

## Editorial

*Regional Economic Integration (REI) has the potential to boost the economic welfare of countries and a region as a whole. It creates larger markets and new trading opportunities while increased competition lowers prices for consumers. REI also has a political dimension. It tends to have a positive effect on security and stability, on the bargaining power of participating states, and on financial cooperation in a region.*

*The Southern African Development Community (SADC) is a case in point. It all started in the 1960s and 1970s, when leaders coordinated their struggles to bring colonial and white minority rule to an end. In 2008, the development of SADC was boosted when a Free Trade Area was established. Now, member states are looking to harmonize and coordinate macro-economic, financial, tax and investment policies.*

*GFA contributed to SADC's development since the early 1990s. Yet, the contributions in this newsletter refer to our more recent achievements. The first article specifies some of the steps our GFA consultants currently take to pave the way for putting the Finance and Investment Protocol to practice. The second one summarizes GFA's assistance in implementing an EU instrument, the Economic Partnership Agreements, which aim at a gradual realization of welfare gains from trade liberalization and incorporation in the global economy.*

*Despite all success, REI needs a long breath. SADC will need further support over the next decade. However, there is no alternative to REI if political stability and economic welfare is to be reached.*



Klaus Altemeier  
Managing Director  
GFA Consulting Group

## SADC – Regional Integration in Africa

The whole world is watching South Africa this summer. But not only the FIFA World Championship 2010 is worth a look. Progress concerning regional integration in Southern Africa is remarkable as well. Recently, SADC made headway in implementing a free trade area and is now looking to harmonize and coordinate macro-economic, financial, tax and investment policies. GFA provides SADC and national governments of SADC member states with the technical support necessary to ensure a proper and timely implementation of the SADC Protocol on Finance and Investment (FIP).

The Protocol aims at harmonizing the finance and investment sectors in the region and sets targets for macro-economic convergence. FIP was signed by all 15 SADC member states in 2007. The SADC Secretariat is working hard to ensure that all member states ratify and implement the ambitious regional commitments. As a comprehensive policy framework, FIP was designed to complement regional trade agreements by increasing the attractiveness of the SADC region as an investment area. Enhancing the competitiveness of SADC enterprises in international markets, providing access to better and more cost efficient financial services as well as deeper and more liquid markets

are key to the Protocol. As such, FIP lies at the heart of the envisioned SADC Common Market and aims at raising growth and reducing poverty in its member states. The impact of FIP efforts could be substantial. Incentives to attract foreign investment offered by SADC countries are an example. Often, member states use financial handouts and lower taxation when bidding against each other for investment projects. Investors are adept at playing countries off against each other so that a race to the bottom easily ensues. Agreements on common tax principles among SADC countries could reduce such incentive hopping without deterring investors from the region.

### GFA Assists FIP Implementation

Since March 2009, GFA Consulting Group has been assisting with the FIP implementation through an EU-financed project at the SADC Secretariat in Botswana. The four-year project endeavors to achieve nine ambitious results ranging from capacity development via policy harmonization and macro-economic convergence to current and capital account liberalization and the enhancement of Development Finance Institutions (DFI).



SADC - Targeting a Monetary Union and Regional Currency

**SADC – Regional Integration in Africa** (continued from page 1)



*Lesotho Minister of Health & Social Welfare visits GFA headquarters in Hamburg*

The intervention areas of GFA in cooperation with DNA Economics (DNA) comprise capacity development and the harmonization of investment policies at a regional and national level. Macroeconomic convergence, the coordination of tax regimes and harmonized monetary policies are major concerns of the GFA experts as well. The GFA team also supports current and capital account liberalization, and a harmonized framework for non-banking financial institutions and securities exchanges. Long-term technical assistance is complemented by studies, trainings and workshops across a wide range of economic and financial issues. These issues cover macro-economics, statistics and econometrics, as well as investment, financial sector and tax policies. Incentives and legislation, central banking and development finance as well as insurances, pensions and securities are also dealt with.

During its first year, the project team developed perennial work programs for all result areas and began communicating those in SADC member states. In order to initiate this process, the GFA team conducted initial visits to Botswana, Malawi, Mauritius, Mozambique, Lesotho and

Zambia. The visits delivered the experts with a better appreciation of the needs, constraints and requirements of the region in general, and the mentioned member states in particular. Visits to other SADC countries are planned later in 2010.

**The Way Ahead**

With good progress underway in eight of nine result areas, a high-level meeting of all FIP stakeholders in July 2010 should make sure that the project is in line with the needs and expectations of SADC. Future activities will include a review of investment policies and practices, and meetings on tax coordination. Further capacity development and training workshops to assist in the establishment of the SADC Peer Review Panel are planned.

Last but not least, macro-economic modeling and forecasting as well as extended support to the banking and non-banking sectors and DFI in Southern Africa is envisioned. These efforts will contribute to SADC's achievements in reaching its ambitious regional integration objectives.

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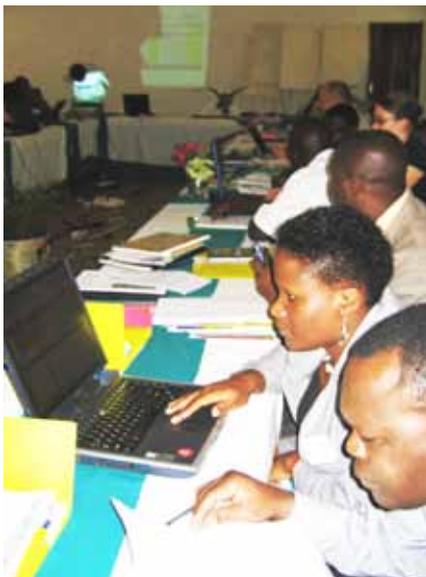
**Regional Integration in Southern Africa**

The Southern African Development Community (SADC), formed in 1980, comprises 15 member states – Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, The Seychelles, Zambia and Zimbabwe – with a combined population of about 262 million. All member states agree that underdevelopment and backwardness in Southern Africa will only be overcome through economic cooperation and integration. The Community's regional development policy is defined in the Regional Indicative Strategic Development Plan (RISDP). RISDP is a 15-year framework which sets the priorities and articulates the economic and social policies and strategies necessary for regional integration and development. Its purpose is to deepen regional integration and it ultimately aims at eradicating poverty in the SADC region. Key milestones for the integration process are the completion of a Free Trade Area by 2008, the establishment of a SADC Customs Union by 2010, a SADC Common Market by 2015, and a Monetary Union by 2016.



## Economic Partnership Agreement between SADC and the European Union

In 2004, the European Union (EU) and SADC launched negotiations on an Economic Partnership Agreement (EPA). EPAs aim at supporting the regional integration and gradual incorporation of African, Caribbean and Pacific Group of States (ACP) into the global economy. The Agreements cover a gradual liberalization in trade in goods and services compatible with the rules of the World Trade Organisation (WTO). Seven of the fifteen SADC member states – Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland and South Africa – decided to negotiate an EPA with the EU under an EPA configuration with SADC. Each member state of the SADC EPA group has been entrusted with coordinating one or more of the negotiation subjects. SADC also set up a specific EPA Unit within its Secretariat to coordinate the negotiation process with member states and prepare negotiation positions. From 2006 to 2009, GFA Consulting Group assisted the SADC EPA negotiations through the EU-funded EPA Support Facility. GFA provided the program manager at the SADC Secretariat in Botswana. The project had four result areas, which long- and short-term development experts from the SADC EPA states and the EU worked on.



*Training on negotiation skills*

### Positive Outcomes

In a project closure workshop in late 2009, main stakeholders of the EPA project stated overall positive outcomes such as the rise of trade policy and trade negotiations capacities at the SADC Secretariat and at member state level. Enhanced capacities helped member states develop their own negotiation positions and participate more effectively in the negotiations. By that time four out of seven SADC EPA countries had signed the Interim-EPA. Major achievements and lessons learned in the four result areas of the project are summarized below.

#### 1. Support to SADC EPA negotiations

GFA supported six EPA countries in negotiation meetings at the regional level and EU meetings attended in Brussels. The EPA Unit attended EPA-related meetings with other organizations.

#### 2. Trade-related capacity building

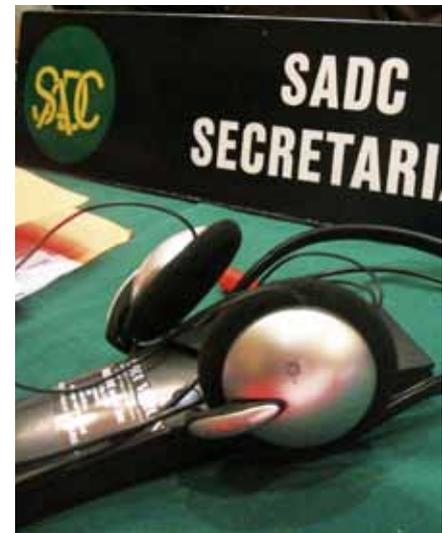
The GFA program manager provided efficient trade-related capacity building to the SADC EPA Unit and to member states. The project organized training workshops for SADC EPA States and financed briefing papers and larger studies on specific technical issues related to trade. The GFA consultant also assisted four EPA countries in developing national sensitive products lists, which were later consolidated into a regional list.

#### 3. Stakeholder involvement in EPA process

The consultative process to help design a program promoting and monitoring non-state actors' (NSA) involvement in the EPA process took longer than expected. However, the project assisted the NSA to participate at the national level and developed a regional NSA program to monitor their participation.

#### 4. Regional Preparatory Task Force

The project employed consultants to support the Regional Preparatory Task Force (RPTF) and the negotiations on services and investment. Support to the RPTF



*Negotiating EPAs*

ended in 2008 because the task force was closed down.

Challenges identified were the discontinuity of staff at the SADC Secretariat and among member state officials in charge of the EPA dossiers. Since the SADC EPA Unit has no mandate to negotiate on behalf of member states, its involvement in the EPA process was limited to facilitating the effective engagement of the seven EPA States in the negotiation process. Moreover, the budget could not be used to the full extent because of long EC and SADC procedures.

### Outlook

The European Commission and the SADC Secretariat agreed to continue their cooperation and support to SADC EPA Member States under the Regional Indicative Strategic Development Plan of the 10th European Development Fund. Assistance will need to focus mainly on implementing and monitoring the Interim EPAs, concluding the negotiations leading to a final EPA, and addressing the institutional structure of the SADC EPA Unit.

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Central Bank

Monetary Union

Regional Currency

2016

2017

2018

### **GFA Awarded ISO 9001:2008 Quality Management Certificate**

GFA Consulting Group has introduced a quality management system according to the ISO 9001:2008 standard, which is understood as a basis for GFA's work as a project management company in international development consultancy. The quality of its services has always been of highest importance to GFA. Consequently, GFA started an internal quality management initiative in 2008, which allowed the company to optimize its organization and project management procedures, emphasize client satisfaction as a central quality criterion, and establish a consistent quality-related philosophy among all GFA employees. The GFA efforts to safeguard and maintain high-level quality standards have recently been audited by the independent IQM-Institut. In late April 2010, the auditors certified that GFA's quality management system meets the ISO 9001:2008 standards.

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### **Strengthening the Ministry of Agriculture in Mozambique**

Since November 2009, GFA has been implementing the EU project Introduction of Modern Management Tools on a Pilot Basis and Institutional Strengthening of Planning, Monitoring and Financial Management at the Ministry of Agriculture (MINAG) in Mozambique. Until the end of 2011, the project will deal with the "collateral damage" of the decentralization process in recent years: Contradictory legislation, and a confusion of roles and mandates at central and provincial levels.

Even though MINAG has no authority over the quite autonomous provincial administration, the project starts at the central level by informing, convincing and cooperating with the provinces. The ministry's human resources management needs to be modernized and systematized. A knowledge management system has to be developed, and the process of planning and budgeting needs to be revised. Workshops in all provinces will address the establishment of missing links between MINAG and the provincial Directorates of Agriculture in order to harmonize processes and safeguard training standards. After a participatory planning phase in all regions, a training campaign will set off in 2010. The core team employed by GFA comprises three intermittent key experts assisted by national and international experts.

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### **Governance Research Project in South Africa**

GFA and South African consortium partners started the implementation of an EU-financed research project in January 2010. The project, worth 1.9 million Euro, is part of the South African national program to expand and strengthen community-based participation in local government (CBP), enabling citizens to influence and monitor local government policy, resource allocation and service delivery. The South African Constitution and key legislation provide for a framework for participatory local democracy, in particular through ward committees. Ward committees were introduced for citizens to be heard at local government level. The GFA-led consortium is responsible for

conducting a comprehensive nationwide study on the functionality and effectiveness of the ward participatory system. This will provide GFA's client, the Department of Cooperative Governance and Traditional Affairs (COGTA), with relevant data and information. Findings from the data analysis will be translated into practice oriented reports and manuals. The data on ward participation will contribute to a national ward database hosted at COGTA which monitors and evaluates performance in local governance. Hence, the research results generated by the GFA consortium will significantly assist the current policy debate in South Africa and will support intended improvements in local governance.

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### **GFA Silvicultura Founded in Romania**

In May 2010, GFA founded a new subsidiary company, "GFA Silvicultura SRL" in Romania. GFA Silvicultura acts under the overall supervision of GFA's Forest Investment Unit based at GFA headquarters in Hamburg. The new company will provide services related to forest investment and operational forest management for GFA clients and forest owners in Romania. The portfolio of services of GFA Silvicultura comprises the identification and analysis of forest investment opportunities. Additional services rendered by GFA experts are forest management planning and sustainable forest management as well as timber and biomass related plantation development, market research and sales.

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**GFA vision** – to be the partner of choice for clients in our core service areas.

**GFA mission** – to improve the livelihood of beneficiaries through our professional services.

**GFA core values** – to offer high performance in service delivery, technical excellence in our main sectors, innovative approaches and products, and credibility with our clients when putting projects into practice.