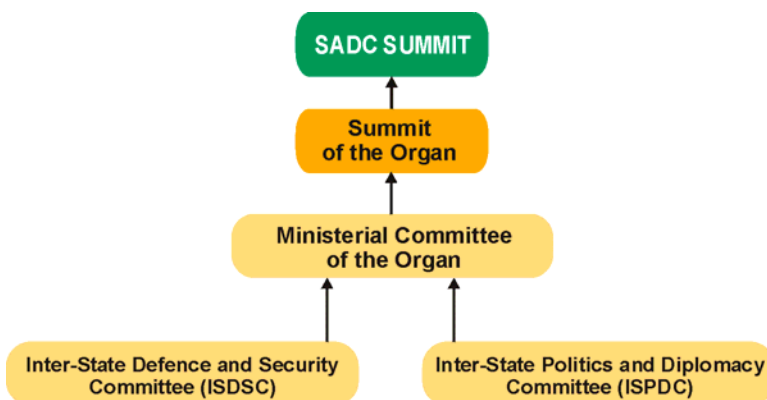
Consisting of Heads of State and/or Government of all Member States, the Summit is the supreme policy-making institution of SADC. It is responsible for the overall policy direction and control of functions of SADC. The Summit elects a Chairperson and Vice-Chairperson of SADC for an agreed period on the basis of rotation and meets at least twice a year. The decisions of the Summit are by consensus unless otherwise provided in the Treaty. The Summit decisions are binding.

### The Troika

The Troika is a system that consists of the Chair, Incoming Chair and the Outgoing Chair. It enables the organization to execute tasks and implement decisions expeditiously and provide policy direction to SADC institutions in the period between regular SADC meetings. The Troika system operates at the level of the Summit, the Organ on Politics, Defence and Security, Council and the Standing Committee of Officials.

### Organ on Politics, Defence and Security Cooperation

**Figure 4. Structure of the Organ on Politics, Defence and Security Cooperation**



The achievement of the objectives outlined in the RIDSP depends, to a large extent, on the level of peace, security and political stability of the region. Over time, SADC has structured itself in a manner designed to make its efforts to preserve peace and security more effective.

Formal cooperation in the areas of politics, defence and security can be traced back to the creation of the Inter-State Defence and Security Committee (ISDSC) by the Frontline States in 1977. The Frontline States with ISDSC as its military wing played a pivotal role in the liberation of Southern Africa. The FLS was the forerunner of the SADC Organ on Politics, Defence and Security Cooperation, which was established at the SADC Summit of Heads of State and Government held on 28 June 1996, in Gaborone, Botswana. On 14 August 2001, in Blantyre, Malawi, the Summit amended the Treaty and the Organ was then formally established as one of the SADC institutions.

The Organ is the political arm of SADC. It is chaired by a Head of State or Government and reports to Summit. The Chairperson and Deputy of the Organ are elected for one year on the basis of rotation from among the Member States. The Organ's Ministerial Committee is made up of the Ministers responsible for foreign affairs, defence, public security and State security

from the SADC Member States. It meets at least once a year but can meet more often at the request of the Ministerial Committee of the Organ (MCO), Inter-State Politics and Diplomacy Committee (ISPDC) or Inter-State Defence and Security Committee (ISDSC). The ISPDC meets at least once a year, and is made up of Ministers responsible for foreign affairs. This committee performs functions relating to politics and diplomacy and reports to the Ministerial Committee. The ISDSC meets at least once a year, and is made up of Ministers responsible for defence, public security, safety and State security. The committee performs such functions as may be necessary to achieve the objectives of the Organ relating to defence and security. It also reports to the Ministerial Committee. SIPO provides the institutional framework for the day-to-day implementation of the activities of the SADC Organ on Politics, Defence and Security Cooperation, the Protocol on Politics, Defence and Security Cooperation and the Mutual Defence Pact.

As part of the restructuring of SADC institutions, a new sub-structure was set up within the SADC Secretariat, namely, the Directorate for Politics, Defence and Security.

### **Council of Ministers**

The Council of Ministers consists of Ministers from each Member State, usually from the Ministries of Foreign Affairs and Economic Development, Planning or Finance. The Council is responsible for overseeing the functioning and development of SADC and ensuring that policies are properly implemented.

### **Integrated Committee of Ministers (ICM)**

This is a new institution aimed at ensuring proper policy guidance, coordination and harmonization of cross-sectoral activities. It is constituted by at least two Ministers from each Member State and it is responsible to Council. The ICM has decision-making powers *ad referendum* to ensure rapid implementation of the programme that would otherwise wait for a formal meeting of Council. The ICM also monitors and controls the implementation of the RISDP.

### **Standing Committee of Officials**

The Standing Committee of Officials consists of one Permanent/Principal Secretary or an official of equivalent rank from a SADC National Contact Point of each Member State. This Committee is a technical advisory committee to Council. It also plays the role of clearinghouse for all documents to be submitted to Council for consideration.

### **Tribunal**

The Tribunal ensures adherence to, and proper interpretation of the provisions of the SADC Treaty and subsidiary instruments, and adjudicates upon disputes referred to it. The composition, powers, functions, procedures and other related matters are prescribed in the Protocol on the Tribunal and the Rules and Procedures Thereof. The SADC Summit held in Gaborone, August 2005, appointed ten members of the Tribunal, of whom five are permanent members.

### **SADC National Committees**

These Committees are made up of key stakeholders from government, private sector and civil society in Member States. Their main function is to provide inputs at the national level into the formulation of regional policies, strategies, the SADC Programme of Action (SPA) as well as to coordinate and oversee the implementation of these programmes at the national level. The Committees are responsible for the initiation of projects.

## Secretariat

This is the principal executive institution of SADC, which is responsible for strategic planning, coordination and management of SADC programmes. It is headed by an Executive Secretary and it is based at the headquarters in Gaborone, Botswana.



**The SADC Secretariat in Gaborone, Botswana.**

## SADC's Vision and Mission

### The SADC Vision

The SADC vision is one of a common future, a future in a regional community that will ensure economic well-being, improvement of the standards of living and quality of life, freedom and social justice and peace and security for the peoples of Southern Africa. This shared vision is anchored on the common values and principles and the historical and cultural affinities that exist between the peoples of Southern Africa.

### The SADC Mission

The SADC mission is to promote sustainable and equitable economic growth and socio-economic development through efficient productive systems, deeper cooperation and integration, good governance, and durable peace and security, so that the region emerges as a competitive and effective player in international relations and the world economy.

## SADC's Finance, Budgeting and Resource Utilization

<b>Table 3. Results, Budget and Forecasts for SADC Secretariat, 2003/2004 - 2009/2010</b>							
	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>Actual</b>	<b>Projected Outturn</b>	<b>Budget</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
<b>INCOME</b>							
Member Contribution	10,901,852	9,988,805	13,694,243	15,748,379	18,110,636	20,827,231	23,951,316
Donors and Grants	4,349,263	6,310,618	23,079,891	25,439,140	27,983,054	30,781,359	33,859,494
Other Income	385,955	100,000	100,000	126,500	139,150	153,065	168,371
<b>TOTAL INCOME</b>	<b>15,637,070</b>	<b>16,399,423</b>	<b>36,874,134</b>	<b>41,314,019</b>	<b>46,232,840</b>	<b>51,761,655</b>	<b>57,979,181</b>
<b>EXPENDITURES</b>							
Personnel	4,104,381	5,423,496	5,377,502	6,184,127	7,111,746	8,178,508	9,405,284
Administration Costs	3,842,108	3,840,328	4,968,309	5,713,555	6,570,588	7,556,176	8,689,602
Capital	233,890	201,970	135,130	255,491	281,040	309,144	340,058
<b>SUB-TOTAL</b>	<b>8,180,109</b>	<b>9,686,172</b>	<b>10,480,941</b>	<b>12,153,173</b>	<b>13,963,374</b>	<b>16,043,828</b>	<b>18,434,944</b>
Programmes	7,456,961	6,933,629	26,393,193	29,160,845	32,269,466	35,717,827	39,544,237
<b>TOTAL EXPENDITURE</b>	<b>15,637,340</b>	<b>16,619,801</b>	<b>36,874,134</b>	<b>41,314,019</b>	<b>46,232,840</b>	<b>51,761,655</b>	<b>57,979,181</b>

Source: SADC Secretariat.

The SADC budget for operational costs of the Secretariat as well as the budget for the implementation of SADC's 15-year development plan, as enshrined in the RISDP is funded by Member States as agreed upon by Council. Council also determines from which other sources revenue can be sourced.

The SADC Secretariat's operating rules and procedures require that donor supported projects are processed through Council for alignment with Member States' own development plans. To ensure this alignment, experts from Member States participate in the Secretariat's budgeting. Furthermore, the ICM and the finance sub-committee make sure that there is congruence of activities by SADC Secretariat and Member States in implementing the SADC programmes.

A complete picture on the total resources committed by the region towards the RISDP involves review of the SADC Member States annual budgets. The RISDP programmes are being facilitated and implemented for 10 percent by the SADC Secretariat and 90 percent by Member States.

In February 2002, Member States agreed to have an equitable formula to share the increasing Member States budget, after factoring in the development partners' support, of the SADC Secretariat.

The formula has been worked out as follows:

- GDPs for three consecutive years for all Member States are obtained from the respective governments through the SADC statistics committee.
- An average GDP for each Member State for three years is calculated.

- A nominal contribution for each Member State is computed proportional to its average GDP.
- This notional contribution for each Member State is tested against two ceilings.
  - If it is more than 20 percent of the Member States' total contributions, then the Member State will pay 20 percent
  - If it is less than 20 percent of the Member States' total contribution the Member State will pay 5 percent as a starting point.
  - The balance of undistributed Member States' total contributions is then proportionally shared among those Member States that pay less than 20 percent of Member States' total contributions budget at the ratio of their average three-year GDPs.
- The end result is that no country pays more than 20 percent or less than 5 percent of the Member States' total contributions budget.

In August 2005, Summit agreed that any Member State with a population of less than 500,000 would only pay 2 percent of Member States' total contributions budget.

In view of resource constraints faced by Member States, funding for the Secretariat budget has been increasing at an unsustainable rate. The development partners are being harnessed to provide further resources towards the RISDP. The development partners and the Secretariat are working on a resource delivery framework, which will crystallize the undertakings, commitments and obligations of both parties towards supporting the implementation of the RISDP. The framework will also seek to harmonize the processes of development aid delivery to enhance aid effectiveness.

Other options to increase funding are still being developed including the establishment of a SADC Project Development and Preparation Fund, a SADC Projects Financing Facility and a SADC Development Fund.

### **SADC Development Fund (SDF)**

A feasibility study is underway for the establishment of a SADC Development Fund (SDF) that would mobilize both domestic and international resources for investment in the region. This institution is provided for in the SADC Treaty. The study recommended the establishment of a Project Preparation and Development Facility (PPDF) to be funded by KWFT and Member States. If this facility is approved, it will be hosted by one of the Development Finance Institutions, possibly the Development Bank of Southern Africa. The issue of the SADC Development Fund has to be pursued under a different approach as provided for in the Treaty.

The Sub-committee of Development Finance Institutions was tasked to manage the study. Results from the first phase of the study pointed out that the region has a lot of resources but is lacking bankable projects.

The SADC Development Fund or Facility will permit participation of partners, namely the private sector and donors, in all phases of the project development cycle including project preparation, feasibility phase and financial structuring. By allowing partners to be co-funders of the projects, the Facility would play a catalytic role as a "promoter/investor", thereby raising confidence levels among other potential investors/financiers.

A separate institution, the SADC Development Finance Resource Centre is exploring mechanisms of raising the necessary resources for the implementation of the RISDP.



### **Development Finance Resource Centre (DFRC)**

The SADC Development Finance Resource Centre (DFRC) was established in July 2003 under the SADC *principle of subsidiarity* pursuant to its approval by the SADC Council of Ministers at their October 2002 Meeting in Luanda, Angola. Also approved at the same meeting was the SADC-wide Development Finance Institutions (DFI) Network comprised of 23 national DFIs in the region.

The DFRC and the Network are viewed as part of an emerging three-dimensional Development Finance System for the region and, as a self-help initiative of SADC countries. A SADC Project Preparation and Development Fund (PPDF), which will be engaged in the preparation, promotion and development of bankable projects for investment constitutes the third leg of the emerging finance system.

The DFRC was set up as a sub-regional centre of excellence to strengthen the SADC DFI Network and enhance the DFIs' capacity to deliver on their mandates towards the goal of regional integration to achieve economic growth, employment generation and poverty eradication. These objectives, which are articulated under the SADC RISDP, are also mirrored at the continental level within the developmental frameworks of NEPAD and the AU.

To render critical support to SADC in achieving its RISDP goals, the DFRC has placed delivery on infrastructure/Public-Private Partnerships (PPPs) provision and on support for SMEs at the centre of its strategy for the next five years. This is in recognition of their critical importance to private sector development, job creation and ultimately poverty eradication. Other key focal areas of the DFRC are institutional strengthening, central to its capacity building programmes, and financial sector strengthening and reform and capital markets deepening, a core deliverable of its policy research and advisory services programmes.

Owing to its lean nature, the DFRC largely plays the role of facilitator and catalyst in pursuing its mandate. This is achieved through formal arrangements with reputable institutions, including universities and local DFIs, as strategic partners and associates. Since its establishment, the DFRC has achieved notable successes, among them, several training courses and attachments; managing a NEPAD project to develop a quantitative and analytical appraisal methodology for PPPs in Africa and the setting up of PPP Facilitation Units at several DFIs; a research project and case studies on business linkages between big business and SMEs; and research/ advisory programmes that render support to the key sectors.

To complement resource mobilization, deliberate efforts are being made to improve resource utilization through the provision of adequate and skilled institutional capacity.

## Chapter 2. Regional Integration in Southern Africa

Regional economic integration has evolved over time and has many forms. Regional integration has become increasingly popular after decades of failures and successes. The European Union is largely seen as a success.

SADC, MERCOSUR, ASEAN and APEC are new at regional integration, building on the lessons of others. The new integration schemes aim to complement not to detract from the process of multilateral free trade. Even in a global world economy, it is natural for countries to trade significantly more with their regional partners than with more distant ones of equal size.

Every country's political and economic stability depends on their neighbours forming a flourishing market, rather than a depressed source of potential migrants and unemployed people without purchasing power. To be a market, your neighbours must be able to export as well as to import. Growing markets need investment and trade to be based on confidence about the economic rules of the game.

Successful regional integration will depend on the extent to which there exist regional institutions with adequate competence and capacity to stimulate and manage efficiently and effectively, the complex process of integration.

Integration requires mechanisms capable of achieving the high level of political commitment necessary to shape the scope and scale of the regional integration process. This implies strengthening the powers and capacity of regional decision-making, coordinating and executing bodies.

Integration implies that some decisions which were previously taken by individual States are taken regionally, and those decisions taken nationally give due consideration to regional positions and circumstances. Regional decision-making also implies elements of change in the locus and context of exercising sovereignty, rather than a loss of sovereignty.

### The Coordination Conference (SADCC)

The formal establishment of structures to promote regional cooperation and integration in Southern Africa started as an initiative directed initially towards the political liberation of the region.

Most of the countries of Southern Africa ultimately achieved political independence and the leaders saw the promotion of economic and social development through cooperation and integration as the next logical step after political independence.

Accordingly, in April 1980 in Lusaka, Zambia, they founded SADCC through the adoption of the Lusaka Declaration entitled "Southern Africa: Toward Economic Liberation".

The birth of SADCC was thus in many ways an outcome of historical and political factors that brought the key countries together in regular contacts and consultations.

The founders of SADCC saw the organization as an instrument of regional development, with the objectives of reducing dependence, particularly on apartheid South Africa, through effective coordination of utilization of specific characteristics and strengths of each country

and its resources. They sought to forge links to create genuine and equitable regional integration; to mobilize resources for implementing national and inter-State policies; and to take concerted action to secure international cooperation within the framework of the strategy of economic liberation.



**The founding fathers of SADC – the SADC Heads of State and Government at the historic 1980 SADC Summit in Lusaka.**



**Signing of the momentous Lusaka Declaration by Sir Seretse Khama at the SADC Summit on 1 April, 1980.**

Above all, SADC reflected the spirit of Pan Africanism and the latter's preoccupation with the need for regional integration as the means towards African continental unity and the recovery of African dignity and status in global affairs. These principles were enshrined in both the OAU Treaty of 1963 and the Lagos Plan of Action of 1980 and the Final Act of Lagos.

In pursuance of these objectives, the organization focused on functional cooperation in key sectors through a Programme of Action known as the SADC Programme of Action (SPA).

## SADCC Policies

The dependence of SADCC Member States on apartheid South Africa was most obvious in the sectors of transport and communications (six out of the 10 SADCC Member States are landlocked), general trade (South Africa was the source of manufactured consumer goods for several of the countries) and employment (migrant workers from all over the region worked in South Africa). But their dependence was not only on South Africa. The historical pattern of the region's development, as a source of raw materials for the world powers ensured that the region was dependent on agricultural and mineral primary products for up to 90 percent of export earnings. Meanwhile, the region relied heavily on imported consumer, intermediate and capital goods. Hence, the initial focus of the SPA was on coordination in these sectors. The SPA was intended to address the immediate needs of the Member States while reflecting the common interest.

The SADCC approach to regional cooperation, which was based on discrete projects, was to be balanced so as to offer mutual benefits. The project-based approach was to address national concerns through regional action. A decentralized structure was adopted under which different sectors were allocated to each Member State.

The projects remained property of the Member State(s) and regional projects were defined in terms of the common benefit they yielded to more than one country.

Through the presentation of a continuing series of forward looking themes to its Annual Consultative Conferences with its International Cooperating Partners, SADCC was able to stimulate a region-wide discussion and on occasion a broader international debate on major policy and strategic issues.

Several of SADCC's theme documents had a direct bearing on SADCC's subsequent approach to the formulation, expansion and implementation of sectoral programmes, for instance on the role of the business community as the engine of growth and development; on enterprise, skills and productivity, and human resources as the primary factor in development; and on the need for balanced economic development and integration.

SADCC coordinated regional positions on major issues of concern to its Member States and its international partners, for example its publication in the mid-1980s of "The cost of destabilization". Regional consultations on contingency planning issues played an important role in alerting Member States and International Cooperating Partners to the potential difficulties and dangers to the region.

This work had a direct impact on the planning, design and implementation of the SPA.

## SADCC Strategies and Planning

As progress was being made, it had become clear that for SADCC to achieve its objectives the project-based coordination needed to be situated within sector-specific policy frameworks and strategies linking the objectives of the *Lusaka Declaration* with specific activities at regional and national levels. Such an approach would provide a basis for prioritization of programmes and projects and the criteria for evaluation of progress.

The sector coordination approach underscored the need to build collective self-reliance, mutual trust and confidence and it was on this basis that the organization evolved over the years. The number of areas of cooperation increased, as the number of Member States rose,

since each was allocated at least one sector to coordinate, but also in response to new challenges like HIV and AIDS. As the areas of cooperation increased, the SPA expanded.

In the planning processes of the organization, the operational basis remained the projects and it proved its limitations in the form of overlap, conflicting priorities and doubtful regional relevance. Difficulties were also encountered in coordinating national and regional sector policies and plans. There were divergencies between national and regional perceptions of sectoral objectives, data and information gaps surfaced, and capacity constraints in terms of qualified personnel and adequate management structures to undertake regional sector planning became obvious.

### Regional, Continental and Global Changes

The attainment of independence and sovereign nationhood by Namibia in 1990 formally ended the struggle against colonialism in the region. In some of the other countries, concerted efforts to end internal conflicts and civil strife were bearing positive results. In South Africa, the process was underway to end the inhuman system of apartheid, and to bring about a constitutional dispensation acceptable to all the people of South Africa. These developments took the region out of an era of conflict and confrontation, to one of peace, security and stability, which remain prerequisites for cooperation and development.

On the African continent, efforts continued, mainly under the auspices of the Organization of African Unity (OAU) to promote closer economic relations. In 1991, some of the OAU Heads of State or Government signed the Treaty establishing the African Economic Community. Like the 1980 Lagos Plan of Action, the Treaty made Regional Economic Communities (RECs) the building blocks for the continental community. In light of this development, the SADC Heads of State or Government viewed their efforts at regional integration in Southern Africa as part of this continental effort.

On the global scene, fundamental and far-reaching political and economic changes were taking place. The cold war had ended, and world affairs were increasingly being managed on the basis of consultation and consensus, rather than confrontation and competition. Integration was fast becoming a global trend. Countries in different regions of the globe were organizing themselves into closer economic and political entities. These movements towards stronger regional blocs were expected to transform the world, both economically and politically, as firms within these economic blocs would benefit from economies of scale provided by large markets, to become competitive both internally and internationally. For firms in Southern Africa not to remain behind, it became imperative for a large regional market to be established so that they too could benefit from economies of scale.

By the late-1980s, it became apparent that SADCC needed strengthening. The challenges presented by the profound socio-economic changes taking place in the region and globally necessitated a review of the organization's mandate and priorities.

SADCC had existed as a *de facto* international organization without a treaty of legally binding instrument, consistent with the founding fathers' pragmatic approach, which sought to demonstrate practical benefits of regional cooperation without placing heavy demands on Member States.

In 1989, the SADCC Summit in Harare, Zimbabwe, decided that SADCC should be formalized to “give it an appropriate legal status taking into account the need to replace the Memorandum of Understanding with an Agreement, Charter, or Treaty.”

After four years of preparatory work and consultations, a strong consensus evolved indicating that Member States wanted the mandate and mission of SADCC to focus on concerted efforts towards deeper regional cooperation beyond mere coordination of development projects to equitable integration of their economies.

## The Community (SADC)



**SADC Heads of State and Government at the 1992 Windhoek Summit at which the crucial Windhoek Treaty was signed.**

The change from SADCC “the Coordination Conference” to SADC “the Community” was achieved in Windhoek in August 1992 when Member States signed a Declaration and Treaty establishing the Southern African Development Community (SADC). This change brought with it the redefinition of the basis for cooperation among Member States. Whereas the old SADCC sought to coordinate economies of Member States, the new SADC seeks to integrate them into a single whole.

The entry into SADC of a democratic non-racial South Africa brought into the region a powerful engine for growth and development. South Africa became SADC’s 11<sup>th</sup> Member on 29 August 1994 as an equal partner in a common effort to transform Southern Africa into a region of prosperity. With South Africa as a member, the overall size of the regional market became greatly enlarged and new opportunities for cooperation were created in many areas.





Cheering crowds at Union Buildings, Pretoria – 10 May 1994, the day of Nelson Mandela's presidential inauguration.



The then deputy president Thabo Mbeki of South Africa at the accession of South Africa into SADC on 29 August, 1994.

## [Consolidated Text of the Treaty of the Southern African Development Community, as amended.](#)

### **ARTICLE 4: PRINCIPLES**

1. SADC and its Member States are expected to act according to the following principles:
  - a) Sovereign equality of all Member States;
  - b) Solidarity, peace and security;
  - c) Human rights, democracy, and the rule of law;
  - d) Equity, balance and mutual benefit; and
  - e) Peaceful settlement of disputes.

### **ARTICLE 5: OBJECTIVES**

- a) Promote sustainable and equitable economic growth and socio-economic development that will ensure poverty alleviation with the ultimate objective of its eradication, enhance the standard and quality of life of the people of Southern Africa and support the socially disadvantaged through regional integration;
- b) Promote common political values, systems and other shared values which are transmitted through institutions which are democratic, legitimate and effective;
- c) Consolidate, defend and maintain democracy, peace, security and stability;

- d) Promote self-sustaining development on the basis of collective self-reliance, and the interdependence of Member States;
- e) Achieve complementarity between national and regional strategies and programmes;
- f) Promote and maximize productive employment and utilization of resources of the region;
- g) Achieve sustainable utilization of natural resources and effective protection of the environment;
- h) Strengthen and consolidate the long-standing historical, social and cultural affinities and links among the people of the region;
- i) Combat HIV/AIDS or other deadly and communicable diseases;
- j) Ensure that poverty eradication is addressed in all SADC activities and programmes; and
- k) Mainstream gender in the process of community building.

In order to achieve the objectives SADC shall:

- a) Harmonize political and socio-economic policies and plans of Member States;
- b) Encourage the people of the region and their institutions to take initiatives to develop economic, social and cultural ties across the region, and to participate fully in the implementation of the programmes and projects of SADC;
- c) Create appropriate institutions and mechanisms for the mobilization of requisite resources for implementation of programmes and operations of SADC and its institutions;
- d) Develop policies aimed at the progressive elimination of obstacles to the free movement of capital and labour, goods and services, and of the people of the region generally, among Member States;
- e) Promote the development of human resources;
- f) Promote the development, transfer and mastery of technology;
- g) Improve economic management and performance through regional cooperation;
- h) Promote the coordination and harmonization of the international relations of Member States;
- i) Secure international understanding, cooperation and support, and mobilize the inflow of public and private resources into the region; and
- j) Develop such other activities as Member States may decide in furtherance of the objectives of this Treaty.

In accordance with the provisions of the Windhoek Treaty, Member States agreed to cooperate in a number of areas, and to add new areas of cooperation by decision of Council.

**Under the Treaty Member States have agreed to cooperate in the areas of:**

- Food security, land and agriculture;
- Infrastructure and services;
- Trade, industry, finance, investment and mining;
- Social and human development and special programmes;
- Science and technology;
- Natural resources and environment;
- Social welfare, information and culture; and
- Politics, diplomacy, international relations, peace and security.

*Consolidated Text of the Southern African Development Community, as amended.*

The SADC Treaty is a legally binding and all-encompassing framework by which countries shall coordinate, harmonize and rationalize their policies and strategies for sustainable development in all areas of human endeavour. The Treaty directly affects the lives of individual citizens as it assumed the force of national laws upon ratification by the Member States in September 1993. The Treaty also commits Member States to fully involve the people of the region, and non-State actors in the process of regional integration.

Decisions, policies and agreements entered into under the auspices of SADC are legally binding, and the organization will have the necessary legal instruments to enforce such decisions, policies and/or agreements.

The Treaty provides for Protocols that will set out the principles and procedures under which Member States will conduct their cooperation in specific areas.

Sanctions may be imposed against Member States that:

- Persistently fail, without good reasons, to fulfill obligations assumed under the Treaty;
- Implement policies, which undermine the principles and objectives of SADC; and
- Are in arrears for more than one year in the payment of contributions to SADC for reasons other than those caused by natural calamity or exceptional circumstances that gravely affect their economies, and have not secured the dispensation of the Summit.

### Deeper Economic Integration

The purpose of transforming SADCC into SADC was to promote deeper economic cooperation and integration to help address many of the factors that make it difficult to sustain economic growth and socio-economic development, such as continued dependence on the exports of a few primary commodities. It had become an urgent necessity for SADC governments to transform and restructure their economies. The small size of their individual markets, the inadequate socio-economic infrastructure and the high per capita cost of providing this infrastructure as well as their low-income base made it difficult for them individually to attract or maintain the necessary investments for their sustained development.

Accordingly, SADC opted for a development integration approach which recognizes the political and economic diversities of regional integrating countries including their production structures, trade patterns, resource endowments, development priorities, institutional affiliations and resource allocation mechanisms. It addresses many of the production, infrastructure and efficiency barriers arising from the underdevelopment of the region.

This approach also has the advantage of complementing trade liberalization with sustainable corrective measures, designed to cushion the least developed member countries against shocks arising from the removal of trade barriers. It further, allows Member States to define the scope and sectors of cooperation and to identify appropriate strategies and mechanisms to overcome impediments to integration and to address regional imbalances between Member States.

The RISDP identifies intervention areas that are critical for the achievement of deeper integration. The sectoral cooperation and integration intervention areas are trade, economic liberalization and development, infrastructure support for regional integration and poverty eradication, sustainable food security and human and social development. The cross-sectoral intervention areas are poverty eradication, combating HIV and AIDS, gender

equality and development, science and technology, information and communications technologies, environment and sustainable development, private sector and statistics.

The timeframe outlined by the RISDP to meet the milestones in the region's development include the attainment of a SADC Free Trade Area by 2008, the SADC Customs Union by 2010, the SADC Common Market by 2012 and Monetary Union by 2016. In a SADC Free Trade Area, all tariffs between Member States will be abolished but external tariffs will be left the same.

The achievement of the SADC Customs Union will imply the integration of SACU in the bigger Customs Union. The establishment of a Customs Union in particular, will mean free movement of goods across all borders of SADC, the establishment of a common external tariff against third parties and the removal of other non-tariff barriers that constrain free and easier movement of goods to markets of the region.

Building a Free Trade Area that works would necessitate building much the rest of the SADC framework for deeper integration. The true degree of integration will depend on the extent of removal of all barriers to trade in goods and services and eventually factor movements. It will not be enough to think only about trade policy. All institutions and rules that affect trade will have to be taken into account if deep integration is to be achieved in the region.

### [The Cost/Benefits of Integration](#)

SADC has committed itself to achieve regional integration and to complement the process of multilateral free trade. Very tentative steps toward regional integration will only bring few benefits. SADC needs to realize all its existing plans and go further to realize the full benefits of the Trade Protocol itself.

As borders gradually open up and member countries lift import duties, one immediate effect will be larger markets and lower prices of goods imported from countries that have a comparative advantage, assuming that importers pass on the lower cost to the consumer.

Once Member States remove tariffs and non-tariff barriers, there will be increased competition with all firms competing on equal footing, regardless of their size. Weaker previously overprotected firms will probably downsize, if not shut down. This will result in job losses. The more productive firms with cheaper products will penetrate markets more easily, resulting in expansion and job creation.

Ultimately, countries will need to concentrate on producing products in which they have a comparative advantage, thus benefiting the consumer. In the long run, as countries specialize in areas where they have a comparative advantage, they will absorb the reserve army of labour previously offloaded by downsizing industries. A positive impact on employment will also result from firms becoming more technologically advanced and thus more productive.

However, trade cannot happen unless supply activities are in place. It is therefore, crucial that the Transport and Communications Protocol is fully implemented. Transport costs are a very important cost for landlocked countries. Currently, they are very high and negatively affecting trade and investment. An efficient and cost-effective regional transport system will directly benefit trade in the SADC Member States. There is also a need to better market the transport routes that are already in place and the benefits that can be gained from them.

Implementation of the Education and Health Protocols are essential to ensure that healthy and educated SADC citizens can fully engage in building a prosperous regional economy. In fact, implementation of commitments in all other areas of cooperation in the Community is critical to ensure the benefits of the SADC Free Trade Area and the achievement of the SADC Customs Union, the SADC Common Market and Monetary Union.

SADC members will need to spend a lot of institutional effort, carry out economic adjustments and lose “apparent” sovereignty to build a real economic union. However, not achieving its objectives, SADC stands to lose its credibility but more importantly the historical opportunity to achieve them. Credibility of commitment to integration can have profound effects on investment and growth.

SADC has the opportunity to create a regional economic entity in which goods, services, factors of production and technical know-how can flow freely. Implementation of the SADC Trade Protocol as it is would bring benefits through the SADC Free Trade Area, but the envisaged SADC Customs Union and the Common Market are likely to bring with them even bigger gains.

Member States have to faithfully implement their obligations towards the Protocols that they have signed and committed to, as each Protocol is designed to contribute to the development of the region and its Member States.



## Chapter 3. The Achievements of SADC

When considering the magnitude of tasks SADC set for itself, it is clear that regional integration is at best of times a complex and difficult process. However, in 25 years, SADC has recorded outstanding achievements in different areas of cooperation. SADC has endeavoured to create a dynamism, which has resulted in a regional identity and a SADC brand name.

Ordinary people have been establishing regional organizations as a spontaneous response to the Lusaka Declaration and the SADC Treaty. The enterprise sector has been encouraged to get involved and invest in the region to bring the SADC economies together. The support of International Cooperating Partners for SADC's endeavours has been successfully negotiated.

On the economic front, the SADC region has made significant progress in terms of policy harmonization. In 1980, SADC countries had many socio-economic policies but now all countries in the region believe in market-oriented economic policies. Most SADC Member States have liberalized their economies, brought down budget deficits, liberalized exchange controls and considerably improved overall macro-economic fundamentals.

On the political front, the region has enjoyed unparalleled peace, political stability and security for the past few years following the signing of the Angolan Peace Accord in April 2002 and the installation in the Democratic Republic of Congo of a transitional government on 30 June, 2003. The Principles and Guidelines Governing Democratic Elections have boosted the image of the region as a common investment area and mitigated the risk perception. This should increase investment flows into the region in future.

The organization has managed to formulate a programme of action spanning all the areas of a sectoral and cross-sectoral nature that are critical for the achievement of SADC's objectives, in particular in promoting deeper regional integration, integrating SADC into the world economy, promoting balanced and equitable development, eradicating poverty and promoting gender equality.

The SADC Programme of Action now only includes projects, which are regional in nature and benefit more than one Member State, having spilling over effects. The powers and capacity of regional decision-making, coordinating and executing bodies have been strengthened and legally binding instruments, the SADC Protocols have been developed.

The Regional Indicative Strategic Development Plan (RISDP) and the Strategic Indicative Plan for the Organ on Politics, Defence and Security (SIPO), launched in 2004, align SADC objectives and priorities with the policies and strategies to be used to achieve those goals over a period of 15 years. These roadmaps have been unbundled into short to medium-term business plans, which were approved by Council in February 2005, ensuring that the implementation of RISDP and SIPO rolls into motion.

### Protocols

SADC sectoral Protocols are crucial in the organization's community building and integration process. They provide the legal framework for Member States to cooperate and work together towards the attainment of common objectives, aimed at cementing the social, economic and political fabrics of the Member States.



The institutionalization of the Protocols in the SADC legal framework corresponded to the organization's recognition that a sustained implementation of its policies required, over and above endeavour and political commitment by Member States to the regional integration agenda, legally binding instruments and enforcement mechanisms.

During the past decade, more than two-thirds of SADC Protocols have entered into force and most substantive provisions of the regional integration policy are, to various degrees, under implementation.

The moment Protocols have entered into force it is required that Member States take steps to domesticate them, turning them into national laws. The Protocols are meant to create specific legal regimes in all the areas they regulate, i.e. legal regime on tourism, health, education, mining, etc.

SADC is developing a programme to assist Member States to take the Protocols through their national parliaments. A SADC policy document to be used by Member States as a blueprint for Protocol incorporation is being compiled. The Protocol Implementation programme will seek resources to enable all Member States to domesticate the Protocols so that all will be moving ahead together as one region. International Cooperating Partners have agreed to support public education campaigns and assist parliaments with the incorporation of Protocols into national laws.

The impact of the incorporation of Protocols into national law on achieving deeper integration and community development is expected to be immense. Once Protocols are domesticated, Member States will be working with legislation that is geared towards the development of SADC. Member States' legislation will then deepen integration, as it will stem from regional laws. The domestication of Protocols will also result in the development of a regional jurisprudence based on harmonized laws of Member States.

**Table 4. Status of SADC Signature and Entry into Force of certain SADC legal instruments as at 18 August 2005**

<b>Name of Instrument</b>	<b>Date of Signature</b>	<b>Date of entry into force</b>
SADC Treaty	17 August 1992	30 September 1993
Protocol on Immunities and Privileges	17 August 1992	30 September 1993
Protocol on Shared Watercourse Systems	28 August 1995	28 September 1998
Protocol on Energy	24 August 1996	17 April 1998
Protocol on Transport, Communication and Meteorology	24 August 1996	6 July 1998
Protocol on Combating Illicit Drugs	24 August 1996	20 March 1999
Protocol on Trade	24 August 1996	25 January 2000
Charter of the Regional Tourism Organization of Southern Africa (RETOSA)	8 September 1997	8 September 1997
Protocol on Education and Training	8 September 1997	31 July 2000
Protocol on Mining	8 September 1997	10 February 2000
Protocol on the Development of Tourism	14 September	26 November 2002
Protocol on Health	18 August 1999	14th August 2004
Protocol on Wildlife Conservation and Law	18 August 1999	30 November 2003

Enforcement		
MOU on Cooperation in Standardization, Quality Assurance, Accreditation and Metrology in SADC	9 November 1999	16 July 2000
Protocol on Legal Affairs	7 August 2000	
Protocol on Tribunal and the Rules of Procedure	7 August 2001	14 August 2001
Revised Protocol on Shared Watercourses	7 August 2000	22 September 2003
Amendment Protocol on Trade	7 August 2000	7 August 2000
Agreement Amending the Treaty of SADC	14 August 2001	14 August 2001
Protocol on Politics, Defence and Security Cooperation	14 August 2001	2 March 2004
Protocol on the Control of Firearms, Ammunition and Other Related Materials in SADC	14 August 2001	8 November 2004
Protocol on Fisheries	14 August 2001	8 August 2003
Protocol on Culture, Information and Sports	14 August 2001	<i>Not yet in force</i>
Protocol Against Corruption	14 August 2001	6 July 2005
Protocol on Extradition	3 October 2002	<i>Not yet in force</i>
Protocol on Forestry	3 October 2002	<i>Not yet in force</i>
Protocol on Mutual Legal Assistance in Criminal Matters	3 October 2003	<i>Not yet in force</i>
Protocol on the Facilitation of Movement of Persons in SADC	18 August 2005	<i>Not yet in force</i>
Agreement Amending the Protocol on Tribunal	3 October 2002	3 October 2002
MOU on Cooperation in Taxation and Related Matters	8 August 2002	8 August 2002
MOU on Macro-economic Convergence	8 August 2002	8 August 2002
Mutual Defence Pact	26 August 2003	<i>Not yet in force</i>
Charter of Fundamental Social Rights	26 August 2003	26 August 2003
Declaration on Gender and Development	8 September 1997	Declarations do not require ratification
SADC Declaration on Productivity	18 August 1999	
Declaration on Information and Communications Technology (ICT)	August 2001	
Declaration on HIV and AIDS	4 July 2003	
Declaration on Agriculture and Food Security	15 May 2004	

Source: SADC Secretariat.

## [SADC Programmes \*IN FOCUS\*](#) [Trade, Industry, Finance and Investment \(TIFI\)](#)

### **Trade**

Already in 1980, the Lusaka Declaration recognized the importance of trade development to the process of integration. The leaders at the time were convinced that there was scope for substantial increases in trade among Member States. With the adoption of the Treaty establishing the Southern African Development Community, trade is now a top priority, alongside production and investment.

Over the past decade or so, significant progress has been made in the area of regional trade integration. In 1980, intra-SADC trade was a mere 5 percent but today it stands at more than

25 percent and it is expected to increase further once the Free Trade Area has been achieved.

**Table 5. Intra-SADC Trade Evolution – Member States' Exports to SADC Region; % of Total Exports**

	2001		2002		2003	
	USD (million)	% of total	USD (million)	% of total	USD (million)	% of total
Botswana	254	10.15	248	9.97	300	10.88
Malawi	90	26.09	92	33.33	117	30.47
Mauritius	29	1.84	47	2.69	48	2.59
Mozambique	157	22.29	226	27.92	255	24.43
South Africa	4,556	14.67	4,683	14.74	5,433	14.08
Swaziland	857	83.36	914	80.05	1658	77.42
Tanzania	60	7.39	62	6.51	122	9.52
Zambia	286	28.36	316	32.66	421	38.56
Zimbabwe	183	14.58	657	30.55	1345	38.91

Note: Information not available for Angola, DRC, Lesotho and Namibia. Source: SADC Secretariat.

### ***The Trade Protocol***

The SADC Trade Protocol is the most important legal instrument in the organization's quest for economic integration. It envisages the establishment of a Free Trade Area in the region by 2008. In August 2003 SADC Member States committed themselves to a Regional Indicative Strategic Development Plan (RISDP) among whose goals and target dates is the attainment of a Customs Union by 2010 and subsequently a Common Market by 2012. The establishment of a Customs Union encompasses a common external tariff for the SADC region and a substantial reduction of border and customs procedures. The harmonization of other behind-the-border policies will further facilitate the free movement of goods and services in the region.

Signed in 1996, the Trade Protocol entered into force in January 2000. The Protocol is in line with SADC's overall integration policies and strategies which seek to eliminate obstacles to the free movement of goods, services, capital and labour and to improve the region's economic performance and international competitiveness. The gradual elimination of tariff and non-tariff barriers will make it easier for traders to market their goods across borders, for manufacturers to source inputs regionally and add value to their products, and it will widen options for consumers to buy locally produced goods that are competitive in terms of quality and pricing.

During the negotiation process that led to the launch of the Protocol in September 2000 it was agreed that an offer approach designed on the basis of asymmetry, which takes into account the level of development of Member States, would be the best. The Trade Negotiating Forum, the negotiating arm of Member States allows the participation of the private sector. Negotiations centred on tariff reduction schedules, rules of origin, dispute settlement mechanisms, special trade agreement on sugar, elimination of non-tariff barriers and harmonization of customs and trade documentation and clearance procedures. The most difficult part was on rules of origin, which are product specific.

There was consensus on most of the issues under negotiation, resulting in the launch of the Free Trade Area on 1 September, 2000. This marked the beginning of a process of tariff reduction and elimination of non-tariff barriers.

An eight-year period was given as the target for achieving a Free Trade Area upon which 85 percent of all commodities in the region should be traded at zero duty. Due to the complex nature of the process, Member States were required to deposit instruments of legal intent indicating readiness to start implementation. For this reason implementation did not start at the same date for all countries.

The reduction of tariffs is being carried out on the basis of three categories, as shown in the table:

<b>Table 6. Reduction of Tariffs</b>	
<b>Category of Goods</b>	<b>Tariff Reduction</b>
A	Immediate reduction of duty to zero upon gazetting of tariff schedules by Member States; and On average 47% of all goods traded under this regime by August 2001.
B	Gradual tariff reduction over 8 years; and 85% expected to trade at zero tariff by 2008.
C	Sensitive products mainly in areas of security, health and safety; Constitute 15%; and Tariffs expected to be eliminated by 2012.

The Trade Protocol, as amended on 7 August 2000, does not cover second-hand goods, which shall continue to attract duty at current levels.

A Mid-Term Review of the SADC Trade Protocol was carried out in 2004, half way down the road to achieving the SADC Free Trade Area. The Review is an important monitoring tool of SADC to evaluate past achievements as well as to identify areas where adjustment may have become necessary. Eleven of SADC's 14 Member States are implementing the Trade Protocol, but it is expected that the Democratic Republic of Congo and Angola and the new Member State Madagascar will start implementation in the near future and become part of the SADC Free Trade Area. The Review shows that the majority of SADC's Member States have reduced tariffs in line with the reduction schedules originally agreed on, and that only minor delays were experienced, mainly due to budgetary constraints. Already by 2006, the five SACU Member States will have fully liberalized their trade with all other SADC members. The agreed asymmetry principle whereby the stronger economies in the region agreed to open their markets more rapidly to the other members has been widely observed.

The Mid-Term Review has, however, also pointed out that free trade in SADC is still hampered by rather complex product specific rules of origin and by a growing number of non-tariff barriers to trade, which effectively keep the region from fully utilizing its trade potential. Member States have therefore committed themselves to revise, and where necessary to simplify, the rules of origin and moreover to reduce them with a view to eliminating all unnecessary non-tariff barriers.

#### **Notification of Protocol on Trade to the WTO**

In compliance with the WTO regulations, the SADC Free Trade Area Agreement as provided in the SADC Protocol on Trade has been submitted for notification to the multilateral body in terms of the GATT Article XXIV. Examination of the FTAA by the Committee on Regional Trade Agreements (CTRA) previously scheduled for its October 2005 session, has been moved to a date to be confirmed in early-2006.

### **Special Agreement on Trade in Sugar**

Sugar is a sensitive product worldwide and its price is distorted, often due to subsidies. The region has agreed that initially sugar producers should have access to the large Southern Africa Customs Union (SACU) market, including the SACU producers themselves. A market growth share has been agreed upon which will see a steady increase in sugar tonnage exports into the SACU market until 2012 when total liberalization of the SADC market is expected to take place subject to developments on the world market. Market access is based on a country's exposure to the world market on trade in sugar, and not to preferential markets. The marketing year for sugar has been set to be from 1 April to 31 March each year. While there was agreement on market share distribution for sugar, non-SACU sugar producers were also allocated another 20,000 tons per year, which would be distributed among them on the basis of an agreed formula and based on their exposure to the international market for sugar. The trade in sugar is duty-free.

Existing bilateral preferential agreements on trade in sugar are not affected by this multilateral agreement. This agreement is therefore an added advantage to all sugar producers, such as Zimbabwe, which already has bilateral agreements with Botswana and Namibia.

A Technical Committee on Sugar (TCS) comprising representatives of national governments and sugar industries in all Member States was set up to monitor the implementation of the agreement.

Recently the special agreement on sugar was reviewed in line of the overall Mid-Term Review of the Protocol on Trade as well as provided for in the Sugar Agreement itself. Following the review, Member States have agreed to changes on the Agreement that will result in improved market access for sugar into the SACU market.

### **Agreement on Textiles and Clothing**

Trade in clothing and textiles is based on a two-stage substantial transformation rule of origin. However, for countries such as Malawi, Mozambique, United Republic of Tanzania and Zambia, the SACU group agreed to allow them to access their market under a one-stage transformation rule subject to quotas. The quotas are based on current production capacity. This dispensation has been put in place for a period of five years during which these countries are expected to graduate to the two-stage transformation rule of origin where there are no limits on market access. Import duties in this sector are being reduced at an accelerated pace for those countries that are not benefiting from the special dispensation. A Clothing and Textiles Committee was set up to continuously monitor trade in the output of the sector and take corrective measures as necessary.

### **Customs Cooperation**

Substantial work has been done with respect to harmonization of documentation and procedures. Further work is being carried out by the Sub-committee on Customs Cooperation (SCCC) which has constituted five Customs Advisory Working Groups tasked with harmonization and implementation of programmes under a customs action plan covering rules of origin, customs cooperation, trade facilitation, transit and training.

In pursuance of the Action Plan the SCCC has also developed instruments necessary to implement the SADC Protocol on Trade and to allow common interpretation and application

of legal provisions by customs officials in their daily duties of facilitating international trade. Some of the developed instruments include the following:

- Single Customs Administrative Document (SADC-CD);
- Conformity Assessment Mechanism;
- Regulations on SADC Rules of Origin;
- Rules of Origin Manual for Customs Officers;
- Rules of Origin Manuals for Traders;
- SADC Transit Regulations;
- SADC Transit Procedures and Documentation;
- Voucher of Correction of SADC-CD;
- Guidelines for Completion of SADC Customs Documentation;
- Guidelines for Accession to International Conventions;
- Model Memorandum of Understanding for SADC Customs Administrations on Cooperation and Mutual Assistance;
- Guidelines for Middle Management Customs Officers on the Implementation of MOU;
- SADC Code of Conduct for Customs Officials;
- Draft Tariff Nomenclature; and
- Draft Model Customs Act.

Training modules have been developed on various subjects such as the SADC Trade Protocol, SADC Rules of Origin, ACP-EU Rules of Origin, Post-Clearance Audit, WTO Valuation Agreement, Trade Facilitation, Client Care, Risk Management, Warehousing, and Transit to mention some. The main objective of the training modules is to expose customs