USAID/RCSA

Regional Center for Southern Africa

FY 1999

Results Review and Resources Request (R4)

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Results Review

I. Overview and Factors Affecting Program Performance

Since its inception in March 1995, the RCSA has been operating under a two-year start-up framework which acknowledged the origin of the Initiative for Southern Africa components and granted operational program authority accordingly. The program to date consists largely of carryover activities from the Southern Africa Regional Program (SARP), plus several prominent activities which were conceived of in direct response to the dramatic political changes in the region between 1993 and 1995. Moving from the start-up framework into long-term strategy design with the staffing and budgetary impediments of FY 1996, presented unique challenges for the RCSA. The mission has been successful in overcoming many of this challenges. Solutions to the others rest in the hands of those outside the RCSA.

Needless to say the implications for the R4 submission are significant. Indications are that the 1997-2003 Strategy will be built on a platform of southern African resolve, comparative US advantage, historic experience, and select economic opportunities to promote regional integration. Thus, it is important to note that this R4 reports on intermediate objectives and performance indicators which will be modified and or replaced with the approval of the first long-term strategy for the Initiative for Southern Africa.

As a result, this submission draws heavily on qualitative rather than quantitative data to determine the successes of our program during the last year. Mission management, in consultation with USAID/W, recognizes the opportunities for this R4 rest in what it holds for our long-term strategy. Staff time has therefore been concentrated on developing a new manageable and responsive performance monitoring system for the 1997-2003 program.

Regional Trends

Clearly the dominant regional trend over the past year has been continued momentum toward regional economic integration. At the recent Southern African Development Community (SADC) Consultative Conference in Windhoek, Namibia (February 1997), President Sam Nujoma of Namibia noted that the SADC member states were: "...making concerted efforts to make our region one of the world's truly emerging markets. Through SADC, we are building a regional economic structure that will allow within it free movement of goods, services and capital. It is this vision that we are seeking to translate into a reality, as testified to by the various protocols we have signed and the different programmes we have put in place. We are doing this in order to lift ourselves out of the present situation of poverty and underdevelopment. There is a broad consensus among SADC member states that increased investment and trade, within and beyond the region, are key to economic growth and development."

The countries of the region have made significant progress in implementing measures aimed at creating an enabling trade and investment environment. Emerging capital markets, tax reforms, the implementation of various forms of investment incentives and trade liberalization measures are some of the fundamental economic improvements that have taken place across the region.

Building on these national policy reforms, governments in southern Africa are taking concrete steps toward creating an integrated regional market. The SADC Trade Protocol (signed at the August 1996 SADC Summit in Maseru) provides for further liberalization of intra-regional trade in goods and services in order to boost economic development, diversification and the industrialization of the region through the realization of enhanced economies of scale. The Transport, Telecommunication and Meteorology Protocol (also signed at the August 1996 Summit) aims to integrate the SADC region through the more efficient provision of economic infrastructure services. Finally, the Finance and Investment Protocol (currently being developed with active involvement by the region's Central Banks) will create an enabling environment for investment through the adoption of harmonious fiscal and monetary policies across the region and a framework for regional cooperation in the area of finance.

Against this background, the region's economic prospects continue to improve. After an annual economic growth rate averaging 1.7 percent between 1986-1995, the World Bank forecasts that regional growth will more than double to 3.8 percent per year between 1996-2005. The World Bank and others predict that, spurred by growth in South Africa, southern Africa will be the second-fastest growing region in the world over the next five years. This indeed is encouraging news, but the future is not without political risks, economic problems and significant social challenges.

On economic policy, major gains were made in South Africa, Zimbabwe, Tanzania and Mozambique. Tanzania is planning to privatize water distribution and other public services. New tariffs, a lower inflation rate and lower interest rates helped boost economic growth to 6 percent in Zimbabwe in 1996. Major challenges, however, are rising in Zambia, as it begins privatization of the critical copper industry, and in Zimbabwe, where resumption of World Bank lending is pending review of the 1997-1998 budget.

Trade, which represents 86 percent of the region's GDP, remains dominated by exports of primary products to traditional markets outside the region. Zambia has made major strides in breaking this pattern, earning a record $310 million in 1996 from non-traditional exports. Some countries in the region continue to maintain significant trade deficits as imports continue to grow. U.S. exports to the region grew substantially in 1996, flowing largely to South Africa. This magnifies the concern that trade flows within the rest of the region remain modest.

Investment promotion continues as a focus and a number of countries have streamlined their investment codes, established incentive packages, and strengthened promotion agencies. Investment flows to the region, however, continue to lag far behind the rest of the developing world. Only 3 percent of the total private capital flows to the developing world is flowing into Africa. Within the region, most private investment continues to be focused in South Africa and it is the South Africans themselves who are carrying out increasingly larger cross-border investment in the region.

With respect to agriculture, 1996 was a year of good rains in much, but not all, of the region, resulting in record harvests in Zimbabwe, Zambia and Malawi. Crop diversification is generating improved rural incomes and food security in some areas, notably Malawi, but overall agricultural productivity remains stagnant. Declining public sector funding for agriculture continues to be a source of concern throughout the region. Because of the ongoing discussions concerning the proposed downgrading by SADC of the Southern African Commission for the Coordination of Agricultural Research (SACCAR), it is not clear how ongoing needs in agricultural research, information dissemination, and adoption will be addressed.

Recent political developments have also been mixed. The early 1990s were an era of liberation and democratic opening throughout southern Africa. In the past year or two, however, the euphoria which followed the end of apartheid has begun to fade and both people and governments have begun to see that "democracy" will not magically or painlessly solve all their problems. The attractions of power, and the costs of losing it, have also become increasingly evident to those in office. Much hard work remains to be done to increase and sustain broad-based participation in democratic processes. While the broad regional commitment to democratic reform remains in place and important progress continues to be made (e.g., the recent Commonwealth Heads of State Conference on Democracy and Good Governance, held in Botswana in March of this year), there are also troubling signs of wavering commitment to further progress, and even of backsliding, in several countries of the region. The order of the day could be viewed as manipulation of "democratic" processes.

The potential for conflict over transboundary natural resources emerged clearly over the year. Namibia appears to be moving forward with plans to construct a pipeline which would extract water flowing into Botswana's Okavango Delta, without benefit of extensive consultations with the Government of Botswana or Environmental Impact Assessments acceptable to both parties. Botswana has proceeded to construct a double veterinary fence along its northern border which will have a negative impact on wildlife in Namibia, jeopardizing the viability of both a planned, new national park in Namibia and USAID-supported community-based natural resource management programs on both sides of the border.

Notwithstanding these areas of concern, however, the overall picture is one of continued confidence and optimism concerning the economic and democratic future of the region. This has elevated the region's international profile and reinforced the longstanding commitment of the international community to southern Africa. The European Union (EU) and the Nordic countries remain, along with the U.S., the leading donors in the region, both through bilateral programs and at the regional level. The EU concluded its new five-year assistance plan for the region in late 1996, which include a new $155 million program of assistance to SADC, in addition to significant levels of bilateral assistance to key countries in the region.

U.S. businesses are also demonstrating their desire to participate in the region's development. This is amply demonstrated by: SBC (formerly Southwestern Bell) purchasing a controlling stake in Telkom S.A. (the provider of telecommunications services in South Africa) -- the largest privatization of any kind in Africa's history; the Enron natural gas project in Mozambique; the Cyprus Amax investment in the Nchanga mines in Zambia's copperbelt; and the assembly plant General Motors is building in Namibia.

Developments in Regional Institutions

The positive prospects for the region have elevated the profile of its preeminent regional institution, SADC, offering new opportunities for regional coordination and collaboration. SADC is making serious efforts to take advantage of these new opportunities. In August 1996, eleven of the twelve (with Angola abstaining) SADC member nations signed two protocols: one in Trade and one in Transport, Communications, and Meteorology (both of these were developed with USAID assistance). Ten of the twelve member nations signed a third protocol on Shared Watercourse Management. Each of these protocols establishes an agreed framework of common policies and principles governing development in the respective sector. While much work remains to be done to operationalize and implement these agreements, which the RCSA RAPID Activity is designed to support, winning broad support for these protocols represents a remarkable achievement and marks a new path for SADC. It further demonstrates that the nations in the region are intent on making real progress toward regional integration.

An additional promising development is the assumption by South Africa of the Presidency of SADC. This has sent a clear signal of South Africa's commitment to SADC and to its responsibilities as a member of the region. This signal has been further reinforced by South Africa's agreement to consult its SADC neighbors before further talks with the EU on a bilateral trade agreement, which had created serious concern in the region last year.

New domains are continually being added to SADC's regional cooperation agenda. A new entity for mutual security, established under the SADC Ministers of Defense, was created in early 1996 to coordinate actions by SADC members in conflict resolution and peacekeeping. An agreement was reached at the SADC Summit in August, 1996, to add three new sectors to its institutional structure, in crop production, water, and health.

SADC has also launched two potentially important democracy and governance initiatives, though neither is intended as part of the formal SADC structure. One, an NGO Council, is intended to facilitate NGO participation in SADC deliberations. This has yet to achieve a critical mass of participation and support. The other, the SADC Parliamentary Forum, is underway with the active support of the parliaments of the region, and has considerable promise as a forum for discussing regional issues and stimulating citizen input into regional decision-making.

There remains concern by both SADC members and the donor community about SADC's capacity and structure to handle this fast-growing agenda. Based on its sixteen-year history as a regional force which addressed the political and economic realities of apartheid, SADC is widely recognized as an organization which must contribute to regional integration and enhanced opportunities for economic growth as the region steps into the next century. However, SADC's current organizational structure, staffing, financial resources, and operational policies may not support this role. A particular liability is SADC's limited ability to engage with the non-governmental sector, especially the business community, in policy formulation and implementation.

In response to these concerns, SADC has launched a major institutional review in which a panel of independent consultants has been invited to evaluate its structure and recommend changes which must be implemented in order to sustain SADC as a leader in regional integration. While the results of this review have not yet been shared, they offer promise of promoting greater focus and direction within SADC. This could make SADC a more effective partner for U.S. and other donors in the years ahead.

Other regional institutions include the Southern Africa Customs Union (SACU), where renegotiation of its basic terms and conditions continues to proceed slowly. However, indications are that agreement will soon be reached on a revised revenue-sharing formula, which has been a major stumbling block in reaching a new agreement. Remaining issues revolve around whether SACU membership should be expanded, and if so, on what terms.

Finally, a third major regional institution, COMESA, has not fared well this year. Its Executive Director was suspended, two southern African members withdrew, and the regional bank it created declared bankruptcy. These difficulties may well spell the demise of COMESA, leaving a clear field for SADC and SACU to pursue their respective agendas. However, COMESA, and its predecessor PTA, had made substantial contributions in trade facilitation -- in specific technical areas such as customs documentation -- which will now have to fall to others.

Outside these formal groupings, the number and capacity of organizations which are genuinely regional in scope remains limited. Nevertheless, regional coordination and exchange is thriving. Networking among civil society NGOs working at the national and local levels continues, often with very visible region-wide benefits. In response to growing southern African demand, the RCSA has increased its support for such networking initiatives, particularly among environmental, agricultural and democracy groups. For example, SACCAR, the SADC unit for coordinating agricultural research, has begun to connect the national and regional research stations by electronic mail to facilitate dissemination of research results. MWENGO, a regional NGO support organization, collaborated with South African partners in structuring a major regional conference on the NGO enabling environment last April. The Media Institute of Southern Africa (MISA), a regional press grouping, has intervened with increasing effectiveness to defend press freedom in Zambia and other countries of the region. Human rights and legal assistance NGOs have joined in regional networks, and similar regional initiatives among other civil society groups are increasing in number. There is surprisingly little exchange, however, among national level business associations or groupings. While there is growing recognition region-wide of the need for and value of more flexible, decentralized forms of information-sharing and cooperation, there is limited capacity to do so in a sustained way in all development sectors.

II. Progress Toward Objectives

Strategic Objective One - Enhance the Skills, Knowledge Base and Capacity of Individuals and Organizations Working to Strengthen Democratic Values and Processes in Southern Africa

The current decade has observed dramatic pro-democratic developments in southern Africa. The termination of the civil war in Angola, the collapse of a dictator through free and fair elections in Malawi, the discontinuation of hostilities in Mozambique, the replacement of a one-party regime in Zambia, independence and the end of apartheid in Namibia, and South Africa's transition to non-racial democracy are all immensely significant achievements. The continuing efforts of Namibia, Mozambique, South Africa and others to institutionalize their new democracies and address their many problems through democratic means are less dramatic but if anything more telling indications of genuine commitment to democratic progress.

But other developments make clear, that despite these advances, democracy is far from firmly rooted in the region. A number of troubling developments occurred during the past year. The continuing rise in tensions in Swaziland, which at the time of writing is just emerging from a lengthy strike aimed at forcing more rapid political change. The re-election of Zambia's president was tarnished by a non-participatory and highly controversial constitutional amendment designed to exclude his major potential rival, as well as by a partial election boycott and allegations of vote-rigging; following the election, actions against opposition party members and the press have risen as well, while allegations of corruption continue to be made. Zimbabwe's president denied that Parliament has any role in initiating or deciding on policy change, a preserve of the ruling party, while allegations of official corruption continue to grow. The police mutiny and associated events in Lesotho raise questions about the stability and responsiveness of that country's political system as well. The longstanding opposition boycott of Malawi's parliament, while not necessarily reflective of anti-democratic sentiment, reflects the painful tensions associated with institutionalizing democracy.

Performance Analysis

At present, the RCSA's principal operationalized tool to achieve this Strategic Objective is the Southern Africa Regional Democracy Fund (SARDF). The STRENGTH activity, a new regional program to strengthen the capacity of NGOs working regionally, is not yet operational. SARDF seeks to address the serious constraints to democratization in the region, as identified by southern African "stakeholders," by awarding grants to indigenous southern African organizations and networks undertaking programs that strengthen democratic values, processes and institutions in the region. The SARDF's current design focusses on parliamentarians, civil society organizations and women's empowerment.

Intermediate Result 1.1: **Skills of southern African legislators are enhanced with the aim of improving the effectiveness and management of legislative processes.**

Intermediate Result 1.2: **Improved capacity of civil society groups to develop, use, and disseminate information and tools essential for informed citizen participation in a democracy.**

Intermediate Result 1.3: **Women's organizations empowered to participate more fully in the democratic political process.**

The principal results to date have fallen more in the area of "lessons learned" than of significant progress toward achieving the "outcomes" identified in the start-up framework. It has become increasingly evident over the past eighteen months that it is very difficult to implement a regional democracy program. Some of these problems are related to the demanding requirements of reengineering. The unpredictable level of effort associated with SARDF's reliance on self-generated applications from southern African organizations made designing meaningful indicators and setting meaningful targets particularly difficult. The absence of a clearly articulated concept of what constituted a "regional" as opposed to a "bilateral" activity, and the fact that the areas initially identified for focussed attention did not lend themselves to uniquely regional approaches, contributed to receipt of far fewer acceptable applications under intermediate results 1.1 and 1.3, and different kinds of applications under intermediate result 1.2, than had originally been anticipated.

Discussions and consultations with scores of potential recipient organizations in the region, with embassies, USAID Missions and the SARDF Project Committee, focussed from an early date on identifying needs that were both important and might more effectively be met through SARDF than those initially identified. This process was materially helped by SARDF staff and Project Committee review of applications actually received (many of which fell outside or were at the margins of fundability under initial SARDF criteria). From these discussions emerged several basic conclusions which have guided development of the democracy element of the RCSA's long-term strategy due to be submitted in the near future:

- With rare exceptions, the RCSA lacks a comparative advantage in providing direct assistance to improve the functioning of individual governments, and such work should generally be conducted by bilateral missions and donors. Similarly, save in unusual cases, in democracy and governance the RCSA cannot expect to have direct grassroots impacts, but rather must work through intermediate customers, e.g., NGOs.

- The region-wide phenomena of executive dominance of political life and space and weak civil society make support for civil society a key priority for sustainable democracy in Southern Africa.

- As was the case when the start-up framework was designed, there is no clear regional consensus on specific substantive priority areas for democracy work. There is, however, considerable agreement that many problems in D&G are common to most or all countries in the region, that solutions are likely also to be similar, and that there is accordingly considerable potential for benefit from exchanging information, experiences and expertise within the region.

- There is a strong sense of regional community and readiness among civil society organizations (CSOs) and others to cooperate at regional level, but few mechanisms by which that "regional asset" can be brought to bear to promote democratic advances or sustain progress made to date.

These conclusions, along with strategic options under consideration by the RCSA, were discussed at length with the Project Committee and post Coordinators at a joint plenary of those two groups held at the Regional Center in late February 1997.[1]

During this period, we also learned a great deal that will be of operational value to us in conducting the long-term democracy strategy -- notably how to work around the considerable communications difficulties characteristic of much of the region, how to organize our interaction with the Project Committee and others to maximize mutual benefit, and how best to communicate information about our program to potential grantees and others in the region.

Four further rounds of applications have been received and reviewed over the past year. Thirteen applications for SARDF funding were approved by the SARDF Project Committee to date, of which five have matured into grants. Three more grants are expected to be signed in the immediate future. All of these were made under the rubric of Intermediate Result 2.

The dominant theme of applications approved is networking, coordinated agenda-setting and information sharing among D&G-oriented NGOs and CSOs in the region. A grant to Ditshwanelo/The Botswana Centre for Human Rights to support exploration of a regional network of human rights NGOs resulted in a decision among those organizations to proceed; a follow-on proposal for more detailed planning and initial implementation has been approved in principle but is under review in light of a recent decision to shift lead responsibility to a Zambian NGO. A proposal from Afronet (Zambia) to expand electronic linkages and develop a hard-copy and electronic newsletter was also approved and grant signature is expected within the month. A grant to the Media Institute of Southern Africa (MISA) (Namibia) will, among other things, support its regional agenda-setting and coordinating activities. The Cooperative for Research and Education (CORE) (RSA) and Cooperation for Research and Development Education (CORDE) (Botswana) are conducting a pilot multi-country advocacy training program and pressclipping service covering NGO news in the entire SADC region. SARDF co-sponsored a conference organized by the Development Resources Centre (DRC) (RSA), with MWENGO (Zimbabwe) to share regional

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The SARDF Project Committee consists of two members each from ten of the eleven countries in the region (Angola is not yet participating), selected by posts from among citizens with strong records of active promotion of D&G goals. The SARDF Post Coordinators are USAID or Embassy employees named by the Democracy Committees to serve as SARDF liaison at each post.

thinking on NGO enabling environment issues throughout Southern Africa. The Institute for Multi-Party Democracy (MPD) (RSA) is preparing a directory of democracy NGOs in the region, to be distributed in hard copy and electronic form. Other applications approved in principle but still under final pre-grant negotiation will build on promising initiatives in parliamentary networking (SADC Parliamentary Forum) (Namibia) and an electronic news service (InterPress Service) (Zimbabwe).

A few applications, mostly approved in early SARDF "rounds," fall outside the networking area. Grants to the Independent Mediation Service of South Africa (IMSSA) and University of Cape Town Labour Law Unit (RSA), share South African expertise in conflict resolution with Malawian and Mozambican organizations, respectively. The 1995 cooperative agreement with WILDAF (Zimbabwe) for training of women parliamentarians has been unproductive, largely due to substantial management changes in the recipient organization, and the RCSA is now considering the recipient's proposal for major revisions of the terms and objectives of the agreement. Finally, negotiations continue on a parliamentary training grant to the Southern Africa Regional Institute for Policy Studies (SARIPS) (Zimbabwe).

Expected Progress and Management Actions

It is anticipated that the new strategy, involving radically different foci from the existing three intermediate results, will be approved in mid-1997. For reasons addressed above, it is not expected that substantial progress toward achieving the current "outcomes" will be reported. Many of the grants made or approved during the past year are consistent with the strategic direction being recommended by the RCSA, and we are hopeful that, assuming that strategic direction is approved, they and new grants made under the anticipated strategy will begin to show some results by the end of FY 1997, and certainly during FY 1998. Since the long-term strategy itself has not been fully developed at mission level, much less approved, we are simply not in a position to state any more fully the program results we anticipate achieving through FY 1999.

The administrative structure of the SARDF is fully in place and functioning smoothly and well. While perfection cannot be claimed, relationships with the Project Committee and post Coordinators, systems for communicating with them and procedures for gaining their input on applications are all working quite well. Due to the contractor's recent arrival on the scene, the single element not yet fully worked out is the relationship with Datex, Inc., an institutional contractor which will be providing administrative, logistical and grant management support for SARDF from an office established in Gaborone in February 1997.

Strategic Objective Two -
Increased Indigenous Business Development and Ownership

The ISA seeks to promote the development and increased participation of the indigenous private sector in all areas of the regional economy, with a particular focus on stimulating growth and increased productivity of small and medium-sized enterprises (SMEs). SMEs in southern Africa have had difficulties in acquiring the capital they need to start or expand their businesses for a variety of reasons: (1) inadequate access to bank and other financial institution portfolios, largely because SMEs must compete with other attractive investments offering higher returns with less perceived risk; (2) poor access to marketing information and technology; and (3) relatively weak management and business skills, including lack of experience in preparing proper business plans.

The RCSA's business development portfolio consists of four primary projects:

- The Southern Africa Enterprise Development Fund (SAEDF) provides debt, equity, and loan guarantee financing in order to encourage the creation and expansion of commercially viable enterprises. While SAEDF is charged with maintaining its capital through sound business practices, the Fund also has a development agenda of promoting growth of enterprises owned by historically disadvantaged Southern Africans.

- The Regional Technical Assistance Activity (RTAA) is a companion to SAEDF. The RCSA designed this activity to support SAEDF efforts to invest in indigenous SMEs by: i) identifying intermediate financial institutions (IFIs) through which SAEDF can lend money to the smaller end of the SME spectrum; ii) strengthening the capacity of selected IFIs to provide technical, managerial and financial services to potential SAEDF clients; and iii) working with “special project” clients to develop bankable business proposals for SAEDF approval.

- The Regional Activity to Promote Integration Through Dialogue and Improved Policy Implementation (RAPID) cuts across several of the RCSA's SOs. RAPID is used by SO2 to increase awareness within the indigenous business sector of the rationale for regional integration. It also seeks to provide this sector with an opportunity to contribute to policy decisions that have to do with integration.

- Strengthening Regional Economies Through NGOs (STRENGTH) is another activity that cuts across several SOs by strengthening NGO's throughout the region in order to better address regional issues which impact on the indigenous business sector.

SAEDF and RTAA complement the portfolios of many USAID bilateral Missions throughout the region by leveraging existing USAID resources to increase the effectiveness of SME activities. RAPID and STRENGTH allow SMEs to better engage in dialogue and formulation of regional trade policies.

Performance Analysis

RCSA's business development activities in southern Africa are taking place based upon the knowledge gained from the Agency's worldwide experience that growth in a region is predicated upon a strong and vibrant small business sector. It is this sector that time and again has provided the majority of the job opportunities and allowed economies to have the flexibility to diversify and grow with changing times. The RCSA's current activities seek to capitalize on these facts. These activities demonstrate that innovative methodologies can be used to both increase the availability of financing to this sector as well as have this sector actively participate in the discussion of regional trade issues that impact them.

At the strategic objective level, one of SO 2's primary indicators is increased employment in indigenously owned businesses. Approved investments to date total $5.1 million. SAEDF will be investing in two indigenously owned start-up ventures which will generate a total of 530 formal sector jobs in geographic regions characterized by a dearth of alternative employment opportunities. Both ventures are expected to stimulate indirect employment opportunities as well, although the expected magnitude of this multiplier effect has not yet been quantified. Direct investments in two indigenously owned operating companies are expected to generate an additional 85 jobs over the next five years, as well as to significantly increase their market share vis-à-vis the historical major players in the relevant markets.

Loans to three financial intermediaries for onlending to small and medium enterprises (SMEs) are expected to generate

Angola Water Project

SAEDF is examining an investment in an Angolan-owned company that is starting a bottled water operation in Angola. Angola imports approximately 6.6 million cartons of bottled water from Portugal every year because there is insufficient local capacity to meet the demand for clean water. The project feasibility analysis shows hat Dikangola could profitably supply 2 million of these cartons at a significantly lower cost to the consumer.

Bottled water is not a luxury commodity in Angola. Only 41% of Angolans have access to safe water, partly because the water supply has been contaminated by shallow grave sites resulting from the war. Insufficient volumes, inadequate storm drainage, and poor sanitation measures have exacerbated the situation, increasing rates of infant and child mortality over the past ten years. While the government attaches high priority to the provision of safe water to the population at large, the government-owned water supply and distribution network reaches only about 25% of the residents in Luanda. The majority of the population, and virtually all of the poorer communities, depend upon private suppliers of water. Squatters in peri-urban areas currently buy untreated water at $1-2 per cup because they have no other source of clean water. The bottled water project plans to allocate approximately 25% of its production capacity to the production and distribution of bagged water for the lower end of the market, thereby increasing access to safe water by indigenous Angolans.

The project will create 90 direct jobs and numerous indirect employment opportunities in a region of Angola where the company will be the major employer. As part of its exit strategy, SAEDF will introduce the first Employee Stock Ownership Program in Angola, providing opportunities for indigenous Angolans to acquire assets in the company. In short, the water project is an example of a commercially viable project with enormous developmental impact.

approximately 700 jobs[2]. A quasi-equity invest-ment in a fourth financial intermediary will help expand that institution's capacity to grant low-income housing loans to a broader client base.

Indicators for the SO were developed before the RAPID and STRENGTH activities were initiated. If this SO were to continue as is, additional indicators would be added to reflect the contributions of these activities. However, with the development of the new strategy, this is no longer the case. Indicators that reflect the contributions of the above activities in our new results framework will be developed for the strategy which will be completed following the submission of this R4.

Intermediate Result 2.1: Improved access to capital among indigenous SMEs.

Approved Enterprise Fund projects will result in access to more than $5.1 million in capital among indigenous SMEs and special entrepreneurial projects. Assuming that IFI clients employ an average of five persons, one could estimate that approximately 140 SMEs will directly benefit from the $1 million in SAEDF funds invested through IFIs which on-lend to SMEs. Another four SMEs will benefit directly from SAEDF investments totaling $4.1 million, while a minimum of 230 SMEs will benefit from increased access by their employees to low-income housing loans.

As negotiations between SAEDF and IFIs progressed, at least one IFI formally rejected SAEDF's condition that it would have to bear the foreign exchange risk associated with the SAEDF investment. Other IFIs expressed similar unwillingness to accept loan funds from SAEDF on this basis. The RTAA facilitated discussions between SAEDF and a southern African bank, resulting in a preliminary agreement to deposit $1 million to guarantee a local currency loan facility, from which funds can be on-lent to IFIs in the relevant local currency. The SAEDF Board recently authorized SAEDF management to further pursue this option with indigenous banks in the region, thus overcoming what could have been a serious obstacle preventing SME access to capital.

Intermediate Result 2.2: Improved technological and managerial capacity of indigenous SME owners.

Through equity participation, SAEDF will advise and support indigenous entrepreneurs in adding value to their businesses by expanding markets, increasing operational efficiency, and developing additional management capacity. Investment term sheets include provisions for intervention by SAEDF in the operations of the enterprise if investment performance falls below pre-established targets. In addition, both of the approved start-up activities will bring in foreign technical partners to transfer skills to indigenous managers and technicians.

On September 30, 1996, the RCSA awarded a $9.5 million contract to Chemonics International, Inc. to implement the RTAA. The RTAA team has since identified a number of potential clients and will

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Using ENI Evaluation estimates that small loan programs create one job for every $1,450 invested.

proceed with the design and delivery of appropriate packages of technical assistance and training starting in March 1997.

Intermediate Result 2.3: Self-sustaining regional enterprise fund.

The SAEDF Business Plan: 1996-2005 identifies strategies for achieving financial sustainability over the planning period. SAEDF proposes to utilize $7 million of grant funds to cover operating costs through September 30, 2000[3]. To earn adequate income to fully cover its operating costs in later years, SAEDF will allocate slightly over half of its portfolio to income-bearing securities[4] placed either directly in companies or with IFIs during the first three years. The business plan projects that, by the year 2000, SAEDF will earn a total return on investments of $9.8 million, comprising $9 million in interest income and $800,000 in dividends. Subtracting projected operating expenses for the period 1996-2000 would result in a profit of $2.2 million which would be available to cover future operating costs. Thus, as shown in the Performance Data Tables, SAEDF projects financial sustainability by September 30, 2000.

Currently the grant says that all funds under the grant must be expended by September 30, 1999. However, the SAEDF Business Plan argues for an extension of this period to September 30, 2000, in order to achieve its objective of financial sustainability in a manner that is consistent with the development objectives of SAEDF.

Income-bearing securities include all forms of debt, debt with warrants, preference shares, convertible shares, etc.

Performance Data Tables

STRATEGIC OBJECTIVE 2: Increased Indigenous Business Development and Ownership **APPROVED:** 31/03/1995 **COUNTRY/ORGANIZATION:** USAID/RCSA			
RESULT NAME: Increased indigenous business development and ownership			
INDICATOR: Increased employment in indigenously owned businesses assisted by SAEDF, either directly or through Intermediate Financial Institutions (IFIs)			
UNIT OF MEASURE: Annual net increase in employment.	**YEAR**	**PLANNED**	**ACTUAL**
SOURCE: SAEDF's impact monitoring system	1996	0	0
INDICATOR DESCRIPTION: Net new investment x cost per job ($7,553 for direct investments in operating companies; $1,442 for investments in SME lending programs)	1997	2,828	
	1998	5,655	
	1999	5,903	
COMMENTS: Assumes 10% of portfolio invested in IFIs for onlending to SMEs. Targets based on projected annual net investments from SAEDF Business Plan	2000	5,632	
	2001	1,638	
	2002	6,239	
	2003	13,078	

STRATEGIC OBJECTIVE 2: Increased Indigenous Business Development and Ownership **APPROVED:** 31/03/1995 **COUNTRY/ORGANIZATION:** USAID/RCSA
RESULT NAME: Improved access to capital among indigenous SMEs
INDICATOR: Dollar volume of financial services provided to SMEs by SAEDF, either directly or through IFIs

	YEAR	PLANNED	ACTUAL
UNIT OF MEASURE: Millions of dollars, disagregated by: grant funds / investment reflows	1996	0.0 / 0.0	
SOURCE: SAEDF's impact monitoring system	1997	15.0 / 0.0	
INDICATOR DESCRIPTION: Net new investment per annum	1998	30.0 / 0.0	
	1999	30.0 / 1.3	
COMMENTS: Targets from SAEDF Business Plan	2000	25.0 / 4.9	
	2001	0.0 / 8.7	
	2002	0.0 / 33.1	
	2003	0.0 / 69.4	

STRATEGIC OBJECTIVE 2: Increased Indigenous Business Development and Ownership
APPROVED: 31/03/1995 **COUNTRY/ORGANIZATION:** USAID/RCSA

RESULT NAME: Self-sustaining Regional Enterprise Fund

INDICATOR: Percentage of operating costs covered by program income

	YEAR	PLANNED	ACTUAL
UNIT OF MEASURE: Percentage	1996	0	
SOURCE: SAEDF annual financial statements	1997	6	
INDICATOR DESCRIPTION: (annual operating expenses covered by program income/annual operating expenses) x 100	1998	24	
	1999	44	
COMMENTS:	2000	100	
	2001	100	
	2002	100	
	2003	100	

Expected Progress and Management Actions

The ongoing drafting of the RCSA's six-year comprehensive strategy has given us the opportunity to actively discuss several issues related to SO2: are SAEDF and RTAA regional? We have concluded that these activities are not really regional in nature. The financial services they provide are inherently bilateral but the territory they cover is regional. There is little additional value that is being added by having them operate as regional entities rather than bilateral ones. As a result, how the SAEDF/RTAA should be treated in our new strategy is being actively discussed. We recognize that even though SAEDF and the RTAA might be bilateral in nature, they still contribute to the increased use of financial services which in turn is an input towards having more individuals and organizations participate in the regional market. Thus, there is no question as to the importance of these activities. However, by their nature, they will probably be treated as lower level inputs in our new strategy.

The Performance Data Tables show three key indicators and performance targets based on SAEDF business plan projections. SAEDF plans to invest a total of $15 million in SMEs or IFIs by the end of FY 1997 and another $30 million during FY 1998. These investments will result in the creation of 2,828 jobs in FY 1997 and 5,655 jobs in FY 1998[5].

By the end of FY 1997, SAEDF will be meeting 6% of its operating costs from program reflows, and by the end of FY 1998, this percentage will increase to 24%.

With the exception of the SAEDF becoming sustainable by 1999, all indications are that what has been laid out in the intermediate results for this SO will be accomplished. With regard to the sustainability of SAEDF, its business plan argues that funds to cover its administrative expenses should be provided through the year 2000 in order to meet project objectives. SAEDF is not asking for additional funds but rather a year's extension to utilize the funds that will be provided to them. In light of the start-up delays that this project has gone through, this request is not unreasonable but will have to be more closely analyzed in the near future.

SAEDF's business plan is aggressive and takes it through the year 2005. It shows that it will be able to survive on its own after 2000. Yearly benchmarks that are included in the plan will allow us to carefully track SAEDF's financial targets, its being able to provide financial services to its target market, as well the employment that is generated by the deals that it makes.

Assuming SAEDF invests 10% of its portfolio in IFIs for onlending to SMEs, 70% directly in SMEs, and 20% in indigenous companies outside of the target group. Also uses ENI Evaluation assumptions that one job is created for every $7,553 invested directly in operating companies, or for every $1,442 invested in IFIs for onlending to SMEs.

Strategic Objective Three -
Key Regional Conditions Established That Support Sustainable Increases in Productivity of Agriculture and Natural Resources by Smallholders

The Southern African economy is natural-resource based and is dominated by agriculture, employing 80 percent of the labor force; mining; wildlife-based tourism; and agro-industries. This resource base is fragile and under growing threat. Recurrent drought jeopardizes agricultural production, and land, water, wildlife, and forests are being degraded under pressure from growing human and livestock populations. USAID has a long history of investments in agricultural research aimed at increasing the food security and productivity of southern Africa's poorest smallholders through the development of drought resistant cereals, higher yielding root crops and more efficient technology development and transfer systems. In recent years, USAID has expanded its portfolio's responses to food security issues to include sustainable natural resource management. All of these investments, which have required a long lead time to produce results, are beginning to pay handsome returns.

Performance Analysis

Indicators employed to monitor the performance of Strategic Objective 3 include: (1) agriculture and natural resource productivity (yields of selected crops such as sorghum, millet, and root crops, and incomes derived from community-based natural resource utilization programs); and, (2) hectarage on which improved practices are developed and/or disseminated with USAID assistance is employed.

The key regional conditions upon which sustainable increases of agriculture and natural resource (ANR) productivity depend are: (1) a growing capacity of southern African institutions to lead efforts in identifying, prioritizing, and addressing regional problems; (2) sustainable and profitable technologies developed and demonstrated for regional application; (3) dynamic networks and other mechanisms for regional sharing of information and technology established; (4) supportive regional policies; and, (5) improved data and analysis for natural resources management in the region. Due to the transitory nature of the Interim Strategic Framework, targets for these intermediate results have not been established. Monitoring and evaluation systems, however, are being developed, and will be incorporated into the new long-term RCSA Strategy.

Through the Sorghum and Millet Improvement Program (SMIP), improved varieties of sorghum and millet have been developed, tested and released throughout the region. As a result, the total area planted with improved varieties has grown by 12-14 percent. These varieties have increased average yields by 15 percent, which translates into an additional $9.9 million per year in farmer income. The transfer and adoption of improved varieties has been facilitated by drought relief and rehabilitation programs in Zimbabwe, Mozambique, Malawi, and Angola, with USAID/NGO assistance. Adoption has also been accelerated by conducting research trials on farmers' fields. Surveys of farmers who have adopted the new varieties indicate that the characteristics most appreciated are early maturity and good grain quality. Early maturity is important to farmers in drought-prone areas because it increases the chance of a successful harvest in years with a late season drought, and because grain is available earlier in the season when households are food deficient. SMIP is on track to achieve its target of a 20 percent increase in yields by 1998. The discrepancies in yields, however, obtained on researcher-managed fields versus farmer-managed fields, with the former achieving 50-150 percent yield increases and the latter only 10-40 percent on average, indicate the potential of these varieties has not yet been realized. Improvements are needed on crop management practices, including use of small amounts of fertilizer and good weeding practices.

USAID's regional Natural Resources Management Program demonstrates that sustainable natural resources use is a viable development option for rural communities. Economic gains from improved community-based natural resources management (CBNRM) show upward trends in the participating countries of Botswana, Namibia, Zambia, and Zimbabwe. In Zimbabwe, for example, income from CBNRM increased from $64,000 in 1989 to $1.6 million in 1996. Growing numbers of households, and particularly rural women, are receiving these benefits as more communities become involved in diversified income-generating ventures. Equally important is the fact that these community initiatives are "democracy in action," where many people are for the first time given a say in decisions that affect their daily lives. This involvement has positive spill-over effects on other facets of life.

Examples of how NRMP has improved the incomes and livelihoods of communities throughout the region are: Botswana communities have received revenues of more than $1 million from sales of the Mopane caterpillar, a regional delicacy; through CAMPFIRE/Zimbabwe, residents have begun to develop a bee-keeping industry and are exploring how to develop local spring water resources; Namibian women are cooperating in ventures that market thatching grass and water lilies, while several communities have developed eco-tourism ventures; and, several rural Batswana communities negotiated a joint venture with a safari company that will bring approximately $80,000 per year to 38 households -- twice the average income of rural households. These success stories are rooted in action at the local and national level, yet they benefit from the exchange of experience and lessons with other countries. This sharing of information and lessons learned is facilitated by the USAID-supported SADC/Wildlife Sector Unit in Malawi.

Intermediate Result 3.1: Growing capacity of southern African institutions to lead efforts to address regional problems; dynamic networks and other mechanisms for regional sharing of information and technology established.

Regional cooperation among participating SADC states is crucial to managing and protecting the natural resources base of the region for the purposes of sustainable social and economic development, as well as the protection of biological diversity. Over the past year, SADC institutions and regional NGOs have shown increased capacity to establish coordinated plans and positions on international/regional issues affecting the sustainable use of the region's renewable natural resources, as well as to share information with counterparts throughout the region.

The Southern Africa Centre for Coordination of Agriculture and Natural Resources Research (SACCAR), developed prioritized research and training strategies for the region using a highly participatory approach which coordinates the work of 12 regional crop networks. Support from USAID's Africalink will provide an electronic means for disseminating research information -- greatly assisting technology transfer in future years. The World Conservation Union's (IUCN) regional office is implementing a plan which reflects the priorities for regional environmental action for 60 governmental and non-governmental members, and is awarding subgrants to facilitate members' leadership of specific plan components. Such subgrants support the work of networks which have taken responsibility for protecting the region's botanical diversity, increasing environmental education, and monitoring trade in wildlife products.

Some IUCN subgrantees, such as the Southern Africa Sustainable Use Specialist Group, serve as advocates for improved natural resource management through community participation. This group produced a highly acclaimed play, "The Creation of Eden," to communicate the importance of sustainable resource use to audiences worldwide. Another subgrantee, the Southern African Botanical Diversity Network (SABONET) is a ten-country initiative that aims to ensure the conservation and sustainable use of southern African flora. The significance of SABONET is that "...after a long period of botanists from northern botanical institutions coming to Africa, working in the region, in many cases not involved in the training of national staff, and removing botanical information for study overseas, a professional network of southern African botanists is now being developed." (Chris Willis, SABONET coordinator.) This strengthened southern African institutional capacity has contributed to the demonstrated pay-offs from investments in the development and transfer of sustainable technologies and approaches.

Intermediate Result 3.2: Sustainable and profitable technologies developed and demonstrated for regional application.

New technologies and approaches have been developed and demonstrated for both increased agricultural and natural resources productivity. The SMIP program has released 17 improved varieties of sorghum and 12 of millet, and the Southern Africa Root Crops Research Network (SARRNET) is developing and disseminating higher yielding varieties of cassava and sweet potato. These research programs follow prioritized regional research plans for agro-climatic zones, and are conducted through close collaboration of national and international agricultural research institutions. NRMP tested models of sustainable community-based natural resources management that are being shared throughout the region.

Malawi CBNRM

A recent visit by eight village chiefs from Malawi to NRMP sites in Zimbabwe and Namibia enabled them to assess the appropriateness of NRM initiatives in those countries for Malawi. Their work has captured the interest of Malawi's president, who now meets regularly with the chiefs to discuss appropriate ways to introduce CBNRM throughout Malawi.

In natural resources management, USAID investments that have paid off include representative and accountable community-based organizations with functioning governance and leadership structures, new economic ventures using a variety of plant and animal resources, human resources development, and exchange mechanisms.

Intermediate Result 3.3: Supportive regional policies; improved data and analysis for regional natural resources management.

The most significant achievement in the policy realm has been the passage of legislation in Namibia, Botswana and Zimbabwe which enables communities to manage natural resources. The recent passage of Conservancy Legislation in Namibia has resulted in an upsurge in demand by communities wishing to establish community based resource management structures, while in Botswana the success of the early ventures has led to growing interest in other communities. The RCSA supports improved data and analysis through three activities: agricultural comparative advantage and trade studies, led by the University of Swaziland and Technoserve, respectfully, which generate data of use to policymakers; and a pilot natural resources accounting activity in Namibia.

Natural Resource Accounting

In Namibia, a pilot project in natural resource accounting is addressing key government policy issues such as the government's success in capturing rents from minerals and fisheries, the economic contribution of water use in each sector of the economy, and the cost of rangeland degradation measured in terms of lost productivity.

The results have caught the attention of senior policy-makers, including Namibia's President Sam Nujoma who discussed the activity in his state of the nation address -- and led to both an expanded follow-on program in Namibia and a proposal from several other countries to introduce natural resources accounting.

Performance Data Tables

OBJECTIVE: Key Regional Conditions Established that Support Sustainable Increases in Productivity of Agriculture and Natural Resources by Smallholders **APPROVED:** 31/03/1995 **COUNTRY/ORGANIZATION:** USAID/RCSA
RESULT NAME: Sustainable increases in agriculture and natural resources productivity
INDICATOR: Agriculture and natural resources productivity

UNIT OF MEASURE: a) yield in metric tons for selected crops b) percentage of income generated by community-based NRM **SOURCE:** Contractor reports **INDICATOR DESCRIPTION:** **COMMENTS:** SACCAR, the RCSA's principal partner, has embarked on a series of impact assessments, including direct and spill-over benefits. Because it is an ex ante assessment, the results depend on the quality and accuracy of the projections made. In the future, rate of return analysis might be a better measure assuming better data and quality analysis. It will not be possible to report annually on all technologies but on one or two technologies depending on SACCAR's assessment schedule. On CBNRM, recommendations for a monitoring and evaluation framework for NRMP (including impact indicators) have been drafted and will have to be vetted by the partners in Botswana, Namibia, Zambia, and Zimbabwe.	**YEAR**	**PLANNED**	**ACTUAL**
	1996		sorghum-15% millet - 15% root crops-cassava-5% sweet p-5% CBNRM
	1998	sorghum-20% millet-20% root crops- CBNRM	sorghum - millet - root crops CBNRM

OBJECTIVE: Key Regional Conditions Established that Support Sustainable Increases in Productivity of Agriculture and Natural Resources by Smallholders
APPROVED: 31/03/1995 **COUNTRY/ORGANIZATION:** USAID/RCSA

RESULT NAME: Sustainable increases of agriculture and natural resource productivity

INDICATOR: Hectarage on which improved practices are utilized

UNIT OF MEASURE: Hectares

SOURCE: Contractor reports

INDICATOR DESCRIPTION: The measure will look at increased percentage of hectares on which improved practices are employed.

COMMENTS: SACCAR, the RCSA's principal partner, has just embarked on a series of impact assessments, including direct and spill-over benefits through rates of return analysis. Because it is an ex ante assessment, the results depend on the quality and accuracy of the projection made. In the future, rate of return analysis might be a better measure assuming better data and quality analysis. It will not be possible to report annually on all technologies but on one or two technologies depending on SACCAR's assessment schedule.
On CBNRM, recommendations for a monitoring and evaluation framework for the CBNRM (including impact indicators) have been drafted and will have to be vetted by the partners in Botswana, Namibia, Zambia, and Zimbabwe.

* No hectare data on CBNRM; data TBD

YEAR	**PLANNED**	**ACTUAL**
1993	sorghum 10% millet 10% root crops CBNRM *	sorghum 8% millet 8% root crops CBNRM *
1995	sorghum 10% millet 10% root crops 5% CBNRM *	sorghum 12% millet 12% root crops CBNRM *
1997	sorghum 20% millet 20% root crops 5% CBNRM *	sorghum-9%-77% millet -0%-63% root crops cassava-31% sweet p - 63% CBNRM *

Expected Progress and Management Actions

In FYs 1998 and 1999 several of the large activities in the regional portfolio will reach their completion dates: the regional Natural Resources Management program, the SARRNET root crop research program, the Regional Research Coordination Program, and the current phase of the Sorghum and Millet Improvement Program. All of these programs are expected to achieve and/or exceed their objectives in terms of new technology generated and transferred, and the adoption of community natural resource management approaches. Sustainability is likely to be an issue, however, and the RCSA intends to devote attention over the next two years to addressing it, and in particular, by exploring the establishment of public-private partnerships for technology development and transfer in both agriculture and natural resources management. Under the new regional strategy, the RCSA will assess how best to follow up these efforts at the regional level while insuring that national/local efforts are continued, and how to leverage other donor resources.

Two activities initiated during the past two years will be in full operation during this period (the Networking and Capacity Building Program with IUCN and STRENGTH), and should make significant contributions to capacity building, particularly among regional NGOs. The new strategy will start the RCSA on a new path in regional natural resources management, addressing the regional management of transboundary resources such as water and wildlife, which emerged as priorities for regional action in stakeholder consultations.

Strategic Objective Four -
Improved Efficiency, Reliability and Competitiveness of Regional Transport and Telecommunications Infrastructure

Since the 1980s, USAID regional programs have sought to improve southern Africa's transport and, more recently, telecommunications networks. Early assistance focused on infrastructure improvement projects to upgrade regional roads, increase railway locomotive and wagon capacity, and increase the handling capacity of ports. These projects helped halt the decline of the region's physical infrastructure. However, they brought only limited improvements in efficiencies to state-owned enterprises and did little to correct parastatal management that stifled innovation and perpetuated non-commercial practices. To address these issues, the RCSA's infrastructure portfolio now focuses on promoting policy and regulatory reform, restructuring state monopolies to prepare them for a commercial environment, and increasing efficiency through private investment and competition.

The RCSA's infrastructure portfolio currently consists of two primary projects:

- The SADC Transport Efficiency Project (STEP) is designed to enhance the efficiency and competitiveness of surface transportation systems in the SADC region. It has two components:

Policy Analysis Assistance to SADC (PAAS) and the Rolling Stock Information System (RSIS), which will provide real-time information on the region's train movements.

- The Regional Telecommunications Restructuring Project (RTRP) promotes policy and regulatory reform to encourage private sector participation in the rehabilitation of the region's telecommunications network. The project also seeks to tap the enormous resources of U.S. industry to help resolve regional telecommunications problems.

The RCSA also provides funding and oversight for the Malawi Railways Restructuring Program (MRRP), an activity from the Southern Africa Regional Program (SARP) designed to reduce surface transport costs through increased railway efficiency.

Performance Analysis

USAID's infrastructure activities in Southern Africa are taking place in the context of a worldwide trend toward the private provision of what were once considered public services. This trend began in the United States fifteen years ago, then flowed to Europe, and is now finding acceptance around the world. The RCSA's current infrastructure projects seek both to capitalize on this trend and to accelerate its movement through southern Africa.

As recently as two years ago in this region, the notion of privatizing national infrastructure was far from universally accepted. Through a highly participatory process that included technical assistance, training, workshops, and dialogue to develop regional standards and protocols (see box below), USAID and other donors, have promoted an acceptance of the private provision of infrastructure. Southern African leaders now largely embrace this concept. Indeed, at a major regional infrastructure conference held recently in Pretoria, USAID staff members were struck by the degree to which the notion of privatization went undebated. The question is no longer, *whether* governments should relinquish their stranglehold on infrastructure provision, but *when* and *how*.

The Infrastructure Protocol

This year, USAID helped transform the framework for cooperation in transport and telecommunications in Southern Africa. In August 1996 the SADC Heads of State signed the *SADC Protocol on Transport, Communications, and Meteorology*. This document is a legally binding agreement among the twelve SADC states. It:

- forms a framework for regional integration in rail, roads, ports, telecommunications, and other sub-sectors.
- mandates policies leading to increased involvement of the private sector in infrastructure provision.
- requires governments to undertake specific actions to improve the regional flow of goods, services, and information.

The entire *Protocol* process--that is, identifying issues, holding extensive stakeholder consultations with government and business, and drafting the technical and legal documents--was accomplished with STEP/PAAS and RTRP resources.

Protocol examples include: harmonizing axle load limits to facilitate cross-border road haulage, improving weigh station and border crossing procedures, establishing road maintenance funds, and separating telecommunications regulators from service providers. The savings from these agreements will far exceed the nearly $3 million spent on the *Protocol*. For instance, good road maintenance will save the region more than an estimated $100 million a year in vehicle operating costs and reduced rehabilitation requirements. Savings from smoother crossings at border posts are estimated at $48 million annually.

Selected objective level indicators for SO4 are:

- Increased tonnage carried on SADC railways
- Increased annual net tons carried per kilometer on SADC railways
- Increased level of investment in public telecommunications operators
- Increased levels of intra-regional telephone traffic

These are high-level goals, and it is too early to attribute significant improvements at this level directly to SO4 activities. However, trends in these indicators are clearly positive, and we anticipate considerable future impact at the SO level because of the important contributions we have made at the Intermediate Results level. Selected Intermediate Results for SO4 include:

- Improved managerial and operational capacity
- Increased private investment in infrastructure

C Improved regulatory and policy environment

The RCSA's infrastructure projects have made significant progress toward achieving these results, especially the latter two.

Intermediate Result 4.1: Improved Managerial and Operational Capacity.

USAID, through the STEP/PAAS project, conducted a comprehensive review of SADC railways to ascertain the status of railway restructuring in each country and propose measures for accelerated implementation of reform measures. The review formed the basis for the SADC Railway Policy Options Workshop held in Pretoria in September 1996. Measures arising in part from this workshop are helping national railways throughout southern Africa to become more competitive. Railways are carrying more traffic and realizing higher profits. Traffic on SADC railways, including South Africa, increased overall by 4.2% between 1994 and 1995, from 193 million to 201 million tons. Restructuring has helped the railways better compete with road haulers for regional business, and most SADC governments have reduced and eventually plan to eliminate subsidies to their railways so that they will operate on a commercial basis. The railways of the region are also moving closer to integrated operations and joint marketing of services. The newly created Southern African Railway Association (SARA), which USAID is supporting, should help to consolidate this process further. The installation of the RSIS, funded by USAID and scheduled to commence during the fourth quarter of 1997, will improve railway competitiveness by greatly enhancing the capacity of the region's railways to manage and use their rolling stock.

In telecommunications, we feel it is too early to report any substantial changes under this Intermediate Result. Our expectation, however, is that the privatization of national telecommunications companies and the development of regulatory bodies throughout the region will lead directly to improved management and operations.

Intermediate Result 4.2: Increased Private Investment.

The worldwide trend, discussed above, toward increased private participation in the provision of infrastructure is nowhere more apparent in southern Africa than in the telecommunications sector. Private participation in telecommunications is a key result leading to the achievement of SO4, and many countries have taken their first steps down this path. In all cases, SO4 activities have encouraged them by promoting competition and private sector involvement.

The Zambian government, with RCSA assistance, is well on its way toward privatizing its national telephone company and has licensed private firms to provide cellular telephone and internet service. A Zambian company currently offers internet access and a private company will begin offering cellular service in Lusaka in April 1997. Swaziland has asked the International Finance Corporation (IFC) and USAID for assistance in separating its postal and telecommunications operations, in privatizing its telephone company, and in establishing a telecommunications regulatory body. In 1996, Botswana enacted a law that clears the path for the privatization of its national telephone company. The law also allows private firms to offer cellular and internet services. Zimbabwe, after a long legal battle over the right of the private sector to provide cellular service, has just announced the licensing of a private company and may award additional licenses. In Mauritius, Namibia, South Africa, and Tanzania, private companies operate cellular telephone networks. Most dramatically of all, South Africa has just announced that it will sell a controlling interest of its parastatal telephone company to SBC, an American company. This action will bring the South African government more than $1.5 billion in revenues and will be the largest privatization of any kind in Africa's history.

We have also seen substantial progress toward privatization in the rail sector throughout the region. USAID is helping the government of Malawi restructure Malawi Railways (MR). We are also promoting cooperation between MR and the Mozambican national railway to increase the use of the Nacala Corridor, prospectively Malawi's lowest-cost route to the sea. To date, MR has been legally restructured and a labor force reduction has been completed. In November 1996, the government signed a consulting contract whose recommendation may lead to the concessioning of MR to a private operator. New policies in Mozambique provide for the privatization of parts of the Mozambican national railway. The Swazi Government is contemplating the privatization of some parastatals by 1998, and this decision may include Swaziland Railways. To achieve commercialization, national railways throughout the region have also sold or out-sourced many non-core functions, such as the Malawi Lake Service and National Railways of Zimbabwe catering, trucking, and security services.

**Intermediate Result 4.3:	Improved Regulatory and Policy Environment.**

SO4 has made enormous progress in promoting regulatory and policy reform in southern Africa. Perhaps our most important achievement to date is the major role we played in the SADC Protocol on Transport, Communications and Meteorology (see box above).

In another important development, the SADC governments are moving rapidly toward the establishment of a regional forum for telecommunications regulators. When USAID authorized the RTRP in 1994, only two SADC countries had telecommunications regulatory bodies--Zambia and Tanzania--and these were each less than a year old and barely functional. Remarkably, in less than three years, the region now has seven such regulators, and they are poised to form a regional association. The RTRP has strongly encouraged this effort and has drafted a charter for the forum that we hope will be adopted formally in Namibia in May 1997. This forum will address such regional issues as cellular telephone standards, equipment approval, and telephone system interconnection agreements.

Significant policy reform has also occurred in the transport sector. Spurred by the consultative process preceding the Protocol, the private sector is becoming increasingly aware of the need for a regional focus in its policy reform dialogue with governments. Several regional transport-related trade associations have been formed recently: the Federation of Regional Road Freight Associations, the Regional Association of Freight Forwarders, and SARA. USAID can take credit for promoting the creation of these associations, which now play a significant role in a policy development arena that was formerly dominated by governments.

During the Protocol development, important regional and national consultative mechanisms emerged to deal with issues on infrastructure. Regional committees have been set up for the rail, road and ports sub-sectors. In addition, an Integrated Transport Committee and Corridor Planning Committees involving service providers and users on the major international transport corridors are being set up. For the first time, a framework for continuous dialogue between government and business on infrastructure issues exists within the region.

Performance Data Tables

Before last year's R4 was written, the SO4 team substantially revised the SO4 indicators because we believed that some of them were not valid measures of project success, while others could not be collected with an acceptable degree of accuracy or within acceptable cost constraints. A significant remaining problem was that most of last year's SO4 indicators were collections of national data, rather than unified regional indicators. The team adopted this approach because including South Africa in most regional figures creates a distorted picture and because unified regional statistics do not show that improvements are coming to individual nations are varying rates. For this year's R4, however, we are producing unified regional indicators. We have removed South Africa from these indicators to avoid skewing the data, and we recognize that the statistics do not portray varying degrees of progress among the eleven remaining SADC countries. As the Regional Center develops its comprehensive strategy and determines the role that infrastructure activities will play, we will work to develop the most appropriate indicators.

STRATEGIC OBJECTIVE 4: Increased Efficiency, Reliability, and Competitiveness of Regional Transport and Telecommunications Infrastructure
APPROVED: 31/03/1995 **COUNTRY/ORGANIZATION:** USAID/RCSA

RESULT NAME: Increased efficiency, reliability, and competitiveness of regional transport and telecommunications infrastructure

INDICATOR: Increased annual net tons carried per kilometer on SADC railways

	YEAR	PLANNED	ACTUAL
UNIT OF MEASURE: Millions of tons per kilometer			
SOURCE: SATCC - Technical Unit (SADC Railways)	1994*	7,702	8,108
INDICATOR DESCRIPTION: Indicates improved asset utilization	1995	8,513	8,577
	1996	9,006	
COMMENTS: Excludes Republic of South Africa	1997	9,456	
* Figures for Tanzania (TAZARA) not available.	1998	10,004	
	1999	10,584	

STRATEGIC OBJECTIVE 4: Increased Efficiency, Reliability, and Competitiveness of Regional Transport and Telecommunications Infrastructure
APPROVED: 31/03/1995 **COUNTRY/ORGANIZATION:** USAID/RCSA

RESULT NAME: Increased efficiency, reliability, and competitiveness of regional transport and telecommunications infrastructure

INDICATOR: Increased tonnage carried on SADC Railways

	YEAR	PLANNED	ACTUAL
UNIT OF MEASURE: Thousands of tons **SOURCE:** SATCC - Technical Unit (SADC Railways) **INDICATOR DESCRIPTION:** Indicates improved performance and increased market share **COMMENTS:** Excludes Republic of South Africa	1994		24,206
	1995	25,416	26,035
	1996	27,337	
	1997	28,703	
	1998	30,138	
	1999	31,645	

STRATEGIC OBJECTIVE 4: Increased Efficiency, Reliability, and Competitiveness of Regional Transport and Telecommunications Infrastructure **APPROVED:** 31/03/1995 **COUNTRY/ORGANIZATION:** USAID/RCSA
RESULT NAME: Increased efficiency, reliability, and competitiveness of regional transport and telecommunications infrastructure
INDICATOR: Increased level of investment in the public telecommunications operators

	YEAR	**PLANNED**	**ACTUAL**
UNIT OF MEASURE: U.S. dollars per year	1994		260,921,078
SOURCE: International Telecommunication Union	1995	260,000,000	253,419,730
INDICATOR DESCRIPTION:	1996	280,000,000	
COMMENTS: Does not include Angola or South Africa. Figures for 1995 for Swaziland are not available. Four of ten countries have doubled their investment. Malawi's and Zambia's investments were halved due to budget restraints.	1997	300,000,000	
	1998	320,000,000	
	1999	340,000,000	

STRATEGIC OBJECTIVE 4: Increased Efficiency, Reliability, and Competitiveness of Regional Transport and Telecommunications Infrastructure **APPROVED:** 31/03/1995 **COUNTRY/ORGANIZATION:** USAID/RCSA
RESULT NAME: Increased efficiency, reliability, and competitiveness of regional transport and telecommunications infrastructure
INDICATOR: Increased levels of intra-regional telephone traffic

UNIT OF MEASURE: Minutes of telephone traffic per year among SADC countries	YEAR	PLANNED	ACTUAL
SOURCE: SADC Annual Reports to the Consultative Conference	1994		1,362,330
	1995	1,400,000	1,406,570
INDICATOR DESCRIPTION: Indicates increased intra-regional communications	1996	1,500,000	
	1997	1,600,000	
COMMENTS: Excludes Republic of South Africa	1998	1,700,000	
	1999	1,800,000	

Expected Progress and Management Actions

While it is writing this R4 document, the RCSA is also developing a comprehensive strategy for the coming six years. SO4, "Improved efficiency, reliability and competitiveness of regional transport and telecommunications infrastructure," will not likely remain part of the RCSA's portfolio. The SO's activities, however, will run to their completion. Furthermore, the RCSA will potentially undertake new infrastructure sector reform activities as part of an SO focused on promoting a more integrated regional market. Thus, reviewing some lessons learned from the infrastructure portfolio seems worthwhile.

Developing a long-term strategy has forced us to contemplate at length the lessons learned in the infrastructure sector. We have also given considerable thought to the "regional" nature of USAID's previous infrastructure projects. In the past, many USAID infrastructure projects were "regional" in name only. These projects were usually designed to improve bilateral infrastructure performance, and, while they were funded from a regional source, they were managed bilaterally and their results were largely bilateral. An argument can be--and was often--made that improving a single nation's infrastructure contributes to an overall strengthening of the region's infrastructure. We are not unsympathetic to that argument. We also do not question the many economic, social, and political factors that influenced the design of past regional infrastructure projects (most notably the existence of apartheid-era South Africa). We recognize, however, that it is often difficult to show regional "value added" to projects that are largely bilateral in nature.

Consequently, as the RCSA moves forward with its comprehensive strategy, we believe that our most important lesson learned is that regional infrastructure programs had best not undertake activities that are basically bilateral in nature. Not only is it difficult to show regional results from such projects, but their management can be cumbersome, time-consuming, and ineffective. Therefore, it is unlikely that the RCSA will in the future undertake activities like MRRP or the many similar, bilaterally focused infrastructure projects that the regional program implemented in the past.

On the other hand, we believe that activities that encourage private sector involvement across the region and that seek the harmonization of regional policies, regulations and standards are worth pursuing. It is in this guise that infrastructure activities will likely appear in RCSA's new strategy.

Over the next two years, USAID's substantial investments under SO4 will continue to bear fruit. With the signing of the SADC Protocol on Transport, Communications and Meteorology in August 1996, the region's countries are poised to develop harmonized regulations, adopt specific standardizations, and implement general policy reform. The Rolling Stock Information System will be in place by 1999, and its benefits should be felt within two years. The continuing movement toward privatizing national infrastructure entities should create significant positive change in the region's transport and telecommunications networks. We believe that all these results are achievable in the near- to medium-term and that they will lead directly to a more integrated regional market.

III. Status of the Management Contract

The RCSA continued to operate under the strategic start-up framework during the previous R4 period. As mentioned formerly, the USAID/RCSA management contract will undergo significant changes due to the proposed components of the 1997-2003 Strategy. Given this fact, there were no changes to the currently approved framework.