

SADC in 2003: Restructuring and Progress in Regional Integration

Jan Isaksen

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Executive Summary

The international scene in 2003 was characterised by developments that diverted international attention away from the African continent. In the SADC region, there were positive developments in the movement towards peace in DRC and Angola. However, the problem of Zimbabwe was still festering, with the SADC leaders largely closing ranks around the present regime.

Despite high growth rates in a few of the countries, overall growth must be characterised as mediocre. Early in the year the danger of a major food catastrophe was impending, and SADC was active in the coordination of mitigating action. In terms of the Human Development Index most countries experienced a downturn, both because of economic decline and because of a further increase in mortality as a consequence of HIV/AIDS.

Reasonable progress was, however, made in decision making, institution building and the restructuring of the organisation.

The Regional Indicative Strategic Development Plan (RISDP) was taken through the integrated Committee of Ministers and finally adopted by Council and Summit in August 2003. It is hoped that further promotion of the plan will lead to a harmonisation of country plans as well as a greater focus on SADC policies, programmes and projects.

The Finance and Investment Protocol, which contains a wide ranging set of policy lines on several non-trade economic issues, including macroeconomic management and taxation, has been under preparation since 1995. The work was given added impetus by a meeting of SADC finance ministers in August 2003 after having lagged seriously behind schedule. The end of 2004 is now set as a deadline for conclusion of the work on this important document. The ministers also decided on macroeconomic benchmarks for SADC countries and took further steps in the direction of a peer review system set out in the MOU on Macroeconomic Convergence.

Linked to the SADC finance and investment sector, but not as part of SADC, the Community set up a new institution during the year. The Development and Finance Resource Centre (DFRC) will work with the Development Finance Institutions (DFIs) in the region and, in collaboration with SADC, support regional cooperation in the areas of capacity building and research, advisory services and IT applications. DFRC is also expected to develop a link with the planned SADC Development Fund.

The Trade Protocol is now in its third year of implementation. Angola finally acceded to the protocol in 2003 and, it is hoped, will start implementation in 2004, leaving DRC and Seychelles¹ as having neither signed nor ratified the protocol. Implementation is going forward after adjustments to the rules of origin and

¹ From 2003 Seychelles is on the way to withdrawing from SADC

agreement by the other countries to let Malawi, Mozambique, Tanzania and Zambia export certain quotas of textiles and clothing to them under a relaxed form of the rules of origin. Zimbabwe still appears the laggard in implementation.

A major problem in the area of trade is how to handle the large number of criss-crossing trade agreements in relation to international negotiations over the next few years, and in particular finding a suitable geographical configuration for the Economic Partnership Areas (EPAs) to be negotiated under the Cotonou treaty. Whereas Botswana, Lesotho, Namibia, Swaziland and Tanzania, Angola and Mozambique have decided to negotiate as SADC, four countries (Malawi, Mauritius, Zambia and Zimbabwe) have decided to negotiate under COMESA “as a wider eastern and southern Africa configuration, not based on any particular regional organisation”. This could develop into a serious split in SADC.

The new Southern African Customs Union (SACU)² agreement might contribute to the division. From a “colonial” set-up where South Africa managed and decided on most matters in SACU, the new agreement establishes a Council of Ministers and a Commission of senior officials from each of the countries to make management decisions. One may speculate whether this will strengthen the smaller countries’ interest in SACU and perhaps (with Tanzania, Angola and Mozambique) lead to the formation of one group of SADC countries which is turned towards South Africa and another group turned eastwards.

The SADC summit of 2003 took place in Dar-es-Salaam, Tanzania. The Chairman, President Jose Eduardo Dos Santos of Angola, handed over to his successor Benjamin William Mkapa, the Tanzanian President, who in line with SADC rules will function during the next year as Chair of the SADC Troika together with the retiring Chair and the incoming Vice-Chair, the Prime Minister of Mauritius, Rt Hon. Sir Anerood Jugnauth. The latter will be the chairman of the Troika from mid 2004. The new member of the Organ on Politics, Defence and Security Cooperation is South Africa’s President Thabo Mbeki, who will take over the chairmanship of the Troika in 2004 from the current Chair, Rt Hon. Prof Pakalitha Mosisili of Lesotho, who during the Summit took over the Chair from the President of Mozambique.

Important decisions at the Summit were the final approval of RISDP, the endorsement of declarations on the fight against HIV/AIDS, the signing of a new Charter on Fundamental Social Rights and a SADC Mutual Defence Pact.

The Strategic Indicative Plan for the Organ (SIPO) was also considered and approved as a framework for the operationalisation for the Protocol on Politics, Defence and Security. Some of its elements will be integrated into the RISDP.

Two important milestones of the reorganisation have now been completed. Firstly, the Integrated Council of Ministers (ICM) held its first ordinary meeting in late July 2003. The ICM, which is supposed to work closely with the Secretariat, reviewed activities over the last year and approved plans for the following year. Importantly, the ICM also considered a final draft of the RISDP before it went on to the Summit.

² Customs union between South Africa and Botswana, Lesotho, Namibia and Swaziland

Secondly, all the planned Directorates of the Secretariat have now been established (the last one, Infrastructure and Services, just before the beginning of 2003), bringing all policy and planning functions to Gaborone. The activities of the Secretariat as referred to on the SADC website and in operational documents indicate hectic activity by a professional staff which is still thin, since recruitment of permanent staff has not yet begun due to delays in the study of the SADC organisation. In addition, practical problems with office facilities and housing in Gaborone are likely to have taken their toll. Certain countries have called back civil servants that they had seconded to SADC in order to support the Secretariat and this has caused further strain. (For information about secretariat activities, see Annex I as well as the SADC website). Below, selected activities of the various Directorates are noted.

The **Trade, Industry, Finance and Investment** directorate (TIFI) has focused on various issues of implementation of the trade protocol, including Customs Cooperation. Questions surrounding the establishment of EPA have been analysed as well as SADC positions on WTO. SADC industrial policy is under consideration and the mining sector, particularly in relation to the Kimberley process, has also been the subject of Directorate activities.

For the **Food, Agriculture and Natural Resources** directorate (FANR) food security has been the most important issue in 2003. Although the outcome of the drought situation has been less critical than expected, a strategy to enhance food security in the region will be discussed at a special summit in 2004. Foot and mouth disease, the implementation of the fisheries protocol as well as the all-important land problem have also been dealt with during the year.

For the **Social, Human Development and Special Programmes** directorate (SHDSP) key tasks have been the Charter on Fundamental Social Rights as well as strategic planning and major advocacy and educational campaigns on HIV/AIDS. Other issues handled include employment and labour policy, child labour, the drug control programme and the cultural programme. It is hoped that next year will see the signing of a MOU between SADC and a regional body of non-governmental organisations.

2003 was the first year of operation for the **Infrastructure and Services** (IS) directorate and comprised a number of activities within its sub-areas: transport, communications and meteorology, water, tourism and energy. In the **transport and telecommunications** sector various guidelines for national legislation and policy were prepared and a telecommunication investors' forum was arranged. Much effort in the **water** sector has gone into integrating the sector into the IS, as well as capacity building and gearing up for the implementation of the revised protocol on shared watercourses that came into force during the year. The **tourism** protocol has not yet come into force for lack of ratification by member states. Work on a SADC UNIVISA has continued. In the **energy** sector progress has been made with the Western international power transmission project and the Zambia-Tanzania interconnector project.

The relationship between NEPAD / AU and RECs, although always referred to as very smooth and without contradictions, has not been without ruffles. Although there were indications of greater real cooperation and coordination between SADC

and NEPAD than in earlier years, statements at the 2003 Summit from two members of the Troika indicated that there might be difficulties in sorting out the relationship.

It is possible that the meeting in Abuja on 29-30 October 2003 helped set relations on a better footing. Most RECs, regional Banks and the World Bank participated as well as the EU and several UN organisations. The CEOs of RECs made commitments to take steps to promote the ownership of NEPAD in their respective organisations and member countries. To this end, they undertook to establish NEPAD focal points in their organisations and place NEPAD programmes and projects on the agenda item at the REC Summits and meetings of other key committees.

The communiqué after the meeting (see NEPAD 2003) also drew up the responsibilities of the RECs and NEPAD in some detail. Generally, the communiqué sets up RECs as implementers of programmes and coordinators of states at the regional level, whereas NEPAD takes the role of a continental coordinator and facilitator vis-a-vis RECs and the external world.

The **scene for 2004** is likely to be characterised by a number of positive factors. Firstly, it is assumed that better rain in the 2003/04 growing year will improve growing conditions and also have an effect on general growth.

Events on the political scene will include elections in four of the member states: Malawi, Mozambique, Namibia and South Africa.

The trade, finance and investment areas will see considerable changes with the EAC Customs Union planned to start implementation in 2004, the COMESA customs union to be implemented at the end of 2004 and the EPA negotiations to start, as well as, though less immediately important, Angola's emergence as a fully fledged member of the SADC FTA. More intensive action on the preparation of the Finance and Investment Protocol may be expected.

Hopefully, all these developments could be supported by a strengthened Secretariat. However, this does not appear likely since newly recruited Secretariat staff are unlikely to become effective before the end of the year.

From the second half of 2004, well organised countries like Mauritius and South Africa will take a leadership role in, respectively, SADC and "Organ" Troikas. Hopefully, this will inject dynamism into the organisation.

From mid 2004 SADC is likely to have only 13 members as the withdrawal of Seychelles comes into effect.

Preface

This report was commissioned by the Norwegian Agency for Development Cooperation. It traces recent developments in the Southern Africa Development Community (SADC), organisational restructuring and progress in regional integration.

The report follows up two earlier reports from the Chr Michelsen Institute (CMI), *Assessing the Restructuring of SADC – Positions, Policies and Progress* (R2001:6) and *Restructuring SADC – Progress and Problems* (R2002:15).

Unlike the earlier reports, this is a desk study, based on material available through the internet and normal documentary channels. Some travel in Southern Africa over the past year and contacts with colleagues at the CMI in Bergen and in the region have, hopefully, enhanced the information base beyond that of the desk material.

The responsibility for any flaws and omissions is of course entirely mine.

Bergen, January 2004

Jan Isaksen

1 The Regional Setting

On the international scene the US-led war on Iraq as well as its aftermath gained considerable international attention throughout 2003 and turned attention away from problems on the African continent. It became difficult to keep up the relatively high profile of NEPAD and other attempts to focus on the lack of development in Africa.

International attention on Africa came into focus with the impending starvation catastrophe in Southern Africa and flares of violence around the continent, thus corroborating the general view of Africa as the continent of malnourished children and tribal wars.

There is still little information about economic developments in SADC during 2003. 2002 was a relatively good year with an average 3.2% increase in GDP. More sluggish growth rates are expected in 2003. Even the relatively reasonable outcome for 2002 is very far from the growth rate of 7% required to halve poverty by the year 2015, a critical task for a region where 50% of the population subsists on less than two US dollars a day.

2002 demonstrated again the uneven growth pattern in the region, with Angola growing by 13.8 percent because of increased oil output, Mozambique by 8% and Tanzania by 6.2 percent. An important reason for the good growth record was the improved performance of South Africa. High oil prices have been a negative factor for all countries except Angola. The year also saw natural disasters, droughts and floods. A major negative factor was, however, political instability. The region remains weak in competition with the rest of the world because of its production structure and because of low investment in infrastructure, equipment, technology and skills development.

In addition, as before, FDI flows into the region in a very erratic way. Whereas the inflow was USD 3401 million in 1998 and USD 5237 in 1999, it declined to USD 2893 million in 2000 before a major increase to USD 10 307 million in 2001. Normally the largest share of inflow is due to Angolan (oil) and South African investment.

In his annual review the Executive Secretary of SADC expressed pride in Botswana, Mauritius, Namibia and South Africa, which were emerging as “continental leaders in terms of macro economic policies and poverty reduction strategies” as well as institution building. In addition, four of the member states rank among the top ten in the African Competitiveness report; namely, Botswana, South Africa, Mauritius and Tanzania.

On the political scene, developments in the Democratic Republic of Congo (DRC) and Angola have probably provided the most important positive events of 2003. Although the countries are often seen as marginal in the process of regional integration, they are both very rich in resources and have the potential to become very important in the overall SADC economy. These positive developments have given rise to official statements on unparalleled peace, stability and security and the

emergence of political pluralism. Only time will show whether optimism is warranted.

Some observers, such as Southall (Southall, Roger 2003), take a sceptical view of the future: "... it is by no means so clear that the region is embarked upon an unambiguous progression towards the consolidation of democracy. Indeed, there are deeply worrying indications that the democratic wave which broke upon the region's shores in the 1990s is now moving into reverse. Most particularly, it can be argued that a developing crisis of democracy in southern Africa is characterised by first, an increasingly explicit clash between an authoritarian culture of national liberation and participatory democracy; and second, by a closely related model of state power which, even if obscured under democratic garb, entrenches elites and promotes highly unequal patterns of accumulation and anti-development."

The moves towards peace after the killing of Savimbi in early 2002, and the signing of an agreement on transition in the DRC in December 2002, were important events in setting the agenda for 2003. In DRC, a constitution was adopted in April 2003. After the signing of a ceasefire agreement between the Angolan government and Unita, more steps have been taken towards peace in Angola. The United Nations mission in Angola terminated its activity in February 2003, being satisfied that the implementation of the peace agreement had been completed.

If this positive course is maintained, the events of the year will have important implications for regional integration. The absence of emergency situations and war would make it possible for the two countries to realize their own commitment for regional integration. Part of the peace dividend for SADC was the conclusion of a war that, in the case of DRC, threatened to create major rifts between the other member countries. In addition, a potentially explosive situation between Congo and Angola because of that country's support for Unita has come to a halt.

The economic side of these events is not only a gainful one. SADC countries will be called upon to assist in dealing with enormous humanitarian and development problems which it will take a long time to come to grips with. As pointed out by Meyns (Meyns, P. 2003) it will be important for both Angola and Congo to use their tremendous wealth for development and regional integration and not to succumb to the natural resource curse common to so many other similar developing countries.

The region is still plagued by the festering problem of Zimbabwe where social and economic conditions have gone from bad to worse. There were statements at the Summit in 2003 to the effect that the "application of sanctions has not worked, will not work and only makes life of ordinary people in Zimbabwe unnecessarily difficult".³

The split between SADC countries over the negotiation of an Economic Partnership Agreement (EPA) exemplifies both clashes in both political / ideological outlook and real conflicts of interest.

³ President B.W. Mkapa at the Opening Ceremony of the SADC 2003 Summit, Dar es Salaam, Tanzania

2 Integration in Planning, Finance and Trade

2.1 The Regional Indicative Strategic Development Plan (RISDP)

The SADC Council of ministers meeting in Luanda in March 2003 directed that the RISDP be put in front of the Integrated Committee of Ministers (ICM) after necessary consultations at the national level had been completed. National consultations on the RISDP were undertaken soon afterwards and a three-day workshop in Johannesburg in late June provided a follow-up to these consultations. The RISDP was to be presented to the ICM in late July 2003 and for consideration and adoption by the SADC Council of Ministers in Dar es Salaam in August 2003. It was agreed that targets would be reviewed on an annual basis and that Ministers of Finance would decide on macroeconomic targets (also part of the MOU on Macroeconomic Convergence) to be inserted into the RISDP.

After the July meeting the RISDP was also presented to an international cooperating partners' workshop.

The RISDP has been set up as a 15-year indicative plan for SADC to be implemented in phases of three years. It aims, in the words of the SADC mission statement, "to promote sustainable and equitable economic growth and socio-economic development through efficient production systems, deeper cooperation and integration, good governance, and durable peace and security, so that the region emerges as a competitive and effective player in international relations and the world economy".

Key areas of concern for the RISDP are

- poverty eradication
- combating the HIV and AIDS pandemic
- gender equality and development
- science, research and technology
- information, communication and technology
- environment and sustainable development
- private sector development
- statistics
- trade, economic liberalisation and development
- sustainable food security
- infrastructure support for regional integration and poverty alleviation
- human and social development

Judging by how often the RISDP has been referred to in glowing terms, it might over time make an impact on policy direction, planning and implementation in member states.

2.2 The Finance and Investment Protocol

The Finance and Investment Protocol (FIP) has been under preparation since shortly after South Africa joined SADC and became responsible for the financial sector. The FIP and the Trade Protocol will form mutually supportive cornerstones of SADC and will be perhaps the most important bases for SADC's project of regional economic integration. As will be apparent below, the FIP addresses issues far beyond finance and investment in a narrow sense and appears to aim to cover most economic issues not addressed by the Trade Protocol.

At a meeting of the SADC Ministers of Finance in August 2003, Ministers noted that the development process for the protocol was far behind schedule. In fact, there was a danger that the EU project that financed technical inputs to the protocol would expire before the work was brought to its conclusion. After looking into this, the meeting decided that the Project Management Unit for the protocol (part of the TIFI directorate) would deliver the first complete draft of the Finance and Investment Protocol and an implementation programme by June 2004.

MOUs of "Macroeconomic Convergence" and "Cooperation in Taxation and Related Matters" have been signed to test them out "on the ground" before they are integrated in the final protocol, but there are several other fields where similar MOUs need to be taken through the process of approval by ministers, legal scrutiny and approval and signature by Council. These include MOUs on investment, development finance institutions, insurance, securities, regulations for non-banking institutions, payment systems, exchange control, the legal framework of SADC Central Banks, information technology, exchange of information and surveillance and cooperation of stock exchanges.

During 2003 final agreement was also made on the technicalities of the **targets** in the MOU on Macroeconomic Convergence, and important decisions were made about a **surveillance and peer review**.

Countries that adhere to targets will be said to belong to the "convergence club". Such a stamp of approval, somewhat like passing a NEPAD Peer Review, is aimed at conveying to investors the fact that these countries meet high standards in macroeconomic stability. Countries that are far from meeting the criteria will be rewarded if they are making progress towards the targets. Deviation from the targets will be explicitly noted. Individual countries will set up realistic and achievable time-limited targets for themselves.

The macroeconomic targets of the MOU, also to be included in the RISDP, are set as follows: before 2008 (a) **public debt** and publicly guaranteed debt should fall below 60% of GDP, and (b) **current account deficits** should be "sustainable" (with a more specific definition of "sustainable" to be worked out later). With regard to (c) **inflation**, the target is defined in three stages: during 2004 – 2008, inflation should be down to single digit numbers; during 2009 – 2012, inflation should run at less than 5% p.a. as an average; and during 2012 – 2018 it should decline to about 3% p.a.

A Unit for macroeconomic **monitoring and survey of target performance** would be located within the SADC secretariat, forming part of the Monitoring and

Evaluation Unit envisaged under the RISDP. It would report directly to the SADC Executive Secretary, who would present reports to the Committee of Ministers of Finance and Investment (or perhaps eventually the ICM). It was agreed that there would need to be consistency between a country's convergence targets and those implied under the PRSP or other country programmes. The peer review panel will consist of SADC ministers responsible for finance and investment as well as central bank governors.

MOU on Taxation

The planned tax database is nearing completion, and a SADC model tax treaty has been produced as well as an initial draft on the application and treatment of tax incentives. A high-level regional conference on excise taxation has been held.

The Self-Financing Mechanism of SADC

The mechanism was agreed as part of the restructuring exercise and is still under consideration. Options considered include import levies, the allocation of certain fractions of national tax revenue to SADC or a SADC-specific tax, such as a special excise tax, a tourism levy or a petrol levy. There should be little surprise that decisions on these issues have repeatedly been delayed. Some of the proposals clearly involve supra-nationality in the area of taxation, which for most countries is considered a national domain of great importance and where loss of sovereignty has constitutional implications.

Exchange Control

In this area an MOU on Co-operation and Co-ordination of Exchange Controls in SADC has been approved and will be submitted for legal drafting and finally passed on to the ICM for approval before signature.

Investment

Important elements of the "Investment" MOU under discussion include predictability, confidence, trust and integrity, and transparency on policies, practices, regulations and procedures as they relate to investment. A most favoured nation approach to the treatment of investments has been adopted. The member states would aim to pursue the harmonisation of policies and laws (including incentives) and to conduct investment-related transactions in accordance with internationally established conventions and practices. Repatriation of returns to investment and protection against nationalisation or expropriation would apply as well as permission for investors to engage the managerial personnel of their choice regardless of nationality. Investment disputes would be settled through international arbitration mechanisms.

2.3 The Development Finance Resource Centre

A Development Finance Resource Centre (DFRC) has been set up after the Council approved its establishment and operationalisation in 2002. The centre will, at first, be funded by direct contributions from the Development Finance Institutions (DFIs) in member states. The chief executive is Dr Rosalind Thomas from South Africa and the centre is situated in Gaborone, Botswana.

The DFRC will work with DFIs in the region and

- Engage in capacity building for national DFIs

- Support sub-regional cooperation and achievement of regional integration through RISDP
- Conduct policy research and analysis to support DFI interactions with SADC and governments
- Render advisory services to SADC governments and DFIs
- Provide a central hub for information technology and DFI information systems
- Collaborate closely with SADC governments and Secretariat on their development agendas, in particular the RISDP, through a stronger integrated DFI network.

The DFRC is a free-standing organisation under a board of trustees and links to a DFI network which has been established. In the longer run it will be financed by membership contributions, private sector funding, donor funding and income generation from the services rendered.

The DFRC will have strategic links with the World Bank Institute as well as the African Development Bank's DFI Training Institute. DFRC is also supposed to have a close relation to the planned SADC Development Fund.

The Trade Negotiations Conundrum

The SADC region consists of seven least developed countries (LDCs) and seven non-least developed countries, with a per capita income ratio of 1:38 between the poorest and the richest country. Even after many years of attempts to harmonise, the countries are very different in terms of trends in GDP, inflation and fiscal imbalances. The complexity of the negotiations within SADC for the implementation of the SADC trade protocol, along with the complexity of the negotiations and implementation of various other trade arrangements criss-crossing

Timetable for Negotiation and Implementation of Trade Arrangements involving SADC States

Year	Post-Cotonou	Doha Round	SADC Trade Protocol	COMESA Customs Union	EAC	EU-SA [FTA]
2002	Preparation	Negotiation	Implementation of free trade area	Preparation for customs union	Preparation For customs union	Implementation of free trade area
2003						
2004				Implementation of Customs Union	Implementation of Customs Union	
2005	Negotiation of a free trade area					
2006	Implementation of free trade area	Implementation				
2007						
2008						
2009	Implementation of free trade area					
2010						
2015						
2020						

Source: Adapted after “Study of the Compatibility of Trade Policies in the Context of Current Regional Economic Integration Processes: The Case of SADC”. Moses Tekere, and Dan Ndlela 2003.

the region, will make trade negotiations for SADC a major challenge. Observers like Ndlela (Ndlela, Daniel and Moses Tekere 2003b) feel that negotiation demands placed on the region by the large number of concurrent agreements under review exceed their negotiation capacities by significant margins.

The status and planned progress on important negotiations and implementation processes in the region are shown in the above table:

- 2003 saw the beginning of the EU “post-Cotonou” negotiations which will last to the end of 2007 and followed by implementation of the ACP-EU EPAs from 2008, which is planned to take some 12 years.
- In parallel with these negotiations, the Doha WTO negotiations agenda would run to the end of 2005 before implementation.
- Implementation of the SADC FTA would under the original plans run to 2008 to free up 85% of trade with a full FTA to be established by 2012. However discussions and analysis have already taken place on the possibility of turning SADC FTA into a Customs Union much earlier.
- COMESA aims to consolidate the free trade area and prepare for the COMESA customs union to be established at the end of 2004.
- The EAC Customs Union is planned to start implementation in 2004.
- The SA-EU Trade, Development and Co-operation Agreement (TDCA) and free trade agreement has been implemented since 2000 and a full EU-SA FTA should be achieved by 2012.

The time sequence of negotiation and implementation is of some importance. The FTA agreements of COMESA, SADC and EU-SA have already been made and are under implementation, but one will perhaps see considerable changes in the next few years with the introduction of customs unions in ECA and COMESA. If the Doha timetable is met, the WTO negotiation period will end before the conclusion of the SADC-EU EPA negotiations. It is therefore likely that by the time EPA negotiations finish other agreements will already have been made and should take precedence over EPA.

For SADC, challenges will be, firstly, to ensure effective participation in negotiations. This means that negotiation capacity will have to be built quickly. Secondly, as agreements are implemented, the loss of customs revenue following tariff cuts will have to be tackled, presumably for most countries through Value Added Tax (VAT) arrangements. For some countries this will lead to dramatic fiscal transitions. Thirdly, there will be considerable adjustment costs as the impact of duty-free imports might cause job losses and to some extent de-industrialisation, at least temporarily.

Studies, however, indicate that SADC countries will experience a welfare gain if they join an EPA. This is the case, in particular, for countries that have high initial duty rates. Ndlela (Ndlela, Daniel and Moses Tekere 2003a) suggests that all the categories of country within SADC could benefit:

- The **LDC** countries presently have market access secured through the EU-EBA⁴ but the arrangement is unilateral and non-contractual and poses

⁴ The EU's Everything But Arms (EBA) initiative grants duty-free and quota-free access for all goods (with the exception of arms) originating in least developed countries.

problems when a country ceases to be an LDC. Joining an EPA could eliminate these disadvantages.

- The **BLNS**,⁵ because of their SACU membership, benefit from the EU-SA FTA but will be in a position to negotiate more advantages within an EU-SADC EPA.
- **Non-LDCs** generally would lose their present advantages if outside an EPA. There is the promise of so-called Alternative Trade Arrangements (ATA) but since the EU will only be negotiating such arrangements later, they could make faster progress by joining the EPA negotiations.
- **All SADC** countries will be able to demand non-trade concessions from EU in return for opening up their markets to the European Union.

The region's major problems of trade integration and liberalisation, however, revolve around the above-mentioned criss-cross of agreements; a number of countries have dual memberships as groups overlap geographically.

It will be essential to find a suitable geographical configuration for the new EPA since SADC countries also belong to other regional trading agreements: SACU and COMESA and EAC. At the present time, the SADC Secretariat does not have a mandate to coordinate or undertake such negotiations on behalf of SADC and also lacks the capacity to negotiate an EPA. The only solution to this problem that has been floated so far is the idea that SADC could, jointly with COMESA, SACU and EAC, negotiate an EPA with the EU, applying the variable geometry principle to cater for individual requirements for the widely differing countries in the group. Irrespective of the numerous technicalities to be addressed, this principle is seen to have a chance of enhancing regional integration rather than undermining it, ensuring that SADC stays on stream, enhancing bargaining power vis-a-vis the EU and ensuring the faster movement of SADC to a customs union (see Ndlela, Daniel and Moses Tekere 2003a).

It has not helped the already untidy situation that four member states (Malawi, Mauritius, Zambia and Zimbabwe) seem to have decided to prepare for the EPA negotiations with COMESA rather than SADC. The diplomatic expression for it is that they "prefer to negotiate as a wider eastern and southern African configuration and not based on any particular regional organisation". The BLNS and Tanzania, Angola and Mozambique have decided to negotiate as SADC, thus forming a South Africa-focused sub-group.

2.4 The Southern African Customs Union

The Southern African Customs Union (SACU) agreement which has existed since colonial times and was renegotiated in 1969 comprises Botswana, Lesotho Swaziland, Namibia and South Africa. After eight years of negotiations, a new SACU agreement was reached in 2002. By the end of 2003 all parties should have ratified the wide-ranging agreement and a secretariat should be established in Windhoek. Apart from ordinary customs union provisions, SACU aims at ensuring fairer competition, improving investment opportunities in the SACU area, and at developing common policies and strategies. The latter would include industrial

⁵ Botswana, Lesotho, Namibia, Swaziland

development policies, agricultural policies, competition policies and rules on unfair trade practices.

A main change from the former agreement is that the smaller countries will be involved in managing and running the agreement, whereas before this South Africa unilaterally decided on management issues. This is not a matter of indifference to SADC and might be seen as widening a possible divide between SACU and non-SACU SADC countries. The manner in which the new agreement will be implemented is therefore important. There has been speculation that countries like Mauritius, Mozambique and Zambia might find it attractive to join SACU. Although this is not likely to develop in the short run it would definitely involve a regional reconfiguration, possibly weaken SADC and lead to a concentration around the hub of South Africa. (see Harzenberg, T. 2003)

For South Africa, the new agreement may seem to mean a considerable loss of national control over trade policy matters. All decisions in the new SACU will be taken by a Council of Ministers advised by a new SACU tariff body and a Commission of senior officials. (see Draper, P. 2003). Whether this arrangement will dramatically change the balance of power within SACU is, however, doubtful, since South Africa is still overwhelmingly the strongest economy in the region.

3 Governance and Continental Relations

3.1 The SADC Summit

The 2003 SADC Summit was held on 25 August in Dar es Salaam. The Angolan President, Jose Eduardo Dos Santos, concluded his chairmanship and handed over to his Excellency Benjamin William Mkapa, President of Tanzania. In his inauguration speech as the incoming Chair stressed the integration aspect, the role of natural resources, issues in trade and investment, democracy and good governance and the fight against the HIV/AIDS pandemic. His stance on the Zimbabwe issue seemed very staunch and was reflected in the final communiqué, which makes reference to a commitment to continue opposing the sanctions by the Commonwealth, the European Union and the United States of America as they not only hurt ordinary Zimbabweans but also have negative social and economic effects on the region as a whole.

In his closing speech he again stressed the implementation of RISDP and also the approval of the HIV/AIDS framework and programme of action 2003-2007. He made a plea to civil society in SADC not only to take the position of critics but be more effective in advocating the cause of the region. He also called for academics to point out that OECD countries fail to comply with their determined goal of contributing 0.7 percent of their GNP in ODA.

Important issues at the Summit were:

- The final approval of the RISDP and the “Organ plan”, the SIPO.
- According to the Executive Secretary the restructuring of SADC has now been completed according to the March 2001 directives. The organisation is now ready seriously to start implementing the RISDP.
- Endorsement of declarations on the fight against HIV / AIDS in the SADC region and decisions on the setting up of a fund to support a five-year strategy.
- The signing of the Charter on Fundamental Social Rights.
- The signing of the SADC Mutual Defence Pact. The Pact deepens the cooperation area contained in the Protocol of Politics, Defence and Security but cannot enter into force before the latter has been ratified.

A SADC Council of Ministers meeting will be held in March 2004 in Arusha where the budget for the secretariat for 2004/2005 will be approved.

The 2004 Summit will be held in Mauritius. The Prime Minister of the Republic of Mauritius, Rt Hon. Sir Anerood Jugnauth, will head the Troika. The Prime Minister of Lesotho, Rt Hon. Prof. Pakalitha Mosisili, will be the chair of the Troika of the Organ. The election of President Thabo Mbeki of South Africa as the Deputy Chairperson of the Organ means that South Africa will chair the organ from mid 2005.

Both DRC and Seychelles have been sanctioned for non-payment; they therefore do not officially participate in the SADC meetings. However, President Kabila was allowed to meet at the 2003 SADC summit after Congo had made a verbal commitment to pay up. According to the rules, the non-paying states will not be allowed to send delegates to meetings and will receive no documentation. In 2003, however, Seychelles gave notice of its decision to withdraw from SADC, saying that it did not “provide value for money”. The final withdrawal will be a year after giving notice, in mid 2004. The withdrawal does not appear to have upset the other SADC member states much.

3.2 The Organ on Politics, Defence and Security Cooperation

The third session of the Committee of Ministers of the Organ on Politics, Defence and Security Cooperation took place in April 2003 in Zimbabwe. The meeting discussed the situation in Angola and Zimbabwe. It was noted that those opposed to the policies of the government of Zimbabwe have tried to shift the agenda away from the core issue of land, “thus attempting to divert attention to governance and human rights issues”. The Committees also considered the international crisis.

A ministerial committee of the Organ met in Maputo on 7 August 2003 and considered the draft Strategic Indicative Plan for the Organ (SIPO), which is a framework for the operationalisation of the Protocol on Politics, Defence and Security Corporation. The document was finally approved and it was agreed that some of its elements should be integrated into the RISDP.

In August 2003 the member states signed a Mutual Defence Pact to facilitate the interaction, joint operations and collective response within the capacities of each member state in SADC as well as building a strong foundation for defence and security for the African continent. The new defence pact operationalises the implementation of the SADC protocol on politics and was later approved by the Summit.

Although the SIPO has now been approved, the political developments in the region have led observers (e.g. Hammerstad, A. 2003) to raise the question as to whether further development of the Organ will take a course towards the protection of state elites’ interests against external and internal threats or towards a reform programme for individual security, dignity and liberty. The handling of the Zimbabwe issue during 2003 appears to point in the direction of the former.

3.3 The Integrated Committee of Ministers (ICM)

The ICM is part of SADC’s higher level decision-making machinery and was set up as part of the restructuring exercise meant to replace the former sectoral committees of ministers. Inaugurated in March 2003, it held its first ordinary meeting in Gaborone on 23-27 July. The ICM is a policy guidance organ and receives and reviews reports from the four directorates, deals with SADC positions on a number of cross-cutting issues such as gender, science and technology, information, legal issues, statistics, poverty and HIV/AIDS which are not fully covered by any of the four directorates. A key task for the ICM is to oversee the implementation of the RISDP.

The transfer of functions from sectoral committees to the ICM will not come overnight. For example, the Ministers of Finance, meeting in Gaborone in early August 2003, directed the Secretariat to inform the Review Committee at its next meeting of the need to be given time to complete its work on the Protocol on Finance and Investment and *thereafter* to be considered for designation as a *subcommittee* of the ICM.

A report on the operationalisation of the ICM was referred to the Review Committee for consideration.

The ICM recognised the notification by Seychelles to terminate its membership of SADC and noted that Seychelles was mindful of its outstanding obligations.

3.4 Relations with the AU and NEPAD

The Heads of State and Government Implementation Committee (HSGIC) of NEPAD has repeatedly stressed that that one of its goals is the promotion of regional integration, in which the Regional Economic Communities (RECs) will be important building blocks. However, there is still a lack of clear connection and coordination between RECs and NEPAD. ECOWAS has seemingly progressed most in this area and has designated itself as the coordinating and monitoring agency for implementing NEPAD regional programmes.

It has been proposed (Ndlela, Daniel B 2003) that steps should be taken by the SADC policy organs at the level of the Summit to resolve to designate SADC formally as the coordinating and monitoring agency for the implementation of NEPAD regional programmes. It has long been recognised that there is a need for formalising structures through, for example, institutionalising meetings between the RECs and the NEPAD implementation committee.

With regard to AU-REC links, the AU Commissioners who were appointed for the first time at this year's Summit in Maputo are supposed to represent the different *regions* but not the Regional Economic Communities *per se*. The AU has issued a draft protocol on its relations with the RECs. SADC will study the draft and produce inputs that will be submitted to the AU for incorporation in the final protocol.

The SADC Council meeting in Tanzania in August 2003 noted that they had submitted projects for funding to NEPAD in the areas of infrastructure and services and food, agriculture and natural resources. Some of the infrastructure projects are already contained in the NEPAD short-term action plan. Council urged member states to continue submitting projects to NEPAD.

There are also indications of cooperation at the implementation level;⁶ nevertheless, a number of notable hints from the higher level, sometimes difficult to interpret, are indicative of a certain strain in relations between the two organisations.

⁶ The head of the FANR directorate reported "strong collaboration on agriculture and food security issues between the FANR directorate and NEPAD secretariat, particularly on the implementation of NEPAD comprehensive African Agriculture and Development Programme (CAADP)"

Two key objectives of NEPAD are to establish a Peer Review Mechanism and to increase the flow of resources to African countries. Two prominent speakers at the 2003 Summit seemed to indicate scepticism with regard to NEPAD's role in both these objectives, stating that

"... we are deeply attached to the core of values of our organisation. We do not need NEPAD peer review to review ourselves. We do so in the spirit of friendship and solidarity. We want SADC not to be found wanting in any area that concerns these core values."⁷

and, in connection with the RISDP, that

"With such patently approved projects, readily and demonstrably partially regionally funded, we should call the bluff of all our vociferous NEPAD development partners! We are always asking them to put their money where their mouths are. Let us show them the way."⁸

Seamless coordination, harmony and cooperation between the two organisations seems not yet to have been reached.

The SADC summit of 2003, however, also directed a high-level ministerial meeting to plan and facilitate the integration of NEPAD into SADC's regional integration programme activities.

It is possible that the meeting in Abuja on 29-30 October 2003 helped set relations on a better footing. Most RECs, regional Banks (AfDB), the World Bank, EU and several UN organisations participated. The CEOs of RECs made commitments to take steps to promote the ownership of NEPAD in their respective organisations and member countries. To this end, they would establish NEPAD focal points in their organisations and place NEPAD programmes and projects on the agenda at the RECs' Summits and meetings of key committees.

The communiqué after the meeting (NEPAD 2003) also outlined the respective responsibilities of the RECs and NEPAD in some detail. Generally, the communiqué gives the impression that RECs are to be implementers of programmes and coordinators between member states at the regional level, whereas NEPAD is a continental coordinator and facilitator vis-a-vis RECs and the external world.

⁷ Prime Minister of the Republic of Mauritius, Rt Hon. Sir Anerood Jugnauth, in his word of thanks to the 2003 Summit.

⁸ H.E. President of the United Republic of Tanzania Benjamin W. Mkapa in his inaugural speech at the opening ceremony of the 2003 SADC summit.

4 Secretariat and Restructuring

4.1 Secretariat Staffing and Resources

With the launching of the Directorate for Infrastructure and Services (IS) in mid December 2002, the restructuring of the Secretariat may now be said to be completed. The ICM, which will work closely with the Secretariat, in its first meetings undertook a detailed examination of the work of the Directorates and approved activity plans for the coming year. SADC National Committees (SNCs) have been established in most member states. It is clear, however, that not all the SNCs are functioning yet. The Secretariat is attempting to tackle this by encouraging a sharing of experiences through workshops etc.

This section examines the events of the year within the clusters covered by the Directorates. The Secretariat has been very active throughout the year. According to the SADC website, SADC staff participated in more than 200 meetings of all kinds, from the annual Summits to small expert group meetings on various technical issues. The table in Annex I indicates some of the more important meetings during the year.

Clearly, the Directorates are fully stretched and will all cite a lack of human resources as their most important constraint, but a lack of accommodation for staff as well as of office facilities is also considered problematic. Complaints about the lack of financial resources to carry out planned activities are also common. Facilitation of stakeholder associations and mundane things like archiving have been mentioned. Clear signs about the expected “deepening of directorates’ strategic mission and vision” are yet to be seen.

External information on SADC and its activities has improved during the year through the improvement of the official website. The site today appears a well updated and orderly source for important documents and events. Individual sub-websites for the Directorates are also under construction.

The staffing problem was made worse by some governments calling back seconded officers during the year, but the main problem is that although the study of the new SADC organisational structure has been approved, implementation is only expected to commence in April 2004. It is likely that the four heads of the Directorates will have been recruited by August 2004. The Directors will then decide on priorities and determine staff requirements, after which staff recruitment will start.

The announcement to the effect that the reorganisation has now been concluded should be taken to apply only in a formal sense. The implementation of the new structure ought to be taken as only the start of an attempt to bring the Secretariat up to a high level of excellence through appropriate training and strong professional management (Isaksen, J. 2003). Informally, the word from inside the Secretariat appears to be that there is bureaucratic sclerosis and a tendency to build an overly strongly centralised form of decision-making, which does not augur well (van Schalkwyk, G. 2003).

4.2 Trade, Industry, Finance and Investment (TIFI)

Under the Trade, Industry, Finance and Investment Directorate (TIFI) falls a large number of responsibilities such as market integration, support to member states in investment promotion, economic cooperation, industrial development policies, mining, financial sectors and competitiveness. Most of these issues lie within the ambit of the Trade Protocol and the planned Protocol on Finance and Investment referred to in section 2.2 above.

2003 was the **third year of implementation of the trade protocol**. So far the Democratic Republic of Congo (DRC) and Seychelles, the latter now withdrawing from SADC, have not signed the protocol. Angola acceded to it in March 2003 and is expected to start implementing it by early 2004. 47% of all goods traded within SADC now carry zero tariffs. This would, according to the plan, increase to 85% in 2008. Some adjustments have been made on the way: an amendment of the Trade Protocol has changed the rules of origin from the original 35% on a value-added basis to a product-specific definition.

In addition, a five-year **special trade arrangement** has been agreed upon, allowing Malawi, Mozambique, Tanzania and Zambia (MMTZ) duty-free export of textiles and clothing under a "single stage transformation" rule of origin into the Southern African Customs Union (SACU) market. The arrangement is subject to quota limits but has to a certain extent ameliorated the problems the MMTZ countries felt they had in being the "poorer relatives" in SADC.

The RISDP proposes to accelerate the **implementation of the trade protocol to achieve a fully fledged free trade area by 2008**.

Given the short time since the start of the implementation of the Trade Protocol, there is yet little authoritative information about its effects. It is, however, becoming clearer that the back-loading of agreed cuts may intensify adjustment problems over the next few years. For example, countries' offers to South Africa of around 10 to 20% cuts are supposed to be reached by 2004, whereas the target is 90% to 70% by 2008. This means that the **most substantial rate cuts will come over the next few years** and cause reductions in government customs revenues. The revenue loss caused by the FTA implementation will be sharpened by the effects of an eventual SADC/EU EPA, which would entail the loss of about 15% of state revenue, with some variation between countries (Ndlela, Daniel and Moses Tekere 2003b).

There are also clear differences between countries regarding their enthusiasm for the Trade Protocol implementation. **Zimbabwe** appears the least interested in liberalisation and has placed the highest percentage of its imports in "Category E", where elimination of duties is not supposed to take place even at the end of the 12 years. Zimbabwe also has the highest average tariff rates against other SADC countries.

SADC has pointed out that **informal cross-border trade** is a key challenge. This trade, in which women are the main actors, is seen as having a potential to transform the lives of many social groups in the region if the necessary facilitation mechanisms can be put in place.

Rules of origin have been discussed for a long time and most of the **issues** are now **solved apart from wheat flour** and its downstream products. Another difficulty is that some member states hold that the product-specific rules of origin in the SADC-FTA agreement constitute a barrier to their industrial development. This issue will come up during the mid-term review of the implementation of the Trade Protocol.

Considerable progress has been made in the area of **Customs Cooperation**, which will contribute to better implementation of the rules of origin and reduce traders' costs of transaction and border clearance. Common regional transit procedures have been approved.

In **preparation for of the WTO in Cancun**, SADC ministers of trade and industry met in Lusaka and agreed on the need to ensure that issues of development and agriculture are addressed decisively. This helped shape the AU declaration in preparation for the fifth WTO ministerial meeting. SADC member states pointed out that their TRIPS agreement does not preclude the right of members to take actions that will allow for easy access to medicines to combat communicable diseases, in particular HIV / AIDS but also tuberculosis and malaria, as well as other epidemics.

In the **industrial sector** SADC has, with the support of UNIDO, started work on improving the draft of a "SADC Industrial Development Policies and Strategies" document aimed at giving new impetus to growth and development in the region. The SADC Ministers of Trade and Industry will focus on this at their next meeting scheduled for February 2004.

In the **mining sector**, work proceeded on geosciences. The SADC mining ministers have also, during the year, addressed the problem of "conflict diamonds", facilitating the so-called Kimberley Process.⁹

A long debated SADC Development Fund would aim at mobilising domestic and international funds for investment in the region and is provided for in the SADC Treaty. Feasibility studies have now been undertaken. There is consensus that the Development Fund should also play the role of a promoter and perhaps rather be a "project promotion and development facility". This would give it an important role in attracting investment participation through equity shareholding. After a further meeting of the Ministers responsible for Finance and Investment a proposal will be presented to Council.

An investment promotion programme is moving further towards implementation. It is meant to improve the investment climate by improving the investment dialogue between private entrepreneurs, investment promotion agencies and governments, and also to improve the capacity of SADC to provide effective promotion services, project identification and presentation.

⁹ The Kimberley Process is an international effort to remove "conflict diamonds" from legitimate diamond trade. It comprises a Certification Scheme for proper certification of imported and exported rough diamonds and minimal acceptable standards for cross-border diamond trading.

The focus for the year to come will be further consolidation of the trade protocol. Preparatory work on negotiations for a customs union will be initiated after the mid-term review.

4.3 Food, Agriculture and Natural Resources (FANR)

The Food, Agriculture and Natural Resources cluster is run by the FANR Directorate. Its main objectives are to promote agricultural and natural resources production and productivity, and agricultural trade, food security, and economic development in the region on a sustainable basis.

The directorate has worked together with various UN agencies to alleviate the **regional food shortage**. After reasonable rains in a number of member states the situation seems better for the crop year 2003/2004 than was feared at the beginning of 2003. FANR has, during the year, developed recommendations on GMOs¹⁰ endorsed by senior officials of ministries of agriculture in June 2003.

The protocol on **fisheries** came into force in August 2003. The protocol addresses the issue of sustainable use of marine resources. A regional ministerial meeting on combating illegal unregulated and unreported fishing is planned for 2004. Development of a strategy for implementation of the fisheries protocol has been initiated.

SADC helped mobilise funding for immediate emergency vaccine requirements and, in the longer run, the formulation of a **regional foot and mouth disease** control policy.

The **land problem** is widely considered to be at the root of Zimbabwe's difficulties. It is also a potential problem in many of the SADC countries. SADC does not have a comprehensive land policy, nor is land reform integrated into wider rural development.

Proposals for a regional land reform technical support facility have been drawn up with its main objectives being to provide technical support, to mobilise financing and technical services, finance the establishment of a regional information resource, including a website, and strengthen the capacity of national agencies and civil society to facilitate the exchange of information and experience.

4.4 Social and Human Development and Special Programmes (SHDSP)

The Social and Human Development and Special Programmes (SHDSP) Directorate covers a wide range of functions within human resources, education, skills development, training policies, policies towards social welfare for vulnerable groups, and healthcare policies and standards, including policy development for the HIV / AIDS pandemic as well as other communicable diseases. The Directorate also covers promotion of employment creation, development of labour market

¹⁰ The acronym GMO stands for "genetically modified organism". Applied to crops, the term refers to any genetic plant type that has had a gene or genes from a different species transferred into its genetic material using accepted techniques of genetic engineering, and where such introduced genes have been shown to produce a gene product (a protein).

legislation, employment policies and labour standards, questions of free movement of labour within the framework of trade liberalisation as well as cultural and information policies. Finally, the Directorate manages special programmes such as the SADC regional drug control programme. Some of the activities of the former HR unit in Swaziland, such as preparatory work for the implementation of the protocol on education and training, have been followed up during 2003.

A milestone for the social sector in the region was the signing of the SADC Charter on Fundamental Social Rights at the Summit in Dar es Salaam in August 2003. The Charter aims at promoting social development and internationally recognised social rights and labour standards. The Charter includes clauses on collective bargaining, freedom of movement, equal treatment of men and women and improvement of working and living conditions.

Regrettably, SADC countries experienced declines in their living conditions as measured by the HDI¹¹ in 2002. There was a fall in all key variables of the human development index, real per capita income and life expectancy at birth accounting for the largest decline. The reduction in life expectancy was largely due to the HIV/AIDS pandemic whilst the lack of economic growth was a major contributory factor to the drop in the real per capita income. Half of SADC's population usually subsists on less than two US dollars a day and the drought situation during the year would have aggravated the situation further.

Towards the end of 2003 a SADC **HIV / AIDS**¹² unit in the Department of Strategic Planning, Gender and Policy Harmonisation was launched and will spearhead SADC's efforts in combating the epidemic and facilitate the development of an HIV / AIDS policy and programme at the secretariat. The region now has 14 million HIV positive people, amounting to 51% of all infections in Africa and about 37% of the global total. An HIV / AIDS strategic framework and programme of action 2003 – 2007 was discussed during a special HIV/AIDS summit in Lesotho. The framework has been adopted as a working document.

During 2003 an **employment and labour policy** document was developed and work on a code of conduct on **child labour** completed. The child labour code provides guidelines to member states on combating child labour and has been worked out with governmental, employers' and workers' organisations in the region.

SADC has long had a regional **drug control** programme. The programme has been streamlined to improve the exchange of drug-related information and to update the SADC drug control database regularly. All member states have now completed their national drug control strategy. The development of the second five-year regional drug control programme, to be implemented from 2005 to 2010, has started.

¹¹ The Human Development Index (HDI) consists of three components: life expectancy; adult literacy rate / average number of years of schooling; and real per capita gross domestic product corrected for local prices.

¹² SADC has decided on the use of HIV "and" aids instead of the usual HIV/AIDS which is used in this report.

SDHSP has drawn up a SADC **cultural programme** and Council has directed the secretariat to expedite the submission to NORAD of a proposal for a SADC cultural trust fund to be launched in March 2004.

In the **media** sector the SADC secretariat will start to arrange consultative meetings to facilitate reviews of media laws and examine the mechanisms for the establishment of a regional media accreditation body.

Food Security

The situation for 2003/2004 has improved compared to the outlook at the beginning of 2003 but SADC still faces a cereal deficit. SADC played a role in working with the UN agencies in assessing needs. SADC has developed a strategic plan to boost food availability, promote access and increase preparedness, encouraging member states to increase investment for longer term development. A special summit on food security is planned for April 2004 to further map out strategy to enhance food security in the region.

For 2004/ 2005, priorities will be the promotion of production to improve food availability and accessibility and safety; to facilitate control of trans-boundary animal diseases; to promote measures to protect the environment from degradation; and to enhance development and dissemination of agricultural technology and training.

The SHDSP has an extensive **plan of action** for the near future, comprising a human development policy situation analysis:

- Generally, the Directorate needs to develop RISDP implementation action plans to address new and emerging challenges and opportunities in its area of responsibility.
- In the health sector a key objective is the implementation of the SADC HIV / AIDS programme of action, including an HIV / AIDS fund as well as regional campaigns against other major diseases. In addition a SADC productivity improvement programme will be coordinated and a programme on regional occupational health and safety launched. Regional medicine regulation programs and bulk purchasing strategies will form an important supporting facet of the health programme.
- In addition, coordination and monitoring of the establishment of a regional media accreditation body is on the agenda as well as facilitation of the development of copyright laws in member states.
- Last, but not least, after a long period of preparation and delays the Directorate hopes to finalise and sign an MOU with the regional body of non-governmental organisations.

In March 2004 SADC will host a meeting of medicine regulation authorities in member states to discuss guidelines to harmonise policies and regulations pertaining to quality aspects of medicines.

4.5 Infrastructure and Services (IS)

The IS Directorate, covering the sectors of energy, transport / communications and meteorology, water and tourism, was launched at the end of 2002. Transport,

communications and meteorology (formerly with the Southern Africa Transport and Telecommunications Commission (SATTC) in Maputo) was to have moved to Gaborone at the end of 2003.

Transport, communications and meteorology

Model guidelines for the preparation of national legislation and policies have been produced in areas such as

- licensing of telecommunications services
- wholesale pricing of communication services
- fair competition in the communication sector

SADC has also adopted road and bridge design standards and specifications in the form of an annex to the SADC Protocol on Transport, Communication and Meteorology.

A SADC Communications Investors Forum was arranged in March 2003, focusing SADC's investment climate on the field of communications and presenting to the private sector commercially viable investment opportunities.

The near term plan is to push further into telecommunications improvement, supporting the development of e-commerce and e-medicine as well as improving regional postal services. Meteorology services in particular will be improved to help avoid natural catastrophes. In the road transport sector action will aim at liberalisation of road transport as well as management and standardisation for vehicles, identification of rehabilitation needs in Angola and DRC and a large number of other actions covering air transport, water transport, harbours and general transport planning for the region.

Water

A revised Protocol on shared watercourses in the SADC region was signed in 2000 but has been slow in receiving ratification and came into force only in September 2003, starting off the already drawn up implementation plan.

During the year, IS paid attention to capacity building in the water sector Division through the SADC Water Sector "Water Net" and the groundwater management programme for the SADC region.

An important task for the IS will be to further integrate water activities under the Directorate and consolidate the implementation of the Protocol on Shared Watercourses.

Tourism

In 2002 there was a growth of 6.5 percent in tourism in Southern Africa, which is significant taking into consideration the difficult challenges that faced the industry as a result of the events of September 11, 2002.

Angola, DRC, Malawi and Zambia have not yet ratified the protocol, which came into force in late 2002.

Work on the UNIVISA program has continued.

The funding for the Okavango project (OUZIT) to create a coast to coast tourism and conservation zone has run into difficulties as funding from the Development Bank of Southern Africa (DBSA) has come to an end. Further funding is now being sought.

Important future aims will be the further implementation of the Tourism Protocol, harmonisation of national tourism policies, pressing on with the UNIVISA system and starting to develop a successor plan to the 1995-1999 regional tourism development strategy.

Energy

Priority projects like the Western International Power Transmission project and the Zambia-Tanzania interconnector project have shown considerable progress. An inter-governmental MOU establishing the Western Power corridor (Angola, Botswana, DRC, Namibia and South Africa) was approved by the ICM during the year.

Similarly, the Zambia-Tanzania interconnector has been making progress. Based on a World Bank Credit, a feasibility study should be concluded in 2003, bringing the project up to construction in late 2004.

The IS plans to participate in meetings and activities of the Regional Electricity Regulators Association (RERA) and the Southern African Power Pool (SAPP) and to implement the Energy Protocol and the Activity Plan. IS will also participate with International Cooperating Partners and the private sector in resource mobilisation for the sector.

4.6 Gender Unit

The Gender Unit is not a Directorate, but a section under the Department of Strategic Planning, Gender and Policy Harmonisation. Its main functions are gender mainstreaming, development of an explicit SADC gender policy and the coordination of outreach activities.

Much of the activity in the year under review has been directed inwards in an attempt to build gender awareness and gender mainstreaming in the Directorates, starting with TIFI and FANR.

An overall gender policy is under development, supported by the ECA. A programme on women in politics and decision-making financed by the Netherlands has been started. The latter is considered important given the number of SADC countries that will have elections in 2004 (See table in Annex II).

4.7 Statistics

Responsibility in the area of Statistics is not placed under any of the Directorates but functions as a sub-unit of the Department of Strategic Planning, Gender and Policy Harmonisation. Key tasks for the Unit are further harmonisation of statistical concepts, definitions and methods among member states, coordinating the regional

statistics development programmes and customising the statistical classifications definitions and standards of SADC. The unit also supports the capacity building of national statistical units and collects, processes, stores and disseminates national statistical data and regional statistics. The unit also aims towards developing and managing an integrated statistical regional system.

There has been progress in 2003 on statistical training, national accounts price statistics and poverty statistics. The priorities for the near future are statistical training and building and harmonisation of price statistics, management of an integrated regional statistical database, development of poverty and health statistics, and the incorporation of the informal sector into the national accounts, as well as initiation of the development of a regional programme on informal sector statistics.

5 2004 Outlook

It is assumed that better rain in the 2003/04 growing year will improve growing conditions and ward off the imminent danger of large-scale hunger catastrophe. This will also have an effect on production generally.

The near future will see elections in four of the member states. Malawi, Mozambique, Namibia and South Africa plan to hold parliamentary and presidential elections in 2004 (See Table Annex 2).

Developments in trading arrangements could be important. According to plans, the EAC Customs Union will start implementation in 2004 and the COMESA customs union would be implemented at the end of 2004. Important, but with little immediate effect during 2004, would be the opening of Angola as a fully-fledged member of the SADC FTA.

Important for the activities of the Secretariat will be the fact that the study on the SADC organisational structure has been approved, and implementation is expected to commence in April 2004. The plan is to have Directors in place by August 2004. As staff recruitment will begin only after that, it would mean that new staff are unlikely to become effective before the end of the year, indicating another year with staff shortages.

Hopefully, work on the Finance and Investment Protocol will go forward faster than in former years so that the deadline of completion by the end of 2004 can be met. Considerable activity should be expected in this important area, where progress has not been commensurate with the importance of the sector.

From the second half of 2004, well-organised countries like Mauritius and South Africa will take leadership in, respectively, SADC and “Organ” Troikas. Hopefully this will inject dynamism into the organisation.

From mid 2004 SADC is likely to have only 13 members as the withdrawal of Seychelles comes into effect.

The table in annex 4 contains a listing of the more important SADC meetings planned for 2004. In addition to the SADC Summit, which will take place in Mauritius in mid August, a meeting of the Organ on Politics, Defence and Security will be arranged early in the year in Lesotho and a Council meeting will take place in March in Arusha. The first ICM meeting of the year will take place in early June.

A large number of meetings will be managed by TIFI, indicating the haste of implementation of the Trade Protocol as well as preparation of the Finance and Investment Protocols. The latter will be subject to a discussion already in late January 2004.

Important meetings in addition to the above will be the Meeting of African Mining Ministers on 5-8 February, the launch of SADC EPA negotiations in Brussels at the

end of March, and the SADC Special Summit on Agriculture and Food Security to hammer out a strategy for enhancing food security in the region.

Further meetings of relevance for the SADC EU connection will take place in the ACP Council of Ministers and ACP-EU Council of Ministers and another meeting on EPA negotiations in May. The African Economic Summit will take place in early June, preceded by a high-level SADC/NEPAD Ministerial Meeting.

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Annex 1: Selected Meetings 2003

Meeting	Month	Venue
Inaugural meeting of integrated committee of ministers	March	Luanda, Angola
Meeting of the troika of ministers	March	Luanda, Angola
SADC Council of Ministers	March	Luanda, Angola
Special meeting of SADC ministers of trade and industry	March	Cape Town, South Africa
Trade ministers meeting on the fifth WTO conference	April	Cape Town, South Africa
Finance ministers meeting on MOUs	April	
Customers and advisory working groups	May	??
Task force on regional food security research facility	May	South Africa
Annual meeting of the State Defence and Security Committee	May/October	Maputo
Environment and land management technical committee meeting	June	Gaborone
Special meeting of the ministers of trade and industry	June	Lusaka
Regional workshop on the RISDP	June	Johannesburg
Workshop with international cooperating partners on the RISDP	June	Johannesburg
Meeting of ministers of tourism	June	Maseru
Water ministers' meeting	June	
Trade ministers' meeting	June	Gaborone
SADC HIV/AIDS summit	July	Maseru
African Union summit	July	Maputo
Genetically modified organisms policy preparation workshop	July	Lusaka
Energy ministers meeting	July	Mauritius
Integrated committee of ministers	July	Gaborone
Ministerial committee of the Organ	August	Maputo
Ministers of Finance meeting	August	Gaborone
SADC Summit of Heads of State and Government	August	Dar es Salaam
Fisheries steering committee meeting on monitoring, control and surveillance	September	Dar es Salaam
Special ACP trade ministers meeting	September	Brussels
Trade ministers preparation for fifth WTO conference in Mexico	September	
Regional workshop on review of the implementation of the protocol of shared watercourses	October	Lesotho
Workshop on establishment of a customs union	October	Gaborone
SADC/EU senior officials meeting	November	Brussels
Regional and drug law enforcement training course for police, customs and immigration personnel	December	Harare

Annex 2: Forthcoming Elections in the SADC Region

Country	Next elections	Type of elections
Botswana	2004	Presidential Parliamentary/legislative Local government
Lesotho	2004	Local government
Malawi	May 2007 May 2004	Parliamentary Presidential, Parliamentary/legislative Local government
Mauritius	2004	Presidential Parliamentary
Mozambique	November 2003 November/December 2004	Local government Presidential Parliamentary
Namibia	November 2004	Presidential Parliamentary/legislative Local government
South Africa	2004	Presidential Parliamentary/legislative
Swaziland	2005 September/October 2003	Local government Primary and secondary Parliamentary
United Republic of Tanzania	October 2005	Presidential Parliamentary/legislative, government
Zambia	December 2006	Presidential, Parliamentary/legislative Local government
Zimbabwe	2005 March 2008	Parliamentary/legislative Presidential

Source: the Electoral Institute of Southern Africa, www.eisa.org.za

Annex 3: SADC Legal Instruments September 2003

Name of the instrument	Date of signature	Date of entry into force
SADC Treaty	17 Aug 1992	30 Sep 1993
Protocol on diplomatic immunities and privileges	17 Aug 1992	30 Sep 1993
Charter of the Regional Tourism Organisation of Southern Africa	8 Sep 1997	8 Sep 1997
Protocol on energy	24 Aug 1996	17 Apr 1998
Protocol on transport, communications and meteorology	24 Aug 1996	6 Jul 1998
Protocol on shared watercourse systems	28 Aug 1995	28 Sep 1998
Protocol on combating illicit drug trafficking	24 Aug 1996	20 Mar 1999
Protocol on trade	24 Aug 1996	25 Jan 2000
Protocol on mining	8 Sep 1997	10 Feb 2000
Memorandum of Understanding on cooperation in standardisation, quality assurance, accreditation and metrology in SADC	9 Nov 1999	16 July 2000
Protocol on education and training	8 Sep 1997	31 Jul 2000
Amendment to protocol on trade	7 Aug 2000	7 Aug 2000
Protocol on tribunals and rules of procedure thereof	7 Aug 2000	14 Aug 2001
Agreement amending the Treaty of SADC	14 Aug 2001	14 Aug 2001
Memorandum of Understanding on Cooperation in taxation and related matters	8 Aug 2002	8 Aug 2002
Memorandum of Understanding on macro-economic convergence	8 Aug 2002	8 Aug 2002
Amendments to protocol on tribunals and rules of procedure thereof	3 Oct 2002	3 Oct 2002
Protocol on the development of tourism	14 Sep 1998	26 Nov 2002
Protocol on health	18 Aug 1999	
Protocol on wildlife conservation and enforcement	18 Aug 1999	
Protocol on legal affairs	7 Aug 2000	
Protocol on politics, defence and security cooperation	14 Aug 2001	
Protocol on control of firearms, ammunition and other related materials in SADC	14 Aug 2001	Ratification by two thirds of SADC member states required
Protocol on fisheries	14 Aug 2001	
Protocol on culture, information and sport	14 Aug 2001	
Protocol against corruption	14 Aug 2001	
Protocol on extradition	3 Oct 2002	
Protocol on forestry	3 Oct 2002	
Protocol on mutual legal assistance in criminal matters	3 Oct 2002	
SADC mutual defence pact	26 Aug 2003	
SADC Charter of fundamental social rights	26 Aug 2003	

Annex 4: Important Meetings for SADC in 2004

Meeting	Directorate/ Unit	Date	Venue
Meeting of the Organ on Politics, Defence and Security	OES	11-13 January	Maseru, Lesotho
Tax Harmonisation Workshop	TIFI	12 January	Pretoria, South Africa
EPA Preparatory Meeting	TIFI	19-20 January	Brussels, Belgium
World Customs Organisation Meeting	TIFI	26-27 January	Brussels, Belgium
Draft Finance & Investment Protocol Discussion	TIFI	29 January	Gaborone, Botswana
Donors Roundtable Meeting for Presentation of Capacity Building Project Proposals	Gender Unit	2-3 February	TBA
African Mining Ministers Meeting	TIFI	5-8 February	Cape Town, South Africa
Trade Negotiation Forum and Trade Ministers Meeting	TIFI	9-13 February	TBA
Preparatory Meeting of Ministers of Agriculture	FANR	11-14 February	Dar es Salaam, United Republic of Tanzania
Ministers of Finance Meeting	TIFI	23 February	Pretoria, South Africa
SADC Council of Ministers	OES	12-13 March	Arusha, United Republic of Tanzania
Launching of the SADC Culture Trust Fund	SHD & SP	24 March	Maputo, Mozambique
Launch of SADC EPA Negotiations	TIFI	29 March	Brussels, Belgium
SADC Special Summit on Agriculture and Food Security	OES	10 April	Dar es Salaam, United Republic of Tanzania
Central Bank Governors Meeting	TIFI	April	Botswana
Sub-regional Review Meeting on Beijing + 10 and Consolidation of Reports for Submission to Africa Regional Level	Gender Unit	April	Botswana
ACP Council of Ministers Meeting	TIFI	3-5 May	Gaborone, Botswana
ACP-EU Council of Ministers	TIFI	7 May	Gaborone, Botswana
High Level SADC/NEPAD Ministerial Meeting	OES	19-20 May	Zanzibar, United Republic of Tanzania
TNF Meeting on EPA Negotiations	TIFI	May	Gaborone, Botswana
African Economic Summit	OES	2-4 June	Maputo, Mozambique
Integrated Committee of Ministers Meetings	OES	3-4 June	Gaborone, Botswana
ACP Summit of Heads of State and Government	TIFI	June/July	Maputo, Mozambique
2004 Ordinary SADC Summit	OES	8-17 August	Mauritius
SADC Day	OES	17 August	All Member States
IMF/World Bank Annual Meetings	TIFI	September	Washington DC, USA
Service training Workshops for NEWUs (economists, statisticians)	FANR	September	Harare, Zimbabwe

Source: SADC website

Summary

The present desk study was commissioned by the Norwegian Agency for Development Cooperation. It traces recent developments in the Southern Africa Development Community (SADC), organisational restructuring and progress in regional integration.

The report follows up two earlier reports from the Chr Michelsen Institute (CMI), *Assessing the Restructuring of SADC – Positions, Policies and Progress* (R2001:6) and *Restructuring SADC – Progress and Problems* (R2002:15).

The last year has seen a number of important milestones for SADC restructuring, the adoption of a Regional Indicative Strategic Development Plan (RISDP) and a Strategic Indicative Plan for the SADC “Organ” (SIPO). The first meeting of the Integrated Council of Ministers took place and a study on SADC organisational structure was completed.

Other important events in 2003 were the signing of a Charter of Fundamental Social Rights and a SADC Mutual Defence Pact. The Democratic Republic of the Congo has been excluded for non-payment and Seychelles, which has not paid up, has given notice of its withdrawal from SADC.

The impending hunger catastrophe of 2003 did not become as serious as had been expected, but the region still suffers from the severe HIV/AIDS epidemic. While the SADC Free Trade Area is being implemented, the forthcoming trade negotiations under WTO and the formation of an EU-SADC EPA will be challenging issues in the near future, not least because of the criss-cross of overlapping trade blocs in the region. A major outstanding issue is the important Protocol on Finance and Investment.

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