SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

Overview

The Southern African Development Community (SADC) has its origins in the Southern African Development Coordination Conference, which was established in 1980. In 1992, the Member States signed the Declaration and Treaty establishing SADC as a replacement to the SADCC. Currently SADC has 14 member states: Angola, Botswana, Democratic Republic of Congo (DRC), Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe. The vision of SADC is for a regional community in which the people of Southern Africa can realise economic well-being, improved living standards and quality of life, freedom and social justice, and peace and security. The SADC mission is to "*promote sustainable and equitable economic growth and socio-economic development through efficient productive systems, deeper co-operation and integration, good governance, and durable peace and security, so that the region emerges as a competitive and effective player in international relations and the world economy*".

Two strategic frameworks guide SADC's operations and provide the SADC member states with a comprehensive programme of long-term economic and social policies. The Regional Indicative Strategic Development Plan (RISDP) provides a governance framework that sets standards for good political, economic and corporate governance. The Strategic Indicative Plan for the Organ (SIPO) focuses on the maintenance of peace and stability in the region. A SADC Secretariat, which overseas the implementation of these plans, is based in Gaborone, Botswana.

In 2012, it was estimated that the population in the SADC region stood at 257.7 million, DRC having the largest population of 72 million. Thirty-nine percent of the population in the region is urban. The collective GDP for the region was set at US$471.1 billion. SADC has a generally low average GDP per capita compared to other regions globally; however it is still the most developed in the whole of Africa. The region is also well integrated and has a well-established foreign investment flowing within the region.

The global economic crisis has had a significant impact upon the region's economy. The economy began to recover in 2010 following the recovery of the global economy. In 2009, GDP stood at 0.5 percent and rebounded to 5.1 percent in 2010 and economic activity in return increased from 2.3 percent in 2009 to 5.5 percent in 2010. The growth was attributed to robust mining activities due to increased capital flows into the region. More recent developments on the global stage, specifically the Euro crisis, have undermined growth prospects in the region. In 2011 GDP was recorded at 4.7 percent, a 0.8 percent drop from the previous year, with Lesotho, Namibia, and Swaziland recording the lowest growth. Only Mozambique achieved the 7 percent growth target set by SADC. Growth for the region is forecast at 5.1 percent in 2012.

The global food and oil price increase caused inflationary pressures within the region. Inflation in 2011 averaged 8.3 percent, the lowest recorded in recent years. Namibia, Seychelles, South Africa and Zimbabwe had their inflation equal or less than 5 percent in 2011, while four other member states had a recorded inflation rate of over 10 percent. The regional inflation figure is expected to come down in 2012, to 7.9 percent.

Access to Finance

While there are intentions for regional financial integration, the fourteen member states function as independent economies with their own, independent financial systems. As the largest economy in Africa, South Africa dominates, with 80 percent of the region's GDP. A number of South African lenders have extended to other countries in the region. Standard Bank is licensed to operate in all of the SADC countries. FNB is licensed in Botswana, Lesotho, Namibia, Swaziland, Tanzania and Zambia. Absa's shareholder Barclay's Bank operates in Zambia, Tanzania and other countries. In 2011, there were 161 separate banking institutions operating in the region, with 234 subsidiaries, thus in total there were 234 bank licenses issued in SADC. 15 out of 161 banks have subsidiaries operating in more than one jurisdiction while only eight banks have a presence in more than five SADC countries.

Select Africa, a regional housing micro lender, has its head office in South Africa but practices in Malawi, Kenya, Lesotho, and Swaziland, and is building up operations in Tanzania and Mozambique.
The FinScope survey measures levels of financial access across countries in Africa. According to FinScope, 63 percent of South Africans were formally banked in 2011 and another 5 percent had access to a non-bank, formal product. Five percent of South Africans were only informally served and 27 percent were financially excluded. South Africa has the highest levels of financial inclusion, followed very closely by Namibia with 62 percent banked and 31 percent excluded. Zambia has the highest level of financial exclusion, with 63 percent of the population not served. This is followed by Tanzania (56 percent excluded), Malawi (55 percent excluded), and Zimbabwe (41 percent excluded). Informal products are significant in Tanzania, serving almost a third of the population, and in Zimbabwe, where they serve a quarter of the population. In Lesotho and Botswana, formal non-bank products serve a fifth of the population.

A deeper review of FinScope data in four countries (Botswana, Malawi, Tanzania and Zambia) in the SADC region, showed extremely limited access to housing finance – this is supported by the Global Findex survey which found on average, across SADC (excluding Namibia, which was not surveyed in the Global Findex survey), only 2.74 percent of adults over the age of 15 had an outstanding loan to purchase a home. The percentage was higher in urban areas, with 4.13 percent of adults having a loan to purchase a home. Loans for home construction are more popular: across the region, on average 5.2 percent of adults in each country have a loan outstanding for home construction and in urban areas, the average increases to six percent. Of course, housing loans require a certain level of income that precludes the majority from qualifying. Further, adults with affordability but whose income is irregular or seasonal, also struggle to access housing finance products. In these cases, housing microfinance is becoming increasingly important – something that some lenders are beginning to champion.

The SADC Banking Association, which was established in 1998, aims to coordinate banking related activities throughout the region to ensure acceleration of development. The advanced financial system in South Africa has been identified as playing a pivotal role in strengthening the region's financial system. Due to South Africa's role in the region, the country has been given the responsibility to manage the SADC sub-committees that deal with regional integration of the financial sector.

The credit information infrastructure in the region is developing. A study undertaken in 2011 found that nine SADC Member States had either a private or public credit register that reports both positive and negative credit data on firms and individuals. South Africa's and Zambia's regulatory framework is the most developed, while Angola and Mauritius have fairly well structured regulatory standards under the central bank in those countries. Madagascar, the Seychelles and the DRC have neither private nor public registries in place – although the DRC does have a manual public register that works inefficiently. Namibia and Swaziland both have private sector credit bureaus in operation, and both have draft bills in place to license and regulate these entities. Both Malawi and Tanzania are in the process of establishing regulated credit sectors: both have passed a Credit Reference Bureau Act. Lesotho and Mozambique are also working towards this goal, investigating ways to set up regulatory frameworks.

Affordability

While GDP per capita in the region has been growing, levels of inequality remain high. South Africa is one of the most unequal economies in the world. Namibia, Angola, Lesotho, Botswana and Zambia are not far behind. Many people within the region live in inadequate housing. FinScope data suggests that 69 percent of household heads in Botswana live in what appear to be inadequate dwellings. In Malawi, the figure is 90 percent; in Tanzania, 80 percent; and in Zambia, 85 percent.
The majority of the people in the SADC region cannot afford to access a loan from the current financial institutions. According to FinScope, an estimated 62 percent, 95 percent, 74 percent and 97 percent of the people in Botswana, Malawi, Tanzania and Zambia respectively cannot afford a loan for housing purposes. The levels of affordability in Angola, DRC, Lesotho, Madagascar, Seychelles, Swaziland and Zimbabwe are also quite low. Across the SADC region, the cheapest newly built house by a private developer ranges from US$11 875 in Tanzania to US$60 000 in Angola. In Mauritius and the Seychelles, housing affordability and access to quality housing is much better, although it is worth noting that even in those markets, formal housing supply is targeted at the upper income, even expat populations seeking housing.

Housing supply

Housing supply within the SADC region is largely insufficient, and as is the case across the rest of the continent, the majority of households meet their housing needs independently, building incrementally. This approach is more difficult in urban areas, however, where access to serviced land with secure tenure is a challenge – and as a result, many cities in the region are seeing the development of informal settlements. Efforts to address this in South Africa, Namibia, Botswana, and Tanzania have made progress but have not stemmed the tide. Indeed, even in South Africa, where the government has built and given away an estimated three million houses to qualifying beneficiaries, the housing backlog remains at an estimated 2,1 million households, and cities across that country incorporate 2628 informal settlements.

The key challenge facing all countries in the region is how to promote affordable housing delivery by the private sector, such that the state can focus on the poorest segments of society. South Africa's housing subsidy, which in terms of household income eligibility, is targeted at sixty percent of the population, is not sustainable in the long term. In recent years, the cost of the subsidised house, which is given away for free to qualifying beneficiaries who earn less than R3500 (US$421) per month and have dependents, is estimated to be between R150 000- R200 000 (US$18 000 – $24 000). If this house were constructed just for the 2,1 million households estimated to comprise the national housing backlog, this would require a total state investment of R315-R420 billion (US$37.8 billion – US$40.5 billion). Even in a country as rich as South Africa, and even if spread over a longer period of time, this is not a sustainable proposition, and it creates all sorts of unintended distortions in the property market that undermine the capacity even of lower-middle income earners to meet their own housing needs. Lower-middle, and middle income earners in the region need to be able to engage in the housing market in an affordable way, purchasing a stand or an entry level, basic unit.

In a number of countries in the region, state-owned or supported housing delivery entities have a mandate to work explicitly in the low-middle income target market. The Botswana Housing Corporation is the main housing developer in that country, and there are similar corporations in Lesotho and Swaziland. In Tanzania, the National Housing Corporation has recently been given a new mandate to accelerate affordable housing delivery. This is also the case in Namibia, where the National Housing Enterprise has seen its mandate extended in line with the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG), which was launched in March 2011.

In the housing supply sector, a number of South African firms are also exploring opportunities north of their borders, some in the SADC region. Basil Read, the developer for South Africa's Cosmo City (a mixed income, mixed use settlement with approximately 12 300 units north of Johannesburg, South Africa), has an international development arm, and Old Mutual's Housing Impact Fund has also been exploring opportunities.

Policy and regulation

A key issue of focus for SADC Member States in the past few years has been the Finance and Investment Protocol, which was entered into by the SADC Member States to give legal and practical effect to their commitments under the SADC Treaty. It was signed in August 2006, and has two overarching objectives. First, it seeks to improve the investment climate in each Member State; thereby catalysing foreign and intra-regional investment flows. And second, it seeks to enhance cooperation, coordination and harmonisation in domestic financial sectors in the region. The implementation of the FIP has been rather slow going – by 2011 only seven Member States had implemented over 50 percent of their country commitments under the protocol. When it comes to actual regional integration only 14.3 percent of commitments have been achieved. More recently, however, with support from the FinMark Trust and other players such as the GIZ, the implementation of the FIP has been receiving increasing attention particularly in the areas of retail payment systems, harmonisation of insurance regulations and improving credit information sharing across the region.

Housing policy across the region is at various stages of implementation. South Africa has a highly developed policy, as its promotion of a subsidised housing delivery programme is a cornerstone of the ruling party's development strategy. In 2004, ten years after it was first developed, the national housing policy was amended to broaden the focus from housing provision to human settlements. In 2009, the South African President introduced key performance measures for Cabinet Ministers. The Human Settlements KPIs are framed in Outcome 8, and include an explicit focus on informal settlement upgrading. This has shifted the policy emphasis within the human settlements department. The national housing finance policy is also coming under scrutiny as the government struggles to deal with the anomaly of increasing spend and an increasing backlog.

In other countries, policy developments are also underway. In 2011, Tanzania's ministry of Land and Human Settlement Development launched a national programme for the regularisation and mitigation of informal settlements. In Zambia, a draft housing policy is being considered by the national government. Housing features strongly in Mozambique's five year strategy (2010-2014), and is also a key area of focus in Tanzania, especially given the World Bank initiative with the Bank of Tanzania to promote housing finance markets in the country. Malawi is currently working on a new national housing policy, following an extensive overview of that country's housing sector, undertaken in 2010 by UN Habitat. UN Habitat has also recently published overviews of housing in Zambia and Zimbabwe. The policy flux in many countries undermines investment especially by international or regional housing developers and financiers who are seeking new markets. National governments would do well to promote a clearer housing approach in their countries to facilitate the attention of this potential capacity.

Property market and opportunities

In the 2012 World Bank Doing Business Report only three out of the fifteen countries improved their position in the World Bank's Doing Business ranking. The region recognises the work that it still needs to accomplish in reducing poverty and developing equal opportunities for all.

Countries	DB Ranking	Starting a business (Days)	Construction permits (Days)	Registering property (Days)	Getting credit Rank
Angola	172	68	321	184	126
Botswana	54	61	145	16	48
DRC	178	65	117	54	174
Lesotho	143	40	510	101	150
Malawi	145	39	200	69	126
Mauritius	23	6	136	22	78
Mozambique	139	13	370	42	150
Namibia	78	66	139	39	24
Seychelles	103	39	126	33	166
South Africa	35	19	127	23	1
Swaziland	124	56	95	21	48
Tanzania	127	29	303	73	98
Zambia	84	18	196	40	8

Zimbabwe	171	90	614	31	126

SADC Investment Promotion Agencies are responsible for the promotion of foreign direct investment in their respective countries.

Angola	Angolan Agency for Private Investment
Botswana	Botswana Export Development and Investment Authority
DRC	National Agency for Investment Promotion
Lesotho	Lesotho National Development Corporation
Malawi	Malawi Investment Promotion Agency
Mauritius	Board of Investment
Mozambique	Investment Promotion Centre
Namibia	Ministry of Trade and Industry
Seychelles	Seychelles Investment Bureau
South Africa	Department of Trade and Industry
Swaziland	Swaziland Investment Promotion Authority
Tanzania	Tanzania Investment Centre
Zambia	Zambia Development Agency
Zimbabwe	Zimbabwe Investment Agency

In general, member states have been undergoing policy reforms and the refinement of investment processes, which have improved their respective business environments such as establishing investment promotion agencies, improving investor protection and increasing the transparency of investment codes and policies. There is evidence that investment competition among member states remains high, and so there has been difficulty in gaining consensus on regional investment policy framework. Member states will be reluctant to harmonise where this impacts their ability to compete and where it is not in the national interest to do so.

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