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# The Regional Indicative Strategic Development Plan: SADC's trade-led Integration Agenda

## How is SADC doing?

**TRADE BRIEF**

**tralac** Trade Brief  
No. S12TB02/2012  
April 2012

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This publication should be cited as: Trade Law Centre (tralac). 2012.

*The Regional Indicative Strategic Development Plan: SADC's trade-led integration agenda. How is SADC doing?* Stellenbosch: tralac.

This publication has been financed by the Swedish International Development Cooperation Agency, Sida. Sida does not necessarily share the views expressed in this material. Responsibility for its contents rests entirely with the author.



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## 1. Introduction and background

The Southern African Development Community (SADC) Secretariat conducted a desk review of the Regional Indicative Strategic Development Plan (RISDP) in 2011; this report was released in November 2011. This paper provides a brief review of the findings of this review and places this assessment in a broader regional perspective.

The RISDP was adopted by the Council of Ministers of the SADC in August 2003 as a blueprint for regional integration in SADC.<sup>1</sup> Underpinned by SADC's vision of a common future within a regional community, as well as its mission to promote sustainable and equitable economic growth and socioeconomic development through, among other things, deeper cooperation and integration, the RISDP sets the priorities, policies, and strategies for achieving the community's long-term goal<sup>2</sup> – the eradication of poverty in the region. The ultimate objective of the RISDP is therefore “to deepen the integration agenda of SADC with a view to accelerating poverty eradication and the attainment of other economic and non-economic development goals”.<sup>3</sup> The RISDP was developed in the context of the review and restructuring of operations of SADC institutions, launched by the SADC Heads of State and Government in March 2001 in order to increase the efficiency and effectiveness of SADC policies and programmes and implement a more coherent and coordinated development strategy.<sup>4</sup> The main purpose of the RISDP, as an indicative plan or roadmap to guide the region's development over a 15-year period, is therefore to provide strategic direction in the design and formulation of SADC projects, programmes, and activities based on SADC's strategic priorities and Common Agenda<sup>5</sup>. In particular, it provides a framework within which SADC institutions, member states, and regional and international stakeholders will combine efforts to implement policies and programmes aimed at attaining the region's overarching goal of eliminating poverty.<sup>6</sup> In light of the significant discrepancies that exist amongst SADC member states in terms of economic and social development,

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<sup>1</sup> SADC Secretariat. 2011. *Desk assessment of the Regional Indicative Strategic Development Plan 2005-2010*. Final report approved by SADC Council, November 2011. Gaborone.

<sup>2</sup> SADC Secretariat. 2003a. *Summary of the Regional Indicative Strategic Development Plan*. Gaborone: SADC.

<sup>3</sup> SADC Secretariat, 2003b. *Regional Indicative Strategic Development Plan*. Gaborone: SADC, p. 7.

<sup>4</sup> SADC Secretariat. 2003b. The restructuring process saw the following key institutional changes: the 21 sectors in which member states agreed to cooperate were grouped into clusters under four Directorates at the SADC Secretariat – Trade, Industry, Finance and Investment (TIFI); Infrastructure and Services (IS); Food, Agriculture and Natural Resources (FANR); and Social and Human Development and Special Programmes (SHDSP). An Integrated Committee of Ministers (ICM) was created to coordinate the work of the different clusters. National Committees were also established to coordinate their respective individual Member State interests relating to SADC.

<sup>5</sup> Contained in Article 5 of the SADC Treaty, as amended.

<sup>6</sup> SADC. 2005. *SADC Major Achievements and Challenges: 25 Years of Regional Cooperation and Integration*. Gaborone: SADC.

the RISDP recognised the need for a flexible approach towards deeper integration and the implementation of policy reforms and recommendations. Good political, economic and corporate governance were considered prerequisites for sustainable socioeconomic development.<sup>7</sup>

Part of the RISDP's focus was the aim to realign SADC's objectives and priorities and refocus its policies and strategies in order to meet its long term goals.<sup>8</sup> In this context, it defined the region's priority intervention areas for the achievement of deeper integration, and mapped out general goals, strategies and targets for the next 15 years. The RISDP identified trade, economic liberalisation and development as the key catalytic intervention area for the achievement of deeper integration and poverty eradication in SADC, and thus set clear (yet ambitious) targets for a trade-led regional integration agenda.<sup>9</sup> The timeframe outlined by the RISDP to meet the milestones in the region's development included the establishment of a SADC Free Trade Area by 2008; completion of negotiations for a SADC Customs Union by 2010; completion of negotiations for a SADC Common Market by 2015; establishment of a SADC Monetary Union and Central Bank by 2016; and the launch of a regional currency and Economic Union by 2018.<sup>10</sup> It is important to note, however, that the RISDP is a non-binding agreement which merely outlines the necessary conditions that *should* be realised towards the attainment of SADC's long term goals. The legal framework for cooperation by member states is thus contained in the SADC Treaty and several Protocols which have been developed in the different areas of cooperation and integration. Various Agreements to bind the implementation process by all member states have also been put in place.<sup>11</sup>

The priority intervention areas identified in the RISDP provided a broad strategic framework for the attainment of SADC's overarching objectives and priorities,<sup>12</sup> which was used to inform the preparation of a comprehensive RISDP Implementation Framework by the SADC Secretariat for the 2005 to 2020 period. Five-year RISDP Strategic Plans were also prepared by the different Directorates and Units at the Secretariat, providing outputs and targets<sup>13</sup> to be achieved over the medium term (2005 to 2010) for each intervention area, as well as highlighting the main intervention

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<sup>7</sup> SADC Secretariat, 2003b, *op. cit.*

<sup>8</sup> *Ibid.*

<sup>9</sup> Peters, C. 2011. 'Is SADC losing track?' In Bösl, A., du Pisani, A., Erasmus, G., Hartzenberg, T., and R. Sandrey (Eds.), *Monitoring Regional Integration in Southern Africa Yearbook, Vol. 10* (pp. 143-168). Stellenbosch: Trade Law Centre for Southern Africa.

<sup>10</sup> SADC Secretariat, 2003b, 2011, *op. cit.*

<sup>11</sup> SADC Secretariat, 2011, *op. cit.*

<sup>12</sup> *Ibid.*

<sup>13</sup> The targets were based on the relevant Protocols in the different sectors, which thus form an integral part of the RISDP Implementation Framework. See SADC Secretariat, 2011, *op. cit.*

objectives, key intervention areas, activities, and performance indicators for the implementation of the RISDP for each sector.<sup>14</sup> Detailed Directorate- and Unit-based annual business plans and budgets were also prepared to assist in implementation.<sup>15</sup> The Secretariat noted that successful implementation of the RISDP would depend on the availability of significant and sustainable human and financial resources; an adequate and coordinated institutional framework; enhanced involvement by member states and SADC National Committees; and alignment with other national, sub-regional, continental and global initiatives.<sup>16</sup> The role of the Secretariat is to facilitate and coordinate the policies and programmes needed to implement the RISDP, while it is primarily the responsibility of member states to undertake the implementation of those policies and programmes.<sup>17</sup>

A process of reprioritising the SADC integration agenda began in 2006 when the SADC Heads of State recognised the need to scale up and accelerate the implementation of the RISDP, and recommended that the Secretariat be aligned to selected RISDP priorities so as to turn the body into an efficient and effective instrument of regional integration.<sup>18</sup> The Standing Committee of Senior Officials met in 2007 to review the intervention areas proposed in the RISDP and reprioritise them according to their added value towards facilitating deeper integration and the eradication of poverty in the region. In August 2007, the Council of Ministers approved the reprioritisation of SADC's regional integration agenda and recommended that the four reprioritised programmes<sup>19</sup> become the focus of the Secretariat's activities. The Council identified trade, economic liberalisation and development (which falls under the Trade, Industry, Finance and Investment Directorate at the SADC Secretariat) as the highest priority area for advancing SADC's regional economic integration agenda.<sup>20</sup>

In February 2011, the Council of Ministers mandated the Secretariat, assisted by the SADC member states, to undertake a desk assessment of the status of implementation of the RISDP by member

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<sup>14</sup> SADC Secretariat, 2011, *op. cit.*

<sup>15</sup> Giuffrida, L. and Müller-Glodde, H. 2008. 'Strengthening SADC institutional structures – capacity development is the key to the SADC Secretariat's effectiveness'. In Bösl, A., Breytenbach, W., Hartzenberg, T., McCarthy, C., and K. Schade (Eds.), *Monitoring Regional Integration in Southern Africa Yearbook, Vol. 8* (pp. 120-148). Stellenbosch: Trade Law Centre for Southern Africa.

<sup>16</sup> SADC Secretariat, 2003b, *op. cit.*

<sup>17</sup> SADC Secretariat, 2011, *op. cit.*

<sup>18</sup> Giuffrida and Müller-Glodde, *op. cit.*

<sup>19</sup> The reprioritised programmes of regional cooperation and integration are: peace and security cooperation as a prerequisite for achieving the regional integration agenda; trade/economic liberalisation and development; infrastructure in support of regional integration; and various special programmes of regional dimension.

<sup>20</sup> SADC Secretariat, 2011, *op. cit.*

states.<sup>21</sup> The assessment revealed that remarkable progress has been made since the effective implementation of the RISDP began in 2005, demonstrating the continued need for such a strategic plan. However, limited resources and capacity constraints have hampered the ability of the SADC institutions and member states to effectively implement the RISDP programmes and deliver on all the targets and milestones set for the period. The findings of the desk assessment will now be used to inform a review of the Terms of Reference of the RISDP, as well as a comprehensive and independent Mid Term Review<sup>22</sup> to realign the RISDP with the new realities on the continent.<sup>23</sup> In August 2011, the Heads of State and Government further directed the Ministerial Cluster for Trade, Industry, Finance and Investment (formerly the Ministerial Task Force on Regional Economic Integration) to engage in strategic discussions within the context of the RISDP review to identify priorities and reorient the SADC integration agenda accordingly, with a view to enhancing developmental integration in the region.<sup>24</sup> The RISDP review and reorientation of SADC's priorities comes in the wake of the ongoing tripartite negotiations for a Free Trade Area between SADC, the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA), which means that SADC's integration agenda can no longer be discussed in isolation from the tripartite.<sup>25</sup>

## 2. Trade as a key priority area for SADC's integration

The SADC Protocol on Trade was signed in Maseru in 1996 and entered into force in 2000. It is arguably the most important legal instrument in the community's quest for deepened economic integration.<sup>26</sup> The aim of the Protocol is to liberalise intra-regional trade in goods and services based on fair, mutually equitable, and beneficial trade arrangements, and thereby ensure efficient production; contribute to the improvement of the climate for domestic, cross-border and foreign investment; and enhance the economic development, diversification, and industrialisation of the

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<sup>21</sup> Geingob, H. 2011. 'Talking notes by Hon. Dr. Hage Geingob, Chairperson of the SADC Council of Ministers and Minister of Trade and Industry of the Republic of Namibia, on the occasion of briefing the media on the outcome of the meeting of the SADC Council of Ministers'. Windhoek, Namibia, 4 March 2011.

<sup>22</sup> The Council of Ministers had initially directed the SADC Secretariat to carry out its first Mid Term Review of the RISDP in August 2010 within 6 months. The Council subsequently realised that this timeframe was too short, and has now allowed 12 months for the review to take place.

<sup>23</sup> Southern Africa Research and Documentation Centre (SARDC). 2012. 'SADC integration 20 years on'. *SADC Today*, Vol. 14, No. 2, February 2012.

<sup>24</sup> SADC. 2011. 'Communiqué of the 31<sup>st</sup> SADC Heads of State and Government Summit'. Luanda, 18 August 2011.

<sup>25</sup> SARDC, *op. cit.*

<sup>26</sup> SADC, 2005, *op. cit.*

region.<sup>27</sup> As a step towards deeper integration, the Protocol envisaged the establishment of a World Trade Organisation (WTO)-compliant Free Trade Area (FTA) for the SADC region by 2008 through the elimination of barriers to trade. In addition to the gradual elimination of tariff and non-tariff barriers, other strategies adopted by SADC to achieve the objectives of the Protocol include the approval of common rules of origin; harmonisation of customs rules, procedures and documentation within SADC; and cooperation in various areas of trade law including sanitary and phytosanitary measures, standards and technical regulations, and safeguard measures. As a whole, the Protocol thus underscores SADC's overall integration objectives and strategies which include the progressive elimination of obstacles to the free movement of goods, services, capital and labour in the region, and improvement in economic management and performance.<sup>28</sup>

For purposes of implementation, the Protocol allowed for asymmetrical tariff reductions amongst SADC member states through an 'offer' approach, based on their level of economic development.<sup>29</sup> However, a more detailed implementation schedule was lacking. The adoption of the Regional Indicative Strategic Development Plan (RISDP) in 2003 thus provided a clear timetable and detailed targets for the attainment of the first step in the integration process, i.e., an FTA.<sup>30</sup> Member states agreed to phase down tariff barriers to intra-SADC trade over a 12 year period between 2000 and 2012, achieving the 85 percent threshold for the establishment of the FTA by 2008.<sup>31</sup> The RISDP also moved the SADC economic integration vision beyond what was proposed in the Trade Protocol to include the establishment of a Customs Union by 2010, a Common Market by 2015, a Monetary Union by 2016, and an Economic Union by 2018, recognising the need for SADC to keep pace with developments on the continent in order to avoid slowing down the continental integration agenda of achieving an Africa-wide market.<sup>32</sup>

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<sup>27</sup> SADC Protocol on Trade, Article 2.

<sup>28</sup> As contained in Article 5 of the SADC Treaty, as amended.

<sup>29</sup> Each SADC member state submitted two tariff phase down offers – one for South Africa and a "Differentiated Offer" for the remaining member states. In general, the developed SADC members (the SACU countries – South Africa, Botswana, Lesotho, Namibia and Swaziland) have reduced their tariffs at a faster rate, with most tariffs being removed in 2000. The remaining tariff reductions were front loaded and were achieved by 2008. The developing countries (Mauritius and Zimbabwe) have gradually reduced their tariffs each year between 2000 and 2008, while the least developed countries (Angola, DRC, Madagascar, Malawi, Mozambique, Tanzania and Zambia) were expected to backload their tariff reductions with most phase downs being introduced during 2007/2008. Mozambique had negotiated a longer time frame to 2015 to complete its liberalisation process.

<sup>30</sup> Peters, *op. cit.*

<sup>31</sup> In terms of Article XXIV of the General Agreement on Tariffs and Trade (GATT) of 1994, an FTA is established when trade barriers are removed on "substantially all trade", interpreted to mean that at least 85 percent of intra-SADC trade would be duty free with the exception of sensitive products and other excluded products.

<sup>32</sup> SADC Secretariat, 2003b, *op. cit.*

According to the RISDP, interventions in the area of Trade, Industry, Finance and Investment (TIFI) are directed towards the facilitation of trade and financial liberalisation, competitive and diversified industrial development, and increased investment for deeper regional integration and poverty eradication.<sup>33</sup> These goals mirror the objectives that were earlier identified in the Protocol on Trade. The RISDP identified seven key intervention areas as a way of achieving these objectives:<sup>34</sup>

- (i) goods and services market integration;
- (ii) financial and capital markets development and strengthening;
- (iii) attainment of deeper monetary cooperation;
- (iv) attainment of macro-economic convergence;
- (v) increasing levels of intra-SADC investment and foreign direct investment (FDI);
- (vi) enhancing productive competitiveness; and
- (vii) effective participation in and compliance with international agreements.

In order to implement these intervention areas, 34 delivery targets at the output level were identified in the medium-term (2005-2010) Strategic Plan and RISDP implementation framework for this sector, including two key milestones for this period: the attainment of a Free Trade Area by 2008 and a Customs Union by 2010. The desk assessment of the RISDP implementation undertaken by the SADC Secretariat in 2011 reviewed the progress made in this regard, as well as identifying the challenges that have been encountered and providing lessons learned and recommendations for the way forward. A summary of the findings of this assessment is presented in what follows.

### **3. Key findings of the desk assessment for Trade, Industry, Finance and Investment**

The Secretariat's desk assessment of the RISDP implementation in the Trade, Industry, Finance and Investment (TIFI) sector revealed that much progress has been made towards achieving set targets in SADC's regional economic integration agenda. Remarkable achievements have been made in the areas of goods and services integration, customs, and finance and investment in particular, which have added value in the region's integration process. A notable achievement was the launch of the SADC FTA in August 2008 as a step towards the deeper integration envisioned in the RISDP for the region. To facilitate the implementation process, important policies, protocols, and frameworks have

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<sup>33</sup> *Ibid.*

<sup>34</sup> SADC Secretariat, 2011, *op. cit.*

been developed, approved, and adopted by the Governing structures of SADC. The establishment of various institutions and committees has also provided coordinated leadership in the implementation process. Despite the progress achieved, however, serious implementation challenges and bottlenecks still remain. During the period under review, the TIFI Directorate, much like other Directorates and Units of the SADC Secretariat, lacked adequate human and financial resources to effectively implement and deliver on all the set targets and milestones for the period. Furthermore, the capacity to effectively monitor implementation of various provisions of the relevant Protocols has been lacking. The majority of member states failed to set aside resources for planning and implementation of RIDSP Programmes at national level, and the SADC National Structures, where they were created, did not possess the requisite capacity to effectively coordinate their implementation. Consequently, commitments to implementing agreements were often not carried out, which resulted in missed deadlines in several cases, most notably, the failure to establish the SADC Customs Union by the target date of 2010.<sup>35</sup> However, unlike the establishment of the FTA, the launch of the Customs Union (CU) was not a legally required necessity. The target date indicated in the RISDP expressed merely a political intention. Nevertheless, the delay in launching the CU does send a negative signal to international business interests and the international cooperating partners.<sup>36</sup>

The remainder of this section provides a summary of some of the main achievements towards implementing the milestones and targets for the TIFI sector outlined in the RISDP Implementation Framework of 2005-2010. Focus is placed on the targets set in the areas of goods and services market integration; increasing levels of intra-regional and foreign investment; enhancing productive competitiveness; and enhancing participation in, and compliance with, international agreements.<sup>37</sup>

- **Attainment of Free Trade Area by 2008:** The principal objective contained in the Trade Protocol, and subsequently endorsed in the RISDP, was the establishment of a Free Trade Area in SADC by 2008. The first steps of the implementation of the Protocol thus started with the trade liberalisation process, which came into effect in September 2000. The FTA was launched in August 2008 when 85 percent of trade flows within SADC attained duty free status. Since 2008, the remaining tariff barriers related to sensitive products have been phased down, such that by

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<sup>35</sup> *Ibid.*

<sup>36</sup> Peters, *op. cit.*

<sup>37</sup> Unless otherwise indicated, the information in this section is taken from the Desk Assessment of the RISDP, SADC Secretariat, 2011, *op. cit.*

January 2012, the tariff phase down process was largely complete. Despite achieving the FTA milestone, however, some members are still lagging behind in the implementation of their tariff phase down commitments.<sup>38</sup> In addition, the uncoordinated reporting of information to the Secretariat – including tariff notifications, trade statistics, changes in trade regulations etc. – has been recognised as a hindrance to transparency in the FTA. Currently, 12 SADC member states participate in the FTA: South Africa, Botswana, Lesotho, Namibia, Swaziland, Madagascar, Malawi, Mauritius, Mozambique, Tanzania, Zambia and Zimbabwe. The remaining countries – Angola, the Democratic Republic of the Congo (DRC) and Seychelles – have yet to begin implementation. An important matter currently being discussed is derogations from the agreed tariff phase down programme. Several countries including Malawi and Tanzania have applied for derogations, citing in most cases, the revenue impact of liberalisation as the major concern.

- **Elimination of Non-Tariff Barriers:** Non-tariff barriers (NTBs) have been widely cited as a significant constraint to intra-SADC trade, which have increased in importance as tariff barriers have declined.<sup>39</sup> The types of NTBs identified in the SADC region include procedural and administrative matters (e.g., customs clearance procedures, documentation, and interpretation and application of Rules of Origin), technical and regulatory matters (e.g., unharmonised standards), and charges and fees related to clearance of goods in transit. The elimination of NTBs in SADC forms an important part of the objectives of the Trade Protocol. To facilitate this goal, an online NTB reporting mechanism was developed and adopted by the Committee of Ministers responsible for Trade (CMT) in July 2007 and became operational in 2009. It has been extended to cover all countries involved in the COMESA-EAC-SADC Tripartite agreement. As the process of eliminating NTBs continues, the 2011 Audit on the Implementation of the Protocol on Trade indicated that there is greater awareness of the impact of NTBs in the region and that member states are moving towards a more systematic approach to addressing these measures. However, more still needs to be done in order to effectively reduce and eliminate such barriers in the region, and concerns remain particularly in relation to the prioritisation of NTBs, the clarification of exceptions to the elimination of such measures, and the development of national level

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<sup>38</sup> Malawi still has the same tariff levels as in 2004, while Zimbabwe was granted derogation to suspend tariff phase downs until 2012-2014 given its difficulties in implementing its tariff commitments on sensitive products. Tanzania has applied for derogation to levy a 25% import duty on sugar and paper products until 2015. In addition, Mozambique has a derogation to extend its tariff phase down with South Africa until 2015.

<sup>39</sup> USAID Southern Africa Trade Hub. 2011. *Technical Report: 2011 Audit of the Implementation of the SADC Protocol on Trade*. Gaborone, August 2011.

mechanisms to systematically address the elimination of NTBs.<sup>40</sup> A mechanism for monitoring NTBs has been introduced for the SADC, EAC and COMESA.<sup>41</sup> This online facility provides a platform for reporting (by the private sector or other parties) to report and seek resolution to NTBs. A review of the reported NTBs indicates that trade facilitation should be a key issue on the integration agenda. A log appeared at the beginning of 2012 indicating that Zimbabwe had introduced a surtax of 25% on a range of imports (irrespective of origin). These kinds of developments are important; they are retrogressive steps with respect to the trade integration agenda; but reflect the economic reality of SADC. Integration of unequal partners raises many challenges; revenue challenges emanating from poor fiscal management and narrow tax bases, associated to some extent with limited industrial development pose many challenges, not only for SADC but also for the tripartite.

- **Rules of Origin review by 2008:** An Annex providing a set of common rules to determine the origin of goods that would qualify for preferential tariff treatment under the SADC trade regime was adopted as part of the Trade Protocol. Rules of origin (RoO) have, however, been one of the most contentious issues in the implementation of SADC's trade regime. The Mid-Term Review of the SADC Protocol on Trade in 2004 indicated that, from a private sector perspective, the SADC rules of origin were complex and not supportive of intra-regional trade and trade competitiveness, and thus called for reform of the rules towards less restrictiveness and simplicity. Between 2005 and 2008, a review of the RoO took place, culminating in the adoption of recommended changes to the list of rules for most tariff lines by the CMT. By 2010, however, the revised RoO were yet to be implemented by member states in many cases.<sup>42</sup> Currently, RoO are being re-examined on several fronts. For the textile and clothing sector specifically, which was excluded from the 2008 revised RoO, discussions are underway within the Experts Working Group on Textiles and Clothing, which will forward recommendations to the Trade Negotiating Forum (TNF) for consideration.<sup>43</sup> Wheat flour is still being traded outside the FTA regime as no rules could be agreed upon, and similarly an expert group has been established to work in this area although it is not yet functional. Member states are also preparing to negotiate the Tripartite FTA which will consider harmonisation of RoO across SADC, COMESA and the EAC.<sup>44</sup>

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<sup>40</sup> *Ibid.*

<sup>41</sup> This online facility for reporting NTBs can be found at [www.tradebarriers.org](http://www.tradebarriers.org)

<sup>42</sup> *Ibid.*

<sup>43</sup> *Ibid.*

<sup>44</sup> *Ibid.*

- **Harmonisation of customs rules and procedures:** Simplification and harmonisation of customs laws, regulations and procedures, as well as modernisation and capacity development in the SADC Customs Administrations, is important in order to ensure efficient and effective movement of goods across the region. In this regard, a SADC Customs Act was developed and adopted by the CMT in 2007 as a benchmark model law for the harmonisation of customs laws in the region. In addition, the SADC Single Administrative Document, the Transit Management System, and a Common Tariff Nomenclature have been developed. Efforts to create a Customs Wide Area Network, with the purpose of facilitating inventory control, accounting for goods and revenue, simplified and efficient declaration of goods as well as production of trade statistics, did not materialise. This failure has been attributed largely to the use of different IT systems by different customs administrations in SADC, compounded by the relatively undeveloped customs infrastructure in member states which could not support connectivity and data interchange at the regional level. On a positive note, capacity building interventions targeting customs administrations have been undertaken across the region.
- **Attainment of internationally accepted standards and harmonisation of SPS measures:** In 2008, the CMT approved Annexes to the Trade Protocol on Technical Barriers to Trade as well as Sanitary and Phytosanitary (SPS) Measures, thereby establishing modalities of cooperation in the implementation of a regional technical regulatory framework and SPS measures, respectively. Various regional structures in the area of Standardisation, Quality, Accreditation and Metrology (SQAM) were established through a Memorandum of Understanding in 2000, and are working to ensure harmonisation of regional standards and technical regulations as well as improvement of the regional SQAM infrastructure. The SADC Accreditation Service (SADCAS) was established as a regional accreditation body in 2009 and is based in Botswana. SADCAS offers accreditation in the areas of testing, calibration, certification, and inspection. Since its inception, SADCAS has accredited testing laboratories in Botswana, Seychelles, and Tanzania.
- **Attainment of SADC FTA in services:** SADC member states recognise that deeper integration, not only of trade in goods but also of their services markets, holds great economic potential for the region.<sup>45</sup> Although the SADC Protocol on Trade is limited to trade in goods, it underlined the importance of trade in services for the development of national economies in SADC. The Protocol thus called for the adoption and implementation of policies and measures with a view to

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<sup>45</sup> SADC. 2012a. 'Trade in Services in the SADC Region'.

liberalising the services sector in member states.<sup>46</sup> The SADC programme on trade in services was launched in 2000, following which the Ministers of Trade agreed on six priority sectors in 2001: communication, construction, energy related services, financial services, tourism, and transport services.<sup>47</sup> The RISDP implementation framework envisaged that an Annex on Trade in Services would be in place by 2009. Instead, a Draft Protocol on Trade in Services was developed and adopted by the Ministers of Trade in July 2009, and will be presented for signature after clearance by the Ministers of Justice/Attorneys General.<sup>48</sup> The objectives of the Draft Protocol include to progressively liberalise intra-regional trade in services on the basis of equity, balance and mutual benefit; enhance the capacity and competitiveness of the services sector in member states; and ensure consistency between the liberalisation of trade in services and the various Protocols in specific services sectors.<sup>49</sup> While the Draft Protocol on Trade in Services provides a framework for the progressive liberalisation of trade in the services sectors through market access and national treatment commitments, several SADC Protocols and legal instruments provide for a regional development agenda in those sectors.<sup>50</sup> In November 2011, the CMT approved the commencement of negotiations on schedules of commitments while awaiting signature of the Draft Protocol. These negotiations are expected to result in market access commitments that will provide a predictable legal environment for trade and investment in the services sector within the region.<sup>51</sup>

- **Attainment of Customs Union by 2010:** After establishment of an FTA, the next stage in the SADC integration process envisaged in the RISDP is the attainment of a Customs Union (CU), initially set for 2010. The building blocks for the CU – the Common Tariff Nomenclature and a Harmonised System based on the HS 2002 – were in place by 2005, and preparations received added impetus when the Ministerial Task Force on Regional Economic Integration was established in 2006. However, various challenges have hampered the process of establishing the Customs Union in SADC. In addition to delays in the phasing down of tariffs for the FTA,<sup>52</sup> the complexity created by multiple memberships of SADC member states in various regional blocs with similar regional integration ambitions meant that the target date could not be reached. A

<sup>46</sup> SADC Protocol on Trade, Article 23.

<sup>47</sup> SADC. 2012b. 'Regional Negotiations among SADC Member States'.

<sup>48</sup> *Ibid.*

<sup>49</sup> SADC Draft Protocol on Trade in Services, Article 2.

<sup>50</sup> SADC. 2012c. 'SADC Protocols relevant for Trade in Services'.

<sup>51</sup> SADC, 2012a, *op. cit.*

<sup>52</sup> USAID Southern Africa Trade Hub, *op. cit.*

further reason for the complications in advancing from an FTA to a customs union relates to the difficult process of harmonising the economic policies of various different countries: agreeing on a single external tariff regime means, in effect, giving up control of an important element of domestic industrial policy and thus national sovereignty.<sup>53</sup> In setting a common external tariff (CET), a clear decision would also be needed by SADC Heads of State on whether the SADC Customs Union would serve the objective of protecting the regional market from external competition, or promoting the integration of the region into the global market by applying low tariffs.<sup>54</sup> In light of these problems, the SADC Heads of State Summit in Windhoek in August 2010 announced that the establishment of the SADC Customs Union would have to be postponed.<sup>55</sup> In order to develop a way forward, a High Level Expert Group was established at the summit to consolidate and refine the technical work done to date and identify parameters of the future Customs Union, benchmarks or milestones, and elements for a Model SADC Customs Union. The SADC Council of Ministers confirmed in March 2012 that a report from the Expert Group outlining the strategic direction towards the Customs Union had been received.<sup>56</sup>

The SADC Protocol on Trade recognised that the development of investment, in addition to trade in goods and services, is essential to the economic integration of the community.<sup>57</sup> Member states therefore agreed to adopt policies and implement measures aimed at promoting an open cross-border investment regime, and thereby enhancing economic development, diversification, and industrialisation in the region.<sup>58</sup> In 2006, SADC finalised a Protocol on Finance and Investment as a tool for achieving deeper regional integration through the harmonisation of financial and investment policies in the member states. The Protocol includes an Annex on Cooperation in Investment which recognises the increasingly important role played by investment in advancing productive capacity and increasing economic growth and sustainable development, as well as the importance of the link between investment and trade.<sup>59</sup> The Protocol entered into force in April 2010 although implementation has been hampered by a lack of capacity to effectively monitor the progress, due in

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<sup>53</sup> Kalenga, cited in Peters, *op. cit.*

<sup>54</sup> *Ibid.*

<sup>55</sup> Peters, *op. cit.*

<sup>56</sup> SADC. 2012d. Talking notes for Hon. Dr. Ana Dias Lourenço, Minister of Planning of the Republic of Angola and Chairperson of the SADC Council of Ministers, on the occasion of the Post-February/March 2012 SADC Council Of Ministers' Meeting media briefing. 2 March 2012.

<sup>57</sup> SADC Protocol on Trade, Preamble.

<sup>58</sup> SADC Protocol on Trade, Article 22.

<sup>59</sup> SADC Protocol on Finance and Investment, Annex 1 – Cooperation on Investment, Preamble.

large part to the non-existence of technical support from the Secretariat in the non-banking financial institutions and services area.

- **Investment promotion instruments and incentives developed by 2005:** SADC launched an investment promotion programme in 2010 in which regional Investment Promotion Agencies (IPAs) agreed to jointly participate at investment promotion events, including high level seminars, investor targeting missions, and media promotional events. These activities have contributed to significant progress in creating awareness regarding investment opportunities in SADC, and have been developed into a broader initiative to improve the involvement of the private sector in SADC. A study on the investment regimes in SADC was undertaken in 2010, complemented by a World Bank Assessment Study of the SADC Investment Climate. The findings of these studies have been presented in a publication on “Investment regimes, Foreign Direct Investment trends and characteristics in SADC Member States”, which was produced in the same year. The comprehensive findings are important in providing awareness regarding the investment climate and opportunities in SADC, and in facilitating interaction with the IPAs. Based on the information gathered, a SADC investment portal is currently being developed. In addition, a Model SADC Bilateral Investment Treaty (BIT) Framework has been developed through collaboration with the International Institute for Sustainable Development, under which member states have agreed to develop guidelines for the effective regulation of foreign investment in their domestic economies.
- **Networking and strengthening Investment Promotions Agencies by 2007:** The first SADC Investment Promotions Agencies (IPAs) CEOs Forum was held in Mauritius in January 2011. It was emphasised that Africa needs foreign direct investment (FDI) in order to help diversify the economy, promote technology transfer, help alleviate poverty, and improve the overall standard of living of its citizens. The objective of the Forum was to share information and experiences in relation to investment promotion and investment facilitation, as well as encourage policy advocacy with a view to promoting SADC as an emerging investment destination and improving the regional investment climate.<sup>60</sup>
- **Industrial Development Policy developed by 2003:** The Trade Protocol recognises the need to improve and enhance industrialisation in the SADC region alongside the liberalisation of trade

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<sup>60</sup> The National Investment Promotion Agency of Mauritius. 2011. ‘Mauritius hosts the first SADC Investment Promotion Agencies CEOs Forum’. Board of Investment Newsletter, Issue no. 26, January 2011.

and investment in order to achieve high productivity for accelerated economic growth and enhanced competitiveness in trade. This will enable member states to progress meaningfully towards achieving the challenging objective of eliminating poverty and bringing prosperity to their peoples.<sup>61</sup> Policies and strategies being pursued by member states focus on, inter alia, export promotion, promotion of industrial linkages, improvement of the investment climate, facilitation of imports of essential goods, equitable distribution of industrial activity, and enhancing industrial support services.

Several attempts have been made in the past to address the limited success that has been achieved in the SADC region in the area of industrialisation. In June 1996, the meeting of the SADC Industry and Trade Ministers' Committee called for the preparation of a Regional Industrial Development Policy and Strategies.<sup>62</sup> SADC developed a Draft Industrial Development Policy in 2003, although its discussions were deferred pending the adoption of the RISDP. Work on this policy is ongoing, while the Draft Industrial Policy and Strategies Framework is currently undergoing consultations in member states. The need to expedite the development of a coherent industrial policy framework and strategies has been emphasised given that the industrial sector in most member states is still small, undiversified (there is still a reliance on primary commodities rather than value-added goods and services), and lacks the capacity to take advantage of the wider SADC market. Continued support for policies and interventions to enhance the region's productive capacity and competitiveness is required.

- **Member States comply with binding WTO regulations by 2006:** Fourteen SADC member states are also members of the World Trade Organisation (WTO), while the remaining country, namely Seychelles, is an observer government in the process of accession. As members of the WTO, SADC partner states are obliged to comply with various WTO disciplines. Common SADC positions were developed ahead of the WTO Ministerial Conference in Hong Kong in 2005. Although most SADC member states did not make extensive commitments under the General Agreement on Trade in Services (GATS), compliance issues regarding their liberalisation commitments have been noted given that they need to bring their domestic legislation in line with these commitments.

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<sup>61</sup> Akweshie, S. T. 2007. *Regional Road Map for the Southern African Development Community (SADC)*. Sub-regional Conference on Improving Industrial Performance and Promoting Employment in the Southern African Development Community (SADC), 30 March 2007, Gaborone.

<sup>62</sup> *Ibid.*

- **SADC Annexes and Agreements on trade-related issues consistent with WTO by 2010:** In order to enhance transparency and ensure conformity with WTO provisions, the SADC Protocol on Trade was notified to the WTO in August 2004 under Article XXIV of the General Agreement on Tariffs and Trade (GATT).
- **EPA negotiations successfully completed by 2007:** Since July 2004, the European Union (EU) has been negotiating Economic Partnership Agreements (EPAs) with blocs of African, Caribbean and Pacific countries to replace existing preferential trade accords with ones that are WTO-compatible. Seven SADC countries have been negotiating an EPA as part of the SADC EPA Group: Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and South Africa. South Africa initially participated as an observer but formally joined the negotiations in 2007. The remaining eight countries (Democratic Republic of Congo, Madagascar, Malawi, Mauritius, Seychelles, Tanzania, Zambia and Zimbabwe) are negotiating in other regional EPA configurations. However, as at March 2012, none of the configurations had completed the negotiation process.

At the end of 2007, five SADC countries (Botswana, Lesotho, Namibia, Mozambique and Swaziland) agreed to an Interim EPA with the EU. It was subsequently signed by Botswana, Lesotho, Mozambique and Swaziland in June 2009, although Namibia decided not to sign. Although South Africa and Angola had failed to join the agreement, the Interim EPA included a clause allowing both countries to rapidly join the negotiations if they wished to do so. In 2010, the Interim EPA signatory countries suspended the process of ratification of the agreement, pending the conclusion of comprehensive regional negotiations.<sup>63</sup> The SADC EPA Ministers also adopted a strategy to conclude an “inclusive” agreement on trade in goods with the whole SADC EPA group by the end of the year (a goal that was not met), with negotiations on services and investment to be concluded by 2014 based on a new deadline set by the EU.

### 3. Summary and conclusions

Since the Regional Indicative Strategic Development Plan (RISDP) was first implemented in 2005, substantial progress has been made in reaching some of the targets and milestones set in the various priority sectors as a means towards attaining deeper economic integration in SADC. In the area of trade, industry and finance (under the Trade, Industry, Finance and Investment Directorate at the SADC Secretariat), remarkable achievements have been made in several areas. Most notably was the

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<sup>63</sup> European Commission (EC). 2012. ‘Overview of EPA: State of play’. 3 January 2012.

launch of the SADC Free Trade Area in August 2008, representing the attainment of the key objective of the Protocol on Trade and setting the path for progression through deeper levels of regional economic integration. However, significant challenges have emerged which contributed to the failure to launch the SADC Customs Union by the target date of 2010. The delay in implementing the linear integration agenda envisioned by the RISDP highlights to some extent the unclear relationship between SADC Protocols and the RISDP. While SADC Directorates have developed some implementation plans for particular protocols, they have not yet made them compatible with the planning format of the RISDP (one-year operational business plans, five-year medium-term plans and 15-year long-term plan) and are thus not sufficiently monitored under the RISDP monitoring framework.<sup>64</sup> Nevertheless, member states have continued to work towards a revised strategy and timeline for implementation and have moved forward on broader initiatives for regional integration.<sup>65</sup>

Consolidating the FTA is currently the main focus for intervention in the area of goods and services market liberalisation.<sup>66</sup> There is need for effective monitoring of implementation of the various provisions of the Trade Protocol by the Secretariat in order to ensure compliance to commitments by member states in the face of limited resources, particularly human resource capacity. Key challenges relate to ensuring compliance to tariff phase downs and other commitments by member states; reforming the SADC rules of origin so that they do not restrict trade; removing NTBs which have emerged as a form of protection or as a revenue raising mechanism; and encouraging compliance and full implementation of customs and trade facilitation instruments by member states. With regards to services in particular, private sector capacity to supply services and regulatory capacity and institutions need to be increased. Bringing all member states that are currently outside the Free Trade Area into the FTA also presents a challenge for SADC.

More broadly, there remain a number of outstanding issues to be addressed in order to attain financial liberalisation, competitive and diversified economic development, and increased investment. The lack of human, financial, and technical resources at the SADC Secretariat has been widely recognised as a hindrance to the implementation process. The Secretariat's role as a "think tank" needs to be strengthened in order to be able to provide more strategic and long-term advice to member states to assist them in fulfilling their commitments to programme implementation.

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<sup>64</sup> Peters, *op. cit.*

<sup>65</sup> USAID Southern Africa Trade Hub, *op. cit.*

<sup>66</sup> SADC Secretariat, 2011, *op. cit.*

Although member states are assumed to automatically implement approved regional policy frameworks, this has not been the case. Member states need more assistance in implementing regional policy frameworks through increased advocacy and technical assistance at the national level. In particular, there is need to prioritise the implementation of the RISDP at member state level by strengthening cooperation structures as well as the planning and monitoring of the relevant programmes. To create coherence during implementation, deliberate efforts will be needed to unpack key strategies of the RISDP for adoption and implementation by member states so that RISDP programmes are integrated into national plans, budgets, and priorities. Member states need to make an urgent commitment to adequately fund all interventions in order to combat the current situation of inadequate technical expertise and the lack of financial and human resources facing the region. In addition, financial and human resources should be directed towards the Tripartite Agreement, which has greater than anticipated potential to tackle constraints impeding the speedy attainment of deeper regional integration in southern Africa.

Daunting challenges have emerged in relation to a lack of capacity to effectively monitor the implementation of various provisions of the relevant Protocols. In the absence of robust monitoring and evaluation and information management systems at the Secretariat as well as in member states, it is difficult to ascertain the impact of regional programmes on the ground. Milestones for each of the outputs or priority areas need to be established to improve accountability as well as performance tracking and feedback. A Protocol monitoring system in member states would facilitate monitoring at the national level. The monitoring information should feed into a central system that would enable evidence-based planning, budgeting, and decision-making at all levels. There is also need to establish an effective link between the SADC Secretariat, the SADC National Committees, and relevant key stakeholders who are supposed to oversee and effectively implement SADC activities and programmes at the national level. The need for more effective and efficient stakeholder participation has been recognised as fundamental to the buy-in and support of SADC programmes. It is suggested that permanent structures be established to consult citizens, the private sector, and civil society organisations in member states to constantly involve them in validating programme results and in providing feedback. Partnerships with regional and national technical organisations, civil society, and government structures are also important to ensure that regional instruments are translated into real benefits for SADC citizens at the national level. The principle of subsidiarity should be prioritised and accelerated in order to develop technical and implementation cooperation amongst appropriate partners.

The issue of multiple membership by SADC member states in various regional trading arrangements with similar integration ambitions will continue to undermine efforts towards deeper regional economic integration in SADC, and is currently a major challenge in the process towards establishment of the SADC Customs Union. The need for targets to be realistic in the formulation of policies, strategies, and implementation frameworks has also been recognised. A review of progress achieved between 2005 and 2010 suggests that some of the targets set in the RISDP and implementation documents are too ambitious and should therefore be revised. Ongoing evaluation processes need to be established to enable better policy formulation and political steering by member states, Ministers, and senior management at the Secretariat.

While the desk assessment provides an overview of the implementation status of the different priority sectors outlined in the RISDP, a broader assessment which involves all key stakeholders would provide a more comprehensive analysis of the current state of affairs. The independent Mid-Term Review, due to commence in 2012, would assist in deepening the analysis with regards to the performance, challenges and bottlenecks in the implementation process with more feedback from all relevant stakeholders. Such an approach would allow for an in-depth analysis from internal and external perspectives and would encourage and foster political steering and leadership, which is critical to the successful implementation of SADC's ambitious regional integration plans.

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