



**Southern African Development Community**

**European Community**

**Regional Strategy Paper  
and  
Regional Indicative Programme**

**For the period**

**2002-2007**

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## GENERAL PROVISIONS

The Southern African Development Community (SADC) and the European Commission hereby agree as follows:

- (1) The duly mandated regional organisation SADC, (represented by Dr Prega Ramsamy, Executive Secretary) and the European Commission, (represented by Mr Poul Nielson, Commissioner for Development and Humanitarian Aid), hereinafter referred to as the Parties, held discussions in Maputo on 7<sup>th</sup> November 2002 with a view to agreeing the general guidelines for cooperation for the period 2002 – 2007.

During these discussions, the Regional Strategy Paper, including a Regional Indicative Programme of European Community Aid in favour of SADC, was drawn up in accordance with the provisions of Articles 8 and 10 of Annex IV to the ACP-EC Partnership Agreement signed in Cotonou on 23 June 2000. These discussions complete the programming process for SADC which, for the purposes of this document, includes the following countries: Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Zambia and Zimbabwe. The Regional Strategy Paper (RSP) and the Regional Indicative Programme (RIP) are attached to this document.

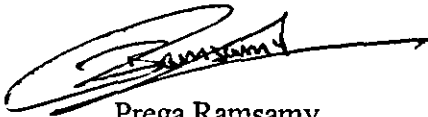
- (2) As regards the indicative programmable financial resources which the European Community envisages making available to SADC for the period 2002 -2007, an amount of €101 million is earmarked for the allocation referred to in Article 9 of Annex IV to the ACP-EC Partnership Agreement. This allocation is not an entitlement and may be revised by the European Community following the completion of mid-term and end-of-term reviews, in accordance with Article 11 of Annex IV to the ACP-EC Partnership Agreement. Balances remaining from previous European Development Funds at the date of entry into force of the Financial Protocol, as well as decommitments made at a later stage, will be added to this indicative allocation, in accordance with Paragraph 5 of Annex 1 to the ACP-EC Partnership Agreement.
- (3) The Regional Indicative Programme under chapter 6 concerns the resources of the allocation, which is designed to cover economic and trade integration support, sectoral policies, programmes and projects at regional level in support of the focal or non-focal areas of European Community assistance. It does not pre-empt financing decisions by the European Commission.

(i)

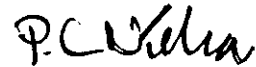


- (4) The EIB may contribute to the present Regional Strategy by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 and 4 of the Financial Protocol of the ACP-EC Partnership Agreement.
- (5) In accordance with Article 11 of Annex IV to the ACP-EC Partnership Agreement, the signatories will undertake mid-term and end-of-term reviews of the RSP and the RIP in the light of current needs and performance. The mid-term review will be undertaken within two years, and the end-of-term review within four years, of the date of signature of the RSP and the RIP. Following completion of each of these reviews, the European Community may revise the resource allocation in the light of current needs and performance.
- (6) Subject to the ratification and entry into force of the ACP-EC Partnership Agreement, the agreement of the two Parties on this RSP and RIP will be regarded as definitive within eight weeks of the date of the signature, unless either Party communicates the contrary before the end of that period.

Done at Maputo, 7<sup>th</sup> November 2002



Prega Ramsamy  
For the Southern African Development Community



Poul Nielson  
For the European Commission

## EXECUTIVE SUMMARY

The overall aim of the RSP/RIP is to increase economic growth and reduce poverty in the SADC region through higher levels of regional economic integration. The specific objective is that all countries in the region will become members of a regional Free Trade Area and/or a Customs Union; will improve implementation of World Trade Organisation (WTO) provisions; will have started negotiations on Economic Partnership Agreements (EPAs); and will use the resources of the RIP to reduce poverty through economic development and regional integration.

The main strategy being followed to achieve poverty reduction through higher levels of export-led economic growth is macro-economic liberalisation (including liberalisation of trade policy, harmonisation of tax policy and more efficient and effective forms of economic management) as well as promotion of investment and supply-side measures to assist the region to increase production. The specific challenge is the full implementation of the SADC Free Trade Area by 2008. Most countries in the region have undergone major structural adjustment programmes that make it more likely that regional integration measures will succeed. These reform programmes at regional level build on the policies implemented at the national level.

Regional integration initiatives are an integral part of the multilateral WTO system and extra-regional bilateral trade schemes such as the USA's African Growth and Opportunity Act (AGOA). EPAs are given a high priority in the RSP as a means of assisting the region to integrate itself more successfully into the global trading system.

Two main focal sectors were selected because they address the major constraints to economic development and poverty alleviation in the region. These are *Regional Integration and Trade*, which allows SADC member countries to continue pursuing economic liberalisation policies at a regional level, within the framework of WTO, which should in turn help the region's producers to improve market access and attract investment into the productive sectors, and programmes in *Transport and Communications*, which aim to reduce the costs of transport and communications, mainly through better utilisation of existing infrastructure and services. The non-focal area may include, *inter alia*, programmes in the area of peace and security and capacity-building. The involvement of non-state actors will be encouraged in all areas while cross-cutting issues (such as environment and gender) will be mainstreamed in all programmes.

The € 101 million (exclusively in grant form) of the Regional Indicative Programme will be allocated as follows:

- Regional Integration and Trade: 35%-45%
- Transport and Communications: 35%-45%
- Non-Focal areas: up to 20%

PART A

REGIONAL STRATEGY PAPER

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## 1. THE EC REGIONAL COOPERATION PRINCIPLES AND OBJECTIVES

1. In accordance with Article 177 of the Treaty establishing the European Community, development cooperation policy shall foster :
  - the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
  - the smooth and gradual integration of the developing countries into the world economy;
  - the campaign against poverty in the developing countries.
  
2. These objectives were confirmed and reinforced in Article 1 of the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, which puts the main emphasis on the objective of reducing and eventually eradicating poverty. Cooperation between the EC and SADC must pursue these objectives, taking into account the fundamental principles laid down in Article 2 of the Agreement and the essential and fundamental elements as defined in Article 9.
  
3. Furthermore, in their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission selected a limited number of areas chosen on the basis of their contribution towards reducing poverty and for which Community action provides added value, such as the link between trade and development; regional integration and cooperation; macro-economic policies; transport; food security and sustainable rural development; and institutional capacity building, particularly in the area of good governance and the rule of law.
  
4. In the regional context, Article 28 of the Agreement presents the general approach for regional cooperation and integration. "Cooperation shall provide effective assistance to achieve the objectives and priorities which the ACP countries have set themselves in the context of regional and sub-regional cooperation and integration. In this context cooperation support shall aim to:
  - foster the gradual integration of the ACP States into the world economy;
  - accelerate economic cooperation and development both within and between the regions of the ACP States;
  - promote the free movement of persons, goods, capital services, labour and technology among ACP countries;
  - accelerate diversification of the economies of the ACP States; and coordination and harmonisation of regional and sub-regional cooperation policies; and
  - promote and expand inter and intra-ACP trade and with third countries."

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5. Cooperation in the area of regional economic integration and regional cooperation should support the main fields identified in Articles 29 and 30 of the Cotonou Agreement. Furthermore, it is stated in Article 35 that

“economic and trade cooperation shall build on regional integration initiatives of ACP States, bearing in mind that regional integration is a key instrument for the integration of ACP countries into the world economy”.
6. The Treaty establishing the EC provides that the Community and the Member States should coordinate their policies on development cooperation and consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account must be taken in mainstreaming into all areas of cooperation the following thematic or cross-cutting themes: gender issues, environmental issues, institutional development and capacity building.
7. The above objectives and principles, together with the policy agenda of the region, constitute the starting point for the formulation of the RSP in accordance with the principle of ownership of development strategies.





## 2. SADC's REGIONAL POLICY AGENDA

### 2.1 Assessment of the Process of Regional Economic Integration

8. The Southern African Development Community (SADC) has 14 Member States (Angola, Botswana, Democratic Republic of Congo (DRC), Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe). The region covers a total area of 9.277 million square kilometres with a combined population of 195 million. For the purposes of the EDF 9 RIP, *the Democratic Republic of Congo and the Republic of South Africa* will have special provisions. With regard to the DRC, the effect of the weight on the size of the RIPs has been equally divided between the SADC and the Eastern and Southern Africa (E&SA) Programmes.<sup>1</sup> South Africa has its own programme with the EC through the EU-SA Trade, Development and Cooperation Agreement (TDCA), which includes a proportion of funds for co-financing regional projects. Given the importance of the South African economy for SADC as a group, it is included in the analysis.
9. The Southern African region is characterised by a multiplicity of regional integration initiatives and institutions. There is a significant overlap in the membership of regional organisations as SADC also includes members of COMESA, EAC, ECCAS, IOC and SACU (see Annexes 4 and 5). In addition, a number of SADC countries were active participants in the Cross-Border Initiative (CBI), which was supported by the AfDB, EC, IMF and the World Bank during the 1990s, and which has been succeeded by the Regional Integration Facilitation Forum (RIFF). The RIFF is linked to the same international institutions and regional organisations. These cooperating partners provide a support mechanism for those countries that wish to undertake 'fast track' structural reforms aimed at improving market efficiency.
10. The SADC and the E&SA RSPs (the latter covering COMESA, EAC, IGAD and IOC) have been harmonised to the greatest extent possible, *particularly with respect to the Regional Integration and Trade focal sector*. There is also agreement between the Regional Integration Organisations (RIOs) comprising the E&SA and SADC RSPs that programmes will be harmonised. SADC and the other RIOs have established the Inter-Regional Coordination Committee (IRCC) for just this purpose (see Annex 13). Delegations to the IRCC may include representatives of Member States and/or non-state actors.
11. Table 2 in Annex 4 summarises the main areas of intervention by the RIOs. It is apparent that there are overlaps in policies as well as membership. Countries that are signatories to a number of international and regional trade agreements face the potential problem of having to conform to different tariff reduction schedules, rules of origin and other requirements. This has created a complex set of incentives facing investors, producers, importers and exporters. To address this problem a Task Force has been set up between SADC and COMESA to work

<sup>1</sup> The Central African allocation however, does not include the DRC. Hence, if functional cooperation is to take place between DRC and the CEMAC States, the contribution in respect of the DRC should be calculated objectively and then be divided equally between the SADC and E&SA RIPs.

towards the harmonisation and coordination of policies and programmes in areas of common interest. Both organisations have made significant strides towards intensifying and improving working relations and consider closer cooperation a win-win strategy for both, facilitating the integration process in the broader southern African region and allaying donors' concerns regarding duplication.

12. Historically, SADC has been based on a bottom-up approach whereby decentralised cooperation ensured the necessary support for community building. To arrive at the agreed objectives, the Treaty provides for Member States to conclude a series of protocols to spell out policies, areas of cooperation and harmonisation as well as the obligations of Member States for effective implementation of agreed decisions. The protocols are negotiated by Member States and all stakeholders and, after approval by the Summit and ratification, become an integral part of the Treaty. So far 20 protocols have been signed, 9 of which have been ratified and are under implementation. The protocols (see Annex 6) cover a wide range of areas relating to political, economic and social areas of cooperation as well as the Food, Agriculture and Natural Resources (FANR) sectors.
13. As the process of developing the protocols is completed and SADC moves to the next phase of regional integration, protocol implementation becomes the most prominent tool for achieving deeper integration. Although some sectors have already made substantial progress with implementation, problems relating to lack of methodology, tools and resources, incomplete strategies on organisational mechanisms and capacity to ensure overall monitoring and coordination have resulted in slow implementation. In recognition of the changing environment and the new challenges, SADC, following a substantial review process, established revised priorities in 2001 for the organisation. Although it was decided to move towards a more centralised institutional set-up, the principle of subsidiarity was adopted. As a result of the decision on the restructuring of SADC, substantive amendments to the protocols will be undertaken after the Regional Indicative Strategy Development Plan (RISDP) has been developed, with the possibility of merging protocols that are interrelated. Details on restructuring can be found in Annex 7.
14. The March 2001 Summit decision to restructure SADC and its institutions has a significant impact on the organisation's mandate, structure, responsibilities, funding, and level and frequency of meetings, as well as on budget principles and how they are applied, personnel policy, and settlement of disputes between Member States. In essence, the restructuring process has given the Secretariat a more expanded mandate and increased the number of staff, while the previous Sector Coordinating Units (situated throughout the Member States) are being merged into four Directorates. The Secretariat will, in future, act as the think tank of the organisation and at the same time have responsibility for servicing the Council, the Organ and the Summit. Specialised Technical Committees and Sub-Committees will continue to meet and provide input on policy, strategy and programme development into the Directorates. Member States' ownership and participation will also be enhanced through the creation of SADC National Committees, which will comprise all stakeholders, including the Private Sector and Civil Society.

15. The structure, operations and functions of SADC are covered by the SADC Treaty, the Agreement amending the Treaty (following the August 2001 Summit), the Report on the Restructuring of SADC and the Protocol on Immunities and Privileges, while the Organ itself is regulated by the Protocol on Politics, Defence and Security Cooperation. The SADC Treaty recognises the need for national and regional institutions to stimulate and manage the integration process. One such institution is the SADC Tribunal, which will ensure adherence to, and proper interpretation of, the provisions of the Treaty and its subsidiary instruments and will be responsible for the settlement of disputes, mediation, appeal, and conflict resolution. As more protocols enter into force and implementation intensifies, the need for the Tribunal increases.
16. The 2000/2001 total budgets for the six SADC regional institutions amounted to about \$ 14 million, \$ 7.3 million of it for the Secretariat. Member States' contributions have forged ahead of external aid (from 54% in 1995/96 to 83% in 2000/01). Contributions to the SADC budget are shared equally amongst Member States, but as part of the restructuring SADC has agreed on a new formula for contributions based in the main on national GDP. The new formula will be applied from financial year 2003/2004. Work has already started on the establishment of a regional development fund, which is meant to reduce gradually the dependence of SADC on donor funding for the implementation of its programmes.
17. In 1999, intra-SADC trade was estimated at about 24% of total trade, most of it intra-SACU (see Annex 9). With reduced tariff levels, it is anticipated that this figure will increase significantly when the Trade Protocol is fully implemented. Trade remains an important component of the SADC programme of action.
18. Commencing in September 2000, the SADC Free Trade Area is being implemented over an eight-year period. By 2008 over 85% of SADC trade is expected to be duty free. The remaining tariffs on sensitive products will be removed over the period 2008-2012. Member States have followed the principle of asymmetry with the relatively more developed SACU group of countries<sup>2</sup> removing tariffs more rapidly than the least developed countries (Malawi, Mozambique, Tanzania and Zambia). Within three years SACU will offer duty free access to more than two thirds of total tariff lines. The dependence of some countries on tariff revenue from SADC imports has resulted in them phasing out their tariffs in the period 2004-2008 in order to allow time for alternative sources of revenue to be raised.
19. For the various market integration initiatives within the region to be effectively implemented, programmes of support will need to be developed over a wide range of activities, including customs cooperation and customs training, sanitary and phytosanitary measures, technical regulations and the removal of non-tariff barriers. Project interventions are anticipated in all these areas. These activities will need to be developed at the level of the broader region in order to maximise economic benefits. These projects are likely to cut across all the regional organisations.
20. Despite substantial developments over the past five years, there is still a long path ahead in increasing regional cooperation. To date there has been modest progress towards accelerated

<sup>2</sup> Botswana, Lesotho, Namibia, South Africa and Swaziland

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regional integration and the implementation record in directly addressing development constraints has been slow. However, there is still popular and widespread support that many governments attach to economic integration.

21. A key factor contributing to the slow implementation of regional integration initiatives is that the region is founded on economic structures that were based on the import substitution model. Most SADC countries were economically dependent on protected industries for employment and the fiscal revenues derived from the protective tariffs. Under such circumstances, implementing the protocols meant opening up their markets to outside competitors and most countries were concerned that this would lead to significant losses in fiscal revenues and employment. Partly for this reason, the implementation record has been slow as governments had to find alternative sources of revenue and some kind of adjustment support may need to be developed. However, the record of the past decade indicates that many countries, particularly those that actively participated in the CBI, have successfully managed to reduce their dependence on tariff revenues through introducing alternative non-discriminatory taxes, such as VAT, which has already been introduced in seven countries<sup>3</sup> while an additional five<sup>4</sup> are expected to introduce it in 2002.
22. Some SADC members have observed that opening up their markets to other Member States, could result in the relatively weaker economies being dominated by stronger ones, thereby resulting in an uneven distribution of the benefits of regional integration. In this regard, it is important to focus on the benefits to all economies, however small and vulnerable, that will flow from improved allocation of resources within the region by encouraging investment in more competitive economic activities. At the same time it is necessary to address the distributional issues associated with integration. Regional integration has also been constrained by structural factors, especially the similar economic structures such as factor endowments, low incomes and small markets that have limited the scope for trade creation. The policies of SADC are geared to encouraging more efficient allocation of resources within and between Member States with the aim of augmenting economic growth. In support of this objective SADC is working with Member States to improve the macroeconomic environment. The liberalisation of trade requires an integrated package of supporting policy measures to be in place for a country to take advantage of the new opportunities. Under restructuring, four broad Directorates of SADC will be guided by a regional indicative strategic plan.
23. Trade liberalisation towards the rest of the world is largely determined by the commitment of the region to the WTO. Thirteen of the fourteen countries in SADC are members of the WTO while the Seychelles has observer status and has applied for full membership. SADC as an organisation also has observer status. Over the past decade the region has reduced the number of tariff bands and lowered MFN tariffs, which has encouraged a general opening up of markets to the rest of world. The SADC Trade Protocol will be notified to the WTO as a regional trading agreement. SADC Member States met several times in advance of the 4th WTO Ministerial Conference in Doha to agree on a common negotiating position.

<sup>3</sup> Botswana, Mauritius, Mozambique, Namibia, South Africa, Tanzania and Zambia

<sup>4</sup> Botswana, DRC, Lesotho, Malawi, Zimbabwe



24. The outcome of the WTO Ministerial Conference in Doha was, in the main, favourable to the region, as reflected in the Ministerial Declaration, and the Declaration on the TRIPs Agreement and Public Health took account of the concerns of the African Group. The Doha Conference also approved the waiver for the preferential trade arrangement under the Cotonou regime. However, the region recognises that much needs to be done to implement the decisions of the 4th Ministerial Conference and to prepare Member States to position themselves effectively within the African Group in preparation for the 5th Ministerial Conference.
25. The Ministerial Declaration gives a mandate to WTO Members to work on Services; Trade and Investment; Trade and Competition Policy; Transparency in Government Procurement; Trade Facilitation; WTO Rules; Trade and Environment; Small Economies; Debt and Finance; Trade and Transfer of Technology; and Least Developed Countries. In addition, developed country members of the WTO have agreed to make firm commitments on annual contributions to the technical assistance programmes of intergovernmental organisations. These areas of negotiation in the WTO context will also require capacity building input from the Regional Organisations under EDF 9.

## 2.2 The Policy Agenda of the Region

26. The main objective of SADC is to achieve poverty reduction, development and economic growth, through deeper regional integration, built on democratic principles and equitable and sustainable development. Integration into the world economy will help SADC to achieve the economic growth needed to realise SADC's main goal of poverty reduction.
27. SADC has an important potential for the promotion of respect for human rights, fundamental freedoms and principles of democracy and it has, as a fundamental principle, a commitment to build, consolidate and strengthen democratic institutions founded on accountability, transparency, good governance and the rule of law. These objectives are to be achieved through: consolidation of democratic governance; mainstreaming of gender in the process of community building through regional integration; and establishment of a sustainable and effective mechanism for conflict prevention.
28. Member States recognise that sustainable economic growth is largely dependent on trade liberalisation and outward-oriented regional integration within the framework of the WTO, and within a stable macroeconomic environment. This will encourage increased competition, enhanced technology transfers and higher rates of investment and will lead to more efficient allocation of resources. *Trade* is the most prominent form of integration within SADC. The recent progress in negotiating better market access between Member States is expected to encourage intra-regional trade, entailing substantial economic benefits for all member countries. In addition to the focus on removing tariff and non-tariff barriers, attention will be focused on the market-segmenting effects of domestic regulatory policies. This includes such policies as health and safety-related product standard regulations, national competition policies, professional licensing and certification regimes, prudential supervision

requirements, and administrative procedures that are associated with the enforcement of regulations (e.g. conformity assessment procedures and customs clearance practices). All of these policies may have an effect analogous to Non-Tariff Barriers (NTBs), even though the intent may not be to discriminate against foreign suppliers. They have the potential to segment markets and reduce competition. In order to maximise the benefits from market integration and increased engagement with the world economy, SADC envisages negotiating a series of Annexes to the *Trade Protocol on Standards, Quality Assurance, Accreditation, Meteorology, Sanitary and Phytosanitary Measures, and Services*.

29. The complexity of trade negotiations over the next decade will continue to present a serious challenge to the limited human and technical resources of countries within the region. It will therefore be necessary to develop trade policy capacity and to prepare a clear position on the region's strategic objectives.
30. Investment flows related to natural resource endowments are not sufficient for ensuring the growth and development of an economy. Investment capital seeks markets where returns are competitive with acceptable levels of risk. Economies that have low levels of inflation, positive real rates of interest and a convertible exchange rate have the basic prerequisites for attracting foreign investment. In addition, a stable business environment where contract law can be enforced is important. Civil unrest and rapid changes in policies act as major disincentives for investors. SADC is developing the *Finance and Investment Protocol* aimed at establishing best practice at a regional level for the investment framework, development finance, the activities of the region's central banks and the preconditions for macro-economic convergence. Consideration will be given to the development of new initiatives that will encourage investors to locate in the relatively disadvantaged parts of the region.
31. The development of efficient and reliable *infrastructure*, especially in transport, communications and energy, is a key initiative that has the potential to unlock the opportunities for growth in the region. Although road transport services are generally adequate in the region, long distance cross-border services still face constraints with market responsiveness, transport service standards and service charges. Transport costs constitute about 30-40% of the total costs of imports and exports for most of the landlocked countries. SADC has created a firm foundation for developing an integrated transport system under the 1996 *Protocol on Transport, Communications and Meteorology*. The Protocol's objectives for integrated transport systems consolidate the aims of various initiatives taken by SADC Member States and by other regional bodies involved in transport. The strategic goals related to regional transport are: integrating transport networks by implementing compatible policies, legislation, rules, standards and procedures; eliminating hindrances and impediments to the movement of persons, goods and services; securing domestic finance for funding the maintenance of infrastructure and services; and, eventually, building strategic partnerships between governments and the private sector and restructuring commercially viable state entities and utilities. These goals are supported by specific aims for each of the transport modes and for institutional strengthening. The protocol therefore provides a comprehensive approach for facilitating trade.

32. Without sustainable *water* resource management, it will be difficult, if not impossible, to attain optimal regional economic and social development. The water resource components – catchment basins, lakes, surface waters, groundwater, and coastal areas – form the basis of a diversity of uses affecting agriculture, industry, energy, tourism, health and drinking water supplies. In recognition of the importance of water resources in the region, SADC developed the Regional Strategy Plan for Integrated Water Resources Development and Management in the SADC Region (1999-2004). The strategy reaffirmed the importance of the region's water resources and its influence on all aspects of its economic and social performance and moved to a sectoral programme approach, with clearly identified sub-sectors such as surface water, and water and sanitation. The immediate priority is the formulation of a regional water sector policy and strategy. The *Protocol on Shared Watercourse Systems*, which entered into force in 1998, but was revised in 2000, provides the legal and institutional framework for the sector and is intended to ensure equitable sharing and the prevention of conflicts over the region's shared water resources.
33. The *energy* sector offers excellent opportunities for regional integration and cooperation, as demonstrated, for example, by the Southern Africa Power Pool (SAPP). Continued reforms at national level are laying the foundation for market forces in shaping economic development. In the energy sector this has led to an involvement of new stakeholders, progress towards commercialisation of utilities and increased freedom in fixing tariffs. Although the region is endowed with huge energy resources, the vast majority of the region's population lacks access to electricity and almost 75% of the population still relies on wood fuel as its main source of energy. The priorities at regional level are twofold: collective action to ensure that low-income residents have access to energy and increased regional energy self-sufficiency.
34. In August 2001 the SADC Summit adopted a *Declaration on Information and Communication Technology (ICT)* and created a task force to transform the policy document into an Action Plan (approved in 2002) consisting of policy measures designed to turn SADC into an information-based economy, institutional mechanisms to deal with policies, legislation, regulation, supply of computers and receiving devices, plus infrastructure and professional training. Unfolding an information-based economy will involve the participation and contribution of stakeholders, including governments, regulatory authorities, broadcasting operators, national telecommunications operators, private network operators, service and content providers, software developers, vendors and end-users.
35. In accordance with the development integration approach, SADC cooperation takes place in a number of other thematic and functional sectors such as *environment, tourism, food, agriculture, and natural resources as well as the social sectors* in order to address common problems and take advantage of economies of scale.
36. The main regional priorities regarding the *environment* are to develop and implement specific harmonised policies, regional guidelines and standards and to develop regional capacity to negotiate international conventions. The priorities and strategies of the tourism sector are spelled out in the *Protocol on Development of Tourism*, such as promoting the region as a single but multi-faceted tourism destination, with the Regional Tourism


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Organisation of Southern Africa (RETOSA) acting as the promotional and marketing arm of the sector.

37. Within the *Food, Agriculture and Natural Resources (FANR)* sector, the region has developed an integrated policy and strategy, based on principles of increased food production and productivity, sustainable management of natural resources, incorporation of environmental considerations in all policies and programmes, transformation and diversification of agriculture-dependant economies and improved living conditions for rural populations. These policy objectives are achieved through the implementation of an overall FANR programme by the seven interrelated sub-sectors.<sup>5</sup> Each of the sectors has used the overall objectives as a framework in the design, establishment and refinement of its own sectoral policies and programmes. In Agricultural Research, SADC has prepared a Consolidated Sub-Regional Request, which includes both the needs of the SADC research networks and the needs of the National Agricultural Research Institutes (NARIs). The request is expected to constitute the common programme and will include financial requirements documents to be used for all potential donors. The amalgamation of the sectors into the FANR Directorate of the Secretariat in December 2001 as a result of restructuring is expected to improve the overall coordination and efficiency of the programmes.
38. In August 2001 the *Protocol on Fisheries* was agreed by SADC's Heads of State. Given the important role of fisheries in the social and economic well-being and livelihood of the people of the Region, the objective of this Protocol is to promote responsible and sustainable use of living aquatic resources. Consequently, Member States should take measures at national and international levels conducive to harmonising laws, policies, plans and programmes on fisheries and aimed at promoting the objective of the Protocol.
39. One of the key constraints to growth and integration into the world economy is the lack of an adequate number of well-educated and skilled people who are also healthy. *Social sector* issues are primarily dealt with at national level, while regional efforts are concentrated on areas where there is a real benefit from regional cooperation. The region has experienced a large outflow of skilled personnel to the developed world, particularly in the fields of medicine, teaching, engineering, accounting and financial management. Insufficient levels of education and training are impediments to growth and development. At regional level this is addressed through a strategy aimed at pooling resources to produce the required skills, promotion and coordination of policies and the formulation of policies promoting the participation of the private sector. Access to health services varies considerably among the Member States although, compared with other regions of the continent, SADC citizens have fairly good access to health services. The region faces a serious social and health problem with the high incidence of HIV/AIDS and the prevalence of malaria, tuberculosis and other communicable diseases. In order to address the poor status of health in the region, SADC

<sup>5</sup> Agricultural Research and Training; Crops; Livestock Production and Animal Disease Control; Inland Fisheries; Forestry; Wildlife; and Marine Fisheries.

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signed a *Protocol on Health* in 1999 and has since also adopted a policy framework with five biennial priorities.<sup>6</sup>

40. The principle of *free movement of people and right of establishment and residence* is common to many of the SADC Member States but the protocol is still under negotiation.
41. Following the SADC restructuring process, the definition and relations with *non-state actors* has changed. The previous reference in the SADC Treaty to involvement and cooperation with NGOs, has been replaced by the broader term "stakeholders", defined as "the private sector; civil society; non-governmental organisations; and workers' and employers' organisations". As part of restructuring all Member States will create SADC National Committees, which will include the aforementioned stakeholders in addition to government representatives. This new institutional arrangement is expected to allow a much more active and prominent role for non-state actors in the integration process. At regional level, SADC is, in accordance with the principle of subsidiarity, encouraging non-state actors/stakeholders to form associations with which Memoranda of Understanding (MoUs) can be signed. In 2000, SADC signed an MoU with the Association of SADC Chambers of Commerce and Industry (ASCCI). A comparable MoU with NGOs is expected to be signed in 2002. Actual formal cooperation in relevant areas has therefore not yet taken off although the present document was the subject of consultations with the existing SADC Council of NGOs as well as with the ASCCI.

<sup>6</sup> HIV/AIDS, communicable diseases, standardisation of health information systems, resource mobilisation and reproductive health.



### 3. ANALYSIS OF THE POLITICAL, ECONOMIC AND SOCIAL CONTEXT

#### 3.1 Political, Economic and Social Context

42. The political, economic and social systems in SADC Member States are diverse and also include a variety of ethnicities and ecosystems. In spite of this, the countries of the region have a lot in common in terms of their economic and social policies. Poverty, even in those countries with comparatively productive economies, is ubiquitous and pervasive. The SADC countries are therefore also bound by a common determination to improve the quality of their peoples' lives through the benefits of regional economic integration.

##### 3.1.1. Political Situation

43. Almost all the SADC countries are multiparty democracies, having either been so for some time or having become so in the 1990s. Swaziland has a universal adult franchise based on the democratic selection of parliamentary candidates centred on the monarchy and the traditional chiefs. The majority of the parliaments (or national assemblies) consist of one chamber although two (Botswana and Swaziland) follow the bicameral system. Rule of law almost universally follows three systems, i.e. the constitutional legal system (often English Common, Roman Dutch or Napoleonic law) in conjunction with traditional/customary or religious law. Only Mauritius, Namibia and South Africa have abolished the death penalty.

44. Attention is paid to *governance* issues and the *consolidation of democracy*, respect for the *rule of law*, respect for *human rights* and to *peace and stability*. Reforms in the constitutional, political and electoral systems to make them participatory, transparent, accountable, inclusive and predictable are implemented across the region. This is reflected, among others, in the holding of periodic general elections in a number of countries. However, the need for, and the extent of, the implementation of reforms vary between Member States.

45. In order to promote transparency, SADC needs to further develop criteria for monitoring elections within the framework established in the Treaty. In 1995, the Summit approved the establishment of the *SADC Parliamentary Forum*, which has since developed a set of norms and standards for elections in the SADC. It was also decided that an instrument to govern the relationship between the Forum and SADC in accordance with article 24.1 of the SADC Treaty should be developed. Similarly, the status and role of the Electoral Commissions needs to be further established.

46. In spite of these positive developments, armed conflict and civil unrest continue to be experienced in some parts of the region and, a result of the instability, many people have been displaced in their own countries or have become refugees in neighbouring states. Successful economic integration can help prevent conflicts, as countries become stakeholders in each other's stability. In SADC, political cooperation dates back to the *raison d'être* of the original Southern African Development Coordination Conference (SADCC). In recent years,

political and security cooperation has taken place under the auspices of the SADC *Organ on Politics, Defence and Security Cooperation*. The Organ regularly receives briefings on the political situation and developments in the region. In the remaining conflicts in the region, SADC and its Member States are collectively engaged in their management. The capacity and credibility of the organisation to efficiently handle the problems has been challenged in some quarters. This has been the case in attempts to resolve the civil war in DRC, the violation of the peace agreement in Angola by UNITA Savimbi and attempts to resolve the crisis in Zimbabwe. Recent regional initiatives clearly indicate, however, a willingness and commitment to actively engage in finding sustainable solutions. Moreover, the reinforced political role of SADC should help to secure peace and security in the region.

47. Following the 2001 decision on restructuring of SADC institutions, cooperation has intensified. The Chairmanship of the Organ now rotates on an annual basis and is serviced by the SADC Secretariat. This is a new area for the Secretariat, which consequently requires additional capacity. As regards the funding of the activities of the Organ, an Indicative Strategic Plan spelling out the cost of implementing activities is currently being developed, along with a strategy for cooperation with regional and international cooperating partners.
48. At a time when SADC has set itself the goal of regional integration and poverty reduction, the over-arching issue of land needs to be addressed in a concerted manner in order to have broad-based sustainable development. *Land reform* is pertinent in a number of SADC countries,<sup>7</sup> and was officially put on the regional agenda in 2001, when a designated committee of Ministers met to examine the land issues affecting Member States and to identify strategies for addressing them. In February 2002, the SADC Council agreed to incorporate land issues into the functions and programmes of the FANR Directorate and that a technical facility be created that would mobilise financial and technical resources to support SADC Member States implementing national land and agrarian reform programmes. Work is currently under way to develop a regional technical facility.
49. *Political dialogue* between SADC and EU has deepened since the launch of the Berlin Initiative at the first EU-SADC Ministerial Conference in September 1994 and has provided the framework for dialogue in political matters. The existence of political dialogue has opened the door for sharing experiences and exchanging ideas on regional integration and deepening and strengthening democracy in the region. The review of the dialogue undertaken eight years later shows a clear commitment from both parties to the continuation of dialogue, but also a need for the dialogue to become more focused.

### 3.1.2 Economic and Social Situation

50. On average, the region has achieved *positive GDP growth* (4.8%) rates since 1996 but there was a slow-down from 1997 to 2000. Moreover, the region has not managed to grow at a rate that is above the average for Sub-Saharan Africa and the rates have not been enough to tackle poverty reduction, especially since population growth in SADC is about 2.6%. Only two countries achieved rates of 6% or higher. A growth rate of almost 6.5% is required if the region is to halve poverty by the year 2015. This implies that the region needs to continue to

<sup>7</sup> Mainly Zimbabwe, Namibia, and South Africa and, to a lesser degree, Malawi, Swaziland and Botswana

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restructure its policies in order to address the fundamental supply-side constraints that prevent it from benefiting from its abundant natural and human resources and economic potential.

51. The level of *inflation* remains very high in the countries affected by civil strife, namely Angola, DRC and Zimbabwe. In 2000, inflation exceeded 500% in DRC while it reached 325% in Angola and 55% in Zimbabwe. The remainder of SADC may be divided into two groups: those countries where inflation exceeded 10% and those with very low rates. The latter group includes the five SACU members as well as Mauritius, Seychelles and Tanzania. The lowering of inflation throughout most of SADC is largely a result of increased monetary discipline through pursuing a policy of reducing the public deficit. In eight of the SADC countries the budget deficit as a percentage of GDP was below 5%. In South Africa, the largest economy, accounting for 75% of total SADC GDP, the budget deficit was 1.2%.
52. There has been substantial liberalisation of *exchange regimes* in the region as the economies adopted market-oriented exchange rate regimes. The current account in all the Member States has been liberalised. However, there are variances with respect to the capital account, with only three countries having completely liberalised their capital accounts. The other countries still maintain some form of controls with benchmarks or thresholds below which there are no controls. Following harmonisation of listing requirements and the regulation of stock exchanges in SADC there has been an increase in activity in share dealing.
53. The *investment* climate in much of SADC improved in the 1990s as governments were active in trying to create a more attractive policy environment. All countries have relaxed barriers to foreign investment and introduced a mix of investment incentives, which vary from country to country, while most have made substantial progress in simplifying and liberalising their investment approval processes. As a result of these changes, foreign investment into the SADC region is relatively more attractive than it has been for decades. Some countries have established investment agencies, which act as "one-stop" investment centres. However, the continued existence of supply-side constraints means that the response to date has been modest. There are indications of increased FDI flows from the stronger economies, especially South Africa and Mauritius, to the weaker ones. The challenge here is therefore to devise policies that encourage investors to locate in the smaller disadvantaged countries. The Maputo Development Corridor project is an example of how the benefits of integration can be shared by all the participating countries.
54. *External debt* remains a major problem for SADC countries. Seven countries are classified as heavily indebted poor countries. External debt for SADC increased in 1997/1998, and declined in 1999, mainly due to the qualification of Mozambique and Tanzania for debt relief under the HIPC (Highly Indebted Poor Countries) facility. It is encouraging to note that Zambia and Malawi have qualified for inclusion in this programme and have prepared the related Poverty Reduction Strategy Papers.
55. The incidence of *poverty* in the region has remained relatively high and has been exacerbated by economic stagnation in some countries. According to the SADC Human Development Report for 2000, the human poverty index for SADC averaged 31.5% and ranged from as

low as 11.5% in Mauritius to a high of 54.7% in Angola in 1998. The UNDP Human Development Report 2001 shows that there are large populations living on US\$ 1 a day or less. For instance, in 1999, 11.5% of the population lived on US\$1 a day in South Africa, 33.3% in Botswana, 34.9% in Namibia, 36% in Zimbabwe, 37.9% in Mozambique, 43.1% in Lesotho and 63.4% in Zambia.

56. Existing bilateral and multi-lateral *trade agreements* among the various SADC members result in a considerable proportion of intra-SADC trade already taking place on a duty free basis or at very low levels of tariffs. For SADC as a whole, 71% of imports from other SADC members are covered by preferential arrangements that pre-date the Trade Protocol. The extent of the coverage of existing agreements varies considerably between the members. In the case of SACU, over 97% of SADC trade is covered by pre-existing arrangements. Almost all of this is accounted for by trade under the Customs Union, thus reflecting the simple fact that virtually all of their SADC imports are from other members of the SACU. At the other extreme, none of either Mozambique's or Tanzania's SADC imports are covered by other preferential arrangements, and only 2.3% of Mauritius' imports from SADC enter under COMESA preferences.
57. Some SADC Member States are more dependent on imports from the other SADC Member States than others. For instance, Malawi sources about 76% of its imports from SADC while Zambia imports about 50%, Mozambique and Zimbabwe about 47% while Mauritius, Tanzania and SACU countries only import 13%, 10% and 22.5% respectively. It is clear therefore that tariff reductions under the SADC Trade Protocol will have a significant impact on non-SACU countries, in particular Malawi, Mozambique, Zambia and Zimbabwe. On the other hand, they will also experience improved market access into the SACU market although the challenge facing non-SACU industries is to enhance their competitiveness and diversify their export products.
58. The EU is a major trading partner for SADC Member States, accounting for more than one third of all imports and 47% of total SADC exports respectively. The EU has increased in importance as an export market for South Africa since the implementation of the EU-SA TDCA.
59. Integration of *transport infrastructure and services* is essential to the free movement of goods and services throughout the region and to overseas markets. While the various initiatives by the regional bodies involved in transport – SADC/SATCC, SACU, COMESA and EAC – and the private sector regional organisations have met with varying degrees of success, they do demonstrate a commitment to improving transport infrastructure throughout the region.
60. For more than a decade, SADC and COMESA have grappled with the non-physical obstacles impeding the free movement of transit traffic. These obstacles range from the proliferation of transit documents and multiple insurance and bond requirements, to the delay at borders and within ports. Reforms have not been entirely uniform from one country to another along a transport corridor and overall achievements have not been proportional to the enormous efforts made. The main initiatives include: road and transit facilitation; customs facilitation;

trade facilitation (CBI/RIFF); and regulatory frameworks (vehicle axle loads). Despite these efforts, border delays are estimated to cost approximately US\$ 48 million per year. These continued impediments are partly due to lack of capacity to implement reforms coupled with resistance to change because of vested interests.

61. While the arterial *roads* in the region are now generally in satisfactory condition in the southern part of the SADC region, the northern nations and Mozambique still require major network rehabilitation, some of which is ongoing. The widespread problem of vehicle overloading needs to be addressed in order to reduce maintenance costs. As in the road sector, the *railway network* in the southern part of the region is generally in a fair condition, while in Mozambique and the northern nations it is in an unsatisfactory condition. The network comprises 12 railway corridors as defined in the protocol while 15 *ports* are classified as regional. This sub-sector is close to adequate to meet the current and immediate future needs although some ports require maintenance dredging and a few (Durban, Maputo and Dar es Salaam) are rapidly reaching their capacity limits for handling containers.
62. The difficulties with the implementation of the protocol on transport, communications and meteorology relate mainly to the slow involvement of the private sector, lack of capacity at newly created regional associations level and the non-submission of quarterly reports based on micro action plans by some Member States. It is hoped that some of the initiatives under way, like the Regional Integration Capacity Building (RICB) project,<sup>8</sup> will assist in speeding up the involvement of private sector as well as improving the capacity of the relevant authorities to implement the protocol.
63. Although *statistics* are recognised as an important tool in SADC's integration policy, there is still considerable variation in the range and coverage of economic and social indicators in Member States. In none of the Member States does the supply of statistical information meet the expressed demand, in terms of either coverage or timeliness. The SADC Statistics Committee (SSC), composed of the Directors of the National Statistical Offices (NSOs), is responsible for the coordination of SADC Statistical Systems. The SADC Secretariat has responsibility for implementing the Programme,<sup>9</sup> which covers such areas as training, capacity building, harmonisation of population and housing statistics, harmonisation of national accounts, harmonisation of price statistics and development of regional databases.
64. The lack of adequate skilled *human resources* is one of the key constraints to achieving sustainable growth and development in the region, as it militates against deeper integration. In most SADC countries, the enrolment levels for education and training are insufficient to provide the foundation for growth and development. National budgetary allocations for education and training have declined substantially in some countries. However, the levels of adult illiteracy vary considerably amongst the SADC Member States, ranging from as low as 12% in Zimbabwe to a high of 56.8% in Mozambique. Low levels of education and training are compounded by poverty, poor health and malnutrition. Lack of a balanced diet makes the poor more susceptible to contracting HIV/AIDS and associated diseases such as TB and other tropical diseases like malaria and cholera.

<sup>8</sup> Financed with a € 15.6 million grant from the EDF 8 RIP

<sup>9</sup> Financed with a € 4.8 million grant from the EDF 8 RIP

65. The *HIV/AIDS* epidemic in the Southern African region continues to be a major developmental and security issue that will have macroeconomic implications, with up to 20% or more of the adult population infected in some countries. The increased number of adults and children affected with, and dying from, the disease has led to a negative impact on the socio-economic development of the region. Levels of productivity are declining, thus reducing the competitiveness of the region's exports. HIV/AIDS is arresting and even reversing the major socio-economic gains of the past two decades in the areas of health, education and agriculture. Health care systems in particular are overwhelmed resulting in over-burdened health workers and escalating health care costs.
66. The demographic impact of HIV/AIDS in the region has also been serious: life expectancy has dropped significantly to between 40-50 years; child and adult mortality has risen while the number of orphans continues to rise with a consequent increase in dependency ratios. SADC Member States continue to take multi-sectoral approaches in addressing the HIV/AIDS epidemic. The SADC Multi-Sector Task Force has developed a *HIV/AIDS Strategic Framework and Programme of Action* for the period 2000-2004 that will serve as a framework for activities in the region and for resource mobilisation. The underlying strategy is to help each sector to build its capacity in order to develop, implement and monitor an effective HIV/AIDS programme, all supported by the regional coordination mechanism. The strategy also entails cooperation in the procurement of the necessary drugs through well-coordinated negotiations with pharmaceutical companies as well as taking advantage of bulk purchasing. While the multi-sectoral approach will continue, the coordination responsibility will be transferred to the Secretariat in 2002 as part of the restructuring of the SADC institutions.
67. Within the *FANR* sectors, food agriculture continues to be the mainstay of economic activities in nearly all the SADC Member States despite its relatively small share of GDP. It employs 70%-80% of the region's population, provides raw materials to the industrial sector, remains a major source of foreign exchange for most Member States and above all it supplies food, which contributes to social and political stability in the region. The food security situation in the region is greatly influenced by weather, civil strife and national policies. *The SADC Regional Early Warning System (REWS)* operates as an integrated project, comprising a Regional Early Warning Unit (REWU) based in Harare<sup>10</sup> and autonomous National Early Warning Units (NEWUs) in each of the ten original SADC member states. The main objective of the System is to provide Member States and the international community with advance information on food security prospects in the region through assessments of expected food production, food supplies and requirements. For the 2001/2002 season the anticipated cereal deficit was 3.22 million tonnes. In anticipation of this, SADC Ministers of Food Agriculture and Natural Resources approved short and long-term measures in September 2001 to ameliorate the cereal deficit situation. However, in practice, the planned import programmes were not put into effect due to a number of problems. These included transport bottlenecks, especially derailments of freight trains, congestion of routes with competing demands on freight services and high transit costs. As a result, some Member

<sup>10</sup> Which is currently supported with a €2 million grant from the EC's Food Security Budget Line



States are experiencing severe food shortages, particularly the countries of Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe.

68. In recognition of the importance, for operationalising the SADC Trade Protocol, of problems faced in exporting food products internationally and because of difficulties experienced in participating fully in developing internationally-agreed standards, SADC is accelerating work related to Sanitary and Phytosanitary (SPS) measures within the region. The SADC Multi-donor Hub has taken a lead in coordinating SPS activities and developing SPS/Food safety programmes at regional level.
69. All continental SADC countries share one or more of the region's 15 river basins and the largest river basin, the Zambezi basin, occupies eight countries. Due to high demand and increasing scarcity of *water*, most of the relevant river systems are completely exploited and under extreme pressure to meet the demands of agriculture, industry, and households. To optimise use of the available regional water resources, integrated management is vital. There is high variability in water resources within the region. Rainfall patterns vary dramatically and droughts and floods may occur simultaneously in different parts of the region or a country. In many parts of the region, inadequate water availability is seriously constraining food production. The state of macro-economic indicators has relevance for the water sector. Budget deficits, poor economic growth and high inflation often lead to a decline in expenditures on water projects. Budget austerity programmes affect public spending for water and sanitation projects. SADC's vision for the planning and management of water resources is that it should contribute to an integrated regional economy. The current progress by SADC countries to strengthen cooperation among themselves is a significant foundation for improving management of the region's water resources.
70. National *gender* policies are the exception rather than the rule and women in general do not receive equitable treatment although there is often a government commitment to focus on redressing inequalities in the provision of government services. SADC's Gender Policy is overseen by a Gender Unit, which has as its objective the mainstreaming of gender in all SADC programmes.

### 3.2 Sustainability of policies and medium-term outlook

71. The institutional structure of SADC, with the functional Directorates at the technical level reporting to the Committee of Senior Officials and the SADC Council of Ministers and through them to the Heads of State, ensures that policies adopted at regional level will be consistent with Member States' national policies. The Regional Indicative Strategic Development Plan currently being formulated will reinforce the linkage between national objectives and priorities and regional programmes. The SADC regional priorities include trade facilitation, investment harmonisation, infrastructure development aimed at reducing transaction costs within the region, and conflict prevention and resolution. The SADC Trade Protocol aims to use regional integration as a building block towards increased participation within the world economy. The negotiation of the SADC Free Trade Area has contributed to increased capacity through 'on the job' learning as Member States identified their strengths,

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weaknesses and opportunities. Further liberalisation will require Member States to enhance their capacity to ensure they are able to maximise benefits.

72. The commitments made by SADC Member States to implement the Free Trade Area and also to negotiate a reciprocal and WTO-compatible EPA with the EU provide further signals of a clear trend towards liberalising markets to encourage growth. Trade facilitation initiatives will assist regional integration and encourage increased trade flows by lowering transaction costs.
73. In the medium term the region is dependent on the ability of the RIOs to resolve the potential inconsistencies between the overlapping regional trade regimes of SADC, SACU COMESA and EAC. SACU is already a customs union within the SADC Free Trade Area. COMESA plans to establish a Customs Union by 2004 and EAC intends to establish a Customs Union and a Free Trade Area by 2004. It is not possible for countries to be a member of overlapping Customs Unions unless they have identical common external tariffs. Within a free trade area, imports originating in member countries are free of duty. It will be necessary to try and ensure that, within SADC and the E&SA region, importers in a specific country do not face different tariff regimes when importing under different trade regimes from the same country.
74. The comparative advantage of the EC, compared to other donors, in supporting the process of regional economic integration, lies in the importance of the EU as a major trading partner and its own experience in economic integration. In their Development Policy statement of 10 November 2000, the Commission and the Council of the European Community decided on a limited number of areas (cf. paragraph 1.3 above), which largely match SADC's own priorities of poverty eradication through regional integration, linking trade and development, the transport sector and capacity building.

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## 4 OVERVIEW OF PAST AND ONGOING EC COOPERATION

### 4.1 Past and ongoing EC cooperation: Results, analysis, lessons and experience.

75. The EDF has been a major source of support to the SADC Programme of Action and to the SADC Secretariat since the early 1980s. Within the framework of the 6th (€ 141 million), 7th (€ 130 million) and 8th (€ 121 million) EDFs, SADC received a total of € 392 million under the RIPs. The estimated distribution is as follows: Infrastructure 54%, FANR 17%, HRD 13%, Trade, Finance and Investment 6% and other 10%. The allocation of funds reveals the following trends: (1) the EC remains a major partner of SADC; (2) the aid focus has remained fairly constant over time with infrastructure as the major beneficiary with FANR as a relative small but constant beneficiary and increased support to trade, finance and investment; and (3) there has been a shift from smaller projects to larger programmes. Annex 10 lists the main ongoing projects and programmes financed under EDF 7 and 8
76. In *Infrastructure*, the concentration has been on regional development corridors, including ports. The EDF 8 RIP allocated € 54 million to the transport sector, with the NIPs contributing approximately a further € 420 million. The assistance has contributed significantly to the improved condition of the regional transport network and has provided an important basis for increased intra-regional trade. Unfortunately, the sector has been relatively slow in absorbing the resources allocated to it under EDF 8. Part of the reason is that some of the projects, which were proposed in the mid-nineties, were not sufficiently mature and indeed two have since been deleted from the pipeline. In the past, the bulk of EC assistance was allocated to capital investments rather than policy-related support but, with the *SADC Regional Integration and Capacity Building Programme*, assistance is now available for the implementation and monitoring of policy-related issues, in accordance with the protocol on transport, communications and meteorology.
77. In the *FANR* sector, the RIPs have assisted in containing animal diseases (Foot and Mouth, Tsetse and Trypanosomiasis), supporting agricultural research by providing a framework for increased regional cooperation and coordination, food security, and monitoring and surveillance of fishing activities. Two projects are still at the feasibility stage, namely the SADC Animal Health Programme, a broad follow-on project to previous activities in the livestock sector and the SADC Maize and Wheat Research Project, phase II, which is now to be integrated as part of the new overall Agricultural Research Programme.
78. In *Trade, Finance and Investment*, assistance under EDF 8 was limited to two projects: *the EU SADC Investment Promotion Programme (ESIPP)* and the *SADC Statistical Training Programme*. The ESIP programme was approved in 2000, but has been very slow to start up, and consequently the first investment forum (Mining) scheduled for late 2000 was funded separately. (The main lesson learnt from the Forum was the importance of having the logistical arrangements and other preparations in place well in advance if international executives are to attend.) Following a lengthy tender process, the PMU is now expected to be in place in the middle of 2002. Implementation of the Statistical Training project started in 2000. The 5-year project seeks to improve human capacity in the region in the production



and promotion of the utilisation of statistics. The lessons learnt in this focal sector are so far limited, as it was a new sector for the EDF 8 and projects are still at an early stage of implementation.

79. Other interventions outside the focal sectors include: the *SADC HIV/AIDS* project aimed at identifying multi-sectoral measures and promoting effective regional policies and practices on HIV/AIDS; the *SADC Regional Drug Control Programme*, which is intended to reduce production, trafficking and abuse of illicit drugs in the region; and the *Regional Integration and Capacity Building Programme*, which is designed to increase SADC's capacity to implement, monitor and verify implementation of the sectoral protocols, particularly in the trade and transport sectors, so as to actively engage in shaping future SADC-EU cooperation and to make effective use of Information Technology and Management Information Systems. The *SADC Intra-Regional Skills Development Programme* has also suffered delays at the feasibility stage. In late 2001, a workshop concluded that the original proposal was too ambitious as it basically included the implementation of the all of the objectives of the Protocol on Education. The project is being scaled down and more narrowly focused on immediate and achievable objectives.
80. As a general rule evaluations have been carried out in the past in cases where new projects have been a continuation of existing actions (e.g. Land and Water Management) and this policy will be pursued so that strengths and weaknesses of previous programmes can be taken into account to ensure that the new RIP will be more effective in promoting regional integration. As regards economic aspects of regional integration, the evaluation of the Cross Border Initiative carried out in 1999/2000 provided lessons for the future.
81. The region also benefited from complementary funds from the *NIPs* of SADC Member States, in particular in the transport and fisheries sectors. The three main sectors of the EDF 8 *NIPs* in the region were: (1) productive sectors including private sector development;<sup>12</sup> (2) transport and infrastructure;<sup>13</sup> and (3) social sectors (health and education).<sup>14</sup> It is worth noting that only one of the region's EDF 8 *NIPs* actually included a reference to the possibility of providing *NIP* resources for regional initiatives. On the other hand, the EDF 8 RIP specifically mentions the requirement for regional funds to be supplemented by the *NIPs*. This contrast may explain why so few projects were actually co-funded. Additional funding was also provided from the *European Programme for Reconstruction and Development (EPRD) for South Africa*. The EPRD provides that upwards of 15% of the assistance be allocated annually to regional activities. Under this arrangement complementary cofinancing funding has been provided for activities covering agriculture, illicit drugs, HIV/AIDS and Trade, Finance and Investment. While the additional funds originating from the EPRD have been appreciated, the cumbersome procedures experienced when co-funding projects has meant delays and complications at the project preparation stage. To address these issues, SADC and South Africa will sign a Memorandum of Understanding in 2002 covering all aspects of programming and implementation and assigning specific responsibilities to both parties.

<sup>12</sup> Botswana, Mauritius, Namibia, South Africa, Swaziland and Zambia.

<sup>13</sup> Angola, Lesotho, Malawi, Mozambique and Tanzania.

<sup>14</sup> Lesotho, Malawi, Mozambique, Namibia, South Africa, Tanzania, Zambia and Zimbabwe.

82. In addition to the EDF and the South Africa EPRD, SADC regional programmes have been financed in recent years from a number of *EC Budget Lines*, including Cofinancing with NGOs, Decentralised Cooperation, Food Security, Democracy and Human Rights, Environment and Tropical Forests.
83. In summary, implementation of the EDF 8 RIP has experienced some problems, resulting in slow utilisation and absorption of resources. The problems have been examined by SADC and the EC and it has generally been acknowledged that it was the dual responsibility of both sides to resolve, especially with regard to capacity building. It is hoped that the concentration on larger projects, the SADC RICB project, SADC's restructuring and the European Commission's decentralisation policy will help overcome these problems. It has also been recognised that regional projects generally take considerably more time to prepare than national projects, as there are significantly more players involved. The lessons that have been learned are that only truly regional projects that are at a fairly advanced/mature stage of identification should be considered for the RIP, and that selected projects should be based on well-developed SADC-owned regional sectoral policies and strategies. It is also clear that in the past there have been too many small projects. It is worth noting that under EDF 8 steps were already taken to focus on larger projects such as ESIP and RICB.
84. *The European Investment Bank* has a major programme of financing infrastructure in the SADC region, with a current portfolio amounting to € 1.25 billion and annual inflows into the region of some € 200 million.

#### 4.2 Programmes of EU Member States and Other Donors

85. Several EU Member States and other donors have in the past had programmes supporting SADC. Assistance has taken place at various levels, i.e. directly to the decentralised Sector Coordinating Units in Member States, and funds have also been channelled through the SADC Secretariat. With SADC's decision in March 2001 to restructure the organisation, interest has increased and a number of donors have expressed their willingness to actively step up their cooperation with SADC. More recently, a number of Framework Agreements have been concluded, providing assistance to numerous sectors but under one umbrella, along the lines of the EDF arrangement.
86. EU bilateral donors include *Austria* (€3 million in 2000), primarily in infrastructure, *Belgium* (€2.06 million in 2000) in FANR, infrastructure and regional integration 2000, *Denmark*, primarily in finance and investment, water and conflict prevention, *Germany* (€8.1 million in 2000), mainly in trade, private sector and infrastructure, *France* (€0.6 in 2000) in FANR and statistics, *Sweden* in infrastructure, capacity/institutional building, water and democracy, *Finland* (€1.2 million in 2000) in Information Communication Technology and the *UK* (€7.2 million in 2000/2001), primarily for trade, transport and conflict prevention.

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87. Other bilateral and multilateral donors include *Norway* (restructuring), the *US* (trade, finance and investment, transport and democracy), *Japan* (transport, tourism, SMEs), the *UN organisations* and the *International Financial Institutions*. Further details on EU Member States and other donors are presented in annex 11.
88. *Donor coordination* has in the past been limited to the annual SADC consultative conferences. The decentralised SADC structure in the past also meant that it was difficult to coordinate and pool resources. However, with restructuring and centralisation of the SADC Secretariat, increased coordination will be necessary to avoid duplication and to allow SADC and its cooperating partners to work jointly within a consistent regional policy framework to the maximum extent possible. Four EU Member States are represented in Botswana (Germany, France, Sweden and the UK). The European Commission's Delegation was chosen early in 2002 to act as *chef de file* for the donor community, especially in the run up to the Donor Conference, which is due to take place in October 2002.

#### 4.3 Other EC Policies

89. In addition to their development cooperation, SADC and the EC have long-standing commercial links based on the preferential provisions of the successive Lomé Conventions and the current Cotonou Agreement. Of particular value in this context have been the *Sugar and Beef Commodity Protocols*. Under the successive ACP-EC agreements since 1975, the region's traditional meat exporters are able to sell beef and veal to the EU internal market at a substantial reduction in import levies. Although the region has not recently been able to take full advantage of these arrangements, exports to the EU market nevertheless generate a significant flow of resources to the relevant economies. SADC has, however, expressed concerns about the coherence of the EU's agricultural and consumer health policies, as it fears that EU policies in the area of sanitary and phytosanitary measures may have a rather negative impact on the countries in the region, notably in cases where transitional periods for introducing new regulations are short and exporting countries do not have the capacity to adapt their production to the new requirements.
90. The EC's trade policy, as well as the Cotonou Agreement, encourages the integration of developing countries into the world economy, with the *Everything But Arms (EBA)* initiative as a contributory tool. Under this initiative the EU has granted duty free market access for all products originating from the Least Developed Countries, with the only temporary exceptions being bananas, rice and sugar. The ongoing reform of the EC's Common Agricultural Policy, which is also linked to the WTO post-Doha negotiations, will have a considerable effect on ACP producers and exporters to EU markets. It will therefore be necessary for ACP countries and regions to monitor this process closely in order to make sure that their interests are taken into account.
91. The ACP and the EC are preparing to negotiate new trading arrangements to progressively remove barriers to trade and to enhance cooperation in all areas relevant to trade. These new trading arrangements, termed *Economic Partnership Agreements (EPAs)*, are intended to build on regional integration initiatives existing within the ACP, and are to be implemented from 2008 onwards. EPAs will include Free Trade Agreements according to Art. XXIV



GATT (i.e. covering substantially all trade) between the EU and ACP countries, with reciprocity being introduced gradually and asymmetrically. EPAs cover more than just market access issues in that they could include cooperation in trade-related areas such as trade in services, competition policy, standardisation and certification, protection of intellectual property rights, sanitary and phytosanitary measures and other areas which are included in the 4th WTO Ministerial Declaration. The challenge facing SADC and Member States is how to negotiate EPAs, which help the region as a whole to become more competitive through trade relations with the EC and the multilateral trading system whilst supporting further regional integration.

92. The EC has already agreed or is currently negotiating *reciprocal trade agreements with twelve Mediterranean countries* as well as with the *four MERCOSUR countries and Chile*. The EC has also concluded a Free Trade Agreement with *South Africa*, which is scheduled to take full effect within the next eight to ten years. The region will have to ensure that it is able to take advantage of the opportunities, whilst also addressing the challenges, created by the *EU-South Africa TDCA*, as it directly impacts on the other members of SACU – Botswana, Lesotho, Namibia and Swaziland (BLNS)– since they will have to remove tariffs on imports from the EU in line with South Africa's offer in order to retain the integrity of the Customs Union. The EU-SA TDCA will result in a decline in SACU tariff revenue, requiring the BLNS to restructure their fiscal bases. It will also impact on SADC countries, as producers will face increased competition from SACU producers who are able to source their inputs from the EU free of duty. The existence of the overlapping free trade areas of SADC and the EU-SA will put pressure on SADC Member States to further reduce their external tariffs. The combined effect of all these trade arrangements will without any doubt be to intensify competition in the EU market, but also in the SACU area, as products from various sources will be competing more openly. Ongoing WTO negotiations will further lead to liberalisation of EU markets. *EU enlargement*, on the other hand, will increase the size of the EU market and might be a chance for ACP suppliers to increase exports to the acceding states.
93. *Marine Fisheries* provide a large but decreasing proportion of foreign exchange earnings for two (Mozambique and Namibia) of the five SADC coastal countries. The EC is the main market for the region's exports and it has concluded a number of *Fisheries Agreements* with countries in the region. Initially based on the commercial interest of the EU fishing fleet, such agreements are bound increasingly to take account of sustainable resource management and the development objectives of the partner countries concerned. The EC's policies in these areas must be consistent with Council Resolution on Fisheries and Development of November 2001. Weak monitoring, control and surveillance has led to commercial over-fishing and unlicensed fishing having a negative impact on artisanal fishing. The 7-year €13 340 000 *SADC Regional Monitoring, Control and Surveillance of Fishing Activities Programme*, which commenced in 2000 and is co-financed by the EDF 8 RIP and the NIPs of Angola, Mozambique, Namibia and Tanzania, is tackling these problems. Furthermore, several SADC countries may be eligible, by virtue of their membership of other RIOs in the broader region, to benefit from the fisheries component of the 'Management of Natural Resources' focal sector of the E&SA EDF 9 RIP.



94. In the area of *Common Foreign and Security Policy (CFSP)*, political dialogue and conflict prevention, the EU-SADC dialogue has deepened since the launch of the Berlin Initiative in 1994, and has provided a framework for intense dialogue in political matters, as is evident from the assistance provided to the Lusaka Peace Process since 1999. The existence of political dialogue has also opened the door for sharing experiences and exchanging ideas on regional integration as well as deepening and strengthening democracy in the region. There is within SADC considerable interest in how the CFSP is conducted and the potential impact it may have on traditional common development policies as well as EU Member States' bilateral foreign policies towards the region.

#### 4.4 International Initiatives

95. The *New Partnership for Africa's Development (NEPAD)* is a merger of the Millennium Partnership for the African Recovery Programme and the Omega Plan and outlines a strategy for achieving sustainable development in the 21st Century. The objectives of SADC and NEPAD are consistent with the emphasis on creating the conditions for sustainable development and poverty reduction. NEPAD intends to mobilise resources through increased savings and capital inflows via further debt relief, increased ODA flows and private capital as well as better management of public revenue and expenditure. All SADC policy proposals to the Council of Ministers are required to conform to the NEPAD objectives while the SADC Secretariat has established an official contact point with the NEPAD Steering Committee (Interim Secretariat).

96. Under the recently enacted USA's *African Growth and Opportunity Act (AGOA)* a number of African countries are eligible for tariff and duty free access to the US market under certain conditions for a number of selected products. AGOA offers a number of new opportunities to SADC countries, in particular in the textiles sector, and the challenge now facing SADC is to draw maximum benefit from the scheme.

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## 5. THE RESPONSE STRATEGY

97. The EC response strategy is based on EC policy objectives, the policy agenda and the analysis of the region, the lessons learned from past and ongoing EC experience, aid from other donors and the value added of addressing issues at regional level. The resulting strategy contains two focal areas: "*Regional Integration and Trade*" and "*Transport and Communications*".
98. The Agreement amending the SADC Treaty, and the assessment of regional integration in SADC, indicate that the main objective of SADC is to alleviate poverty through deeper regional integration and equitable and sustainable economic growth and development built on democratic principles. The EC Treaty and the ACP/EC Cotonou Partnership Agreement both affirm the three objectives of EC development cooperation to be: (1) Sustainable social and economic development; (2) Gradual integration of developing countries into the world economy; (3) Reduction and eradication of poverty. In the context of the Cotonou Agreement, *Regional Integration and Trade* emerges as a natural focal sector in regional programming, all the more so in view of the future EPA negotiations. There is an elaborate regional policy agenda and the majority of the countries in the region are likely to be involved in EPA negotiations and in negotiations with WTO. EC support in this area will thus contribute to the economic development of the countries of the region and to their integration in the world economy.
99. In defining the RSP, the parties have taken into consideration the need to support preparations for the negotiation and implementation of EPAs. Particular attention has to be paid to the development of the region's supply capacity. In this context close coordination and synergies will be sought with the EU-SADC Investment Promotion Programme (ESIPP),<sup>15</sup> Intra-ACP funding in support of the private sector (EBAS, PROINVEST, etc.) and the Cotonou Investment Facility to be managed by the European Investment Bank.
100. The analysis of the regional situation and the assessment of regional integration for the SADC region indicate that countries in the region accept that poverty reduction depends upon achieving levels of economic growth of 6% or more per annum and presupposes an equitable share of such growth. To achieve this, the region needs to attract significant levels of investment into the productive sectors of the region, hence the pre-condition of creating a conducive investment climate. To a large extent a conducive investment regime is dependent on improved access to larger markets, a stable economic regime, adequate infrastructure to allow business transactions to take place within the region and a peaceful and politically stable environment. Economic growth will also result from the contribution of those productive sectors based on the sustainable exploitation of natural resources. Sharing of growth, socio-economic stability and appropriate investment environment imply :
- a) adequate skilled human resources through development of education/training;

<sup>15</sup> Financed with a €16.325 million grant from EDF 8.

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b) joint approach on common socially related issues.

101. Efficient transport and communications networks are essential prerequisites both for development at regional level and for establishing links with other regions. The implementation of the region's integration and trade agenda will be greatly facilitated by progress in the transport and communications field, notably by reducing the cost of doing business and by establishing reliable links. Substantial infrastructure investments, which often have a regional dimension are envisaged under the NIPs of the countries of the region.<sup>16</sup> Coordination and harmonisation of measures at regional level are essential, thus providing for the choice of *Transport and Communications* as the second focal sector. EC support in this area will contribute in particular to regional economic development and the integration of the region in the world economy, but also to poverty reduction by reducing transport costs for goods.
102. Complementary activities *outside the focal areas* may cover institutional capacity building and conflict prevention. The region continues to experience pockets of instability, which prevents it from allocating all its resources and focusing all its attention on securing sustainable social and economic growth. Support in the area of conflict prevention and resolution is essential because a stable political, economic and social environment is a basic requirement for human development. Capacity building is of particular importance in order to enable SADC to efficiently identify, appraise and implement projects under this RSP. Capacity building in the area of statistics is also essential in order to enable the region to establish a sound information base for policy development and decision-making.
103. HIV/AIDS has been identified as a major constraint to the region's economic development. No specific measures are envisaged as yet, although continuation of the 8th EDF Multi-sectoral HIV/AIDS response programme will be considered and generally attention will be given to synergies between projects implemented under this RSP and HIV/AIDS programmes implemented on the national and intra-ACP levels. The regional response potential to HIV/AIDS could also be accentuated by common activities on pharmaceutical and medical issues.
104. The lessons learned from the past and ongoing cooperation with the EC point to the fact that:
- The best means of achieving successful integration into the global economy, minimising negative impacts and maximising benefits, is regionalisation.
  - Functional cooperation remains critical and regional corridors provide an important basis for increased intra-regional trade and for regional cooperation in general; they have also contributed significantly to the generally improved condition of the regional transport network.
  - Due to lack of skilled human resources on both sides there is a need to focus the cooperation and move to fewer and larger programmes.

<sup>16</sup> Lesotho (20%), Malawi (33%), Mozambique (31%), Tanzania (40%) and Zambia (38%) have Transport infrastructure as either First or Second Focal Sector – see also Annex 12

- If the benefits from regional integration are to be maximised, then the programmes developed should be high priority focused sectoral programmes that aim to promote the integration of Africa as a whole.
105. The proposed response strategy takes account of complementarity with measures by other major donors and the conclusions reached in the context of the 'policy mix' analysis exercise. It also ensures synergy with the region's NIPs and the EPRD as well as the E&SA RIP. It further focuses assistance in areas where the EC has a comparative advantage or particular expertise and where there is a clear regional value added and is within the financing envelope of € 101 million notified to the SADC region as an indicative allocation. Efforts to avoid overlap and conflicting programmes will be given a high priority and the principle of subsidiarity will be applied. It is expected that the South Africa EPRD budget line will provide, within the framework of the CSP/NIP for 2003-2005, additional funding e.g. through a proposed programme of support to regional pharmaceutical policies.
106. The involvement of Non-State Actors (NSA), including local government, is essential for the successful implementation of this RSP. Their involvement could basically be on three levels: contributing with their knowledge and experience to the definition of policies and programmes; implementing projects in their respective fields of competence; and as a beneficiary of projects, notably in the area of capacity building.
107. The European Investment Bank has identified a number of possible measures (notably in the transport and water sectors) that it could support either alone or in cooperation with the European Commission and other institutional (bilateral and multilateral) and commercial financiers.

**PART B**

**REGIONAL INDICATIVE PROGRAMME**

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## 6. PRESENTATION OF THE REGIONAL INDICATIVE PROGRAMME

### 6.1. Introduction

108. Within the general framework of the present Regional Strategy Paper, and in accordance with provisions of Article 10 of Annex IV to the Cotonou agreement, the Parties have agreed on the main priorities for their cooperation and on the sectors on which the support of the Community will be concentrated. A detailed Indicative Programme is presented in this chapter, followed by Annexes 1, 2 and 3 containing a series of tables presenting the intervention frameworks for each focal sector, an activities timeline and the indicative commitment and expenditure schedules.
109. Amounts mentioned in this chapter indicate the global allocation of funds between the two focal sectors of *Regional Integration and Trade* and *Transport and Communications* and other programmes. This allocation may be modified during the mid-term and end-of-term reviews.
110. There are a number of cross-cutting issues which will be taken into account when designing specific projects and programmes to be implemented under the Indicative Programme, including gender issues, capacity building and environment, and each Financing Agreement will specifically address these issues. In particular, the importance of peace and security as a necessary prerequisite to regional integration and the mainstreaming of HIV/AIDS throughout all programmes will be underlined.
111. The involvement of Non-State Actors (including local government) in the preparation and implementation of projects will be encouraged, and they may also benefit in the context of capacity building.

### 6.2 Financial Instruments

112. This Indicative Programme is based on the indicative allocation for the region of *€101 million*. The indicative allocation per sector (as a percentage of the RIP allocation) is as follows:

- |                    |                                |           |
|--------------------|--------------------------------|-----------|
| • Focal Sector 1   | Regional Integration and Trade | 35%-45%   |
| • Focal Sector 2   | Transport and Communications   | 35%-45%   |
| • Other Programmes |                                | up to 20% |

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In addition, projects in the second focal sector (notably in the water and transport sub-sectors) will be eligible for consideration under the arrangements envisaged for the European Investment Bank .

113. Balances remaining from previous EDFs<sup>17</sup> at the date of entry into force of the Financial Protocol, as well as decommitments made at a later stage, will be added to the above mentioned indicative allocation. These funds will be used for projects and programmes already identified under indicative programmes of preceding EDFs, for which no financial decision was taken before the entry into force of the 9<sup>th</sup> EDF. Remaining balances should be used to support projects and programmes in line with the priorities set out in this Indicative Programme. Regular reviews of the current RIP (over and above the mid- and end of term reviews) as well as of earlier RIPs may be agreed between the parties.

### 6.3 Focal Sectors

#### 6.3.1 *Regional Integration and Trade*

114. An indicative amount of between 35%-45% of the total financial envelope of the € 101 million is to be reserved for this sector.
115. The specific objectives to be pursued are to increase economic growth and reduce poverty through higher levels of regional economic integration and to improve trade-negotiating capacities at regional and multilateral levels (including WTO and EPAs). This is expected to result in increased intra-regional trade, improved capacity to formulate trade policies and the easing of budgetary constraints to further trade liberalisation.
116. SADC will seek to deepen integration in the areas of trade and investment, with particular emphasis on the removal of barriers to trade. Intensified regional integration will be used as a stepping-stone towards preparing for global competition. Furthermore, the activities will centre around assisting the region with the much-needed industrialisation, with emphasis on the productive sectors, in order to encourage and enhance the scope for intra-regional trade. The measures will aim to raise both the volume of intra-regional trade and the regional share of global trade.
117. On WTO issues the region will coordinate its position with the rest of the African Group on matters of significance and more especially in those areas where negotiations are ongoing or are scheduled to start after the 5<sup>th</sup> Ministerial Conference. Resources and due attention will also be devoted to capacity building and technical assistance in multilateral trade issues both at the national and regional levels in order to assist Member States to be active and equal partners in the multilateral trading environment within the framework of WTO.

<sup>17</sup> Currently estimated to be approximately € 15 million.

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118. A regional cross border payments and settlement system is being devised and the business plan is being finalised. If the system is acceptable to the region's Ministers of Finance, commercial banks and other stakeholders, assistance will be required to implement it. Capital market development still remains weak and Africa has largely missed out on global private capital flows and prosperity. The plan is to use the resources of the RIP to encourage the creation of a regional capital market, either by establishing a closed-end fund, or through cross-listing or by looking at the possibility of creating a regional stock market. In these areas, close cooperation will be sought with COMESA and other RIOs.
119. Capacity building will be required at both regional and national levels. As integration deepens and Member States are embarking on the implementation of the provisions of the protocols, it will be essential to build capacity at the national level for regional integration. Similarly, the implementation of the decisions of the Summit with regard to restructuring of the SADC institutions will require assistance.
120. The main measures envisaged, including joint programmes and activities with COMESA and other organisations, are:
- Trade liberalisation at regional level (customs procedures, computerisation of customs);
  - Technical Barriers to Trade (the management of technical regulations, implementation of WTO TBT agreement);
  - Trade Facilitation measures (e.g. Common Road transit charges, customs bond guarantee system);
  - Cross-border payment and settlement system;
  - Regional capital market development; and
  - Preparations for negotiation and implementation of new trading arrangements (Economic Partnership Agreements), e.g. studies and technical assistance.

Under the headings of Trade Liberalisation and Technical Barriers to Trade could be included, for example, actions such as the following :

- Mutual recognition of authorisations for sale of drugs;
- Common response strategies to communicable diseases and epidemics which could compromise movement of goods and people (border closures);
- Common tariffs for taxation/customs duties on medical equipment and pharmaceuticals;

which have a potential impact not only on Regional Integration (Trade) but also on the social sectors of the region, with potential benefits particularly for the less advanced countries.

121. The prime policy measures to be taken by the region to help implement the response strategy in this focal area consist of SADC working closely with the other regional organisations, in particular COMESA, which are involved in economic integration activities so as to achieve the overarching goals and objectives of the region.

### 6.3.2 *Transport and Communications*

122. An indicative amount of between **35%-45%** of the total financial envelope of €101 million is to be reserved for this sector. In addition, funding for infrastructure projects, notably in the water and transport sub-sectors, may be eligible for consideration by the European Investment Bank under the Cotonou Agreement.
123. If trade between countries in the region is to increase significantly, trading systems will need to be made easier and cheaper. Trade facilitation measures are already in place and there is strong cooperation between RIOs in this area. However, it remains necessary to work towards more uniform and systematic implementation of transit facilitation reforms. The EC has considerable experience in overcoming such problems and could share its experience to further improve the effectiveness of cooperation at operational level between regional bodies (COMESA, EAC, IGAD, SADC and SACU) and with private sector organisations to improve delivery of transport services.
124. Cooperation with COMESA and other organisations will be continued and strengthened in particular in areas such as: road and rail transit traffic facilitation, customs facilitation, regulatory frameworks and linking statistics, trade and transport.
125. SADC/SATCC will look into the possibility of forming a partnership with the Sub Saharan Africa Transport Policy Programme (SSATP) that encompasses the Road Management Initiative, Rural Travel and Transport, Urban Mobility, Railway Restructuring, and Trade and Transport. SSATP is active in 8 of the 14 countries of SADC and has developed many "good practices" at country level, which need sharing at sub-regional level and fully integrating into regional transport strategies. Partnership with SSATP should also include the private sector regional transport associations involved in actually delivering many transport services – the Federation of Clearing and Forwarding Agencies of Southern Africa and their sister association in East Africa, the Port and Maritime Association of Eastern and Southern Africa.
126. Regional/sub-regional transport associations should have the capacity to support national administrations to update their legislation to match regional and international agreements, particularly aviation and maritime, as well as monitoring the implementation of such agreements. RIP resources may also be allocated to support such capacity building.
127. The SATCC Committee of Ministers has created within SADC an e-readiness Task Force (composed of representatives of the public sector, industry, and academia), which has prepared a comprehensive report on e-readiness status in SADC and an Action Plan on policy guidelines. SADC plans to request funding of the next phase, which will focus on e-participation and on specific actions to be taken for implementation of ICT in the SADC region.
128. In the Transport and Communications Sector, the specific objective will focus on two strategic areas: (i) policy, legal, regulatory and institutional reforms aimed at creating an environment conducive to private sector investment in the provision, operation,

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maintenance and management of the transport and communications systems; and (ii) improving transport networks by providing missing links and rehabilitating and maintaining the existing infrastructure. In addition, as regards ICT, the main objectives are to assist Member States in the development of an appropriate regional regulatory framework and transparent legislation for e-Governance.

129. The objective of activities in the water sector is to foster integrated water resource management and development. This entails closer cooperation for judicious and sustainable, protection and utilisation of shared watercourses and the development and implementation of policies and activities (including satellite monitoring) that would improve access to water for all. The policies will also address water related disasters.
130. The main measures envisaged are:
- Support for policy, legal, regulatory and institutional reforms in the transport and communications sector;
  - Investment in the Malawi/Mozambique: Mulanje-Mucuba and Kilimane axes;
  - A knowledge-based economy programme;
  - Control of surface water and capacity building for joint integrated basin management.

### 6.3.3 Other Programmes

131. An indicative amount of *up to 20%* of the total financial envelope of € 101 million has been reserved for activities to be identified on an *ad hoc* basis, e.g. those resulting from the political dialogue conducted within the framework of the Berlin Initiative. Other possible activities might be support for the SADC Organ, which deals with conflict prevention, as well as the continuation of current programmes such as the SADC Regional Drug Control Programme, the SADC Regional Multi-Sectoral HIV/AIDS project which could also benefit from other potential actions affecting the health sector under Trade Liberalisation, and the SADC Landmine Programme. Furthermore, regional integration could be reinforced through education and training activities in accordance with the SADC protocol on Education and Training. It is expected that some initiatives could be jointly undertaken with some or all of the other RIOs or could be part of wider pan-African initiatives. These resources could also support the workings of the Inter Regional Coordinating Committee (IRCC), and provide a reserve for insurance against possible claims and cover cost increases and contingencies.

## 6.4 Duly Mandated Organisations

132. For the purpose of the implementation of this Indicative Programme, the duly mandated regional organisation is SADC, represented by its Executive Secretary who will act as Regional Authorising Officer (RAO). The function of RAO is defined by analogy with the description of the function of National Authorising Officer in the ACP-EC Cotonou Agreement (Annex IV, Articles 14.3 and 35). The RAO may delegate functions relating to the implementation of specific actions to other organisations or authorities.

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133. SADC and the RIOs covered by the E&SA RSP/RIP have established a coordination mechanism – the Inter Regional Coordinating Committee (IRCC) – to facilitate cooperation on programming and implementation in both regions. This coordination mechanism is described in Annex 13. Furthermore, a SADC-COMESA Task Force has already been established to ensure harmonisation of the programmes and policies of the organisations in the areas of economic cooperation.

#### 6.5 Cooperation with other Countries or Regions

134. Other countries or regions, as well as Overseas Countries and Territories and the outermost regions of the EU, may participate in projects implemented in the context of this Regional Indicative Programme. Participation requests - together with detail of the funding source - have to be submitted to the duly mandated regional organisation or through the presidency of the IRCC.
135. Countries in this region may also participate in projects of other regions, especially neighbouring regions. Adequate funding for such participation shall be made available in the framework of this RIP. The region itself may cooperate with other regions and in the context of pan-African initiatives.
136. Without prejudice to the programming arrangements concluded between the EC and South Africa<sup>18</sup>, contributions from the EPRD which South Africa has earmarked or will earmark for regional activities in its Multiannual Indicative Programmes may complement the resources from the EDF for regional activities under this RIP. These resources should facilitate the participation of South Africa in regional cooperation and should meet the sectoral priorities agreed in this RIP.
137. In all cases, the administrative and financial arrangements for participation are to be fixed before the Financing Proposal is finalised. For this purpose, a specific protocol will be established between the relevant authorities of the partner countries/regions concerned. This protocol forms integral part of the Financing Agreement to be signed with the EC.
138. The participation of other countries/regions in projects of this RIP or of countries of this region in projects of another region must not cause delays in the implementation of this RIP, as these could have a negative impact on mid-term and final reviews.

<sup>18</sup> The negotiations for the South Africa CSP/MIP for the period 2003-2005 are expected to be concluded by the end of 2002



ANNEXES

- Annex 1 Intervention framework
- Annex 2 Indicative schedule of activities: 2002-2007
- Annex 3 Indicative Commitments and Disbursements Timetable
- Annex 4 Table 1; SADC Membership of Regional Integration Arrangements and WTO;  
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- Annex 5 Chart of East and Southern Africa Regional Economic Integration arrangements
- Annex 6 Map of the SADC Region
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- Annex 12 SADC Donor Matrix
- Annex 13 SADC Member country EDF 9 NIPs
- Annex 14 Inter-Regional Coordinating Committee
- Annex 15 List of Abbreviations



## Annex 1

## Intervention Framework : Regional Integration and Trade

Summary	Indicators	Source of Verification	Hypothesis/Assumptions
<b>Aim:</b> To increase economic growth and reduce poverty through support for higher levels of regional economic integration	Implementation of regional integration policies, trade creation and integration into the global economy.	Council Records Economic and trade statistics	The region is stable economically and politically. The global economy continues to grow
<b>Specific Objective:</b> Increased intra-regional trade	Membership of regional trading arrangements and WTO. Studies and other actions taken in preparation for EPA negotiations.	WTO country assessments Economic and trade statistics	Countries develop and implement policies to restructure their domestic economies to ensure no loss of net revenue and to improve competitiveness.
<b>Expected Results:</b> 1. MS active in multilateral trading environment within the framework of WTO 2. Technical Barriers to intra-regional trade removed 3. Intra-Regional funds for investment mobilised 4. SADC position on EPA	Improved welfare of region's population. FTA implemented and more countries part of a free trade agreement.  Region prepared for EPA negotiations.	Economic and trade statistics. National tariff books. National accounts.  EPA negotiations.	Countries implement credible economic policies and achieve peace and stability in the region.
<b>Identified Projects/Programmes:</b> 1. Trade liberalization at the regional level (Customs procedures, computerization of customs); 2. Technical Barriers to Trade (the management of technical regulations, implementation of WTO TBT agreement) 3. Trade Facilitation measures (e.g. Common Road transit charges, customs bond guarantee system); 4. Cross-border payment and settlement system; and 5. Regional capital market development. 6. Preparations for the negotiations and implementation of the new trading arrangements (Economic Partnership Agreements), 7. Support for cooperation with other regional organisations	<b>Indicative Budget:</b>  35% to 45% of the financial envelope	<ul style="list-style-type: none"> <li>• Feasibility and Preparatory Studies</li> <li>• Preparation of Financing Proposals</li> <li>• Commitment and disbursement rates</li> <li>• Sectoral Reports and Council Records</li> </ul>	The Directorate for Trade, Industry, Finance and Investment (TIFI) is capable of designing, implementing and monitoring programmes. RIOs continue to co-ordinate their activities.

### Intervention Framework: Transport and Communications

Summary	Indicators	Source of Verification	Hypothesis/Assumptions
<b>Aim:</b> To increase economic growth and reduce poverty through support for higher levels of regional economic integration	Implementation of Protocols, trade creation and integration into the global economy. GDP growth rates	Policy reports and economic and trade statistics	All member States are committed to implementing the protocols
<b>Specific Objective:</b> Improve the efficiency and effective use of the transport and communications infrastructure	Reduced costs of transport and communications. Increased access to transport and communication infrastructure	Preparation of financial proposals Assessment reports and statistics on access.	Region has the capacity to implement programmes
<b>Expected Results:</b> 1. Efficient transport and communications infrastructure.	Increased regional trade. Harmonised policies on transport. Reduced costs of moving goods intra-regionally.	Economic and trade statistics and assessment on costs of transport.	The Directorate on Infrastructure and Services has adequate capacity to
<b>Identified Projects/Programmes:</b> 1. Transport and communications policy and regulatory framework 2. Investments in infrastructure 3. A knowledge-based economy programme emphasising science and technology. 4. Control of surface water and Capacity Building for joint integrated basin management	<b>Indicative Budget:</b>  35% to 45% of the financial envelope	Feasibility and preparatory studies; Preparation of financing proposals; Commitment and disbursement rates. Assessment of investment levels in infrastructure. Reports and assessment of level of preparedness capacity to deal with surface water resources.	Adequate capacity to implement programmes.

## Intervention Framework: Non-Focal Sectors

Summary	Indicators	Source of Verification	Hypothesis/Assumptions
<b>Aim:</b> To increase economic growth and reduce poverty through higher levels of regional economic integration	Increased welfare of the region's population	Policy reports on social and political issues.	The region consolidates democracy and peace. Current conflicts are resolved.
<b>Specific Objective 1:</b> Promotion of peace and security and role of gender	Relative peace and security for all citizens of the region	Ratification of Protocol on defence peace and security	All member states are committed to implementing the protocols.
<b>Expected Results:</b> 1. Cooperation on peace and security matters facilitated 2. Drug trafficking and use reduced. 3. Levels of organised crime, money laundering bribery and corruption reduced 4. Gender mainstreaming in peace and security issues.	Ratification of the protocol on defence, peace and security. Implementation of drug control programmes.  Implementation of agreed policies to achieve set targets on gender	Implementation of protocol  Reports and statistics on drug abuse  Assessment of HIV/AIDS infected population and access to medication Reports on assessment of MS performance in achieving targets	The region has capacity to manage conflict. Law enforcement agencies are able to intercept information on drug trafficking. MS and individuals have capacity to implement programmes. Capacity to implement policy changes at national level
<b>Specific Objective 2:</b> Promotion of human rights and democratisation	Enhanced respect for human right and adherence to democratic principles	Assessment of independent reports on human rights and democracy	MS are committed to the respect for human rights and promotion of democracy
<b>Expected Results:</b> 1. Reduced levels of intra-regional conflict; 2. Reduced levels of human rights abuses in the region; 3. Strong and focused human rights civil society organisations in the region	Levels of intra-regional conflict and human rights abuses;  Degree of transparency with which civil society operates	Statistics and assessment reports.	MS have the capacity to implement key decisions.
<b>Specific Objective 3:</b> Reduction in HIV/AIDS prevalence	Implementation of SADC HIV/AIDS strategy and Protocol on Health	Assessment of statistics and reports	MS put in place the necessary infrastructure and support to implement policy and programmes.
<b>Expected Results:</b> 1. Reduced levels of HIV/AIDS; 2. increased knowledge about HIV/AIDS, in terms of prevention; 3. Improved facilities for caring of HIV positive people AIDS orphans.	Implementation of HIV/AIDS strategy at all levels of society	Assessment reports and statistics generated/ collected	There is adequate capacity to implement programmes and projects.

<p><b>Identified Projects/Programmes:</b></p> <ol style="list-style-type: none"> <li>1. Capacity building for conflict prevention and management</li> <li>2. Enhancing the implementation of the protocol control of illegal drug trafficking</li> <li>3. Implementation of the SADC HIV/AIDS Strategy and procurement policy harmonisation</li> <li>4. Gender mainstreaming, legal and policy development</li> </ol>	<p><b>Indicative Budget:</b></p> <p>15% to 25% of the financial envelope</p>	<p>Reduction in conflicts and prevalence of peace in the region Reports and statistics on these activities.</p>	<p>Capacity at MS level to translate agreed policy into implementable activities</p>
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## Indicative Schedule of Activities: 2002 - 2007

€ '000

Focal sectors and projects	Identification	Appraisal	Financing Decision	Start of Implementation	Completion	Comments
<b>1. Region Integration and Trade</b>						
Trade liberalization at the regional level (Customs procedures, computerization of customs);	Mid-002	Early-2003	End-2003	Early-2004	End-2007	
Technical Barriers to Trade	Early-2003	Mid-2003	2004	2004	2007	Phase 1 to start in 2002
Trade Facilitation measures (e.g. Common Road transit charges, customs bond guarantee system);	End-2002	Early-2003	Mid-2003	2004	2007	
Cross-border payment and settlement system		End 2003	2004	2004	2007	
Regional capital market development		2002	Early 2003	2003	2006	
<b>2. Transport and Communications</b>						Phase 1 to start in 2002
Malawi/Mozambique: Mulanje-Mucuba, Kilimane (upgrading)	End 2002	2003	End 2003	2004	2007	
Support to the policy, legal, regulatory, and institutional reforms in the transport and communications sector	End 2002	2003	End 2003	2004	2007	
ICT - A knowledge-based economy programme and science and technology	End-2002	Early-2003	Mid-2003	2003	2006	
Surface water (PCN 14)	2002	2003	2003	2003	2006	
HYCOS phase II	2002	2003	2003	2003	2006	
Capacity Building for joint integrated basin management	2002	2003	2003	2003	2006	
<b>3. Other Programmes</b>						To start in 2003
Conflict prevention and other issues relating to the Berlin Initiative	2003	2003	2004	2004	2006	
Regional Drug Control	2003	2003	2003	2004	2006	
HIV/AIDS and gender	2004	2004	2004	2004	2007	
Capacity Building	2003	2004	2004	2004	2007	

### Indicative Commitments and Disbursements Timetable

Focal sectors and projects	Budget (of Total)		2002	2003	2004	2005	2006	2007
		As percentage of total allocated to the sector						
1. Region Integration and Trade	35-45	Committed	0	5	20	40	60	80
		Disbursed	0	0	5	10	15	20
2. Transport and Communications	35-45	Committed	0	0	10	30	50	80
		Disbursed	0	0	0	10	15	20
3. Other Programmes	15-25	Committed	0	0	20	20	40	80
		Disbursed	0	0	5	10	15	20

*M*

*A*



**Table 1: SADC Membership of Regional Integration Arrangements and WTO**

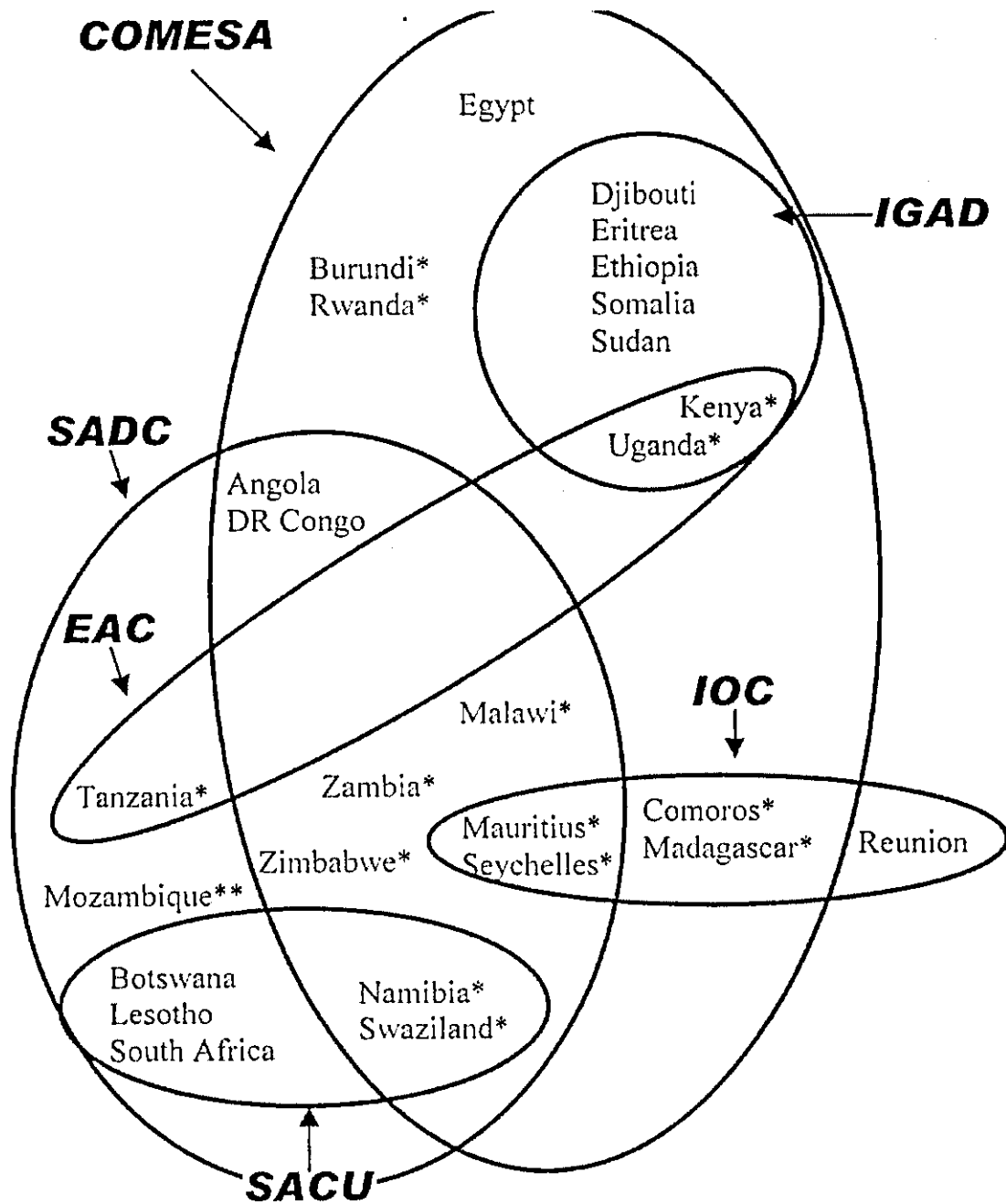
Country	SADC	COMESA	SACU	IOC	EAC	ECCAS	IOR-ARC	RIFF	WTO	LDC
Angola										
Botswana										
Congo DR										
Malawi										
Mauritius										
Mozambique										
Lesotho										
Namibia										
Seychelles										
South Africa										
Swaziland										
Tanzania										
Zambia										
Zimbabwe										

**Table 2: Areas of Intervention by Regional Organisations<sup>19</sup>**

RIOs	Trade Policies	Trade Related Policies	Functional Policies
SADC	FTA by 2008	Standards, Customs Procedures, SPS, Capital Market Development, Private Sector Development, Investment Policies, Competition Policy, Tax Harmonisation, Monetary Harmonisation	Food, Agriculture & Natural Resources; Infrastructure, Culture & Social activities, Tourism, Mining, Health, Education & Training. Regional Politics, Defence & Security
COMESA	FTA by 2000 and Customs Union by 2004	Trade Facilitation, e-commerce, Competition Policy, Trade Standards, Private Sector Development, Investment Policies, Monetary and Fiscal Policy, Capital Market Development;	Agriculture, Transport, Energy, Peace and Security, Fisheries, Meteorology, Knowledge for Development, Free Movement of People.
EAC	FTA and Customs Union by 2004	Standards, Customs Procedures, SPS, Capital Market Development, Private Sector Development, Investment Policies, Competition Policy, Movement of persons; Tax Harmonisation, Monetary Harmonisation	Agriculture and Food Security, Infrastructure, Development of Human Resources, Science & Technology, Labour, Free Movement of People, Tourism & Wildlife Management, Health, Social & Cultural Activities, Political Affairs, Regional Peace & Security & Defence.
IGAD	Fast-tracking COMESA/EAC in harmony with SADC	Customs Procedures, Investment Policy, Private Sector Development, Fiscal and Monetary Harmonisation, Industry,	Agriculture, Management of Natural Resources, Tourism, Health, Peace and Security, Free Movement of Persons, Infrastructure.
IOC	Fast-tracking COMESA in harmony with SADC	Standards, Customs, Procedures, SPS; Private Sector Development	Sustainable Management of Marine and Coastal Resources, Metrology, Culture, Higher Education, Tourism, IT Development

<sup>19</sup> There are a number of cross-cutting policies pursued by all RIOs, including gender and environment.

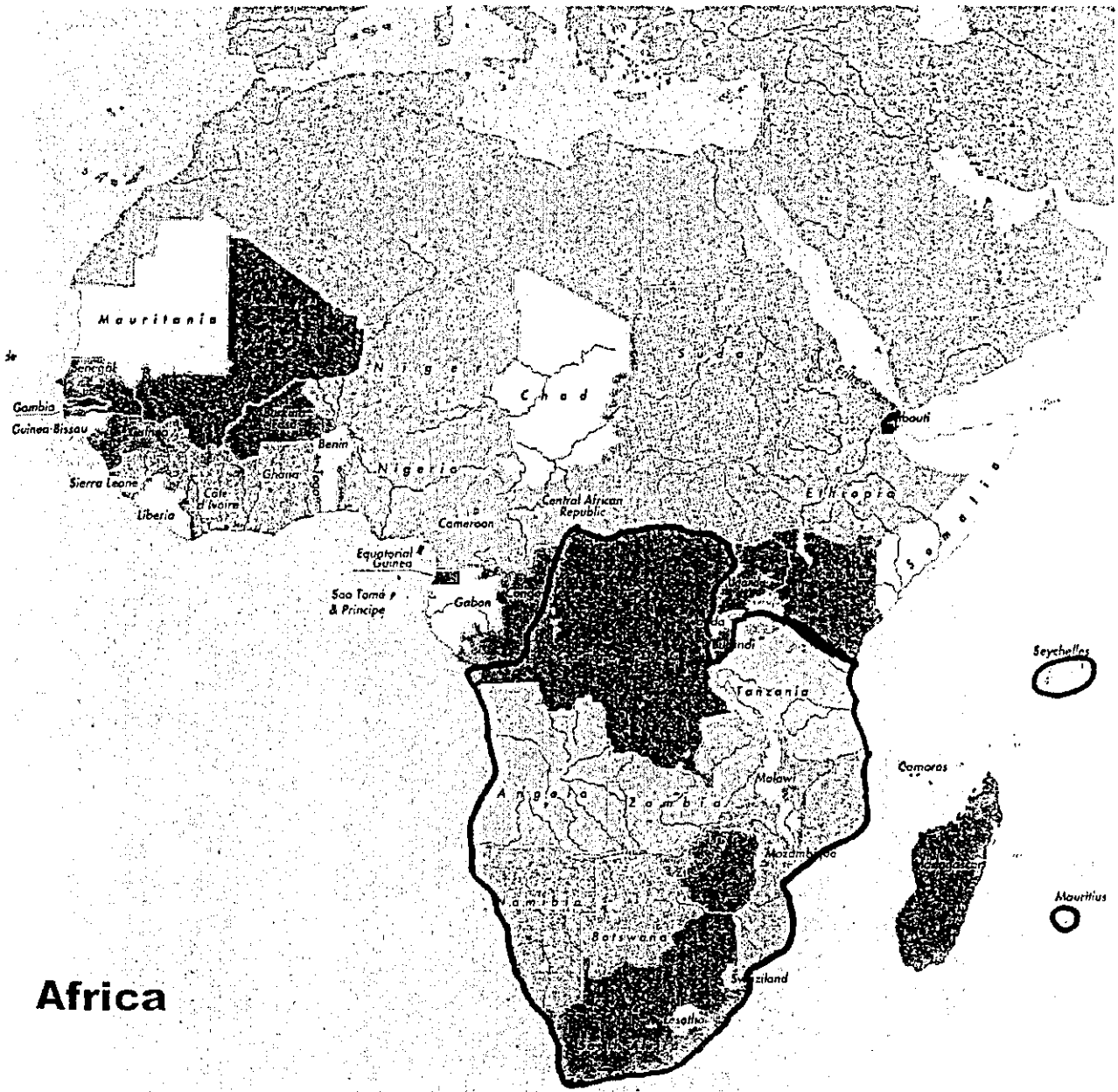
**Annex 5**  
**CHART OF EAST AND SOUTHERN AFRICA**  
**REGIONAL ECONOMIC INTEGRATION ARRANGEMENTS**



- COMESA: Common Market for Eastern and Southern Africa
- EAC: East African Cooperation
- IGAD: Intergovernmental Authority on Development
- IOC: Indian Ocean Commission
- SACU: Southern African Customs Union
- \* RIFF: Regional Integration Facilitation Forum
- \*\* RIFF: Observer status

*or* *B*

Map of the SADC Region



Africa

*a* *B*

**Annex 7**  
**SADC PROTOCOLS**


<i>NAME</i>	<i>Date of Signature</i>	<i>Entry into Force</i>
1. Education and Training	08/09/1997	30/07/2000
2. Energy	24/08/1996	17/04/1998
3. Illicit Drug Trafficking	24/08/1996	20/03/1999
4. Mining	08/09/1997	10/02/2000
5. RETOSA	08/09/1997	08/09/1997
6. Shared Watercourse Systems	28/08/1995	28/09/1998
7. Shared Watercourse Systems – Revised	07/08/2000	
8. Trade	24/09/1996	25/01/2000
9. Trade – Amendment	07/08/2000	07/08/2000
10. Transport, Communications and Meteorology	24/08/1996	06/07/1998
11. Tourism	14/09/1998	
12. Health	18/08/1999	
13. Wildlife Conservation and Law Enforcement	18/08/1999	
14. Legal Affairs	07/08/2000	
15. Tribunal and Rules of Procedure	07/08/2000	
16. The Control Of Firearms, Ammunition and Other Related Materials SADC Region	14/08/2001	
17. Fisheries	14/08/2001	
18. Corruption	14/08/2001	
19. Culture, Information and Sport	14/08/2001	
20. Politics, Defence and Security Cooperation	14/08/2001	

a

B

### SADC Restructuring

1. SADC was established in 1992 as a successor to the earlier Southern African Development Coordination Conference (SADCC), which had been established in 1980 by front line states to reduce economic dependence on Apartheid South Africa. With the legalization of the ANC and the PAC in 1990 and the democratic transition in South Africa in 1994 SADC was transformed into a regional integration organization committed to promoting economic growth and poverty reduction through establishing increased cross-border trade and investment. In 1996 eleven Member States signed a Trade Protocol aimed at establishing a free trade area. The implementation started in 2000. In recognition of the changing environment and the new challenges, SADC in 2001 following a substantial review process, established revised priorities for the organisation. Although it was decided to move towards a more centralised institutional set-up, the principle of subsidiarity was adopted. All programmes and activities should be undertaken at levels where they can best be handled based on consultations between governments and stakeholders. The involvement of institutions, authorities, and agencies outside SADC structures to initiate and implement regional programmes using their own resources should be promoted and encouraged.
2. The portfolios of Sectors showed that a substantial portion of about 470 SADC projects had a strong national character, and could have been implemented more appropriately and effectively under national programmes of Member States. This represented about 80 percent of all projects and implied that only 20 percent of the present portfolio would meet the criteria of being priority regional projects. This means that a main activity in the short run will be to rationalise the SADC Programme of Action to reflect the revised priorities.
3. In order to operationalise the restructuring process and provide a clear orientation for SADC's policies and programmes over the medium to long-term, a Regional Indicative Strategic Development Plan (RISDP) is being developed. The Plan is intended to set up a logical and coherent implementation programme of the main activities necessary for the achievement of the broader SADC developmental and integration goals.
4. To streamline the activities of SADC, and in view of the resource constraints, the plan will identify key integration areas to be implemented at the regional level, bearing in mind the principles of subsidiarity and additionality. In this context, the plan will also highlight the key activities and/or policy measures to be implemented by Member States at national level in support of the regional initiatives and agreed targets. The RISDP should therefore be viewed as a plan for integrating the national economies with the ultimate objective of achieving broader objectives such as fostering sustainable development with the aim of poverty eradication.
5. In line with the areas of cooperation as reflected by the approved clusters, the plan will strike a balance between economic and social development issues. In addition, peace, security, democracy, good governance, human rights, sound



economic management and social and human development should be articulated in the plan as preconditions for its successful implementation. Ideally the RSP would be based on the RIDSP, but the timing does not allow that since the two are being prepared in parallel. A team of experts made up by the SADC Secretariat and representatives of Member States started the work in early 2002 and the RISDP is expected to be finalised in the course of 2003. The RSP will therefore provide input in the RISDP.



## Annex 9

## Economic Indicators

GDP Annual Growth Rates (%) in SADC	GDP per capita			1999
	1999	2000	2001	
Angola	2.7	2.1	3.3	433
Botswana	4.1	8.1	9.2	3117
DRC	(5.0)	1.0	(4.0)	203
Lesotho	2.0	2.1	2.6	473
Malawi	4.2	2.3	1.8	182
Mauritius	3.4	4.2	5.4	3582
Mozambique	7.3	1.5	13.9	242
Namibia	4.3	3.9	1.6	1647
Seychelles	2.9	2.2	(1.9)	7346
South Africa	1.9	3.4	2.2	3044
Swaziland	2.0	2.2	1.5	1255
Tanzania	4.8	5.0	5.0	243
Zambia	2.4	3.0	5.0	302
Zimbabwe	(6.8)	(4.1)	(8.6)	278
<b>SADC</b>	<b>1.5</b>	<b>3.0</b>	<b>1.9</b>	<b>933</b>
<b>Total External Debt (End of year in US\$ Billion)</b>				
Angola	10.87	10.80	1.80	
Botswana	0.46	0.38	0.32	
DRC	13.36	12.86	12.90	
Lesotho	0.69	0.70	0.72	
Malawi	2.75	2.90	2.50	
Mauritius	2.46	2.80	2.90	
Mozambique	6.96	3.78	3.61	
Namibia	0.15	0.16	0.18	
Seychelles	0.17	0.17	0.18	
South Africa	24.16	25.40	25.30	
Swaziland	0.44	0.28	0.31	
Tanzania	7.97	7.40	7.10	
Zambia	5.85	5.90	5.80	
Zimbabwe	4.57	4.80	5.50	
<b>SADC</b>	<b>80.85</b>	<b>78.33</b>	<b>69.12</b>	

Sources : SADC Member States, SADC Secretariat, and IMF

W

B

Imports by region  
as a percentage of  
country imports

Country	Year				1999				2000			
	1998				SADC imports	EU imports	All other sources	Total	SADC imports	EU imports	All other sources	Total
Botswana	..	..		0,00	..	..	..	0,00	..	..	..	0,00
Lesotho	69,10	0,11	30,80	100,00	76,19	1,10	22,71	100,00	..	..	..	0,00
South Africa	1,67	38,09	60,24	100,00	2,02	37,34	60,64	100,00	1,21	34,84	63,95	100,00
Angola	..	..	..	0,00	..	..	..	0,00	..	..	..	0,00
Mozambique	44,44	17,22	38,34	100,00	31,54	8,99	59,47	100,00	46,61	17,02	36,37	100,00
DRC	..	..	..	0,00	..	..	..	0,00	..	..	..	0,00
Mauritius	11,19	29,87	58,95	100,00	12,22	28,78	59,01	100,00	15,59	26,93	57,49	100,00
Malawi	51,86	22,90	25,25	100,00	47,81	29,13	23,06	100,00	51,59	21,05	27,36	100,00
Namibia	78,13	7,81	14,07	100,00	82,29	9,91	7,80	100,00	87,01	7,18	5,82	100,00
Seychelles	15,06	42,90	42,04	100,00	13,12	52,91	33,97	100,00	16,98	50,26	32,76	100,00
Swaziland	85,31	4,54	10,15	100,00	90,84	2,51	6,66	100,00	95,15	..	..	100,00
Tanzania	11,56	30,67	57,77	100,00	12,36	24,17	63,47	100,00	13,21	22,12	64,66	100,00
Zambia	52,03	23,85	24,12	100,00	51,24	18,41	30,35	100,00	68,53	12,98	18,49	100,00
Zimbabwe	44,58	22,42	33,01	100,00	45,99	21,91	32,10	100,00	48,17	16,85	34,98	100,00



**Exports by region  
as a percentage of  
country exports**

Country	Year				1999				2000			
	1998				SADC exports	EU exports	All other sources	Total	SADC exports	EU exports	All other sources	Total
Botswana	..	..	..	100,00	..	..	..	100,00	..	..	..	0,00
Lesotho	4,76	0,05	95,19	100,00	4,31	0,02	95,67	100,00	42,68	0,57	56,75	100,00
South Africa	9,88	28,81	61,31	100,00	10,17	31,56	58,27	100,00	9,76	30,76	59,49	100,00
Angola	..	..	..	100,00	..	..	..	100,00	..	..	..	0,00
Mozambique	52,54	28,04	19,42	100,00	46,20	28,39	25,41	100,00	35,76	25,54	38,70	100,00
DRC	..	..	..	0,00	..	..	..	0,00	..	..	..	0,00
Mauritius	1,44	67,55	31,01	100,00	1,94	57,74	40,31	100,00	1,40	66,53	32,07	100,00
Malawi	17,66	39,32	43,02	100,00	17,30	38,90	43,79	100,00	17,37	36,10	46,53	100,00
Namibia	57,29	29,34	13,37	100,00	35,95	45,20	18,86	100,00	31,66	56,03	12,31	100,00
Seychelles	1,85	91,56	6,60	100,00	1,68	96,37	1,95	100,00	2,52	91,55	5,93	100,00
Swaziland	79,19	13,69	7,12	100,00	87,65	5,34	7,01	100,00	79,22	..	..	100,00
Tanzania	5,67	40,72	53,61	100,00	8,54	36,19	55,27	100,00	4,69	54,42	40,88	100,00
Zambia	25,78	36,07	38,15	100,00	28,71	48,57	22,72	100,00	45,72	34,28	20,00	100,00
Zimbabwe	33,41	33,70	32,89	100,00	28,44	33,50	38,06	100,00	29,04	30,75	40,21	100,00

**Note:**

.. data not available

**MAIN ONGOING AND PLANNED PROJECTS AND PROGRAMMES (EDF 7 & 8) ANNEX 11**  
**A- APPROVED**

Acc. No	Title	Amount € EDF 8 RIP	Other Sources of Funding
1	Fisheries Monitoring	5,740,000	€ 7.6 million (EDF 8 NIPs – Angola, Mozambique, Namibia and Tanzania) and € 1.21 million South Africa EPRD
2	Monze-Zimba Road	13,000,000	€ 24.5 million – EDF 8 NIP Zambia
3	Food Security Training	4,153,000	€ 2.3 million – South Africa EPRD
4	Mining Forum	1,950,000	-
5	Statistical Training	4,800,000	-
8	Lusaka Peace Process	2,650,000	
9	Drug Control	1,990,000	€ 1.99 million – South Africa EPRD
10	Investment Promotion	16,325,000	€ 5.93 million – South Africa EPRD
11	Mpulungu Harbour	1,500,000	€ 1.5 million - EDF 8 RIP East Africa
13	Regional Integration and Capacity Building (RICB)	15,615,000	
14	HIV/AIDS	3,114,000	€ 4.5 million - South Africa EPRD
15	Integration Support to BLNS	-	€ 3 million – South Africa EPRD € 3 million – Intra ACP facility
16	Meteorological Transition	2,000,000	€ 9.0 million (EDF 8– Central, East and West Africa RIPs and Intra ACP)
17	Inter-Regional Skills (Study)	78,228	-
18	Land & Water Management	4,850,000	-
19	Land & Water Management (A.T.)	79,630	
<b>SUB TOTAL A</b>		<b>77,844,858</b>	

**B - IDENTIFIED**

5406/03	Animal Health (PRINT)	9,000,000	South Africa EPRD : not yet defined
7431	Inter-Regional Skills	10,000,000	South Africa EPRD : not yet defined
7438	Maize and Wheat research	15,000,000	South Africa EPRD : not yet defined
	Regional Water Strategy	-	€ 7.2 million – South Africa EPRD
	Regional HIV/AIDS Education Programme	-	€ 10 million – South Africa EPRD
<b>SUB TOTAL B</b>		<b>34,000,000</b>	

**C - PRE-IDENTIFIED**

	Nacala Corridor	8,000,000	EDF 8 NIPs Malawi & Mozambique
	Walvis Bay Corridor	8,000,000	
<b>SUB TOTAL C</b>		<b>16,000,000</b>	
<b>TOTAL A + B + C</b>		<b>127,844,858</b>	

*a*

*B*

## Annex 12

€ million

## SADC Donor Matrix

Donor	Economic Develop/ Regional integration	Infrastructure and Services	FANR	Thematic/ Cross Cutting	Funding 2000
Austria		Infrastructure			€ 3
Belgium	<ul style="list-style-type: none"> <li>FISCU for development of MoUs</li> <li>EPAs</li> </ul>	Infrastructure			€ 2.1
Denmark	<ul style="list-style-type: none"> <li>FISCU; support to financial cooperation among SADC-countries, including through the establishment of sub-committees (1997-2000).</li> </ul>	<ul style="list-style-type: none"> <li>SADC Water Protocol. Information campaign (1999).</li> <li>Zambezi River Action Plan (ZACPRO) (2001-2003)</li> </ul>		<ul style="list-style-type: none"> <li>Conflict prevention. Support to SADC Regional Peacekeeping Training Centre (RPTC) 1997-2002.</li> </ul>	€ 11
Finland				ICT project focusing on capacity building and improvement of internet/web site	€ 1.2
France	<ul style="list-style-type: none"> <li>TA to Statistics at the Secretariat 1999-2000. Assessment of supply and demand of statistical databases.</li> </ul>	<ul style="list-style-type: none"> <li>Underground water Expert</li> </ul>	<ul style="list-style-type: none"> <li>TA to Agricultural Research and to Fisheries</li> </ul>		€ 0.6
Germany	<ul style="list-style-type: none"> <li>Trade</li> <li>Private sector development</li> </ul>	<ul style="list-style-type: none"> <li>Sponsored SADC Expo in Hannover</li> </ul>		<ul style="list-style-type: none"> <li>Democracy</li> <li>Conflict prevention</li> <li>Capacity building</li> </ul>	€ 8.1
Sweden	<ul style="list-style-type: none"> <li>Statistics, harmonisation of national accounts according to international standards.</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure – support to SATCC</li> </ul>	<ul style="list-style-type: none"> <li>Land management</li> </ul>	<ul style="list-style-type: none"> <li>Culture</li> </ul>	€ 1.8
UK		<ul style="list-style-type: none"> <li>Water; establish effective stakeholder participation in regional water resources management and institutions</li> </ul>	<ul style="list-style-type: none"> <li>Fisheries; information management of marine fisheries</li> </ul>	<ul style="list-style-type: none"> <li>Conflict prevention</li> <li>Support for Restructuring (2002-2007)</li> <li>Regional AIDS programme; reduction of transmission of STD/HIV/AIDS</li> </ul>	€ 7.2
Norway				<ul style="list-style-type: none"> <li>Restructuring</li> </ul>	€ 1
USA	<ul style="list-style-type: none"> <li>Trade</li> </ul>	Infrastructure	Agricultural Research small grains		€ 2
Japan	<ul style="list-style-type: none"> <li>Tourism</li> </ul>	Infrastructure			
UN	<ul style="list-style-type: none"> <li>Statistics, UNFPA harmonisation of population and housing statistics;</li> </ul>				
World Bank	<ul style="list-style-type: none"> <li>Statistics; 2-generation live database.</li> </ul>				

## Annex 13

## SADC Member Country EDF 9 NIPs

Country	A Envelope € Mio	First Focal Sector M€ (% age)	Second Focal Sector M€ (% age)	Third Focal Sector M€ (% age)	Non-Focal Sector	Current Status
ANGOLA	117	Food security - up to M€ 40 partly financed by FSBL	LRRD M€ 82-98 (70-83%)	Measures to promote peace M€ 18-23 (15-20%)	Good governance M€ 2-6 (2-5%)	EDF Committee September 02
BOTSWANA	39	Education/HRD M€ 31.2 (80%)			Undefined M€ 7.8 € (20%)	Signed
DR CONGO	171					Notification letter sent
LESOTHO	86	Macroeconomic support and Capacity Building	Transport M€ 17,2 (20%)	Water & sanitation M€ 17.2 (20%)	HIV/AIDS, microprojects, decentralised cooperation, support to NSA, trade and regional integration M€ 8.6 (10%)	Signed
MALAWI	276	Agriculture, Natural Resources M€ 60 (22%)	Transport M€ 90 (33%)	Macroeconomic Support M€ 70 (25%)	M€ 56 (20%)	Signed
MAURITIUS	33	Environment (85%)	Poverty Alleviation (15%)			Signed
MOZAMBIQUE	274	Macroeconomic budget support approx. M€ 150 (55%)	Transport infrastructure Approx. M€ 85 (31%)	(Food security and agriculture, funded from food security budget line, Multi- Annual program approx. M€ 45)	Health/HIV-AIDS, approx. M€ 30 Good governance M€ 10 Civil society capacity building M€ 4	Signed
NAMIBIA	48	Education/HRD 15 M€ (30%)	Rural Development 28 M€ (60% of A-envelope) + 25 M€ from B- env. (SYSMIN)		Good governance and Civil society M€ 3 Trade Dev. 5 M€	Signed
SEYCHELLES	3.9	Environment (85%)	Capacity building (15%)			Signed

SWAZILAND	31	Education ME 20,15 (65%)			- Smallholder Irrigation ME 4,0 (13%) - Particip. & decentr. Poverty Reduction Progr: ME 4,0 (13%) - Trade and Regional Integration: ME 1,6 (5%) - Capacity Building and non-state actors: up to 4%	Signed
TANZANIA	290	Transport Infrastructure 40%	Macro Support 34%	Basic Education 15%	Governance 10%	Signed
ZAMBIA	240	Transport ME 90 (38%)	Capacity building, institutional strengthening ME 40 (17%)	Education and Health ME 20 (8%)		Signed
ZIMBABWE	108			Health (55m) & Education (30m), micro-projects (20m)	Trade policy capacity building (3m), capacity building for non-state actors	To be submitted to EDF Committee




## INTER-REGIONAL COORDINATING COMMITTEE

1. The Cotonou Agreement provides for the strengthening of Regional Integration Organisations (RIOs) in order to deepen integration in the ACP. Given the overlapping membership of these institutions, there is room for coordinating those activities or programmes that are of mutual interest to the RIOs. SADC and COMESA have different RIPs but there will be need to coordinate certain activities where there are common interests. This is so in the area of regional integration and trade.
2. Cooperation between SADC and COMESA was sanctioned by the chairpersons of the respective organisations and a Taskforce was created to ensure that the two organisations complement each other. The Taskforce is co-chaired by the Heads of institutions who are Regional Authorising Officers.
3. COMESA and other Regional Organisations such as IOC, EAC and IGAD have established an Inter Regional Coordinating Committee. SADC has in principle agreed to participate in this Inter-Regional Coordination Committee at technical level mainly focused on issues pertaining to region integration and trade focal sector.
4. The COMESA/SADC Taskforce has the overall responsibility for monitoring and evaluating the execution of the joint activities and programmes to be implemented by the organisations.

This coordination activity will ensure that the projects and programmes funded under the RIP are coherent with the regional integration strategy, address the special needs of Member States and are implemented in the most cost effective and efficient manner.

The RAOs have the overall responsibility for monitoring and evaluation of the implementation of projects and programmes and will keep each other informed on progress made on implementation.



**Addendum**  
**to the EDF 9**  
**Regional Strategy Paper and Regional Indicative Programme**  
**2002 - 2007**

**European Community and the Southern African Development  
Community (SADC) region**

A Mid-Term Review of the Regional Strategy Paper (RSP) and Regional Indicative Programme (RIP) for the Southern African Development Community (SADC) region was carried out during 2005 in accordance with Article 5(6-7) of Annex IV to the ACP-EC Partnership Agreement.

1. Following the completion of the Mid-Term Review (MTR), in the light of an assessment of the region's current needs and performance, the Community revises the resource allocation for the Southern African Development Community (SADC) region as follows:

Initial 9 <sup>th</sup> EDF allocation	Initial 9 <sup>th</sup> EDF allocation + old EDF transfers + decommitments (30.08.2005)	New allocation after MTR (also including transfers from previous EDFs)
€ 101 million	€174.90 million	€ 161.70 million

An amount of € 13.2 million plus all the decommitments from previous EDFs presently estimated at €16.8 million will be transferred to the intra-ACP reserve starting from 30 August 2005.

The present addendum adjusts the indicative allocation referred to in paragraph 2 of the general provisions, accompanying the RSP and RIP, as well as all other references to these amounts in the different chapters and annexes to the RSP and RIP.

2. As part of the Mid-Term Review, it has been agreed to maintain the regional strategy as contained in the RSP and RIP.

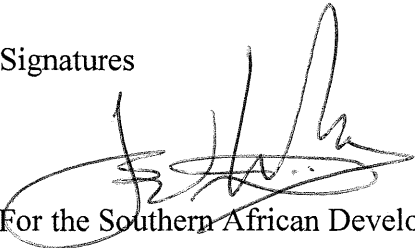
3. The new breakdown of the indicative allocation is presented below:

	Initial indicative allocation*, (€ mio)		Indicative allocation after the MTR (€ mio including transfers from previous EDFs)	
<i>Regional Integration and Trade</i>	35-45	35-45%	78.85	49%
<i>Transport and Communications</i>	35-45	35-45%	41.00	25%
<i>Programmes outside focal sectors</i>	20	≤ 20%	41.85	26%
<b>Total</b>	<b>101</b>	<b>100%</b>	<b>161.70</b>	<b>100%</b>

\*In % of total allocation 9<sup>th</sup> EDF RIP of € 101 million

Date: 10.01.2007

Signatures

  
 For the Southern African Development  
 Community (SADC) region

  
 For the Commission



## Annex 15

LIST OF ABBREVIATIONS

ACP	Africa, Caribbean and Pacific group of States
AfDB	African Development Bank
AEC	African Economic Community
AGOA	African Growth and Opportunity Act
ASCCI	Association of SADC Chambers of Commerce and Industry
CAP	Common Agricultural Policy (of the EU)
CBI	Cross-Border Initiative
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
ECCAS	Economic Community of Central African States
EDF	European Development Fund
EC	European Community
EPA	Economic Partnership Agreements
EU	European Union
FANR	Food, Agriculture and Natural Resources
FDI	Foreign Direct Investment
HIPC	Highly Indebted Poor Countries
HIV/AIDS	Human Immuno-Deficiency Virus/Acquired Immune Deficiency Syndrome
HRD	Human Resources Development
ICT	Information and Communications Technology
IGAD	InterGovernmental Authority on Development
IFIs	International Finance Institutions
IMF	International Monetary Fund
IOC	Indian Ocean Commission
LDCs	Least Developed Countries
NEPAD	New Partnership for Africa's Development
NIPs	National Indicative Programmes
OAU	Organisation of African Unity
RAO	Regional Authorising Officer
RIFF	Regional Integration Facilitation Forum
RIO	Regional Integration Organisation
RIP	Regional Indicative Programme
RSP	Regional Strategy Paper
S&D	Special & Differential Treatment
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SATCC	Southern African Transport and Communications Commission
SPS	Sanitary & Phytosanitary
TBT	Technical Barriers to Trade
TIFA	Trade and Investment Framework Agreement
TDCA	Trade and Development Cooperation Agreement
TRIPS	Trade Related Intellectual Property Rights
UNDP	United Nations Development Programme
USA	United States of America
VAT	Value Added Tax
WCO	World Customs Organisation
WTO	World Trade Organisation




**Addendum**  
**to the EDF 9**  
**Regional Strategy Paper and Regional Indicative Programme**  
**2002 - 2007**

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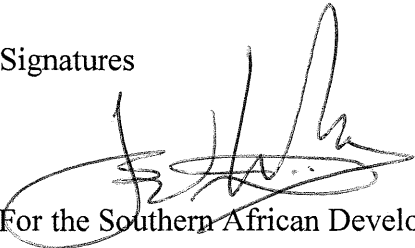
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