U.S. - Africa Relations

Southern Africa Position Paper

Final Report

Botswana Institute for Development Policy Analysis

THE AFRICAN CAPACITY BUILDING FOUNDATION | FONDATION POUR LE RENFORCEMENT DES CAPACITIES EN AFRIQUE

Securing Africa's future through capacity development

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Acronyms and Abbreviations

ACBF	African Capacity Building Foundation
AEO	Africa Economic Outlook
AfDB	African Development Bank
AGOA	Africa Growth Opportunity Act
AIA	Africa Investment Act
AIDS	Acquired Immunodeficiency Syndrome
APRM	African Peer Review Mechanism
AREO	Africa Regional Economic Outlook
AUCPSS	African Union's Commission on Peace, Security and Stability
BNDES	Brazilian Development Bank
BRICKS	Brazil, Russia Federation, India, China and South Africa
COMESA	Common Markets for Eastern and Southern Africa
DRC	Democratic Republic Of Congo
EPZs	Export Processing Zones
EU	European Union
FDI	Foreign Direct Investment
GCI	Global Competitiveness Index
GSP	Generalised System of Preferences
GVC	Global Value Chains
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
HS	Harmonised System
ICSW	International Council on Social Welfare
ICT	Information and Communication Technology
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MFA	Multi-Fibre Arrangement
MIIAG	Mo Ibrahim Index of Africa Governance
MPI	Migration Policy Institute
NEPAD	New Partnership for Africa Development
NEPRU	Namibian Economic Policy Research Unit
ODA	Official Development Assistance
RCSA	Regional Center for Southern Africa
REC	Regional Economic Community
SA	South Africa
SACU	Southern Africa Custom Union
SADC	Southern Africa Development Community
SMME	Small Micro Medium Enterprises
SSA	Sub-Saharan Africa
TB	Tuberculosis
UNCTAD	United Nations Conference on Trade and Development
UK	United Kingdom
USA	United States of America
USAID	United States Agency for International Development
USG	United States Government
WB	World Bank
WEFGCR	World Economic Forum Global Competitiveness Report
WDI	World Development Indicators
WIR	World Investment Report
WTO	World Trade Organization

Executive Summary

In view of the upcoming U.S.-Africa Summit in August 5-6, 2014, the position paper conducts an assessment of the US –Africa relations with a specific focus on the Southern Africa Region. The paper aims to provide a concise analysis of the state, evolution, challenges, opportunities and possibilities for mutually beneficial U.S.-Southern Africa relations. More importantly, the position paper identifies key issues to guide policy in fostering sustainable growth enhancing strategic partnerships between the US and Southern Africa and highlights the requisite capacity development priorities that should be integral in the partnership models sought. In line with the scope of analysis as outlined by the African Capacity Building Foundation (ACBF), the recommendations are based on an evidence based assessment of key aspects relating to peace and security; economic (trade, investment, aid, remittances); socio-cultural and governance. The key economic challenges in the region are highlighted with emphasis for an inclusive partnership approach that turns the current challenges in the region into opportunities for strategic developmental partnerships.

The analysis demonstrates that the US has been a major contributor to the economic, social and human progress with development assistance on various fronts in Southern Africa through contributing among others, to education, health and infrastructure development. Countries in the region have significantly benefitted from the aid assistance in the maintenance of peace and security, addressing conflict in their economies and making progress on democracy, governance and accountability. However, although notable progress has been achieved with assistance from the US, sustainable development in the Southern African region given the still prevalent challenges on some sectors such as health, education, agriculture, power and energy, water and the manufacturing sectors requires partnerships between the two regions that would spearhead foreign direct investment flows into these sectors to stimulate direct involvement in the production process and value chain development to create competitive industries in the region.

A major finding in the Southern African region is that the role of the US on trade and investment, considered critical for creating sustainable industrial development and growth remains limited. Partnerships between the Southern Africa region and the U.S. should thus, aim to expand trade with investments into potential export sectors such as manufacturing, services, tourism, textile, agriculture to broaden the export and industrial sector. There is a potential for export expansion in Southern African countries which can also boost regional export performance among regional economic communities of SADC with the US as a potential market. Southern Africa should seek strategic partnerships with the US that will expand trade between the two regions, boost export diversity and enhance industrial development. A number of opportunities exist in Southern Africa in the agricultural, manufacturing, health, education and services sectors where the US can venture into export processing zones and diversify the export base beyond primary exports.

The eminent expiry of AGOA which has contributed to textile sector in the region and major avenue for trade between the US and African countries should be extended and broadened for the US market to offer more market opportunities to other sectors of the region. It is also the position in this paper that the Southern African region should seek a revision of AGOA to ensure more inclusiveness, accessibility and permanence, so that the benefits extend beyond a few countries and products.

Progress on the exploitation of trade benefits by Southern Africa still remains limited despite current support initiatives from the US and other development partners. This is clear from the limited export

and trade profile among Southern Africa countries and other trading partners. Capacity constraints and technical expertise have been a major constraint to countries in the region to fully benefit from AGOA and other trade agreements. Trade capacity development should thus be given prominence in US-Southern Africa partnerships and future trade initiatives and form a priority for consideration and continued support in the region. Trade capacity building and technical assistance designed to help the member countries of Southern African Countries in regional economic communities such as SADC, SACU is key to take full advantage of benefits not only under AGOA so that they can effectively participate in the global trading system and the World Trade Organization (WTO). Overlapping memberships in the region requires capacity building for regional countries. Capacity is requisite in, trade negotiations, implementing commitments and taking advantage of new trade opportunities. Linked closely is the need to increase and facilitate trade in the region. Expanding international exports and intra-regional trade is seen as a key component of increasing sustainable economic growth and reducing poverty in the region.

Trade expansion and investment initiatives which take advantage of current regional integration dimensions are quite critical to foster regional integration in the region. Therefore, more focus should be in partnerships that reinforce the current regional integration objectives of regional economic communities such as SADC in the Southern African region. A number of challenges in the region require a regional approach in policies for example the social, political, democracy and accountability to attain peace and security in the region. Trade and investment policies will be effective if they take a regional approach to broaden the growth and development process in the region especially in addressing the high poverty and unemployment rates among Southern Africa countries.

Further, although the US is a major investor worldwide, investment inflows from the US into the region remains low. Investment inflows in the Southern region from the US also remain limited compared to other investors such as Brazil, Russia, India, China, and South Africa (BRICS). Recommendation is therefore for investment partnerships particularly in major sectors to stimulate further industrial development. This is important for sectors which constrain Southern Africa’s development process where major investments are required. The strategic partnerships between the US and Southern Africa should specifically be focused on infrastructure development, water, sustainable energy generation and power supply. Specific partnerships should also focus on information communication technology (ICT) development, its availability and access to enhance efficiency, productivity and competitiveness which also plays a significant role in creating conducive business environments. ICT features among the major constraints to foreign direct inflows and production efficiency in the region.

Trade and investment are avenues that more mutually beneficial partnerships with the US can be modeled upon to attain sustainable growth in the region. Their expansion is central to addressing current challenges facing many African regions including Southern Africa particularly those of high unemployment, poverty rates and inequality. They also serve as a vehicle for transforming the competitiveness of Southern African countries particularly through gains from productivity. Strategically, trade and investment are pathways to the attainment regional integration objectives, sustainable development and attainment of long term goals such as those of the Millennium Development Goals (MDGs)

The overriding position for the Southern African region partnerships (at various levels, sectors and industries trade and investment, capacity development) emphasises a shift from aid dependence as a mode of developmental intervention to more beneficial sustainable development partnerships as requisite. The existing economic, social and institutional challenges present opportunities for investment partnerships and strategic sector and industry development approaches that can enhance the growth process in the region while also benefitting the US economy with potential returns to investments. The other pertinent partnerships should focus on capacity for institutions and human capital development to support the growth process as well as on infrastructure development which is fundamental to support the investment, trade and business environment which is a limiting factor to private sector development and the competiveness climate in the region.

Capacity to strengthen the local actors and institutions that are ultimately responsible for transforming the Southern Africa region is key. This calls for capacity building partnerships and support in the context of Southern Africa to create stable economic and political environment which is required for investment in the region. Partnerships and supportive initiatives should aim to strengthen state institutions and improving their capacity to provide security and development, based on principles of good governance and the rule of law to entrench lasting peace and improve living standards of citizens. This is an area that requires capacity building support for institutions in Southern Africa and this should be emphasised in partnerships for institutional capacity building for good governance, democracy and accountability.

Partnerships should be inclusive to address current economic, social and institutional capacity development gaps which constrain the development process in the Southern African region. An inclusive approach to successfully attain broad based growth and transformation in the region should integrate and embrace job creation, poverty reduction, human skills, rural development, institutional capacity development as imperatives. Consideration of existing challenges and turning them into opportunities for investment and other partnerships provides for an inclusive approach to unlocking the growth potential in Southern Africa which would be beneficial to the US as well. Partnerships for investment and industrial development should embrace employment creation elements to address the current challenges of high and persistent unemployment, poverty, inequality in the region. The development of the private sector, entrepreneurship and the SMME sector are key in job creation and should be given prominence among priority potential opportunities which can directly contribute to addressing poverty, inequality and rural development. Other capacity building support should be focused on capacity building of institutions to promoting business environment and competitiveness which offer the supportive environment for investment and trade strategies.

Specifically, the Southern Africa region position paper recommends explicit partnerships with the US on the following:

- ***(i)*** ***Trade Expansion and broadening export base:*** export processing zones to expand-potential export sectors such as manufacturing, services, tourism, textile, agriculture to broaden the export and industrial sector.
- ***(ii)*** ***Trade Facilitation and Capacity Development Partnerships***
- ***(iii)*** ***An extended and revised AGOA*** -broaden inclusiveness, product coverage
- ***(iv)*** ***Fostering Regional Integration:*** to boost export and extra and intra-regional trade
- ***(v)*** ***Strategic Investment Partnerships***: where major investments are required the strategic partnerships should focus on infrastructure development, water, sustainable energy generation and power supply, health, education, agricultural sector, manufacturing beyond extractive and oil sector, ICT.

(vi) ***Human capital development***

(vii) ***Strengthening Capacity of Institutions:*** capacity to strengthen the local actors and institutions for transformation. Strengthen state institutions and improving their capacity to provide security and development, based on principles of good governance and the rule of law to entrench lasting peace and improve living standards of citizens.

(viii) ***Strategic Inclusive Partnerships and Initiatives:*** to address existing social, economic and institutional development and capacity gaps. Capacity building of private sector, entrepreneurship, SMME development and key policy making and implementing institutions in the region.

Map of Southern Africa Countries

1.0 Introduction

The recent shift in US-Africa policy during the Obama Administration places emphasis on bolstering economic and commercial engagement in the African continent. The upcoming U.S.-Africa Summit in August 4-6, 2014, therefore, provides a significant opportunity to greatly enhance the U.S. – Africa relationships and at further strengthening ties with one of the world's most dynamic and fast-growing regions. The changing economic landscape in the African continent provides for mutually beneficial partnerships between the two regions to attain sustainable growth. With a growth rate averaging more than 5%, Africa is recognised as the fastest growing region in the world, offering higher opportunities in terms of new technologies, investments, and access to potential markets and new types of consumers (African Development Bank, 2013). Further, as more and more external players compete for commercial, political and ideological influence among developing countries, the African continent has gradually recognized that effectively pursuing its development will require an evolution in strategy.

The ACBF has thus commissioned regional research to inform the African Strategy towards meaningful partnerships through the development of position papers for US-Africa Relations focusing on the following geographical areas: Francophone West Africa; Anglophone West Africa; East Africa and the Horn; Southern Africa; North Africa; and Central Africa. The Botswana Institute for Development Policy Analysis has thus been tasked with the development of the Southern Africa Region Position Paper.

The Southern African region, like other countries in the African continent, has benefitted from various supportive initiatives from the United States of America. Development interventions in the Southern African region are reflected mainly through aid assistance and the activities of the United States Agency for International Development (USAID) the lead U.S. Government agency[1] that works to end extreme global poverty and enable resilient, democratic societies to realize their potential. US-Southern Africa countries investment and trade relations are largely reflected through the Africa Growth and Opportunity Act (AGOA) as well as support offered to regional economic communities of the Southern Africa Development Community (SADC). The US has also played a key role on the development of the education, health and infrastructure development in the region while other countries benefited from interventions to address political instability and conflict.

[1] In March 1995, USAID established the Regional Center for Southern Africa in Gaborone, Botswana, to develop, implement, and manage the Initiative for Southern Africa. In 2008, the regional program relocated to Pretoria, South Africa, where it became USAID's Southern Africa mission. The U.S. Embassy in Gaborone has a lead role in consulting with other Embassies on broader U.S. Government (USG) regional priorities whiles the U.S. Ambassador to Botswana also represents the USG vis-à-vis the SADC Secretariat in Gaborone. In engagements with this Embassy and through discussions with all the Chiefs of Mission and Mission Directors throughout the region

This position paper, aims to contextualise and examine the U.S.-Africa relations in the Southern Africa region[2]. Specifically, it provides a concise analysis of the state, evolution, challenges, opportunities and possibilities of U.S.-Africa relations in Southern Africa. Section 1.1 describes the scope, objectives and the methodological framework in line with the terms of reference as provided by the ACBF. Section 2 to Section 4 of the position paper provides an evidence based assessment of current US-Southern Africa relations and the identification of key developmental challenges that offer opportunities for strategic solution oriented partnerships to realize sustainable growth in the region. Specific attention is given to Peace and Security in Section 2, Democracy and Leadership in Section 3. Section 4 focuses on the economy with specific assessments on trade, investment, remittances, aid, infrastructure and education (Section 4.1-4.8 respectively). Section 5 provides the summary conclusions recommendations in terms of policy direction and capacity development imperatives in the Southern Africa. This is critical in mapping partnership strategies for feasible and beneficial partnerships that should bolster growth and development in Southern Africa.

1.1 The Scope and Objectives

As already highlight above and in accordance with terms of reference as outlined by the ACBF, the position paper conducts an assessment of the state, evolution, challenges, opportunities and possibilities of U.S.-Africa relations in the Southern Africa region. The brief paper aims to identify what Southern Africa should seek in its partnership with the US and modalities. More specifically, the study aims to interrogate the following key issues:

- Peace and security;
- Economic (trade, investment, aid, remittances, in addition to sectors – agriculture, infrastructure);
- Socio-cultural (education); and
- Governance (democracy, leadership)

The insights and findings of the assessment are intended to serve policy and decision makers with clear and evidence-based conclusions and recommendations in terms of (1) policy directions enabling African countries to strategically and beneficially partner with the United States and (2) identifying capacity development imperatives.

[2] Based on geographical proximity, countries included Angola, Botswana, Lesotho, South Africa, Swaziland, Mozambique, Malawi, Namibia, Zambia, and Zimbabwe. In the discussion of regional issues in the context of SADC, it should be noted that countries such as DRC, Mauritius, Tanzania, Madagascar and Seychelles are included in aggregates and specific attention is paid to relevant issues for Southern Africa in the paper as necessary.

1.2 Methodological Framework

With hindsight to the objectives and scope as described above, the analytical approach in the development of the regional position paper integrates a four- step approach embracing the following elements:

i. Desk Research and Literature Synthesis
ii. Data Analysis and Evaluation
iii. Expert Panel Review
iv. Validation Workshop

i. *Desk Research and Literature Synthesis:* The first element of the conceptual framework as guided by the ACBF ToRs, relies on desk research to qualitatively assess the US-Southern Africa Relations. Based on the scope of the research, this step required in-depth understanding of the context and role of the US on Southern Africa's trade, investment, remittances, political aspects, peace, security and governance as well as on aid at country level and the regional dynamics and their broader placement in the African context. The desk review and literature synthesis, therefore, focused on a qualitative and quantitative evaluation of the key US-Southern Africa country level documents to identify the role of the US in their development process, emerging challenges as well as key issues for partnerships. The review process was complimented with an appraisal of US interventions in the region through utilising information sources from the American Embassy and its web based information for regional countries, the USAID website and the strategy documents, the African Development Bank and World Bank publications. Various documents on capacity development, notably those of the ACBF Africa Capacity Indicators flagship reports is conducted to inform the capacity imperatives for the Southern Africa region. The paper also pays a highlight the capacity imperatives for a deeper and beneficial U.S. - Africa relations.

With regards to trade and investment, a number of documents were reviewed on the AGOA as a major act that forms the basis of US-Africa trade. The other key sources such as the UNCTAD reports, World Investment Reports, World Economic Forum Global Competiveness Reports, SADC literature, published papers, journals and books were reviewed to guide key policy issues for Southern Africa. Further, the desk research integrated and evaluated the performance of regional economic communities of SADC to assess the role of the US on Southern Africa's regional integration process and gaps for capacity development imperatives on trade, investment and institutions.

i. *Data Analysis and Evaluation*: In order to complement the desk and literature synthesis, the study compiles data and conducts its analysis to provide evidence based support for the paper position and recommendations in the focus areas. The study draws on different sources of information on the scope of the research as described above to offer cross-country and sectoral analysis. The research utilises both secondary and primary information/data; phone interviews, country analyses and case studies to critically interrogate and contextualize the issues in question and offer evidence-based arguments to the extent possible to provide clear recommendations in terms of policy directions and capacity development imperatives. The analysis includes analyzing trade performance over time with export, import data trends over time among the Southern Africa countries and major trading partners including US, assessing the role of key trade and investment initiatives between the US and Southern Africa countries, notably the case of Africa Growth and Opportunity Act (AGOA).

The data compiled for the report includes data on foreign aid flows, trade patterns, foreign direct investment flows, remittance flows and statistics and indicators for democracy, peace, security and governance. In other sections were sectoral data is available, sector specific data are analysed with emerging policy implications for strategic partnerships. The report provides statistic and indicators for growth performance, social indicators and human development, poverty, unemployment rates, populations to support evidence for opportunities that exist in Southern Africa. The major sources include the World Bank indicators, UNCTAD, World Investment Report, African Development Bank Statistics and relevant literature publications.

ii. ***Expert Panel Review***: The expert panel review process was an integral aspect in the development of the regional position papers to ensure quality control and integrating expert advice from key policy makers and the drivers of Africa's development agenda. The Draft Position Papers were subjected to a review process by a team of experts and reference team selected by the ACBF to provide guidance and input on the draft final reports to be presented at the Africa validation regional workshop. The position papers were revised in line with comments from the expert panel for presentation at an Africa regional validation workshop.

iii. ***Validation Workshop***: A key aspect to the methodology towards the development of the Southern Africa Position paper entails the conduct of a validation workshop on the preliminary findings of the Southern Africa Position Paper. The validation workshop focuses on the presentation of the preliminary results from the six geographical areas, including Southern Africa (Francophone West Africa; Anglophone West Africa; East Africa and the Horn; Southern Africa; North Africa; and Central Africa). The workshop provided an opportunity for a solution-oriented dialogue among participants that culminated in concrete recommendations on the capacities required for beneficial US-Africa relations. The target sample in the Southern Africa region of workshop participants included government representatives, regional economic communities, civil society organizations, private sector organizations, academia, regional and continental organizations to discuss the capacity imperatives for deeper and beneficial US-Africa relations. The other key partners such as UNECA, AfDB, African Union Commission and NEPAD as well as various ACBF projects participated in the workshop to map pertinent developmental priorities and the way forward for a mutually beneficial relationship between Africa and the U.S.

2.0 Peace and Security [3]

2.1.1 Peace, Security and U.S. Role in the Region

Southern Africa is home to many cultures and people[4]. It was once populated by San, Khoikhoi and Pygmies in widely-dispersed concentrations. The majority of ethnic groups in this region, speak Bantu languages although the process of colonization and settling resulted in a significant population of European (Afrikaner, British, Portuguese Africans, etc.) and Asian descent (Cape Malays, Indian South Africans, etc.) in many southern African countries. The diverse ethnic groups have impacted on democracy and contributed to conflict in some countries in the region for example apartheid in South Africa. In some cases culture aspects have led to discriminatory labour practices by gender and race (case of South Africa). Conflict in some countries has also been driven by discriminatory approaches to distribution of resources. The lack of accountability and democracy is cited as a major challenge that has led to poor governance and democracy in the region. Political instability in some countries (Zimbabwe, Lesotho) and lack of fair, transparent election processes remain an issue for concern in the region.

The political history of Southern Africa bears testimony to the widely accepted notion that the region is in a constant state of transition. The current transition has had a profound bearing on political and economic governance. Whereas the political systems in the region were marked by centralization through the adoption of the one-party rule and authoritarian political culture since the 1960s, major transformations are currently opening up the political market-place to broader contestation over state power, increased participation of the citizens in the political process and empowerment of disadvantaged social groups. The current political dispensation surely bears some semblance of a democratic political culture. The US has played a key role in the region through aid assistance to address conflict in the region as indicated by aid flows for activities related to conflict resolution in table 1.

[3] Basedon review of Otobo, E. E.(2000); Matlosa K, (2003); Cawthra,G., du Pisani, A. and Omari,A. (eds.), 2007

[4] Including the Zulu, Xhosa, Swazi, Northern Ndebele, Southern Ndebele, Tswana, Sotho, and Shona people, BaLunda, Mbundu, Ovimbundu, Chaga and Sukuma

Table 1: US. ODA for Conflict, Peace and Security in Southern Africa
(2012, net disbursements in thousands of US$)

Sector	Conflict Prevention & Resolution, Peace and Security	Disaster Prevention and Preparedness	Emergency Response	Government and Civil Society, General	Developmental Food Aid/Food Security Assistance	Unallocated/ Unspecified
South Africa	918	1,459	2,544	1,099		
Swaziland		1,628	100	165		
Zambia		2,792	24	3,427		
Angola	8,819		25	3,526	446	
Lesotho		562	749	5,467		
Botswana	15		25	668		
Mozambique	2,000	3,663	1,972	11,300	46,198	
Namibia		207	327	965		
Zimbabwe	3,573	6,400	48,002	22,086		
Malawi		1,043	14,105	574	24,749	
Total Southern Africa	15,325	17,754	67,873	49,277	71,393	
Africa	134,916	29,811	2,081,073	459,942	308,371	384,634

Source: US Official Development Assistance Database

Most of the countries in Southern Africa have, however, undergone significant democratisation processes (indicators in table 10). The process of democratisation has sometimes been accompanied by violent conflict. Since the democracies in this region range from pseudo democracies to electoral and liberal democracies, this could limit the development of common security. The violent political tension in Lesotho in 1998 had more to do with the fierce contestation over state power and the benefits that go with that for the political elite than with the simple outcome of the election of the same year. Similar trends of political culture of violence linked primarily to control over state power are manifest in other parts of the southern region, examples being the recent political crisis in Namibia and Zambia.

Political violence and multivariate conflicts that have marked the region's political landscape and prompted by resource distribution, ideological contestation, social differentiation along class, gender, ethnic and racial cleavage, clearly have an enormous impact on the prospects for nurturing and consolidation of democratic governance in Southern Africa. While SADC states have embraced liberal democracy others are still steeped in authoritarian rule. An ostensibly resilient dynastic authoritarian rule anchored upon executive monarchy and traditionalism is still deeply entrenched in Swaziland. Protracted violent conflicts in both Angola and the Democratic Republic of Congo (DRC) have acted as major impediments for democratic governance and stability in these countries.

Progress towards common security will boost human security while democratic governance assists peace and stability, which in turn will enable economic growth and development. Fragile countries and armed conflict pose major challenges to good governance, human security and development. Tragically, all 54 countries in Africa are characterised by some degree of conflict over political and civil rights, employment opportunities, and access to social and economic services. These conflicts may be based on social class, ethnicity, religion, region or some combination of these factors. This situation causes direct threats to human security and generates major drawbacks to progress towards the attainment of peace, good governance and better livelihoods.

Progress in the region as indicated by the summary indicators shows that most countries have enthroned competitive multiparty democracy in the region, and the political space has been gradually liberalised with political parties and civil society organizations receiving political expression. Ethno-regional diversities have also been given political expression and accommodation. This has also led to marginalized groups of women, youth, children and the disabled progressively getting their views on the policy agenda. Electoral institutions are gaining, albeit slowly, more credibility and legitimacy with the move to relatively free and fair elections in a number of countries. Further, a new social pact, with the institutions of the state and the processes of governance is gradually being reconstructed to promote democracy and good governance is emerging in the region. There is increasingly more effort towards consolidation of democratic governance through the African Union and the New Partnership for Africa's Development (NEPAD)[5] which have defined new parameters for governance and provided benchmarks for a new governance culture in Africa. Emerging structures and processes such as the African Peer Review Mechanism (APRM), if properly designed and implemented, can improve governance in many African countries. The African Union's Commission on Peace, Security and Stability also promotes peace as essential to political and economic development in Africa as a key component of Agenda 2063.

[5] In 2002, the African Union adopted NEPAD which includes a Declaration on Democracy and Good Political Governance. The declaration affirms African countries commitment to the promotion of democracy and its core values, with special commitment to the rule of law and respect for civil liberties in terms of equalities, freedoms and opportunities. NEPAD also introduces an African Peer Review Mechanism which allows states to submit to a peer review of their compliance with these norms – and in which the reviewers are required to consult civil society organizations.

Table 2: Summary Indicators for Conflict, Crime, Peace, Terrorism

	Angola	Botswana	Lesotho	Malawi	Mozambique	Namibia	South Africa	Swaziland	Zambia	Zimbabwe
ODA Assistance for Conflict Prevention & Resolution , Peace and Security 2012 (US $)	8,819,000	15000	-	-	2,000,000	-	918000	-	-	3,573,000

Source: ODA Website

Global Peace Rankings	Angola	Botswana	Lesotho	Malawi	Mozambique	Namibia	South Africa	Swaziland	Zambia	Zimbabwe
2008	0.7101	0.2609	n/a	0.4493	0.3261	0.4275	0.6812	n/a	0.3768	0.8551
2009	0.7101	0.2609	n/a	0.4493	0.3261	0.4275	0.6812	n/a	0.3768	0.8551
2010	0.5405	0.1959	n/a	0.4392	0.3108	0.4459	0.7770	0.4797	0.4189	0.9122
2011	0.5359	0.2157	n/a	0.2941	0.3595	0.3529	0.7451	0.5098	0.3791	0.9346
2012	0.6013	0.1962	0.3544	0.4430	0.3291	0.2975	0.7215	0.5190	0.3797	0.8861
2013	0.6296	0.1975	0.3025	0.4568	0.3765	0.2840	0.7469	0.5432	0.2963	0.9198

0 = very peaceful **1 = less peaceful**

Source: Global Peace Index

Terrorism Rankings	Angola	Botswana	Lesotho	Malawi	Mozambique	Namibia	South Africa	Swaziland	Zambia	Zimbabwe
2002	0.0629	0.6918	0.6918	0.6918	0.6730	0.2767	0.2516	0.6164	0.4088	0.2264
2003	0.0943	0.7296	0.7296	0.7296	0.7170	0.3145	0.2956	0.6918	0.4528	0.2516
2004	0.1195	0.7233	0.7233	0.7233	0.7233	0.3711	0.3522	0.7233	0.5157	0.2830
2005	0.1824	0.6855	0.6855	0.6855	0.6855	0.5472	0.4465	0.6855	0.6541	0.3585
2006	0.3522	0.6667	0.5094	0.6667	0.6667	0.6667	0.5346	0.5733	0.6478	0.3522
2007	0.6918	0.6918	0.5975	0.6918	0.3019	0.6918	0.3899	0.8909	0.6918	0.5220
2008	0.7233	0.7233	0.6792	0.7233	0.4088	0.7233	0.5157	0.7304	0.7233	0.2642
2009	0.4780	0.7484	0.6352	0.7484	0.5157	0.7484	0.6226	0.6101	0.7484	0.3648
2010	0.3145	0.7296	0.6792	0.7296	0.5597	0.7733	0.6667	0.6541	0.7296	0.3836
2011	0.4088	0.7296	0.7107	0.7296	0.6038	0.7296	0.6981	0.6855	0.7296	0.4465

0 = a lot of terrorism **1 = no terrorism**

Source: Terrorism Index

Positive Peace Rankings	Angola	Botswana	Lesotho	Malawi	Mozambique	Namibia	South Africa	Swaziland	Zambia	Zimbabwe
2013	n/a	2.5800	n/a	3.3900	3.4000	2.7700	2.8200	3.3600	3.4100	n/a

0 = very peaceful **1 = less peaceful**

Source: Global Peace Index

Considering the nature of fragility, putting capacity development at the forefront of Africa's development agenda is crucial for achieving the MDGs. Many countries have undertaken reforms to enhance their governance frameworks. But in Africa, these targets and other benchmarks of real progress toward reducing poverty, sustaining peace, and promoting economic growth and development can be met only if development partners act decisively and forcefully to build fragile states' capacity (ACBF 2011). Findings on capacity assessments among African countries stress the importance of focusing on fragility and addressing such concerns because they have implications for the success of the Millennium Development Goals (MDGs), aid effectiveness, and global and regional security and stability targets (ACBF, 2011).

2.1.2 *Conclusions and Recommendations*

- The position paper therefore emphasises capacity building for institutions to enhance democracy, accountability and good governance.
- Strengthening Capacity of Institutions: Capacity to strengthen the local actors and institutions that are ultimately responsible for transforming the Southern Africa region is key.

- The regional challenges demonstrate the need for strengthening of the African Union Commission to transform Africa as a whole including the context of Southern Africa more importantly to enhance progress and delivery by the Africa Union Commission Agenda 2063[6] key drivers which centre on developing Africa's growth trajectory for the next 50 years where lleadership and political commitment is given a priority.
- Partnerships and supportive initiatives should aim to strengthen state institutions and improving their capacity to provide security and development, based on principles of good governance and the rule of law to entrench lasting peace and improve living standards of citizens. This is an area that requires capacity building support for institutions in Southern Africa including institutional capacity building for good governance, democracy and accountability
- Another important aspect of capacity development for Africa relates to the need to secure political and social stability across the region, even for perceptibly mature democracies.
- Such capacities include capabilities at the local, country, and regional levels to aggregate and address citizen needs, foster participation of diverse stakeholder groups, including minorities, women, and other underrepresented groups, in the development process (Léautier et al., 2010). The emerging consensus is that capacity is about not only human skills development and knowledge generation, but also incentives and governance (ACBF, 2012).

3.0 Democracy and Leadership

3.1.1 Democracy and Leadership in the Region

There is now a general consensus on the role that good governance plays in achieving equitable and sustainable development in Africa (AfDB, 2012). Empirical evidence confirms that good governance is critical for sustainable economic growth as measured by high per capita income. Countries with better governance profiles tend to attract higher levels of foreign direct investment and faster economic growth rates than others. Governance is, more than ever, a critical factor for economic and social development (Ottobo, 2000).

Traditional indicators of governance in Southern Africa depict a region that is relatively stable. Four SADC countries (Botswana, Mauritius, Namibia, and South Africa) are in the top five countries ranked on the 2010 edition of the Mo Ibrahim Index of African Governance. Freedom House's annual 2010 report also gave *"free"* marks to four SADC countries and *"partially"* free to six others. (Table 10) With some exception, Southern African countries have generally free and fair elections, but elections are not sufficient to guarantee

[6] The objective is to develop Africa's growth trajectory for the next 50 years through lessons learnt focuses on: 1)Leadership and political commitment;2)Youth and women engagement and involvement 3)Africa's Resources; 4)Infrastructure and interconnectedness: 5)Science, technology and innovation; 6)Effective private and public sector development; 7)Citizen participation; 8)Active engagement with the African Diaspora

democratic behaviors in government. It has been argued that the traditional indicators paint a misleading picture since four of the world's most repressive regimes are in Southern Africa: DRC, Zimbabwe, Angola, and Swaziland (Africa's last absolute monarchy). Six of the largest SADC countries are governed by liberation era political parties that have been in power for an average of 22 years and have created formal structures to ensure they will remain in power for many more to come.

Table 3: Summary Indicators Governance, Democracy, Transparency and Accountability Indicators

Democracy rankings for Southern Africa Countries

		Democracy Ranking								
	ANGOLA	BOTSWANA	LESOTHO	MALAWI	MOZAMBIQUE	NAMIBIA	SOUTH AFRICA	SWAZILAND	ZAMBIA	ZIMBABWE
2008-09	-	68.000	75.000	93.000	98	64.000	56.000	-	103.000	-
2011-12	-	71.000	69.000	88.000	100	64.000	60.000	-	98.000	-

Source: Global Democracy Rankings

Governance Rankings for Sothern Africa Countries

Mo Ibrahim Index	Angola	Botswana	Lesotho	Malawi	Mozambique	Namibia	South Africa	Swaziland	Zambia	Zimbabwe
2011	43.3	77.4	60.7	57.5	55.2	70.2	71.5	51.1	58	36.2
2012	44.5	77.6	61.9	56.9	54.8	69.5	71.3	50.8	59.6	35.4

Source: Ibrahim Index of African Governance

Transparency Rankings in Southern Africa Countries

Corruption Perception Score	Angola	Botswana	Lesotho	Malawi	Mozambique	Namibia	South Africa	Swaziland	Zambia	Zimbabwe
2009	19	56	33	33	25	45	47	36	30	22
2010	19	58	35	34	27	44	45	32	30	24
2011	20	61	35	30	27	44	41	31	32	22
2012	22	65	45	37	31	48	43	37	37	20
2013	23	64	49	37	30	48	42	39	38	21

Source: Transparency International (Out of 100)

0 = highly corrupt 100 = no corruption

World Bank CPIA Transparency, Accountability, Corruption Rankings

		2005	2006	2007	2008	2009
CPIA transparency, accountability, and corruption in the public sector rating (1=low to 6=high)	Southern Africa	2.83	2.81	2.81	2.78	2.76
	Africa	2.75	2.67	2.67	2.67	2.75
CPIA property rights and rule-based governance rating (1=low to 6=high)	Southern Africa	2.76	2.79	2.79	2.78	2.78
	Africa	2.67	2.67	2.67	2.67	2.75

Source: World Development Indicators, Transparency International, Freedom House.

A regional democracy and governance assessment conducted in 2008 throughout Southern Africa concluded that executive dominance is the most serious impediment to the infusion of democratic principles into political systems. A lack of progressive development on rule of law issues such as constitutional recognition of judicial independence was also cited as a key constraint. Concurrently, a recent Afro-barometer survey found that in seven southern Africa SADC countries only 1.8 % of the population believed that "democracy" includes the protection of equality and justice. Cawthra, du Pisani and Omari (2007) perceives instability as one of the major challenges for democratic governance in developing societies in general and Southern Africa in particular.

In terms of the expected results from capacity development, the ACIR reveals that low level of outputs in capacity development in the majority of the countries surveyed were found to exhibit low capacities. Furthermore, the fact that the majority of countries are in the "very low" category, indicates that a lot of work needs to be done to ensure that the development results achieved to date in Africa are maintained and that reversals are minimized (ACBF, 2011). This underscores the importance of investing further in capacity development. This is an area that requires capacity building support for institutions in Southern Africa and this should be emphasised in partnerships for institutional capacity building for good governance, democracy and accountability.

3.1.2 Conclusions and Recommendations

Notwithstanding the progress made on governance, peace and security, the democratic process remains fragile, tenuous and is filled with trepidation. The emerging structures of governance political parties, civil society organizations, elected institutions of the legislature and the executive, remain weak and have barely institutionalized. These institutions must be gradually nurtured as Africa strives to achieve economic progress and political development in the 21st century. The challenges are key in capacity building partnerships and support in the context of Southern Africa which should be given priority to create stable economic and political environment which is key for investment in the region. It is a fact that strengthening state institutions and improving their capacity to provide security and development, based on principles of good governance and the rule of law, are essential to entrench lasting peace and improve living standards of citizens. Evidence also confirms the causal linkage between good governance and the decline in absolute poverty levels, infant mortality, literacy rates, gender equality, access to clean water and other Millennium Development Goals (AfDB, 2012). This reinforces the importance of partnerships for capacity support for good governance among Southern Africa countries to make positive progress on MDGs.

- Capacity building and support for strengthening institutions to enhance governance, democracy, accountability and transparency in the region. Development partners can play a key role in ensuring that capacity development planning, implementation, monitoring, and evaluation strategies be keyed to the good governance agenda and support bringing it to fruition (ACBF, 2011).
- Continental political initiatives, such as the NEPAD and APRM, which further impetus to Africa's democratisation process should be strengthened.

- Other capacity building requisite for institutions to promote good governance and democracy include: definitions of property rights and the rules, legal frameworks defining property rights, private contract regimes, fiduciary liability, dispute-resolution mechanisms and rules of entry and exit for private firm. The strengthening of courts to enhance their independence in adjudicating commercial disputes. watchdog institutions that provide critical information for markets to function, such as the credit-rating agencies and consumer protection societies, accounting firms and independent media form candidates for institutional and technical capacity building imperatives in the region.

4.0 Economy

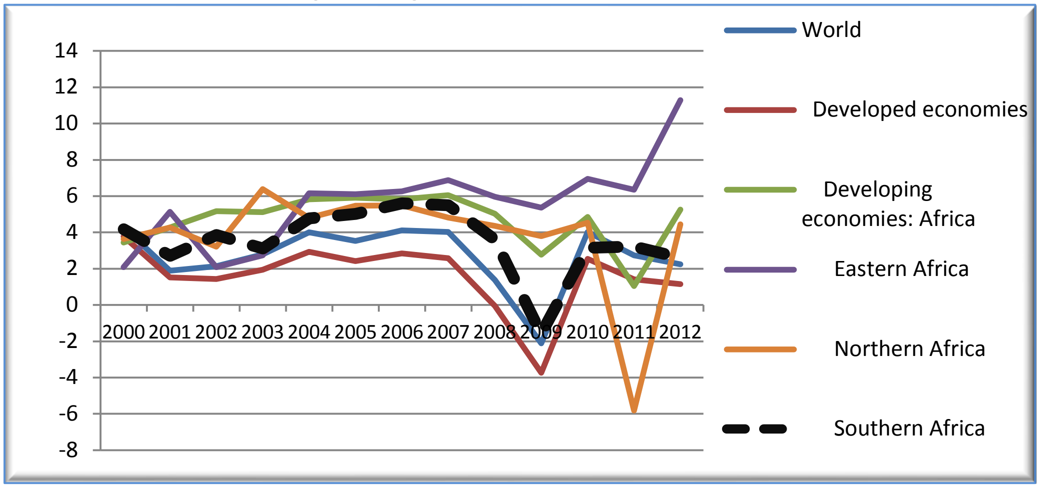
4.1 Growth and Development Challenges[7]

While this section characterises the economic and social environment, the assessment contextualises pertinent issues for the development agenda in Southern Africa. It places emphasis on the major challenges facing Southern Africa which can be turned into models of partnerships that will benefit the region in spearheading the growth and development momentum.

***Notable stable growth*:** Africa is currently recognized as the fastest growing region in the world. In fact, since the 1990s the economic growth of the continent is on average above 5% (AfDB, 2013), surpassing the world average growth rate. Although the financial and economic crises of 2008 adversely impacted on overall growth rates, the growth momentum has picked since 2010 as indicated by the Africa developing economies growth rate in figure 1 below. At a regional level, Southern Africa emerged as a major player in Africa's positive growth rate. A comparative assessment of Africa regional growth rates as depicted in figure 1, shows that pre-and post the 2008 global crisis Southern Africa's growth performance has been relatively stable, surpassing the world average growth rate.

[7] In order not to have too many tables, most indicators on inequality, Gini index, unemployment rates, per capita GDP, poverty ratios, gender index, HDI, CPI are provided in the appendix tables.

Figure 1: Regional GDP Growth Performance



Source: Generated from UNCTAD Regional GDP data

The African Development Bank regional economic outlook indicates that in Southern Africa, GDP is expected to grow by around 4% in 2013 and to accelerate to 4.6% in 2014 (African Economic Outlook, 2013). With improved global demand and supportive macroeconomic policies a gradual recovery is expected for 2013 and 2014 in the Southern Africa region. In terms of economic strength, South Africa is by far the dominant power of the region. South Africa's GDP alone is many times greater than the GDPs of all other countries in the region. Despite the decline in global economic conditions over the course of 2011, Southern Africa emerged as the fastest-growing region in the world. In most countries in the region such as Angola, Mozambique, Zambia and Botswana growth is likely to remain buoyant. Malawi is expected to emerge from its 2012 economic crisis and return to solid growth. In 2012, economic growth in South Africa was adversely affected by heavy strikes in the mining sector and the recession in the euro area. Countries such as Zimbabwe continue to record positive growth rates of above 5% (AfDB, 2013). Swaziland's economic growth continues to be the lowest in the region and in Africa as a whole (AfDB, 2013). After the fiscal crisis fiscal austerity measures have helped to improve the fiscal position they have depressed short-term demand.

Despite the positive growth rates registered, it is of concern that the Southern Africa region growth rates have not significantly translated into high employment and poverty rates witnessed in the region (unemployment figures, poverty rates in table 2). Many countries in the region such as Botswana, South Africa, Namibia, although leading the high regional growth remain among countries with the highest unemployment rates of more than 30% and significant poverty rates averaging more than 20% as well as high and increasing inequality (World Bank, 2011).

Further progress on human development remains slow for the majority of countries in the region with the exception of Botswana, Namibia and South Africa, with a human development index of more than 0.5, as depicted in Table 3. These growth and development outcomes clearly validate the need for further growth opportunities to sustain and raise growth rates to spearhead the development process among Sothern Africa countries. The partnership development approach should thus focus on boosting growth prospects particularly for the other smaller countries in the Southern region. Léautier and Hanson (2013) posit that to sustain high economic growth momentum and ensure that growth in Africa generates jobs and poverty reduction, which are the key challenges for the continent, there is a need to develop capacity, including capabilities to further transform its economies. The regional challenges demonstrate the need for strengthening of the African Union Commission to transform Africa as a whole including the context of Southern Africa more importantly to enhance progress and delivery the Africa Union Commission Agenda 2063[8] key drivers which centre on developing Africa's growth trajectory for the next 50 years.

Table 4 : Progress on Human Developnt in Southern Africa Countries

		Human Development Index								
	ANGOLA	BOTSWANA	LESOTHO	MALAWI	MOZAMBIQUE	NAMIBIA	SOUTH AFRICA	SWAZILAND	ZAMBIA	ZIMBABWE
1980	-	0.449	0.422	0.272	0.217	-	0.570	-	0.405	0.367
1990	-	0.589	0.474	0.295	0.202	0.569	0.621	0.533	0.398	0.427
2000	0.375	0.587	0.429	0.352	0.247	0.564	0.622	0.502	0.376	0.376
2005	0.406	0.604	0.425	0.363	0.287	0.579	0.604	0.504	0.399	0.352
2007	0.472	0.619	0.431	0.381	0.301	0.592	0.609	0.520	0.411	0.355
2010	0.502	0.633	0.452	0.413	0.318	0.604	0.621	0.532	0.438	0.374
2011	0.504	0.634	0.456	0.415	0.322	0.606	0.625	0.536	0.443	0.387
2012	0.508	0.634	0.461	0.418	0.327	0.608	0.629	0.536	0.448	0.397

Source: World Development Indicators

Partnership strategies between the US and Southern Africa should thus target other countries in the region to improve their growth potential and overall regional development. Countries in the region require high growth rates to transform their economics and have sustainable growth. Botswana although having experienced phenomenal growth rates not only in the region, but in Africa, is struggling to diversify from mineral dependence as the main source for growth while countries such as Zambia, Malawi, Lesotho, Namibia have major infrastructure challenges. The stable growth performance in the Southern Africa region offers opportunities for the US-Africa partnerships for further growth in the region that can support the growth process for countries that continue to struggle with low growth and development in the region.

Poverty and inequality: While there have been significant economic growth achievements in Southern Africa, the number of people living in poverty in the region has been growing over the past two decades. Reducing poverty is a key objective among Southern countries, but it is unlikely that the majority of these countries will achieve all eight of the Millennium

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[8] The objective is to develop Africa's growth trajectory for the next 50 years through lessons learnt focuses on: 1)Leadership and political commitment;2)Youth and women engagement and involvement 3)Africa's Resources; 4)Infrastructure and interconnectedness: 5)Science, technology and innovation; 6)Effective private and public sector development; 7)Citizen participation 8)Active engagement with the African Diaspora

Development Goals (MDGs) by the 2015 target date (UNDP, 2009). Further, the report notes that nine SADC countries have over 50% of their populations living on less than $1.25 per day (UNDP 2009). Even for the relatively wealthier South Africa, it is reported that 26% of the population lives on less than this daily amount, an indication of high levels of income inequality. Botswana, Lesotho, Namibia, and South Africa have some of the highest levels of income inequality in the world (UNDP, 2009). Reconciling the achievements of economic growth with growing poverty is challenging. Since the 1990s, several instruments have been developed to make poverty reduction efforts operational and strengthen in-country capacity across Africa.

While there have been mixed results of growth in the region, continuing to address these challenges with developed counties such as the US with strategic partnerships is fundamental. The main problem, however, is that across the continent, states and societies capacities to deliver their respective mandates remain weak and therefore require greater attention and galvanized actions (UNDP, 2009). Proposals for policy direction by place emphasis on an increased understanding of the need to address capacity development challenges to create the ability to grow, develop, and rise above poverty where capacity development support for good socio-economic governance has also been identified as essential in Africa (ACBF, 2011).

.***Population and unemployment dynamics***: Africa's population is dominantly rural and with a large share of the labor force in agriculture, making rural activities a major part of the equation of job creation. Given this reality, any development agenda must recognize that in the short term only rural activities, farm or nonfarm, can effectively create occupation for most new job seekers (Kararach, Hanson and Léautier, 2011).

Table 4: Summary Table for Social Indicators: HDI, Literacy; Gender, Labour, Fertility Rate.

COUNTRY	HDI RANK		GENDER INEQUALITY INDEX				POPULATION WITH AT LEAST SECONDARY EDUCATION (% AGES 25 AND OLDER)				LABOUR FORCE PARTICIPATION RATE (%)				TOTAL FERTILITY RATE
			RANK		VALUE		FEMALE		MALE		FEMALE		MALE		NUMBER
	2010	2011	2008	2011	2008	2011	2010	2011	2010	2011	2008	2009	2008	2009	2011
Angola	146	148									76.3	74.5	89.2	88.4	5.1
Botswana	98	118	91	102	0.663	0.507	73.6	73.6	77.5	77.5	75.1	72.3	81.8	80.9	2.6
DRC	168	187	137	142	0.814	0.71	10.7	10.7	36.2	36.2	57.4	56.5	86.8	85.6	5.5
Lesotho	141	160	102	108	0.685	0.532	24.3	24.3	20.3	20.3	71.9	70.8	78.7	77.7	3.1
Madagascar	135	151									86	84.2	89.3	88.7	4.5
Malawi	153	171	126	120	0.758	0.594	10.4	10.4	20.4	20.4	74.6	75	77.7	78.8	6
Mauritius	72	77	46	63	0.466	0.353	45.2	45.2	52.9	52.9	46.3	40.8	80.3	74.8	1.6
Mozambique	165	184	111	125	0.718	0.602	1.5	1.5	6	6	85.7	84.8	86.6	86.9	4.7
Namibia	105	120	75	84	0.615	0.466	49.6	49.6	46.1	46.1	53.5	51.8	63.6	62.6	3.1
Seychelles	52	52					66.9	41.2	66.6	45.4					
South Africa	110	123	82	94	0.635	0.49	66.3	66.3	68	68	51	47	67	63.4	2.4
Swaziland	121	140	93	110	0.668	0.546	49.9	49.9	46.1	46.1	55.2	53.1	75.8	74.9	3.2
Tanzania	148	152		119		0.59				9.2	88.8	86.3	91.1	90.6	5.5
Zambia	150	164	124	131	0.752	0.627	25.7	25.7	44.2	44.2	60.4	59.5	78.7	79.2	6.3
Zimbabwe	169	173	105	118	0.705	0.583	48.8	48.8	62	62	60.8	60	74.5	74.3	3.1

Source: SADC Statistics

In Southern Africa, eemployment levels and labour productivity in the SADC region are generally low as indicated in table 4. Table 5 provides a summary indicators of the population among Southern Africa countries, the land resource and GDP per capita growth rates. Table 5 has the labour force participation rates which are lower for females compared to males in the region. The regional fertility rate indicates potential for population growth in the region while GDP growth rates are not matching the growing population. The country growth rates have not translated into high employment rate and high per capita incomes. The growing population in the region is a key is concern for policy since countries are not in a position to absorb the rising labour and create employment at the rate at which the labour force is increasing resulting in rising unemployment in the region. Countries such as Botswana, South Africa, Namibia have high unemployment rates in the region despite rising population. Also, a considerable threat to achieving future economic progress in the region is a population that is younger, more urban, and growing. By 2050, the population will almost double and become increasingly urban with 77% living in cities, compared to 54% today (UNDP, 2009). While youth can play a crucial role in spurring growth through increased productivity, if policies are not in place to absorb youth into productive employment, they can become socially and political destabilizing. In the current context, with high unemployment rates in the region, there exists an explosive situation with millions of urbanized and educated youth without jobs. A number of partnerships will thus become critical in the Southern Africa position to address challenges emanating from the population dynamics.

Table 5: Summary Southern Africa Country Indicators for Population, GDP, and GDP Per Capita

	Population (millions)	Surface Area (sq. km thousands)	Population Density (people per	GDP Per Capita (US$)	GDP % growth	Per Capita GDP % growth
	2012	2012	2012	2012	2012	2012
Angola	21	1,247	17	6,720	6.8	3.5
Botswana	2	582	4	14,650	4.2	3.3
Lesotho	2	30	68	2,710	4	2.8
Malawi	16	118	169	730	1.9	-1
Mozambique	25	799	32	990	7.4	4.7
Namibia	2	824	3	9,040	5	3.1
South Africa	52	1,219	43	11,930	2.5	1.2
Swaziland	1	17	72	5,550	-1.5	-3
Zambia	14	753	19	2,880	7.2	3.9
Zimbabwe	14	391	35	1,310	4.4	1.6
Southern Africa Total	149	5,980	462			
World	7,044	134,290	54	13,720	2.4	1.2
Low income	846	16,198	56	1,644	6.4	4
Middle income	4,898	64,212	77	9,063	4.9	3.7
Sub-Saharan Africa	911	24,262	39	3,089	4.3	1.6
High income	1,300	53,880	25	39,374	1.5	1.2
Euro area	333	2,693	128	37,071	-0.6	0

Source: World Development Indicators

Among factors that can stimulate job creation in the African continent, Léautier and Hanson (2013) emphasize the creative use of the agricultural sector, the success in growing market size, and the level of innovation in the country. Enhancing the productive capacity and consequently the economic returns of agriculture has crucial effects on poverty and job creation in three key ways. It increases the productivity and incomes of the majority of Africa's populace, who work primarily in agriculture; engenders employment opportunities with related industries/enterprises; and generates important spillovers to the rest of the economy (ACBF, 2011).

The growing population confers partnerships opportunities for various markets, sector specific development initiatives on agriculture, education, health, industrial development, SMME, entrepreneurship programmes to complement broader country and regional growth. The agricultural sector has been identified as a sector that has the potential to generate the bulk of the needed employment since the continent remains rural and agricultural based, employing the majority of the labour force offering best prospects for future growth (Hanson and Leautier, 2013). A major constraint to agricultural transformation among African countries is the lack of training and innovation as well as research needed to transform the agriculture sector and guarantee food security, or even to generate skilled jobs in the sector (ACBF, 2012). These capacity gaps present opportunities for investment opportunities with the US to transform the agricultural sector in the region and Africa. The strategic partnerships can meaningfully serve to modernize agriculture and support effective creation of value chains that enhance the value added from agriculture.

New market opportunities to Broaden Sectoral and Industry Growth: As a new market with a variety of commodities (appendix table with major export commodities) that contributed to the growth momentum in the region, (for example, copper, diamonds, agriculture, global copper, platinum, just to name a few), the supply chains and industrial linkages from foreign investments attracted to the region from the US can contribute to industrial growth which is limited in some Southern African countries. In this regard, it is fundamental that the region seeks partnerships for U.S. investment that will target industries and sectors that are key for generating broad based growth such as in agriculture, manufacturing, services, education, health, water and infrastructure.

The economic challenges of HIV/AIDS, malaria and TB causing significant deaths throughout Africa, present opportunities for new markets and development of competitive pharmaceutical solutions as opposed to a grant/donor system with the US. Though the US aid assistance has played a key role in progress on health indicators, there is room for partnership investments into building and operating industries in the region for pharmaceuticals, hospitals and providing requite infrastructure, technology and skills development.

The section on aid flows demonstrates that there has been substantial aid flows into these sectors and it is key that the partnership approach shifts from aid dependence to investment partnerships that will benefit the region and the US sustainably. Besides the potential for sector growth in the agricultural sector , various economic sectors among the Southern African countries indicate the potential for partnerships that can enhance the growth momentum and contribute to industrial development. Policies in the region aim to create sustainable diversified economies with a strong competitive export sector. The region is distinct from the rest of Africa, with some of its main exports including platinum, diamonds, gold, and uranium, but it is similar in that it shares some of the problems of the rest of the continent. Countries such as Zimbabwe have a strong mineral resources sector which and existing opportunities have been exploited by countries such as China which has made significant investments in the sector (World Investment Report 2013). The development of supply chains from industry in Zimbabwe has growth nodes for various players in surrounding countries. In addition to considering key infrastructure partnerships, cognisance should be given to the prospects for foreign direct investment into the sectors of water, energy climate, transport infrastructure such as roads, rail, airports where massive investments have contributed to poor regional infrastructure and its development.

Capacity for the development of an entrepreneurial culture in the region remains at the centre stage for addressing poverty and unemployment dynamics in the region. Partnerships for boosting SMME sector and private sector development should be given prominence in the partnership strategies and capacity building initiatives in the region. Another opportunity is the land resource and its development which has significant potential in the region. The population potential in the region with rising youth in Africa which is set to double in the next 40 years moving a median of young people into productive years presents a potential to partnerships that should create and open new more competitive markets for various sectors and industries. It However, it has been emphasized in recent Africa capacity development assessments that capacity is at the heart of sustainable development and Africa countries require the capacity to harness its vast domestic resources to effectively leverage and allocate to the right priorities the sources of funds it has for development(ACIR, 2012).

Inclusive partnership approach to existing economic and social challenges: Although progress has been attained in the region on social development, a number of challenges still exist which shows the need to ensure that partnerships models with the US embrace the social dimensions and challenges in the region. Poverty and underdevelopment remain daunting challenges for social and human development in the Southern Africa. Approximately half of the population lives below the international poverty line of US $1 per day, according to the International Council on Social Welfare (UNDP, 2009). Poverty in SADC is made worse by several factors, which include: high levels of disease, in particular HIV and AIDS, malaria and tuberculosis; Social and civil conflict; natural disasters, such as recurrent droughts and floods that reduce food security; unemployment; and low industrial growth and productivity, which is reinforced by high levels of migration of skilled labour out of the region.

4.2 Trade[9]

4.2.1 Trade Performance in the Region

The global marketplace in general and international trade in particular have never been more important to Africa than at present. Success in the region is being increasingly defined by a given country's ability to exploit the potential benefits offered by the world economy (Plummer, 2007).

In the Southern African region, Europe has traditionally been by far the largest market for SADC exporters and continues to account for well over 40% of total SADC exports (figure 1). Trade in the region has been defined by the multiple memberships to a number of trade blocks such as the Southern African Customs Union (SACU), SADC, COMESA and those between the EU and Southern Africa. Trade and its liberalization can contribute to development. Trade and trade liberalization are not ends in themselves, but they can give a country greater access to a whole range of goods, services, technologies, and knowledge. By stimulating entrepreneurship, trade can create employment, promote vital learning phenomena, attract private investment flows, increase exchange revenue, and generate resources to guarantee sustainable development and reduce poverty (Plummer, 2007).

Table 5: Shares of SADC's Export and Imports to Major Trading Partners (%)

EXPORTS										
	SOUTH AFRICA	**SADC**	**CHINA**	**OBRIC**	**EU**	**USA**	**NORA**	**SACU**	**OTHER SSA**	**WORLD**
2000	4,5	15,3	1,2	2,1	38,1	8,7	0,3	4,8	2,3	100
2001	4,5	14,2	1,8	2,2	42,6	11,8	0,7	4,6	3	100
2002	4,9	17,1	1,5	2	42,3	9,3	0,6	5,2	4,5	100
2003	4,1	14,8	2	1,7	39,7	11,3	0,4	4,2	3,4	100
2004	5,7	15,6	2,4	1,9	38,9	10,9	0,3	5,9	3,3	100
2005	4,9	15	2,6	2,7	39,2	8,9	0,5	5,2	3,3	100
2006	4,9	18	3,3	2	35	8,5	0,8	5,4	3,2	100
2007	5,7	15,9	5,3	2,5	33,6	9	0,8	6,1	3,3	100
2008	4,5	15,7	5,4	3,5	33,2	8,9	1	4,8	3,5	100
2009	4	16,4	9,4	4,2	28,4	7,4	0,9	4,3	4,5	100
2010	4,2	15,5	11	4,6	27,1	7,8	0,7	4,3	3,9	100
IMPORTS										
	SOUTH AFRICA	**SADC**	**CHINA**	**OBRIC**	**EU**	**USA**	**NORA**	**SACU**	**OTHER SSA**	**WORLD**
2000	15,1	17,1	3,6	2,6	32,45	8,9	0,1	15,3	1	100
2001	16,6	19,2	3,7	3,5	32,1	8,8	0,1	16,9	1,3	100
2002	19,5	22,2	4,3	3,2	31,9	8,2	0,2	19,9	1,5	100
2003	17	19,5	5,5	3,5	33,5	7,2	0,2	17,2	1,4	100
2004	15,9	18,8	6,4	3,7	32	6,5	0,1	16,2	1,7	100
2005	12,3	17,4	7,7	4,4	31,8	6,1	0,2	13,2	1,5	100
2006	11,8	15,5	8,6	4,8	29,5	6,3	0,6	12,6	2,4	100
2007	11,7	16,9	9,4	5,3	28,5	6,1	0,2	12,6	1,9	100
2008	12,2	17,8	9,9	5,6	26,3	6,3	0,3	12,8	2,2	100
2009	11	15,9	11,2	6,1	27,2	6,2	0,2	11,5	2,9	100
2010	11,6	17,2	12,2	5,9	26,4	6	0,2	12,2	2,5	100

Source: Jensen and Yu (2012)

[9] This section relies on reviews of: Guseh and Oritsejafor (2009); Páez, Karingi, Kimenyi and Paulos (2010) and Kimenyi (2012); Bösl, du Pisani, Erasmus, Hartzenberg and Sandrey (2011). The discussions are also based on available trade data which in some cases is not disaggregated to the extent required.

Southern Africa has taken steps towards greater regional integration in areas such as economic growth, resource management, and social service provision, but has yet to solidify these gains. As a whole, Southern Africa provides significant economic potential to the United States through its trade facilities. However capacity gaps have limited the realization of the full benefits and exploitation of trade agreements such as AGOA and globalization. The capacities to negotiate trade agreements and implement them while fully exploiting their optimal potential remains a major constraint to greater regional integration. The position paper identifies trade expansion, trade capacity building and facilitation support to boost the export base and stimulate integration and trade with the US. The development and investment into export processing zones (EPZ) is deemed a crucial for export industry development in the region. Multiple memberships and overlapping memberships (SADC, SACU for example) in the regional countries require capacity development to enhance the regional efforts. SADC remains challenged with delivery and implementation of a number of regional objectives.

Regional cooperation can play a crucial role in meeting the future needs for capacity at various levels in African countries through formulating, financing and implementing regional capacity building projects and encouraging a regional approach to capacity development (Kararach, Hanson, and Léautier, 2011). One could argue that African economies' limited success in tackling poverty and experiencing dramatic social transformation (based on sustained economic growth) is undermined by minima integration of capacity development as a major development policy agenda (ACBF 2011).

The lack of technical capacity to effectively negotiate trade agreements and implement them has affected the potential for trade expansion in the region more than what it could have been as reported (Table 1). The Countries capacity to manage trade and engage in business is key to tap into the benefits in the international business environment. The ACIR 2012 report notes that capacity development can strengthen Africa's ability to leverage the benefits of international trade and regional integration by fostering the enhanced negotiation skills necessary to realize more advantageous terms of trade, trade policy formulation and management, and international contractual agreements on investor protection and intellectual property. Other factors that have impacted on trade performance in the region have included limited export diversity and industrial development particularly in the smaller countries of the Southern African region compared to South Africa which dominates foreign and trade shares in the region[10].

Rankings of the global competitiveness index reveal that countries in the Southern African region[11] lag behind on trade and investment performance due to poor competitive business and regulatory environments and lack human, infrastructure, technical capacity and inadequate skills (WEF Global Competitiveness Report, 2013). Partnerships with the US

[10] Appendix tables show major export products by countries of Southern Africa which is limited in diversity and is mostly primary products. South Africa dominates the trade scene and investment profiles in the region.
[11] South Africa and Mauritius tend to be the top countries in Southern Africa and SADC.

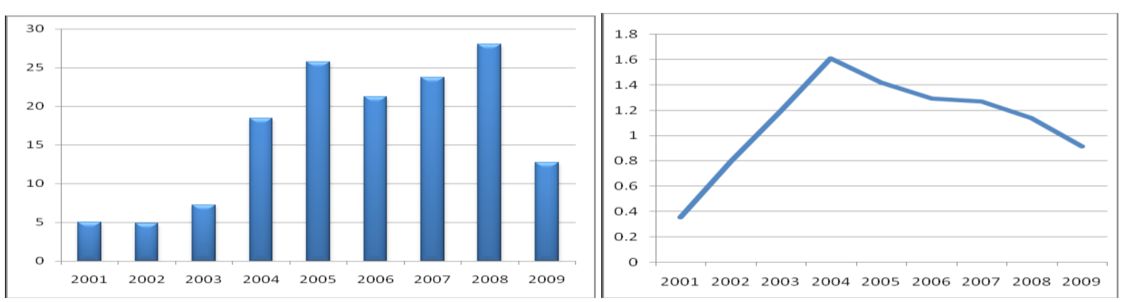
should thus include capacity development initiatives to address competitiveness challenges in the region to contribute to sustainable industry and export development strategies.

4.2.2 *Trade Profile under AGOA*

The importance of the U.S. market grew substantially following the enactment of AGOA leading to African exports to the U.S. increasing by more than 50%. AGOA has also fostered US-Southern Africa trade. African exports to the U.S. increased from $23 billion in 2000 to $81 billion in 2008 and even non-oil exports had increased 230 per cent by 2008, despite exclusion of key African export products like sugar, peanuts, dairy and tobacco. FDI and employment increased, with over 300,000 new jobs created in Africa in the first nine years. Since the inception of the initiative, total U.S. AGOA imports have risen over five-fold, from $5 billion in 2001 to over $28 billion in 2008 (see figures below). Figure 4 and 5 as well as Table 7 below illustrates trade flows from all AGOA-eligible countries regarding textiles and apparel (excluding generalised system of preferences (GSP) at the HS 8-digit level).

Figure 2: US Imports from AGOA Eligible Countries (US$ Billions)

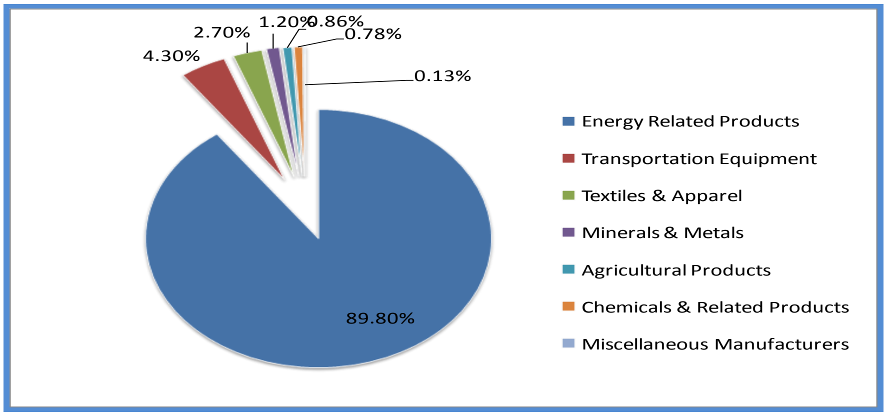
U.S. Imports from AGOA-Eligible Countries, $bn U.S. Textile & Apparel Imports from AGOA-Eligible Countries, $bn



African Trade Policy Centre (2011)

Trade between the two regions still remains low and highly concentrated in oil and oil-related products, despite a modest increase in non-oil exports since the inception of AGOA. In terms of overall imports, there has been a significant supply response during the years 2001 and 2004, from $355 million to $1.6 billion, amounting to an over 400% increase.

Figure 3: Top Leading US Imports from AGOA Countries



African Trade Policy Centre (2011).

There has been an evident economic payoff for African countries including those from Southern Africa countries such as Kenya, Lesotho, Madagascar, Mauritius, South Africa, Swaziland, Lesotho, Botswana, and to a lesser extent Ghana, Ethiopia, Malawi, Tanzania, Uganda and Cape Verde. A sharp decline occurred in 2005 (to $1.4 billion) due to the effects of the muliti-fibre agreement (MFA) expiration., leading to a gradual decline in textile and apparel imports particularly reaching their lowest in 2009 (a low of $914 million). Eligibility and preference has limited the exploitation of the act in general.

Table 6: Annual US Imports from AGOA Eligible Countries

General Customs Value, at HTS8 Level)(In 1,000 Dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Angola	0	0	0	1349.411	3662.774	4127.605	3898.345	8119.377	3018.965	2520.493
Botswana	0	3.707	6.343	20.119	30.044	27.688	31.331	15.803	12.362	4.778
Burkina Faso	0	0	0	0	0	6	0	0	0	1
Cameroon	36.731	98.332	115.57	196.025	87.377	138.34	164.246	362.103	62.428	16.317
Cape Verde	0	0	2.452	2.902	2.115	85	0	0	0	0
Chad	0	0	14.438	252.904	551.662	125.792	80.397	64.563	86.924	0
Congo (ROC)	99.288	59.933	239.395	267.733	450.282	708.281	1441.966	1218.323	378.33	266.523
Djibouti	0	0	0	0	0	0	0	0	17	0
Ethiopia	215	1.319	1.706	3.532	3.646	5	4.741	9.392	6.723	3.374
Gabon	598.32	737.99	268.764	1391.036	1571.305	294.438	430.611	111.044	53.584	0
Gambia	0	0	0	0	0	0	0	0	0	5
Ghana	30.424	22.165	29.156	59.209	49.927	34.874	56.151	31.494	2.303	635
Guinea	0	0	0	0	0	0	27	1	1	0
Guinea-Bissau	0	0	0	26.131	0	0	0	0	0	0
Kenya	55.225	123.783	180.529	279.898	272.131	264.838	249.45	252.243	204.982	84.267
Lesotho	129.242	317.66	372.614	446.494	388.344	384.452	379.464	338.686	276.885	106.109
Madagascar	92.11	75.647	186.485	314.533	273.131	229.541	281.443	277.051	210.004	0
Malawi	24.089	53.534	58.154	37.888	41.214	26.662	28.147	26.693	42.705	15.967
Mali	0	1	0	3	0	3	9	4	62	1
Mauritius	38.874	106.499	134.958	147.822	146.815	145.858	112.354	97.291	98.747	48.406
Mozambique	0	186	2.179	2.213	2.685	781	825	129	0	184
Namibia	0	1.543	32.132	75.904	53.058	33.019	28.579	6	0	0
Niger	0	0	2	0	24	1	27	1	3	0
Nigeria	3496.388	2774.292	4746.936	12748.31	17612.68	14127.19	15715.18	15174.5	7167.939	4317.594
Rwanda	265	0	0	0	1	0	0	5	63	5
Senegal	0	0	11	7	9	14.239	14	10.229	1.585	5
Sierra Leone	0	0	0	3	0	0	0	0	0	0
South Africa	416.999	441.446	727.752	668.101	330.515	385.818	608.964	1699.046	1016.314	519.715
Swaziland	8.314	74.13	127.477	175.908	160.269	135.492	135.736	125.629	94.718	39.388
Tanzania	16	500	0.11	3.338	2.812	3.022	2.815	1.527	1.006	245
Uganda	0	13	1.444	4.022	4.854	1.49	1.189	473	222	77
Zambia	10	52	37	22	0	8	73	5	20	0
TOTAL	**5026.51**	**4892.732**	**7249.646**	**18473.46**	**25697.66**	**21214.52**	**23693.79**	**28000.79**	**12736.89**	**7944.088**

Source: Paez, Karingi, Kimenyi and Paulos (2010)

In terms of sector value added, the expansion has primarily been in the apparel sector with a small increase in the value-added in the sugar-related sectors.

Table 7: US Textile and Apparels Imports of AGOA-Eligible Countries (General Customs Value, at HTS8 Level)(In 1,000 Dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	YTD
Botswana	0	3708	6344	20188	30043	27687	31333	15802	12361	4778
Burkina Faso	0	0	0	0	0	6	0	0	0	1
Cameroon	0	0	0	0	0	0	0	0	35	33
Cape Verde	0	0	2.452	2.902	2.115	85	0	0	0	0
Ethiopia	163	1297	1684	327	3509	4872	4560	9357	6619	3312
Ghana	0	324	4.254	7.099	4.986	8.807	7.517	766	275	596
Kenya	51.684	121.312	176.224	271.48	266.615	258.905	244.778	246.154	194.834	79.447
Lesotho	129.242	317.66	372.614	446.494	388.344	384.452	379.464	338.686	276.885	106.109
Madagascar	92.048	75.415	186.253	314.185	272.962	229.499	281.432	277.036	209.943	0
Malawi	4.696	11.402	22.388	25.485	22.45	18.187	19.824	12.671	9.015	3.619
Mali	0	0	0	0	0	0	0	2	0	1
Mauritius	38.874	106.498	134.958	147.798	146.811	145.776	112.346	97.016	98.622	48.251
Mozambique	0	187	2179	1805	2512	658	161	0	0	0
Namibia	0	1539	32131	75906	53058	33010	28567	0	0	0
Nigeria	0	0	0	0	0	18	0	0	0	0
South Africa	30.487	85.261	126.885	114.616	61.621	41.978	21.335	15.955	10.114	2.2
Swaziland	8.195	73.719	126.841	175.641	159.175	134.486	134.533	124.412	94.164	39.28
Tanzania	0	124	851	2520	2811	2994	2810	1501	996	245
Uganda	0	0	1414	4010	4840	1253	1134	403	138	57
Zambia	0	0	0	22	0	7	0	0	0	0
TOTAL	**355.389**	**798.446**	**1197.472**	**1613.408**	**1421.852**	**1292.68**	**1269.803**	**1139.761**	**914.001**	**287.929**

Source: Paez, Karingi, Kimenyi and Paulos (2010)

Based on Páez, Karingi, Kimenyi and Paulos (2010), Bedassa T. and Bichaka F. (2008) among others, aalthough AGOA has had a positive impact on Southern African-US trade relations since its implementation, there is room for improvement. This is mainly because while AGOA has helped to increase exports, it is far from evident that is has led to the establishment of a viable, sustainable and competitive export sector in the Southern African region and Africa as a whole Páez, Karingi, Kimenyi and Paulos (2010). Despite increased exports under AGOA, it appears that it has not succeeded in meeting its primary goal of lasting export diversification as the much lauded textile and apparel sector accounts for less than 3% of US imports currently Páez, Karingi, Kimenyi and Paulos (2010).

Africa and the Southern Africa region remains a small player in global commerce, accounting for a relatively small share of international trade, 3.2% as of 2008. Generally, most Southern African countries have been characterized by weak export growth, low diversification of exports and low foreign investment levels with the exception of South Africa and Mauritius. This reinforces the earlier recommendations for the need for US-Southern Africa partnerships that boost export sector and industrial development. This is specified under recommendations for trade expansion industry and sector developments targeting key sectors that can play a role in sustainable export sectors. Partnerships should focus on export processing zones in the region across various sectors and industries such as manufacturing, agriculture, services which are key for long term growth in the region. The partnerships should thus aim to broaden the export base.

Literature synthesis on the benefit impact of AGOA for example by Páez, Karingi, Kimenyi and Paulos (2010), Bedassa and Bichaka (2008), posit that the benefits of AGOA have been unevenly distributed. The successes remain disproportionally distributed among beneficiary countries as well as in export diversity. The prominence of energy, mineral and related products in U.S. imports persists portraying that diversification still remains an enduring challenge for Africa and the Southern African region especially for countries such as Botswana, Lesotho, Swaziland, Malawi, Zambia and Namibia. Most countries in the region, such as Botswana, Lesotho, South Africa, Namibia in Southern Africa have availed themselves of AGOA preferences, most notably in textiles and apparels. Furthermore, AGOA lacks sufficient coverage of products with are of export interest to African exporters, particularly agricultural goods and textile Páez, Karingi, Kimenyi and Paulos (2010).

This calls for meaningful rules of origin, especially in the textile sector, and clear sanitary and phyto-sanitary standards and requirements such as those for product visas. Some of the key issues which hinder US market penetration are annual AGOA eligibility reviews. These create uncertainties which in turn impede African countries from realizing the full potential of AGOA. In addition, US investment appears to be limited in extractive industries to the detriment of the manufacturing, agriculture and tourism sectors, thereby limiting AGOA's potential of directly enhancing Africa's industrialization efforts as is the case in smaller countries in Southern Africa which are struggling to diversify. The limited country coverage and product coverage of the textile sector clearly point to the need to emphasize for trade opportunities offered by the US to African countries and the Southern region to be broadened than as is the case in AGOA while also covering more countries, products and creating a more conducive market.

Various challenges have also emerged which have limited its potential for trade expansion in Africa and the Southern African region[12]. A summary of the challenges as articulated by Kimenyi (2011) include the fact that although AGOA has been extended to 2015, this is not sufficient time for Africa to raise its productive capacity. The lack of certainty on AGOA's future has kept the required investments at bay, making the consolidation of gains a challenge. Since the goal of AGOA is to promote lasting growth and development, then it should be extended. A longer time period would afford investors sufficient time to recoup returns on investments and thereby take full advantage of AGOA. The other challenges faced by AGOA beneficiaries include: how to accommodate increased competition since the elimination in 2005 of the Multi-Fibre Arrangement (MFA) opening up the apparel sector to market forces, which African exporters had hitherto been protected through grandfather clauses; inability to diversify trade to agricultural products, which account for less than one per cent of AGOA exports, partly due to quotas on sugar, tobacco, dairy and peanuts; and AGOA's failure to take a regional approach such that removal of African countries from the AGOA beneficiary list creates ripple effects on other regional trading partners. Utilization of AGOA is also hampered by infrastructure deficiencies, poor public institutions and lack of

[12] Paez, Karingi, Kimenyi and Paulos (2010); Badassa and Bichaka (2008); Brenton and Hoppe (2006); Oden (2010); Collier and Venables (2007); Petter (2003); Jensen and Yu (2012).

competition among service providers in beneficiary countries. The AGOA framework also lacks mechanisms for promoting innovative ideas for public-private partnerships for infrastructure investment, improve operating efficiency and lock-in logistics services market reforms, especially transport regulation in Africa.

It is also the position in this paper that the Southern African region should seek a revision of AGOA to ensure more inclusiveness, accessibility and permanence, so that the benefits extend beyond a few countries and products. There is also need to reorientate the FDI away from textiles and apparel and oil sector toward agriculture, by assisting beneficiaries to comply with standards and SPS measures and eliminate supply-side constraints. Targeted export diversification and sectoral carve-outs to avoid trade preference erosion should also be part of this exercise. A revised AGOA should therefore encourage US companies, in a meaningful way, to become more active on the continent. Not only do African governments want more American companies to invest but it is in the US national interest as well.

Sustainable long-term economic growth and development entails structural transformation of the Southern African region. As preferential trade schemes such as AGOA are a crucial contribution to development efforts, they also harbor preference erosion as these proliferate and there is a generalized fear among African countries that their preferences will be diluted as development partners such as the US and European Union (EU) engage in negotiations at the bilateral, regional and multilateral levels with other beneficiaries. Hence, there is a need to enhance and safeguard the current benefits of AGOA beyond its expiration in 2015.

It is therefore key for the Southern African region to ensure that more beneficial, export and growth enhancing agreement is sought when AGOA expires in 2015. The upcoming Africa-US summit therefore provides a platform for the African regions including the Southern region to articulate challenges faced with AGOA and what is pertinent for a further more meaningful partnership. With a year left to its expiration, there are concerns as to the extent to which AGOA's aims of expanding African-U.S. trade, diversifying SSA exports and facilitating Africa's integration into the global economy have been achieved. Cconcerns have been raised as to the extent to which AGOA has met its objectives of increasing African-US trade, diversifying African exports and facilitating Africa's integration in the global economy.

In the event AGOA is extended beyond 2015, several issues ought to be addressed in order to improve the participation of African countries to tackle the twin problems of high export concentration in select countries and products as well as a heavy FDI bias towards the textiles, apparel and energy sectors. A renewed AGOA should be more inclusive, accessible and permanent as preferences still play a vital role in Africa's industrialization efforts. From the review of AGOA and trade literature on US–Africa trade performance, the following policy issues have been highlighted[13] as fundamental in order for AGOA to contribute to

[13] Paez, Karingi, Kimenyi and Paulos (2010); Badassa and Bichaka (2008); Brenton and Hoppe (2006); Oden (2010)

shaping a more meaningful U.S.-Africa trade and investment relationship even for regions such as Southern Africa:,

- The need for a longer time horizon and AGOA certainty beyond 2015.
- A better linkage of the Aid for Trade Initiative with AGOA, particularly in addressing identified constraints being faced by SSA.
- Simplifying AGOA rules of origin, conducive to greater value addition at national and regional levels.
- A greater focus on enhancing the regional dimension of AGOA, especially in the context of the regional integration agenda of the RECs.
- To ensure lasting innovation and skill creation in beneficiary countries so as to move up the value chain, trade and FDI partnerships between governments and foreign interests should condition enjoyment of AGOA benefits on capacitating local employees and firms.
- Industrial and FDI policies should foster domestic investments. If local interests are embedded in AGOA related FDI, durability and stability of such interests may deliver more sustainable investments and ease the risk of a rapid dismantling of the industrial base

Constraints to export development in the region are also impacted by limited capacity and technical expertise to negotiate trade and fully exploit trade opportunities such as in the context of the Southern African region and challenges faced in AGOA.

4.2.3 Conclusions and Recommendations

- The position paper therefore places emphasis strategic approaches for trade expansion and trade capacity building partnerships that will foster regional integration. Trade capacity building is fundamental given multiple overlapping trading agreements and cooperation memberships in the region (SADC, SACU, COMESA and EU-Southern Africa Trade agreements) with a view to ensuring effectiveness of the current and future planned agreements with the US. Trade capacity building will help countries in Southern Africa to prepare for and participate in negotiations, implement commitments, and take advantage of new trade opportunities. ACIR 2011 report highlights requisite capacity development imperatives in Africa which include the need for strengthening trade policy and institutions as a basis for reforming import systems, increasing the volume and added value of exports, diversifying export products and markets, and increasing foreign investments suitable for creating employment (ACBF 2011).

- The extension and revisions of AGOA requires technical capacity among regional countries to fully negotiate and an implement a new AGOA that will expand trade with the US and take advantage of other trade opportunities. As highlighted above the recommendations for the extension of AGOA requires that a number of issues be considered given prevailing challenges with the current AGOA.

- At institutional level in the Southern African region, capacity for promotion of exports and building their diversity with requite supportive national policies remains a major weakness. For example in many countries trade and investment promotion functions are yet to be centralized under one agency umbrella; and governments are in the process of engaging private sector input (through business service organizations) in the establishment of a "one-stop shop" clearinghouse of information for potential investors. Fragmentation of export policies and initiatives and bureaucratic processes still remain a stumbling block to foreign investors taking advantage of export opportunities in the region. The enactment of competition policy legislation and implementation of national trade policy strategies while being in tandem global trading rules has remained a challenge limiting progress on trade and export growth.

- To expand exports, the position for the Southern African region recommends for US-Southern Africa partnerships that will establish export processing zones and public/private sector partnerships export sector strategies for growth. This requires strong institutional frameworks supporting partnership dialogue on critical issues and impediments to trade development (e.g., customs valuation procedures, bureaucratic processing procedures, transport corridor inefficiencies, and lack of knowledge pertaining to export markets).

4.3 Foreign Direct Investment [14]

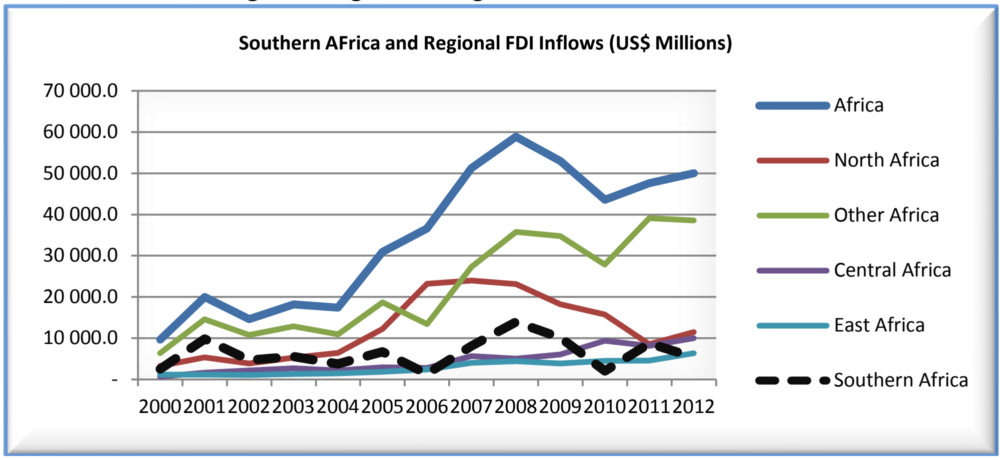
4.3.1 FDI Performance in the Region

Global FDI fell by 18 per cent to $1.35 trillion in 2012. In 2012 for the first time ever developing economies absorbed more FDI than developed countries, accounting for 52 per cent of global FDI flows (World Investment Report, 2013). Developing economies generated almost one third of global FDI outflows, continuing a steady upward trend. The African continent witnessed a 5 per cent increase in FDI inflows to $50 billion, mainly due to FDI in extractive industries, while investment in consumer-oriented manufacturing and service industries also expanded. Figure 6 illustrates regional FDI inflows in Africa which demonstrate lower Southern Africa region FDI inflows compared to other regions. FDI flows to Southern Africa

[14] This section is limited by lack of disaggregated FDI data and is therefore based on available data from UNCTAD and the World Investment Report (2013), African Regional Economic Outlook (2013). Emphasis of discussions is on drawing potential opportunities for investment partnerships as deduced from available information. See Lall (2003).

fell sharply, from $8.7 billion in 2011 to $5.4 billion in 2012, even as some countries saw substantial increases.

Figure 4: Regional Foreign Direct Investment Inflows



Source: UNTAD database

However, FDI flows to Southern Africa fell sharply, from $8.7 billion in 2011 to $5.4 billion in 2012, even as some countries saw substantial increases (FDI inflow tables in appendix). The region has potential for investment which can contribute to the growth momentum for the US and Southern Africa countries. Inflows to Mozambique, for example, doubled to $5.2 billion, attracted by the country's huge offshore gas deposits. Countries such as Angola although registering a third successive year of decline in FDI (decline $6.9 billion) and South Africa) though inflows fluctuated greatly in recent years, dropped by 24 per cent in 2012, to $4.6 billion) offer significant investment opportunities in the region. FDI outflows from South Africa rebounded sharply to $4.4 billion, returning the country to the position of largest source country of FDI in Africa. South African companies were active in acquiring operations in industries such as mining, wholesale, and healthcare during 2012.

Table 8 FDI inflows, by Region and economy, 1990-2012 Millions of dollars

Source: UNTAD database

Region/economy	2005	2006	2007	2008	2009	2010	2011	2012
Africa	**30 917.6**	**36 575.2**	**51 273.6**	**58 894.2**	**52 964.3**	**43 581.6**	**47 598.1**	**50 041.1**
Southern Africa	**6 701.4**	**1 334.4**	**8 117.4**	**13 921.3**	**10 128.7**	**2 047.5**	**8 722.1**	**5 399.8**
Angola	- 1 303.9	- 37.7	- 893.3	1 679.0	2 205.3	- 3 227.2	- 3 023.8	- 6 897.8
Botswana	278.6	486.4	494.6	520.9	128.8	- 6.1	413.6	292.5
Lesotho	70.3	59.9	106.5	111.9	99.9	113.7	132.1	172.3
Malawi	139.7	35.6	124.4	195.4	49.1	97.0	128.8	129.5
Mozambique	107.9	153.7	427.4	591.6	892.5	1 017.9	2 662.8	5 218.1
Namibia	348.0	386.6	733.0	720.3	522.1	793.0	816.0	357.5
South Africa	6 646.9	- 526.8	5 694.5	9 006.3	5 365.4	1 228.3	6 004.3	4 572.5
Swaziland	- 45.9	121.0	37.5	105.7	65.7	135.6	93.2	89.6
Zambia	356.9	615.8	1 323.9	938.6	694.8	1 729.3	1 108.0	1 066.0
Zimbabwe	102.8	40.0	68.9	51.6	105.0	165.9	387.0	399.5

FDI inflows to sub-Saharan Africa were driven partly by investments in the extractive sector in countries such as the Democratic Republic of the Congo, Mauritania, Mozambique and Uganda. Angola an important holder of FDI stock in Africa continued to post divestments in 2012. The rise in outward FDI flows from Africa in 2012 to $14 billion was mainly due to large flows from South Africa in mining, the wholesale sector and health-care products

Patterns of FDI performance in the Southern African region are indicative of the potential for US-Southern Africa partnerships to further investment growth and presence in the region. A critical aspect is to foster investment partnerships to sectors where the region is lagging behind and facing challenges. The positive outlook for FDI to Southern Africa which is projected to recover strongly in 2013 as a result of investment in Angola's oil sector and South Africa's power sector signals an investment potential that partnerships being sought should leverage on to contribute to investment inflows in the region (World Investment Report , 2013) . Opportunities exists as portrayed by the July 2012, ExxonMobil announced plans to invest USD 2.5 billion in a new oil extraction facility in Angola. The country's new legal framework is expected to provide better transparency and guarantees to investors in a move to develop the mining sector and diversify the economy. Chinese investment in Angola remains large and concentrated in oil, agriculture and construction. The sizeable off-shore gas reserves discovered recently in Mozambique are likely to trigger significant inflows for coming decades which the US can take advantage of to boost sustainable growth in the region. The liberalisation of South Africa's power sector is expected to facilitate FDI in electricity generation. Already in February 2012, India Based JSW Energy announced an USD 800 million greenfield project for a power plant. Investment in the country's sizeable mining reserves might be deterred to upward pressure on wages, strike threats and costly electricity.

Table 9: Estimated World Inward FDI Stock by Sector and Industry

Web table 24. Estimated world inward FDI stock, by sector and industry, 1990 and 2011
(Millions of dollars)

	1990			2011			
Sector/industry	**Developed countries**	**Developing economies**	**World**	**Developed countries**	**Developing economies**	**Transition economies**	**World**
Total	1 694 300	383 967	2 078 267	14 402 163	6 073 283	398 053	20 873 498
Primary	160 692	32 139	192 831	921 833	555 837	59 840	1 537 510
Manufacturing	686 408	167 308	853 716	3 519 872	1 604 786	94 898	5 219 557
Services	833 462	179 211	1 012 673	9 192 542	3 854 442	241 106	13 288 090
Private buying and selling of property	-	-	-	23 533	-	-	23 533
Unspecified	13 738	5 309	19 047	744 383	58 218	2 208	804 809

Source: UNCTAD.

While it is apparent that natural resources are still the mainstay of FDI flows to Africa, the report notes that FDI in consumer-oriented manufacturing and services is beginning to climb, reflecting the growing purchasing power of the continent's emerging middle class. Between 2008 and 2012, the share of consumer-related industries in the value of greenfield investment projects in Africa grew from 7 per cent of the total to 23 per cent. Greenfield investment is investment in businesses or economic sectors that are new to a given recipient country. In terms of sources of FDI, TNCs from emerging markets are increasingly active in Africa, the report notes. Measured by FDI stock, Malaysia, South Africa, China and India (in that order) are the largest developing-country investors in Africa. FDI outflows from African countries almost tripled in 2012, to $14 billion, the report says. Unlike inflows, outflows increased in all African regions, resulting in a record total.

As Southern Africa steps up efforts to lure foreign direct investment, a survey of global flows into Africa reveals some issues and trends relevant to current initiatives. One such global trend, reflected in the SADC region, is the growth of FDI flows in the services sector. According to the United Nations Conference on Trade and Development (UNCTAD), service industries accounted for 49 percent of total FDI flows in 1990, growing to 60 percent by 2002. A 2005 study conducted by the Namibian Economic Policy Research Unit (NEPRU) confirms that this global trend is seen in Southern Africa, albeit with a few exceptions. The period beginning 1990 saw a strong push towards privatisation and trade liberalisation. Before that, most infrastructure services such as transport and telecommunications were predominantly state owned enterprises.

Despite new efforts by SADC Member States, after the privatisation period, to direct FDI towards manufacturing and other areas such as mining, investment flows have tended to favour the services sector, with new areas such as banking and retailing becoming increasingly popular. The role of South African companies increasing investments in the region, particularly in the services sector has been significant. Angola and South Africa are by far the most important destinations for FDI in Southern Africa. Foreign investment into

Angola has mainly been through the oil industry, whose offshore operations survived decades of civil war. The advent of peace has opened the country to massive FDI, particularly into infrastructural reconstruction and mining. While the bulk of the SADC states have received FDI in the services sector in the last 15 years, Lesotho's major attraction has been its textiles industry as a result of AGOA.

Although AGOA was also meant to stimulate FDI growth in the African continent, the US role in FDI flows in the region remains outpaced by the BRICS countries which have emerged as not only major recipients of FDI but also important outward investors. There is limited US investment in the region associated with AGOA and in most industries of Southern Africa besides South Africa 0Paez e.t al. 2010). Their outward FDI rose from $7 billion in 2000 to $145 billion in 2012, or 10 per cent of world flows (up from only 1 per cent in 2000). BRICS countries are becoming significant investors in Africa. Although Africa receives only 4 per cent of BRICS FDI outflows. In 2010, the share of BRICS in FDI inward stock in Africa reached 14 per cent and their share in inflows reached 25 per cent. Their share in the total value of greenfield projects in Africa rose from one fifth in 2003 to almost one quarter in 2012. Most BRICS FDI projects in Africa are in manufacturing and services. Only 26 per cent of the value of projects and 10 per cent of the number of projects are in the primary sector.

Brazilian FDI to Africa has also been on the rise in recent years, with public financial institutions playing an important role in bringing the country's investors closer to Africa. Among these, the Brazilian Development Bank (BNDES) deserves special mention as its incentives and disbursements to sub-Saharan Africa have increased strongly over the past decade. It has played a key role in the expansion of Brazilian TNCs into the new African ethanol industry, in countries such as Angola, Ghana and Mozambique. Chinese FDI stock in Africa stood at $16 billion at the end of 2011. South Africa is the leading recipient of Chinese FDI in the continent, followed by the Sudan, Nigeria, Zambia and Algeria. China has joined the ranks of top investing countries in some least developed countries (LDCs), such as the Sudan and Zambia. In addition to resource-seeking FDI, the rapid industrial upgrading currently taking place in China provides opportunities for these countries to attract FDI in manufacturing. With $18 billion, South Africa was the fifth largest holder of FDI stock in Africa in 2011 and the second largest developing country investor globally after Malaysia. The majority of this outward stock can be attributed to reinvested earnings in the private non-banking sector. The largest share of the country's outward FDI stock in Africa is in Mauritius. One fourth of this stock is also concentrated in Nigeria and in two of South Africa's neighbours, Mozambique and Zimbabwe (World Investment Report 2013).

4.3.2 Conclusions and Recommendations

- The investment opportunities exploited by BRICS and other emerging market economies in Africa in recent years clearly demonstrate the potential for investment partnerships in Africa and regions of Southern Africa to enhance their growth process. Consensus has been established on the benefits of investment to the attainment of developmental challenges of job creation, industrial development and sustainable growth.

- Southern Africa should thus seek more inflows into the region and a greater role of the US in taking advantage of investment opportunities in the region. The preceding sections have highlighted the opportunities and those challenges that can be turned into models for mutually beneficial partnerships of investment. These include the health sector investment opportunities, agricultural development partnerships, and those aiming to develop the manufacturing sector. Investments into potential export processing zones across the region to boost investment and trade performance remain central to the types of US-Africa partnerships for sustainable development in the region.
- Further, the development partnerships for investment should aim to expand on current efforts on the energy, water, power and infrastructure and embrace other countries in the region facing milestones in such sectors. Investment support should also focus on supportive mechanisms to build capacity for investment and creating the institutional and requisite private sector and business environments.
- In order to boost investment into the region, factors that currently hinder investment inflow would have to be addressed. The challenges to foreign direct investment inflows flows present opportunities for investment into sectors such as the education and training to develop the requisite skills and transfer knowledge. These constraining factors are also candidates for investment capacity building partnerships to facilitate investment flows in the region particularly on: human skills development, governance and democracy, competition policies, infrastructure, trade negotiations and implementation.
- A number of factors have been identified as limiting investment into the Southern African region and these include: factors influencing investment decisions; economic and political stability; large and expanding markets; stable interest and inflation rates; effective competition policy; transaction and business costs for labour and trade regulation, entry and exit rules; human capital with diverse, modern skills; cost infrastructure such as efficient communication systems and transportation links; and free trade and foreign exchange regimes.
- The limited Investment into the region should necessarily make it a position for the Southern African region to seek investment partnerships that will accelerate growth performance in sectors such as the manufacturing sector, agricultural sector to boost export and industrial development. The partnerships should aim to expand US investment inflow into the Southern African region to solidify the diversification process. A number of challenges on infrastructure development which requires major investments such as in the transport sectors, water, power and energy can be addressed through investment partnerships with the US. The investments will be mutually beneficially as the US will reap returns to investments while the region will benefit from sustainable growth and future returns.
- The relevance of regional value chains underscores the importance of regional cooperation. In this regard, successful partnerships would allow for regional

industrial development that would integrate regional trade and investment agreements focusing on liberalization and facilitation, and support for establishing joint trade and investment promotion mechanisms and institutions. Investment partnerships should also be sought to build sustainable export processing zones to support trade capacity development and industrial development. These are key for the attainment of long term goals of employment and job creation, poverty eradication and lack of diversified export base in the region which has remaining depended on primary export commodities. Sustainability is becoming an important factor for attracting global value chain activities while EPZs have become significant GVC hubs by offering benefits to TNCs and suppliers in GVCs (WDI, 2013).

4.4 Remittances [15]

4.4.1 Remittance Patterns in the Region

Migrant remittances have captured the attention of governments and development agencies worldwide over the last decade. As one report observes, until recently, the prevailing perception about remittances was that they were vulnerable and unpredictable flows of resources, subject to fluctuations in the demand for migrant labour in the countries of destination; but it has been gradually replaced by the notion that they are resources with stable dynamics – even more stable than that of capital flows at the global level." The primary reason for the current interest in remittances as a tool of development lies in the sheer volume of the transfers.

According to World Bank estimates, after a dramatic rise between 1970 and 2000 from 93.11 million US dollars to 5.2 billion US dollars, remittances have steadily increased to 19.02 billion US dollars in 2010, approximately, per cent of the regional GDP (Freund and Spatafora, 2005). However, the recorded remittances are only a small fraction of the total remittances to the sub-region. Informal remittances to sub-Saharan Africa are relatively high, at 45-65 per cent of the amount of formal remittances (World Bank, 2011).

Official estimates now place remittances ahead of all other forms of international financial flow except for foreign direct investment International remittances have become a major source of external development finance, and have been found to be relatively more stable and more dependable than other forms of foreign-exchange (World Bank, 2009). The flow of remittances to developing countries attracts increasing attention because of the volume and impact on receiving countries. Between 2000 and 2010, individuals living outside their countries grew from 175 to 215 million people, representing 3.2% of the world's population. Most often, the remittances transfer are backed by altruistic or self-interest motives. In 2010,

[15] This section is limited to the available data in Southern Africa. See also van Eyden, Owusu-Sekyere and Kemegue (2011).

official recorded remittances received amounted to US$ 293 billion, exceeding total official development aid (US$90 billion), and amounted to roughly sixty-three per cent of foreign direct investment inflows (US$463 billion) received by developing countries in that year (World Bank, 2011).

Remittance flows have certainly increased dramatically to all parts of the developing world, including Sub-Saharan Africa While Africa's remittance receipts are significantly lower than those of other areas (notably Asia and Latin America) the proportional increase has been massive (from less than US$2 billion in 1990 to over US$8 billion in 2005, a 400% increase). Until recently, remittances were thought to flow predominantly from North to South, from developed to developing nations. However, the World Bank has recently estimated that 35-40% of remittances received in the developing world originate in other developing countries.

The Southern African Region has had its share of political conflict from the prolonged rebel wars in Angola and Mozambique, pre-apartheid South Africa and political instability in Zimbabwe. These conflicts had spillover effects within the region as people were forced to relocate to neighbouring countries, sometimes settling permanently. The Southern Africa region has a long history of cross-border migration, particularly for employment in the mining and agricultural sectors. Migrants are driven by income disparities and the persistence of poverty in addition to regional and national conflicts. Currently, most countries in the sub-region are relatively stable making migration for economic reasons more prevalent than for political reasons. This consists of skilled and unskilled labourers that work, consume, save and invest in both host and home countries2 as well as send money home to support the basic needs of their families. The stabilisation of migrant labour in home countries allows for presence of skilled labour which can be utilized share in knowledge transfer through investment opportunities that absorbs country labour.

The basic developmental question in SADC, as in other parts of the world, concerns the volume of migrant remittances, who benefits from remittance transfers and what uses to which they are put. The Migration and Remittance Survey (MARS) was designed by SAMP to try and better understand the migration-remittance nexus at the individual and household level within the SADC.

Remittance inflows into Sub-Saharan Africa are not only from developed countries. It is estimated that about 20% of Sub-Saharan African migrants are within the region and also remit regularly (Barajas et al. 2010). As at end 2006, 33% of remittance inflows within Sub-Saharan Africa were from South Africa, 18% from Cote D'Ivoire, 11% from Uganda, 7% from Angola, 4% from Botswana and 27% from other sources in the region (Migration Policy Institute, 2006). Although migration patterns within Sub-Saharan Africa are equally driven by political factors and economic factors. Proximity of the SADC countries to South Africa also fosters a great deal of temporary migration. Consequently, it is expected that self-interest remittances would dominate altruistic remittances in the SADC region. From table 10, remittances in Southern Africa have largely been within region with migrants from the Southern Africa countries to South Africa seeking employment opportunities in Southern

Africa mines. Data limitations and informal transmission of remittances for example in the context of Zimbabwe is a major concern indicative of high black market premiums that could be exploitable and disrupt macroeconomic and exchange rate policy environment.

Table 10: Migrant Remittances Inflows in SADC, Million US $, 1990 – 2011

Country													Remittances Share of		
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011e	2008	2009	2010
Angola									82	0	18		0.10		0.00
Botswana	26	26	27	39	92	131	116	105	114	110	63	63	0.90	0.85	0.82
Democratic Republic of															
Lesotho	478	402	390	557	627	604	586	625	596	623	746	753	27.00	24.83	28.61
Madagascar	11	11	29	16	12	11									
Malawi	1	1	1	14	18	23	15	14	17	17	17	..	0.00	0.00	0.33
Mauritius	177	215	215	215	215	215	215	215	215	211	226	249			
Mozambique	37	42	53	69	58	59	80	99	116	111	132	132	1.20	1.20	1.20
Namibia	9	9	8	12	15	18	17	16	14	14	16	16	0.20	0.15	0.12
Seychelles	3	2	2	5	7	12	13	5	3	16	17	19			
South Africa	344	297	288	434	523	658	734	834	823	902	1 119	1 254	0.30	0.31	0.25
Swaziland	57	53	45	65	83	95	99	100	90	93	55	55	3.80	3.30	2.49
United Republic of Tan	8	15	12	9	14	19	15	14	19	23	25	25			
Zambia				36	48	53	58	59	68	41	44	45	0.50	0.50	0.26
Zimbabwe															
SADC - Total	1 151	1 072	1 069	1 472	1 711	1 898	1 948	2 087	2 156	2 162	2 477	2 612			

Source: SADC Statistics

The degree of economic integration between countries has also been found to influence remittance patterns. When countries are highly integrated economically, they sometimes replicate each other's business cycle trends. Consequently, an improvement in one country's economic conditions translates to some extent into an improvement in the other country's economic conditions. Migrants have generally been found to remit more money home when their incomes increase as a result of an improvement in the economic conditions of the host country (Eyden, Owusu-Sekyere and Kemegue, 2011). However with a high degree of integration between the migrant's host and home countries the improvement in the migrant's income might not necessarily translate into increased remittances sent back home since economic conditions of the migrant's family back home might also have improved to some extent (Coulibaly, 2009).

The World Bank (2011) suggests the major gain from cross-border migration comes from income earned that benefits both the migrant and the family they leave behind. The economic gain for origin countries is significant with remittances making a major contribution to the country's foreign exchange. But gain does not come without a cost to both the migrant and their family. These generalizations would also seem to apply to SADC. Remitted cash and goods make a significant contribution to household economies in the countries studied and are rated as very important in the acquisition of basic necessities such as food as well as the acquisition of other goods such as televisions, cell phones and motor vehicles. Remittances are also important for emergencies and special events. Without remittances from migration the standard of living of people in migrant sending households would be reduced. For some the loss of remittances would likely mean household members would go hungry, for others the loss would be less dramatic but would still impact their quality of life.

There is very little evidence, as yet, that remittances in Southern Africa have developmental value (van Eyden, Owusu-Sekyere and Kemegue, 2010). Equally, they are critical for poverty alleviation in many households. Formal remittance inflows from South Africa to the SADC countries are mainly driven by the quality of financial service delivery and investment opportunities in the home country and migrant expectations of home country exchange rates. Country level differences indicate that the policy direction aimed at addressing the use of informal channels or harnessing remittances as an alternative source of finance for development will differ between countries (Singh, Haacker and Lee, 2009).

4.4.2 Conclusions and Recommendations

- The main policy on migration labour and remittances has emphasised the need for governments and institutions at both ends to lower the transaction costs of remitting, as well as make it easier for migrants to access and use formal channels through reform of banking and other financial regulations (Singh, Haacker and Lee, 2009).

- The limited financial sector development especially among the countries of the region with the exception of South Africa, has to a great extent impacted on the formal channels for transmission of remittances in the region. This presents opportunities to develop the financial sector in the region though investment partnerships with the US in the financial sector and contribute towards the reduction of transactions costs in the region. Financial sector development will enhance formal remittances as well as their record which can provide insight on their development contributions.

- Capacity building and support for the institutional framework remains fundamental to ensure the appropriate monetary, fiscal and foreign exchange policies in the migrant's county of origin as well as the effective implementation of policies that encourage formal channels and wise use of remittance inflows to alleviate poverty. Capacity/Institutional support for macroeconomic conditions should aim to address high black market premiums, unfavorable exchange rates, inflation; labour employment with appropriate incentive scheme and maintenance of political stability.

- The assessment reflects that solutions to the political challenges are key in addressing income dynamics leading to migration and remittances as in the case of Southern Africa. Forging partnerships for job creation would also stabilize migration where lack of employment prospects and poor incomes are a cause for migrant labour and population in the region.

- Regional integration development partnerships are critical to address regional economic challenges that lead to migration. Closely linked are the spillover effects that result from trade and investment partnerships that can solidify broad based growth among countries of the region. Country level challenges resulting from variations in access to health, education can be addressed through proposed partnerships for health and education sector partnerships which stimulate more investment from the US to develop such sectors in the region. The continued support for capacity to enhance governance, security and democracy which lead to conflict remain crucial to maintain stability in the region where migrant populations are due to political crises.

4.5 Foreign Aid [16]

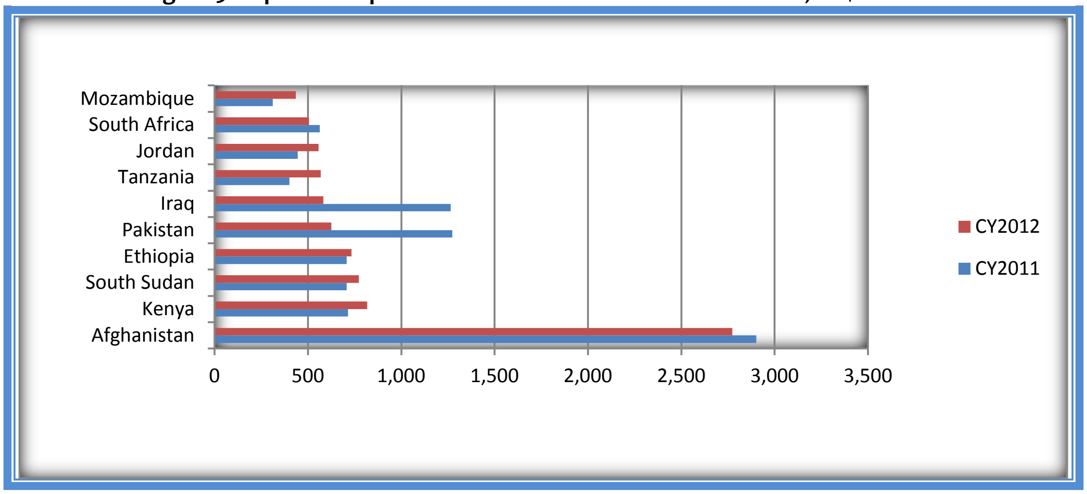
4.5.1 US-Aid Flows in the Region

Although Africa has been hailed as home to about seven of the fastest growing economies in the world, most countries in the content remain highly dependent on external aid, including food aid (ACBF, 2012). The ACIR 2012 further notes that in the last 50 years about one trillion US dollars in development aid has been transferred to Africa. But real per capita income today is less than it was in the 1970s and more than half the population about 500 million people still live in poverty. At this rate, most African countries may not meet many of the Millennium Development Goals (ACBF, 2012). Aid assistance has come under debate particularly on its development impacts, its effectiveness, management and governance.

Aid flows from the US have been increasing reflecting US commitment to the developing countries. The flow of aid from the US to U.S. total net ODA disbursements were $30.7 billion in CY2012, a $1.5 billion increase (5 percent) compared with the CY2011 level. In CY2012, a number of countries in Southern Africa region, South Africa and Mozambique featured among the top ten recipients of bilateral ODA disbursement as illustrated in figure 2. Regional comparisons shown in figure 3 below shows that Southern Africa aid flows exceed those of other regions of Africa.

[16]Based on review of documents from the USAID, USAID Strategy documents and US Embassy Materials and published material on US-Africa Relations. See Tieku (2010).

Figure 5: Top Ten Recipients of Bilateral ODA Net Disbursements, US$ millions

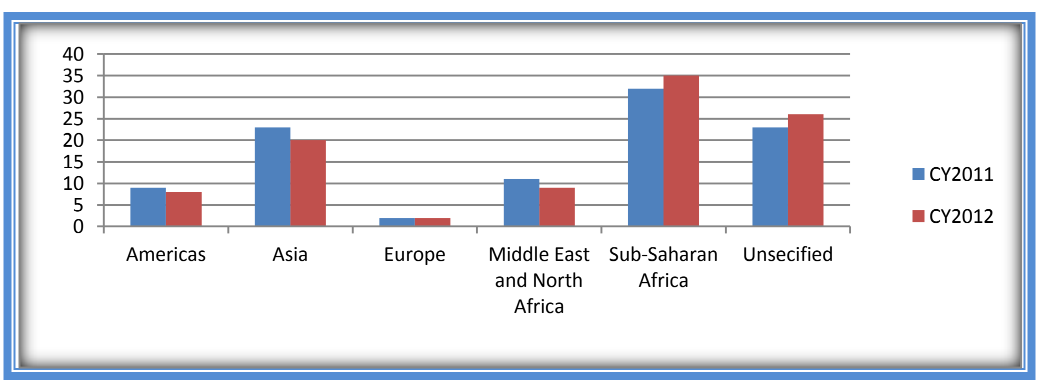


Source: US Official Development Assistance Database

At a regional level, Southern Africa dominates the aid scene indicating growing dependence on aid support for a number of sectors. The literature on aid lately questions the role of aid on the development of countries. This has resulted in policy-makers' emphasis on the need to effectively use aid which requires the capacity to negotiate aid, secure fair trade deals among African countries (ACBF, 2012). Despite the progress on development attained on the back drop of US aid in the region, there is no doubt that prevailing challenges in some sectors require more meaningful strategies for growth with a shift from aid dependence.

In CY2012, U.S. bilateral ODA to Sub-Saharan Africa were $8.8 billion, a 7 percent ($0.6 billion) increase from CY2011, compared to a decline in disbursements to the Middle East and North Africa which decreased by 13 percent to $2.4 billion.

Figure 6: Percentage of Bilateral U.S. ODA by Region



Source: U.S. Official Development Assistance Database

Various sectors in the region have benefited from aid from the US which has led to achievements on the social, political and economic front. Sector specific aid flows as indicated in *Table 3* show that a number of countries in the region that have experienced political instability and conflict such as South Africa, Angola, Lesotho and others have benefited from significant aid that was directed to conflict prevention and resolution, disaster prevention and management and emergency interventions.

Table 11: U.S. ODA By Sector in Southern Africa
(2012, net disbursements, in thousands of $US)-

Sector	South Africa	Swaziland	Zambia	Angola	Lesotho	Botswana	Mozambique	Namibia	Zimbabwe	Malawi	Total Southern	Africa
Agriculture	4,783	38	11,310	2,387		76	21,998	7,994	17,380	7,833	73,799	549,847
Fishing			56								56	37,128
Banking and Financial Services	2,281		138	274	294					2	2,989	97,081
Education	4352	476	11882	1604	1092	0	2391	38,887	0	15467	76,151	356,295
Health, Population Policies/Programmes and	459,581	40,383	216,670	20,164	42,256	46,694	207,170	85,250	59,159	87,758	1,265,085	3,337,446
Business and Other Services	4,762		4	172	265		218			292	5,713	66,236
Communications	71										71	1,923
Conflict Prevention & Resolution, Peace and	918			8,819		15	2,000		3,573		15,325	134,916
Disaster Prevention and Preparedness	1,459	1,628	2,792		562		3,663	207	6,400	1,043	17,754	29,811
Emergency Response	2,544	100	24	25	749	25	1,972	327	48,002	14,105	67,873	2,081,073
Energy Generation and Supply	813			167				153		20	1153	76,471
General Environmental Protection, Forestry	228	0	5561	0	210	0	0	2245	310	2388	10942	111984
Government and Civil Society, General	1,099	165	3,427	3,526	5,467	668	11,300	965	22,086	574	49,277	459,942
Industry, Other Multisector	718	-361	4134	1758	6976	225	16397	5114	5115	5006	45082	140060
Other Social Infrastructure and Services	2,400	50	3,136	23	613	42	102	44	4,968	414	11,792	97,513
Trade Policy and Regulations	5,099		3,742	339		45	17	20			9,262	44,936
Transport and Storage	224		361	56	1,036		36,269	434		464	38,844	327,299
Water Supply and Sanitation	100		4,778	3,530	49,070		60,965		20	862	119,325	228,880
Tourism								7,942			7,942	7,957
Developmental Food Aid/Food Security				446			46,198			24,749	71,393	308,371
Mineral Resources and Mining												324
Unallocated/ Unspecified												384,634
Action Relating To Debt						1,001					1,001	36,212
TOTAL	**491,432**	**42,479**	**268,015**	**43,290**	**108,590**	**48,791**	**410,660**	**149,582**	**167,013**	**160,977**	**1,890,829**	**8,916,339**

Source: Generated from USAID Data base

USAID contributed to the stabilization of countries facing conflict in the Southern African region and in building responsive local governance; prevention of conflict and ease the transition between conflict and long-term development by investing in agriculture, health systems and democratic institutions. Well recognized U.S. support for vaccine research and distribution contributed to declines in child mortality in the region while AIDS relief programmes and Malaria initiatives led to progress on reducing trends in the number of new HIV infections, number of malaria cases and deaths. Education sector support improved primary school completion rates and adult literacy rates. A review of the USAID documents and US interventions and latest interventions in Africa, USAID's work in Africa through a number of major programmes including:

i. Feed the Future Initiative: Boosting agricultural productivity to address the root causes of chronic hunger and poverty and spurring economic growth in a region with incredible resources and arable land
ii. Global Health Initiative: Strengthening health systems so that countries can help their children survive, overcome the ancient threat of malaria, give mothers the support

they need to give birth safely and turn the tide against the HIV/AIDS epidemic on the continent

- Democratisisation: Supporting democracy, human rights, and good governance to help governments fight corruption, expand space for civil society, help citizens choose their leadership and strengthen the trend toward democratization in Africa
- Increasing resilience to climate shocks by helping communities adapt to erratic rainfall and longer, harsher droughts—weather effects we know will hit Africa hardest
- Leading quick responses to humanitarian crises to save lives and help prevent instability and loss, critical in a region prone to destabilizing droughts and food emergencies

The sectors that have benefited immensely from US oversees development assistance in the region include those of agriculture, basic education and health, population policies and reproductive programmes, other social and infrastructure services, water supply and sanitation. The regional development of challenges of high poverty and unemployment rates as well as those of social sectors such as health and education; inadequacies in infrastructure, low production and food insecurity, and question the US aid as mode of intervention towards attaining sustainable development in the region and Africa as a whole. This is particularly more so that the USAID broadly aims to address poverty and spearhead human development and most interventions targeted the education and health sector. It is therefore critical that the development model is re-focused towards encouraging investment partnerships into the sectors that are key for growth and development in Southern Africa particularly the agricultural sector, manufacturing and services. The health sector partnerships investments should target development of pharmaceutical industries, hospitals and requisite human skills and infrastructure. Investment partnerships between the two regions should be directed at boosting export development and productivity of the agricultural sectors which is key in the poverty reduction objectives of developing countries. The transport and infrastructure investments would be mutually beneficial for the growth process given their high returns. The position for Southern Africa in this context given its significant dependence on US aid in a number of sector should emphasize investment partnerships in sectors that remain key for sustainable growth and retract from an aid-donor approach.

Notable U.S. support has also aimed to spearhead regional programs such as SADC in the region that would open markets, attract investment, increase participation of disadvantaged groups in all segments of the regional economy, strengthen democracies, expand the production of food and fiber, and develop and utilize the region's impressive natural resource base in an environmentally sensitive manner. Achievements in the region still remain limited. Priorities of greater regional economic integration efforts are reflected further with the establishment of the US-SADC Forum I which later became US-SADC Forum II of 2002 to facilitate dialogue between the US and Southern Africa countries belonging to

SADC. The second SADC-U.S. Forum strengthened the foundation laid at the first Forum in deepening co-operation and broadening engagement between SADC and the United States and to address a broad range of political, social, and economic issues of common interest. The forum aims to attain progress in four key areas to be addressed: promoting SADC's regional economic integration, strengthening the region's ability to address security challenges, tackling the scourge of HIV/AIDS, and building the capacity to prepare for and manage disasters. However, the lack of progress on poverty, health and SADC regional integration shows challenges with translating the objectives of the Forum into concrete actions to enhance the welfare of the people of SADC in the Southern African region and the US. These challenges are areas that require a strategy evolution that should be laid down given opportunities for further trade capacity development and expansion between the regions.

Recently, a number of partnerships have been the focus of US-African leaders meetings and consultations to advance a new model of development and partnership in pursuit of two core goals: eradicate extreme poverty in a generation, and realize the promise of a more peaceful, more productive, more prosperous Africa. A number of initiatives were launched under President Obama, to boost growth process in Africa and the Southern African region and these include:

- The Trade Africa Initiative as a partnership between the U.S. and sub-Saharan Africa that seeks to boost trade within Africa and expand economic ties between the continent and the U.S.
- The Power Africa initiative was intended as an effort to double access to power in sub-Saharan Africa.
- Energy-Initiatives to building strong partnerships to drive a more sustainable and prosperous energy future for both the U.S. and Africa. Leaders across South Africa's and Mozambique's energy sectors met to discuss ways to unlock the potential of energy resources and how to move towards a low-carbon and more resilient energy economies.
- Climate Action Plan, Partnerships for international cooperation to address the impacts of a changing climate and reduce emissions worldwide.

Notwithstanding development progress achieved in the Southern African region enabled by US aid assistance thus far, a number of challenges still exist. Notable challenges still exist with progress to regional economic integration despite the support offered to regional entities like the Southern African Development Community (SADC) in the region (World Bank, 2011). As the analysis on trade performance shows, trade relations between the US and the Southern Africa region still remains limited despite efforts by US via USAID and trade hubs to boost trade performance. Although the implementation of the AGOA[17] in 2000

[17] The African Growth and Opportunity Act (AGOA) was signed into law by president Clinton on May 18, 2000 as part of the US Trade and Development Act of 2000 and was billed as a historical turning point in US – African relations. Since then, AGOA has been the centerpiece of U.S. trade with Sub-Saharan Africa. The legislation

set a new beginning and motivation for trade on U.S.-Africa relations, detailed analysis in this paper on trade and investment performance in Southern Africa reveals limited trade and investment flows outpaced by other countries such as BRICS, with the United Kingdom having dominated as a major market. A number of challenges have plagued the optimal exploitation of trade and investment opportunities offered under the AGOA, limiting its potential to expand and build trade and export capacity in the region. With AGOA expected to expire in 2015, there is no doubt that an evolution in trade and investment strategies is required to enhance trade performance, capacity and having a more beneficial AGOA (extension, revision). The high poverty rates and persistent high unemployment rates with limited industrial development serve as opportunities for sustainable developmental partnerships.

4.5.2 Conclusions and Recommendations

Although various sectors have benefited immensely from US oversees development assistance in the region for example those of agriculture, basic education and health, population policies and reproductive programmes, other social and infrastructure services, water supply and sanitation, the sectors form significant candidates for meaningful investment partnerships that can contribute to sustainable development of the region. Therefore, the position paper emphasises that:

- Southern Africa should seek and encourage investment partnerships with the U.S. into sectors that are key for growth and development particularly the agricultural sector, to contribute to sustainable agricultural production and addressing food insecurity in the region.
- Investment opportunities in the agricultural sector include the requisite agricultural technology, financial sector development opportunities to finance agricultural sector. Opportunities linked to agricultural sector include water and dam resources development where major resources are required in the region and have constrained agricultural productivity in other countries in the region.
- Investment partnerships between the two regions should be directed at boosting export development and productivity of the agricultural sectors which is key in the poverty reduction objectives of developing countries.
- The health sector partnerships investments should target development of pharmaceutical industries, hospitals and requisite human skills and infrastructure.

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provides for preferential treatment of exports from Africa in the form of duty-free and largely quota-free access to US markets. The legislation, which was to expire in September 2008, has been amended a number of times as reflected in Section 3108 of the Trade Act of 2002, AGOA Acceleration Act of 2004, and the African Investment Act of 2006 (referred to as AGOA, II, III and IV respectively). In addition to making substantial changes to the original provisions, these amendments have also extended the life of the Act which is now in effect until September 2015

- Many countries have benefited from aid initiatives for education. The continued human capital development challenges in the region offers opportunities for strategic investment in the education sector to develop human capital in the region.
- The transport and infrastructure investments would be mutually beneficial for the growth process given their high returns as well as in the manufacturing, energy and power generation, water sector, infrastructure and services
- The position for Southern Africa in this context given its significant dependence on US aid in a number of sector should emphasize investment partnerships in sectors that remain key for sustainable growth and retract from an aid-donor approach.

5.0 Agriculture

African countries face the imminent challenge of reforming their national agricultural and food production systems to increase food supply against a backdrop of limited additional land and water resources (FAO, 2011). This challenge is further exacerbated by the ominous prospect of global climate change, which by many accounts is likely to affect African countries most (ACBF, 2011).

In Southern Africa, only a few countries produce enough food to meet their own needs (e.g. South Africa), making the rest dependent on their capacity to purchase imported food (e.g. Namibia and Botswana) or on food aid (e.g. Lesotho, Malawi and Zimbabwe) (FAO, 2011). The food price crisis and climate change bring to the fore the need to strengthen capacity for agricultural policy and institutional reforms to attract greater private and public investment. African countries, including many Southern Africa countries are characterized by lack of capacity, as well as low levels of public spending on agriculture to boost food security.

Table 12: Share of Agriculture in GDP, Employment, Exports and Imports in Southern Africa (%), 2007-

	GDP Share					Employment Share			Export Share				Import Share			
Country	**2007**	**2008**	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**	**2008**	**2009**	**2010**	**2011**	**2008**	**2009**	**2010**	**2011**
Angola	8.0	6.8	10.5	10.1	10.2				0.0	0.0	0.0	0.0	10.1	14.2	17.0	21.8
Botswana	2.1	2.0	3.0	2.5	2.5				3.1	5.2	5.2	2.4	11.7	13.2	12.4	10.8
Democratic Repu	45.5	43.7	43.7	44.8	40.0				1.5	2.9	1.6	1.4	21.8	21.4	22.7	17.9
Lesotho	7.0	7.4	7.1	7.7	n.a	n.a	40.6	n.a	0.2	0.1	0.2	0.2	6.9	4.7	6.9	6.0
Madagascar	25.4	24.5	28.8	27.6					14.9	18.7	20.1	25.6	10.1	10.3	12.5	16.8
Malawi	29.8								89.3	89.5	78.3	79.3	16.1	12.8	13.8	13.3
Mauritius	4.9	4.1	3.9	3.7	3.6	8.3	8.1	7.9	35.5	35.3	35.6	34.2	20.8	21.4	20.1	21.0
Mozambique	27.0	28.5	28.8	30.1					12.4	42.8	18.4	20.4	16.2	15.3	12.2	11.6
Namibia	9.2	7.9	7.8	7.8	7.8				7.5	11.5	12.1	12.0	8.5	13.9	14.6	13.9
Seychelles	3.1	2.9	2.6	2.7					0.9	0.9	1.4	0.7	8.6	11.6	12.2	13.5
South Africa	2.3	2.5	2.5	1.9	2.4	4.7	4.9	4.7	6.8	0.0	0.0	0.0	4.9	2.7	8.3	1.9
Swaziland	8.8	8.5	8.4	8.5	8.6				15.3	30.1	28.6	30.2	11.0	19.6	24.9	26.0
United Republic c	29.6	29.4	28.4	27.8					31.4	35.3	25.5	29.5	9.0	9.2	10.3	10.9
Zambia	19.8	19.8	20.8	20.1	19.4	73	79	85	6.8	8.7	6.6	9.1	5.6	6.6	4.8	5.1
Zimbabwe	21.3	23.7	19.3	17.7	15.5				24.3	29.7	22.4	29.4	21.3	23.1	18.2	13.8

SADC Statistics, Food and Agriculture Organisation (FAO): http://faostat.fao.org/ Export & Import Share: FAO Statistical Yearbook 2010.

Agriculture provides a direct source of employment and livelihood for a sizeable proportion of the society, contributing to gross domestic production and is deemed essential for creating value as well as wealth (Léautier and Hanson, 2013). In this regard, the development and job creation prospects in Africa are inexplicably linked to the performance of the agricultural sector particularly given that the economies of most African countries are agricultural. Agricultural labor comprised 59% of the total labor force in Africa (FAO, 2011) and 13% of value added to GDP in 2009 (World Bank, 2011). Thus, agricultural growth holds the key to overall growth and development in Africa. There is also need to promote innovation and technology transfer in national agricultural systems to ease the food supply constraint and appropriate larger parts of the agricultural global value chains, which will improve agricultural terms of trade and unleash a larger agricultural multiplier effect (UNCTAD, 2009).

The lack of infrastructure affects exports of cash crops, while poor road and transport infrastructure as well as farming equipment and storage facilities limit agricultural potential in Southern Africa. Infrastructure development is one of the key pillars for achieving inclusive, sustainable and resilient growth.

The key factors that significantly affect the food security within the regions including political instability, poor governance, droughts, population growth, urbanisation, poverty, low economic growth, inadequate agricultural policies, trade terms and regimes, resource degradation and the recent increase in HIV/AIDS (ACBF, 2011). Their development and strategies to address these constraints provide for opportunities for investment partnerships in the agricultural sector. These factors however vary from country to country for example, the Democratic Republic of Congo has favourable climatic and physical conditions, but performs far below its capacity in food provision due to political instability and poor governance. In contrast, (semi) arid countries such as Botswana and Namibia, produce insufficient food, but successfully achieve food security through food imports due to economic growth and good governance. The Republic of South Africa is a major food producer and exporter in the region. Some factors affecting urban food insecurity include climate change with potential impact on agricultural productivity, the expansion of supermarkets in the region, which is changing the way people obtain food in the city, rural to urban migration, unemployment and poverty.

Table 13: U.S. ODA in Agriculture in Southern Africa (2012, net disbursements, in thousands of US$)

Sector	Agriculture	Fishing	General Environmental Protection, Forestry	Transport and Storage	Water Supply and Sanitation
South Africa	4,783		228	224	100
Swaziland	38		0		
Zambia	11,310	56	5561	361	4,778
Angola	2,387		0	56	3,530
Lesotho			210	1,036	49,070
Botswana	76		0		
Mozambique	21,998		0	36,269	60,965
Namibia	7,994		2245	434	
Zimbabwe	17,380		310		20
Malawi	7,833		2388	464	862
Total Southern Afri	73,799	56	10942	38,844	119,325
Africa	549,847	37,128	111984	327,299	228,880

Source: Generated from USAID Data base

There are opportunities for production in the region which has a huge market potential that should be ready for exploitation from investment partnerships to raise production in the region including agricultural production as discussed earlier. The lack of adequate finance to support agricultural development in the region also presents an opportunity for financial sector and agricultural sector development with investment finance intervention strategies that can benefit Southern Africa and the US. The ACIR 2011 report recommends a paradigm shift in the financing of agriculture, with much more investment in rural financial infrastructure. This provides for agricultural opportunities that Southern Africa and Africa should emphasise with the US to develop the agricultural sector. Further, it notes that the adoption of a value-chain approach, and a regional approach to value chain development is important where many countries have small populations with many similarities with neighboring people across borders. Value chain financing implies that lending will be done differently, with the appropriate framework for capacity building. The Comprehensive African Agricultural Development Programme (CAADP) as a key platform for the restoration of agriculture growth, food security and rural development in Africa, and ACIR 2012 which has recently been adopted in 2014, involves the development of partnerships, such as that between the private and public sectors and farmers' associations and these initiatives should be a leverage to partnerships to develop agriculture and harness its potential.

Partnerships with the US should also focus on water and its provision in order to allocate adequate water resources for agriculture given the agricultural development in most countries in the region has been constrained by lack of water and unevenly distributed water resources. The capacity to mitigate the effects of climate change is vital if agriculture is to succeed.

6.0 Infrastructure

The U.S. has contributed to infrastructure development in Southern Africa particularly for communications, energy generation and supply, transport and storage, water supply and sanitation and in the tourism sector (table 13).

Table 14: U.S. ODA for Infrastructure in Southern Africa (2012, net disbursements, in thousands of US $)

Sector	Communications	Energy Generation and Supply	Industry, Other Multisector	Other Social Infrastructure and Services	Transport and Storage	Water Supply and Sanitation	Tourism	Mineral Resources and Mining
South Africa	71	813	718	2,400	224	100		
Swaziland			-361	50				
Zambia			4134	3,136	361	4,778		
Angola		167	1758	23	56	3,530		
Lesotho			6976	613	1,036	49,070		
Botswana			225	42				
Mozambique			16397	102	36,269	60,965		
Namibia		153	5114	44	434		7,942	
Zimbabwe			5115	4,968		20		
Malawi		20	5006	414	464	862		
Total Southern Afr	71	1153	45082	11,792	38,844	119,325	7,942	
Africa	1,923	76,471	140060	97,513	327,299	228,880	7,957	324

Source: Generated from USAID Data base

Although notable progress and development has been achieved in the region, more needs to be done in some infrastructure sectors. Through the SADC regional economic community, a number of strategies have been implemented to develop infrastructure among countries of the region as described below. The opportunities for strategic infrastructure partnerships and capacity needs are highlighted

6.1 Transport

Transport infrastructure throughout Southern Africa is more established than other infrastructural sectors. At present, most Member States of SADC maintain dedicated road agencies, while substantial improvements are underway for regional railways and air transport. In particular, three primary corridors – the North-South Corridor running north from Durban, South Africa; the Maputo Corridor running through Mozambique, and the Dar-es-Salaam Corridor in Tanzania – are the focus of most development. As these development corridors connect shipping ports to areas of industrial productivity, much infrastructure has been supplied by the private sector through public-private partnerships and user-pays principles. This system has proven effective, enabling road and railway development to commence where government intervention had previously stagnated.

Yet, challenges remain for the transportation sector. Even with Private Sector involvement, funding and technical capacity are lacking for maintenance and rehabilitation of the region's Roads, Railways, Ports, and Airports. Rural areas with much of the region's population still struggle with accessibility issues. As well, development of transport infrastructure and its increased use can adversely affect the environment and sustainability.

Although current road capacity is sufficient throughout most of the SADC region, projections for 2027 indicate that the network needs expansion. In particular, the Regional Trunk Road Network requires rehabilitation after much overloading and infrequent maintenance. As described in the 2012 Regional Infrastructure Development Master Plan, SADC has established 72 projects for road infrastructure and transport over the next 25 years, mostly concentrated around the three high-priority corridors that link production points with ports: the North-South Corridor, the Maputo Corridor, and the Dar-es-Salaam Corridor. By 2027, the following road projects are anticipated for operation:

- Dar-es-Salaam – Chalinze toll road
- Kazungula bridge
- Nata – Kazungula road upgrading
- Beitbridge – Chirundu road upgrading
- Tete toll bridge
- Western Corridor road in Zambia
- the development of an intraregional road asset management system

As the region strives for stronger integration needs an efficient transport system to facilitate trade and socioeconomic ties. Throughout Southern Africa, this network of roads, railways, ports, and airways currently meets the demand of most users. However, as industries and economies develop throughout the region, use of the transport network will exceed its current capacity. The Southern African Development Community (SADC) Regional Infrastructure Development Master Plan currently projects the following increases:

- By 2030, traffic for landlocked SADC countries will increase to 50 million tonnes, ramping to 148 million tonnes by 2040 – an 8.2% annual growth rate;
- Port traffic will expand from 92 million tonnes to 500 million tonnes by 2027;
- Port expansion projects at Dar-es-Salaam will only sustain shipment traffic through 2020;
- OR Tambo International Airport in Johannesburg, South Africa, will add two million passengers a year by 2030 and three million a year by 2040; and
- Kenneth Kaunda International Airport in Lusaka, Zambia and N'djili International Airport in Kinshasa, Democratic Republic of Congo, currently operate at 70% of capacity, but expect traffic to expand well over 100% of capacity by 2020.

In order to outline plans for infrastructure development that balance the needs of the region with its challenges, SADC released its Regional Infrastructure Development Master Plan in 2012. This document follows the Programme for Infrastructure Development in Africa of the African Development Bank in designating key areas of focus that have the greatest benefit to the region.

As assessed in 2001, the road infrastructure in Southern Africa is comparatively strong. Botswana, Lesotho, and Namibia have particularly good road standards; similarly, two-thirds of the road network of South Africa and Zimbabwe remain in good condition.

However, road maintenance has been neglected in Angola and Mozambique, where 90% of roads are deemed in fair to poor conditions. Fortunately, Mozambique has recently undertaken a major road rehabilitation programme to increase these conditions.

- Despite the progress achieved, certain key locations still maintain missing road links, disabling road transport along vital corridors. These missing links lie predominantly in Angola and the Democratic Republic of Congo – a substantial concern due to these Member States' large extractive industries that rely heavily on roads to facilitate trade through transport. Although traffic volumes are low, these two Member States need new roads constructed alongside the necessary repairs to damage caused by conflict and neglect.

- The cost of road maintenance remains an issue for the region as a whole. While Member States recognise the importance of a functional, integrated road network, funding is often diverted into other sectors. Likewise, significant funds have previously been put into the road network, but were inefficiently managed by governments in many Member States. With traditional top-down approaches to funding for repairs and construction proving ineffective, SADC is currently exploring new systems of funding, including public-private partnerships and user-pays principles.

- The recommendation in the position paper is for partnerships with the US that can contribute addressing increased pressure on the regions transport infrastructure to support a vibrant industrial and social development while sustaining a safe, secure, and reliable transport system in the region that enables increased development into the future

6.2 Tourism

The tourism industry in the Southern African Development Community (SADC) has grown rapidly in recent years, contributing US $940 billion to the world economy in 2010. While Southern Africa currently sees only a small percentage of these receipts, recent shifts have positioned the region as a potential preferred destination in coming years.

In order to capitalise on these changes that favour Southern Africa's unique natural features, SADC has prioritised tourism in the region as a means of promoting its goals of economic development and Regional Integration. To establish its policies and priorities on tourism officially, SADC passed its Protocol on the Development of Tourism in 1998

Historically, tourism in Southern Africa has not received appropriate attention from governments. Because the tourism industry involves many subsectors – transport , hospitality, trade , manufacturing, and others – monitoring systems have not accurately demonstrated the amount of economic activity in the SADC region generated by tourism. Consequently, governments have not prioritised or budgeted for development of the industry. As well, previous tourism strategies for the region have proved unsuccessful, lacking effective marketing initiatives or prioritising areas at odds with SADC's overall objectives. The region also lacks an environment conducive to tourism, with few investment incentives and disparate policies that create barriers to cross-border travel.

- With tourism expected to increase extensively in coming years – constituting up to 58% of Africa's tourism total by 2027 – SADC has developed strategies for encouraging the sector. Its Regional Infrastructure Development Master Plan has proposed the creation of Trans Frontier Conservation Areas as a means of promoting tourism as well as ensuring conservation of biodiversity.
- These ecological conservation areas cross national boundaries, often incorporating nature areas from several countries. Development of these areas responds to a shift in tourism markets away from traditional sun-and-surf vacations toward experiential holidays focused on adventure and absorption of cultural heritage. At present, Southern Africa has 18 Trans Frontier Conservation Areas at differing stages of development, which contain 38 World Heritage Sites such as Victoria Falls, Mana Pools National Park, and the Richtersveld. Many of these World Heritage Sites are currently inaccessible, with few tourist amenities; development of TransFrontier Conservation Areas offers improvement to these sites, which will further drive tourism.

Although these TransFrontier Conservation Areas offer a way forward for sustainable development in the region, they are currently hampered by lack of an effective institutional mechanism for coordinating regulations and policies. These areas span national borders, which subjects them to incongruent national laws that can constrain development. The recommendation is therefore for capacity building on natural resources management for the region to ensure harmonised legal and policy framework that facilitates development of these areas for improved conservation and socioeconomic benefit of the region.

6.3 Energy

Energy is vital to development in Southern Africa. Beyond its use in daily life, fuel and electricity catalyse infrastructure projects that drive both regional Integration and economic growth. As the SADC region industrialises on its path to improved human development, energy production and distribution will only increase in importance. Recognising the fundamental role of energy in accomplishing its goals, SADC passed the Protocol on Energy in 1996, which provides a framework for cooperation on energy policy among SADC Member States

Since the adoption of the Protocol on Energy, SADC has enacted several strategic plans for energy development in the region: the SADC Energy Cooperation Policy and Strategy in 1996, the SADC Energy Action Plan in 1997, the SADC Energy Activity Plan in 2000, and most recently the Regional Infrastructure Development Master Plan and its Energy Sector Plan in 2012. These development strategies set out tangible objectives for SADC and its Member States for infrastructure development in energy and its subsectors of woodfuel, petroleum and natural gas, electricity, goal, renewable energy, and energy efficiency and conservation.

Although implementation of these strategies has been slow, the region has made significant strides, particularly in electricity. At present, nine Member States of SADC have merged their electricity grids into the Southern African Power Pool, reducing costs and creating a competitive common market for electricity in the region. Similarly, SADC has established the Regional Electricity Regulatory Association, which has helped in harmonising the region's regulatory policies on energy and its subsectors.

While SADC is enacting a number of initiatives to address these issues, it has identified two chief points of focus, as follows:

- Electricity Generation – Southern Africa has ample resources for electricity generation, though occasionally lacks the capacity for development.

- Hydropower and Renewable Energy – Renewable energy has grown in importance for both regional and global energy markets.

The region still faces significant challenges in energy development and usage. The Regional Infrastructure Development Master Plan highlights the following issues:

- Only 5% of rural areas in the region have any access to electricity;
- SADC falls behind other Regional Economic Communities in Africa regarding access to electricity. While 24 % of the region's residents have access, 36% of the Eastern Africa Power Pool area's residents are connected, as are 44 % of the Western African Power Pool's residents;
- An electricity shortage has strained the region since 2007. Although this shortage is expected to be corrected by 2014, projects intended to address the shortage lag behind deadline due to lack of funding;
- Low tariffs, poor project preparation, issues with Power Purchase Agreements, and absent regulatory frameworks stunt investment and financing in the energy sector;
- Coal supplies 75 % of power generation in Southern Africa, but is considered a contributing factor to global warming;
- Weak infrastructure and foreign commitments inhibit use of the region's abundant petroleum and natural gas resources; and
- Pricing and infrastructure hurdles such as grid connections, manufacturing, and quality testing impede development of the region's renewable energy potential

The recommendations made for partnerships with the US :

- There exist numerous possibilities for growth within the energy sector given the current efforts in the Southern Africa region to raise the generation capacity to harness renewable energy resources and increasing access to energy services.
- Strategic partnerships between the region and the US should leverage the Power Africa Initiative boost energy supply and generation in the region.. This is bound to create synergy and mutual benefit in development projects for the energy sector.

6.4 ICT and Telecommunications

The 21st Century thrives on information and communication technologies. Expanded voice telephony, undersea fibre optic cables, and constant worldwide Internet access has transformed society and business, allowing immediate global contact and transfer of information. As in the wider world, these technologies have the potential to transform Southern Africa, enabling stronger Regional Integration and Economic Development. Recognising this impact in other regions and understanding the importance these technologies hold going forward, SADC aims to develop the information and communications sector within Southern Africa. To aid these intentions, SADC passed its Declaration on Information and Communication Technologies in 2001, which sets out the broad policy for the region on cultivating this increasingly important field.

The 2012, SADC Regional Infrastructure Development Master Plan sets out the region's priorities for new infrastructure through 2027. The plan shows that, while much information and communication technology infrastructure is already in place within SADC, the infrastructure has been implemented inefficiently due to lack of development in other sectors. Where the infrastructure has been implemented effectively, the region has adopted the technology eagerly.

As present, information and communication technologies in SADC are as follows:

- Approximately 60% of the population has adopted mobile technology, with regional ranges from 20% to 100%. However, only 6% of total voice subscribers have fixed lines;
- Across the region, only 4% of SADC residents are Internet users, although usage varies widely between Member States – from 1% in the Democratic Republic of Congo to 40% in the Seychelles; Fewer than 25% of borders between neighbouring SADC Member States exchange Internet traffic, the rest exchanging outside the region; and
- Similar to the rest of the world, postal mail volumes decline at an annual rate of 5%, although parcel mail is expanding due to e-commerce. National postal services handle 96% of domestic letters and 80% of international letters, but only 28% of domestic parcels and 20% of international parcels.

In order to establish the affordable, always-on connectivity that SADC envisions for the region, the Information and Communication Technologies Sector Plan component of the

Regional Infrastructure Development Master Plan promotes development of four strategic pillars: infrastructure; capacity building and content; e-services and applications; and research, innovation, and industry development.
The infrastructure pillar requires the most attention at present, as solid infrastructure catalyses the other developmental pillars into productivity. SADC has identified the following actions as especially effective for information and communication technology infrastructure:

- Ensuring that broadband connections with open-access fibres exist between all SADC Member States and their major cities, along with at least one Internet exchange point in each Member State;
- Ensuring that the public has affordable, high-speed Internet access, potentially through terrestrial wireless or satellite technology in remote areas;
- Improving connections for postal services, including physical transport and financial networks;
- Ensuring that information and communication technology connections exist from SADC Member States to the rest of Africa and the world, whether through terrestrial and undersea links or satellites;
- Ensuring that landlocked Member States, small island Member States and other special cases have adequate, cost-effective access to undersea cables, with backup routes available to ensure reliability;
- Encouraging private sector participation in information and communication technology infrastructure to complement public efforts, whether through independent investment or public-private partnerships;
- Minimising capacity costs by sharing infrastructure and equipment where applicable, while maximising reliability through increased infrastructural redundancy;
- Increasing human capacity and skills to extract the maximum potential from investment in information and communication technologies; and
- Making sure Voice over IP services are universally available throughout the region.

In initiating all of these strategic measures, SADC also aims to prioritise those proposals that involve upgrading existing infrastructure with new technology rather than deploying entirely new infrastructure. This system should establish a cost-efficient information and communication technology climate that will ensure equitable access to information, supporting both social and economic growth in the SADC region

The position paper finds it critical that development partnerships also focus on ICT and technology in the Southern Africa region supports the capacity of SADC to address inadequacies on ICT in the region. This is in line with the AUC Agenda 2063 for Africa on infrastructure and interconnectedness as well as on science, technology and innovation. Major infrastructure investments are required to facilitate ICT adoption in the region and mutually beneficially partnerships can lead to progress in the region and the African continent.

6.5 Water and Sanitation

Water usage has become an increasing concern as the world strives to adapt to a changing climate that is altering global water distribution. Developing regions that rely heavily on agriculture – such as Southern Africa – need efficient water infrastructure that supports the livelihoods of their population and the region's overall Economic Development Encompassing 15 transboundary river basins, the SADC region has an abundance of renewable water. However, infrastructural hurdles currently prevent these water resources from reaching their maximum potential.

Due to its extensive influence over the region's people and its economic development, SADC has designated a specific regulatory body, the SADC Water Division, to oversee policies on water resources and sanitation infrastructure in the region and ensure their timely implementation. In implementing these policies, SADC receives extensive support from its 22 International Cooperating Partners committed to keeping water resources a priority in the region.

- A number of challenges in Southern Africa, despite the plentiful water resources, include inefficiently deployed infrastructure currently which blocks their use and distribution. Water volumes vary widely throughout the region. Collection is seasonal in most Member States and tropical areas in the centre of Africa receive substantially more rainfall than arid regions in the southwest. As a whole, the region accumulates approximately 2,300 km^3 of renewable water resources per year, but only 14% is retained for use, mostly in Lake Kariba and Cahora Bassa along the Zambezi River.
- While most of this reserved water is used for irrigation, demands from industrial agriculture often conflict with those of domestic farmers', resulting in subsistence farmers not receiving appropriate water quotas. These results directly contribute to food insecurity throughout the region, a substantial component of poverty in Southern Africa.
- Of the remaining water reserves, 18% goes toward domestic use. However, due to a lack of infrastructure, only 61% of the region's population has access to safe drinking water and 39% has access to adequate sanitation facilities.
- Beyond the impact on human development, the lack of infrastructure also inhibits development of the region's hydroelectric potential. While the region is capable of generating 150 GW of electricity through hydropower, only 12 GW is currently produced. Similarly, 50 million hectares of irrigable land is available for agricultural development in the region, yet only 3.4 million hectares are currently irrigated.

The 2012 Regional Infrastructure Development Master Plan outlines plans for infrastructure development over the next 25 years and the component identifies 34 infrastructure projects to be implemented over the next 25 years, aimed at raising the level of human and economic development of the region. The Water Sector Plan identifies three phases. Phase I, running from 2013 to 2021, intends to achieve the following goals:

- Improving storage of renewable water resources from 14% per year to 25%
- Increasing the irrigated area from 3.4 million hectares to 10 million hectares – 13% of the potential land available
- Raising the level of hydropower generation from 12 GW to 75 GW – 50% of the sector's potential
- Increasing access to safe drinking water from 61% of the population to 75% of the population
- Increasing access to sanitation facilities from 39% of the population to 75% of the population
- Phase II, beginning in 2018, and Phase III, beginning in 2023, will further these developments, moving toward a water sector operating at 100% of its potential by 2027.

The recommendation made given needs of the region as outlined, inform possibilities for partnerships in the water and sanitation infrastructure development. Such opportunities include harnessing water resources with investments for industries to provide safe water for the population, sanitation facilities, dams, storage of renewable water and hydropower generation. Water resources are key for agricultural productivity which has been identified a crucial for employment generation, addressing food security in the region and thus should be given prominence in strategic partnerships with the US.

6.6 Maritime, Ports and Inland Waterways

Although surface and air transport dominate travel, commercial shipping and aquatic transport are still vital modes of transport. In 2009, the Southern African Development Community (SADC) region processed 92 million tonnes of traffic through its primary seaport at Durban, South Africa, and other burgeoning ports along the eastern and western seaboards. By 2027, this traffic is projected to increase to 500 million tonnes – emphasizing that marine transport is an essential component of international trade.

Anticipating these increases in traffic, both SADC and the World Bank note a need for improvements to the aquatic transport infrastructure in Southern Africa in order to sustain regional integration and economic development objectives. Addressing these issues, SADC set out its policy on maritime and inland waterway transport in Chapter 8 of its Protocol on Transport, Communications and Meteorology. Recognising that this sector must operate in line with commercial principles in order to remain economically viable, Member States encourage participation of the private sector in establishing a system best suited to the mutual needs of ship-owners, ship operators, port authorities, and other stakeholders. Operations remain accountable to Member States' national port authorities, which follow the Port Management Association of Eastern and Southern Africa – an international organisation overseeing management and institutional reform of marine transport in the region.

The existing challenges are that while aquatic transport is more established in the SADC region than elsewhere in Africa,

- the system still falls behind international norms. Member States have acceded to the Status of Convention of the International Maritime Organization, but many lack the technical capacity to maintain these global standards.
- Most ports in the region currently operate near capacity and often suffer delays due to poor integration with other modes of transport and slow clearance by regulatory bodies struggling to implement policy.
- Although many Member States have committed resources to expand their port infrastructure; however, these expansions are not projected to meet the increased demand and will require further development by 2020.

The Regional Infrastructure Development Master Plan, released in 2012, identified the following challenges as the most relevant to aquatic transport in Southern Africa:

- Modal interface management – Road transport vehicles in port areas often impede efficient operations.
- Material handling ability – Many ports are unable to handle materials correctly, regardless of their apparent capacity to do so.
- Customs and trade facilitation – Freight is often delayed for up to two months due to ineffective customs procedures that render supply chains ineffective.
- Location management – Most ports lie near densely populated industrial zones that obstruct necessary expansion.
  - Access issues – Access roads often cross congested business, industrial, and residential areas, causing delays; railways still follow the outdated break-bulk rail system.
  - Insufficient berths and draft – Demand for berths is approaching or exceeding capacity in most ports.

In order to meet these challenges, Member States currently have 64 maritime and inland waterway transport projects in development. These projects concentrate on two centres: Dar-es-Salaam, Tanzania, and Walvis Bay, Namibia. Through 2027, Dar-es-Salaam anticipates several projects to develop its port infrastructure, increasing the number of available berths at existing ports and installing new ports at Mwambani Bay and Mbegani near Bagamoyo. Likewise, Walvis Bay – one of only two established deep-water ports in the region – will see additional berths, container terminals, maintenance quays, and marina development over the next 25 years.
In addition to these projects, significant developments are also underway at Nacala, Beira, and Maputo in Mozambique; Luanda in Angola; and the highly productive port of Durban, South Africa.

Much of this development stems from private sector involvement, which has proven especially effective at implementing infrastructure that facilitates industrial development. Ports at Dar-es-Salaam and Beira have benefited greatly from private sector investment through their connections to copper mines in Zambia and the Moatize coal mine in Mozambique. In these cases, state bodies supplied infrastructure to be operated by private enterprises through lease-holding options. The efficacy of these public-private partnerships has encouraged interest in the region and, therefore, SADC aims for similar partnerships in further development of maritime and inland waterway transport.

7.0 Education

Although over the last 50 years, enrolment in education has increased at every level, for both genders (Adult literacy rates in appendix, A1), within the region, the increasing youth makes education more competitive and has the ability to reduce the cost of education. The education attainment as indicated by population with secondary education still remains low in the region requiring greater focus on higher education and training including tertiary education. Further, competitiveness in the region has impacted adversely on productivity and efficiency leading to lower rankings among most Southern Africa Countries with the exception of South Africa (table 14).

Table 15: Global Competitiveness Outcomes for Southern Africa Countries (2012-2013)

Global Competitive Ranking	Angola	Botswana	Lesotho	Malawi	Mozambique	Namibia	South Africa	Swaziland	Zambia	Zimbabwe
2012-13	n/a	79	137	129	138	92	55	135	102	132
2013-14	142	74	123	136	137	90	52	124	93	131

Source: Global Competitiveness Report

Ease of Doing Business Index	Angola	Botswana	Lesotho	Malawi	Mozambique	Namibia	South Africa	Swaziland	Zambia	Zimbabwe
2012	178	65	139	161	142	94	41	120	90	168
2013	179	56	136	171	139	98	41	123	83	170

Source: World Bank Doing Business Report

The region has benefited from US assistance in the education sector particularly the economies of Zambia, Malawi and Namibia (table 15). However, there is need for major investments in the education sector to build the knowledge societies that can positively drive the transformation process in the region.

Table 16: US.ODA for Education in Southern Africa (2012, net disbursements in thousands of US $)

Sector	Education
South Africa	4352
Swaziland	476
Zambia	11882
Angola	1604
Lesotho	1092
Botswana	0
Mozambique	2391
Namibia	38,887
Zimbabwe	0
Malawi	15467
Total Southern Africa	76,151
Africa	356,295

Source: Generated from USAID Data base

The Southern African region should thus seek partnerships that focus on addressing emerging youth challenges of high unemployment, inadequate training and skills development to enhance the skill base and transform the economies into knowledge based societies. Such strategies for skills development are fundamental in that they will also strategically address factors that affect foreign direct investment inflow and create a conducive business climate with requisite skills. The partnerships given the population dynamics should also embrace more sustainable approaches to education and training in the region with positive spill-over effects. Social and economic progress in Africa will depend to a large extent on the scope and effectiveness of investments in education. If living standards are to be raised, sustained efforts will be needed to narrow the gaps in educational attainment and scientific knowledge between Africa and other regions and to bridge the digital divide.

Primary education cannot expand and African economies cannot grow without an education system that trains a large number of students beyond the basic cycle, including graduate students at universities. To be sustainable, educational development must be balanced. It must ensure that systems produce students at different levels with qualifications that respond to the demand of the labour market, providing a continuous supply of skilled workers, technicians, professionals, managers, and leaders (World Bank, 2011). The quality of education not only in Southern Africa but among African countries has been identified as a major constraint for foreign direct investment where skill of expertise is requisite (World Economic Forum, 2011). Participation problems are exacerbated by the absence of an environment for effective learning. Poverty-related deprivation further contributes to low educational attainment in Africa. Poor children spend more time than other children contributing to household work (UNDP, 2009).

The education has a huge potential in the region and such meaningful partnerships for education with the US should be focused on addressing the current challenges of education and emphasis should be on mutually beneficial investment opportunities in the region. The recommendation is thus for human capital development initiatives and partnerships which is key for transformation of the region's growth prospects.

8.0 Summary Conclusions and Recommendations

The analysis demonstrates that the US has been a major contributor to social and human progress with development assistance on various fronts in the developing economies of Southern Africa through contributing to education, health and infrastructure for example. Other countries in the region have significantly benefitted from the aid assistance in the maintenance of peace and security, addressing conflict in their economies to ensure peace and security and making progress on democracy, governance and accountability. However, despite notable progress achieved with assistance from the US, sustainable development in the Southern African region given the still prevalent challenges on some sectors such as health, education, agriculture, power and energy, water and manufacturing sectors requires partnerships between the two regions that would spearhead foreign direct investment flows into these sectors to stimulate direct involvement in the production process and value chain development to create competitive industries in the region. The overriding position for the Southern African region partnerships (at various levels, sectors and industries trade and investment, capacity development) emphasises a shift from aid dependence as a mode of developmental intervention to more beneficial sustainable development partnerships as requisite.

The existing economic, social and institutional challenges present opportunities for investment partnerships and strategic sector and industry development approaches that can enhance the growth process in the region while also benefitting the US economy with potential returns to investments. The other pertinent partnerships should focus on capacity for institutions to support the growth process as well as on infrastructure development which is fundamental to support the investment, trade and business environment which is a limiting factor to private sector development and competiveness climate in the region.

A major finding in the Southern African region is that the role of the US on trade and investment, considered critical for creating sustainable industrial development and growth remains limited. Southern Africa should thus seek strategic partnerships with the US that will expand trade between the two regions, boost export diversity and enhance industrial development. A number of opportunities exist in Southern Africa in the agricultural, manufacturing, services sector where the US can venture into export processing zones and diversify the export base beyond primary exports. More focus should be in partnerships that reinforces regional integration objectives of regional economic communities such as SADC in the Southern African region. It is also the position in this paper that the Southern African region should seek a revision of AGOA to ensure more inclusiveness, accessibility and permanence, so that the benefits extend beyond a few countries and products.

Further, although the US is a major investor worldwide, investment inflows from the US into the region remains low. Southern Africa should thus place emphasis on strategic partnerships with the US to foster greater investment in the region. Such strategic development partnerships are crucial and more urgent for sectors such as energy supply and power generation, infrastructure development, water which play a role in creating conducive business environments. ICT and technology development partnerships should be emphasized as a priority area in the partnership models since they are among the major constraints to foreign direct inflows and production efficiency in the region.

Trade and investment are avenues that more mutually beneficial partnerships with the US can be modeled upon to attain sustainable growth in the region. Their expansion is central to the attainment of current challenges facing many African regions including Southern Africa particularly those of high unemployment, poverty rates and inequality. They also serve as a vehicle for transforming the competitiveness of Southern African countries particularly through gains from productivity. Strategically, trade and investment are pathways to the attainment regional integration objectives, sustainable development and attainment of long term goals such as those of the Millennium Development Goals MDG)

Partnerships should be inclusive to address current economic, social and institutional capacity development gaps which constrain the development process in the Southern African region. ACBF 2011Analysts tend to concur that a full resolution of fragility and war-related crises in Africa will be neither effective nor lasting unless all factors and all forces standing as impediments to the realization of peace, security and development are fully and comprehensively addressed.An inclusive approach to successfully attain broad based growth and transformation in the region should integrate and embrace job creation, poverty reduction, human skills, rural development, institutional capacity development as imperatives.

The emerging structures of governance political parties, civil society organizations, elected institutions of the legislature and the executive, remain weak and have barely institutionalized. These institutions must be gradually nurtured as Africa strives to achieve economic progress and political development in the 21st century. The challenges are key in capacity building partnerships and support in the context of Southern Africa which should be given priority to create stable economic and political environment which is key for investment in the region. It is a fact that strengthening state institutions and improving their capacity to provide security and development, based on principles of good governance and the rule of law, are essential to entrench lasting peace and improve living standards of citizens. This is an area that requires capacity building support for institutions in Southern Africa and this should be emphasised in partnerships for institutional capacity building for good governance, democracy and accountability.

Specific Southern Africa Position Paper Recommendations:

- ***Trade Expansion and Broadening Export Base:*** Trade expansion with the US is key in attaining export development and diversity in the region. The partnerships between the Southern Africa region and the US should aim to expand trade with investments into potential export sectors such as manufacturing, services, tourism, textile, agriculture to broaden the export and industrial sector. There is a potential for export expansion in Southern African countries which can also boost regional export performance among regional economic communities of SADC with the US as a potential market.

- ***Trade Facilitation and Capacity Development Partnerships:*** Progress on the exploitation of trade benefits by Southern Africa still remains limited despite current support initiatives from the US and other development partners. This is clear from the limited export and trade profile among Southern Africa countries and other trading partners. Capacity constraints and technical expertise have been a major constraint to countries in the region to fully benefit from AGOA and other trade agreements. Trade capacity development should thus be given prominence in US-Southern Africa partnerships and future trade initiatives and form a priority for consideration and continued support in the region to support export and trade expansion. Trade capacity building and technical assistance designed to help the member countries of Southern African Countries in regional economic communities such as SADC, SACU to take full advantage of their benefits under not only under AGOA but with relevant trade platforms and agreements to participate effectively in the global trading system and the World Trade Organization (WTO). Overlapping memberships in the region requires capacity building for regional countries Trade capacity building will be a fundamental feature of bilateral cooperation in support of the planned free trade agreement between the SACU, SADC countries and the United States. Linked closely is the need to increase and facilitate trade in the region. Expanding international exports and intra-regional trade is seen as a key component of increasing sustainable economic growth and reducing poverty in the region.

- ***Extended and Revised AGOA Opportunity:*** The eminent expiry of AGOA which has contributed to textile sector in the region and major avenue for trade between the US and African countries should be extended and broadened for the US market to offer more market opportunities to other sectors. The Southern African region should seek a revision of AGOA to ensure more inclusiveness, accessibility and permanence, so that the benefits extend beyond a few countries and products.

- ***Fostering Regional Integration***: Trade expansion and investment initiatives which take advantage of current regional integration dimensions are quite critical to foster regional integration in the region. Therefore, more focus should be in partnerships that reinforces regional integration objectives of regional economic communities such as SADC in the Southern African region. A number of challenges in the region require a regional approach in policies for example political, democracy and accountability to attain peace and security in the region. Trade and investment policies will be effective if they take a regional approach to broaden the growth and development process in the region.

- ***Strategic Investment Partnerships***: Investment inflows in the Southern region from the US also remain limited compared to other investors such as China. Recommendation is for investment partnerships particularly in major sectors to stimulate further industrial development. This is important for sectors which constrain Southern Africa's development process where major investments are required. The strategic partnerships between the US and Southern Africa should specifically be focused on

    a. Infrastructure development,
    b. Sectors where major resources are required such as in water, sustainable energy generation and power supply.
    c. Specific partnerships should focus on ICT development, availability and access.
    d. Human Capital Development

- ***Strengthening Capacity of Institutions*** Capacity to strengthen the local actors and institutions that are ultimately responsible for transforming the Southern Africa region is key.
    a. Partnerships and supportive initiatives should aim to strengthen state institutions and improving their capacity to provide security and development, based on principles of good governance and the rule of law to entrench lasting peace and improve living standards of citizens. This is an area that requires capacity building support for institutions in Southern Africa including institutional capacity building for good governance, democracy and accountability.
    b. The capacity to plan, manage, implement, and account for results of policies and programs is critical for achieving development objectives. There is also a need to integrate capacity development objectives into African development strategies and agendas (ACBF 2011).
    c. Natural resource management and climate change***:*** capacity building, policies and initiatives on how to manage the resources and share the revenues

- ***Strategic Inclusive Partnerships and Initiatives for Developmental Challenges*****:** The analysis of the economic and social landscape indicates a number of challenges in the region on unemployment, inadequate skills, poverty and inequality, poor infrastructure development in some sectors where it is key to ensure that partnership models objectively cover and address them. Some sectors such as health and education though having benefited from US aid , should be turned into investment opportunities for sustainable investment of the region through mutually beneficial partnerships. Issues of productivity, competitiveness and human skills development are key to provide the requisite attractive investment environment and should therefore be integral to partnerships for capacity building of private sector, entrepreneurship, SMME development and key policy making and implementing institutions in the region. These partnerships should specifically address the existing social, economic and institutional development and capacity gaps. Consideration of existing challenges and turning them into opportunities for investment and forms of development partnerships provides for an inclusive approach to unlocking the growth potential in Southern Africa which would be beneficial to the US as well. These partnerships will be supportive and aim to ensure that investment and trade partnerships as well as regional integration support initiatives realize their potential.

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Appendix A- Relevant Data

A1: Adult Literacy Rate by Gender in Southern Africa

Country	Sex	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Angola	Female		54.2								57.6	
	Male		82.9								82.9	
	Total											
Botswana	Female				81.8						84.4	
	Male				80.4						83.8	
	Total					81.4	82.1	82.9				
DRC	Female		54.1								54.9	
	Male		80.9								79.5	
	Total											
Lesotho	Female	92									95.3	
	Male	80									82.9	
	Total	83.4	83.9	84.3	84.8	85.3	85.7	82.2	86.5			
Madagascar	Female											
	Male											
	Total	83.4	83.9	84.3	84.8	85.3	85.7	80.7	82.2			
Malawi	Female					65.4	74	67.3	79	81.1	82	77.4
	Male					75.7	81	76.5	85	87	86	81.8
	Total	60.1	61	61.8	62.7	67.3	78	69.2	82	82	84	79.5
Mauritius	Female	80.5										
	Male	88.2										
	Total	85					86.6	87	87.4			
Mozambique	Female			32	32				65.5	66.8	66.8	
	Male			63.3	63.3				35.9	36.1	36.1	
	Total	44	45.3	46.4	46.4	49.1	43.2	43.8	49.7	50.1	50.1	
Namibia	Female		81.2								88.1	
	Male		81.4								88.9	
	Total	82	81.3	83.4	84	84.7	85.4	85	86.6			
Seychelles	Female			92.3						92.3		
	Male			91						91.4		90
	Total					95	96	96	96		96	
South Africa	Female								87			
	Male								90.7			
	Total	85.2	85.6	86	86.4	86.7	87.1	82.4	87.8			
Swaziland	Female	78.3									86.2	94.2
	Male	80.9									87.8	90.9
	Total	79.6	80.3	80.9	81.4	82.2	82.9	79.6	84			
Tanzania	Female			77.5		80					82	
	Male			62.2		67					72	
	Total	75	76	77	78.1	79.1	80.1	81	81.8			
Zambia	Female	58.3							64			
	Male	76.6							82			
	Total	67.2							73			
Zimbabwe	Female										89.4	
	Male										94.7	

Source SADC Statistics

A2. SADC's export and imports to major trading partners (US$1,000)

period	South Africa	SADC	China	EU	USA	SACU	Other SSA	World
Exports								
2000	1,717,883	5,883,520	445,653	14,639,867	3,333,034	1,825,843	890,965	38,376,159
2001	1,707,570	5,368,831	663,053	16,106,128	4,445,140	1,748,329	1,144,951	37,790,896
2002	1,796,845	6,259,098	562,781	15,477,107	3,391,954	1,912,602	1,647,946	36,558,786
2003	1,849,481	6,764,133	935,557	18,141,720	5,164,011	1,904,999	1,533,697	45,648,423
2004	3,419,948	9,278,523	1,447,926	23,173,580	6,480,019	3,535,828	1,935,933	59,525,969
2005	3,249,059	9,839,272	1,702,160	25,759,048	5,856,905	3,404,370	2,167,473	65,638,767
2006	3,930,562	14,516,527	2,687,758	28,263,579	6,878,452	4,368,619	2,609,645	80,777,910
2007	5,207,404	14,593,170	4,882,889	30,718,824	8,280,240	5,579,772	3,004,656	91,530,611
2008	4,574,123	16,022,013	5,523,794	33,764,595	9,011,946	4,879,145	3,629,690	101,745,850
2009	2,959,563	11,996,675	6,838,823	20,769,762	5,400,026	3,125,143	3,273,489	73,079,738
2010	4,071,012	14,980,909	10,700,848	26,246,352	7,529,629	4,203,723	3,822,840	96,868,538
Imports								
2000	5,976,505	6,773,583	1,415,294	12,849,737	3,502,255	6,044,428	378,858	39,572,649
2001	6,651,358	7,698,162	1,485,529	12,854,634	3,538,358	6,768,219	531,027	40,044,061
2002	8,489,429	9,648,364	1,847,579	13,869,629	3,546,369	8,645,588	670,011	43,456,054
2003	9,006,593	10,309,610	2,931,847	17,722,204	3,792,544	9,089,195	717,254	52,904,367
2004	11,313,132	13,423,912	4,580,008	22,800,790	4,606,376	11,540,476	1,227,604	71,226,175
2005	9,791,543	13,796,338	6,098,931	25,241,024	4,816,009	10,463,363	1,184,491	79,338,325
2006	11,308,144	14,848,939	8,280,714	28,275,259	6,004,864	12,100,361	2,297,991	95,978,003
2007	13,374,117	19,258,493	10,723,210	32,503,266	6,980,681	14,351,807	2,219,995	114,156,376
2008	15,854,850	23,135,625	12,897,751	34,274,177	8,144,189	16,617,201	2,858,380	130,292,648
2009	10,419,879	15,115,324	10,595,894	25,822,003	5,895,401	10,948,160	2,741,005	95,014,642
2010	13,982,703	20,802,067	14,723,226	31,897,816	7,303,363	14,749,327	3,061,754	120,866,653

Source: compilations based on the COMTRADE database of the UN.

Jensen M. and Yu W., (2012)

A3. Shares of Top 5 HS6 export products for selected SADC countries in 2000 and 2010* (%)

	CommodityCode	2000	CommodityCode	2010
Botswana	Disodium carbonate	28.3	Bovine cuts boneless, fresh or chilled	8.8
	Automobiles, spark ignition engine of 1500-3000 cc	7.7	Gold in unwrought forms non-monetary	7.8
	Road tractors for semi-trailers (truck tractors)	6.1	Bovine cuts boneless, frozen	5.1
	Salt (sodium chloride) including solution, salt water	4.7	Disodium carbonate	5.0
	Copper mattes	2.3	Nickel mattes	4.4
	Cum. Share	49.1		31.1
Lesotho*	Footwear uppers and parts thereof, except stiffeners	27.1	Greasy wool (other than shorn) not carded or combed	24.9
	Mens, boys trousers & shorts, material nes, not knit	14.9	Maize (corn) flour	16.7
	Footwear,sole rubber/plastic,upper textile, not sport	14.6	Parts, electric switches, protectors & connectors nes	6.7
	Colour television receivers/monitors/projectors	10.2	Potato flour or meal	6.0
	Ice, snow and potable water not sweetened or flavoure	6.9	Colour television receivers/monitors/projectors	4.2
	Cum. Share	73.7		0
Madagascar	CommodityCode	2000	CommodityCode	2010
	Oils petroleum, bituminous, distillates, except crude	12.5	Oils petroleum, bituminous, distillates, except crude	11.5
	Shrimps and prawns, frozen	11.7	Mens, boys shirts, of cotton, not knit	7.4
	Documents of title (bonds etc), unused stamps etc	5.6	Trailers, semi-trailers nes	4.1
	Fish nes, frozen, whole	5.1	Helicopters of an unladen weight < 2,000 kg	4.0
	Worn clothing and other worn articles	4.9	Commodities not specified according to kind	3.8
	Cum. Share	39.8		30.8
Malawi	CommodityCode	2000	CommodityCode	2010
	Tea, black (fermented or partly) in packages > 3 kg	14.9	Tea, black (fermented or partly) in packages > 3 kg	13.9
	Raw sugar, cane	9.7	Raw sugar, cane	13.7
	Tobacco, unmanufactured, not stemmed or stripped	8.1	Tobacco, unmanufactured, not stemmed or stripped	4.5
	Tobacco, unmanufactured, stemmed or stripped	4.7	Tobacco, unmanufactured, stemmed or stripped	3.8

	Mens, boys trousers shorts, synthetic fibre, not knit	2.8	Natural rubber in other forms	3.4
	Cum. Share	40.2		39.3
Mauritius	CommodityCode	2000	CommodityCode	2010
	Wheat or meslin flour	15.9	Animal feed preparations nes	7.2
	Woven cotton nes, >85% <200g/m2, unbleached	12.8	Mens, boys shirts, of cotton, not knit	4.5
	Looped pile knit or crochet fabric, of cotton	7.3	Looped pile knit or crochet fabric, of cotton	4.4
	Denim cotton >85% >200g/m2	4.2	Mens, boys trousers & shorts, of cotton, not knit	4.0
	Yarn of combed wool, >85% wool, not retail	3.5	T-shirts, singlets and other vests, of cotton, knit	3.5
	Cum. Share	43.6		23.6
Mozambique	CommodityCode	2000	CommodityCode	2010
	Coconut (copra) oil crude	51.5	Shrimps and prawns, frozen	47.8
	Electrical energy	10.9	Oils petroleum, bituminous, distillates, except crude	23.1
	Coconut or copra oil-cake and other solid residues	6.0	Natural gas, liquefied	5.4
	Tobacco, unmanufactured, not stemmed or stripped	3.1	Electrical energy	2.2
	Shrimps and prawns, frozen	2.8	Documents of title (bonds etc), unused stamps etc	2.1
	Cum. Share	74.3		80.6
Namibia*	CommodityCode	2000	CommodityCode	2010
	Beer made from malt	22.2	Zinc ores and concentrates	39.3
	Gold, semi-manufactured forms, non-monetary	9.6	Documents of title (bonds etc), unused stamps etc	5.6
	Documents of title (bonds etc), unused stamps etc	7.3	Beer made from malt	3.6
	Oils petroleum, bituminous, distillates, except crude	5.9	Gold, semi-manufactured forms, non-monetary	2.8
	Diamonds (jewellery) unworked or simply sawn, cleaved	4.2	Zinc, not alloyed, unwrought, <99% pure	2.4
	Cum. Share	49.2		53.6
Seychelles*	CommodityCode	2000	CommodityCode	2010
	Fish nes, frozen, whole	78.1	Containers for compressed/liquefied gas, iron or stee	33.6
	Mineral and aerated waters not sweetened or flavoured	5.7	Cigarettes containing tobacco	19.6
	Flour or meal, pellet, fish, etc, for animal feed	2.4	Animal feed preparations nes	7.2

	Cigarettes containing tobacco	1.8	Fish oils except liver, not chemically modified	5.1
	Oils petroleum, bituminous, distillates, except crude	1.5	Commodities not specified according to kind	4.6
	Cum. Share	89.6		70.2
SouthAfrica	CommodityCode	2000	CommodityCode	2010
	Structures and parts of structures, iron or steel, ne	14.8	Oils petroleum, bituminous, distillates, except crude	6.1
	Diesel powered trucks weighing < 5 tonnes	2.0	Parts for mineral sort, screen, mix, etc machines	2.1
	Oils petroleum, bituminous, distillates, except crude	1.8	Structures and parts of structures, iron or steel, ne	1.9
	Medicaments nes, in dosage	1.7	Diesel powered trucks weighing < 5 tonnes	1.5
	Cigarettes containing tobacco	1.3	Electrical energy	1.1
	Cum. Share	21.6		12.7
Swaziland	CommodityCode	2000	CommodityCode	2010
	Chem wood pulp, soda or sulphate, conifer, unbleached	18.7	Chemical industry products, preparations, mixtures ne	33.7
	Food preparations nes	13.6	Chem wood pulp, soda or sulphate, conifer, unbleached	22.8
	Raw sugar, cane	8.6	Benzoic acid, its salts & esters	3.0
	Mixed odoriferous substances - food & drink industrie	7.9	Mixed odoriferous substances - food & drink industrie	2.6
	T-shirts, singlets etc, of material nes, knit	3.7	Printed matter, nes	2.5
	Cum. Share	52.5		64.7
Tanzania	CommodityCode	2000	CommodityCode	2010
	Glass containers nes for packing or conveyance goods	12.2	Urea, including aqueous solution in packs >10 kg	53.1
	Recorded magnetic tapes, width < 4 mm	8.1	Gold, semi-manufactured forms, non-monetary	5.0
	Gold, semi-manufactured forms, non-monetary	7.2	Tobacco refuse	2.6
	Knotted netting, nets not fishing of manmade textiles	6.9	Wheat or meslin flour	1.8
	Gold in unwrought forms non-monetary	6.5	Textile furnishing articles nes, knit or crochet	1.1
	Cum. Share	40.8		63.6
Zambia	CommodityCode	2000	CommodityCode	2010
	Cobalt, unwrought, matte, waste or scrap, powders	20.7	Raw sugar, cane	10.4
	Raw sugar, cane	11.8	Tobacco, unmanufactured, not stemmed or stripped	9.3
	Wire of refined copper > 6mm wide	9.9	Copper cathodes and sections of cathodes unwrought	7.6

	Copper cathodes and sections of cathodes unwrought	5.5	Wire of refined copper > 6mm wide	5.6
	Cobalt, articles thereof, nes	3.8	Cobalt, articles thereof, nes	4.6
	Cum. Share	51.6		37.4
Zimbabwe	CommodityCode	2000	CommodityCode	2010
	Cotton, not carded or combed	6.7	Gold, semi-manufactured forms, non-monetary	27.5
	Nickel ores and concentrates	4.5	Raw sugar, cane	21.7
	Tobacco, unmanufactured, not stemmed or stripped	4.2	Nickel ores and concentrates	14.1
	Refined sugar, in solid form, flavoured or coloured	3.3	Nickel mattes	13.3
	Tobacco, unmanufactured, stemmed or stripped	3.3	Documents of title (bonds etc), unused stamps etc	2.4
	Cum. Share	22.0		79.1

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A4. Global Competitiveness rankings in Southern Africa

A5. FDI Inflows by Country and Region, 2000-2012

)I inflows, by region and economy, 2000-2012										
(Millions of dollars)										
Region/economy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
World	1 413 169.3	836 012.2	626 081.3	601 246.3	734 148.4	989 617.7	1 480 586.6	2 002 694.6	1 816 398.0	1 216 474.7	1 408 536.9
Developed economies	1 141 586.3	602 478.8	445 596.7	387 500.8	423 653.7	621 479.9	985 888.2	1 319 893.0	1 026 530.6	613 436.1	696 417.8
Europe	728 478.6	396 726.7	321 867.4	305 560.3	231 846.0	506 104.3	642 910.4	906 531.4	571 796.7	404 790.6	429 229.7
United States	314 007.0	159 461.0	74 457.0	53 146.0	135 826.0	104 773.0	237 136.0	215 952.0	306 366.0	143 604.0	197 905.0
Developing economies	264 544.6	224 071.2	169 211.6	193 750.7	280 262.0	334 526.2	432 113.4	589 430.5	668 438.8	530 288.8	637 063.0
Africa	9 621.1	19 943.2	14 613.4	18 158.4	17 369.7	30 917.6	36 575.2	51 273.6	58 894.2	52 964.3	43 581.6
North Africa	3 249.8	5 352.4	3 871.6	5 261.4	6 441.0	12 236.4	23 193.7	23 936.2	23 113.8	18 223.7	15 708.7
Other Africa	6 371.3	14 590.8	10 741.8	12 897.0	10 928.6	18 681.2	13 381.5	27 337.3	35 780.4	34 740.6	27 872.9
Central Africa	644.4	1 563.1	2 168.6	2 674.8	2 164.7	2 937.7	2 802.2	5 638.7	5 022.2	6 027.5	9 388.9
East Africa	1 123.9	1 122.5	1 022.7	1 312.3	1 419.5	1 868.3	2 409.2	4 027.1	4 357.9	3 875.3	4 459.5
Transition economies	7 038.4	9 462.2	11 273.0	19 994.8	30 232.7	33 611.6	62 584.9	93 371.1	121 428.7	72 749.9	75 056.1
Southern Africa	2 471.6	9 830.2	4 635.0	5 541.5	3 715.6	6 701.4	1 334.4	8 117.4	13 921.3	10 128.7	2 047.5
Angola	878.6	2 145.5	1 672.1	3 504.7	1 449.3	- 1 303.9	- 37.7	- 893.3	1 679.0	2 205.3	- 3 227.2
Botswana	57.2	30.7	403.4	418.0	391.1	278.6	486.4	494.6	520.9	128.8	- 6.1
Lesotho	32.4	29.7	28.4	43.9	55.6	70.3	59.9	106.5	111.9	99.9	113.7
Malawi	39.6	41.4	16.7	65.9	107.8	139.7	35.6	124.4	195.4	49.1	97.0
Mozambique	139.3	255.4	347.6	336.7	244.7	107.9	153.7	427.4	591.6	892.5	1 017.9
Namibia	186.5	365.2	181.4	148.7	225.8	348.0	386.6	733.0	720.3	522.1	793.0
South Africa	887.3	6 783.9	1 569.2	733.7	798.0	6 646.9	- 526.8	5 694.5	9 006.3	5 365.4	1 228.3
Swaziland	105.8	29.3	92.1	- 60.9	70.5	- 45.9	121.0	37.5	105.7	65.7	135.6
Zambia	121.7	145.3	298.4	347.0	364.0	356.9	615.8	1 323.9	938.6	694.8	1 729.3
Zimbabwe	23.2	3.8	25.9	3.8	8.7	102.8	40.0	68.9	51.6	105.0	165.9

A6. FDI Stock as a percentage of GDP

FDI inward stock as a percentage of gross domestic product, 1990-2012
(Per cent)

Region/economy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	23.3	23.6	22.8	25.4	26.6	25.5	29.1	32.3	25.5	31.6	32.1	29.8	32.2
Developed economies	22.8	22.7	22.1	25.2	26.9	25.5	29.8	32.8	26.2	31.9	32.4	30.5	33.4
Europe	27.7	29.1	32.1	34.9	37.3	34.7	41.3	45.1	37.6	47.0	47.8	43.7	48.4
European Union	27.7	29.2	32.0	34.8	37.0	34.6	40.9	44.4	36.5	45.5	45.8	41.8	46.6
United Kingdom	31.4	35.9	34.3	34.2	33.7	37.1	46.2	43.5	36.3	50.6	51.3	48.8	54.4
United States	28.1	25.0	19.1	22.1	23.0	22.4	24.7	25.4	17.5	21.6	23.6	23.4	26.2
Developing economies	25.3	26.8	25.3	26.1	26.0	25.8	27.3	30.5	24.8	30.4	31.2	28.6	30.4
Africa	25.7	26.0	28.4	28.6	27.9	26.0	27.5	29.4	25.1	33.4	32.6	30.5	31.1
North Africa	17.5	19.8	22.6	24.5	23.9	23.2	27.6	29.8	27.8	33.2	31.8	31.7	30.9
West Africa	37.5	39.4	35.5	33.2	29.8	22.6	21.9	22.8	22.1	30.9	27.8	29.9	31.8
Central Africa	19.4	24.5	29.1	30.7	28.3	28.2	28.4	31.0	29.0	39.3	42.0	40.6	45.2
East Africa	14.4	15.5	16.6	17.6	18.1	17.8	19.1	20.7	20.2	23.3	25.2	25.7	25.3
Southern Africa	36.4	32.3	36.6	33.7	33.6	32.5	32.5	35.0	24.1	37.3	36.9	28.8	29.6
Angola	90.1	106.9	116.0	85.9	67.9	37.0	28.9	18.5	15.3	20.0	14.4	8.5	1.6
Botswana	32.4	23.0	14.0	14.4	9.8	7.9	7.2	8.5	6.6	12.2	7.3	6.1	7.3
Lesotho	42.7	50.6	58.6	44.0	38.9	13.9	7.2	34.6	32.8	34.5	24.5	27.3	35.5
Malawi	14.9	17.7	16.6	19.6	24.6	22.3	21.0	21.4	23.2	20.7	21.6	19.5	24.5
Mozambique	29.0	36.9	44.1	46.9	42.8	40.0	39.3	40.0	38.5	46.7	51.5	57.6	84.8
Namibia	32.7	20.2	54.2	59.9	62.4	33.8	34.9	43.7	39.5	46.8	46.6	32.0	28.1
South Africa	32.7	25.8	27.5	27.9	29.4	32.0	33.6	38.6	24.8	41.5	42.1	32.9	35.6
Swaziland	35.2	26.2	49.6	38.9	38.4	30.4	28.2	29.2	18.0	25.5	25.1	22.3	24.2
Zambia	122.5	111.0	117.4	108.9	92.9	74.4	53.6	61.3	56.2	69.4	61.5	56.9	59.4
Zimbabwe	16.4	16.6	17.8	19.0	19.9	22.2	23.3	24.8	28.1	26.9	24.4	24.8	26.9
Transition economies	15.5	19.5	22.6	24.2	23.2	25.0	28.0	36.8	18.2	35.0	36.0	29.3	30.7
Memorandum													
Least developed countries (LDCs)	20.2	22.6	25.0	24.8	24.3	22.4	22.4	21.6	20.6	24.1	23.8	23.4	25.2
Landlocked countries (LLCs)	28.3	31.4	35.1	34.8	34.8	31.4	29.4	27.9	27.2	34.7	34.1	33.6	35.6
Small island developing states (SIDS)	47.4	52.6	55.1	56.3	56.2	57.5	60.3	62.5	64.0	80.8	82.3	81.2	81.2

Source: UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics).

A7. FDI Stock by sector and industry

Web table 24. Estimated world inward FDI stock, by sector and industry, 1990 and 2011
(Millions of dollars)

Sector/industry	1990 Developed countries	1990 Developing economies	1990 World	2011 Developed countries	2011 Developing economies	2011 Transition economies	2011 World
Total	1 694 300	383 967	2 078 267	14 402 163	6 073 283	398 053	20 873 498
Primary	160 692	32 139	192 831	921 833	555 837	59 840	1 537 510
Agriculture, hunting, forestry and fishing	3 725	4 843	8 568	14 763	41 330	3 402	59 496
Mining, quarrying and petroleum	156 967	25 148	182 115	901 123	504 324	56 438	1 461 885
Unspecified primary	-	2 148	2 148	5 946	10 183	-	16 129
Manufacturing	686 408	167 308	853 716	3 519 872	1 604 786	94 898	5 219 557
Food, beverages and tobacco	75 943	11 013	86 956	467 444	196 697	13 154	677 295
Textiles, clothing and leather	24 843	5 740	30 583	29 952	16 722	1 449	48 124
Wood and wood products	22 759	5 235	27 993	96 349	26 252	5 496	128 096
Publishing, printing and reproduction of recorded media	15 936	627	16 563	68 893	1 023	145	70 061
Coke, petroleum products and nuclear fuel	55 778	3 366	59 144	209 794	63 071	11 785	284 650
Chemicals and chemical products	133 842	50 519	184 360	718 368	233 530	5 764	957 661
Rubber and plastic products	14 220	2 027	16 248	57 798	26 418	1 586	85 802
Non-metallic mineral products	17 674	3 143	20 817	108 025	27 686	8 522	144 234
Metal and metal products	54 344	16 381	70 725	278 959	107 993	36 156	423 109
Machinery and equipment	57 101	10 916	68 017	231 265	65 946	2 175	299 385
Electrical and electronic equipment	75 240	19 296	94 536	226 651	140 427	1 979	369 058
Precision instruments	12 480	527	13 007	96 391	2 194	49	98 634
Motor vehicles and other transport equipment	52 600	8 710	61 310	302 016	127 210	3 415	432 641
Other manufacturing	14 521	3 261	17 781	166 418	19 487	765	186 669
Unspecified secondary	59 127	26 547	85 674	461 548	550 131	2 459	1 014 137
Services	833 462	179 211	1 012 673	9 192 542	3 854 442	241 106	13 288 090
Electricity, gas and water	7 129	3 223	10 352	382 560	125 420	8 141	516 121
Construction	18 119	5 824	23 943	134 608	112 815	9 793	257 216
Trade	217 306	27 391	244 697	1 492 101	483 678	34 211	2 009 989
Hotels and restaurants	22 423	5 007	27 430	53 415	66 900	2 529	122 844
Transport, storage and communications	18 341	14 075	32 416	746 648	374 993	17 539	1 139 179
Finance	307 483	100 894	408 377	3 729 817	1 242 057	53 111	5 024 985
Business activities	133 452	17 661	151 113	2 030 833	1 336 637 [a]	110 345	3 477 814 [a]
Public administration and defence	-	63	63	68 846	12 511	22	81 379
Education	100	-	100	8 303	1 759	48	10 110
Health and social services	1 050	0	1 051	9 921	4 081	532	14 534
Community, social and personal service activities	14 136	21	14 157	42 593	26 815	4 758	74 166
Other services	52 931	3 164	56 094	155 609	16 348	79	172 037
Unspecified tertiary	40 992	1 888	42 880	337 287	50 430	-	387 717
Private buying and selling of property	-	-	-	23 533	-	-	23 533
Unspecified	13 738	5 309	19 047	744 383	58 218	2 208	804 809

Source: UNCTAD.

[a] A considerable share of investment in business activities is in Hong Kong (China), which accounted for 72% of developing economies and 28% of the world total in 2011. Hong Kong (China) data include investment holding companies.

Note: Data should be interpreted with caution. The world total was extrapolated on the basis of data covering 57 countries in 1990 and 97 countries in 2011, or latest year available. They account for over four-fifths of world inward FDI stock in 1990 and 2010. Only countries for which data for the three main sectors were available were included. The distribution share of each industry of these countries was applied to estimate the world total in each sector and industry. As a result, the sum of the sectors for each group of economies is different from the totals shown in annex table 3. In the case of some countries where only approval data were available, the actual data was estimated by applying the implementation ratio of realized FDI to approved FDI to the latter (19% in 2007 for China, 15% in 1997 for Indonesia, 56% in 1994 for Japan, 10% in 1990 and 8% in 1999 for Lao People's Democratic Republic, 91% in 2010 for Mongolia, 9% in 1990 and 34% in 2005 for Myanmar, 41% in 1990 and 35% in 1999 for Nepal, 62% in 1995 for Sri Lanka, 73% in 1990 and 48% in 2011 for Taiwan Province of China). The world total in 1990 includes the transition economies, although data by sector and industry are not available for that region.

A8. Indicators of Inequality, Gini Index

		GINI Index								
	ANGOLA	BOTSWANA	LESOTHO	MALAWI	MOZAMBIQUE	NAMIBIA	SOUTH AFRICA	SWAZILAND	ZAMBIA	ZIMBABWE
1990	..	..	..	..	..	..	..	..	..	..
1991	..	..	..	..	..	..	..	..	..	..
1992	..	..	..	..	..	..	..	..	..	..
1993	..	..	57.94	..	..	74.33	59.33	..	52.61	..
1994	..	60.96	63.16	..	..	..	..	..	..	..
1995	..	..	..	..	..	..	56.59	60.65	..	50.10
1996	..	..	..	..	44.49	..	..	..	49.79	..
1997	..	..	..	..	..	..	..	..	..	..
1998	..	..	..	50.31	..	..	..	..	53.44	..
1999	..	..	..	..	..	..	..	..	..	..
2000	58.64	..	..	..	..	..	57.77	..	..	..
2001	..	..	..	..	..	..	..	50.68	..	..
2002	..	..	..	..	..	..	..	..	..	..
2003	..	..	52.50	..	47.11	..	..	..	42.08	..
2004	..	..	..	39.02	..	63.90	..	..	50.74	..
2005	..	..	..	..	..	..	..	..	..	..
2006	..	..	..	..	..	..	67.40	..	54.63	..
2007	..	..	..	..	..	..	..	..	..	..
2008	..	..	..	..	45.66	..	..	..	..	..
2009	42.66	..	..	..	..	..	63.14	..	..	..
2010	..	..	..	43.91	..	..	..	51.49	57.49	..
2011	..	..	..	..	..	..	..	..	..	..
2012	..	..	..	..	..	..	..	..	..	..
2013										

Source: World Development Indicators

A9. Unemployment rates in Southern Africa

Unemployment (% of Total Labor Force)	Angola	Botswana	Lesotho	Malawi	Mozambique	Namibia	South Africa	Swaziland	Zambia	Zimbabwe
1990	..	..	..	..	..	..	..	..	12.4	..
1991	..	13.8	..	..	..	19	..	..	18.9	..
1992	..	..	..	..	..	..	..	..	..	..
1993	..	..	..	..	..	..	..	..	19.7	..
1994	..	21.2	..	..	..	19.4	20.0	..	..	5
1995	..	..	..	..	..	..	16.9	21.7	..	..
1996	..	21.5	..	..	..	..	21.0	..	15.3	..
1997	..	..	39.3	..	2.2	19.5	22.9	22.5	..	6.9
1998	..	20.8	..	..	..	..	25.0	..	12	..
1999	..	..	27.3	..	..	..	25.4	..	..	6
2000	..	15.8	..	..	..	20.3	26.7	..	12.9	..
2001	..	18.6	..	..	..	..	25.4	..	..	..
2002	..	..	..	..	..	..	27.2	..	..	..
2003	..	23.8	..	..	..	..	27.1	..	..	..
2004	..	..	..	7.8	..	21.9	24.7	..	..	4.2
2005	..	..	..	..	..	..	23.8	..	15.9	..
2006	..	17.6	..	..	..	..	22.6	..	..	..
2007	..	..	..	..	..	..	22.3	..	..	..
2008	..	..	25.3	..	..	37.6	22.7	..	..	..
2009	..	..	..	..	..	..	23.7	..	..	..
2010	..	..	..	..	..	22.1	24.7	..	..	..
2011	..	..	..	..	..	26.8	24.7	..	..	..
2012	..	..	..	..	..	16.7	25	..	..	..
2013	..	..	..	..	..	..	..	..	..	..

Source: World Development Indicators

A10. Aid from US to Southern Africa

			DONOR AID FROM US (CURRENT US DOLLARS)									
		ANGOLA	BOTSWANA	LESOTHO	MALAWI	MOZAMBIQUE	NAMIBIA	SOUTH AFRICA	SWAZILAND	ZAMBIA	ZIMBABWE	TOTAL
	1990	1,000,000	15,000,000	14,000,000	21,000,000	62,000,000	-		14,000,000	12,000,000	15,000,000	**154,000,000.00**
	1991	10,000,000	12,000,000	10,000,000	37,000,000	60,000,000	14,000,000		12,000,000	22,000,000	28,000,000	**205,000,000.00**
	1992	3,000,000	7,000,000	12,000,000	27,000,000	52,000,000	3,000,000		12,000,000	71,000,000	91,000,000	**278,000,000.00**
	1993	14,000,000	12,000,000	5,000,000	30,000,000	61,000,000	9,000,000	66,000,000	14,000,000	34,000,000	27,000,000	**272,000,000.00**
	1994	34,000,000	12,000,000	5,000,000	28,000,000	73,000,000	5,000,000	71,000,000	10,000,000	13,000,000	34,000,000	**285,000,000.00**
	1995	31,000,000	13,000,000	11,000,000	58,000,000	96,000,000	6,000,000	107,000,000	12,000,000	21,000,000	29,000,000	**384,000,000.00**
	1996	25,000,000	7,000,000	3,000,000	32,000,000	45,000,000	9,000,000	73,000,000	11,000,000	18,000,000	17,000,000	**240,000,000.00**
	1997	22,000,000	9,000,000	2,000,000	27,000,000	71,000,000	17,000,000	104,000,000	2,000,000	48,000,000	19,000,000	**321,000,000.00**
	1998	28,760,000	3,750,000	1,990,000	19,730,000	70,450,000	13,390,000	83,020,000	10,260,000	12,060,000	24,200,000	**267,610,000.00**
	1999	48,100,000	3,630,000	1,490,000	27,820,000	70,590,000	13,860,000	84,600,000	840,000	26,580,000	20,160,000	**297,670,000.00**
	2000	37,310,000	990,000	1,300,000	59,320,000	115,520,000	9,500,000	105,850,000	220,000	46,080,000	13,110,000	**389,200,000.00**
	2001	33,950,000	-250,000	1,670,000	30,550,000	91,840,000	13,880,000	85,850,000	-140,000	29,040,000	15,970,000	**302,360,000.00**
	2002	105,610,000	22,390,000	5,990,000	61,150,000	159,680,000	17,030,000	89,440,000	-180,000	48,290,000	47,040,000	**556,440,000.00**
	2003	152,910,000	13,280,000	2,660,000	59,510,000	135,400,000	29,200,000	106,180,000	980,000	63,600,000	34,960,000	**598,680,000.00**
	2004	121,290,000	21,140,000	3,970,000	56,750,000	109,960,000	34,320,000	94,660,000	1,230,000	81,770,000	30,440,000	**555,530,000.00**
	2005	67,240,000	17,960,000	2,720,000	56,340,000	85,360,000	28,870,000	116,780,000	1,680,000	110,790,000	41,650,000	**529,390,000.00**
	2006	32,850,000	24,750,000	3,230,000	64,020,000	108,850,000	50,560,000	140,500,000	1,850,000	309,910,000	36,390,000	**772,910,000.00**
	2007	39,630,000	44,840,000	19,450,000	78,980,000	153,380,000	58,830,000	227,080,000	3,480,000	165,290,000	139,090,000	**930,050,000.00**
	2008	42,680,000	231,890,000	13,650,000	87,720,000	226,660,000	70,950,000	378,660,000	8,680,000	226,490,000	222,900,000	**1,510,280,000.00**
	2009	41,500,000	214,400,000	24,650,000	111,410,000	255,610,000	90,280,000	523,740,000	15,570,000	231,860,000	249,740,000	**1,758,760,000.00**
	2010	54,820,000	76,970,000	57,540,000	126,290,000	277,910,000	117,190,000	529,530,000	23,560,000	225,120,000	175,220,000	**1,664,150,000.00**
	2011	66,540,000	78,480,000	106,170,000	154,560,000	397,900,000	121,840,000	564,030,000	46,290,000	276,690,000	180,070,000	**1,992,570,000.00**
	2012	78,240,000	50,170,000	131,740,000	185,910,000	435,490,000	148,890,000	505,270,000	43,610,000	305,090,000	174,080,000	**2,058,490,000.00**