TRADE TRAPS
DEBT THROES
AND
ESCAPE ROUTES

COLOPHON

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INTRODUCTION

by Bram Posthumus and Sihle Dube

Debates on development issues evolve rapidly; from the state-centred approach of the 1960s and 1970s to the explosion onto the scene of the free marketeers who took over the World Bank and the IMF in the 1980s and declared the state a fairly irrelevant entity. In the meantime, under pressure from civil society in the richer parts of the world, environmental and gender issues were written into the development discourse. All development approaches have at one point in time been described as a kind of deus ex machina, the solution to maybe not all but certainly many of the poorer nations' problems. Therefore, it is always good to remind ourselves that the basic problems that continue to paralyse the development processes in poor countries remain largely the same. Trade and debt are prime examples of this.

Trade has existed since the beginning of humankind and debt comes not far behind. In modern times, the inequalities that have been built into the world's modern economic system have been in existence since colonial times. Trade is skewed in favour of Europe, North America and Japan and the debt crisis continues to keep countries in unsustainable positions of bondage. This situation persists, in spite of decades of largely academic and ineffective development discussions.

Southern Africa (more specifically: SADC, the Southern African Development Community) is not the only region where the inequities in the world's trade and financial systems play themselves out but it is one of the more pronounced. It also happens to be the region where the Netherlands Institute for Southern Africa (NiZA), the publisher of this brochure, has a special interest. One of the reasons for this is historical: NiZA started its life more than 30 years ago as a solidarity committee for Angola and grew into a respected movement for the liberation of the whole region and subsequently into the information, lobbying and hands-on support institute it is today. Another reason relates to the political economy: there was a tendency to declare the problems of the region over when South Africa liberated itself in 1994. But the problems have intensified of late and this is in no small part due to the massive economic problems most countries in the region face. The odds have been stacked heavily against them both in terms of trade and debt. These twin issues are the subjects of this brochure.

The picture of the region is extremely mixed. The political situation differs widely, from countries emerging from war and trying out more or less democratic political institutions (including Angola, Mozambique, Zambia) to countries that appear to slide inexorably towards meltdown (Zimbabwe) or do not seem to be able to get out of political and/or economic stagnation (like the DR Congo, Malawi and again Zambia). But most of them share a few characteristics. Poverty is widespread. There is an HIV/AIDS crisis of monumental proportions, the economic impact of which has not even begun to be measured. Most governments in the region (with the exception of South Africa and Botswana) have limited and decreasing capacity - and in some cases little political will - to cater to the needs of the civilian population. Most governments rely rather more heavily than is good for them on foreign assistance. And many of them face similar trade and debt issues.

With the brochure, NiZA aims first and foremost to inform. The intended audience consists of policy makers, students of the region, interested individuals and those who consider themselves part of NiZA's support base in Dutch society and elsewhere. The job of informing the public about matters such as trade and debt in poor countries is usually done by established academics and journalists in the North, the rich part of the world. The second purpose of this brochure is to let journalists and academics from the region itself do most of the talking. And thirdly, this publication seeks to influence. Trade and debt are not the world's sexiest subjects but they impact more powerfully upon peoples' and nations' lives than most issues, with the possible exception of politics. NiZA considers it important to once again draw attention to them and point out that yes, unfair trade persists and hampers progress and no, the debt crisis is nowhere near a solution, contrary to what many appear to think. If the information contained in this brochure seems old, then this should cause alarm bells to start ringing. For this reason alone, it is time these twin issues are pushed once again further up the political agenda.

The composition of the publication is as follows. After this introduction, there will be an executive summary with the main findings. This is followed by an introductory chapter on SADC by the Zimbabwean development economist Takawira Mumvuma: what is SADC and does it work? The second chapter deals with trade issues. First, there is a long section on the kind of trade agreements that exist between principally the European Union (EU) and SADC and how these distort trade inside the region. The other two shorter articles are by Zimbabwean freelance journalist ish Mafundikwa and Amsterdam-based consultant David Sogge and explore the impact of this forced liberalization on the region and other ways of integrating SADC respectively. Essentially, there are three integration processes on the way simultaneously: one that is foisted upon the region by the EU, one that is slowly but surely taking place as a function of the formal agreements the SADC members states have entered into, and finally, integration at grassroots level.

The third chapter considers debt. First, there is a bird's eye view of the debt situation in the SADC region, followed by a critical assessment of official debt management by the veteran Zambian debt cancellation advocate Charity Musamba. The third article in this chapter deals with the various alternatives that have been offered by the debt campaign group Jubilee 2000. In two smaller separate contributions, South African author Neville Gabriel takes a few pot shots at the moral hazard argument, frequently used by banks to refuse debt cancellation.

The fourth and final chapter takes a look at two ways out of the crises bedevilling the region, one from on high (Nepad) and one from below (civil society). Nepad has been presented as the boldest step yet in advancing Africa's development. Nepad will be described by Zambian journalist Benedict Tembo (with input by the editor) and critically assessed by South African economist Oupa Lehulere. It is interesting to see how Nepad recognises the need to end violent conflict throughout the continent as one of the most important conditions for any economic take-off while at the same time remaining rather mute of the issues of debt cancellation and unfair trade. In the final part of this chapter, South African journalist Glenda Daniels will describe the work done by civil society in her country to advance alternatives from the ground up. The international anti corruption crusader Transparency International has kindly provided details concerning the struggle against corruption, especially on the legal front, in almost all SADC countries, while South African author Thabani Masuku looks at good governance, one of the latest issues to make a grand entrance in the development debate.

As said, this book has been written by academics, activists, journalists and consultants. As a result, styles vary. We hope this variation will encourage you to read on. Geographically, we admit to having failed the test, by relying heavily on the Anglophone axis (South Africa, Zimbabwe, Zambia) for our information. There is no real excuse for this, suffice to say that in spite of the rather limited linguistic scope of the contributions the net is cast so wide as to include all countries in SADC.

Amsterdam, February 2003
Bram Posthumus, Sihle Dube

EXECUTIVE SUMMARY

Southern Africa (more specifically: SADC, the Southern African Development Community) is not the only region in the world where the inequities of the global trade and financial systems play themselves out but it is one of the more pronounced. Trade with the region is skewed in favour of Europe (and North America and Japan) and the debt crisis continues to keep many countries in the region in unsustainable positions of bondage. NiZA is publishing this brochure on the twin issues of trade and debt, specifically in view of the fact that the socio-political problems in many parts of the region have intensified of late. This is in no small part due to the odds that have been stacked heavily against them, precisely in terms of trade and debt. It is time these issues are pushed once again further up the political agenda. NiZA finds it very useful at this point in time to have all these and other views represented in a single publication. NiZA hopes to offer some new ideas for policy makers and other interested parties to reconsider current trade and debt policies, in order to avoid more damage to this region.

The picture of the SADC region is extremely mixed but most of its member states share a few characteristics. Poverty is widespread. There is an HIV/AIDS crisis of monumental proportions, the economic impact of which has not even begun to be measured. Most governments in the region (with the exception of South Africa and Botswana) have limited and decreasing capacity - and in some cases little political will - to cater to the needs of the civilian population. Most governments rely rather more heavily than is good for them on foreign assistance. And many of them face similar trade and debt issues.

SADC

On 1 April 1980 in Lusaka, Zambia, nine governments (Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe) founded the Southern African Development Coordination Conference (SADCC), the predecessor of SADC. The new organisation identified infrastructure sectors such as transport and communication, industry, trade, energy, agriculture and manpower development as priority areas. All members were involved in the implementation of all SADCC projects, with each having the responsibility of coordinating and promoting a particular sector. SADCC provided a regional forum through which member states identified and created new markets and mobilised additional development aid for both national and SADCC- wide projects. In the late 1980's the emphasis shifted towards the co-ordination of sectoral plans and programmes. There was also a shift from infrastructure to the promotion of investment and production. These moves were a step towards reducing external dependence and laying the foundation for genuine integration.

On 17 August 1992 SADCC was transformed into SADC in Windhoek, Namibia. Increased regional integration would provide a stronger collective, better able to address problems of national development and challenges associated with the ever changing regional and global environment. SADC was designed to fulfil specific social, economic and political objectives, including

- Development and economic growth.
- Alleviating poverty.
- Promoting and defending peace and security.

- Promoting and maximizing productive employment.
- Achieving sustainable utilisation of natural resources.
- Effective protection of the environment.

SADC SUCCESS AND CHALLENGES

Has SADC worked? The record is mixed. First off, there have been important political breakthroughs, including the establishment of the SADC Organ on Politics, Defence and Security in 1996, the SADC Parliamentary Forum in 1997 and the SADC Electoral Commissions Forum in 1998. On the commercial front, mention must be made of the Trade Protocol, approved in 1996. It entered into force on January 25, 2000. Its main objective is to further liberalise intra-regional trade in goods and services. Progress has also been made in the transport and communication sector in the region, positive growth in a number of member states, with some countries such as Mozambique, Botswana and Mauritius having economic growth rates above 5% and an increase in regional trade.

However, these successes do not reflect the full potential benefits that can derive from the integration process. There are more challenges that need to be confronted for the regional body to realise fully its stated economic and political objectives. For SADC, it is important to work towards the improvement of the macro-economic fundamentals and related rules and regulations in member states, i.e. measures in the area of traffic, border crossing procedures, quality and standards of goods, customs and investment procedures, so as to facilitate effective trade within the region. Harmonization of fiscal, monetary and exchange rate policies and other national rules and regulations between member states should be given high priority in pursuit of the Trade Protocol's objectives. Of particular concern is Customs, one of the most important border control instruments that regulate the movement of goods and services.
On the supply side, capacities need to be built in such key areas as the requisite technological, human skills, product-quality upgrading and investment. Skills upgrading and training; quality control services; product standards, development and diversification; testing and packaging are other areas that needs strong national and regional institutional support.

EU-SADC TRADE

The trade agreements that exist between principally the European Union (EU) and SADC distort trade inside the region. The Cotonou Agreement extends the traditional framework for trade relations with the EU that were established under the 1975 Lomé Convention. It provides complete duty free access for most of the products from of export interest to Southern African countries. It also provides quota restricted duty free access for a range of export products deemed ‘sensitive’ by the EU (e.g. beef, sugar, seedless grapes). The system of non-reciprocal trade preferences has been renewed for 8 years under the Cotonou Agreement and will now run until 31 August 2007. The system is of particular importance to Southern African countries, where large scale exports have been developed in products where the Cotonou Agreement provides significant tariff advantages, compared to other developing countries. However, the Cotonou Agreement completely excludes from duty free access many of the products falling under the Common Agricultural Policy (CAP). This last extends to more than 1,000 product lines.

The successor arrangement to Cotonou is being negotiated between September 2002 and December 2007. Negotiations were officially launched in Brussels on 27 September 2002. The options open to Southern Africa involve:

- Negotiating reciprocal trade arrangement (which the EU calls 'Economic Partnership Agreements', EPAs). These will involve the establishment of a free trade area arrangement that is compatible with the regime of the World Trade Organisation (WTO), within a 10 to 12 year period.
- Returning to the Generalised System of Preferences, based on the level of development of the country concerned.
- Some yet to be defined 'alternative' trade agreement.

The European Commission strongly favours the conclusion of EPAs, preferably negotiated at a regional level with groups of ACP countries. There is strong and continuing pressure on ACP countries to accept this approach.

SADC INTEGRATION AT RISK

But there are major spanners in the works. The first is the existence of a free trade agreement between the EU and South Africa, drawing in all members of the so-called South African Customs Union (SACU), i.e. Botswana, Lesotho, Namibia and Swaziland. There are concerns in the region that EU goods exported duty free to South Africa could find their way into neighbouring SADC markets on a duty free basis disguised as South African goods. Particular concern exists with regard to the exports of agricultural and processed food product, given the impact of over €40 billion in support to the European agricultural sector under the Common Agricultural Policy (CAP). Moreover, and crucially, the existence of the SADC free trade area alongside the EU-South Africa trade agreement will make it very difficult to see how SADC as a whole can negotiate an economic partnership with the EU between 2002 and 2008. The reason is simple: there already is a reciprocal preferential trade agreement in place between the EU and SADC's largest member.

As far as the other SADC members are concerned, Botswana, Lesotho, Namibia and Swaziland face more acute dilemmas than the others. First, they will be confronted with the introduction of free trade with the EU far faster than any other ACP country - as early as 2012. This is a direct result of them being linked to the EU-South Africa free trade agreement. Second, they are faced with a free trade area agreement that was never designed with their economic structures and levels of development in mind. Third, and again, as a result of the EU-South Africa agreement, they are subjected to a greater degree of free trade in their relations with the EU than will be the case for other ACP countries. Fourth, they are subjected to free trade with the EU without any corresponding improvement in market access to the EU. Fifth, they are excluded from any direct consultations on how the free trade area should be implemented. And finally, they are facing serious fiscal revenue losses as a result of the elimination of tariffs on trade with the EU.

The second problem hindering regional integration is the fact that six countries (Tanzania, Zambia, Malawi, DRC, Mozambique and Angola) are LDCs that enjoy rights to non-reciprocal trade preferences and full duty free access to the EU market for all their original exports, except arms and ammunitions. So there is no need for them to negotiate any new arrangements; they are already in place. The upshot of all this is that only three countries, Zimbabwe, the Seychelles and Mauritius, need to negotiate the future basis for their trade relations with the EU beyond 2008. The Seychelles is only interested in securing duty free access for its canned tuna exports and has little or no industry which could be threatened by EU exports under conditions of free trade. Mauritius has an interest in subsidised EU agricultural exports because it can feed into its own food and drink industry, which is targeting regional markets.

Mauritius also has an interest in keeping competing EU food and drink products out of the markets it seeks to serve. Zimbabwe, with its heavy dependence on agriculture and agro-processing, could face potentially devastating competition under any free trade area that is introduced while the CAP continues to massively distort competition.

Essentially, there are three integration processes on the way simultaneously: one that is foisted upon the region by the EU, one that is slowly but surely taking place as a function of the formal agreements the SADC members states have entered into, and finally, integration at grassroots level. Each of them offer different challenges and risks - but also opportunities.

THE SADC DEBT CRISIS

Of all the member states, only Botswana and Namibia can be said to have a manageable debt situation. Most of the others are in deep trouble and have been for some time. Zambia, Malawi, Tanzania and Mozambique owe the larger portions of their debts to the IMF, the World Bank and members of the Paris Club, the informal group of bilateral creditors, including 19 OECD countries (the rich industrialised nations) that jointly negotiate the rescheduling of debts. All four have been induced into the Highly Indebted Poor Countries (HIPC) initiative. This is basically a framework designed to provide special assistance to heavily indebted poor countries that are pursuing IMF and World Bank supported structural adjustment programmes. The overall objective of the HIPC initiative is to achieve debt sustainability on a case-by-case, focusing on the totality of a county's debt. The objective would be to enable 'eligible countries' to exit from their debt problem, particularly the rescheduling, because they would now be able to meet their debt obligations without undue resource strains when the debts fall due.

Still, Zambia, Malawi, Tanzania and Mozambique spend more on debt servicing than on health care for their own people. All spend disproportionate amounts of their export earnings on debt servicing. All are also awaiting the moment when, within the HIPC framework, they will have reached the so-called 'completion point', defined by World Bank/IMF as the moment when a country has implemented 'a set of key, pre-defined social and structural reforms and maintained good macro-economic performance.' Broadly speaking, the requirements fall into three categories:

- Macro-economic performance (read: Structural Adjustment).
- Structural reforms (the old ones: privatisation, good budget management, tax reform, good governance including an anti-corruption strategy).
- Social policies (including health and education policies, and additional measures in the realm of actual poverty reduction).

In addition there is the obligation to prepare a so-called Poverty Reduction Strategy Paper, PRSP, a document that must showcase how national governments intend to reduce poverty in their countries. Some of the social requirements come with specific targets relating to financial inputs and staff allocation, e.g. school enrolment figures.

Three SADC countries (Democratic Republic of Congo, Zimbabwe and Angola) are excluded from HIPC because they have been engaged in wars or are for other reasons deemed to be politically unfit for inclusion. All except Zimbabwe are highly in debt, all suffered or continue to suffer the problems associated with misallocation of financial and other resources by their governments. In the DRC and Angola, the IMF has re-entered with so-called Staff-monitored programs, while the relationship between Zimbabwe and the IMF appears strained for an indefinite period of time. South Africa, finally, is waging another struggle. It is attempting to undo the wrongs of the past but it finds itself seriously constrained by the legacy of apartheid, including the $25.6 billion inherited in illegitimate foreign debt which roughly equalled the initial investment required for the Reconstruction and Development Programme that was shelved for lack of sufficient finances. Apartheid debt cancellation is one form of reparation that will allow greater room for national spending on job creation, housing, health care, education, and the provision of water and electricity to the poor. Since the international (business) community that profited so much from the existence of apartheid has refused to take debt cancellation into consideration, reparations are now actively sought through the courts. Claims against some Swiss, German, British, Dutch, and American banks and corporations have already been filed in New York. Other foreign and South African banks and businesses that prefer to ignore apartheid's victims call for justice will be similarly challenged.

ASSESSMENT OF OFFICIAL DEBT MANAGEMENT

HIPC and PRSP are mediocre interventions. Results from these initiatives will continue to be partial and in some cases irrelevant to the debt situations prevailing in the region. It should be accepted that debt and poverty can not be resolved using the current blunt instruments. Sustainable solutions to these crises demand drastic and radical changes. These solutions demand questioning the current power relations between the South and North. They also entail a critical examination of what is called 'partners' in development. The pressure group Jubilee 2000 is among those that have offered alternatives to the current non-performing debt management system. These include linking debt relief to the Millennium Development Goals (MDGs), determined by an independent review panel with representatives of both creditor and debt nations. As World Bank and IMF themselves acknowledge, this would likely be complete debt cancellation plus increased foreign assistance. But both institutions reject this proposal on the spurious grounds that 'there are no reliable estimates of the cost of scaling up debt relief to achieve the MDGs.' These calculations have in fact been made - or continue to be made - within the UNDP. In the meantime, the debt crisis is not a single step nearer to being resolved, according to Jubilee and other pressure groups, mainly due to Bank and Fund intransigence.

WAYS OUT

Several ways out of the crises bedevilling the region have been formulated. We take a look at two: one from on high (Nepad) and one from below (civil society). Nepad has been presented as the boldest step yet in advancing Africa's development. Nepad has set itself the following aims: eradicating poverty, sustainable economic growth, more and better education and health care, reduced mother and child mortality and less harm to the environment. An impressive array of Committees and Task Force has been put into place, designed to flesh out the plans.

It is interesting to see how Nepad recognises the need to end bad governance, corruption, mismanagement and the resultant violent conflicts throughout the continent as one of the most important conditions for any economic take-off while at the same time remaining rather mute of the issues of debt cancellation and unfair trade. Precisely solving these twin issues could go some way towards footing the Nepad implementation bill, set at US$64 billion. Some of this money is to be sourced locally but under the current circumstances and in the current world order most of the billions must come from donors. They have not been forthcoming, as became apparent in June 2002 at the G8 summit in Canada, where a paltry US$ 6 billion was available.

Many criticisms have been levelled at Nepad, the most persistent being that it is a neo-liberal package that will neither lift Africa out of poverty nor reverse the marginalisation of the continent. Nepad represents the adoption, by African governments, of the policies that have been championed by the IMF and the World Bank. These two institutions and the World Trade Organisations (WTO), represent the interests of the United States and other OECD states and corporations. In the view of radical pressure groups, many of whom made their pressure felt at the World Summit in Johannesburg, South Africa, in August 2002, Nepad represents the continuation of the programmes and initiatives aimed at consolidating the interests of global corporations. This includes the ones that are based in South Africa and rapidly expanding their businesses across the continent (South African Breweries, energy giant Eskom, Engen and others come to mind). Governments do little more than promote and protect these interests, in their view, and this also explains why Nepad has been received with acclaim by many governments and corporations based in the North. Resistance to the neo-liberal agenda is also what drives the civil society in South Africa. They include the Social Movement Indaba, whose rallying cry is very clear: 'Our World is Not for Sale.' Its demands set a radically different agenda. They include:

- An end to the policies of privatisation of basic services.
- Debt cancellation for the countries of the South.
- Redistribution of land in favour of poor farmers and the landless.
- A change in the systems that keep women in social and economic bondage.
- An end to the imposition of genetically modified food on the farmers, land and biodiversity of the world.
- Affordable health services for all people, including treatment for HIV/AIDS.
- A clean environment, safe energy and sufficient water for all.
- Reparations to all who have suffered economic, social and environmental damage.
- An end to the implementation of NEPAD.

As the international bodies, most prominently the IMF, World Bank and the WTO pursue agendas that run counter to these demands, the logical outcome has been for civil society to call for these institutions to be shut down.

SADC

Chapter 1-1

INTRODUCING SADC

by Takawira Mumvuma

SADC's ORIGINS

In the early 1960's, many African nations attained independence and this put regional integration prominently on the political agenda. Particularly in the Southern African region the rationale for integration was the insecurity and vulnerability of the Frontline States, due to destabilisation and attacks by the then apartheid South Africa. Southern African states felt that solidarity was necessary for their own defence and survival in both political and economic terms. From 1977, active consultations were undertaken by representatives of the Frontline States, culminating in a meeting of Foreign Ministers of the Frontline States in Gaborone, Botswana, in May 1979, which called for a meeting of ministers responsible for economic development. This meeting took place in Arusha, Tanzania, during the same year and gave birth to SADC's predecessor, the Southern African Development Co-ordination Conference (SADCC). On 1 April 1980 in Lusaka, Zambia, nine governments of majority ruled countries of Southern Africa, namely Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe founded SADCC. There were four main objectives:

- To reduce Member States dependence, particularly, but not only on apartheid South Africa.
- To implement programmes and projects with national and regional impacts.
- To mobilize Member States' resources, in the quest for collective self-reliance.
- To secure international understanding and support.

In order to attain these objectives, SADCC identified infrastructure sectors such as transport and communication, industry, trade, energy, agriculture and manpower development as the priority areas. All members were involved in the implementation of all SADCC projects, with each having the responsibility of coordinating and promoting a particular sector. So at its inception SADCC was meant to be a loose form of cooperation with a limited number of supranational institutions being established. In other words, SADCC opted for a functional co-operation approach to regional integration which was both project and programme based, without necessarily creating a common market or harmonizing national economic policies, rules and regulations. With the above objectives in mind SADCC provided an effective regional forum through which member states identified and created new markets, established new joint venture opportunities and mobilised additional development aid for both national and SADCC-wide projects.

In the late 1980's, however, the emphasis shifted towards the co-ordination of sectoral plans and programmes. There was also a shift from infrastructure to the promotion of investment and production. These moves were a step towards reducing external dependence and laying the foundation for genuine integration. Regional leaders felt that there was a need to come up with a more effective organisation that should not only have legal status but also powers and capacity of regional decision-making. So, they decided to formalise SADCC and to shift its focus from mere co-operation among member states to a more far-reaching form of regional integration. This transformation was also meant to reflect upon the favourable political developments in South Africa and the prospects of democratic rule. This would inevitably make South Africa, given its huge resource base, one of the most important members of the regional grouping, expected to play a crucial role in furthering the spirit of deeper region integration in the Southern African region.

FROM SADCC TO SADC

On 17 August 1992 SADCC was transformed into SADC in Windhoek, Namibia. From then on, regional integration would provide a strengthened collective capacity for countries in the region to address problems of national development and challenges associated with the ever changing and complex regional and global environment. The ten countries present in Windhoek signed a Declaration and Treaty that gave birth to SADC in 1992. The Windhoek Treaty, which is regarded as the blue print for building a Community of Southern African states reaffirmed and sought to strengthen the principles of sovereign equality of all member states; solidarity, peace and security; human rights, democracy, and the rule of law. The Treaty also highlighted the values of equity, balance and mutual benefit as well as the peaceful settlement of disputes. The countries in the region needed to work together in fostering measures for self-sustaining development and growth. SADC was designed to address a number of the region's developmental problems and therefore to fulfil the following social, economic and political objectives:

- Development and economic growth, alleviating poverty, enhancing the standard and quality of life of the people of Southern Africa and supporting the socially disadvantaged through regional integration.
- Promoting and defending peace and security.
- Promoting self-sustaining development on the basis of collective self-reliance, and the interdependence of Member States.
- Promoting and maximizing productive employment and utilisation of resources in the region.
- Achieving sustainable utilisation of natural resources and effective protection of the environment.
- Strengthening and consolidating the long standing historical, social and cultural affinities and links among the people of the region.
- Evolving common political values, systems and institutions.
- Achieving complementarity between national and regional strategies and programmes.

In pursuance of the above objectives, SADC designed a participatory approach in which each member state was allocated a sector to coordinate. SADC, like its predecessor SADCC, adopted a decentralised structure of organisation that would ensure that Member States are the main actors in the formulation and implementation of policy decisions. Under such a decentralised institutional arrangement there was no need for a large regional secretariat. This organisational structure was part of the Windhoek Treaty and it was meant to ensure a more direct involvement by Member States in the implementation of the activities of the organisation. The arrangement was to make sure that each country assigned a specific sector was involved in proposing sector policies, strategies and priorities, and processing the projects for inclusion in the sectoral programme, monitoring progress and reporting to the Council of Ministers. This means that these national sector co-ordinating units are key structures in the organisational set-up of SADC (see box 'Sector Coordination Allocation by Country').

In 1995 sectoral protocols became the major tools for enhanced regional economic integration. It was a device to invite the private sector to participate in the planning and implementation of regional economic integration efforts and accelerate regional economic integration. The decision to work with sectoral protocols provided SADC with sectoral strategies with clearer targets and created a strong transnational interest group that is used to operate in an output oriented manner. The above sectoral responsibilities paved the way for much progress within the region. The Finance and Investment Sector which was allocated to South Africa in 1995, for instance, went on to operate as an independent operating committee of Central Bank Governors. This Committee attends to monetary policy and financial issues in general within the SADC region and attends to all fiscal policy issues at the level of the Committee of Treasury Officials.

A Protocol is a legal instrument that commits member states to co-operate, co-ordinate, harmonize and integrate policies and strategies in one or more sectors. In SADC, sectoral actors in collaboration with other SADC agencies develop protocols. They are then forwarded to SADC's legal division for scrutiny before being submitted to the Council of Ministers for approval. After approval, they need to be signed by the Summit of Heads of State and Government and to be finally ratified by two-thirds of the member states before coming into force.

THE TRADE PROTOCOL: ENHANCING INTEGRATION

An idea which was originally mooted in 1994 when South Africa joined the regional body was finally adopted in 1995 to increasingly focus regional integration on a trade-driven approach and to establish a Free Trade Area in the region within a period of eight years. The Summit of Heads of States and Governments in 1996 approved the Trade Protocol. The Trade Protocol's main objectives are to:

- Further liberalise intra-regional trade in goods and services on the basis of fair, equitable and mutually beneficial trade agreements.
- Ensure efficient production within SADC reflecting the current and dynamic comparative advantages of its members.
- Contribute towards the improvement of the climate for domestic, diversification and industrialisation of the region.
- Establish a free trade area in the SADC region through the gradual elimination of tariffs and quantitative restrictions within a period of eight years.
- Achieve harmonization of sanitary, phytosanitary measures, standards and technical regulations envisaged and detailed specification of details of origin (measures to do with food safety,ed).

The SADC Trade Protocol entered into force on 25 January 2000. The signed Protocol represents a framework agreement establishing the objectives of trade integration and the broad principles of the process. Most countries in the SADC began implementing the Protocol on 1 September 2000. By 7 August 2001 all eleven countries participating in the Protocol had started implementing its provisions. SADC leaders have all placed much hope in the Trade Protocol, as they see it as the only possible window of opportunity through which the Southern African countries can achieve the basic goal of improving the welfare of their peoples. Already an agreement has been reached on a linear tariff reduction approach, in which each country will reduce its tariffs by given percentages over the eight year period. South Africa and other members of the Southern African Customs Union (SACU) will reduce their tariffs much faster than other SADC countries.

As a follow up to above decision, between 1997 and 2000 negotiations ensued on the technical details regarding the tariff phase-down, rules of origin, special industry agreements, dispute settlement procedures and cooperation in customs matters. These negotiations culminated in an amendment of the Protocol on Trade and new annexes were adopted on 7 August 2000. It is therefore hoped that the Trade Protocol will allow about 85% of trade within the region to operate on duty free basis by 2008, and that about 15% of country specific and sensitive products will be liberalised by the year 2012. Even after its signing in 2000, the Protocol left room for negotiations concerning outstanding areas of trade within the region. Such negotiations are to be facilitated by the SADC Trade Negotiating Forum, which reports to the SADC Ministers of Trade. Issues that are likely to be negotiated in the future include the rules of origin for specific products like textile, clothing and wheat, free trade in services, sanitary and phytosanitary measures, standards and quality assurance and other non-tariff barriers to trade.

SADC'S ORGANISATION

The progress of SADC in its various sectors is influenced by the political and institutional aspects of regional integration. Political integration plays a very important role: when countries come together to form an organisation such as SADC, a political decision has to be made by the individual countries involved. Politics thus provides for the overall framework of integration. After all, regional integration is hoped to lead up to some form of political union. The Windhoek Declaration itself stated that successful regional integration has a number of political pre-conditions. These include the existence of national and regional institutions that have adequate competence and capacity to stimulate and manage efficiently the complex process of integration and a high level of political commitment which is needed in order to shape the scope and scale of integration. It also requires the willingness of national governments to transfer political decision making to supra-national bodies and ensure that the positions taken nationally reflect the regional positions and circumstances.

SADC: CURRENT STRUCTURE

The current SADC structure is thus composed of the following principal institutions:

The Summit

The Summit is composed of Heads of State and Government and is the ultimate policy-making institution of SADC. It is responsible for overall policy direction. The Summit usually meets once a year at which a new Chairperson and deputy are elected. However, under the new structure, it is recommended that the Summit meets twice a year to discuss economic development and political issues separately. All decisions are to be reached through consensus.

The Troika

The Troika system consists of the Chair, Incoming Chair and the Outgoing Chair of SADC. The Troika system has enabled SADC to execute tasks and implement decisions quickly as well as providing policy directions to other SADC institutions.

The Council of Ministers

The Council consists of Ministers from each member State, usually from the Ministries of Foreign Affairs and Economic Planning or Finance. The Council is responsible for overseeing the functioning and development of SADC and ensuring that policies are properly implemented. The council usually meets twice a year, but under the new structure it is recommended that the Council should meet four times per year.

Integrated Committee of Ministers

This is a completely new institution aimed at ensuring proper policy guidance, coordination and harmonization of cross sectoral activities. It should be composed of at least two Ministers from each Member State and has decision making powers ad referendum to ensure rapid implementation of the programmes that otherwise would wait for a formal meeting of the Council of Ministers. However, the Committee is accountable to the Council of Ministers. This institution will be tasked with overseeing the activities of the four core areas of integration, which are precisely the same areas that are covered by the four Directorates that were created in August 2001 (see “New Structure” below). Furthermore, the Integrated Committee will oversee Special Programmes, provide policy guidance to the Secretariat, make decisions on matters pertaining to the four Directorates, monitor and evaluate their work and monitor the implementation of the Regional Indicative Development Plan once approved by the Council of Ministers.

The Standing Committee of Senior Officials

This Committee consists of one Permanent/Principal Secretary or an official of equivalent rank from each Member State, preferably from a ministry responsible for Economic Planning or Finance. This Committee is treated as a technical advisory committee to the Council. The Chairperson and Vice-Chairperson of this Committee rotate and shall come from the Member States that are holding the Chairperson and Vice-Chairperson of the Council of Ministers respectively.

Organ on Politics Defence and Security

This Organ is coordinated at the level of the Summit on a Troika basis. It reports to the Chairperson of SADC. The Chairperson of the Organ holds the post for a period of one year, while the Member State holding the position of Chairperson provides the necessary Secretariat services. The Chairperson of the Organ is not allowed to hold the Chair of the Summit.

The Inter-State Politics and Diplomacy Committee

This Committee is composed of the ministers responsible for foreign affairs. lt will be expected to carry out duties that will facilitate the achievement of the objectives of the Organ relating to politics and diplomacy.

SADC Secretariat

The Secretariat is the principal executive institution of SADC responsible for strategic planning, co-ordination and management of SADC programmes. It is headed by an Executive Secretary and based in Gaborone, Botswana. The specific tasks of the Secretariat include:

- Implementing the decisions of the governing structures.
- Coordinating and harmonizing policies and strategies of member states.
- Monitoring and evaluating the implementation of regional policies and programmes.
- Ensuring gender mainstreaming in all programmes and projects.
- Mobilize resources and co-ordinate programmes and projects with donors and cooperating partners.
- Doing research on community building and the integration process.

NEW STRUCTURE

Since its inception, SADC has been very slow and cautious over the years to change its structure and institutional set-up. However, over the years SADC members have been concerned about the bottlenecks that may arise in terms of limiting the progress of regional integration if there are no provisions for change in the organisation. In recent times it has become quite clear that there is a number of constraints that are inhibiting the efficient and effective performance of SADC, that warrants putting in place new structures. The bottlenecks that were identified include the following:

- Inadequate provision of resources and staffing by Member States which had led to inequitable distribution of responsibilities and obligations.
- Different management and administrative procedures and rules, varying standards, qualifications and performance criteria for staff involved in the management of the Regional Programme.
- Rapid increase of Sectors and therefore a plethora of priorities and activities dependent on limited resources which has led to the proliferation of meetings and an increase in associated costs.
- Under the current institutional structure and circumstances, the Secretarial lacked power, authority and resources and therefore has been unable to execute its mandate as provided for in the Treaty, especially that of undertaking strategic planning and management.
- Lack of an institutional framework in which Ministers responsible for Foreign Affairs in the SADC region could discuss and adopt common positions on matters pertaining to the organisation in various international fora.
- Limited capacity to mobilise the region's own resources, including the private sector, for the implementation of the Programme of Action and an over-dependence on external financial resources.
- Growing political divisions within SADC and a failure to address governance, peace and security issues. In particular, the Organ on Politics, Defence and Security, which was established in response to increasing demands for a political mediation body for SADC, has led to new problems between the leading countries in SADC because its mandate, structure and relationship to the SADC summit have been left rather unclear.

With this increased realisation of the need to restructure SADC, the regional grouping embarked on a two year restructuring exercise, which started in 2001. In March 2001 a SADC extraordinary Summit approved recommendations for changes in the organisational and institutional framework so as to make SADC more effective in pursuing its goals and objectives. The recommended changes were further endorsed by the extraordinary summit in Blantyre, Malawi in August 2001. On the basis of these recommendations, four Directorates were established at the Secretariat in Gaborone, Botswana to replace the 21 sectors and commissions previously coordinated by member states. These four directorates are:

Trade, Industry, Finance and Investment (established 2001),
Food Agriculture and Natural Resources (established 2001),
Infrastructure and Services (expected to be in place at the end of 2002),
Social and Human Development and Special Programmes (expected to be in place at the end of 2002).

The functioning of these directorates would not only involve the governments of the SADC members but a provision was made that the private sector, civil society, non-governmental organisations and employers and labour unions would also be actively involved in the decision making process. According to the guidelines made by the Council of Ministers at the meeting in Blantyre in August 2001, each member state has the obligation to create its own national committee to do the following at national level in each of the member states:

- Provide input in the formulation of SADC policies, strategies and programmes of action.
- Coordinate and oversee the implementation of SADC programme of action.
- Promote and broaden stakeholder participation in SADC affairs in member states.
- Facilitate information flows and communication between member states and the SADC secretariat.
- Coordinate the provision of inputs for the development of Regional Indicative Strategic Development Plan and monitor its implementation.

The National Committees are composed of key stakeholders such as government, private sector, representatives of civil society, NGOs, labour unions and employers' representatives in member States.

If the four directorates are allowed to function properly they should be able to facilitate the emergence of a coherent regional coordination strategy in the industrial and trade, food security and energy sectors. In the past this was constantly being undermined by the pursuit of narrow national interests and self-sufficiency goals that always conflicted with the objective of attaining long term regional efficiency in the same sectors.

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Chapter 1-2

IS SADC WORKING?

by Takawira Mumvuma

POLITICAL AND ECONOMIC ACHIEVEMENTS

Strengthening the Front Line States solidarity and creating a southern African identity are probably the biggest achievements of SADC's predecessor. Since the inception of SADC there have been three major breakthroughs in furthering political integration. These are the establishment of the SADC Organ on Politics, Defence and Security (OPDS) in 1996, the SADC Parliamentary Forum in 1997 and the SADC Electoral Commissions Forum in 1998. Despite political differences between South Africa and Zimbabwe regarding the OPDS, all Member States have exhibited the political will to develop an effective structure, which will be instrumental in achieving conflict resolution and overcoming political instability within the region.

These achievements are closely followed by the progress made in the transport and communication sector in the region. Through the establishment of the Southern African Transport and Communications Commission (SATCC) to coordinate the rehabilitation and development of regional transport networks, it has managed to build and/or rehabilitate the Beira, Maputo, Nacala, Lobito and Dar es Salaam railways and transport systems. Gwarazimba (1993:53, see Suggestions for further reading) offers two explanations for this success. First he argues that these transport projects did not entail a loss of autonomy in key domestic policy areas and that coordinated regional transport projects met the interests of coastal states who benefited from capital investments in railways and port facilitates, whilst landlocked states managed to significantly reduce their dependence on the use of railways and ports in hostile South Africa. Second, he points out that infrastructural projects coincided with donors' traditional sectors of interest, thereby assuring SADC of critically needed funds and precluding the possibility of conflict between SADC's sectoral priorities and donors' commercial interests.

It is also worth mentioning that progress has been realised with a number of SADC countries recording positive growth rates during the past few years at an average of 3%, with some countries such as Mozambique, Botswana and Mauritius having economic growth rates above 5%.

In recent years, intra-regional trade has increased. For instance trade between South Africa and Zimbabwe together with Zambia, Mozambique and Malawi has increased since 1994 when South Africa became a member of SADC. Zimbabwe especially became an important export market for South Africa, with exports worth ZAR 5.7 billion in 1997. Other SADC countries also increased trade among themselves. However, these successes do not reflect the full potential benefits that can derive from the integration process. There are still more challenges that need to be confronted for the regional body to realise fully its stated economic and political objectives as highlighted in following paragraphs.

The trade-driven integration approach supposes that low or no customs tariffs and the phasing out of non-tariff barriers between the SADC member states would increase trade within SADC and thus create a bigger internal regional market. Such an increase in the size of the market would lead to more investment which would in its turn create employment and additional incomes thus leading to higher demand for goods and services which will create more trade. Thus trade-driven integration would create a virtuous cycle that would eventually lead to the achievement of the basic goal of increased welfare within the region. This is the theory. The question is therefore whether SADC has realised the results proposed by this description of trade driven integration.

TRADE IMPEDIMENTS

Even though we have argued above that a positive trend had been set in trade within the region, further assessment reveals that figures for 1997 and 1998 indicate that South Africa's trade with its major trading partner Zimbabwe has decreased. It has also slowed down with the rest of the SADC. South Africa's exports to Zimbabwe dropped by 14% from 1997 to 1998 perhaps due to devaluation of the Zimbabwean dollar and the introduction of punitive tariffs by Zimbabwe. In this sense, the Trade Protocol has not lived up to its expectations.

For SADC, it is important to work towards the improvement of the macro-economic fundamentals and related rules and regulations in member states, i.e. measures in the area of traffic, such as maximum loads, number of axles, length of vehicles, road user charges, insurance, border crossing procedures, quality and standards of goods, customs and investment procedures, so as to facilitate effective trade within the region that will increase or maintain levels of trade. This should fulfil the basic goal of increased welfare and equitable distribution of integration benefits in the region. Harmonization of such macro economic fundamentals such as fiscal, monetary and exchange rate policies and other national rules and regulations between member states should be given high priority as a complementary measure in pursuit of the Trade Protocol's objectives. All these need to be urgently addressed if trade is to become the engine of development in the SADC region.

Although the volume of trade within SADC has increased, it has not reached levels that would attract and facilitate further increases in both domestic and foreign investment in the region. There are a number of reasons for this.

- There is a structural similarity of export potentials and import demands in most of the SADC countries. All member countries, with a few exceptions, are exporters of raw materials and importers of intermediary and finished goods.
- The exceptional position of South Africa as the by far most important regional provider of intermediary and finished products has created more intra-regional trade. But at the same time it has created strong imbalances, because South Africa and the Southern African Customs Union countries have not yet lowered their customs duties and quotas as envisaged by the Trade Protocol.
- The manufacturing industries in most SADC countries are predominantly inward oriented and have spent little effort on winning export markets in neighbouring countries. If such efforts had been made the problems would have comprised similar product lines mainly based on agro-processing (which are protected by a variety of non-tariff barriers) and communication and financing difficulties.

TARIFFS

It is important to note that reduction in tariffs per se as envisaged in the Trade Protocol will not bring about the desired increase in trade volumes within the region unless some of the key elements governing trade are also addressed. Of particular concern is Customs, one of the most important border control instruments that regulate the movement of goods and services. Although SADC, has established a Sub-Committee on Customs co-operation in order to ensure the smooth flow of traffic across the national borders of its Member States, more still remains to be done including the elimination non-tariff barriers. Also important to note is that most SADC member states belong to two or more regional integration organisations. These organisations have conflicting rules, obligations and administrative strategies that dissipate the integration efforts of member states. They increase the cost of regional integration, serve to reduce potential trading gains and undermine incentives for increased investment because internal inconsistencies and conflicting regulations amongst these competing regional integration organisations hinder the creation of a large unified regional market. This dual or multi-membership to existing competing regional integration organisations needs to be carefully revisited by the concerned Member States if SADC is to achieve its set objectives of deeper integration.

CAPACITIES: THE SUPPLY SIDE

The failure of the Trade Protocol to live to its expectations also highlights the need to address the supply side factors so as to enhance the productive competencies and competitiveness of regional firms and producers. Unfettered free trade may have adverse effects for a number of regional industries, for example weaker domestic firms in the least developed member countries of SADC may be forced to close, leading to high unemployment, political and social instability. The expected benefits to consumers in terms of lower prices, better quality and a wider choice of goods and services may not be realised due to lack of purchasing power and getting the price right through trade liberalisation on the domestic scene is not a sufficient condition to stimulate export.

In order to ensure that free trade in the region leads to employment, economic growth and better consumer welfare, the local firms must be assisted in addressing their various micro level capacity constraints. The requisite technological, human skills, product-quality upgrading and investment capabilities must be acquired and this must be followed by a considerable amount of learning by doing before unit costs start falling down to competitive world market levels. It should include providing expertise in assisting with the introduction of new technologies and upgrading existing ones. This will strengthen the technological capacities and competitiveness of domestic producers. Skills upgrading and training, quality control services, product standards, development and diversification, testing and packaging are other areas that need strong national and regional institutional support. Also export marketing support and other trade related services, such as export finance schemes, marketing and distribution and trade promotion activities of national trade promotion organisations are crucial if SADC firms are to be able to compete both regionally and on the world markets.

For all this to happen, institutional support is needed by both national and regional governments as well as private sector actors. As a complement, a concerted effort should be directed towards the inducement of the much needed export supply response by fostering close cooperation and the establishment of innovative partnerships based on mutual trust between the national governments, civil society and members of the business community. So the challenge is to make sure that the trust is there and the collective micro level institutional support services are put in place in order to enhance the regional firms' production capacities and hence their international competitiveness. This should in turn facilitate access to export markets, permit product diversification and production of non-traditional high value added products. This will ensure the success of the SADC Trade Protocol.

FAIR AND UNFAIR COMPETITION

Another challenge that SADC will inevitably face is the stark reality that trade policy does not operate in a vacuum. This is particularly true if the negative impacts of the new competition and unfair trade practices to be unleashed from the EU-South African Free Trade Area and ACP-EU Cotonou Agreements on SADC's regional integration initiatives are to be counteracted (see Chapter 2). The threat of restrictive business practices eroding the benefits of the new SADC Free Trade Arrangement is real given the fact that resource poor firms from the majority of SADC member states will be expected to do business with the resource rich South African firms, most of them being multinational corporations. Additional macro institutional mechanisms must be put in place in order to address external competition and unfair trade practices concerns.

This calls for a strong regional competition policy and a legal body to safeguard regional firms from unfair trade and restrictive business practices from both resource abundant regional and foreign multinational corporations. SADC must strive to put in place a basic framework of competition rules that suits the level of development of its member states and serve their development goals best. In other words, SADC should commit itself to put in place an institutional mechanism or design rules to deal with or guard against anti-competitive or restrictive business practices of large domestic and foreign firms that distort trade and competition by restricting market access if any tangible benefits from the free trade arrangement are to be realised. Whatever institutional arrangement will be agreed on, it should be backed by specific provisions on substance, enforcement procedures, cooperation and dispute settlement mechanisms. The specific provisions and enforcement mechanisms should be transparent and non-discriminatory. Application of the competition rules should, however, aim at seeking special exemptions for pre-identified sensitive sectors in the member countries, for example the small and micro sector in the least developed member countries of the SADC grouping.

FURTHER CHALLENGES

During the 16th meeting of the SADC Committee of Industry and Trade held in Windhoek, Namibia on the 5th of August 2002, SADC Ministers put the Trade Protocol as part of the main agenda of this meeting. During this meeting the Ministers considered a number of recommendations in line with some of the concerns being raised here and achieved substantial consensus on particular outstanding issues such as rules of origin, improved market access, trade in services and quality and standards for regional and international trade. In short priority should also be assigned to investment in productive capacities and infrastructures at the micro level aimed at increasing levels of production, competitiveness and high value addition in all sectors in the SADC region in which the participation of the private sector through the creation of truly mutually beneficial partnerships with both civil society and various levels of government takes centre stage. This requires, however, a long time frame and therefore cannot be done over night.

A GOOD INSTITUTIONAL FRAMEWORK

The restructuring exercise being carried out in SADC (see Chapter 1-1) is meant to pave the way for deeper regional economic, social and political interaction within the region. SADC does have potential to fulfil its goals. However, it can only do so if it:

- Ensures a rapid completion of its institutional reforms, involving a smooth transformation from the old structures to the new centralized secretariat and establishing new ways of managing the membership contributions to fund the new SADC institutions.
- Develops a focussed approach to its development strategy and programme of action, prioritize resources to concentrate on its core business.
- Continuously monitors the distribution of benefits of integration and co-operation between member states.
- Maintains levels of political will and commitment that will assist in the achievement of security and stability, which are vital to the achievement of deeper integration within the region.

One challenge closely related to the above is SADC's perennial capacity constraints. The complex regional co-operation efforts require the availability of a pool of political and technical experts. Such expertise is scarce in the SADC region or not well motivated to work under the organisation. The Secretariat is therefore bound to face problems in recruiting competent staff within the region. It is also no secret that the technical capacity in most member states to participate and to implement SADC policies, strategies and programmes is very limited. This is a problem that shall haunt the Secretariat for a long period to come.

If SADC manages to get its institutional framework right and overcome its challenges which continue to include its lack of ability to mobilise internal resources and therefore continued dependency on donor funding as well as perennial capacity constraints, the region's future prospects for deeper integration look bright. Definitely there will be deeper integration within the region as the pursuit of narrow national interests take a back seat and achievement of long term regional interests take centre stage. SADC as a region will be able to better cope with the challenges brought upon it by globalisation and changing economic, political and social

environments at a global level.
Finally, it cannot be emphasized enough that deeper economic integration in the region must be accompanied by deeper political integration. Regional leaders must be in a position to reduce political conflict between member states, which will eventually lead to peace and further economic development. Recent positive political developments in member states such as Angola and the DRC will further facilitate economic, political and social integration which will eventually lead to increased intra-regional trade, human welfare and thus poverty reduction in the SADC region. The ongoing institutional reforms must not lose sight of the importance of this point if SADC is to achieve its main economic and political objective and have a prosperous future.

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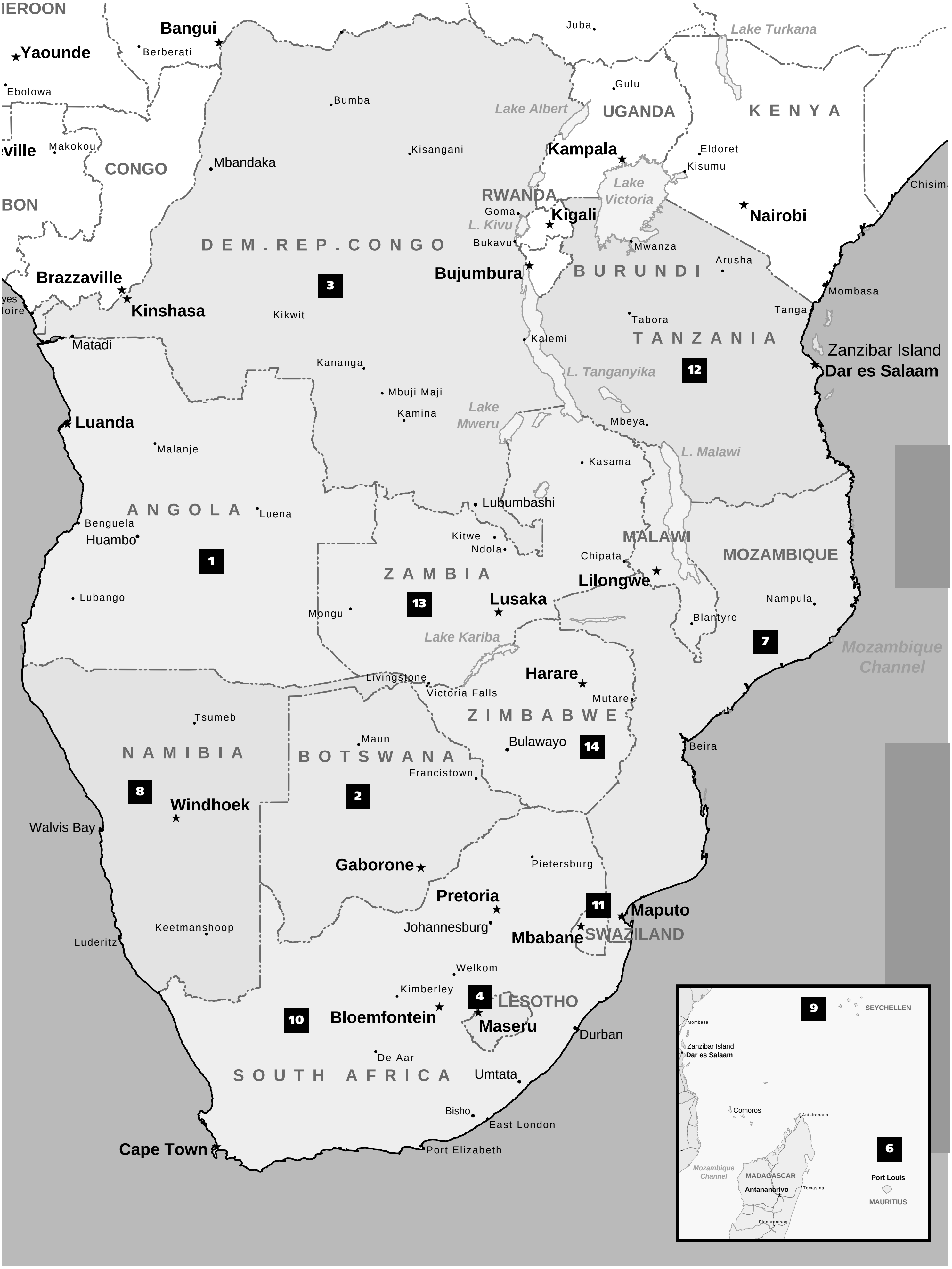
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CONGO
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Z A M B I A
Lilongwe
Lusaka
Nampula
Lubango
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Lake Kariba
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Livingstone
Harare
Victoria Falls
Mutare
Tsumeb
Z I M B A B W E
Maun
Bulawayo
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Beira
N A M I B I A
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Francistown
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Windhoek
Walvis Bay
Gaborone
Pietersburg
Pretoria
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Maputo
Johannesburg
Mbabane
SWAZILAND
Keetmanshoop
Luderitz
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Cape Town
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SEYCHELLEN
Mombasa
Zanzibar Island
Dar es Salaam
Comoros
Antsiranana
Mozambique Channel
MADAGASCAR
Antananarivo
Tomasina
Fianarantsoa
6
Port Louis
MAURITIUS

1 ANGOLA
Area: 1,247,000 sq.km
Population: 12.9 million
Human Development Index: 0.422
Literacy: 40 %
Access to clean drinking water: 38%
Access to medicine 0-49%
Population living below the poverty line: 67%
Debt-service ratio 18,1%

2 BOTSWANA
Area: 582,000 sq.km
Population: 1.6 million
Human Development Index: 0.577
Literacy: 68.3 %
Population living with HIV/AIDS: 38,8%
Population with access to essential medication 80-95%
Population living below the poverty line: 47%
Debt-service ratio: 2%

3 DEMOCRATIC REPUBLIC OF CONGO
Area 2,435,409 sq.km
Population: 49.3 million
Human Development Index: 0.429
Literacy: 66 %
Population with access to safe drinking water: 27%
Debt-service ratio: 0.3%

4 LESOTHO
Area: 30,355 sq.km
Population: 2.1 million
Literacy: 78 %
Human Development Index: 0.541
Population with access to essential medication: 91%
Population living with HIV/AIDS: 31%
Population with access to essential medication: 80-94%
Population living below the poverty line: 26%
Debt-service ratio: 11%

5 MALAWI
Area: 118,484 sq.km
Population: 10 million
Human Development Index: 0.397
Literacy: 40 %
Population with access to safe drinking water: 61%
Population living with HIV/AIDS (15-49 year): 16%
Population with access to essential medicine: 49%
Population living below the poverty line: 54%
Debt-service ratio: 12,9%

6 MAURITIUS
Area: 2,040 sq.km
Population: 1.18 million
Human Development Index: 0.437
Literacy: 81 %
Population with access to safe drinking water: 100%
Population with access to essential medicine 95-100%
Population living below the poverty line: 10.6%
Debt-service ratio: 7,7 %

7 MOZAMBIQUE
Area: 799,380 sq.km
Population: 16.8 million
Human Development Index: 0.323
Literacy: 28 %
Population with access to safe drinking water: 60%
Population living with HIV/AIDS: 13%
Population with access to essential medicine: 50-79%
Population living below the poverty line: 69.5%
Debt-service ratio: 9,1%

8 NAMIBIA
Area: 824,269 sq.km
Population: 1.77 million
Human Development Index: 0.601
Literacy: 76 %
Population with access to safe drinking water: 77%
Population with access to essential medicine: 80%
Population living below the poverty line: 47%

9 SEYCHELLES
Area: 455.3 sq.km
Population: 80,000
Human Development Index: 0.845(1997)
Literacy: 87.9%
Population with access to safe drinking water: N/L
Population with access to essential medicine: 99%
Debt-service ratio: 4,4%

10 SOUTH AFRICA
Area: 1,221,000 sq.km
Population: 43.1 million
Human Development Index: 0.702
Literacy: 82.2 % (1991)
Population with access to safe drinking water: 86%
Population living with HIV/AIDS: 20,1%
Population with access to essential medicine: 80-94%
Population living below the poverty line: 23.7%
Debt-service ratio: 10,0%

11 SWAZILAND
Area: 17,364 sq.km
Population: 970,000
Human Development Index: 0.583
Literacy: 79 %
Population with access to safe drinking water: 50%
Population living with HIV/AIDS: 33,4%
Population with access to essential medicine 100%
Population living below the poverty line: 66%
Debt-service ratio: 2,5%

12 TANZANIA
Area: 945,200 sq.km
Population: 32 million
Human Development Index: 0.436
Literacy 84 %
Population with access to safe drinking water: 89% in the cities, 47% rural areas
Population with access to essential medicine: 50-79 %
Population living below the poverty line: 51.1%
Debt-service ratio: 13,1%

13 ZAMBIA
Area: 753,000 sq.km
Population: 10.4 million
Human Development Index: 0.422
Literacy: 79 %
Population with access to safe drinking water: 64%
Population living with HIV/AIDS: 21,5%
Population with access to essential medicine: 50-79%
Population living below the poverty line: 86%
Debt-service ratio: 42,5%

14 ZIMBABWE
Area: 390,757 sq.km
Population: 13.1 million
Human Development Index: 0.554
Literacy: 80 %
Drinking water: 85% (2000)
Population with access to safe drinking water: 85%
Population living with HIV/AIDS: 33,7%
Population with access to essential medicine: 50-79%
Population living below the poverty line: 74%
Debt-service ratio 17,9%

Sources (among others: Third World Network, World Bank)

SECTOR COORDINATION ALLOCATION

Box

Each SADC Member State has been allocated one specific sector to coordinate.
This Sector Coordination Allocation runs as follows:

Country	Sector(s) allocated for coordination
Angola	Energy
Botswana	Agricultural Production, Livestock Production, Animal Disease Control
Lesotho	Environment and Land Management, Water
Malawi	Inland Fisheries, Forestry and Wildlife
Mauritius	Tourism
Mozambique	Culture, Information and Sport, Transport and Communications
Namibia	Legal Sector, Marine Fisheries and Resources
South Africa	Finance and Investment, Health
Swaziland	Human Resources Development
Tanzania	Industry and Trade
Zambia	Employment and Labour, Mining
Zimbabwe	Crop Sector, Food, Agriculture and Natural Resources

Source: SADC

Chapter 2-1

EU - SADC TRADE AGREEMENTS

by Paul Goodison (additional input by the editor)

From 1975 the basic framework for EU-southern African trade relations was the Lomé Convention, which granted non-reciprocal trade preferences across a wide range of products to all independent majority-ruled countries in the region. The term "non-reciprocal" refers to the fact that trade preferences granted to southern African countries (indeed all ACP countries) by the EU do not have to be matched by similar trade preferences granted to the EU by those countries. By 1990 this included all countries in the region, except South Africa. However, since 1994 the EU's trade policy towards the region has been evolving in ways which now severely complicate the future development of trade relations between the two regions. To understand the complications arising from the recent development of the EU's trade policy towards southern Africa it is necessary to review the basic frameworks for trade relations that exist with different countries in the region.

In 1975 in the Togolese capital Lomé, a convention was signed between the European Economic Community (now the EU) and its former colonies in Africa, the Caribbean region and the Pacific Ocean (the ACP countries). The Lomé Convention governed trade and aid issues for 25 years and was followed by the Cotonou Agreement in 2000.

THE COTONOU AGREEMENT

The Cotonou Agreement extends the framework for trade relations established under the Lomé Convention. It provides complete duty free access for most of the products of export interest to southern African countries. It also provides quota restricted duty free access for a range of export products deemed 'sensitive' by the EU (e.g. beef, sugar, seedless grapes). However, the Cotonou Agreement completely excludes from duty free access many of the products falling under the Common Agricultural Policy (CAP). In all, this extends to more than 1,000 product lines. It also excludes many of the value added products associated with the raw materials falling under the CAP (e.g. boiled sweets).

The system of non-reciprocal trade preferences has been renewed for eight years under the Cotonou Agreement and will now run until 31 August 2007. The system is of particular importance to southern African countries. Large scale exports have been developed in products where the Cotonou Agreement provides significant tariff advantages, compared to other developing countries, which export under the Generalised System of Preferences. This is a system of non-reciprocal trade preferences granted by the EU to other countries, under which goods that do not compete with EU-produced goods can be imported duty free. It is less favourable than the EU-ACP trade arrangement and is determined unilaterally by the EU.

To give some idea of the advantages, particularly for southern Africa: in 1996 the proportion of total ACP export enjoying tariff preferences of over 3% was 29%. For southern Africa this percentage was 36% of the region's exports. Loss of trade preferences currently enjoyed under the Cotonou Agreement would result in the re-imposition of customs duties on over one-third of what the region exports to the EU. In some cases, duties imposed would be as high as 24%, while in other cases they would simply drive SADC exports of these products out of the EU. This could have serious implications for the region's future trade performance, external payments situation and economic stability.
The successor arrangement is being negotiated between September 2002 and December 2007. Negotiations were officially launched in Brussels

on 27 September 2002. The options open to southern Africa involve:

- Negotiating reciprocal trade arrangement (which the EU calls Economic Partnership Agreements, EPAs), which will involve the establishment of a WTO compatible free trade area arrangement within a 10 to 12 year period.
- Returning to the Generalised System of Preferences, based on the level of development of the country concerned.
- Some yet to be defined 'alternative' trade agreement.

The European Commission strongly favours the conclusion of EPAs, preferably negotiated at a regional level with groups of ACP countries. There is strong and continuing pressure on ACP countries to accept this approach.

The issue of the basis for future trade relations with the EU has not yet been substantially debated in the majority of southern African countries. In southern Africa, there is as yet no consensus on how best to develop trade relations with the EU. Why this is so becomes apparent when one considers the two other trade arrangements the EU has in place with certain southern countries, to wit: the EU-South Africa Trade, Development and Cooperation Agreement and the arrangements under the Everything But Arms initiative.

THE EU - SOUTH AFRICA AGREEMENT (TCDA)

In 1999 the EU and South Africa concluded an agreement to establish an EU-South Africa free trade area by 2012. It became operational in January 2000. This arrangement is known as the EU-South Africa Trade, Development and Cooperation Agreement (TCDA). The most important elements in the agreement concern tariffs and other measures to be applied to trade in goods between the EU and South Africa.
South Africa has committed itself to eliminating duties on 86% of its current imports form the EU over a period of 12 years with many of the tariff reductions occurring towards the end of that 12 year period, a phenomenon known as 'back loading'. The EU has committed itself to allowing duty free imports of 95% of what South Africa currently exports to the EU over a 10 year period with many of the tariff reductions occurring in the first few years ('front loading').

In terms of total levels of duty free access the South Africans seem to have negotiated a good deal. However, in terms of the extent of current tariff protection to be removed, South Africa is required to make a significantly greater adjustment than the EU. In the agriculture sector the South African market is opened up far more extensively to duty free competition than is the case for the EU market. The EU has agreed to eliminate tariffs on about 61% of agricultural imports from South Africa. In addition, the EU is granting tariff quotas for certain South African agricultural exports. These tariff quotas account for a further 13% of agricultural imports from South Africa. South Africa has agreed to eliminate tariffs on 83% of agricultural imports from the EU and has in addition granted certain specific reciprocal tariff quotas for wine and cheese.

Given the moves underway to establish a SADC Free Trade Area by 2008, there are concerns in the region that EU goods exported duty free to South Africa could find their way into neighbouring SADC markets on a duty free basis disguised as South African goods. Particular concern exists with regard to agricultural and processed food product exports, given the impact on trade flows of over €40 billion in support to the European agricultural sector under the Common Agricultural Policy (CAP). This scenario is made more likely by two major features of the southern African economy. Firstly, the fact that most of the major railway transportation routes into the region pass through South African ports. Secondly, by the increasingly dominant role that South African retail chains are playing in retailing throughout the region. With centralised purchasing arrangements and distribution from South African stores, mixed batches of South African and EU products are likely to be forwarded to stores in neighbouring countries.

The crucial point is the following. The existence of the SADC free trade area alongside the EU-South Africa trade agreement will make it very difficult to see how SADC as a whole can negotiate an economic partnership with the EU between 2002 and 2008. The reason is simple: there already is a reciprocal preferential trade agreement in place between the EU and SADC's largest member. What is more, as a result of the existence of the southern African Customs Union (SACU) with membership of South Africa, Botswana, Namibia, Lesotho and Swaziland, the reality is that four other SADC countries are already de facto part of the free trade agreement with the EU. Their particular predicament will be briefly discussed below.

The EU-South Africa TCDA was negotiated with the economic conditions of South Africa in mind. The economic conditions prevailing in neighbouring SADC countries are very different and would require a very different type of agreement if the wider development needs of these neighbouring countries are to be addressed. But the existence of the SADC Free Trade Area, if it is realised by 2008, will make it equally difficult for both SADC and individual SADC countries to negotiate reciprocal trade arrangements which differ substantially from what the EU and South Africa have agreed upon. If a very different agreement were to be negotiated between neighbouring SADC countries and the EU then this would likely result in large scale trade diversions as EU goods enter South Africa, lose their EU identity and are then exported duty free as South African goods. In other words, the trade deal between the EU and South Africa is a major complicating factor in the future development of EU-southern Africa trade relations.

SPECIAL DILEMMAS FACED BY THE BLNS ECONOMIES

Botswana, Lesotho, Namibia and Swaziland (also known as the BLNS economies) face more acute dilemmas than the others, six in all.
First, they will be confronted with the introduction of free trade with the EU far faster than any other ACP country, by 2012 instead of 2020. This is a direct result of them being linked to the EU-South Africa TDCA through the southern African Customs Union.
Second, they are faced with a free trade area agreement that was never designed with their economic structures and levels of development in mind.
Third, and again, as a result of the EU-South Africa TCDA, they are subjected to a greater degree of free trade in their relations with the EU (86%) than will be the case for other ACP countries.
Fourth, they are subjected to free trade with the EU without any corresponding improvement in market access to the EU.
Fifth, they are excluded from any direct consultations on how the free trade area should be implemented.
And finally, they are facing serious fiscal revenue losses as a result of the elimination of tariffs on trade with the EU.

If the existing provisions of the EU-South Africa TCDA are simply extended to the other BLNS economies by 2008, then Namibia will be extraordinarily hard hit. It will face a loss of trade preferences and the reintroduction of import duties on the part of the EU on well over 50% of the goods it currently exports to the EU. Other BLNS economies will face the re-imposition of import duties on similar volumes of current export to the EU after December 31, 2007 if the existing market access provisions written into the EU-South Africa TCDA are simply extended to all BLNS economies. The only exception will be Lesotho. Being a least developed country, it will then fall under the Everything But Arms initiative (see immediately below) and its more favourable trade provisions.

Against this background, an appropriate institutional basis for addressing future issues in the trade between these countries and the EU needs to be urgently found. If not, the BLNS economies will face the costs of introducing reciprocity in trade relations with the EU without any of the corresponding benefits that should arise out of such a relationship.

SOUTHERN AFRICAN LDCs AND THE EVERYTHING BUT ARMS INITIATIVE

The situation in southern Africa is further complicated by the EU's initiative to introduce duty free access for exports from least developed countries (LDCs) of everything but arms, known as the Everything But Arms initiative (EBA). Within SADC, seven countries have the status of LDC and they are eligible for the trade preferences granted under this initiative. With the implementation of EBA, as of March 2001, the EU has finally, in large part, fulfilled its commitment to introduce complete duty free access for all the goods 'originating' in LDCs, except arms and munitions, bananas, rice and sugar. Of these products, only sugar is of export interest to southern African LDCs. Between 2002 and (theoretically) 2008, quota restricted duty free access is granted to LDCs.

While this initiative can only be welcomed given the production problems facing LDCs, its impact on actual trade flows is likely to be very limited. Its effects will largely be determined by how they are implemented in practice. Details relating to a whole range of issues are likely to have a major bearing on the extent to which LDC exporters can exploit the trade preferences granted. What has to be taken into account are issues relating to the 'rules of origin', which stipulate that all elements of a given product must come from the country exporting it. This rule was originally intended to promote local processing and prevent third countries from using the 'originating' country as a conduit for their goods but the measure has evolved into a protection measure on the part of the EU. Other issues are related to 'cumulation', which allows ACP countries to use material from each other and assemble products while retaining the status of 'originating' country with the benefits attached; and 'derogations', the permission to use more non-originating inputs than the rules of origin would normally allow. Further issues are quota administration, administrative arrangements established to ensure compliance with EU hygiene standards.

The ability of LDCs to export will be crucially affected by the extent to which complementary programmes are established to assist LDCs in overcoming the existing supply side constraints they face. If these are not addressed and if the basis of EBA is not simple, transparent and permissive of new export development, then little or no benefits are likely to arise from this much publicised initiative.

WIDER CONCERNS 1: THE PROBLEM OF DISTORTIONS UNDER CAP

Southern Africa produces many of the agricultural products that are basic to the EU's Common Agricultural Policy (CAP). As indicated before, there is justified concern about the introduction of free trade in agricultural products while under the CAP €40 billion continue to flow to the European agricultural sector. This leads to distortions to trade flows between the EU and the rest of the world, including southern Africa. The distortions arise from the surpluses produced by European farmers who are protected from the vagaries of the market because the CAP guarantees them stable prices for their produce. The surpluses are invariably dumped outside the EU, taking the form of subsidised exports. For instance, the EU aid deployed per tonne of cereals produced in the EU exceeds the producer price of South African cereals. This has negatively affected trade in agricultural products in southern Africa. EU exports of subsidised grains to southern Africa's regional markets exceed South African exports by a margin of 5:1. Elsewhere, for example in the beef sector, high levels of EU export subsidies have at times disrupted markets served by Namibian communal area beef producers.

CAP distortions are even affecting trade in value added food products. In South Africa, EU exports of sweets and chocolates (which receive export refunds on the sugar, dairy product, rice, cereal and egg content) have begun to displace local production and have contributed to a down-sizing of local confectionery production. All of this was already occurring without free trade. So it can hardly be surprising that there are those who ask what will happen to basic agricultural producers and the value added food processing industries in the region if free trade with the EU were to be introduced against the background of these CAP distortions.

Of course, the European Commission argues that CAP reform is progressively doing away with these distorting effects. But since French president Chirac effectively put major reform on hold until 2006 while maintaining levels of support at the level of 2003, progress will be slow. In addition, while the reforms currently under way will in many ways make the problems faced by southern African farmers worse rather than better. The reason is that current reforms involve shifting away from price support to increased levels of direct aid to EU farmers. This allows basic prices for agricultural products in the EU to be lowered without unduly harming farmers' incomes. In the cereals sector, this has allowed a 45% reduction in the intervention price since the beginning of the 1990s. The EU has been able to reduce export refunds on cereals from an incredible €3,281.7 million to only €883.1 million in 1999. This means that the gap between EU and world market prices has been substantially reduced and this makes it easier to export cereal-based processed food products and still remain within WTO ceilings on export refunds for value added food products. In other words, EU export refunds may be declining under the reform process, increasing levels of direct aid to European farmers is allowing the EU to export agricultural and value added agricultural products more cheaply...

The shift from price support to direct aid is gaining pace. The EU aims to ultimately bring internal EU prices down to world market levels and there are growing concerns in southern Africa over just what free trade with the EU will mean for economies based on agriculture and value added food processing.

WIDER CONCERNS 2: THE WTO DIMENSION

The problems arising under a reformed CAP have an important WTO dimension. The EU has been a party to the construction of a world agricultural trade system that is geared towards the promotion of free trade, while at the same time accepting public aid to the agricultural sector. Lip service is paid to fewer trade distorting forms of support to the agricultural sector. But the fact remains that EU farmers continue to receive a range of payments that boost their income. Part of the costs of crop production can be offset against this income, which enables EU producers to sell their produce at prices below their total production costs. Against this background, it is easy to see that lower EU prices made possible by increased levels of direct aid are making EU exports cheaper. Indeed, 'products of the milling industry' and 'preparations of cereals, flours and starch' have seen high levels of export growth. ACP countries take a growing share of the EU's global exports of these products.

So while the EU maybe fully complying with the letter of WTO restraints on export refunds, the spirit of these WTO restraints is being violated by the effects of the shift from price support to direct aid payments. And while this violation of the spirit of these WTO restraints on the part of the EU (and for that matter the US!) is widely recognised by developing country governments in the WTO, there is as yet no clear appreciation of just how this issue should be addressed.

For the southern African region specifically, concerns can be grouped in five main areas.

- The general impact of cheaper EU imports under conditions of free trade on domestic production for the SADC market.
- The impact of moves towards free trade on agricultural and processed agricultural products for national and regional markets given the existing trade distortions under the CAP.
- The impact of moves towards free trade on government revenues (customs revenue), which would largely have to be eliminated. Governments in the region depend to a high degree on these revenues.
- The impact of the re-negotiation of the existing Cotonou trade arrangement on the trade preferences currently enjoyed, given the EU's efforts to 'harmonise' the trade treatment given to 'sensitive' products (e.g. beef, sugar, seedless grapes) across different trade agreements.

- The possible impact that uncertainties over future trade arrangements could have on investment decisions.

West Africa magazine reported in December 2002 that within the WTO, poorer states are considering the option of collective retaliation against rich countries that engage in trade practices that are harmful to their interests. It was argued that until now the dispute settlement system has been heavily skewed against developing nations. Ecuador is a case in point. It won its case against the EU on the banana issue, arguing that the EU was damaging its economy while holding on to preferential treatment for banana exports from its former colonies. But Ecuador has never taken up the option of imposing sanctions on the EU to the value of well over $200 million, arguing that putting higher tariffs on EU exports would be harmful for its own economy. In the case of direct aid to farmers that is being discussed here, it remains to be seen whether the countries of southern Africa (or Africa for that matter) can make a case since the EU is perceived to be within the letter of WTO rules. US support to its cotton sector or the EU's stalling on CAP reform appear to present more blatant forms of trade distortions that run counter to the WTO's regime. The response of one EU envoy to the idea of collective retaliation ('Not a chance. It's just a non-starter') seems to suggest that this concept might actually rattle rich countries more than they care to admit. In July, the same magazine reported that 20 African cotton producing countries and Brasil were in fact preparing a strategy that should eventually result in a collective complaint against the excessive US cotton farms subsidies before the dispute settlement panel, which would be a first in WTO history.

EPA LIKELY TO KILL EBA

In southern Africa, the system of non-reciprocal preferences established through the EBA initiative is under threat from the European Commission's insistence on the establishment of Economic Partnership Agreements. This proposal favours the negotiation of a free trade agreement between regions, between the EU and some regional body (SADC or COMESA). Either way, the introduction of these regional free trade arrangements would result in the introduction of duty free trade with LDCs, since they form an integral part of the southern African region. In a SADC Free Trade Area, most EU goods would be able to enter LDC markets duty free, via neighbouring non-LDCs, even if the LDCs were not formally part of any region-to-region agreement. This is already the case for Lesotho. Lesotho, an LDC, is a member of the Southern African Customs Union (SACU) and as a result the country is already de facto part of the EU-South Africa TCDA. This is in spite of the fact that the Lesotho government was not a party to the negotiation of the agreement, in spite of the fact that Lesotho has the right to continued non-reciprocal trade preferences and in spite of the fact that LDCs like Lesotho are poorly placed to compete with exports from the EU under conditions of free trade - which is why EBA was set up in the first place.

ZIMBABWE, SEYCHELLES, MAURITIUS ON THEIR OWN

We have now seen that of the 14 SADC member states, one, South Africa, already has a reciprocal trade agreement with the EU. Four other SADC countries, Botswana, Namibia, Lesotho and Swaziland are inevitably embroiled in this trade agreement, as a result of their membership of SACU. Lesotho and six other countries are LDCs that enjoy rights to non-reciprocal trade preferences and full duty free access to the EU market for all originating exports, except arms and ammunitions and, until 2008, sugar and rice. This leaves Zimbabwe, the Seychelles and Mauritius as the only countries that need to negotiate the future basis for their trade relations with the EU beyond 2008. These countries, given their very different economic structures, are likely to have little in common in approaching reciprocal preferential trade negotiations with the EU. The Seychelles is only really interested in securing duty free access for its canned tuna exports and has little or no industry which could be threatened by EU exports under conditions of free trade. Mauritius is more complicated. It has an interest in development surrounding subsidised EU agricultural exports because it can feed into its own food and drink industry, which is targeting regional markets. At the same time, Mauritius also has an interest in keeping competing EU food and drink products out of the markets it seeks to serve. Zimbabwe, with its heavy dependence on agriculture and agro-processing, could face potentially devastating competition under any free trade area that is introduced while the CAP continues to massively distort competition.

Given these differences, it is difficult to find reasons why these three countries should seek to negotiate the basis for their future trade relations with the EU collectively.

PROBLEMS WITH EU-DRIVEN REGIONAL INTEGRATION

There is a continued drive on the part of the EU towards the negotiation of the Economic Partnership Agreements (EPAs) on a regional basis. EU Trade Commissioner Pascal Lamy's visit to Mozambique and Zambia in November 2002 yet again underlines the EU's commitment to this option when he was seen pressing for economic integration in the region at a COMESA meeting in Lusaka. The EU itself continues to call EPAs the starting point for the re-negotiation of the Cotonou trade arrangement. And the communique that followed the Fifth Joint Ministerial Conference between SADC and the EU early November in Maputo, stated that negotiations of the EPAs needed to be speeded up 'in order to facilitate the smooth integration of ACP countries into the global economy'.

It should be clear by now that there are a number of real problems in the southern African region with regards to this relentless drive towards the EPA option. They are the following.

First, given the composition of agricultural production in southern Africa, which is similar to the EU (sugar, beef, wheat, maize, fruit, vegetables, poultry, all of which are major sectors), the issue of the impact of a reformed CAP on the competitiveness of EU agricultural and processed food exports is a major course of concern. The problems that are generated by CAP distortions for domestic and regional markets are likely to increase.

Second, there are serious questions marks to be placed against the appropriateness of reciprocal preferential trade arrangements between regions of such radically different levels of development.

Third, the institutional restraints of region-to-region negotiations are very real. Unlike the EU, SADC has virtually no institutional capacity for the negotiation of preferential trade agreements (see also Chapter 1). This capacity cannot simply be built up without substantive accompanying political control structures, which will allow individual member states' interests to be taken into account within any regional process of trade negotiations.

Fourth, there is a serious problem reconciling a regional approach to reciprocal preferential trade arrangements with the well-established right of the least developed countries (LDCs) to continue to have non-reciprocal trade preferences.

Fifth, serious questions must be asked about the EU's excessive emphasis on one policy tool for the promotion of economic development (namely: trade policy) to the neglect of other major supply side issue that will need to be addressed if moves towards a free trade area are to promote equitable, poverty-focused growth in all southern African countries.

Against this background, two important questions arise. One: where does all this leave the idea of negotiating a region-to-region free trade agreement through SADC institutions? Where indeed does it leave SADC institutions in trying to promote a coherent regional framework for

future trade relations with the EU?
It seems far more likely that as a result of the complicating factors outlined above the scope of any regional approach will of necessity be restricted. Although it is already rather late in the day, SADC may well need to consider establishing a set of principles that should guide negotiations between SADC countries and the EU, rather than seeking to establish some all-embracing framework for region-to-region negotiations with the EU. Institutional capacity constraints would appear to provide further compelling reason for the adoption of a much looser approach to the coordination of future trade negotiation with the EU.

Paul Goodison is an economist and the director of the European Research Office.

Chapter 2-2

REGIONAL TRADE - DUMPING OR STRAIGHT DELIVERY?

by ish Mafundikwa

There are a lot of shows of solidarity by governments in southern Africa. Indeed politicians have closed ranks whenever they feel that one of them is under some kind of external threat. The reluctance of the regional political leadership to condemn the excesses of their comrade, Robert Mugabe of Zimbabwe, is a good case in point. But the leaders have not displayed a similar level of commitment in the economic field where countries tend to look after their own interests before considering those of their neighbours.
South Africa - Zimbabwe

In 1964, the then Rhodesia signed a Preferential Trade Agreement with the apartheid regime in South Africa. The Agreement gave very favourable duties to certain Rhodesian commodities such as textiles.
When the agreement expired in 1992, the South Africans took their time to get it renewed. They preferred not to renew the agreement in its entirety by doing it 'piecemeal'. An official in the Zimbabwean Ministry of Industry and Trade said: 'To start with, the volume of trade has increased since 1994 but we only got an increase in certain products in 1999 after protracted negotiations.' She continued: 'We have reached agreement on a number of parts of the agreement but its painfully slow.'

She conceded that due to the current economic meltdown in Zimbabwe it cannot import as much as it would want to and that South Africa enjoyed a trade surplus against Zimbabwe. She however cautioned that South African protectionism is not sustainable. 'If they starve us we won't be able to buy from them and although negotiations are ongoing we are experiencing a lot of problems.'

ZIMBABWE - ZAMBIA

One of the problems between Zimbabwe and South Africa is that the latter has a much bigger industrial base than its northern neighbour. In that respect, Zambia is having similar problems in its trade dealings with Zimbabwe since Zimbabwean industry is more developed than Zambia's. Zambia imports most of its manufactured goods from Zimbabwe. 'We buy almost all our requirements from Zimbabwe because it has a stronger industrial base than us,' said a Zambian High Commission official in Harare.

Cross border traders have taken advantage of the weakening Zimbabwe dollar, which is pegged at Z$55 to the US dollar by the government but can be obtained for more than Z$1000 on the parallel market. This enables them to flood the Zambian market with cheap goods against which local products cannot compete. Zambian manufacturing companies, already under pressure, have started closing down or relocating. In April 2002, the Zambian government decided to act against this "dumping" and imposed a ban on the importation of twenty-two products as a protective measure. In the meantime, the two governments are looking into ways to correct the anomaly.

SOUTH AFRICA – EUROPEAN UNION

The best example of the 'every man for himself and God for us all' attitude which characterises international trade is South Africa's entrance into the Trade, Development and Co-operation Agreement (TDCA) between South Africa and the European Union (see Chapter 2-1). The fear was that the SA-EU deal provides for the elimination of tariffs on imports into the Southern African Customs Union (SACU) - South Africa, Namibia, Swaziland and Botswana – swamping other SADC countries with cheap EU imports which would cost them billions in government revenue.

But according to Confederation of Zimbabwe Industries (CZI) economist Farai Zizhou the agreement has so far been beneficial to import dependant countries such as Zimbabwe. ‘South Africa was rather clever in negotiating the agreement,’ he said adding that the opening up of the South African market to European Union goods is a very gradual process. ‘What is coming into South Africa at zero duty are inputs and implements,’ said Zizhou. This, he said was positive for countries such as Zimbabwe as they pay less for products such as spare parts. Zizhou added that Zimbabwe is not a big supplier of goods to South Africa, therefore there was no question of competing with the EU for that market. He also said that besides raw materials South Africa would find the going tough to meet EU standards for manufactured goods.

South Africa is also a member of the Southern African Development Community (SADC). SADC’s main goals are to form common political interests and support high trade and investment flows between the member countries. The SADC Trade Cooperation Protocol was signed in 1996 but is still to be ratified by all member countries. Once it comes into effect, the Trade Protocol is set to establish a free trade area (FTA) within eight years. It shall promote the trade in goods and services and cross-border-investment among the members. The trade cooperation will be accompanied by an industrialisation strategy to improve the competitiveness of SADC members.

After ratification of the Trade Protocol all existing forms of Non-tariff-barriers (NTB), like import licensing requirements and quantitative restrictions, shall be removed and all trade documents and procedures in the member states of SADC shall be harmonized. Freedom of transit will be guaranteed. New quantitative import restrictions will be forbidden. Member states should also phase out the existing restrictions on the importation of goods from fellow member countries.
But the fact that some member countries are taking so long to ratify the protocol points to a reluctance on their part to open up their markets to countries which they consider have advantages over them. Short-term trade advantages still take precedence over longer term regional solidarity.

It is argued that the best hope for economic integration for countries in the southern African region is not SADC but the Common Market for East and Southern Africa (COMESA) a grouping of 20 southern, central and northern African countries which boasts of being ‘Africa’s first free trade zone.’ South Africa, the economic powerhouse of the continent is not a member of COMESA. COMESA was launched on October 31 2000 with nine countries participating in the Free Trade Area (FTA). On that day the nine, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe started trading in goods originating in their territories on duty-free terms. The ultimate goal of COMESA is to achieve all-round integration in preparation for the formation of the African Economic Community by 2025. It remains to be seen who gets where first.

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Chapter 2-3

A REGION BUILT FROM BELOW

by David Sogge

When southern Africa's elites come together for a seminar or a summit, it might seem as if talking heads and official camaraderie are about all there is to regional integration. Yet such things divert attention from far bigger and more tangible interchange: the quiet and often unrecorded doings of millions who work, trade, organise and spread ideas across official frontiers.

Well before the British and Portuguese, African social formations such as the Zulu/Nguni had pursued their own expansionist agendas into the interior, thereby setting patterns of culture shared across the region today. By the 1870s, Islam and Christianity had formed networks of followers across far-flung areas. For many, however, the encounter was brutal: forced recruitment into military campaigns, road- and rail works, plantation and mine labour systems. There, and in schools and market places people from diverse backgrounds, despite the 'invention of tribalism' promoted by colonists and missionaries, learned common cultural codes and various lingua francas such as Afrikaans, Zulu, English and Portuguese.

Contact with preachers, teachers and other 'organic intellectuals' from diverse corners of the region led Africans to create their own versions of Western organisations. The Watchtower Movement, Zionists and hundreds of other independent African churches were among them. As early as 1919, African workers on the docks of Cape Town and Lourenço Marques had begun to organise. The authorities repressed both unions and sects. But that repression, and the insistence on labour mobility, helped multiply ideas of resistance and liberation. By mid-century, communist, trade unionist and pan-Africanist ideas had spread to most of the region, giving momentum to nationalist political projects.

In the post-independence period, political energies went toward consolidating power within each nation, usually pivoting on ethnic hierarchies under a Big Man. It is true that Zambia, Angola and Mozambique suffered on account of their solidarity with movements for majority rule next door. Hence the establishment by the Frontline states of SADCC, as a defensive bloc to counter South Africa hegemony. But SADCC became a platform for negotiating aid to enhance each country's competitive position toward distant, non-African buyers and suppliers. Neither national elites nor donors showed much interest in reshaping the region for inward investment. But there are areas where the region is built up from below. Here are three examples of areas where this is happening.

LABOUR

Migrating over long distances has been a way of life for longer than a century. Goods and wages taken home have been vital to many rural areas and thus also to national treasuries. South Africa, with several million non-South Africans (many of them second or third generation residents), is the main magnet. But joblessness and opportunistic hate-mongering are pushing up already high levels of xenophobia – a serious threat for migrants.

Organisations of wage-earners are poorly resourced, bullied and manipulated. A Southern African Trade Union Coordinating Council (SATUCC) exists, but has yet to show vitality. Encouraged by the example of their regional counterparts, public sector workers in Malawi, Zimbabwe and Angola have taken militant stands. South African and Mozambican union support in 1997 for worker rights action in Swaziland indicates the potentials of regional labour solidarity.

TRADE

A ‘shadow economy’ or ‘informal sector’ commonly accounts for the bulk of domestic output in African countries, yet its value does not appear in official statistics. The same holds for regional trade. For example, Malawi’s unrecorded trade with its neighbours - mainly of clothing and other basic commodities - is estimated to be worth 2.5 times that of official cross-border trade. Across most the region, the dealings of petty traders in their hundreds of thousands total up to a not-so-petty turnover.

Unofficial markets are quietly knitting the region together. But looming up among them are harmful markets that can make economies and polities vulnerable: capital flight and the highly lucrative traffic in arms, prostitution, hard drugs, toxic wastes and precious minerals. By corrupting public authority, such shadow commerce can make gangsters - especially those operating across borders - the shadow rulers.

IDEAS AND ACTIVISM

Aided by the spread of low-cost communication, southern African NGOs and popular organisations are connecting with one another across borders to exchange ideas and offer mutual support on the fronts of environmental protection, gender equity, land rights, housing, media freedoms and public health. A few church networks pursue peace and social justice agendas. At the same time fundamentalist religious movements, backed either from the USA or from oil producing sheikdoms, have worked vigorously to spread their doctrines among poor, middle classes and political elites. Knowledge-based organisations and networks, such as the Southern African People’s Solidarity Network, have begun to shift terms of debate about market fundamentalism and how it harms standards of living and governance.

The integration of southern Africa has been nudged along by formal inter-governmental projects on such policy issues as health, farming practices, water management, energy and transport. Arguably more important for pulling the region together are these spontaneous cross-border movements of labour, goods, ideas and other countervailing undercurrents (see also Chapter 4-3).

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SINGLE COMMODITY DEPENDENCY

Many SADC member states rely on one or two commodities for their economic survival, most famously (or notoriously) Zambia and Angola, on copper and petrol respectively. But the same is true of Namibia (diamonds and Malawi (tobacco). The consequences should be clear: over-dependence on one or two commodities renders a country - and moreover its government - extremely dependent on price movements on the world market. Government planning is reduced to running around blindfold in a casino. Here is an overview of those SADC member states that depend for their export income on a very limited number of commodities.

Country	Export product(s)	Percentage of export earnings	Year
Angola	oil	90%	1997
Botswana	diamonds	72,5%	1998
DRC	diamonds	58%	1999
Malawi	tobacco	62%	1999
Mozambique	prawns, cashew nuts, cotton	45%	1998
Namibia	diamonds	48%	1999
Seychelles	canned tuna fish	82,6%	1998
Tanzania	coffee, cashew nuts, tobacco	60%	1998
Zambia	copper, cobalt	64%	1999

Sources: International Task Force on Commodity Risk Management, Economist Intelligence Unit (quoted by Third World Network), SADC Trade and Investment Review 2000.

Chapter 3-1

SADC DEBT: UNSUSTAINABLE, ILLEGITIMATE AND FUEL FOR CORRUPTION

Jubilee Research, Charity Musamba, Bram Posthumus, Neville Gabriel

MANAGEABLE DEBT

Very few SADC countries have debt problems that are manageable. Namibia's debt is projected to rise to US$478m in 2002 and US$511m in 2003, as parastatals borrow to finance restructuring ahead of privatisation. Much of this will be contracted at market rates, as Namibia's relative wealth denies it access to most concessional finance. The other country with manageable debt levels is Botswana. Its sovereign credit rating has remained constant for a lengthy period of time, according to the world's leading credit rating agency, Standard and Poor's Ratings Services. The credit rating experts indicate that Botswana has maintained the same standards for long term foreign currency debt, long and short-term local currency debt and short term foreign currency debt. In other words, Botswana has been making payments over the debts that are due. Critics argue that this does not mean all is well in Botswana. After all, it is leading in the HIV/AIDS crisis and has a low life expectancy. The resources taken to service debts could be used to solve some of these problems.

Namibia and Botswana face challenges but it appears they have their debt situation under control. That can not be said of most of the rest of the region, which has found itself mired in a debt morass for well over a decade and a half. Debt accumulation has been in all categories: bilateral, multilateral, and commercial though some countries have acquired significantly more debt of a certain kind than others.

HEAVILY INDEBTED AND POOR

Zambia, Malawi, Tanzania and Mozambique have in common that the larger portions of their debts are owed to multilateral institutions IMF and World Bank and members of the Paris Club, the informal group of bilateral creditors, including 19 OECD countries (the rich industrialised nations) that jointly negotiate the rescheduling of debts. The French Treasury has served as its secretariat since 1974.

All four have been induced into the much-publicised Highly Indebted Poor Countries (HIPC) initiative, which will be extensively explained in chapter 3-2. All spend more on debt servicing than on health care for their own people. All spend disproportionate amounts of their export earnings on debt servicing. All are also awaiting the moment when, within the HIPC framework, they will have reached the completion point. According to a World Bank/IMF Progress Report on HIPC (September 2000), a country will automatically reach its completion point when it has implemented 'a set of key, pre-defined social and structural reforms and maintained good macroeconomic performance'. Broadly speaking, the requirements fall into three categories: macroeconomic performance (i.e Structural Adjustment), structural reforms (privatisation, good budget management, tax reform, good governance including an anti-corruption strategy) and social policies (including health and education policies, and additional measures in the realm of actual poverty reduction) and also the preparation of a so-called Poverty Reduction Strategy Paper (PRSP, see also chapter 3-2). Some of the social requirements come with specific targets relating to financial inputs and staff allo-

cation, e.g. school enrolment figures.
We will briefly highlight the debt situation for each of the four countries.

Zambia

Zambia's debt has been hovering between US$6 billion and US$7 billion for the past 15 years. In 2002, the debt stock stood at US$7.3 billion, representing at least eight times its annual export earnings. Zambia has debt obligations in all three categories: multilateral (IMF and World Bank), bilateral (to creditor governments) and commercial (with banks and other commercial financial institutions). The latter are usually short-term loans, used to import goods at short notice. Zambia, like all debtor nations, negotiates settlements with creditor governments in the Paris Club. It also has to contend with the policy prescriptions from the IMF and the World Bank, be they Structural Adjustment Programs, HIPC or any other initiative that invariably come with lengthy negotiation rounds (sometimes known as 'consultations') and a string of conditionalities. In the meantime, poverty persists and so does aid dependence.

The World Bank has said that the debt levels Zambia is burdened with will not be sustainable before 2004. Completion Point is assumed to be reached in 2003. Its debt service in 2002 is US$ 148m, which is three times the amount it spends on health and more than four times what it spends on education. This is particularly galling in view of the exploding HIV/AIDS crisis that has the country in its grip, a crisis which the government under the new president Levy Mwanawasa is gradually acknowledging for the grave threat that it poses. One-fifth of the population is infected with the HIV virus; 13% of children under 14 are orphans due to AIDS, the highest figure in the world. Debt service will escalate to US$211m in 2004 before dropping to US$121m in 2007. Half of this is due to the IMF, which restarted the interim debt relief program in June 2002, after Zambia was deemed to have gone 'off track', which means it was in danger of not reaching Completion Point. About a quarter of its debt is due to the Paris Club. After 2007, debt service will rise yet again to US$135m in 2009.

Debt sustainability is assumed to be within reach in 2004, according to the World Bank's estimation. But this assessment is based on very optimistic economic forecasts. The World Bank assumed that economic growth will be 5% from 2002 onwards, the calculated inflation rate for 2001 will be 10% and drop to 7% in 2002. At the same time the World Bank admits that Zambia has in the past decade seen poor growth, high inflation (20.6% in 1999), a weakening export position that is still based on mainly one commodity (copper) and almost negligible foreign direct investment in spite of the fact that the country has been engaged in an unprecedented privatisation drive that was supposed to bring that investment in. The 2002 food shortage means that productivity in agriculture will be low to negligible, which means that financial resources will have to be freed up in order to buy food, especially in the case of a food aid shortfall. All this is exacerbated by the debt burden and the HIV/AIDS crisis. It stands to reason to assume that the World Bank's optimistic predictions will remain highly unrealistic.

Malawi

Malawi carries a debt burden of around US$5 billion, most of this being owed to the multilateral institutions and the Paris Club members. In December 2000, the IMF and World Bank granted Malawi a debt reduction programme under the so-called 'enhanced HIPC' initiative. But the country will have to fulfil a whole range of conditions before Completion Point (assumed to be in December 2002) can be reached. They are the following:

- Completion of a PRSP and satisfactory progress in implementing and monitoring this PRSP for at least a year.
- Improvement of public expenditure management and governance through quarterly expenditure reporting in high priority areas. In addition, new legislation is to separate fiscal management and audit functions.
- Strengthening of land and credit markets.
- Implementation of specific actions in the social sectors aimed at targeting safety net programs for the poorest, improving health care delivery, slowing the spread of HIV/AIDS and raising the quality of education.

It was always unrealistic to assume that all this could be achieved before December 2002 so the Malawi program was declared to have gone 'off track'. Now Completion Point is said to be reached by mid-2003. Debt relief will not be forthcoming before that date. In the meantime, Malawi continues to spend more on debt servicing than on health, which is extremely worrying given the current HIV infection rate of 16%. Malawi will spend some US$ 95m on education, almost twice the health budget. Given the 40% illiteracy in the country and the vital role schools play in the information fight against AIDS, this is not a luxury and could in fact increase with less debt servicing. In addition, Malawi faced a serious food crisis in 2002, which put some 3 million people at risk. One of the more bizarre twists to come out of Malawi in 2002 was the fact that it had sold its food reserves ahead of the drought, acting on IMF advice, which flies in the face of the prescribed social actions Malawi was supposed to take.

Malawi's debt to export ratio stands at 300%, twice the level that IMF and Word Bank consider sustainable. If enhanced HIPC relief is granted, this ratio would drop to 181% in 2002 and would only be sustainable in 2014. Given the experience so far it is doubtful whether Malawi's debt will ever be sustainable according to Fund and Bank criteria. This is all the more so, since the assumptions about Malawi's economic performance are extraordinary optimistic: 4% growth in 2004, 4.5% growth in 2004 and a slow but steady rise after that. Since export depends for 60% on tobacco, a crop that is in declining demand in the world's richest markets and dependent on the usually volatile and unpredictable world market, the forecasts become even more doubtful.

Tanzania

Tanzania's debt burden stood at US$7 billion at the turn of the Millennium, nine times the country's annual income from exports. It mainly owes money to the World Bank and the Paris Club. Tanzania is in negotiations with the Paris Club. It also has reached Decision Point, which means that it has carried out the various IMF and World Bank prescriptions for three years. Tanzania was among the first countries to liberalise its economy and has therefore seen the same results as most other countries that followed this path: increasing poverty, continuing aid dependence, unemployment and a neglect of the social sectors.

The World Bank has declared Tanzania's debt unsustainable until 2007, an assessment that is, just as in the previous cases, based on a very rosy picture of the country's expected economic performance (a 6% growth rate in 2002) that is not matched by its track record so far. Completion Point was assumed to have been reached by 2002 but this will not occur and will only lead to a very marginal reduction in debt servicing, from US$153.8m in 2000-2001 to US$141.8m the year after. In the years up to 2010 the servicing ratio will in fact rise sharply as a result of new debt assumption. Tanzania will, therefore, continue to spend far more on debt than it does on health: in 1999-2000 it spent 2.7% of its GDP on debt and 1% on health. This is rather ironic since one of the obligations Tanzania has to fulfil under the HIPC scheme is a targeted outreach HIV-AIDS campaign. It also is required to make budget appropriations in line with poverty reduction objectives. It is difficult to see how this can be achieved when insufficient funds are freed up to finance these excellent activities.

The biggest irony of it all occurred late 2001/early 2002. Britain, ostensibly much in the forefront of HIPC and making debt sustainable, made credits available to Tanzania for the purchase of a US$ 40m military air traffic control system, a very serious case of incoherent policy. Tanzania has eight military aircraft. 51.1% of its 34 million people live below the poverty line, there is an 8% HIV infection rate, life expectancy is 51 years and the illiteracy rate is 25%. The air traffic control system will reportedly save 250 British Aerospace jobs at that company's facility on the Isle of Wight.

Mozambique

Mozambique's debt stood at US$8.7 billion in 2001, which is almost 17 times what it earns annually in export revenue. It owes more than half of that amount to the Paris Club and Russia, which is the biggest creditor. Others are France, Italy and Germany. Just over US$2 billion is owed to the IMF, with which Mozambique has had a very stormy relationship in the past. Completion Point was reached in 2001. It had already written its own PRSP and was subsequently 'approved' by the IMF. Also in 2001, the debt service ratio dropped to sustainability level and as time goes on the ratio is expected to become significantly more sustainable, dropping to 72% in the 2010-2013 period.

In the 1990s, Mozambique spent more on debt servicing than on health and education combined. This improved a little at the turn of the Millennium. In 1999 Mozambique spent 3.1% of GDP on debt and 2.8% on health. 13.8% of Mozambicans is living with HIV/AIDS and the country overall has some of the worst human development indicators in the world. Life expectancy has dropped under 40; one-third of the population has access to safe drinking water; maternal mortality is an incredible 1,100 per 100,000. Perhaps debt relief here is more urgent than anywhere else.

IMF/World Bank conditionalities have irked Mozambique in the past. It was forced to join the IMF in 1984, when the combined disasters of South Africa's destabilisation war, a terrible drought and the ongoing economic crisis had brought the economy crashing down. Upon joining the IMF, aid and loans came in, distorting the effects of the economic take-off that followed, especially at the end of the war (in 1992). Exports grew but the purchasing power of many Mozambicans, already balancing precariously, plunged dramatically. The IMF's obsession with inflation prevented the government from creating employment schemes, a time-tested way of boosting the economy in the rich world. Even aid offers were rejected by Mozambique, on the insistence of the IMF. Economic growth was apparently not meant to benefit Mozambicans. Journalist Joseph Hanlon called this a system of central planning worse than the Soviet Union and this time run out of Washington.

Things have improved in the interim and Mozambique might be the first country in the region after Botswana and Namibia that has a debt problem that remotely begins to look manageable. A great help has certainly been the announcement by Russia, made on 22 February 2002, that it will forgive US $ 300 million of Mozambique's debt overhang from the Soviet era. In marked contrast to previous World Bank/IMF practices, the country is now formally beholden - among other things - to track budgetary resources for poverty reduction and formulate sector strategies in health and education.

In spite of the restrictions placed on it, Mozambique has seen impressive growth figures in past years, topping 11% at one point in the 1990s. Exports grew by an annual average of over 14% between 1989 and 1999 before dropping off to 8% at the end of the 1990s. But it will be difficult to see how Mozambique can attain the 16% export growth rate that the World Bank is projecting and on which it has partly based its sustainability criteria.

THREE SPECIAL CASES: DRC, ZIMBABWE, ANGOLA

Three countries, the Democratic Republic of the Congo, Zimbabwe and Angola have been engaged in wars, either on their own territories (DRC, Angola) or in other people's countries (Zimbabwe, Angola). The HIPC initiative is not available for countries at war, so none of them qualified. Angola still does not, in spite of the end of the war there, but this is for different reasons. Zimbabwe has fallen foul of the international community and finds itself cut off from all funding by the Bank and the Fund as of 2000. The three look set to remain special cases for a while.

Democratic Republic of the Congo (DRC)

In the past 150 years, Congo has suffered the misrule and exploitation of one Belgian monarch, exploitative and arrogant colonial rule, a chaotic and ill-prepared transition to independence in 1960, constant political turbulence since independence (in no small manner exacerbated by meddling on the part of the former colonial power and the United States), possibly the most significant and dramatic political assassination in Africa in the second half of the 20th century (the murder of Patrice Lumumba), more than 30 years of complete ruination under the regime of Mobutu (wholeheartedly supported by the US, France, Belgium and other Western countries) and since 1997 a civil war in which 6 other African nations have intervened and at least 3 million people have been killed. But Congo and the Congolese soldier on, be it under a debt burden of some US$12.8 billion, with some relief in sight. The debt equals more than 7 times the entire annual income of the country, making it the most heavily indebted country in the world, according to 1998 figures.

In May 2002, the World Bank prepared a preliminary paper, which addressed the question whether the DRC would be eligible for what is known as the 'enhanced HIPC facility'. This is HIPC, augmented with some measurements agreed upon by the World Bank/IMF, which offers faster debt relief. The Bank found that the debt to export ratio was almost 5 times it considers sustainable. Now the country may reach Decision Point in 2003, which means it can then enter the HIPC programme. At present it has in place an arrangement with the IMF under the Poverty Reduction and Growth Facility (PRGF), in which it gets loans possibly totalling US$ 750m. Completion Point might come in 2006. But as is the case with the more 'regular' debtor countries discussed above, the assessment of whether and when these Points are reached depend in no small measure upon the tint of the glasses with which one looks at the DRC economy and the World Bank's are found to be rather rosy yet again. This is certainly the opinion of the Jubilee Research Group, which points out that the DRC will need far more debt relief to make it begin to look sustainable. The Group also points at the oddity of Congo having to accumulate more debt under the PRGF, in order to qualify for debt relief. In addition, the DRC government and the Paris Club agreed in September 2002 to restructure the country's public external debt. This move has reportedly led to the immediate cancellation of some US$ 4.6 billion in debt, which if confirmed is a highly significant and welcome reduction.

The DRC case, just like Angola, illustrates with great clarity how conflict and poverty are interlinked, perpetuating each other, how ruinous the misallocation of resources is, especially in terms of social development. This is the main reason why there must be serious and concerted efforts to prevent conflict, not only for the nation itself but also for the neighbouring states that may be affected because it has to host refugees, while at the same time guarding its general security. Zambia is a case in point in this respect.

Zimbabwe

Zimbabwe's debt stands at US$7.2 billion, most of it owed to the World Bank and the IMF. The country has been denied access to HIPC for the simple reason that it is a low income country in moderate indebtedness. But in terms of ordinary assistance and indeed debt relief under non-HIPC terms, Zimbabwe has fallen foul of the international community, particularly because of its recent failures to meet its debt servicing obligations. The other reason is its pointed refusal to declare how much the war in the DRC was costing and whether any international aid money was being diverted towards the war effort, incidentally much in the same way as the Dutch used American Marshall Aid in the 1940s to fight their colonial war in Indonesia, until the US put a stop to it by threatening to cut off the aid. Now that the troops are coming back, a report in the 1 December 2002 issue of the Zimbabwe Standard (a weekly newspaper) puts the figure of the war expenditure at 100 billion Zimbabwe dollars, which would translate into US$ 181 million using the official exchange rate. This is a very conservative estimate given the fact that the Zimbabwean operations to protect the Beira Corridor in Mozambique in the 1980s were costing the country one million US dollars a day - Zimbabwe was very transparent about that at the time. Now it would appear that more than 10,000 troops could be maintained in a more remote and difficult place at the cost of a mere US$ 100,000 a day. The IMF asked for and never got any insight into how much was spent there and subsequently stopped all assistance.

Zimbabwe has fairly recently started defaulting on debt servicing and the arrears on loans have increased. This situation is now being worsened by the land redistribution crisis, which has led to great economic and political turbulence in the country. The economy is expected to shrink for the third successive year at a rate that could be anything between 8 and 12 percent. Inflation stands at a record-breaking 180% and at current street rates, the national currency is about 40 times overvalued. Because of these factors, Zimbabwe might remain non-HIPC for some considerable time.

Angola

Angola's debt stands at around US$11 billion. The case of Angola is complicated, partly because like Mozambique it has had a rather difficult relationship with the IMF which also started fairly recently and partly because the special nature of its debts.

First of all, there was an enormous carry-over from the Cold War when Angola was more or less a Soviet client state. From that period dated a backlog of unpaid debt of US$5.5 billion. Most of this was accumulated - like almost all Angola's external debt - for purposes of massive weapons purchases. Arrangements have been worked out to have it repaid or rescheduled, some fairly straightforward, some rather Byzantine, as we shall see shortly.

The major portion of Angola's debt is owed to private creditors. The reason for this is that Angola had no access to international multilateral financing. It turned to commercial banks for loans, using its most valuable asset, oil, as collateral, to buy arms. The 'oil-backed loans' as they became known were conducted during the 1990s and well into 2001. The investigating NGO Global Witness estimates that between September 2000 and October 2001 loans with a value totalling US$3.2 billion were sourced from commercial banks. This means that Angola has already mortgaged some of its future earnings from oil to pay back these creditors. Some arms are being re-sold, as is the case with the Ivory Coast government that has bought some Angolan war material to fight various rebel forces operating in that country. But most of it simply wastes away now the war is over.

Angola's enormous annual oil revenue, estimated for 2002 to be in the region of US$6.7 billion means that it can accumulate commercial debt fairly easily, in spite of its appalling track record in terms of transparency and even simple book-keeping. Some of the most ingenious financial constructions have been devised to ensure that the money came through but stayed out of the state's books. Arkady Gaydamak, a Russian-Israeli arms dealer who had secured many shipments of arms for the Angolan government, offered his services to buy back Angolan debt from the Russians at a sharply reduced rate. The debt was reduced to US$1.5 billion and converted into Angolan promissory notes. Gaydamak then offered the Russians to pay up front half the entire amount, i.e. US$750m, which he managed to reduce to US$161m while doling out benefits from the whole deal to himself, the Angolan president dos Santos, and an unnamed close associate of former Russian president Yeltsin and Gaydamak's business partner Pierre Falcone, now in a French jail.

It is this kind of opaque dealings that the IMF would like to see disappear from the Angolan financial scene. Angola joined the IMF in 1989, following a decision by the ruling socialist MPLA party to embrace free market economics. The IMF has gone public, which it rarely does, about one billion dollars worth of oil revenue, which has disappeared into what Angolans call the 'Bermuda Triangle', a group of high-ranking generals and party stalwarts. As it happens, the IMF, much reviled and quite frequently criticised elsewhere for the right reasons, has become a force for transparency in Angola.

SOUTH AFRICA - CALLING APARTHEID'S PROFITEERS TO ACCOUNT

South Africa is attempting to undo the wrongs of the past but it finds itself seriously constrained by the legacy of apartheid, including the US$25.6 billion inherited in illegitimate foreign debt which roughly equalled the initial investment required for the Reconstruction and Development Programme that was shelved for lack of sufficient finances.

When the apartheid state was bankrupt in 1986 the world's biggest banks from Germany, Switzerland, the United States, the United Kingdom, and France rescued apartheid by favourably extending its loan terms three times – under the leadership of a former president of the Swiss National Bank, Fritz Leutwiler. The apartheid regime used this lifeline to postpone negotiations and to intensify its repression.

Business

Big businesses built their empires on the backs of apartheid's victims and the military repression of the majority of the people of South Africa. That repression was also illegally supported by Western countries and corporations. For example, five years after the UN declared apartheid a crime against humanity and fifteen years after the UN recommended an arms embargo against apartheid, Swiss arms manufacturer Dieter Bührle, a former director of the Swiss Bank Corporation (now UBS), received the highest military honour of the apartheid regime by request of former president PW Botha. So did his colleague Gabriel Lebedinsky, for 'their personal intervention which culminated in the export to South Africa of vital munitions of various kinds'.

Apartheid debts/cancellation and reparations

Jubilee South Africa has worked tirelessly with international and local partner organisations and lawyers for more than three years for the truth, justice, social development, and real reconciliation. Apartheid debt cancellation is one form of reparation that will allow greater room for national spending on job creation, housing, health care, education, and the provision of water and electricity to the poor. The foreign banks and businesses were called upon to publicly discuss the matter but our calls were consistently rejected. The filing of an international legal suit therefore emerged as a last resort to ensure that the issue could be dealt with decisively.

Even more than debt cancellation, reparation evokes passions sprung from an accumulated sense of historical grievance, of injustice, oppression, exploitation, and racism. Outrage in this regard is experienced at a deeply personal level collectively no less than individually, and embraces the age-old sufferings of nations, regions, and continents.

The challenge for this movement is to find the balance between the enormity of the wrongs endured and the politically practical. And to do so while always bearing in mind that what is considered to be practical, to be realistic, is itself deeply political, in that it is heavily shaped by our view of the world.

Integral to the perception of reasonableness is the practicality of a claim. Indigenous North Americans, for instance, have no difficulty establishing the abstract justice of a claim to have their stolen continent returned to them. The difficulty is that there is no way of undoing the history of imperial conquest and genocide. And this remains true even if there were to be the political will to do so. The morality of such a claim is not in any doubt. Nor is the popular appeal of such a claim in doubt locally. But the success of this claim would almost certainly require mobilised support internationally – and this would probably be weak because of the perceived impracticality of the claim.

In the South African context, five general principles may be posited. They are:

That the Truth and Reconciliation Commission recommendations regarding financial compensation to individuals must be fully implemented without further delay.
That reparations must have both national and foreign dimensions, and therefore goes far beyond the narrow brief of the TRC's recommendations.
That reparations must not be divisive by setting one group of claimants against another.
That single-issue claims – for dams that dislocated people and/or are responsible for ecological damage, for instance – could be supported, even though they would not be part of a general reparations claim. A qualification for this support must be that the claim itself is not divisive.
That the government of democratic South Africa must not be liable for the reparations. Were post-

1994 governments to be responsible for paying reparations, this would be tantamount to making the victims of apartheid pay for their own suffering.

How do these principles assist in determining the amount of reparations to be claimed? Having posed many questions, the task now is to apply the guiding principles to the quest of finding the answers. We will concentrate on three areas: scope of the claim, its purpose and the issue of transparency.

The scope of a claim

Confining the scope to apartheid offers great tactical advantage. This is because:

- The world has already condemned apartheid as a crime against humanity.
- Apartheid has a finite life.
- Apartheid is geographically confined to an area small enough not to create what would otherwise be dismissed as preposterous claims because of the amount of money involved.
- Apartheid can safely be seen as a one-off system that is not likely to recur.

Democratic South Africa cannot morally seek reparations for the crimes of apartheid without extending the claim to cover all the peoples and countries that suffered those crimes. An inclusive southern African claim is not only morally consistent but also politically required, and tactically valuable. Such an inclusive claim, furthermore, offers an additional benefit: a reparations claim for the entire region of southern Africa would be a major counter to the growing and alarming South African xenophobia.

Reparations for what?

The symbolic compensation being claimed is sufficiently large to finance the reconstruction and development of the entire southern African region. And this is precisely what we should state to be the objective of the reparations claim.

Transparency and accountability

Having established what the reparations could be used for, the final question that needs to be raised is how the proceeds will be administered. Two obvious dangers need to be addressed: that politicians - particularly in countries where democratic accountability is weak if not non-existent - have shown a marked proclivity to use any available money for their own enrichment and governments, even democratic ones, are predisposed to adding any unbudgeted funds to the general public fiscus or, as our government is prone to doing, to pay off its debts. One way out is to borrow an idea from the South African Trade Unions who set up a Trust Fund with themselves and the government as joint trustees to administer the Unemployment Fund they created and make it a regional Trust Fund, jointly administered by governments and representatives from civil society.

To be continued

Claims against some Swiss, German, British, Dutch, and American banks and corporations have already been filed in New York. Other foreign and South African banks and businesses that prefer to ignore apartheid victims' call for justice will be similarly challenged in the months to come. Reparations for their profiteering from apartheid while claiming to have been ignorant that the apartheid state was illegitimate or that investment in it reinforced the system ought to be a clear-cut case.

Chapter 3-2

THE DEBT CRISIS IN THE SADC REGION: WHICH WAY FORWARD?

by Charity Musamba

INTRODUCTION

The Southern African debt crisis can be traced as far back as the early 1980s. National governments borrowed from bilateral and multilateral creditors at a time when the interest rates were low. They borrowed for three reasons. First, in order to meet the cost of rising oil prices, since almost all SADC countries, bar Angola, are net importers. Second, to implement national development programmes that they had embarked upon soon after independence. Third, to support the liberation struggles in the region, especially against the apartheid regimes of South Africa, Namibia and Zimbabwe.

By the mid 1980s, the interest rates on these loans soared. To give an indication, the total debt of developing countries almost doubled from US$ 650 billion in 1982 to US $1,190 billion in 1987. The interest on these loans skyrocketed at a time when the price of commodities from most developing countries started falling. Prices of metals such as copper and cobalt and agricultural products like coffee, maize and tea slumped dramatically. These two factors left most governments in the developing world, including the SADC region with a very limited capacity of repaying the loans.

Tanzania's first president, Julius Nyerere once asked: 'Must we starve our children to pay our debts?' This question rightly points to the dilemma SADC governments faced: choosing between their people or remaining creditworthy in the eyes of the creditors.

SADC – CURRENT SITUATION

SADC has attracted a lot of attention in international debates on development and poverty. The region with its 190 million inhabitants is one of the poorest in the world with one-third of the population living in extreme poverty and an extremely high degree of inequality in resource and income distribution. The majority of the population in the SADC countries are deprived of access to employment, income, and social services.

Of late, the SADC region has seen low economic growth, poor terms of trade and generally a dearth of domestic and foreign investment. Additionally, this region has been badly hit by the HIV/AIDS pandemic with the highest infection rate in adults. In 1999 Botswana had the highest rate of 36.1%, followed by Zimbabwe with 24.1% and Zambia with 20.1%. This crisis has greatly affected the economic performance of the SADC member states as it continues to claim millions in the most productive age range. Socially, it has contributed to the sharp rise in the number of orphans, child headed households and street children. The economic and financial crisis, coupled with the other social difficulties has caused intolerable suffering. This has prompted a global movement, involving many actors from the SADC region, which has set out to campaign for better and sustainable means of dealing with the crises. One of its major focal points has been the debt crisis.

ATTEMPTS TO SOLVE THE DEBT CRISIS

There have been quite a few creditor arrangements: the Special Programme of Assistance to Africa, the Toronto Terms, Brady Plan, the Napless Terms. Whatever their origins and terms of reference, it can be safely said that these attempts were of very little consequence for the SADC member countries because of their strong emphasis on rescheduling rather than cancelling debts. This 'postponement' approach only served to worsen the debt crisis as interest on these debts kept growing. By the end of the 1980-decade, it was becoming clear that national governments in the SADC region would not be able to continue servicing debts as expected by their creditors. Servicing debt had become such a big burden because it was done at the expense of national concerns. This has led to a lot of economic, social and political tensions in most these debtor countries.

HIPC: WHAT IS IT?

The Heavily Indebted Poor Countries Initiative (hereafter HIPC) was introduced by the IMF and the World Bank as a solution to the debt crisis. It is a framework designed to provide special assistance to heavily indebted poor countries that are pursuing IMF and World Bank supported structural adjustment programmes. Ideally, HIPC was meant to be a comprehensive integrated and coordinated approach to debt reduction involving the participation of bilateral, multilateral and commercial creditors.

The overall objective of the HIPC initiative is to get the overall debt sustainability on a case-by-case, focussing on the totality of a county's debt. The expected result of achieving debt sustainability is to enable 'eligible countries' to exit from their debt problem, particularly the rescheduling, because they would now be able to meet their debt obligations without undue resource strains when the debts fall due.

So far, there have been two forms of HIPC, - namely HIPC 1 (1996) and HIPC 2 (1999). The scheme has two major points of qualification. For a debtor country to reach the Decision Point, it must have achieved a 3-year period of satisfactory performance on the macro-economic reforms as prescribed by the Bretton Woods institutes. Upon reaching Completion Point, IMF and World Bank decide a debtor country's eligibility for debt relief. This is accompanied by commitment of more assistance from the international community at large. HIPC was also paraded as an initiative that would ensure that debtor countries' debt service repayments are reduced so that they could use those 'saved' resources to address national concerns especially poverty and economic problems.

HIPC 1

This initiative mooted in September 1996, offered the following:

For a country to be considered under this initiative, it must spend 200%-250% of its exports and 280% of its revenues on debt. Only countries that diligently adhered to macro-economic reforms as advised by World Bank and IMF over a period of 3 years would access relief. Thus IMF and World Bank assumed the role of gate-keepers. Only 26 out of the 41 heavily indebted and poor countries benefited.

The Cologne Debt Initiative – 1999, HIPC 2 - is an extension of the old HIPC and has minor and cosmetic changes. The creditors introduced HIPC 2 as a response to the demands from debtor governments and global civil society to make the initiative more beneficial. The main features of HIPC 2 were the following:

For a country to be considered under this initiative, its export/debt ratio was to be 150% and its debt/revenue ratio 250%. The qualifying period was maintained at 3 years: to qualify for HIPC 2, a country must have a 3 year good track record of implementing World Bank and IMF macro-economic reforms. More significantly, the preparation and development of the Poverty Reduction Strategy Paper was attached as a conditionality to qualify for HIPC debt relief.

Out of the 41 countries considered extremely poor, under HIPC 2, the number of eligible countries increased by 7, thus from 26 to 33. No country that found itself in a conflict situation was eligible for neither HIPC 1 nor HIPC 2.

Some people felt that unlike HIPC 1, this initiative was more generous and carried an explicit commitment to poverty reduction. But creditors have continued to attach stringent structural adjustment demands such as privatisation and liberalisation. And because of this there is a growing sense of feeling that the HIPC initiative is not serious about poverty after all.

CAN THESE INITIATIVES WORK FOR SADC?

A Creditors' Arrangement

The major problem with the HIPC initiative is that it is a 'creditors initiative'. The debtor countries' main role is to ensure that debt payments are made and that conditionalities attached to HIPC are met. The HIPC initiative has come with one common conditionality – privatisation of water and electricity entities in three HIPCs in the SADC. But the people in these countries have been opposing the continuation of privatisation.

The question of 'ownership' is proclaimed very important but not fleshed out. Using the excuse that they are owed huge sums of money, the IMF and World Bank are now controlling debtor countries, especially by way of imposing economic policies and structural reforms. The impression one gets is that HIPC is here to pursue creditors' interests and not to deal with the real problem of debt. Whilst there has been emphasis on how HIPC 2 has a central focus on poverty reduction issues, the whole purpose to reduce poverty is eroded by the conditionalities.

Debt Sustainability Criteria

Under the HIPC arrangement, the ability to pay is based on purely economic criteria. It completely ignores issues of poverty, employment and HIV/AIDS. These are the real issues of concern to the SADC region. The debt sustainability prescribed by the creditors is stringent and too narrow. The creditor is offering blanket, complicated and unrealistic criteria. It is not correct to use one common factor to determine debt sustainability because countries in the SADC region are not homogenous.

HIPC and Debt Servicing

The creditors have paraded the HIPC initiative as one of the best solutions to the debt crisis that poor countries are facing. But the debtor countries are failing to see it as a solution. First, they are still forced to allocate substantial amounts to service debts. For instance, Zambia has continued paying an average of US$100m as debt service even after accessing HIPC interim debt relief. It is the creditors who still determine how much the debtor countries will pay as debt service. The debtor countries have tried to offer options but the creditors are not interested. For instance, in 1987 Zambia offered to pay 10% of its net export earnings after the foreign exchange required by specified strategic sectors had been deduced. The creditors refused but Zambia insisted and this strained the relations between them.

Financing of the HIPC Initiative

While the creditors were quick at making the HIPC initiative, they have failed to ensure that this initiative works to its expectation. The creditors look for the most flimsy excuses to withhold financing. This has greatly affected the implementation of development programmes and in some cases led to increased debt difficulties. For instance most of the pledges to Zambia were not fulfilled in the year 2001. This forced the government to borrow more money from the same creditors. Because of this the total debt stock rose from US$6.5 billion to US$7.3 billion in 2002, in spite of Zambia receiving debt relief resources.

Relevance of the HIPC Initiative

The HIPC selection criteria are too narrow. Of the 14 SADC member countries, only Tanzania, Malawi, Zambia, Mozambique have qualified for the initiative and only Mozambique has benefited from HIPC 1. The debts of Mozambique are still unsustainable even after passing through HIPC 1 and entering HIPC 2. The Zambia, Malawi and Tanzania debt situations under HIPC are not promising either. One wonders why there seems to be no big difference in the socio-economic situations between HIPC and non-HIPC countries in the SADC region. This is because there are other key factors that should be considered in any attempt to resolve the debt crisis in this region.

Simply put, SADC will not be able to overcome the debt crisis through HIPC if poverty, HIV/AIDS and economic failures are not properly addressed. These are pre-requisites for any way forward. The conditionalities attached to HIPC such as the continuation of Structural Adjustment programs will actually undermine the main purpose of HIPC. For HIPC to make any meaningful change, it must be accompanied by other strategies and commitments. The SADC region needs better international trade opportunities in order to deal with the problem of slow economic growth. As long as the SADC governments continue to register huge deficits in their budgets mainly because of low revenue, they will always turn to borrowing. The current earnings of SADC from external trade are very discouraging.

Why HIPC does not cover all countries in the SADC

According to the designers of the HIPC initiative only countries that meet the criteria are eligible. There are various reasons why some countries in SADC are not under HIPC. The strong emphasis on economic indicators is misleading because there are other pertinent concerns that are overlooked. The reason that Mozambique, Tanzania, Malawi and Zambia are eligible is because it is less complicated for these countries to qualify - the larger portions of their debts are owed to the multilateral institutions. This is not the case with others, which complicates matters. They may have debts with predominantly private creditors, as is the case of Angola and Zimbabwe which has been cut off from IMF funding for political reasons, or they are still mired in conflict, like the DRC.

IS PRSP A SOLUTION?

The Poverty Reduction Strategy Paper (PRSP) was introduced as a further conditionality to access debt relief under the HIPC 2 initiative. According to the creditors, the PRSP concept has been designed to strengthen the focus on poverty within the HIPC framework. By the year 2000, the Governments of Tanzania, Zambia and Malawi had embarked upon the process of preparing the PRSP and are now in possession of country documents.

According to the IMF, World Bank and the bilateral creditors, the PRSP is a document prepared by national governments showing how they intend to reduce poverty in their countries. They further decree that the paper must be prepared in a participatory and consultative fashion. The driving principle is that this process must be nationally owned and involve all the key stakeholders in the poverty reduction. Basically, this process called for the creation of a partnership between national governments and civil society in mapping out the poverty reduction processes.

The principle and objectives of the PRSP are very good. In all the countries, the PRSP process has provided an opportunity for national governments and, in some cases, civil society to revisit the issue of poverty. Before this, the main preoccupation of most governments was the need to promote and sustain economic growth, even when it did not result into poverty reduction. However, like the HIPC initiative, it is actually debatable whether these strategies are truly nationally owned. The IMF and World Bank talk about 'endorsing' the final PRSPs and the question is: why them? PRSPs comes at a time when most of the national governments' loyalty to these two institutions is unquestionable. So why would this extra endorsement be necessary?

As a result, even when branded 'nationally' owned, the PRSPs have been prepared with a high level of consciousness that the 'approval' or the expectations of the funding institutions, particularly IMF and World Bank, have to be met. One only needs to take a glance at any one of the policy statements in the documents. They reflect what IMF and World Bank have been preaching - liberal economics accompanied by a few statements on poverty. In short, the first round of the PRSP seriously lacks 'the voices from the South'.

External and internal reviews of privatisation and liberalisation have shown the failure of these policies, but they have appeared even more prominently in the current PRSPs. The people's major concerns regarding liberal policies, i.e. the removal of subsidies and the institution of user fees received little attention. The PRSPs have been written in a language and manner that pleases the funders.

The success of the PRSPs largely depends on two factors, namely national commitment and resources. As long as the 'ownership' factor is not improved, only a few countries will register progress. Through the PRSPs, countries have mapped out ways of reducing poverty, but these are countries that are already heavily indebted. Borrowing has always been the main source of mobilising resources, so where will they get the finances to implement the strategies? HIPC resources are not forthcoming. Should they borrow money yet again?

Like the HIPC initiative, the PRSP has one major limitation. The concept has a strong emphasis on analysing poverty from an internal (i.e. in-country) perspective only. It ignores external factors contributing to the poverty prevailing in most poor countries. For instance, it would have important implications for heavily indebted poor countries if they were to question the balance of power between them and the creditors, providing alternatives to the liberal economics approach to development. The nature of the game would change completely if heavily indebted poor countries were to demand fair international trade and investment!

To conclude, there are three main points that all stakeholders concerned about debt and poverty should always take into consideration:

1. Involve and give a voice to the 'debtor' in establishing the problem and solution to the issue of concern, in this case debt. As long as one part takes the role of a 'boss', the results will always be slow, meagre and intangible.
2. If the global interest is to see a debt and poverty free world, let us work towards these ends. HIPC and PRSP are mediocre interventions. They do not deal with the real causes and so results from these initiatives will continue to be partial and in some cases irrelevant to the debt situations prevailing in the region.
3. It should be universally accepted that debt and poverty can not be resolved using the current world order. Sustainable solutions to these crises demand drastic and radical changes. These solutions demand questioning the current power relations between the South and North. They also entail a critical examination of what is now being called 'partners' in development.

Charity Musamba is co-ordinator of Jubilee - Zambia.

Chapter 3-3

LATEST HIPC REPORT: MORE BAD NEWS FOR POOR COUNTRIES

by Romilly Greenhill

INTRODUCTION

The latest draft Status of Implementation Report for the HIPC initiative, released at the 2002 Annual Meetings of the World Bank and the IMF, suggests that the initiative is doing anything but providing a lasting exit to the debt sustainability problems of the poorest countries, as is claimed. Instead, the report shows among other things that:

60% of the 19 countries originally expected to reach Completion Point by the end of this year will fail to do so and this includes Malawi; 13 out of the 20 'interim' period countries have gone off-track with their IMF programmes at some point, thus delaying debt cancellation and denying them interim debt service relief. Overall, even according to the narrow definitions of the World Bank and IMF, HIPC only appears to be working for between 7 and 10 countries out of the 42 included within the initiative.

The IMF and World Bank have considered, but rejected, alternative proposals for debt relief on the grounds that they are 'unaffordable' and will create 'moral hazard' (see Box 2). Both charges are rejected by Jubilee Research. In this briefing, which is an update of our paper released in April 2002 , we provide a full analysis of the latest Bank and Fund report – and make proposals for reform.

LIMPING THROUGH HIPC – WILL THEY EVER MAKE IT?

There are quite a few countries on the road between Decision Point and Completion Point but they seem to be stuck in a permanent state of limbo. The total number of countries which have seen any reduction in their stock of debt under HIPC now stands at 6 and it may rise to 8 by the end of 2002, if the World Bank is to be believed. That is less than 16% of the total number deemed to need relief under HIPC. This means that of the 19 countries originally expected to reach Completion Point by December 2002, a maximum of 8 - or a little over 40% - will have done so. For many countries, progress towards Completion Point has been delayed by them going 'off-track' with their IMF programmes – an issue discussed further below. Highly indebted poor countries appear to be resisting the IMF medicine, but are suffering the consequences.

UPDATE ON DEBT SUSTAINABILITY – MORE BAD NEWS

At the G8 meeting in June 2002 in Kananaskis, Canada, G7 leaders committed – though have not yet delivered – an additional US$1 billion of debt relief, in nominal terms. But the criteria for providing such relief remain extremely narrow, and relief is only to be provided in 'exceptional cases'. According to World Bank/IMF, the costs of this additional relief will be between US$400m and US$700m, in net present value (NPV) terms. However, Jubilee Research is alarmed that the World Bank and IMF have calculated the additional relief that will be required to bring debt burdens down to sustainable levels by looking at debt-to-export ratios after, rather than before, the additional debt cancellation promised by some bilateral creditors.

Why does this matter? It matters because, as a result of huge public pressure during the international Jubilee 2000 campaign, many creditor country governments, including all of the G7 countries, admirably committed themselves to cancelling 100% of the debts owed to them by the poorest countries. The G7 leaders did this because public pressure had made them recognise that the huge debt burdens faced by poor countries were undermining development in those countries, and contributing to further misery and poverty. Jubilee 2000 campaigners congratulated their leaders for their actions, and rightly praised themselves for a concrete outcome from their years of sustained campaigning.

Now it seems that this was all for nothing. For what is essentially happening is that the additional bilateral relief is simply substituting for relief that countries should have been receiving anyway under HIPC, had the export projections used been fair and realistic. In other words, in desperately poor countries (Benin, Ethiopia, Guinea, Guinea-Bissau, Malawi, Niger, Senegal and Zambia), additional bilateral relief is simply not additional but is replacing relief that other creditors – including, of course, the World Bank and IMF – should be providing.

Jubilee Research has re-calculated the additional relief that will be required, assuming that debt is brought down to 150% of exports before additional relief is considered – the only approach we believe to be justified. Result: the number of countries likely to face unsustainable debt burdens at Completion Point increases from 10 to a possible 13. Re-calculating the additional debt cancellation needed at Completion Point to bring debt-to-export ratios down to within 150% for all interim period countries shows that another US$2.3-US$2.8 billion of debt cancellation, in net present value terms, would be needed. It is clear that the US$1 billion announced at the G8 summit will only be a fraction of the additional resources needed, even to bring the interim HIPCs to within the inadequate levels of debt cancellation promised under HIPC. This does not even include the additional relief deserved by post-Completion Point countries (such as Uganda and Mozambique); they can expect little extra relief despite their manifestly unsustainable debt burdens.

IMF PROGRAMMES – TIME TO BLAME THE TEACHER

In May 2002, a total of 7 countries - Zambia, Malawi, Nicaragua, Guinea, Guinea-Bissau, The Gambia and Guyana - were facing suspension of interim relief from the IMF because of failure to stay 'on-track' with their IMF programmes. Although Guinea and Zambia have now re-started their IMF programmes, several other countries have fallen foul of the IMF's iron rod, including Senegal and Madagascar. Some of these countries are taking the ominously named 'corrective measures' in order to build a track record of policy performance for resumption of an IMF programme, while others seem to be lost in no-man's land.

Going 'off-track' with IMF programmes not only delays countries from reaching Completion Point and results in the suspension of relief from the IMF. It can also mean total suspension of interim relief from the Paris Club. This is because, in order to receive debt relief through the Paris Club, countries must be on-track with their IMF programmes. Due to administrative bottlenecks in the Paris Club, countries do not always get treated by Paris Club creditors immediately after Decision Point. Countries which go off-track with the IMF soon after reaching Decision Point may never get to the Paris Club, and thus never receive the interim relief they deserve. Zambia, for instance, faced a severe delay in receiving Paris Club relief due to Paris Club inefficiencies. Of course, the IMF would charge that failure to fulfil its conditionalities is the fault of the countries concerned. It would argue that countries need to demonstrate 'sound macro-economic management' and a commitment to reform in order to benefit from relief. If a country goes off-track, this clearly demonstrates their inability to manage their budget and economy properly, and thus implies that they do not 'deserve' relief.

Jubilee Research and other NGOs involved in the international Jubilee 2000 campaign have long argued that countries receiving relief should demonstrate that it will be put to good use, with proper monitoring and accountability to local civil society. But the question remains: who should determine whether a country is or is not able to spend debt relief resources effectively: local civil society organisations or economic technocrats based in Washington? Moreover, many of the conditionalities imposed by the IMF do not apply to the ability of governments to spend debt relief money effectively. Often, they concern entirely unrelated 'structural' issues, such as privatisation. In a recent report by Jubilee Research, we showed that many of the 'dissenting' countries have substantially increased their spending on education and health as a result of the interim relief they have so far received through the HIPC initiative .

NO ALTERNATIVE?

As the Table overleaf shows for the four SADC countries currently inside the HIPC initiative, the scheme has at best a very mixed track record. Its overall pass rate, even according to its own stated goals, lies somewhere between 18% and 26%. With such a dismally low success rate, it comes as no surprise that the Bank and Fund have expressed a willingness to consider alternative proposals. For the first time, the Status of Implementation Report includes consideration of various different proposals for debt relief, including those put forward by NGOs such as Jubilee Research and EURODAD, and academics such as Jeffrey Sachs and Nancy Birdsall. The Bank and Fund consider three such proposals:

1. The suggestion to link debt relief to the Millennium Development Goals (MDGs), determined by an independent review panel with representatives of both creditor and debtor nations. This is the proposal which most closely matches the proposals of Jubilee Research for a 'Jubilee Framework' for resolving international debt crises. Under the Jubilee Framework, debtor countries would be able to make representations to an independent review panel on the amount of debt cancellation that would be needed to meet the internationally agreed Millennium Development Goals. As the Bank and Fund acknowledge, 'this would likely be complete debt cancellation plus increased foreign assistance.' Oddly, however, the Bank and Fund reject this proposal on the grounds that 'there are no reliable estimates of the cost of scaling up debt relief to achieve the MDGs.' This is despite the fact that several large UN agencies have produced papers costing the majority of the MDGs. As a matter of fact, work is currently on-going in the United Nations Development Programme (UNDP) to provide detailed, country by country, costings of the MDG resource requirements. The UN-prepared information has been used by a number of NGOs, including Jubilee Research, to demonstrate the extent of debt cancellation required .

2. Linking debt relief to particular levels of debt service. This proposal would entail limiting debt service to a particular proportion of revenues, possibly with different limits set for different groups of countries, for example IDA and non-IDA only countries, or countries facing a 'health emergency' - the AIDS pandemic being the clearest possible example - and other countries. This proposal has been put forward by, amongst others, African leaders in the New Economic Partnership for Africa's Development (Nepad), and the US Congress.

3. Deepening and broadening debt relief. According to this proposal, debt relief should be provided to countries outside of the HIPC initiative, many of whom face similar debt problems. Some of the countries listed by the Bank and Fund are also those which Jubilee Research has urged should be considered for greater debt cancellation, such as Nigeria, Pakistan and Indonesia .

These last two proposals have also been rejected by the Bank and Fund. The main reason appears to be the that they 'would result in higher overall debt relief to HIPCs, and [thus] would clearly lead to higher costs for creditors'. The Bank and Fund are concerned that even the current HIPC initiative is not fully financed, with a shortfall of between $750m- $800m in the HIPC Trust Fund at present.

The obvious response to these concerns is that the World Bank should simply cut more deeply into their own reserves. Independent research by accountants Chantrey Vellacott DFK last year offered proposals that would release more than US$30 billion of resources to fund deeper World

Bank and IMF debt cancellation. Back of envelope calculations suggest that this would almost cover the World Bank and IMF's contribution to total debt cancellation for the HIPC countries.

Finally, the IMF and World Bank appear to be reverting to their 'blame the victim' mentality, which was very much in evidence in the spring of 2002, when they wrote that 'the growth of…exports…to a large extent reflects a country's economic policies'. They only indirectly admit that countries export performance is being limited by chronic price declines in their key commodities, by northern protectionism, by the fact that trade liberalisation under structural adjustment programmes has prevented poor countries from moving away from their dependence on primary commodities, and by the global reach of multinational corporations. The IMF's ideological lens makes it impossible for them to see that global economic structures are doing everything they can to prevent poor countries from escaping their current predicament.

Jubilee Research is calling for another way of dealing with sovereign debt crises. The failure of HIPC has come as no surprise to seasoned NGOs working on debt. Indeed, we predicted it more than a year ago. This is why we are calling for a new process, based on independent arbitration, the protection of the human rights of debtors, however poor they may be, and the application of justice and reason. Until we have a new process – a Jubilee Framework for international insolvency – we can expect no better.

Romilly Greenhill works for Jubilee Research

Table: Who is HIPC Working For? The Latest Bank and Fund Assessment

Country	Status of IMF programme	Sustainable Debt at Completion point	Conclusion: Is HIPC working?
Mozambique	N/A	Yes	Yes
Tanzania	N/A	Yes	Yes
Malawi	Off-track in Spring 2002, now taking 'corrective measures' but still off-track	No	No
Zambia	Off-track in Spring 2002; now apparently on-track but not mentioned in the latest Status of Implementation Report.	No	No

DEBT CANCELLATION AND THE MORAL HAZARD ARGUMENT

Box

by Neville Gabriel

The world's financial powers resist delivering meaningful debt cancellation to impoverished countries that are literally sacrificing the lives of their poorest citizens so as to transfer their meagre resources to unscrupulous debt dealers. They argue that debt cancellation is a serious moral hazard that will result in irresponsible new borrowing and reckless spending in poor countries. The truth is that, in the first place, the debt crisis of impoverished countries was created as a result of irresponsible lending by creditors and hikes in interest rates that were beyond the control of poor countries. Second, the indebtedness of poor countries is used as a political leverage mechanism to impose onerous structural adjustment conditions on them that include the introduction of unaffordable user fees for social services such as health care and education and basic services such as water and electricity, according to the principle of "complete cost recovery".

The real moral hazard in the debt cancellation debate is that the creditors are reducing the debt crisis to a merely financial issue. It is easy to pretend that the debt crisis is not an ethical issue that directly affects the daily lives of millions of the world's poorest people. It is easy to pretend that the real solution to the problem of debt is "debt sustainability", so as to enable poor countries to continue to pay as much of their debts as possible. The real hazard is that the global economic policy regime is being allowed to consolidate a system in which the profit motive controls ethical social and political choices, and sustained debt servicing is placed above the global millennium development goal of reducing poverty by half by the year 2015.

The evidence is clear that debt cancellation works for poverty reduction. A new Jubilee report on government spending in ten of the African Highly Indebted Poor Countries (HIPCs) that have received minimal "debt relief" finds that their collective spending on education increased to $1306 million - more than twice the amount of debt service - compared to $929 million in 1998; spending on health care rose by 70% and is now one third higher than spending on debt repayments. Before debt relief, more than twice as much was being spent on debt service and military spending has remained constant between 1998 and 2002, at around 2% of GDP. If even the seriously flawed and ineffective HIPC initiative under the control of the International Monetary Fund (IMF) and the World Bank is giving indications that debt cancellation delivers real results for poverty reduction, how much more effective will real debt cancellation coupled with effective policies for poverty eradication be? Debt cancellation is not a moral hazard. It is a moral imperative that requires a new global ethic based on principles of justice, social solidarity, the common good, and the primacy of the poor. Such an ethic can only be hazardous to those who are ideologically tied to and have interests in the irrational belief that private capital growth alone can overcome the harsh reality of global economic apartheid in our world today.

Neville Gabriel is director of the Justice and Peace Department of the Southern African Catholic Bishops' Conference. He is also the spokesperson for Jubilee South Africa, convenor of the Apartheid Debt and Reparations Campaign, and a member of the board of directors of Transparency South Africa.

Chapter 4-1

THE NEPAD MACHINE

by Benedict Tembo (additional input by the editor)

Most parts of the world are rolling back poverty, that great human indignity. Some are making quick progress, others are slower. But in Africa the reverse is happening. Poverty is actually gaining ground in many places. At present, a quarter of the combined African population lives below the poverty line; the expectation is that in ten years time it will be one-third. Out of the bottom 36 countries in the Human Development Index 2002, 29 are in Africa. Africa's share in legitimate world trade is less than 1% and the prices of the commodities it has on offer are falling, with irregular and usually short-lived exceptions like oil and cocoa. The debt crisis shows no signs of being resolved. A calculation done by the World Bank in the year 2000 shows that Africa had to pay an unsustainable US$ 200 billion. The amount it pays in debt servicing equals the amount it gets in aid: just over US$14 billion.

The other side of the coin is of course the story of Africa's untapped resources, human energy, rich culture and huge potential. There are many places in the world that have got much farther in terms of development with far fewer resources at their disposal. Nepad is the latest attempt to save Africa from further collapse, pick up the potential and turn the continent into a place where people are happy to stay because life can be lived in dignity. Nepad is an attempt to embody a simple point: in spite of the catalogue of misery that sticks like glue to the continent, there is really no reason to believe that Africa will have to stay outside the progress of nations.

Nepad has a website (www.nepad.org), which tells you what it is and what it entails. The definitions come thick and fast: a vision and an action program for the redevelopment of the African continent. A comprehensive integrated development plan that approaches crucial social, economic and political priorities in a balanced manner. The promise by African leaders to their people and the international community to send Africa on the path to sustainable development. There are more promises, including the one to integrate Africa into the global economy. And finally, the fathers of Nepad have decided to formulate a number of common objectives. Among these are the following:

- Eradicating poverty.
- Sustainable economic growth.
- More and better education and health care.
- Reduced mother and child mortality.
- Reduced harm to the environment.

Nepad's authors take good notice of the fact that these objectives will remain unattainable as long as instability, corruption and mismanagement are not rolled back. Peace and good governance have been declared to be the most important conditions that have to be fulfilled if Nepad is to stand any chance at all to succeed.

Every major political project comes with the accompanying sound of thunderous rhetoric, whether it is the expansion of the European union, the American war against Iraq – or indeed the launch of Nepad. So the machine must be observed up close. A whole range of leading organs, committees and working groups have been created, designed to channel Nepad into the desired direction. They are the following.

The Heads of State and Government Implementation Committee is tasked with formulating policies and preparing plans of action. This is where Nepad is changing from lofty intentions to tangible action plans. The five presidents who have been responsible for Nepad's birth (Abdoulaye Wade of Senegal, Hosni Mubarak of Egypt. Olusegun Obasanjo of Nigeria, Abdelaziz Bouteflika of Algeria and Thabo Mbeki of South Africa) are part of this committee, together with ten colleague heads of state. Under this, the supreme body of Nepad, is the Steering Committee. 22 members strong, it is composed of personal representatives of heads of state. This

Committee must decide the manner in which all those programs conceived by the Heads of State and Government Implementation Committee will be realised. To this end, the Steering Committee works very closely with the Secretary general of the African Union, the UN Economic Commission for Africa and the African Development Bank. Another task of the Steering Committee is to oversee the Secretariat, which is a modest group of people who are housed in an office in Midrand, Johannesburg, South Africa. The Secretariat is tasked with logistics and coordination.

Nepad's success or failure depends on the fulfilment of the conditions mentioned earlier, peace, stability and good governance being the most important among them. Nepad has formed special Task Teams and Sub-Committees that have been given the assignment to create special programs. These are not just randomly chosen activities. Especially the Task Teams have been given the job to set up specific and detailed programs that reflect Nepad's concerns and priorities. They work, rather unsurprisingly, on the following issues:

1. Capacity building for peace and security, with the AU as the lead agency.
2. Economic and corporate governance, with Economic Commission for Africa as the lead agency.
3. Infrastructure, with the African Development Bank as the lead agency.
4. Central banks and financial standards, again with the ADB as the lead agency.
5. Agriculture and market access, with the AU as the lead agency.

The five Sub-Committees deal with these five areas, each coordinated by one of the founding countries:

1. Peace, Security, Democracy and Political Governance (South Africa).
2. Economic and corporate governance/Banking and financial standards/Capital flows (Nigeria).
3. Market access and Agriculture (Egypt)
4. Human resources development (Algeria)
5. Infrastructure (Senegal).

The Sub-Committees must work out what is termed "thematic activities", in what roughly corresponds with the Task Teams' priority areas. In the development parlance that seems to pervade the plan this will amount to having a lot of meetings.

There is a distinct lack of clarity about the relationship between these various sets of Committees and Teams, especially the Task teams and the Sub-Committees, most of whose activities look set to duplicate. Not very clear either is the relationship between the African Union and Nepad. Nepad is called the implementation mechanism of the AU. Both do, however, have their own Secretariat, which raises suspicions that Nepad is actually more independent than the political leaders are willing to let on. And how broadly is Nepad actually supported? Continuing to hammer on the issue of good governance sits uneasily with the presence of two temporary friends, Robert Mugabe and Moamar Ghadaffi within Nepad's ranks. In their public view, Nepad is a neo-colonial and racist concept that has been specifically designed to keep Africa in the clutches of vile white oppressors forever, language which is gaining currency in other parts of the continent as well. A constant emphasis on good governance also sits extremely uneasily with the continued existence of the French-African network known as La Françafrique, which thrives on opaque relationships between French politicians, diplomats and fly-by-night business people and their friends in various presidential palaces in more than two fistfuls of African capitals, including Luanda. There is a distinct and worrying dichotomy here: on the one hand, there is the official AU position that says that Nepad is universally supported by all African heads of state, while in reality this is far from being the case.

The implementation of Nepad requires money, US$64 billion to be precise. That is the price tag put to the execution of the entirety of Nepad-covered plans. Some of it can be sourced locally, especially through an enhanced tax regime in the participating countries. But the bulk of it will have to come from donors and foreign investment, as a result of which, serious attempts have been undertaken to sell Nepad to the rich industrialised nations of the world, most demonstrably at the G8 summit in Canada, June 2002. The results have been disappointing. The G8 summit listened to the presentation made by the founding fathers of Nepad, there were photo opportunities against the spectacular backdrop of the summit venue and that was pretty much it. The money was simply not forthcoming; six billion dollars was what the leaders of the rich world had available, a sum described by many an African commentator as "derisory".

This begs the following question: why did the Nepad leaders march on the economic superpowers in the world and not to the 850 million people for whom the plans are ostensibly meant? This has been a major complaint on the part of Africa's civil society organisations: where are the consultations with the people who will reap the benefits once what Nepad has sown is ready for harvesting? So far, the traffic has been distinctly one way: the information about Nepad has fallen from the heavens where the administrations reside – and the people have received it with indifference, if at all. The biggest job to hand is this: selling Nepad to Africa and the ordinary people who live there.

Benedict Tembo is a journalist based in Lusaka.

Chapter 4-2

NEPAD: WHOSE AGENDA IS IT ANYWAY?

by Oupa Lehulere

At the August 2002 World Summit on Sustainable Development in Johannesburg, the heads of states from many countries of the world endorsed the New Partnership for Africa's Development (Nepad) as a development path for the African continent. This endorsement follows a series of meetings and forums in which heads of states, heads of the world corporations, and various multilateral institutions endorsed Nepad. No plan coming out of the continent of Africa has received so much publicity, and has met with so much - at least moral - support at so many meetings and forums as has been the case with Nepad.

Within African civil society organisations, on the other hand, there has also been a lot of activity – meetings, forums and demonstrations – against the adoption of Nepad by the African heads of states. Various individuals, mass movements, and networks of African civil society organisations have criticised Nepad and pointed out that while it is being presented as a development path for the continent, there has been little consultation with the people of the continent and their organisations. In addition, many of these organisations and movements have gone further in their criticism and have argued that Nepad represents a reincarnation of the (economic) structural adjustment programmes that were imposed on the governments and peoples of the continents in the 1980s and 1990s.

Much has been written on the neo-liberal economic strategy that lies at the heart of Nepad. This article provides some thoughts on the question: which socio-economic and political forces are best served by Nepad? First, however, we need to understand basic elements of Nepad, and the critique that has been advanced against the approach adopted in the plan.

NEPAD BACKGROUND

Nepad was adopted by the heads of African governments in July 2001 and has since undergone a name-change from the New African Initiative. In Abuja, October 2001 a few changes were made and the name, Nepad, was finally adopted. The adoption of Nepad came against the background of a number of developments in the African and in the world economy. These developments are crucial in not only providing the context for the success or failure of Nepad, but also for understanding the nature of the interests that are driving the Nepad project. The most important of these developments are:

- Two and a half decades of global economic slowdown following the end of the post world war economic boom.
- The end of the cold war and over a decade of United States and corporate inspired integration of the global economy.
- Increase in poverty and inequality in Africa and the world.
- Deterioration of Africa's terms of trade, and Africa's slide into a debt trap.
- The imposition of structural adjustment programmes on African countries.
- The drift towards anti-democratic and authoritarian practices, even as there is a growth of 'multi-party electoral' systems.
- A generalised social and ecological crisis in Africa.

Nepad's strategy for lifting Africa out of poverty and marginalisation is made up of the standard package of prescriptions from the International Monetary Fund and the World Bank. These include:

- A commitment to the centrality of free (capi-

talist) global markets as engines for development.
- An accelerated integration of Africa into the present globalisation process and global economy.
- Privatisation of provision of infrastructure.
- Endorsement of the 'multi-pronged poverty reduction programmes that are championed by a number of multilateral development agencies and donors' (Nepad)
- Support for private enterprise and a commitment to develop a shared vision with business.
- Market access to industrialised countries (no mention of reciprocal trade).
- Creating favourable condition for capital flows.
- Endorsement of the Highly Indebted Poor Countries initiative (HIPC).
- A market based approach to environmental renewal.

IN THE SERVICE OF MULTINATIONAL CORPORATIONS

The main critique on the part of many civil society organisations is that this neo-liberal package will neither lift Africa out of poverty, nor reverse the marginalisation of the continent. Many critiques have noted that the Nepad approach represents the adoption, by African governments, of the policies that have been championed by the IMF and the World Bank in the form of structural adjustment programmes. These two institutions and the World Trade Organisation (WTO), represent the interests of the United States and other OECD states and corporations. In the view of its critics, Nepad represents the continuation of the programmes and initiatives aimed at consolidating the interests of global corporations, and the various governments that promote and protect these interests.

The interests of these corporations and governments, however, have been and are being promoted by a number of multilateral institutions and through bilateral relationships between various northern and African governments. Moreover, contradictions that exist among the different governments within the 'northern alliance' of dominant economic powers will not necessarily be served by treating, and relating to Africa as a single bloc of countries as is proposed by Nepad. To understand this contradictory process of on the one hand, promoting the interests of northern economic interest, and on the other, creating institutional frameworks (Nepad) that will militate against aspects of these interest, we need to look at the role of the South African state in the Nepad process.

SOUTH AFRICA'S GLOBALISING MULTINATIONALS

The South African economy is the largest, and most sophisticated on the African continent. It has a highly developed physical infrastructure, financial markets, business legal systems and so on. What is however more important about the South African economy is the existence of large and well-resourced multinational corporations that are based there. In various industries these corporations are serious competitors against some of the largest multinational corporations around the world. Some of the industries in which South African multinational corporations are serious players are mining, energy, defence and to a lesser extent financial services and certain consumer products like beer. In the context of the African continent South African companies are dominant in just about all the economic sectors one can think of. Over the last few years there has been a rapid penetration of various African markets by these groups and corporations. This penetration has been most pronounced in energy (Eskom), in banking and financial services, mining and infrastructure, and retail.

The export of capital from South Africa to the rest of Africa has been supported and facilitated by the South African state, especially since the democratic transition in 1994. These corporations, however, have not only been involved in the export of capital to Africa, but have also engaged in the export of capital to the metropolis of the north. Witness the spate of foreign listings in the world's biggest stock exchanges by these groups (with the blessing of the ANC-led government) in the last few years. We have, therefore, in South Africa a large and well-resourced capitalist class with the serious intention to become global players. This 'globalising' capital is the key social force behind an entire set of changes in South African internal and external economic relations.

As with many neo-liberal programmes of its kind, the ANC government's Growth, Employment and Redistribution strategy (Gear) focussed on three key areas: the liberalisation of financial markets (in particular the exchange rate regime), the liberalisation of trade, and the reorganisation of the state and its role in the economy (privatisation being a key element). These three major initiatives combined to produce a massive export of capital from South Africa over the last few years, the SA-EU trade agreement with its emphasis on free trade, and the recent debacle at the WTO meeting in Doha where South Africa split ranks with many G77 countries and supported the USA and the EU in pushing for a new round in the world trade negotiations.

Within South Africa, we have seen the acceleration of the privatisation programme and fiscal austerity leading to cuts in social services. The biggest beneficiaries of these policy orientations have been the large South African and international multinationals, who recorded record profits even in the context of quite sluggish economic growth in the country.

NEPAD IS AN AGENDA OF SA MULTINATIONALS

While Nepad presents itself as a programme for the continent, it is clear that it is framed in a way that can only benefit South African multinationals. The emphasis on integration into the globalisation process, free markets, and free movement of capital, were precisely the measures that were resisted by countries like Nigeria when the split in Doha took place. Only the South Africans remained consistent to the spirit of unfettered markets that was being promoted by the rich north. Nepad provides a codification of the spirit of Doha and the entire programme of the IMF and the World Bank.

Given their origins in the apartheid era, these multinationals were unable to impose their hegemony on the continent because of the political marginalisation of South Africa during those years. Now that this obstacle has been removed, and now that they have a state and a political party (ANC) that is willing to spearhead the recolonisation of the continent, South African capital is taking over just about every industry there is to take in Africa, and Nepad is its title deed.

In the context of the new empire headed by the United States, however, South Africa's corporations are junior partners. Through Nepad, the South African state and multinationals are positioning themselves as the official intermediaries between the headquarters of empire - Washington - and the rest of the continent. Thus, to paraphrase Nepad, South Africa's developed 'entrepreneurial, managerial and technical capacities', in other words, South Africa - its state and its corporations - will be the brokers of choice when the further penetration of Africa by global multinationals is undertaken.

Over the many months since Nepad has been launched, the emphasis has been on the attempt by its promoters to raise foreign aid to kickstart Nepad. This is a much less important and subsidiary issue in the context of Nepad. The real implementation of Nepad has been underway at least since the early 1990s, and definitely since the post 1994 elections: it is the rapid penetration of the Africa economy by South African capital.

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Chapter 4-3

ENGAGE FOR CHANGE OR FOR DISMANTLEMENT?

by Glenda Daniels

South African civil society is split over tactics on how to eradicate poverty and whether or not to support the government's policies of Gear and Nepad. But all the groups within civil society believe that for social and humanitarian revival to take place, debt 'owed' to the rich countries must be cancelled and that unfair trade conditions between North and South must end.

At the core of the struggle for freedom in southern Africa - which is to end starvation and poverty, and provide water, land and Aids treatment - is the issue of debt cancellation and the banishment of unfair trade. One of the world's leading voices in calling for these demands is Dennis Brutus, secretary of Jubilee South, also a South African poet. Brutus says that while unfortunately there are divisions within the ranks in civil society over strategy and tactics on how to achieve this, all the voices of objection are important. These differences were played out at the World Summit on Sustainable Development in Johannesburg at the end of August 2002.

South Africa is paying R17 billion in debt out of a total of R420 billion (some US$44 billion), it was announced by South Africa's Minister of Finance Trevor Manuel this year. It is a spiral they are digging themselves deeper into, says Brutus. In the meanwhile, Western countries are subsiding their farmers to the tune of about R11 billion a day. This is now one of the most controversial issues of the day, which is unlikely to be resolved unless there is a major shift in mindset from the European Union and the United States.

But not one country can succeed in ending these massive inequalities in the global trading system on its own, nor can the call for debt cancellation succeed unless strong alliances between the southern countries together with their allies in the north are formed, Brutus points out. In February 2003, the Jubilee groups, both north and south, met in Porto Alegre to finalise their plans of action.

THE NEO-LIBERAL AGENDA

Back home the macro-economic policy of the South African government – the Growth Employment and Redistribution strategy (Gear) - which fully endorses trade liberalisation - is one of the central issues of opposition on civil society's agenda. All groups recognise that poverty is exacerbated by the following conditions: increasing unemployment due to job losses; the casualisation of labour; the privatisation of basic services; the increased subsidies for northern farmers, raised tariffs and enforced trade liberalisation.

There are different emphases on how to tackle the problem. The most vocal groups calling for total debt cancellation have formed the Social Movement Indaba (SMI), which is running alternative to the mainstream civil society groups, falling under the South African NGO Coalition (Sangoco). Sangoco has between 4 000 to 5 000 NGOs and community-based groups under its banner. The SMI, though only a few months old, is adding organisations to its formation. These are groups feeling alienated and disaffiliated from present political formations. The SMI wants all NGOs to stop 'buying into the neo-liberal agenda of the governments of the day'. The SMI includes the Anti Privatisation Forum (AFP), the Economic Justice Network Forum, First People, Indymedia, Jubilee SA, Landless Access Movement of South Africa, Municipal Services Project, Rural Services Network, Trust for Community Outreach and Education and the World Bank Bonds Boycott, among others.

ENGAGE FOR CHANGE - OR ENGAGE FOR DISMANTLEMENT?

The SMI organisations are calling for the complete dismantling of the World Bank, IMF, the WTO, and the World Summit. The Sangoco groups, while critical of Gear and Nepad, are not going all the way in their opposition. They believe that 'engagement' and persuasion to change the tack of the South African government will win the day. Sangoco's official Glenn Farred explains: 'We are also anti-Gear and Nepad but our starting point is not to be anti institutions such as the United Nations and other bodies. We want to engage for change, not just protest.'

The SMI believes that neo-liberalism and capitalism is wreaking havoc on poor peoples lives, and that trade liberalisation is causing massive job losses and increasing poverty. The demands of this group include the following:

- End the policies of privatisation of basic services.
- Unconditionally cancel all debt of the countries of the South.
- Redistribute land in favour of poor farmers and the landless.
- Change the systems that keep women in social and economic bondage.
- End the imposition of GMOs on the farmers, land and biodiversity of the world.
- Create affordable health services for all people, including treatment for HIV/Aids.
- End the destructively wasteful use of fuels.
- Create a clean environment, safe energy and sufficient water for all.
- Give reparations to all who have suffered economic, social and environmental damage.
- Stop implementing Nepad.
- Shut down the World Bank, IMF and WTO.

OUR WORLD IS NOT FOR SALE

The SMI's slogan is: 'Our World is Not for Sale'. They want to rid the world of talk shops such as the Johannesburg Summit that achieve nothing but the continued reinforcement of neo-liberal policies, which are increasing poverty in the world. The movement's view is that through policies such as enforced trade liberalisation, the poor get poorer and the rich richer. Its central complaint against the South African government is that it is not demanding debt cancellation or reparations.

One of the most fiercely contested areas at the Summit was trade, finance and globalisation. The SMI says that no mention is made of the pitfalls of globalisation in a just leaked document by the EU and US on trade and finance. At a South African grassroots level, head of the Soweto Electricity Crisis Committee Trevor Ngwane, who is also a senior member of the Anti Privatisation Forum says that trade liberalisation or the opening up of economies 'has merely opened up the poor countries to further exploitation. Our protections go. So we end up removing barriers for the free flow of capital and then look what happens. We removed exchange controls and the rand fell by 30%. Then there is the question of thousands of job losses, for example, in the textile industry. Factories continue to go under.'

So what about foreign direct investment? Is this not important for development and job creation? Not for Ngwane, or the SMI. 'We don't believe that development comes from foreign investment if you look at what kind of money is coming in. It's hot money, speculation money. It's not about building factories and creating jobs, which we would support.'

DISILLUSIONMENT

He believes grassroots movements are springing up because through liberation many people were 'fooled' into believing they would get jobs, houses and an increased standard of living. It is not happening, he points out. Disillusionment is setting in, with the country's level of nearly 40% unemployment rate. New organisations have been formed such as, the Landless Peoples' Movement and the Treatment Action Campaign, which has taken the government head on to provide anti-retroviral drugs to HIV-positive citizens.

Another vocal group, within the SMI is the Rural

Services Network, which tackles issues of rural development such as the provision of water and basic services to the poor. Activist from the Network, Eddie Cottle feels that it was inevitable a split in South African civil society would occur over poverty and how to tackle it. Take the issue of the privatisation of water, for instance. He points out that according to research done by his organisation, between 1980 and 2000 there were 22 000 cases of cholera and 78 deaths. But the outbreak now, within a mere 16-month period is reaching crisis proportions, with 360 deaths - the highest in any 16-month period over the past twenty years. 'It's due to this kind of crisis poverty issue that new formations are bound to arise with outright challenges to the status quo, for example trade liberalisation and talk shops such as the summit, whose agendas are set by the rich and powerful,' Cottle says.

PAYING TWICE FOR APARTHEID

The agenda is being set by the rich countries of the north, according to the national organiser of Jubilee SA Mandla Sishi. 'What is happening in SA right now is increasing poverty.' Nepad is a bit too neutral about debt, it does not refer to the cancellation of debt, it speaks a bit about debt relief, it's not the same thing, he says. Jubilee SA focuses on two aspects – apartheid debt and the cancellation of developing world debt.

The NGOs in the country are not playing enough of a watchdog role as they should, is his view. 'We are rejecting Nepad outright, because it speaks about debt in a neutral way, it's not asking for an outright cancellation of debt. It deals with debt relief from the framework of the IMF and World Bank. We as civil society are demanding that debt be cancelled because it has already been paid for over and over again in the interest rates that are charged. In reality the north are not our creditors but our debtors. They are responsible for poverty, environment degradation and the dumping of toxic waste. One dollar of aid in Africa is equivalent to $1 and a half in interest.'
Opening up the economy with trade liberalisation and hoping for a trickle down effect to the poor is pie-in-the sky in his view. This is why Jubilee SA is not participating in the Summit. This group took to the streets of Johannesburg, were baton charged, arrested and tear gassed in August.

Sangoco on the other hand, is employing different tactics. It will engage with governments but it also believes that people should not pay twice for apartheid in debt payments. It feels that it is an unpayable burden, which is preventing development. This position is no different from the Jubilee SA groups who are now involved in the SMI. The only differences are the strategies and tactics employed to fight the issue. The Sangoco groups engaged fully with the UN process at the Summit to challenge governments on their policies.

LABOUR STUCK IN THE MIDDLE

The largest trade union federation in the country, the Congress of South African Trade Unions (Cosatu) with nearly 2-million members, has a more nuanced position but some say it is caught in the middle because of its tripartite alliance with the ANC and the South African Communist Party. So with one foot in with the government's policies and the other calling for an end to the privatisation of basic services, Cosatu appears to be a 'moderate', in the new political terrain of the day. The SMI is critical of Cosatu's stance on Gear and Nepad. It has accused the federation of 'toeing the line', and selling out.

However, Cosatu has in fact rejected Gear outright and wants a more developmental model in its place. On Nepad, Cosatu says it will favour the programme if indeed it means better governance and more development for the poor. Cosatu has also criticized the government for its pursuit of deficit reduction at the expense of economic growth, employment and service delivery. The federation believes in a 'strategic' approach to trade relations.

Recognising that the European Union is a key trading partner for South Africa, and recognising that trade relations are dynamic and change over time, Cosatu feels that it is appropriate for

South Africa to cultivate stronger trading relationships with other developing countries, particularly those with a similar world outlook. But given the huge imbalance between the southern African and EU economies, Cosatu feels the negative effects will be far more keenly felt by southern Africa. Cosatu has consistently raised concerns about the approach to tariff liberalisation and export orientation as set out in Gear.
In Cosatu's view:

- South Africa's general tariffs should not be reduced at a rate faster than that required by our obligations to the WTO.
- Tariff reduction should be preceded and concurrently supported by active industrial policies to promote competitiveness.
- Concrete social adjustment programmes to transfer workers into new jobs must be introduced if tariff reduction leads to retrenchments.
- Government should use tariffs strategically, reducing them to improve competitiveness, but also increasing them to protect jobs and promote industrial development.
- Tariff reductions which are having negative effects and not reaching the desired objectives, should be reviewed.

THE NORTH MUST LISTEN

In the end it doesn't matter which voice is more important – the left social movement, the moderate civil society groups or the trade unions. Bar the tactics, it all boils down to the same thing – the Northern countries have to begin to listen if they genuinely are concerned about contributing to a fairer world.

While the Thabo Mbeki government appeals to the rich countries for more aid, and espouses the good of NEPAD, the two voices of civil society will be equally important and necessary in ensuring the pressure continues. The end everyone wants is the same – the eradication of poverty, suffering and starvation, cancellation of debt and an end to enforced trade liberalisation.

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Nepad - what are the views?
General positive points according to the South African Council of Churches and the South African Catholic Bishops Conference:

It is not meant to be exhaustive, it is merely a starting point, a framework.
It commits itself to sustainable growth and democracy .
It commits itself to the end of wars, the ending of corruption and despotism on the continent.
It has the potential to strengthen accountability and effective collaboration between African states to build peace and stability in the region.
It does hold a model for development for Africa by Africans.
It puts Africa on the global agenda and could help to generate new confidence in the continent.

Weak points according to the SMI, the SACC and Catholic Bishops Conference:

It does not call for outright cancellation of debt, it has not prioritized debt cancellation at all.
It talks of 'debt relief'. It makes no reference to reparations for colonialism, slavery and apartheid.
It is not taking into account the effects of the privatization of basic services on the poor.
It does not give high priority to investment in social services such as education and health care.
It promotes a market-driven strategy to eradicate poverty, and puts faith in the private sector.
There is no mechanism to repair damage done to families, societies and environments in Africa's history.
It has not been a programme drawn up in consultation with civil society in South Africa, in content or process.
It emphasizes global integration as a cure to Africa's ills, without recognizing that the playing fields have not been levelled.
The accusation by civil society is that it was drawn up in consultation with institutions such as the World Bank and the World Trade Organisation, the rich north countries and big business.
On trade NEPAD advocates increased African access to European and North American markets through the removal of trade barriers. But rich countries subsidise their agricultural products and African countries get far less for their products than their actual worth.

REFLECTIONS ON GOOD GOVERNANCE

Box

by Thabani Masuku

Good governance is defined as 'the use of political authority and the exercise of control over society and the management of its resources for social and economic development'. It encompasses the nature of the functioning of a state's decision-making processes, policy formulation, implementation capacity, information flows, effectiveness of leadership, and the nature of the relationship between the rulers and the ruled. The progress and development of a country depends in no small measure on the quality of its governance. While a democratic government may lay the foundation for good governance, a vigilant and active citizenry is key to its sustenance. Whatever Nepad means by good governance see also the next chapter), it is clear that it regards it as a panacea for all the developmental and administrative ills facing African states. Nepad instructs Governments to use principles of good governance to create an enabling environment, in order to eradicate of poverty, generate a robust pool of local and foreign investors and protect of human rights. Strong and effective institutions of governance need to be assembled in order for the Nepad goals to succeed. Nepad acknowledges that weak institutions weaken the agenda for development and handicap the protection of human rights. Good governance demands well-functioning and accountable public and private institutions. It requires people's empowerment and participation. The Nepad vision is for effective parliaments, accountable executive and an independent judiciaries. It entails the mobilisation of social capital for development. The major indicators of good and accountable governance, to which the African states have committed themselves include free and fair elections, respect for human rights, accountable executive and legislatures and commitment to the rule of law.

The legitimacy of governments will be based on the extent to which they are able to set up well-functioning systems of delivery. In addition, governments have collectively agreed to reject any governments formed through unconstitutional means. Government bureaucrats will operate within a macro framework of management values commonly agreed to as reflective of good, effective, efficient and accountable governance. The management principles and systems of governments must have the capacity to detect and avert corruption in all forms and deter authoritarian and abusive style of governance. That is the commitment of Nepad.

Africa has recorded high incidents of corruption, the kind that has not only hampered development, but has allowed the emergence of the worst forms of abuse of human rights, gross mismanagement and political violence that has driven potential democratic activity underground. Corruption is a global curse. Its presence in Africa has not only diminished the potential for stable governments, but has choked the prospects for economic growth beyond mediocrity. The politicisation of the government security apparatus, the ethnicisation of these branches of government has weakened the institutional capacity to protect the process by which public power may be legitimised. Is has also weakened the protection of human rights and created an apathetic citizenry. This is what Nepad seeks to remedy.

African countries have decided to re-engineer their socio-political and economic destiny in the right direction. The real test of this commitment will come when the Africa Peer Review Mechanism becomes operational. This mechanism will seek to monitor compliance of states to the principles of good governance in the Declaration. The result of the good governance commitment in Africa through Nepad must be efficiency and effectiveness of governments in improving the material welfare of their citizens.

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He is also seconded to the Nepad secretariat.

Box

LEGISLATION AND MEASURES AGAINST CORRUPTION

Angola:

No specific legislation against corruption exists.
A High Authority Against Corruption (HAAC) was established in 1995, but apparently no appointments to it have been made. The HAAC was presumably going to work as an instrument dedicated to combating corruption.
A law against Economic Contraventions passed in 1999 is primarily intended to deal with public sector corruption.

Botswana:

Botswana has two main statutes to address corruption and an oversight body to implement its anti-corruption policy.
The penal code is largely confined to public sector corruption.
The more recent Corruption and Economic Crime Act of 1994 is more comprehensive.
Botswana established the Directorate of Corruption and Economic Crime, headed by a director appointed by the President. It has advocacy, educational, advisory and investigative functions. The prosecuting power of the Directorate is however subject to the consent of the Attorney General.

DRC:

There does not appear to be any specific anti-corruption legislation in place at the moment. Under the conditions of the special IMF facility called PRGF (Poverty Reduction and Growth Facility), a code of good conduct and an anti-corruption commission are to be introduced. These, plus the removal of several public officials who were accused by the UN of illegally exploiting the DRC's resources, are seen as first steps towards more extensive and comprehensive measures.

Lesotho:

Lesotho's anti-corruption law is of relatively recent origin, in the form of the Prevention of Corruption and Economic Offences Act of 1999.
The Act creates a Directorate of Corruption and Economic Offences, with educational, advocacy, advisory and investigative functions and powers.
The Lesotho legislation "imposes" as a civic duty the obligation to report suspicions of serious economic crime, which may take the form of corruption, to the head of the Directorate.

Malawi:

The Corrupt Practices Act(1995) and the Penal Code are intended to control corruption in both the public and private sectors.
Enforcement of anti-corruption legislation is dedicated to the Anti-corruption Bureau (ACB). This bureau is tasked with the implementation of a four-pronged strategy against corruption, involving public education, prevention, investigation and prosecution of corruption.
While vested with extensive intrusive powers, the ACB lacks institutional and operational independence from the executive and is subject to the oversight of the prosecution service in respect to cases for prosecution.

Mauritius:

The Criminal Code is the main statute for dealing with corruption. The provisions cover common forms of corruption, such as bribery, embezzlement, conflict of interest, judicial corruption and compounding an offence.

The Economic Crime and Anti-Money Laundering Act (2000) can be applied to cases of serious corruption.
In terms of the Act, financial institutions are obliged to report suspicious transactions to the Director who then has the duty to investigate.
Elected public officials are required to declare assets and liabilities in their name and the names of spouses, minor children and grandchildren.
In terms of the Declaration of Assets Act(1991) a fresh declaration must be done when the value of the assets or liabilities significantly changes.
The Central Tender Board occupies an important position in anti-corruption initiatives. No government department, local authority or other body can enter into a major contract without the approval of the Board.
Mauritius has no dedicated anti-corruption institution at the moment and the police investigate most cases.
The Ombudsman has jurisdiction over public sector corruption.

Mozambique: Currently corruption cases are dealt with under the provisions of the Penal Code. However, a new draft anti-corruption legislation is under preparation and it is expected to be adopted by the legislative authority within this year.

Namibia: The Prevention of Corruption Ordinance (1928), as amended by the Prevention of Corruption Amendment Act(1985) is the relevant law.
While some aspects of the law may have evolved, the law as set out both in the ordinance and the 1985 provisions do not deal with the numerous kinds of corruption associated with white-collar crime.
The Public Service Act (1995) is also pertinent in that it creates another framework for defining and dealing with acts of misconduct by public officials.
In addition, Namibia has legislation against electoral corruption, and conflicts of interests in public procurement tender processes, requiring disclosure of interest, and recusal.
An Anti-Corruption Bill has been passed by the National Assembly but awaits the approval of the second legislative chamber. The Bill is dominated by provisions to bring into being an Anti-Corruption Commission, whose mandate will include public education, but whose prosecutorial powers will depend on the concurrence of the Prosecutor General. In fact, prosecutions will be subject to the control and direction of the Prosecutor General.
The functions of the proposed commission appear to be extensive enough to encompass what the Protocol envisages. The problem is likely to arise from the narrow conceptualisation of corrupt practices.

Seychelles: The law against corruption appears in the Penal Code. Concern about public sector corruption provided the impetus for legislation, but the resulting legislation can be applied to the non-state sector as well.
In respect to electoral corruption, the Elections Act of 1995 prohibits vote buying and similar misconduct.
There is no dedicated anti-corruption unit with the responsibility to investigate and prosecute corruption falling on the police and occasionally the Ombudsman.

South Africa: The primary law against corruption in all sectors is the Corruption Act of 1992.
The Prevention of Organised Crime Act of 1998 prohibits participating in racketeering activities as well as money laundering, both of which are related to corruption.

A Prevention of Corruption Bill has recently been tabled. The draft legislation tabulates corrupt practices and offences more comprehensively than the current legislation, and spells out more than 20 offences and penalties, in an attempt to embrace as much of the encountered and anticipated corrupt activities as possible. The bill pays innovation attention to corruption in sports.
The current anti-corruption legislation is complemented by measures to enhance transparency and improve access to information.
The Witness Protection Act of 1998 introduced an administrative framework for the protection of vulnerable witnesses and whistleblowers. At the centre of the Act is the Office for the Protection of Witnesses, headed by a director.
The proliferation of anti- corruption institutions has naturally raised concerns about coordination among them. However, it should be noted that two ancillary coordinating structures have been created.
The National Forum Against Corruption, a tripartite body comprising the government, the business sector and the civil society has been established.
The government adopted on the 25th of January 2002 the Public Sector Anti-Corruption Strategy, which inter alia stipulates the creation of the Anti-Corruption Coordinating Committee. This body is already operational.

Swaziland:

The government of the Kingdom of Swaziland has adopted a Charter for the Public Service(2002). The purpose of this Charter is to codify the norms and standards of acceptable behaviour in government.
The Charter seeks to provide general guidelines in support of efforts currently being undertaken to enhance the professional competence, strengthen the ethical foundation, and restore the public esteem of the civil service.
The scope of the Charter is restricted to those holding positions in the executive Branch of Government. The legislature and the Judiciary are governed by their own codes of conduct.
The charter is also not intended to replace on-going initiatives aimed at eliminating corrupt and negative tendencies in the public service, making state institutions accountable to civil society, and promoting a sense of individual and collective responsibility among all cadres of officials.
The Prevention of Corruption Order(1993) replaced the Prevention of Corruption Act of 1986. Bribery in the private sector and in the conduct of judicial work is criminalised.

Tanzania:

There are three statutory instruments for combatting corruption. Two are applicable to the mainland only and the other to Zanzibar.
The Prevention of Corruption Act (1971) and the Economic and Organised Crime Control Act (1984) apply to the mainland.
The Penal Decree extends anti-corruption law to the Island of Zanzibar.
The PCA was amended in 1990 to curb corruption in general elections, a practice that had become endemic.
The PCA established the Anti-Corruption Squad that is now called the Prevention of Corruption Bureau(PCB), is supposed to provide legal advice to the government and the public at large on issues relating to corruption.
The Public Leadership Code of Ethics(1995) is regarded as one of the pillars supporting anti-corruption measures.

Zambia:

Has an Anti-Corruption Act since 1996.
The Act replaced the Corrupt Practices Act of 1982, which was largely designed to deal

with public sector bribery and other corruption by public officers.
The Corrupt Practices Act in conjunction with asset disclosure laws and ethical codes was intended to foster a culture of clean governance. The trend has continued, as the ACC Act is complemented by the Electoral Act and the Parliamentary and Ministerial Code of Conduct of 1994. Both target elected public officials, although the PMCC Act excludes the President.
Enforcement of anti-corruption legislation is dedicated to the Anti-Corruption Commission, established in 1982.
Apart from investigators, the ACC employs its own prosecutors, although the consent of the Director of Public Prosecutions is required for all prosecutors.

Zimbabwe:

The primary statute is the Prevention of Corruption Act.
Its scope of application in respect of corruption in the public sector excludes the President and appears to exclude Members of Parliament, while including ministers, and members of the civil and uniformed services.
The PCA is generally intended to respond to corruption in both the public and private sectors. The Act targets a relatively limited range of corrupt actions, the equivalent of what common law would term bribery, fraud and extortion.
These offences in both private and public sector are criminalised on the part of both the giver and receiver.
The Act does not contain provisions related to the conflict of interest nor the corruption of foreign officials.
Regulations are envisaged for witness protection, but none exists as yet.

SADC:

At a summit held in Blantyre, Malawi in August 2001, the heads of the SADC member states decided to adopt the SADC Protocol Against Corruption. They agreed to adopt effective preventive and deterrent measures to curb corruption in their respective countries. These measures would be designed to facilitate access to information, eliminating the opportunities for corruption and the protections of 'whistle blowers', individuals who reveal acts of corruption. It was also agreed to have adequate systems of accounting and bookkeeping in place, as a set of administrative measures to deter bribery and corruption.

Material (except DRC and SADC) prepared by the Transparency International Secretariat in Berlin.

FINAL THOUGHTS

Sihle Dube and Bram Posthumus

The Southern African region, and by extension the rest of the continent, is currently getting a raw deal from the international economic and financial community. Assuming that governments are willing to care for their citizens, it is becoming increasingly difficult for them to negotiate their way towards a sustainable existence. The trade environment is hostile, the debt situation is unsustainable and its 'partners' in the rich nations of the world are less and less willing to make any meaningful gestures that will render the SADC countries and their government capable of meeting the challenge of removing the trade traps, getting rid of those debt throes and finding the best escape routes.

Are we any closer to a solution than we were, say, ten years ago? It does not appear so. It even seems that every step forward, like the positive developments in the DRC and peace in Angola, is accompanied by an equal amount of steps in the opposite direction, such as the deepening crisis in Zimbabwe and the seemingly unstoppable advance of the AIDS pandemic.

What seems to be coming out of the articles in this publication is that increasingly large and vocal civil society groups and individuals want the international community to stop causing more damage in the region. Indeed, some prepare compensation claims for past damage. How far can this be taken? Now, there is a claim for apartheid's damages. But could the US government be made to account for its catastrophic 'constructive engagement' policy in the 1980s, or its role in prolonging the deadly wars in Angola and Mozambique? Is the Mugabe regime right in claiming that it is finishing the work of the liberation struggle and should Britain pay up for colonial mischief? Why, then, do Zambia and Malawi not join in, who have suffered similarly? How about going to the Portuguese and the Dutch for reparations for past crimes, which obviously were not seen as crimes at the time they were committed? This is an excellent topic for study.

Removal of trade barriers and far more debt relief than is currently on offer are two measures that could, in theory at least, enable the region to start making its own money. It seems, however, that the cities where the major decisions on these issues are made (principally Washington, Brussels and Geneva) are more like citadels where dissenting views are met with a company of iron-clad guards. It seems difficult to understand why perfectly reasonable proposals like those of Jubilee 2000 (Chapter 3-3) are not even considered. How does one actually lobby the World Bank and perhaps even more crucially the IMF effectively? Is the WTO really the one-eyed trade monster ridden by the rich to their own advantage or are there ways of making it listen to the interests of the poor? There are more questions than answers here.

In spite of all their rhetoric, governments are buying into the neo-liberal logic of a globalising world. Others are not so sure of the blessings of unfettered globalisation and ask whether the time has not come for far more radical solutions. The slogan for the WTO was: shrink it or sink it. Let it return to what it was originally intended for (making trade rules), democratise it - or may it fall to pieces. Which is exactly what a number of NGOs in the region want the IMF and the World Bank to do. Are there radical options available, such as unilateral non-payment of outstanding debts? A tougher and more collective stand on trade issues?

What is also needed, it would seem, is a more robust debate on these matters within the region itself. It is quite clear that the majority of ordinary people have completely switched off politics. This is by far the majority and it should worry political leaders worthy of the name. Nepad is a case in point. Indeed, the political commitment of the African governments (bar two or three) to Nepad is impressive in theory. And the international community - for the right or wrong reasons - is positively inclined towards the idea. But does Nepad offer anything in terms of solutions for the twin crises of skewed trade and unsustainable debt? Does it, indeed, offer ways in which more sections of the SADC societies can begin to participate in a meaningful way in their societies and economies? Here is another unexplored area.

As was alluded to earlier, it is not fair to say that there is no light at all at the end of the tunnel. Quite apart form the political developments on the giant screen (peace in Angola, talks on the DRC, and the beginnings of a plan to have Mugabe discreetly removed from power, Nepad) there are numerous initiatives happening all over the region. Every day we can witness actions that move us away from the notion that Africans are forever doomed to be 'wards of benevolent guardians' and towards the idea that they can indeed be masters of their own destiny. People do take matters into their own hands. They start small businesses, civil society groups, they become members of trade unions or other interest-based groups. These actions are not insignificant. The concerted efforts of a handful of individuals have often changed the course of history. Is there a way in which the development on that giant screen of world history can be connected to the smaller screens that are flickering in so many places, from Luanda to Maputo and from Cape Town to Kisangani? It may be here that some of the keys to the way out can be found.

SUGGESTIONS FOR FURTHER READING AND INTERNET

Patrick Bond: Fanon's Warning, A civil society reader on the New Partnership for Africa's Development, Africa World Press and AIDC, 2002.

Centre for Public Integrity: The Influence Peddlers. Part of a series on arms trade and dubious business deals, focussing quite extensively on Angola, Washington, 2002.

Paul Collier: Primary Commodity Dependence and Africa's Future, World Bank, April 2002

Drop the Debt: Reality Check – The Need for Deeper Debt Cancellation in the Fight Against HIV/AIDS, April 2001.

F Gwarazimba (1993): SADCC and the Future of Southern African Regionalism, in: A Journal of Opinion, Vol 21/1-2, 51-73

IMF Pamphlet Series 51, Debt Relief for Low Income Countries, The HIPC Initiative, 1997

Konrad Adenauer Stiftung (2000): Monitoring the Process of Regional Integration in SADC. SADC Study Series, C. Peters-Berries and M. T. Marx (eds), Harare, Zimbabwe

T. Mumvuma (2000): Opportunities & Challenges Facing Zimbabwe in the Wake of the Cotonou Agreement. In: ACP/EU-SADC Conference on the Cotonou Agreement Published by Friedrich-Ebert-Stiftung Presentations made at the Safari Court Hotel-Windhoek, Namibia, 23-24 November.

John Ohiorhenuan (2002): Nepad and the dialectics of African Under Development. In: New Agenda, Third Quarter 2002, published by the Institute for African Alternatives, Cape Town, South Africa.

A.B. Shankanga (2001): Human Resource Development: Background and Context. In Development in Southern Africa: A sectoral review of regional integration in SADC, Southern African Research and Documentation Centre (SARDC), Harare, Zimbabwe.

Internet
http://www.globalcorruptionreport.org.
Reports by regional correspondents on the state of affairs as regards corruption in the region. Note: the section on the DRC appears in the east and east central Africa section of the report. The Global Corruption Report is an annual report issued by Transparency International.

www.jubileeresearch.org
Extensive information on the state of the art with regard to debt issues. Articles including "What is the HIPC Initiative" and "New World Bank Reports Confirm that the HIPC Initiative is Failing" are available on this website.

www.ifaasa.org
Website of the Institute for African Alternatives

www.itf-commrisk.org
Website of the International task Force on Commodity Risk Management, a public-private partnership, first convened in January 1999. ITF is exploring new, market-based approaches for assisting small-scale producers in developing countries to better manage their vulnerability to commodity price fluctuations.

www.sadc.int
Official SADC site with extensive information on the organisation.

www.ti.org
Website of Transparency International; comprehensive info on corruption

www.undp.org
Here you can find the Human Development Report

www.worldbank.org
A wealth of information available from this site.

www.wto.org
The official website of the World Trade Organisation