



Political Economy of Regional Integration in Southern Africa (PERISA)

Paper for **Session 4**

The Management of Regional Public Goods in Favour of Regional Integration

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1. Introduction of theme

The trend in monitoring and in evaluating progress in regional integration has been towards measuring success or failure on an exclusive trade integration framework. Analysts use the classic Barassa model of integration, where a regional organization moves from a preferential trade agreement, to a free trade agreement, customs union, single market and ultimately a political union. However, this approach neglects to examine other processes, not linked to trade integration, that could be moving ahead and integrating a region, whilst the trade agenda could be standing still. In the Southern African Development Community (SADC) the perception exists that progress towards achieving a full implementation of the free trade area is very slow and frustrations abound regarding the integration agenda.

However, in the years prior to the creation of the SADC, when the organisation was still known as the Southern African Development Coordination Conference (SADCC), when South Africa was still governed by an apartheid regime and the objective of the SADCC was to foster independence from South Africa, the SADCC was considered successful in integrating in areas such as water, health and power. Once South Africa joined the regional grouping and it became known as SADC, the focus shifted towards regional economic integration with an emphasis on trade integration. Trade integration has been progressing very slowly in SADC, with countless missed deadlines on the implementation and launching of agreements. Whilst the focus has been on these failures, other areas of integration, areas that were doing well under the SADCC, have been given less attention and yet they have not been abandoned entirely. Other new areas outside of the trade agenda have also been introduced, with various levels of success, and yet they have not received much attention from researchers and analysts.

Within the PERISA project we would like to highlight where these successes have been on-going and examine the reasons for their success or failure. Who is involved in driving cooperation and integration? Why have these processes been successful at the same time as trade integration has become stagnant? Can the reasons for success or failure be found in political interest groups, private sector interest or a strong history of cooperation in certain fields?

At the PERISA workshop held in November 2012, the participants identified the areas of water, forestry, power and the creation of trans-frontier parks as examples of regional integration success stories. The case studies that form part of this theme focus on these four areas. The management of land and water (as with forestry and wildlife management) is a critical component to sustainable and equitable development. Power is a critical growth driver in the region and the management of regional forests an important agenda item on climate change debates.

The PERISA case study work was commissioned in order to showcase other areas of regional integration to tease out whether there is a different story to tell from the trade integration one. This is especially relevant in a dialogue around and within the context of the South Africa-EU relationship, where the two partners are also branching out into new areas of dialogue and cooperation and are focusing less on the well established dialogue areas of development cooperation and trade relations. The four areas selected here include areas that were considered to be doing well under the SADCC, like water and power sharing, to newer areas of forestry and trans-frontier parks, which are areas of development post SADC's creation.

The results of the case studies are not straightforward and the conclusions drawn do not point to shining examples of regional integration and donor engagement. Rather, a mixed picture emerges of missed opportunities, lack of capacity to succeed due to institutional constraints, difficulties in national and regional coordination alongside progress and faith in the region's ideals and objectives.

2. General Findings

The first general finding is that whatever influence developments within the SADCC might have had on power and water cooperation seems to have dissipated in the years since SADC's creation. South Africa has become a strong driver, pursuing its own national interests first and those of the region second. Other SADC member states are slowly increasing their areas of influence and exerting their opinions and demands more aggressively within power sharing and visions for future collaboration.

The second finding is that all these processes, regardless of who the driver is or the SADC MS interest, are driven and deeply influenced by third party financing. In water cooperation the case study concludes that the disjuncture between regional and national priorities seems to originate from the fact that a donor agenda (a strong environmental agenda) is followed at the regional level, whereas service delivery is of utmost importance at the national level, with little or no synergies between the two. The entry of new donors and investors, like China and Brazil, is further diluting the regional agenda and opportunities for strong cooperation in water seem to have been lost.

Power generation development is showing signs of weakness due to the lack of funding, but renewed interest in the development of Africa has introduced new donor programmes to the underdevelopment of the energy sector. Lack of funding in the wildlife protection area is also seriously threatening the existence of the TFCAs.

A third observation is that SADC as an institution lacks the capacity and mandate to implement and operationalize policies and treaties, which is a serious weakness. This weakness becomes increasingly apparent as donors are shifting their engagement from the national to the regional level. This shift in focus should be accompanied by donor funds being channelled to SADC, but it has no capacity to manage large sums or the human resource capital to implement large projects at the regional level. As the TFCA case study shows, SADC needs a strong implementor, through the NGO Peace Parks Foundation, to accept and manage funds earmarked for wildlife conservation. Similarly the power pool stands as an independent entity.

A fourth observation is that despite South Africa's dominance as a driver, countries that seem to be doing less well within the trade agenda are not as reluctant or incapacitated to participate in other areas. The DRC, for instance, has emerged as a strong driver in both the forestry management as well as the wildlife management arenas. Angola is equally eager to establish a trans-frontier conservation area with its neighbours and yet these two countries specifically do not form part of the SADC free trade area.

A fifth observation is that the transposition of regional objectives into national legislation lies at the heart of regional success stories. The TFCA case study shows that high-level political engagement and the signing of treaties are very important but ultimately the success of the project depends on how well officials on the ground can cooperate and implement the regional vision. The water case study shows that the complete lack of coordination between the national and the regional level has led the sector from once being considered a regional success story to a sector that is now fragmented and at the mercy of new donors and investors on the continent.

3. Abstracts

Water Resource Management and Development in SADC

Water resources are a critical enabler to development in SADC. In most MS, rainfall is strongly seasonal and variable. Storage and transmission infrastructure is required to support water supplies to irrigated agriculture, for urban and industrial use as well as for the generation of hydropower. Also, the climatic variability increases the vulnerability of the region to floods.

While water resource development and management is usually undertaken at a local or regional (sub-national) scale, many river systems cross sub-national boundaries and some cross national boundaries. The political economy of the processes through which water resources are developed and managed and their impact on national and regional development and integration is a useful case study of the underlying dynamics of regional integration in SADC.

The interaction between local actors (the different water users, potential water users and other stakeholders), national actors (principally governments), the regional structures of SADC and the wider international community have contributed both to some successes that have been realised as well as to certain development failures.

The analysis suggests that, whereas there have been some isolated success stories, predominantly there has been a disjuncture between water resource development and management activities at local and national level and those at a regional level. It further suggests that this is because the regional agenda, which is largely dependent and therefore driven by external funding, has not been adequately informed by national priorities.

The main conclusions are that donors have played an important role in the approaches to the management and development of the region's water resources. Their focus on environmental outcomes, and their preference for regional approaches, not firmly articulated in national political structures may account for their limited impact to date. It could also be argued that the limited outcome was indeed the objective of their approach.

In the absence of immediate opportunities for joint projects, it would appear that national governments have been content to adopt donor approaches at regional level. National focus has been on local water development, focusing on services delivery, rather than on more systematic water resource development.

The emergence of China and Brazil as financiers for public infrastructure has been a game changer and revealed preferences that are substantially different to those that governed the discourse from 1980 until recently. A consequence is that significant opportunities to use local and national water resource development and management interventions to support activities that would have underpinned regional development and integration have been missed and that this has negatively impacted on the development of the countries of the region.

Forestry Management in SADC

This case study considers the regional dimensions of an innovative financing scheme for forest protection, namely Reducing Emissions from Deforestation and Forest Degradation (REDD+) in Southern Africa.

REDD+ focuses specifically on the carbon sequestration potential of forests - a global public good. Moreover, REDD+ projects are usually implemented at the national and local levels. The regional support programme for REDD+ therefore focuses on those aspects of REDD+ that are important at the regional level and/or can only - or best - be achieved by countries working together. To date, the only part of the strategy that is funded is a project on monitoring, reporting and verification (MRV), managed jointly by the SADC Food, Agriculture and Natural Resources (FANR) Directorate and implementing partner and funder, GIZ. The project budget is sufficient for three pilot sites, which will feed into a regional approach.

The process of selecting the pilot sites illustrates the fine balance that FANR has to strike between global carbon potential and regional equity and representation. For instance, the final pilot sites did not include the country with the largest carbon storage potential in gross terms (the DRC), but rather Mozambique, Botswana and Malawi/Zambia (a trans-boundary project). Within Southern Africa, REDD+ projects also have to emphasise the non-carbon benefits of forests. Those things that are known as "co-benefits" in international REDD+ parlance - the hydrological services provided by forests, for instance - are in fact the primary benefits from the perspective of those at the local, national and even regional levels.

Trans-Frontier Conservation Areas (TFCAs) – Only a good news story or too early to tell?

Trans-frontier Conservation Areas have been established or are under discussion in various locations within Southern Africa. The aim is to have 14 TFCAs in SADC in coming years. These parks attempt to protect specific environmental assets that belong to two or more SADC MS. It involves the participation of various actors ranging from heads of state and border officials to nature conservation officials, to donors, to actors in the private sector and NGOs and cover a host of cross-boundary issues including visa requirements, fencing, policing and patrolling, as well as the free movement of wildlife assets, their health and interaction with domestic animals.

This case study is of interest to the PERISA project for the very reasons that it has to involve a large number of regional actors with the view of regional benefits in the tourism as well as economic development sectors. Of interest here is who of these actors drive the process, how do they get buy-in from the others and who benefits ultimately? With numerous such parks taking shape it would seem as if regional integration in the management of environment and wildlife is progressing at a steady pace. Some

significant stumbling blocks are currently being experienced due to the scourge of rhino poaching and it is yet unclear whether this problem could signal the end of some of the parks. This case study examines progress made and obstacles faced as well as the reasons and processes behind them.

The case study concludes that strong top-level political leadership was required at the outset of the project but that the key to the successful implementation of the project depends on strong collaboration between all officials at the low-level. Cross-border community linkages, with the necessary backing of donor and NGO funding and guidance, is also a key to success. The TFCAs show that a softly-softly, bottom-up approach to regional integration is sometimes more critical to tangible results than a strictly top-down approach with rigid rules and regulations, time and deadlines.

Pooling the Region's Energy Sources

Regional power trade has many potential benefits. Enlarging national electricity power markets beyond borders could help to decrease variable supply and demand issues and help to stimulate capacity investment. In 1995, SADC MS (via their national utility providers) established the Southern African Power Pool (SAPP)¹. During the first ten years of operation (1995-2005), South Africa and Mozambique held the biggest share in the pool, but regional power trade has increased over the last decade with greater participation from other SADC MS. Within a regional framework, the SAPP has made significant progress in helping energy trade to grow by establishing the Regional Electricity Market (REM).

Several actors are involved in regulating, contributing to and using the REM, including the Regional Electricity Regulator Association (RERA) and, more recently, some independent power producers (IPP). However, SADC MS have different needs and expectations as to the role of the REM and its relations to independent producers. In order to deal with MS and national utilities being at different stages of electricity generation and pooling, as well as on diverse agendas as to future generation and sharing of power, SADC has to keep a sharp focus on regional priorities.

Over the last ten years, the national actors - principally governments and utilities in the energy sector - and the SADC regional structures have contributed to the success of the REM as well as to prioritize competition in the regional and national energy sectors. Whether this last point will help with specifically increasing energy access and broadly regional development and integration cannot yet be confirmed. Another important factor is the recent introduction of Renewable Energy Sources (RES) in the policies and future energy mix at national level and in the regional strategic plan.

The case study highlights the difficulties encountered, the benefits that have accrued thus far and the recent challenge of including the IPP at the regional level as well as in some national markets. The case study suggests that there is a growing regional market for energy exchange, which is further well placed on regional and national agendas as a priority item. However, energy access and infrastructure development seems to be lagging behind and struggling to keep up with demand.

The financial dimension of energy infrastructure development plays a strong role: low investments have been blamed for power failures and crisis and for slowing down GDP growth in several countries. Nevertheless, investments are likely to grow, with the increasing presence of regional and international third actors, such as the African Union, NEPAD and the African Development Bank - through their Programme on Infrastructures Development in Africa (PIDA), the BRICS, as financiers for public infrastructures, and the bilateral cooperative agreements between MS, like the recent Memorandum of Understanding signed between South Africa and the DRC.

¹ A power pool is used to balance electrical load over a larger network called the electrical grid. It is a mechanism for interchange of power between two and more utilities which provide or generate electricity. The SAPP is based on regional co-operation in the electricity sector between Member States Utilities: it takes place at policy, planning and operational levels and involves governments, power utilities and financial agencies over a period of several decades.

4. Dialogue Questions

Some of the questions to prompt the discussion include:

Water: The water sector has a rich tradition of strong cooperation in Southern Africa – what are the reasons? Has donor involvement been critical? Did water cooperation become stronger or weaker with South Africa's participation in SADC? Who drives the policy – nation states, the regional body or actors within these?

Forestry: Forestry management is a cross-border policy issue with the SADC Secretariat playing a strong role in promoting best practice. Where do interests lie and who benefits from regional policy development? Are there strong private sector and NGO drivers? Do they originate from specific SADC Member States or from donor countries? What role for donors in general? Do talks around climate change hamper or promote regional integration in forestry management?

Power: The SADC Power Pool has long been an important tool in supplying the region with adequate amounts of energy from a regional pool. What lessons are there for regional integration from cooperation in a critical area for Southern Africa's development? Who drives the process? Is there strong private sector participation? What influence do donors and international NGO's have?

Trans-Frontier Parks: Trans-Frontier Wildlife Parks are a relatively new creation within Southern Africa. What has allowed recent successes to increase? Where is cooperation strongest – at the national, multi-lateral or regional level? Who are the main drivers? What impact have the parks had on job creation? How critical is the development of a SADC Uni-visa to the long-term success of the parks?