SADRN SOUTHERN AFRICAN DEVELOPMENT RESEARCH NETWORK

POLICY BRIEF 1

Southern African Development Community: Reaping the benefits of regional economic integration

INTRODUCTION

Southern African Development Community (SADC) members signed the Trade Protocol in 1996, however progress in the region to reap the benefits purported to accompany regional economic integration appears limited. Although SADC has adopted a growth and development through trade strategy, indications are that more needs to be done to implement this in a way that yields more positive results.

RESEARCH FINDINGS

Low levels of intra-SADC trade are evident, despite broad-based tariff liberalisation. Although overall, the total level of exports from SADC has increased, this is predominantly related to trade outside the region. In addition, the export basket remains undiversified generally characterised by commodity exports. This would suggest that other barriers to increased intra-regional trade are present, including supply-side constraints and infrastructure bottlenecks. The role that public investment has to play in crowding in private sector investment to address such issues is still unclear.

In Mauritius it would seem that investment in infrastructure has been ad hoc and not informed by long-term considerations. As such, policy recommendations include the need for the government to develop an efficient institutional framework and environment conducive for investment (for more details, see paper by Pooloo Zainah, *The role of public investment in promoting economic growth: A case study of Mauritius*).

In addition, specific interventions at a regional level in key vulnerable sectors for the poor should be looked at, particularly agriculture. Increased use of maize for biofuels has been putting upward pressure on food prices worldwide, with specific adverse local effects in the SADC region. South Africa (SA) is a key producer of maize in the SADC region and there are a number of concerns related to the limited amount of competition in the value chain of this product in the country, which adversely affects its neighbours in Southern African Customs Union (SACU) that import from SA.

While headway is being made by the Competition Commission in SA to address such issues, food price distortions remain a problem in SA and as a result in the region. Protection of this sector throughout the value chain should also be reviewed, for example the 5% tariff on maize meal, given that this has adverse effects for the poor who are the primary consumers.

Other approaches are also worth considering, though there is some analytical work showing that using taxation revenue-funded policies to assist the poor, for example the imposition of a value-added tax to fund targeted poverty alleviation programmes, are not likely to assist (refer to paper by Roman Grynberg and Maseddi Motswapong, *The 2007/08 food crisis: The case of maize and maize taxation in Southern Africa*, for further details).

The information in this brief draws on the ideas encapsulated in a series of papers that were published under SADRN in 2010. These are available on the TIPS/SADRN website www.tips.org.za/programme/sadrn
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Overall, a key problem appears to be the lack of political will among SADC member states towards practically unlocking the benefits that accompany regional economic integration.

While a number of protocols have been concluded, including in relation to tariffs, as well as the free movement of citizens across the region, many remain to be ratified or enforced. In addition, in general it would appear that national interests supersede those of the region and there is little commitment to change this.

For example, while the benefits of facilitating the free movement of natural persons have been espoused, most member states are not supporting this process. On paper it would appear some are doing so, in reality, however, particularly with skilled labour, if the various administrative burdens and costs associated are taken into account, it is clear that there is a bias towards employing nationals and disincentivising migration across the region (see papers by Manisha Dookhony and Lillka Cuttaree, *Policy paper on fostering talent movement in the SADC and ESA (East and Southern Africa) region* and Albert Makochekanwa, *Increasing temporary movement of natural persons in the SADC region: What should be done?* for more details around these discussions).

RECOMMENDATIONS

Given these observations, a few key related policy considerations arise:

- SADC member states need to be more politically committed to regional economic integration if the region is to truly benefit from such a process.
- More efforts and funding need to be directed towards harmonising national policies and procedures towards meeting regional goals. Key examples include: work permit requirements, such as recognition of qualifications, as well as reducing the administrative cost and burden of such applications.
- Governments should provide the necessary incentives and conducive environment to crowd in private sector investment, which would facilitate addressing challenges such as supply-side constraints and infrastructure bottlenecks.
- In addition, more efforts need to be directed towards facilitating trade in agriculture, which is a key export and provider of employment for many of the poorer SADC member states. This should form part of a broader set of trade and industrial policies for the SADC region, including addressing issues related to competition and rates of protection.

CONCLUSION

Short-term gains such as those reaped from the benefits of the commodity boom appear to be the main focus of the SADC member states with limited progress towards putting in place development plans with potential longer-term benefits. A case in point is around the agricultural sector which engages most of the region's poor and also faces high levels of protection within the SADC itself. Steps towards addressing such issues would contribute towards unlocking some of the key challenges in the region related to high levels of unemployment and poverty.

Political commitment to the integration process is a fundamental building block. The need for member states to comply with their own existing commitments* prior to further deepening of the integration process is important. For example not all SADC countries have implemented their tariff phase-down schedules (see paper by Mmatlou Kalaba and Mbofholowo Tsedu, *Implementation of the SADC Trade protocol and intra-SADC performance.* In addition, overt commitment, e.g. through funding of harmonisation processes, to issues such as the free movement of labour, will also positively contribute to the region's development.

The Southern African Development Research Network (SADRN) was launched in 2007 as a broad-based policy and research network. It aims to increase the supply of policy-relevant research in the SADC region and strengthen evidence-based policy-making. The project is funded by the International Development Research Centre (IDRC)

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SADRN focuses on three themes: industrial policy, services sector development at the regional level and trade policy and its linkages to pro-poor growth. The Botswana Institute for Development and Policy Analysis is the host of the trade and pro-poor growth theme working group, Trade and Industrial Policy Strategies hosts the industrial policy theme and the University of Mauritius hosts the services sector

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