

# THE POLITICAL ECONOMY OF REGIONAL INTEGRATION IN AFRICA

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## THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

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EXECUTIVE  
SUMMARY

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## Executive Summary

This report presents the findings of a political economy analysis of the Southern African Development Community (SADC). It focuses on what drives or constrains this regional organisation in particular sectors such as regional industrialisation, the development of a regional energy market, and *Transfrontier Conservation Areas*. This report is part of a broader study that also includes the African Union and four other Regional Economic Communities (RECs) in Africa.

### Why a political economy analysis of SADC?

SADC was established in 1992 as a successor to the *Southern African Development Co-ordination Conference* (SADCC). SADC ushered in a new era for regional cooperation in Southern Africa after the Cold War, a troubled colonial past, liberation wars, apartheid rule in South Africa, with the occupation of Namibia and a decade of economic and military destabilisation of the SADCC members. Unlike other Regional Economic Communities in Africa, SADCC prioritised cooperation and coordination in a limited number of sectors where clear benefits could be gained from regional approaches. Each of the nine member states had the responsibility of coordinating one such sector, and the external destabilising pressures of the apartheid state engendered political and economic hands-on collaboration among the so-called *frontline states*.

The establishment of SADC marked the transition from a *political coalition* of former frontline states to a coalition with an expanded membership (independent Namibia had joined) and a broader agenda of regional integration. After the first democratic and non-racial elections in South Africa, it also joined SADC, with three more countries – including the resource rich Democratic Republic of Congo – joining shortly after. The SADC agenda soon covered a broad range of sectors and policy areas, with commitments to actions and reforms in peace and security, trade, transport, tourism, environment, corruption, infrastructure development, governance, gender, and many other challenges. This expanded agenda reflected a degree of voluntarism and optimism, as well as the belief in a linear economic integration model resembling the EU one.

Yet SADC has not been able to attain its self imposed objectives and targets for deepening integration in the region. The purpose of this study of SADC, therefore, is to provide insights on the implementation gaps, as such understanding may help inform, calibrate and target reforms as well as support efforts that are not only technically possible but also politically feasible. To do so, the study focuses on the key drivers and constraints that shape the SADC agenda and influence its implementation by analysing three sectors – industrialisation, energy and conservation – and one cross-cutting theme (gender), three of which are SADC priorities. The study applies a political economy framework to answer two core questions: *how do key actors and factors affect and shape the agenda setting of SADC? And how do actors and factors influence what gets implemented and why?*

### Key findings of the SADC study

The Treaty that established SADC in 1992 provided for its member states to conclude Protocols in all areas that may be required to realise its objectives. Yet despite this contractual arrangement and the Protocols signed, there are numerous constraints in their

implementation at national level. The sector policies on regional industrialisation and on the creation of a regional energy market bring out some of the key political economy drivers and constraints at national, regional and global level. They also highlight one particular foundational factor, South Africa as a *hegemon*. The latter refers to the term given in the literature to a dominant economic and political actor in the region that influences regional processes in substantial ways. South Africa's history of industrialisation, migrant labour policy and infrastructure development has profoundly affected the socio-economic and political relations in South Africa and in the region; and South Africa continues to dominate in a changing global context with new opportunities for regional cooperation.

In the case of regional industrialisation policy, South Africa did not take the lead, despite its strong and diversified economy with strong exposure to global markets compared to the poorly industrialised SADC member states. It was Zimbabwe that took the initiative and successfully put that sector on the agenda of the SADC Summit in 2014 during its presidency. Partly, this was to deflect attention from other regional commitments, such as the full implementation of the SADC Free Trade Area. Zimbabwe fears that the country's implementing of the free trade area will further decimate its manufacturing sector, and reduce its tariff revenues. The SADC Secretariat has – with external backing from UN agencies – supported the policy preparation of regional industrialisation.

On regional industrialisation, South Africa faces mixed incentives. At one level South Africa's interests are not served by a regional industrialisation policy that reduces South Africa's policy space in this sector. The South African Department of Trade and Industry combines a range of policy tools (including trade) to strengthen its manufacturing sector and to enhance employment. The high unemployment figures in urban areas may erode the electoral support base for the ruling ANC, with powerful trade unions exerting pressure for protectionist policies. At another level, there are other voices in government promoting different measures such as infrastructure development, or improving the business environment. Reaching an agreement with SADC member states on a regional approach, moreover, is very difficult as it is hard to clearly demonstrate the regional value added to different member states. Also, given the lack of participation by business, civil society and trade unions in this SADC process and the lack of alignment of interests among the key players, agreement on an operational plan and its implementation remains distant.

In the energy sector, the case of the regional electricity market seemed more straightforward as there was initial and strong alignment of interests among most member states and a strong economic logic to work together. The region has abundant but underdeveloped energy potential, with inadequate electricity transmission and distribution networks. Sufficient, reliable and affordable electricity supply is important for economic development, especially for the region's largest economy, South Africa. In 1995, SADC established Africa's first regional power pool, the *Southern African Power Pool (SAPP)*. Regional power-pooling involves the creation of a regional market for the surplus electricity.

In the mid nineties there was demand for a regional energy market, as there were sufficient member states with significant excess capacity of electricity generation. And there were members with electricity shortages and an interest to buy surplus from other SAPP members. South Africa took a dominant position in the regional energy market. Its powerful state-owned monopoly holder, ESKOM, controlled the country's electricity value chain (generation, transmission and distribution) and was keen to sell its cheap, coal-generated electricity

surplus. South Africa also exercised its influence in the SAPP by shaping the governance and membership rules of the regional market. This way, it was able to initially keep out independent power producers from becoming member of SAPP.

The energy crisis in Southern Africa of the mid 2000s proved to be a critical juncture for the regional energy market as it resulted in shortages of electricity supply, and altered the power and market dynamics. Draughts in the region cut into the capacity for generating hydro-electricity, and South Africa faced a homegrown electricity crisis. This was due to increased demand for cheap electricity from consumers and from the economy, at a time of stagnating electricity production. In post-apartheid South Africa ESKOM had underinvested in production capacity, while simultaneously extending the electricity grid and transmission infrastructure to reach all South Africans. Affordable electricity for all has been an important ANC promise since the first democratic elections. Since the crisis, the balance of the regional energy market in Southern Africa has changed. While member states probably see the long-term value of a regional energy market through a single purpose regional organisation such as SAPP, the electricity shortage to sell and the short to mid-term uncertainties are less appealing. Hence, member states revert to bilateral rather than regional relations in the energy sector.

The case of the Southern Africa's *Transfrontier Conservation Areas* (TFCAs) present a regional cooperation model in which SADC plays a supportive rather than a central role. Such TFCAs are multi-purpose border parks in two or three countries that require multiple state and non-state stakeholders at all sides of the border(s) to solve a range of collective action and development challenges. The first TFCAs were initiated in the new millennium as bilateral or trilateral projects, and were facilitated and kickstarted by a non-state actor, the *Peace Park's Foundation*. The SADC secretariat became gradually more involved in the legal framing of the formal multi-country cooperation protocols that underpinned the rollout of TFCAs in the region. But the drivers of these processes are located outside SADC, involving networks rather than top-down approaches and with an important component of brokerage of coalitions behind shared interests and common problem solving.

Since the inception of SADCC, donors have played important roles as providers of finance, models and technical assistance. SADC has become heavily dependent on donor resources. In all three sectors, donors – including multilateral agencies – have tried to shape particular aspects of the regional process through aid, although not in overly dominating ways. In the case of gender, while donors provide support for both SADC gender related projects and institution building these initiatives are insufficiently translated into action on the ground by state and non-state actors or gender champions on the ground.

## Implications

This political economy study of SADC in three sectors and gender points to a number of implications for stakeholders with an interest in effective regional cooperation. Key aspects for consideration for policy makers, donors and other stakeholders when deciding on the level of ambition of reforms, the choice of sectors or policy issues to work on, and selection of reform coalitions to engage with (combination of partners, stakeholders, interest groups) can be summarised as follows:

- South Africa's dominant position in the region is a foundational factor of SADC that cannot be wished away but needs to be factored in in the political economy analysis, as this provides pointers for better identifying opportunities or areas of regional reforms.
- Sectors and sub-sectors differ in their appeal to powerful state or non-state actors, or coalitions of stakeholders. Ignoring these political economy dimensions of sector characteristics results in overambitious and poorly targeted reform agendas and in missed opportunities for coalition building and incremental institution building.
- The case of the SADC Industrial Policy indicates the limitations of engaging in overly ambitious agendas; the case of the Southern African Power Pool highlights how external crises can profoundly alter the incentive environment. In both cases and sectors, however, the incentives and interests of powerful stakeholders within these countries are pulling in different directions. This calls for realism and for engagement strategies that are geared to await the appropriate opportunities and/or to prepare the ground by supporting change coalitions.
- The regional cooperation model and experiences of the *Transfrontier Conservation Areas* are a reminder that transnational and regional cooperation processes can be initiated and driven by other than regional organisations. SADC is supportive in these processes, though not leading.
- SADC's heavy dependence on donor resources brings about risks in terms of agenda inflation, further distortions in the governance and accountability relations between SADC and its member states, and missed opportunities for support to more promising, bottom-up regional dynamics around particular problems or driven by effective coalitions.
- On gender, the implication would be to prioritise stakeholders who are able to mobilise coalitions around gender-related across the border or regional challenges in sectors with potential for scaling up policy actions.



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