

SOUTHERN AFRICA: FIRST STEPS TOWARD ECONOMIC LIBERATION

I

Aims and Action

In the Lusaka Declaration of April 1980 - "Southern Africa: Toward Economic Liberation" - the Heads of Government of the nine majority ruled states committed themselves and their states "to pursue policies aimed at the economic liberation and integrated development of our national economies ...". That declaration was offered "to our own peoples, to the peoples and governments of the many countries who are interested in promoting popular welfare, justice and peace in Southern Africa and to the international agencies who share this interest."

The Lusaka Declaration marked the formal commitment of the majority rule governments of the region to Southern African Development Coordination and to a set of strategic goods and approaches. Goals included:

1. reduction of external dependence and in particular dependence on the Republic of South Africa;
2. creation of operational and equitable regional integration;
3. mobilisation of domestic and regional resources to carry out national, interstate and regional policies to reduce dependence and build genuine regional coordination;
4. joint action to secure international understanding of, and practical support for, the SADC strategy.

The Declaration stressed the importance of national and regional

integration as a necessity for development aimed at meeting the basic needs of the peoples of the member states. It equally stressed the need to concentrate on practical actions to achieve progress in areas of mutual interest among two or more member states. The strategy is one of national coordination, harmonisation and selective integration, not of supranationalism, extensive institution creation or creation of a standard free trade area.

The Lusaka Declaration marked the end of the beginning - there had been a series of meetings including one with potential cooperating governments and agencies at Arusha in July 1979. It also marked a beginning toward building the practical projects and policies stressed in the Declaration. Since Lusaka there have been a number of sectoral meetings at official level - particularly in Transport and Communications and in Manpower Development as well as a series of sectoral studies and proposals by particular states designated to undertake initial explorations in these sectors. The work of these meetings and groups was reviewed by the SADC States' September 1980 Ministerial Meeting in Lusaka and further steps agreed upon and set out in that meeting's communique. Among them was the November 1980 convening of a conference with governments and institutions capable of supporting the SADC initiatives - initially particularly in the field of Transport and Communication - by pledges of support to specific projects.

II

The Sectoral Strategies

The priority sector - as set out in the Lusaka Declaration "Toward

Economic Liberation" - is transport and communication. This is true for at least four reasons:

1. without better communication within and between the member states both national and regional development are severely constrained. This is generally true whether in respect of mineral development for export or of food production and storage for national and regional food security;
2. because six of the SADC states are landlocked, transportation for them necessarily has critical multi-state coordination aspects;
3. artificial regional fragmentation of transport and communications and equally artificial incorporation into the Republic of South Africa's transport and communications network has been and remains a central element in national and regional dependence on the Republic of South Africa and one which RSA seeks to expand;
4. Multistate and regional transport and communications projects - even excluding the Trans Kalahari Railway - are likely to cost over \$1,500 million during the current decade, by far the largest single sectoral total for SADC investment.

Therefore, the most advanced institutional structures and the bulk of the fully articulated project proposals to date are in this sector.

However, SADC is not seen as a single sector strategy concentrating solely on physical infrastructure. Transport and communications are first sequentially because they are critical to integration in other sectors.

These include agriculture with emphasis on food security, livestock disease control, soil conservation and land use and agricultural research for the semi-arid tropics. They also include energy strategy, production and trade and industrial harmonisation leading to enhanced intraregional trade in manufactures.

At some stage in the development of regional cooperation, a financial institution for mobilising and channelling funds and for carrying out evaluations and sectoral studies will become necessary. A segmentally earlier priority is coordination in manpower development initially centering on wider regional knowledge and use of the stronger national institutions in specialised fields.

III

Transport and Communications

A major proportion of the practical work since the Lusaka Summit has been in the transport and communications sector. Two regional meetings of senior officials have been held. An interstate Commission with ministerial and official committees and a secretariat has been created and its Convention is in the process of ratification by member states. A list of priority projects has been agreed regionally within the Commission and at the Salisbury Ministerial Meeting. These projects are being elaborated into the form of proposals for submission to external financing bodies by national and commission personnel and by technical assistance officers secured from SIDA and the African Development Bank.

The order of priority in the sector is:

- a. rehabilitation of all existing transport and communication facilities including the major interstate rail links;
- b. establishment of telecommunications links and civil aviation infrastructures;
- c. new road, rail, air and lake transport systems for which feasibility studies are already completed;
- d. feasibility studies for further major regional road, rail, internal marine, air and ocean shipping facilities.

It is envisaged that the initial priority projects prepared for submission to the Maputo Conference will have a total cost of the order of \$500 million. Additional projects will be studied and added to the priority list as part of the ongoing work of the Commission. In addition the Commission and the member states have addressed themselves to coordinating traffic flows in order to utilise existing routes more effectively and have held several bilateral and multilateral meetings to that end among themselves and with Zaire.

IV

Agriculture

Agriculture is evidently primarily a national responsibility. However, a series of specific areas in which gains can be achieved by regional coordination have been identified. One project has already been formulated and technical conferences for additional discussion and project formulation have been scheduled.

African strain foot and mouth disease is reaching or threatens to reach epidemic proportions in several SADC member states with severe effect on their rural incomes and exports - especially in the case of Botswana. The only laboratory producing vaccine effective against this strain is in Botswana. The only way to control and end outbreaks is by joint action among affected states. A detailed proposal for a study to articulate and cost a regional control programme including expansion of vaccine production has been prepared by the coordinating state, Botswana, and submitted to EEC. A conference of veterinary officials will be held to meet with members of the project study team and to explore possibilities and requirements for coordinated regional action against a series of animal diseases.

Most of the region lies in the semi-arid tropics. Basic research and experimentation in surmounting the difficulties posed by this ecology is limited globally and particularly in Southern Africa. Botswana, on behalf of the nine member states, has addressed a formal request to the International Crops Research Institute on Agriculture in the Semi-Arid Tropics (ICRISAT) to establish a sub-centre in the region. As a first step ICRISAT has been asked to send a team to work out the requirements and initial programme priorities for such a centre.

Food security is of central concern to all member states. Most have significant deficits in supply of one or more basic foods and several are nationally heavily dependent on food imports. A preliminary study by the coordinating state - Zimbabwe - has identified several areas for coordinated action; technical data exchange, development of national and regional statistical data

banks and of an early warning system, coordination of national and regional food plans and resources as well as joint action by member states in respect of food import procurement including food aid. A technical conference to provide additional national data and to articulate action projects in these areas is being convened by Zimbabwe for late 1980 or early 1981.

The same meeting will address itself to examining the need for and possible programmes of a regional soil conservation and land utilisation body. The existing technical organisation is based in and dominated by the Republic of South Africa, does not include Angola and Tanzania and is being left by Zimbabwe creating a need for an independent Southern African focussed initiative.

v

Energy

Energy represents a major constraint on development for several countries in the region whose petroleum, plus in three cases electricity, import bills exceed 25% of exports (50% in at least once case). At the same time it represents a major possibility for development through coal, natural gas and petroleum exports for a majority of the member states.

In both cases there appear to be significant opportunities for coordination. There are significant real and potential electricity surpluses which may be usable to reduce regional energy imports. Large-scale coal production for export in Botswana, Swaziland, Zimbabwe, Mozambique and - potentially - Zambia and Tanzania will require coordinated rail and port development on a multistate

basis if it is to become possible at all or possible without severe dislocation of existing uses of rail routes through the coastal states.

Further exchange of data on development of new or expanded traditional energy resources - ranging from village woodlots based on rapidly growing trees such as eucalyptus and windmills to thermal units can increase the speed and efficiency with which dependence on imported fuel can be reduced and environmental degradation from overcutting of natural forests for charcoal limited or reversed.

A technical level conference on national energy policies, actual and potential resources as well as achieved and possible inter-regional trade in energy is to be held in Angola during the first part of 1981. It will, on the basis of national papers and background materials prepared by the coordinating state, seek to develop a more detailed and operational set of policies and projects.

VI

Industry

Industrial development is critical to economic liberation. It is central to the achievement of more nationally integrated, less externally dependent economies. In particular it is critical to reducing dependence on the Republic of South Africa - a substantial to dominant source of manufactured goods imports for a majority of member states.

The problems of industrial development in small, poor economies

are well known as are the potential advantages of harmonisation. So too are the problems of achieving these advantages and of dominance of regional groupings by one state to the detriment of other members - problems which each SADC state has experienced and those entangled in the South African Customs Union Arrangements are still experiencing.

Initial work in this sector has identified a three stage approach.

First, identification of national surplus capacity which could be brought into production for regional trade and if complementary national manufactured goods import requirements now met from outside the region. These are not negligible - an incomplete preliminary list identifies about sixty clusters of products including several intermediate and capital goods and at least one immediate export possibility in each SADC member. To achieve the potential national manufactured output and regional dependence reduction gains will require some form of trade planning and preferential access. The Mozambique Tanzania Annual Trade Plans may be ample from which further bilateral manufactured goods trade arrangements can be built.

Second, data on national industrial projects commissioned or under construction can be exchanged. No SADC state can envisage a complete range of industries in the foreseeable future because of capital cost, construction capacity and skilled personnel constraints. Therefore knowledge of advanced plans and decisions on a regional basis could permit harmonisation by permitting states to avoid duplication, pick areas not already in other states' action programmes and engage in more accurate projection of regional export potential and import possibilities.

Third, in certain major branches of industry resource availabilities, market sizes, capital requirements and personnel availability suggest that a more formal multi-state approach may prove appropriate. Certain branches of chemicals, pulp and paper, basic metal production and engineering seem likely to fall into this category. Here exploration of means to integrating planning, setting up durable inter-enterprise relations (whether on a formal joint venture basis or otherwise), and achieving an acceptable balance of product and export gains among participating states require more detailed examination before proceeding to detailed feasibility studies in selected branches of industry.

This overall approach to industrial harmonisation was approved by the Salisbury Ministerial Conference. A substantial preliminary study has been prepared by the coordinating state - Tanzania. Additional data is to be collected by each state and by the coordinating state to permit action to implement stage one and advance toward action in stages two and three. A conference of industry and commerce officials to discuss immediate action possibilities and elaborate longer-term programmes will be held in Dar es Salaam during the first months of 1981.

VII

Trade

Development of interstate and inter-regional trade is seen as flowing from and implementing goals in respect to energy, food security and industrial harmonisation rather than as an end in itself. Transport and Communications development is, of course, a necessary step toward making such trade economically practical as well as a source of substantial invisible export earnings to

the coastal states.

Because trade is perceived as a way of achieving the benefits of coordinated activities in production and because of specific problems relating both to the gradual reduction of dependence on imports from the Republic of South Africa and participation in its Customs Union and to very uneven present development and strength of manufacturing sectors, a standard preferential trade area is not seen as an adequate or even a necessary first step nor is there any commitment to seek a regional free trade area or common market. Equally, SADC membership is not seen as incompatible with special interstate or regional economic coordination (including trade) arrangements with non-SADC neighbour states. These are of substantial actual or potential significance for several member states in respect to Zaire and for Tanzania in respect to Rwanda, Burundi and Uganda.

Because trade is seen as a means to capturing the gains from production coordination, initial development of policies will take place largely in sectoral discussions relating to food security, energy and manufacturing and probably especially the last of these. Because of the great significance of import licensing and foreign exchange allocation in most of the member states, policies in respect to regional trade concerning these areas will receive specific attention. Similarly the goal of equitable and genuine regional integration requires that in developing greater intra-regional trade specific attention be paid to avoiding massive regional trade surpluses and deficits by different states and, therefore, to ways and means of articulating and achieving relatively balanced trade plans for exchange among partner states on a

bilateral, multilateral or regional basis.

VIII

Finance

Regional coordination will at some point require financial institutions. Coordination of national institutions and development of their policies may well be adequate for the regional trade development aspects of the strategy. However, in respect of major projects involving significant investment by two or more states, a case for a special regional institution to help in project articulation, mobilisation and channeling of finance is recognised.

The basic question is one of timing. Creation of a development bank would require significant investment of human and institutional resources. To undertake this before a substantial group of projects requiring large, multistate investment have emerged may be premature and, indeed, delay project development. Further, since a significant portion of major project finance must be secured from outside the region, the preferences as to procedures and channels of potential external funding bodies must be explored in greater detail.

At present the Transport and Communications Commission is charged with identification, articulation and coordinated mobilisation of domestic and extra-regional finance for projects in its sector. This provides a workable initial approach to coordinating approaches to cooperating governments and financial institutions.

In the meantime the state responsible for formulating proposals in

this sector - Zambia - has produced a substantial amount of background material toward the elaboration of a regional development finance institution. A technical conference of Treasury, Central Bank and financial institution officials will be held in 1981. It will consider alternative ways of institutional development from the creation of a full fledged regional development bank, to joining the former East African (Community) Development Bank (whose charter as amended provides for accession of additional members) to the initial establishment of a Southern African Fund to raise and channel money to specific interstate and regional projects. In particular they will articulate the costs of the various options, their probable effectiveness in mobilising additional extra-regional resources and appropriate sequences and timing of steps toward financial institution development.

IX

Manpower Development

Regional, like national, development in Southern Africa is severely constrained by the limited number of citizens with high and intermediate level education and training, especially in specialised fields. The range of specialised requirements - from transport equipment maintenance through financial management to soil conservation and wild life management - is wide and the number of specialities daunting.

Especially for the smaller states building up a complete range of training institutions is impractical. Even for the larger it will be very expensive. However, taking the region as a whole one or more relatively strong secondary and/or tertiary institutions

already exist in most specialised fields. The first steps toward regional coordination are seen, therefore, as building up a list of existing national institutions and facilitating placing of students from countries without particular training facilities in the institutions of other member countries. Such interstate use of facilities already exists on a not insubstantial basis but is clearly handicapped both by lack of knowledge of opportunities and the related past tendency to underestimate possibilities within the region.

Over the medium term two additional possibilities for coordination are foreseen. The first is to develop semi-formal two-way commitments to accept and to place students to allow forward planning by specialised institutions with a substantial proportion of their students from other states and to ensure that manpower development plans based on such placements are not disrupted by sudden loss of previously available places. At this stage arrangements as to finance and to consultation on curriculum will need to be developed.

In the longer term it is possible that some institutions on a formal or regional base will become appropriate. Because past experience with such institutions has been mixed and their average survival relatively short, more investigation of possibilities, constraints, ways and means is required before any definite proposals can be made.

The coordinating country for this sector - Swaziland - has built up a substantial body of material on existing national institutions and their programmes and on their actual and potential use by other states in the SADC area. A technical conference of education

and manpower development officials of member states has been held in conjunction with this work. A further conference to evaluate the completed study and to identify immediate, medium and longer-term operational possibilities will be held in 1981.

(Cooperation Section Follows)

External Cooperation

Southern African Development Coordination is a Southern African strategy. It has been formulated by Southern African states in response to Southern African needs. International understanding and cooperation is sought within the strategy and within the frame of regional determination and management of SADC.

However, the member states regard global understanding and cooperation as important. They see four reasons why, given discussion and negotiation, they can reasonably expect cooperation and support:

1. the reduction of Southern African dependence on the Republic of South Africa is a necessary part of change in Africa and a critical element in speeding the pace and lowering the human and economic cost of such change;
2. the development of the economies of the Southern African states to serve the basic needs of their peoples is in accordance with widely supported international declarations and programmes in respect to development assistance;
3. Southern Africa possesses a significant array of resources - especially in the mineral sector - relevant to the world economy. The development of these resources is critical to laying the foundations for broader development in the region. At the same time it can be important to ensuring adequate supplies at projectable prices to the world economy. These two concerns are not identical - the division of gains obviously is a business bargaining topic - but they are

overlapping and complementary;

4. Resource development - for national integration, for regional coordination and for export - depends on improved transport and communication which can only be achieved regionally.

The modalities and programming of cooperation between the SADC activities and friendly governments and international institutions presents both challenges and opportunities. SADC is operated through practical projects and technical programmes not through elaborate permanent institutions with large secretariats. It seeks cooperation from industrial economies, external balance structural surplus economies, newly industrialised economies, global and regional international financial institutions. There is, therefore, a real danger that coherence and consistency in cooperation will be lost in a number of particular agreements and that some key areas and endeavours will be overlooked.

On the other hand, these structural characteristics also offer opportunities. The coordination of external support mobilisation for Transport and Communication by the Commission allows potential donors to have a clear perspective of the sector's key elements as seen by member states in conjunction with a small supporting secretariat.

Further the diversity of potential cooperating governments and financial institutions presents an opportunity to achieve regionally what has repeatedly been stated to be an international assistance modality goal at global, regional and national levels - welding together the contributions of industrial economies (hopefully of CMEA as well as OECD), of structural balance of payments surplus economies, of global and regional development finance institutions,

and of newly industrialised economies in support of developing country strategic initiatives.

It is particularly important to capitalise on these opportunities in the SADC context for four reasons:

1. especially in transport and communications the sums required are large and even for single projects cannot necessarily be procured from a single source;
2. project by project picking and choosing - especially if it also involves selecting only the portion of a multistate project within one SADC state and not those in others - may not in fact add up to effective support;
3. the particular sources of external finance actually or potentially open to SADC states are not uniform. In particular certain of the coastal SADC states are not at present likely to receive substantial cooperation in capital funding from a number of bilateral and multilateral sources which are significant for other states and the SADC region as a whole;
4. because SADC has no history of institutionally fixed and bureaucratically routed cooperation arrangements nor of vested interests by particular cooperating bodies, it affords an especially favourable opportunity for developing new modalities.

The exact form these modalities could take requires discussion by all concerned parties - i.e. the SADC states; regional and global development finance institutions; industrial, newly industrialised and structural balance of payments surplus economies. The Maputo Conference should afford a good occasion for such a dialogue.

There is already a precedent which may serve to indicate some of the elements toward a broader medium-term approach for the Transport and Communications Sector as a whole. That is the Benguela Railway Rehabilitation Programme.

That programme was planned and finance organised by consultations among the regional states (Angola, Zaire and Zambia coordinated by the last), the EEC, the IBRD and several OPEC and OPEC member funding bodies. The consultative group meetings identified engineering and financial requirements and secured pledges of funds to each of the programme components. No one funding source is committed to supporting activities in all three regional states - each has selected one or two. However, through the consultative group process an overall commitment to the total rehabilitation programme has been achieved both from the three regional states and from the external funding partners.

The elements which might be sought in discussions at Maputo include:

1. use of the Transport and Communications Commission as a programme and project negotiating and coordinating body between the member states and external funding partners;
2. the creation of a consultative committee or group of the potential funding partners to coordinate their separate responses and to ensure that, taken together, they respond effectively to the SADC needs demonstrated and proposals made;
3. initial pledges of support to the overall Transport and Communications programme to be articulated to particular projects and to specific country portions of these projects within the framework of the consultative group of cooperating

states and institutions and between them and the Transport and Communications Commission.

x1

Maputo

The Salisbury Ministerial Conference marked the first steps toward concrete action on the SADC programme as a whole. It was made possible by the commitments entered into at the Lusaka Summit and by the subsequent technical meetings.

Similarly the Maputo Conference is envisaged as achieving the first practical commitments of external support to the SADC action programme and projects - particularly in Transport and Communications. Its background includes the Arusha Conference with many of the same extraregional governments and institutions, as well as the technical preparations and the projects approved by the Commission and the Lusaka Meeting for presentation to potential external funding partners.