



## POLITICAL ECONOMY DYNAMICS OF REGIONAL ORGANISATIONS IN AFRICA

PEDRO

### ***SADC: Living with a powerful neighbour<sup>1</sup>***

This paper sets out to better inform stakeholders about why the *Southern African Development Community* (SADC) and national level stakeholders operate as they do, with illustrations from the regional industrialisation and energy agendas. It concludes with implications for support.<sup>2</sup>

#### **Political traction, member states interests and potential**

In 1992 a new regional organisation, the Southern African Development Community (SADC), grew out of the Southern African Development Coordination Conference (SADCC). The latter had been created in response to the military, political and economic crises in the region that were triggered by apartheid South Africa. Given the sense of urgency around state instability, SADCC adopted a narrow mandate and a lean structure. With the transition towards democracy in South Africa in the early 1990s and the pursuit of peaceful neighbourliness, SADC expanded its membership to 15 member states, while broadening its agenda and mandate. The ambitious SADC agenda reflects strong rhetorical support for deeper integration to tackle a range of development and other challenges.

National implementation of regional policies is hampered by the reality of deeply-rooted structural factors such as wide disparities in politics, colonial backgrounds, country size, and economic underpinnings and endowments that have shaped path dependencies. The region is characterised by contrasting levels of industrial development, with South Africa and Mauritius relatively highly industrialised in contrast to the other member states, especially the newly de-industrialised Zimbabwe. In policy areas such as regional peace and security, cross-country water and energy, or cross-country functional cooperation, there are incentives for key domestic stakeholders to work together through or with SADC.

But in all these thematic areas, South Africa continues to influence and dominate regional dynamics in southern Africa as the region's "swing state". Its positions are often crucial to either promote or block implementation of SADC policies. South Africa has numerous combined strengths that shape regional integration processes: military might, diplomatic reach, a varied and well-endowed economy, a rich institutional make-up behind a constitutional multi-party and liberal democracy, as well as the emerging institutional underpinnings of a social welfare state. South African companies are deeply engaged in the region's markets. The country also depends on some SADC member

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<sup>1</sup> Based on a March 2017 Background Paper by ECDPM, available at [www.ecdpm.org/pedro/backgroundpapers](http://www.ecdpm.org/pedro/backgroundpapers). The Policy Brief and Background Paper were prepared under the BMZ-financed project on the *Political Economy Dynamics of Regional Organisations (PEDRO)*. This paper builds on an earlier paper conducted under the *PERIA* project. Author: Jan Vanheukelom ([jvh@ecdpm.org](mailto:jvh@ecdpm.org)). Project team leader: Bruce Byiers ([bby@ecdpm.org](mailto:bby@ecdpm.org)).

<sup>2</sup> Other PEDRO related papers on SADC deal with trade and transport, peace and security, and the water agenda.

states to tackle strategic vulnerabilities such as water shortages, energy dependency, and transport bottlenecks, or to reduce and prevent the harm of regional spillovers of violent conflict and instability. While these dependencies create incentives to engage in regional cooperation, sometimes through SADC, South Africa's dominant position also engenders distrust.

Other countries and variables in the region - and from outside - also influence SADC agenda-setting, shaping the political traction behind regional priorities and development outcomes. Two different but related regional dynamics or sub-sectors illustrate this: regional industrial policy and regional energy policy. Zimbabwe has taken a keen interest in putting industrial policy on the SADC agenda and promoting it. Yet its motives are reportedly more related to government reluctance to implement the SADC Trade Protocol due to fear of competition from South African imports. South Africa seems to have taken a lower profile on this matter as its interests lie elsewhere, and as it is the only diversified and industrialised economy in the region. Further, its ruling elite faces strong pressures from the trade unions. Most union federations are allies of the ANC government and lobby to maintain protection for South Africa's producers.

The SADC industrialisation strategy built on limited private sector engagement, limiting its traction on the ground. Furthermore, there are inherent *sector* characteristics that turn industrial policy into a contested area between SADC members and even within SADC countries. Governments can take economy-wide measures to improve the broader business and investment climate. But they can also opt for specific sectors or sub-sectors, thereby picking 'winners', and hence potentially creating 'losers'. To mediate or solve such within-country and between-country tensions requires levels of trust and institution building that the region has not yet attained. Additionally, these dynamics affect the direction of regional industrial policy and may yet limit the chances of effective implementation. Nonetheless, there may be potential for using what rhetorical momentum there is behind the industrialisation agenda to give new impetus to more *horizontal* initiatives in the trade/transport sub-sectors to improve the overall business environment.<sup>3</sup>

In the energy sector, SADC also oversees a single-purpose regional organisation with a clear objective of direct concern to the socio-economic development of most of its members: the *Southern African Power Pool* (SAPP). This organisation was created to institutionalise a regional energy market in a region severe short of electricity, but rich in potential to generate it. South Africa was an important driver behind the creation of SAPP in 1995 at a critical juncture in time. Under apartheid, South Africa had developed surplus capacity of electricity. After a major drought that reduced hydropower production in neighbouring countries and with political democratisation in South Africa (1994), there was sufficient demand and supply to create a regional energy market. A decade later, South Africa faced a serious energy crisis, with energy production not keeping pace with domestic demand for energy, thereby reducing South Africa's interest in and support for SAPP.

This in turn reduced the attractiveness and increased the risks of the power pool for other members in the power pool. The unstable and unpredictable environment drives member states to focus more on bilateral and trilateral - rather than regional - energy projects in the energy sector. It is too early to assess whether these projects and dynamics constitute building blocks or stumbling blocks for the strengthening and expansion of a regional energy market through SAPP over time, or to what roles SAPP will be playing. But it appears safe to suggest that its institutional capabilities developed for serving and facilitating such market can be built on and further developed over time.

The SADC Secretariat is heavily dependent on external donor support such as that of the European Union (EU). Moreover, the EU prioritises South Africa in the region through a strategic partnership in various areas such as peace and security, science and technology, but also trade and development. As the two sector cases highlight, South Africa will in all likelihood shape what gets prioritised and implemented on the SADC industrial agenda while South Africa's political economy in the energy sector will ultimately shape the direction and depth of institutionalisation of the regional power pool.

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<sup>3</sup> See also PEDRO report on SADC trade and transport. So far, regional value chains largely developed beyond or outside the SADC policy framework, so have not been integrated in this report.

## Implications for support

### **1. Balance support to the SADC Secretariat with support for cross-country and regional dynamics that enjoy political traction from state actors, preferably in combination with non-state actors.**

- Strong foundational and historical factors, including the roles and power games of South Africa as a swing state, limit the potential of the SADC Secretariat and other regional institutions to effectively stimulate, monitor or otherwise further implementation of agreed regional policies.
- Heavy reliance on donor funding risks strengthening an incentive environment that skews accountability and programming towards donor demands and priorities rather than member states.
- Numerous opportunities for multi-stakeholder partnerships<sup>4</sup> in support of cross-country or regional cooperation/integration merit exploration, keeping in mind whether such partnerships can help SADC to address the implementation gap or not.

### **2. Adapt support strategies in support of regional public and private organisations to the emerging opportunities, the level of traction and changing incentive environment.**

- The SADC industrial policy provides opportunities and an entry point for engaging member states on trade-related issues, though certain member states do not prioritise these.
- Moreover, the regional industrial policy framework offers a conduit for private sector actors such as the NEPAD Business Foundation and the Southern African Business Forum to facilitate multi-stakeholder cooperation around specific regional challenges, and draws the attention to the need for support of such homegrown enablers and brokers.
- The case of the SAPP highlights how the coincidence of climate factors and the domestic political economy of South Africa's energy sector can substantially alter the incentive environment in Southern Africa, and hamper the creation of a wholesale regional energy market. Still, donor facilitation and technical support may help SAPP adapt to changing circumstances and build capacities and trust, including with private sector actors.

### **3. Engage with the EU - as the most influential donor of SADC - on policy coherence (for example in the areas of trade and industrial policy, and trade and agriculture) and to encourage harmonisation among donors in support of strengthening SADC core functions and programmes with political traction.**

- It is important for the EU to remain cognisant of the ways in which its strategic partnership with South Africa and its bilateral Trade and Cooperation Agreement with South Africa may further reduce the incentives for South Africa to engage in regional problem solving and institution building.
- Given the multitude of donors involved in supporting the SADC Secretariat or particular programmes, part of their support ought to be channeled to deepening the understanding of the context specific institutional and programmatic challenges of SADC and into multi-stakeholder dialogue with key regional public and private sector actors in order to inform hands-off and adaptive approaches to strengthening regional institutions.

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<sup>4</sup> One example that emerged from the PERIA study related to the country level *National Planning Entities*, a process that is facilitated by the SADC Secretariat and supported by governmental and non-governmental actors in the region to improve cooperation across government departments on regional cooperation.

Behind the formal structures of regional organisations is a messy world of regional power and politics. This messiness is often difficult to capture in the language of development cooperation and institutional development. Working with regional organisations and their programmes therefore implies engaging with complex, multi-level power and interest dynamics.

PEDRO, the Political Economy Dynamics of Regional Organisations, is an ECDPM project that looks at the politics behind regional organisations, and the structural factors, institutions and incentives that ultimately define the way in which countries and different stakeholders engage at a regional level. PEDRO covers 17 African regional organisations and 11 policy areas. For each of these, ECDPM has applied a political economy approach to help understand the dynamics and their effects in different regions and policy areas.

The studies are framed around three key questions: the first relates to the political traction of the regional organisation as this helps assess whether the regional organisation has enabled regional decision making and if it has contributed to implementation. The second focuses on the member state interests in engaging with the regional organisation, especially the more resourceful and powerful ones (the so-called 'swing states'). The third looks at the areas with most traction where regional and national level interests seem to be most aligned for regional outcomes.

The reports aim to present information and insights that can help regional stakeholders navigate the obstacles and better respond to reform opportunities. Rather than providing specific operational recommendations, the political economy approach encourages more reality-based discussions among practitioners and reformers about feasible ways to address regional challenges. It is hoped that this may help tailor the ambitions and approaches of donors and reformers and help identify ways to support national or regional champions or coalitions to take regional cooperation and integration forward.