MULTIPLE LOGICS OF COLLECTIVE ACTION:
A COMPARATIVE STUDY OF COOPERATION IN THE SOUTHERN
AFRICAN DEVELOPMENT COMMUNITY

By

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Thesis submitted in partial fulfillment of the requirements for the award of
the Degree of Doctor of Philosophy in International Relations at the School
of Social Sciences, Faculty of Arts
University of the Witwatersrand

September 2012
DECLARATION

I declare that this thesis is my original and unaided work. It is submitted for the award of the degree of Doctor of Philosophy at the University of the Witwatersrand, Johannesburg. To the best of my knowledge, this thesis or parts thereof has not been submitted before for any degree or examination in any other university here in South Africa or anywhere else in the world.

Name and Surname: Mopeli Lebohang Moshoeshoe

Signature: ........................................

Date: ...............................................
ACKNOWLEDGEMENTS

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“Liteboho ho Molimo Le Balimo”
For ’Mamosa and Mosa Lebohang Moshoeshoe
# TABLE OF CONTENTS

## CHAPTER ONE

### INTRODUCTION

1.1 Introduction .................................................................................................................................. 1

## CHAPTER TWO

### CONCEPTUAL AND ANALYTICAL FRAMEWORK

2.1 Introduction .................................................................................................................................. 11

2.2 Applications of Game Theory: Modelling SADC Cooperation Initiatives............22

## CHAPTER THREE

### REGIONAL TRADE LIBERALISATION AS A PRISONERS’ DILEMMA: THE CASE OF SADC PROTOCOL ON TRADE

3.1 Introduction.................................................................................................................................. 31

3.2 Analytical Framework...................................................................................................................... 37

3.3 Regional Motivations for SADC Free Trade Area.................................................................44

3.4 Easier Said Than Done: Strategic Aspects of Regional Trade Liberalization….47

3.5 A review of the SADC Trade Negotiation Process...............................................................49

3.6 SADC Trade Negotiations and Content of Trade Liberalization Commitments .................................................................59
CHAPTER FOUR

DEEP INTEGRATION AS A COORDINATION GAME: ELEMENTS OF SADC PROTOCOL ON FINANCE AND INVESTMENTS

4.1 Introduction................................................................................................................81
4.2 Analytical Framework..................................................................................................86
4.3 Understanding Deep Integration: Harmonisation of SADC Regional Stock Exchange Listing Rules and Regulations.................................................................93
4.4 Regional Motivations for Deeper Integration in the SADC Capital Market: Harmonised Listing Rules and Regulations for SADC Stock Exchanges……..100
4.5 Towards a Harmonised Regional Stock Exchange Market?.................................107
4.6 Strategic Aspects of Multilateral Policy Harmonisation...........................................114
4.7 Conclusion.................................................................................................................124
CHAPTER FIVE

THE CONSTRUCTION OF SADC REGIONAL ELECTRICITY GRID AS A STAG HUNT GAME

5.1 Introduction

5.2 Analytical Framework


5.4 Overview of the SAPP Regional Generation and Transmission Projects

5.5 The Western Power Corridor Project (WESTCOR) and the Inga III Initiative

5.6 Cross-Border Projects as a Region-Wide Stag Hunt Game

5.7 Regional Motivations and Private Concerns: Understanding Regional Cooperation within the SAPP Infrastructure development Program

5.8 Conclusion

CHAPTER SIX

GOVERNANCE AS A “SECOND-ORDER PRISONERS’ DILEMMA”: THE CASE OF SADC ELECTION MONITORING AND REPORTING

6.1 Introduction

6.2 Analytical Framework

6.3 SADC Election Monitoring and Observation as a ‘Second-Order’ Prisoners’ Dilemma game
6.4  A Closer Look at the SADC Electoral Benchmarks and the role of SEOMs…..197
6.5  Second-Order Prisoners’ Dilemma challenge and SEOMs: The Case of Zimbabwe 2005 and 2008 Elections……………………………………………………………….199
6.6  Testing SADC as an Agent of Restraint……………………………………………………202
6.7  The SEOMs Reports and the Logic of Collective decision making…………..207
6.8  SADC Intervention in Lesotho’s Post Electoral Dispute: The Case of February 2007 Parliamentary Elections ………………………………………………………………..214
6.9  Conclusion…………………………………………………………………………………………..225

CHAPTER SEVEN

CONCLUSION: UNDERSTANDING REGIONAL COOPERATION

7.1  The Modest Record of Regional cooperation……………………………………………………………..228
7.2  Multiple Logics of Regional Cooperation……………………………………………………………..230
7.3  Challenges of Successful Regional Cooperation ………………………………….241

BIBLIOGRAPHY……………………………………………………………………………………………………..246
ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ABC</td>
<td>All Basotho Convention Party</td>
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<tr>
<td>ADB</td>
<td>African Development Bank</td>
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<td>AMU</td>
<td>Arab Maghreb Union</td>
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<td>AU</td>
<td>African Union</td>
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<td>BPC</td>
<td>Botswana Power Corporation</td>
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<td>BVM</td>
<td>Bolsa de valores de Mocambique</td>
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<td>CCBG</td>
<td>Committee of Central Bank Governors</td>
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<td>CEMAC</td>
<td>Communauté Economique et Monétaire de l’Afrique centrale</td>
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<td>CMA</td>
<td>Common Monetary Area</td>
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<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<td>COSATU</td>
<td>Confederation of Southern African Trade Unions</td>
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<td>Committee of SADC Stock Exchanges</td>
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<td>DA</td>
<td>Democratic Alliance Party</td>
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<td>DP</td>
<td>People’s Democratic Party</td>
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<td>DSE</td>
<td>Dar es Salaam Stock Exchange</td>
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<tr>
<td>EAC</td>
<td>East African Community</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>EFC</td>
<td>Evangelical Fellowship of Zimbabwe</td>
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<td>EIA</td>
<td>Energy Information Agency</td>
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<td>EISA</td>
<td>Electoral Institute of Southern Africa</td>
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<td>ENE</td>
<td>Empresa Nacionale de Electricidade de Angola</td>
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<td>FIP</td>
<td>Finance and Investment Protocol</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>JSE</td>
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<td>LCCI</td>
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<td>LuSE</td>
<td>Lusaka Stock Exchange</td>
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<td>MERCUSOR</td>
<td>Mercado Comun Del Sur</td>
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<td>MIDP</td>
<td>Motor Industry Development Program</td>
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<td>MMTZ</td>
<td>Malawi, Mozambique, Tanzania and Zambia</td>
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<td>MRCP</td>
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<td>NAGG</td>
<td>National Alliance for Good Governance</td>
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<td>NAMC</td>
<td>National Agricultural Marketing Council</td>
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<td>NAMPOWER</td>
<td>Namibian Power Corporation</td>
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<td>NCOP</td>
<td>National Committee of Provinces</td>
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<td>NEPAD</td>
<td>New Partnership for Africa’s Development</td>
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<td>NSX</td>
<td>Namibia Stock Exchange</td>
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<td>NTB</td>
<td>Non Tariff Barrier</td>
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<td>REC</td>
<td>Regional Economic Communities</td>
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<td>Acronym</td>
<td>Full Form</td>
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<td>RERA</td>
<td>Regional Electricity Regulators Associations</td>
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<td>RISDP</td>
<td>Regional Indicative Strategic Development Plan</td>
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<tr>
<td>SACU</td>
<td>Southern African Customs Union</td>
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<td>SADC</td>
<td>Southern African Development Community</td>
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<td>SADCC</td>
<td>Southern African Development Coordinating Council</td>
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<td>SAIIA</td>
<td>South African Institute of International Affairs</td>
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<td>SAPP</td>
<td>Southern African Power Pool</td>
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<td>SECC</td>
<td>Swaziland Employers and Chamber of Commerce</td>
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<td>SEM</td>
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<td>SEOM</td>
<td>SADC Electoral Observer Mission</td>
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<td>SIPO</td>
<td>Strategic Indicative Plan of the Organ</td>
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<td>SNEL</td>
<td>Societe Nationale d’Electricite</td>
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<tr>
<td>SSX</td>
<td>Swaziland Stock Exchange</td>
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<td>STEM</td>
<td>Short Term Energy Market</td>
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<td>TBT</td>
<td>Technical Barriers to Trade</td>
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<td>TIFI</td>
<td>Trade Industry and Finance Investment</td>
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<td>TIPS</td>
<td>Trade and Industrial Policy Studies</td>
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<tr>
<td>TNF</td>
<td>Trade Negotiating Forum</td>
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<td>TRALAC</td>
<td>Trade Law Centre</td>
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<tr>
<td>UDEAO</td>
<td>Union Douanire et Economique de l Afrique del ‘ouest</td>
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<tr>
<td>UEMOA</td>
<td>West African Economic and Monetary Union</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UNECA</td>
<td>United Nations Economic Community for Africa</td>
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<td>UPP</td>
<td>United Peoples’ Party</td>
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<td>WAMZ</td>
<td>West African Monetary Zone</td>
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<td>WESTCOR</td>
<td>Western Power Corridor</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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<td>ZANU-PF</td>
<td>Zimbabwe African National Union – People Front</td>
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<td>ZAPU</td>
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<td>ZCBC</td>
<td>Zimbabwean Catholic Bishops Conference</td>
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<td>ZESA</td>
<td>Zimbabwe Electricity Supply Authority</td>
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<td>ZCC</td>
<td>Zimbabwe Council of Churches</td>
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ABSTRACT

African governments regularly advocate regionalism as a means for facilitating economic development, but the record of intergovernmental cooperation to implement regional initiatives has been disappointing. Most explanations for this record are based on a simplistic portrayal of the challenges of cooperation. They imply that if governments prefer cooperative outcomes, they will cooperate; conversely, if governments are seen not to cooperate, they must not have preferred cooperative outcomes. This thesis uses an alternative framework – derived from game-theoretic perspectives on the logic of collective action – to show that regional initiatives do not succeed or fail simply because of the presence or absence of gains from cooperation. The strategic self-interests of governments are often at odds with the achievement of cooperative outcomes. The inability to overcome resulting problems of collective action explains why many regional initiatives fail despite the support of member governments. The thesis analyzes several different collective-action problems, using four initiatives of the Southern African Development Community (SADC) as case studies – involving trade liberalization, financial regulation, infrastructural development, and governance reform. The aim is not just to present a new theoretical perspective on regional cooperation in Africa, but also to illuminate the practical challenges that must be addressed if regional initiatives are to succeed.
CHAPTER ONE
INTRODUCTION

1.1 Introduction

Regionalism has a long history in Africa dating from formation of the Southern African Customs Union (SACU) in 1910. Since then, governments have forged many regional initiatives with ambitious goals, and regionalism remains popular among African governments. Fourteen major sub-regional groupings exist today, with each African country belonging to at least one. This makes Africa a region with the highest density of regional economic agreements in the world. Yet, the record of action behind these agreements has been profoundly disappointing. While some regional arrangements have collapsed entirely, for surviving ones lethargic implementation and stagnant outcomes are the norm. While African governments generally seem eager to embrace regionalism, they seem keen to embrace it on paper but loath to act cooperatively to achieve it in practice.

In the post Cold War era, the fast changing global economic and political environments presented real and mutual threats that compelled African governments to collaborate in addressing Africa’s plight. Therefore, governments continue to pursue regionalism as a framework through which common obstacles to trade and development could be addressed. The signing of the Abuja Treaty in 1991 and numerous other sub-regional cooperation agreements were all affirmations of African leaders’ intentions to achieve higher levels of intra-continental cooperation by strengthening existing sub-regional communities. African political leaders continue to show strong commitment to regionalism and integration as appropriate responses to challenges presented by globalisation.

2 These constitute, the Arab Maghreb Union (AMU), The Common Market for Eastern and Southern Africa (COMESA), the Economic Community of the Central African States (ECCAS), the Economic Community of the West African States (ECOWAS), the Intergovernmental Authority on Development (IGD), And the Southern African Development Community (SADC).
However, in spite of the official declarations and ambitious plans, the record of regional cooperation in Africa has been poor. Apart from a few success stories, regional cooperation in respective agendas has failed to make desired impact. The overwhelming majority of cooperation arrangements have either collapsed or stagnated, failing to deliver optimal benefits associated with integration. Today, economic, social and political objectives of African integration have not been achieved, chiefly because the quality of cooperation and integration remains poor. Africa has not achieved effective market enlargement through economic integration or in terms of successful industrialisation. Mutual or optimal benefits of integration remain elusive, African economies remain uncompetitive and continue to struggle to sustain economic growth and development.

The continued preference for regional cooperation as a vehicle for advancing national and continental development is perplexing in the face of widely acknowledged failure of similar initiatives in the past. Against the backdrop of abysmal performance by African regional integration arrangements and the enduring resolve by African governments to achieve sustainable mutually beneficial cooperation, why have aspirations for regional cooperation in Africa remained so strong, and ambitious, yet the record of actual cooperation is so disappointing?

Despite generally poor performance, results of African cooperation arrangements constitutes a mixture of sporadic success stories among many failures. Firstly, I note marked disparities both in the quality of cooperation attained and the level of outcomes achieved by individual sub-regional arrangements. More specific question is why despite the generally disappointing record, have some sub-regional arrangements achieved higher levels of inter-governmental cooperation than others have? Secondly, beside variations in

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the quality of cooperation there are also notable disparities in performance among different initiatives located within individual sub-regions. The record of cooperation within individual sub-regions differs remarkably across specific issue-areas. This begs the question, whether some situations or conditions are more conducive to successful regional cooperation than others.

Many studies of regional cooperation on the African continent have interpreted the disappointing record of cooperation initiatives as evidence that mutual gains from cooperation simply do not exist, leaving no real incentives for cooperation. For example, Percy Mistry blames the adherence to arbitrarily drawn colonial borders that impede both political coherence and economic viability as a major obstacle to successful cooperation.\(^7\) Other studies based on the traditional theories of integration, perceive the economic characteristics of the African states as simply not conducive to regional economic cooperation. For example, according to the logic of the Customs Union theory, cooperation efforts to integrate African economies or to form regional Customs Unions are perceived as either inappropriate or even potentially harmful to highly competitive and non-complementary economic units.\(^8\)

Other studies highlight the role of African political leaders as one of the most important factors inhibiting progress in regional cooperation arrangements.\(^9\) Considering ambitious agendas of many African cooperation arrangements, some studies blame the failure of cooperation on confusion about means and ends. Others more directly blame vested interests who gain from the status-quo.\(^10\) These studies generally perceive Africa’s national political authorities and bureaucrats as being deliberately protectionist and

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\(^8\) Hazelwood, ed. African Integration and Disintegration, 6.


generally reluctant to implement cooperation agreements that weaken their power and reduce opportunities for satisfying their respective private agendas.

The conventional way of thinking about disappointing record of African regional cooperation arrangements raises more questions than it answers. Firstly, if mutual gains from cooperation do not really exist, the implication is that African leaders have been devoting large amounts of time and other resources over the years developing regional initiatives that they do not believe are mutually beneficial. Secondly, argument about confusing the means and ends, suggests that African policy-makers lack strategic sense to recognise possible long-term gains from cooperation. Extended to all African leaders, this systematic defect prevents them from acting upon their strategic self-interest. These explanations tend to fly in the face of simplistic and common portrayal of African leaders as more “Machiavellian” than their counterparts in other regions of the world. This position and the arguments it raises are not convincing and are analytically deficient and unsatisfying.

The conventional approaches explain poor performance of regional cooperation in Africa in terms of the material incentives and disincentives. My approach involves more than material costs and benefits, it includes logical examination of strategic challenges and their effects on the ability of sovereign governments to realise and sustain regional cooperation. It is a more comprehensive approach which enables me to go beyond material costs and benefits of cooperation, but also to systematically identify various types of strategic problems and different challenges they raise for regional cooperation. My approach emanates from the premise that the factors that can impede sovereign governments from successfully engaging one another in mutually beneficial action go beyond considerations of material loses and gains. This approach can gainfully be applied in analysing cooperation in many other international situations where sovereign governments involved in mutually beneficial courses, sometimes fail to realise common good.
I employ a game-theoretic approach to highlight strategic problems and the challenges they raise for regional cooperation. Game theoretic analysis helps me to clarify why sovereign governments voluntarily involved in cooperation arrangements often struggle to achieve mutually desirable outcomes. Game theory starts from the premise that actors are strategically self-interested and shows why they nevertheless have difficulty cooperating even when they recognise mutual gains in doing so. In other words, game theoretic explanations of cooperation show that, paradoxically, governments may fail to achieve mutually beneficial cooperation not because they lack strategic awareness but precisely because they possess it.

The game theoretic reasoning illuminates some of the important obstacles to cooperation and suggests ways in which identified obstacles might be overcome. This approach implies that challenges of regional cooperation are highly sensitive to the strategic structure of specific cooperation initiatives and the institutional arrangements devised to implement them. Therefore, the study of regional cooperation as well as explanations of variation in the quality of cooperation across various initiatives necessarily involve examination of more than material incentives, it requires a careful analysis of alternative strategies available to governments trying to realise mutual goals.

Though influential globally in the field of International Relations, game theoretic reasoning has not informed much of the existing research on regional cooperation in Africa.\(^\text{11}\) International cooperation tends to create situations in which behaviour of individual governments adds up to a social phenomenon that make all involved parties worse-off. The reason being that self-interested actors engage through rational calculations aimed at maximising one’s own private-welfare as opposed to group-welfare.\(^\text{12}\) For example, Edward Hallet Carr argued that, “it is difficult to believe that any individual willed or desired the great economic depression of the 1930s. Yet, it was


indubitably brought about by the actions of individuals, each conceivably pushing some totally different aim.”13 The point is that outcomes in international cooperation are affected by factors beyond obvious material considerations but also by much more complex strategic factors. Strategic actions can raise collective problems that can effectively inhibit realisation of mutually desirable goals in collective action situations.

Any group of rational and self-interested actors working together towards a mutually desirable goal will often fail to achieve such a goal. Olson referred to this phenomenon as the ‘Logic of Collective action,’ in which even if all actors in a group would each gain if they worked together to achieve a common goal, they will not voluntarily act to achieve that common interest. Self-interested actors, each typically prioritise individual gains over group welfare. Unless there is a threat of negative sanction or separate incentive beside the achievement of the common good, individual members will not voluntarily help bear the cost towards achievement of a long-term common objective. In this case, governments not only fail to realise potential mutual gains, but collective action is also impossible to sustain.

Situations resembling this problem are common in regional cooperation arrangements. A group of governments may commit to remove trade tariffs and liberalise trade among themselves in anticipation of mutual free trade benefits in the long-term. However, in the short-term, each government prefers to get immediate gains from the arrangement by retaining its own tariff as others remove theirs. But once partners become aware that others are cheating, all re-impose their pre-agreement tariffs and forego the envisioned free trade gains. Governments’ pursuit of self-interest inhibit attainment of free trade and its envisioned gains, thus leaving everyone worse-off than if they had cooperated.

In mid 1996, governments in southern Africa signed a free trade agreement aiming to establish a regional free trade area within eight years. In theory, Southern African Development Community Free Trade Area (SADC FTA) would offer a free access to a

huge market of about 240 million people. Despite strong theoretical rationale and positive declarations support by regional leaders, negotiations for the trade agreement were long and difficult. And subsequent implementation of the agreement was also not a smooth process, but one riddled with numerous incidences of non-compliance and delays by member governments implementing tariff liberalisation commitments threatened realisation of a functional SADC free trade area and its anticipated regional benefits.

Olson’s logic of collective action has widely been studied as a ‘prisoners’ dilemma.’ Political scientists such as Robert Axelrod, Walter Mattli, Duncan Snidal, Kenneth Oye and others have since identified various logics associated with different situations of international cooperation. Their works have revealed other logics of collective action, adequately proving that the commonly used Prisoners’ Dilemma was just one among several logics of collective action. Each of these logics differs from the others both in nature and in content meaning that each raises a particular type of strategic challenge to reciprocal action which manifests as a specific type of practical hurdle to cooperation. Therefore, unless the specific type of logic of action for a particular initiative is properly identified and the appropriate remedy applied, cooperation will remain extremely difficult to achieve and to sustain even in initiatives that are clearly mutually beneficial to all participants.

Various cooperation initiatives bring up different types of strategic challenges for cooperation. For example, a group of actors may fail to attain mutually beneficial cooperation because individually, these actors prefer even higher benefits which they get by ‘free-riding’ on the cooperative activities of their counter-parts. Cooperation collapses as others quit collaborating in order to avoid being exploited by cheating partners. This type of scenario is normally depicted by the Prisoners’ Dilemma game. The Coordination Game on the other hand, is used to model situations in which desire for cooperation readily exists among actors, but they struggle to find consensus on the best strategy

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available through which to achieve the envisioned mutual goal. If not resolved lack of consensus can impede cooperation and thus thwart realisation of mutual benefits. The Stag Hunt game captures yet another logic of action and a different challenge for cooperation. The game highlights a problem of trust among a group of actors otherwise resolved to cooperate for mutual benefits. In spite of the envisioned long-term mutual gains from cooperation, mistrust or doubts regarding reliability of one’s partners undermines attainment of cooperation and can unravel the cooperation initiative and thus, thwart the realisation of tangible and mutual gains.

There is not just a single logic or problem of collective action, but a number of distinct logics to be recognised to comprehend the full spectrum of challenges that can afflict international cooperation. Therefore, a group of sovereign governments cooperating across a number of issue-areas faces more than one type of collective action problem. Each cooperation initiative has unique physical attributes that give rise to different strategic structures, different logic of action and incentive problems peculiar to the initiative. The game theoretic framework follows that any regional arrangement that embraces more than one cooperation initiative will invariably be afflicted by a number of collective action challenges with ramifications for the quality of cooperation. Solution of these challenges, impose specific requirements including enactment of appropriate institutions and other mechanisms to anchor cooperation.

I apply various game theoretic-models to analyse the impact of strategic decision-making in different cooperation initiatives in Southern Africa. I examine how differences in the strategic structure of individual cooperation initiatives affect behaviour of SADC governments in each case. Game theoretic logic is applied to analyse different regional cooperation scenarios in terms of appropriate game-theoretic models, namely, the Prisoners Dilemma, Coordination and Stag Hunt games. Each of the game models is intended to highlight a distinct type of strategic challenge and the logic of each game

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16 ‘Game’ generally connotes a situation in which two or more adversaries match wits, and games inherently entail interdependence in that one person’s optimal behaviour depends on what he believes the others will do.
enables us to draw logical implications for inter-state cooperation. However, it is not my intention to deny the variety of the phenomenon but to illuminate some of the challenges for collective action and provide realistic description of cooperation in each case.

The aim is to use game theory to complement empirical research on each of the case studies. Otherwise, my analytical framework involves primary-source research on each of the selected SADC initiatives; this is designed to generate a more comprehensive explanation of cooperation in each case. Thus, by evaluating effects of expected material benefits vis-à-vis effects of strategic factors, the analytical framework facilitates analysis of both subsets of factors and examines their respective impact on regional cooperation.17

The thesis is organized as follows. Chapter two presents an analytical framework of the thesis and presents a brief conceptual narrative of the key terms. The chapter proceeds to provide a brief overview of the logic of game theory and how it is gainfully applied to the analysis of cooperation in international cooperation arrangements. It also identifies the form and content of various forms of collective action problems and presents appropriate games that generally illustrate these challenges. The chapter covers detailed discussion of selected case studies, stressing the differences in their structural features and the implications these have for regional cooperation in general.

Subsequent chapters comprise four selected case studies that focus exclusively on cooperation initiatives in Southern Africa. Each case study examines the general applicability of game theory in analysing regional cooperation in African situations by developing a game model of a selected SADC cooperation initiative. Through empirical analysis, I examine theoretical propositions that flow from the inherent logic of action in each one of these game-models. Subsequently, I formulate some conclusions either affirming or rejecting these propositions and providing alternative explanations for the outcomes that I observe.

17 In the context of the Game theory, Strategic structure refers to the nature of interdependence as reflected in ways in which participant governments affect and are affected by one another.
The initiatives were selected purely on the basis of their structural properties and similar initiatives elsewhere would be equally suitable for this study. Therefore, the exclusive focus on SADC and its cooperation arrangements or initiatives, does not limit the general applicability of this analytical framework. This means that the conclusions of this thesis can be inferred to understand the challenges of cooperation in other international, regional and sub-regional cooperation arrangements beyond SADC. And by implication, similar approaches can be applied in studying cooperation in other issue-areas beyond those depicted in this thesis.
CHAPTER TWO

CONCEPTUAL AND ANALYTICAL FRAMEWORK

2.1 Introduction

Regional cooperation and regional integration are often used interchangeably in practice but analytically, the two terms differ significantly. Regional cooperation occurs when two or more governments act jointly to pursue outcomes that cannot be achieved through unilateral action. In this thesis cooperation refers to the conditions under which two or more governments work jointly to realise a mutual goal. Since this definition emphasises the role of governments as actors, I measure cooperation by assessing the extent to which participating governments agree and implement agreements away from the status-quo. Therefore, as a study of regional cooperation, the thesis underscores the centrality of national governments or national political authorities, their policy-choices and the motives behind those choices or actions. Generally, the performance of any regional cooperation initiative is determined by the extent to which participating governments’ behaviour conform to the stated collective commitments.

Regional cooperation closely appropriates regional processes that have taken place in most of the African continent, where governments collaborate voluntarily where national political authorities judge that collectively, they stand a better chance to achieve mutually beneficial outcomes than acting individually. Regional cooperation is a collective process that involves governments purposely acting in common to solve a specified problem or acting deliberately to create conducive conditions that favour maximisation of individual and collective gains. Regional cooperation is not to be confused with regional integration, because the two are closely related in practice, but they are analytically distinct. In other words, the study of regional cooperation is not the study of regional integration.

integration. The latter, refers to ‘de facto integration within a geographic area’ which can occur without explicit agreements or deliberate efforts by governments.\textsuperscript{19} Regional integration largely remains a desirable goal but one that has so far proved elusive in Africa. Therefore studies of regional cooperation are not studies of integration.

Most of the international relations literature focuses on regional cooperation. Many of these studies seek to understand and explain the generally poor performance of African cooperation arrangements. These studies have spawned a number of explanations that mainly flow from analysis of cooperation that is based on the prospect of material gains or losses that accrue as a result of participating in a cooperation arrangement. For example, the logic in these explanations goes as follows; if the benefits from cooperation exceed costs or if cooperation is generally preferred to non-cooperation, then governments will cooperate and vice versa.

My analysis goes beyond the simple cost-benefit considerations and adheres to the logic that, a policy decision to accede to a regional cooperation agreement is determined not only by the magnitude of expected economic gains from the collective effort. It includes a focus on the effects of strategic structure and the payoff orderings that inform each government’s preferences. The payoffs need not necessarily exist in the form of economic gains, but they could come in a form of other valuable collective gains such as maintenance of regional peace and order.\textsuperscript{20}

Analysis of regional cooperation must by necessity recognise the voluntary nature of the process, involving sovereign governments that choose to pool their resources in order to reap the gains that would otherwise not accrue to them individually. Therefore, governments try to cooperate only if they believe that the cooperative outcome is better


than what they could achieve unilaterally. However, experience shows that in spite of formal commitments and verbal declarations by national political leaders to cooperate, some attempts at regional cooperation succeed and others fail. Which begs a question; whether some conditions are more conducive to successful cooperation than others? The rest of this chapter is about clarifying obstacles to cooperation and identifying some of the ways these obstacles can be overcome.

In International Relations, game theory has been applied to examine efforts of countries trying to promote cooperation to achieve mutually beneficial gains. This approach appreciates that attainment of mutually beneficial gains between self-interested actors is possible only if dilemmas resulting from their strategic interaction are successfully resolved. To illustrate the effect of strategic factors on cooperation, I consider a simplified scenario involving two governments trying to realise mutual gains from reciprocal action. Each government has two possible actions; to reciprocate the other’s gesture and reap superior mutual rewards or behave selfishly, defect from the agreement.

Consider an initiative that requires cooperation between two governments. Each government decides whether to cooperate or to defect (not cooperate). As sovereign governments, their involvement with each other implies that they both prefer the outcome that emerges if they both cooperate to the one that emerges if they do not. Is mutual desire to achieve a mutual goal sufficient to ‘predict’ that the governments will achieve and sustain cooperation towards the identified mutually desirable outcome?

A payoff matrix helps to clarify the strategic considerations for the two governments. Figure 1 below is such a matrix and it shows logical relationships between the payoffs, government preferences and cooperation.
Your government’s decision whether to cooperate or to defect are represented by the two rows in the matrix, while Other Government’s decision between the same two options is represented by the two columns in the matrix.

Each box inside the table represents a possible outcome. Since each Government has two possible actions, there are four possible outcomes in all. The two outcomes discussed so far are the one which both governments behave cooperatively (CC), in the upper-left), and the one in which both defect (DD, in the lower-right). The other two outcomes are those in which one government cooperates while the other defects. By convention, the labels put Your Government’s action first and Other Government’s action second. So DC, in the lower-left, is the outcome when Your Government defects and Other Government cooperates. Likewise, CD, in the upper-right, is the outcome when Your Government cooperates and Other Government defects.

I set out to clarify the strategic calculus in situations where both governments prefer the outcome that emerges from mutual cooperation over the outcome that emerges from mutual defection. In the notation of the matrix, this is to say that, for both governments, CC is preferred to DD-or stated as payoffs, CC is greater than DD. Much of the research on regional cooperation in Africa assumes that if all governments prefer CC over DD, cooperation will be achieved - and conversely, that if cooperation fails it must have been the case that some governments prefer DD over CC.
But in a world of sovereign states, governments will only engage each other and cooperate because they believe it to be in their strategic self-interest to do so. To figure out what that strategic self-interest is, we need to consider the governments’ preferences over all four possible outcomes shown by the matrix, not just CC and DD. Looking at the matrix from Your Government’s perspective, consider what happens if Your Government knows that the Other Government will cooperate. This is the same as saying, cover up the right column of the table and focus only on the two outcomes in the left column - CC and DC. By choosing to cooperate or to defect, Your Government determines which of these two outcomes will be realised. When would Your Government choose to cooperate? Only if it prefers CC over DC, though this need not always be the case. For example, governments can often exploit the cooperative behaviour of others by failing to reciprocate cooperative acts of others, rather yielding to a temptation to ‘free-ride’ on the sacrifices that others made.

Now consider what happens if Your Government knows that Other Government will not cooperate. This is the same as saying, cover up the left column of the table and focus only on the two outcomes in the right column-CD and DD. When would Your Government choose to cooperate? Only if it prefers CD to DD, but again, this need not always be the case. For example, cooperating while others defect can involve making the sacrifices that others “free-ride” on by failing to reciprocate your own cooperative gestures.

Therefore, careful consideration of the strategic calculus of cooperation in Figure 1 shows that the mere fact that governments see cooperation as beneficial does not guarantee that governments will choose to behave cooperatively. To use the notion of the Figure, the fact that CC is preferred over DD is not sufficient to explain cooperative behaviour. For cooperative actions to be in the unambiguous strategic self-interest of both governments, two other conditions must hold. Firstly governments must both prefer CC over CD. In other words, there must be no temptation to ‘free ride’ on the contributions of others. Secondly, both governments must prefer DC over DD, for example, there should be no fear of ‘free riding’ by other governments.
If these two other conditions do not hold, cooperation is not necessarily doomed. However, if governments are to achieve cooperative outcomes, they must recognise that their own strategic self-interests pose obstacles to cooperation and find ways of overcoming them. The thesis shows that in the real world, these two other conditions rarely hold. To achieve regional cooperation, member governments must overcome the obstacles posed by their own strategic self-interests. The quality of cooperation among a group of governments is partially determined by the extent to which those governments manage to resolve the collective action problem. Therefore, when cooperation fails, it is often because member governments have failed to overcome these strategic obstacles and vice versa.

Similar to conventional approaches, the cases I am interested in generally satisfy the condition (CC>DD) where governments prefer a different outcome to the status-quo. Yet, my approach posits that contrary to conventional approaches, just knowing (CC>DD) is not sufficient or an adequate condition for cooperation to occur. The reason is despite outcome (CC) being strictly preferred by each government above the status-quo (DD), strategic sense of individual governments determines that defection remains a dominant move. This raises a strategic dilemma for governments and highlights a fundamental problem of collective action where strategically self-interested behaviour can prevent governments from achieving mutually beneficial outcomes. This is a strategic dilemma which holds wherever payoffs for unilateral defection (DC) exceed payoffs from mutual cooperation (CC) despite a common desire to move away from the status-quo (DD).

Suppose two governments are involved in a joint-project in which they individually always do well and sometimes even better by cooperating compared to how they would do without the joint effort (CC>DD). If this condition holds, then it is better to cooperate despite a possibility of a unilateral defection since one still does relatively well by cooperating even if their counterparts defect occasionally (CD>DD). If both of these conditions obtain, mutual defection ceases to be a Nash-equilibrium, as strategic self-interest by both governments leads them to a cooperative outcome.
But if one or both of these conditions do not hold, cooperation is jeopardised. Even if both governments prefer mutual cooperation to mutual defection (CC>DD), the temptation to defect (DC>CC) remains very high if either of the government expects its counterpart to cooperate. If you expect to be on the left side of the matrix, your strategic self-interest would require you to defect. Others would do the same if they expect to be in the top-row of the matrix. The fear of being ‘suckered,’ that is cooperating while others defect is very real. If you expect to be on the right side of the matrix your strategic interest would require you to defect, similarly, if others expect to be in the bottom row of the matrix, their strategic self-interest will dictate that they also defect.

From the above, I deduce that there are specific conditions, under which strategic self-interest of governments is aligned with achievements of mutually beneficial, cooperative outcomes [CC>DD, CC>DC and CD>DD]. However these conditions define a fairly restricted special case, and when they do not hold, achieving cooperation is still possible but problematic. And to say that cooperation is problematic is not synonymous with saying that cooperation will fail or is unachievable. Conventional approaches view that successful cooperation is possible only where mutual action is preferred over mutual defection (CC>DD), is therefore simplistic and overly optimistic. Cooperation will often be problematic even if this condition holds. And conversely, if cooperation fails, it cannot be simply inferred that mutual cooperation was not preferred to mutual defection (CC<DD). There are many real life examples where cooperation is problematic despite it being preferred by all governments over mutual defection.

It is essential that analysis of cooperation in regional initiatives consider full strategic structure of the initiative which informs the policy choices of participating governments. Therefore, using the payoff matrix above, it is important to focus not only on the upper-left and lower-right boxes, but to draw deductions for cooperation from all four boxes. This demands analysis that goes well beyond the conventional approaches and takes the top-right (CD) and bottom-left (DC) boxes into consideration. This way one can account

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21 The term ‘problematic’ here is not to suggest that cooperation is impossible, rather the term acknowledges strategic complexity which may necessitate adoption of deliberate measures to alter the strategic structure of the game in favour of collective action.
for or explain real-life cases where cooperation is difficult but sustainable. For example, in situations where despite mutual action (CC) being a Pareto-optimal outcome, unilateral defection remains individually a dominant strategy even though cooperation continues to benefit everyone (CC>DC). Strategic sense of governments continues to dictate that they continue to prefer higher expected payoffs and cooperate irrespective of intermittent defections. This makes (CD) a feasible outcome as the payoffs remain higher than those for mutual defection (CD>DD). In real-life, implication of this scenario is where mixed strategies (cooperation and intermittent defections) provide both governments with higher expected payoffs than mutual defection, thus making cooperation both possible and sustainable even though problematic.

The challenge that arises must be overcome through deliberate interventions and mechanisms to assist actors achieve mutual interests. The common practice in conventional approaches is to study regional cooperation by considering only two blocks of the matrix – top left (CC) and bottom right (DD). While not entirely wrong, these approaches are correct only when restrictive conditions exist, this is where (CC>DD) holds true. The analytical short-comings of these approaches have led to the reading of misleading conclusions about challenges to regional cooperation where this condition does not hold.

I argue that international cooperation is much more nuanced and complex than the current literature on African cooperation arrangements often depicts. Therefore, analysis of cooperation in this thesis goes beyond the conventional approaches. It posits that over and above material payoffs, prospects for regional cooperation are also determined by strategic problems. I use game theoretic analysis to isolate and examine the effects of these strategic factors on regional cooperation. On the basis of their strategic structure, I select a number of cooperation initiatives and model each on a specific game to develop a unique game theoretic model. The theoretical logic in each of the game models reveals the relationships between strategic decision-making and the quality of cooperation.
While I select my case studies from the Southern African Development Community (SADC), the analysis covers different types of regional cooperation initiatives. Individual initiatives selected as case studies are not necessarily exclusively suited to the study of cooperation in Southern Africa; rather each initiative is sufficient to illuminate a specific cooperation challenge that animates similar type of initiatives elsewhere, in particular on the African continent. Game theory has not been deployed in a study of cooperation in Africa. For example, despite the Prisoners’ Dilemma game having been used prolifically to study cooperation in trade liberalisation initiatives in other regions; it has not been applied in Africa. Focusing on different cooperation initiatives facilitates my goal to examine relationships between the physical attributes of individual cooperation initiatives and the type of strategic challenge involved in that initiative. Constructing game models make it possible to systematically draw out causal linkages between the structural attributes of each regional initiative, the logic of action that informs decision-making processes and the quality of cooperation. Therefore, applying game theory allows me to isolate strategic aspects of decision-making in collective action situations.

Application of game theory aids my analysis of cooperation in two ways. Firstly, each of the game theoretic models illustrates how differences in structural attributes of various cooperation initiatives produce qualitatively different collective action challenges. Secondly, each model helps to establish relationships between the structural characteristics of individual cooperation initiatives and the strategic obstacles or social dilemmas they raise for cooperation among sovereign governments. Carefully constructed game models provide valuable insights into how different logics inherent in each of the chosen games affect behaviour of governments in each of the sub-regional initiatives. I examine how the differences in the structural characteristics of individual cooperation initiatives produce qualitatively different collective action challenge for regional cooperation by assessing how strategic dilemmas that arise, in turn affect ability

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22 On the African continent, SADC contains a wide variety of interesting regional initiatives that vary widely in strategic structure. Several of these initiatives present a variety of case studies with significant differences in structure and performance between them. The initiatives invariably pose different challenges that require different cooperative solutions if regional cooperation is to be successful.
of self-interested governments to attain collective goals within the sub-regional arrangement.

The analytical approach emphasizes that in collective action situations, government policy decisions often transcend obvious considerations about material costs and gains as they are influenced significantly by considerations of more complex (strategic) interactions. In an attempt to add further clarity to some of the challenges around behaviour of governments and quality of cooperation, my approach complements familiar empirical analysis with various theoretical logics flowing from specific game models. Therefore, game theoretic modelling is used in the thesis as a heuristic tool that elucidates the social choice problems that bedevil governments involved in strategic interaction.

Analysis of this type of problem escapes normal empirical analytical approaches. As a theory of strategic interaction, game theoretic analysis highlights strategic aspects of international cooperation and decision-making by governments involved in different situations of collective action. And several logics of action reflected by different games facilitate understanding of various strategic considerations and their effects on behaviour of political actors and the quality of cooperation these actors can possibly achieve. In essence, it highlights the links between the physical attributes of the cooperation initiative, strategic considerations by governments and the solution to the cooperation problem.

Game theory indicates that it is only upon successful resolution of dilemmas resulting from their strategic interaction that a group of self-motivated governments can achieve and sustain cooperation. Therefore, to clarify the challenges to cooperation, it is imperative, first, to identify the type of social dilemma facing governments in a particular initiative, secondly to examine how that type of problem can be overcome if cooperation is to succeed. Therefore, to illuminate real-world challenges that face governments in regional cooperation, I carry out an in-depth analyses of sub-regional cooperation

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initiatives in SADC. These initiatives are treated as case studies from which to identify and examine the type of cooperative pressures that emerge in each context.

The immediate aim is to explain behaviour of government leaders in terms of a specific logic of action that animates a particular international cooperation initiative. I examine how ‘policy-makers’ decisions are affected by their interactive processes and how these affect behaviour of governments and eventually the quality of cooperation in various cooperation initiatives. The logic of each game model allows for deduction of logical theoretical propositions that I proceed to evaluate and examine empirically. My aim is not to treat game theory as a substitute for a formal or empirical method; rather, I use it as a key component of my analytical framework while the thesis retains both game theoretic and empirical approaches to complement not to replace one another. Therefore my twin-track method of enquiry and analysis uses various games to highlight logical relationships between the game models themselves and their appropriateness to specific regional cooperation initiatives. The insights derived from these abstract game models, do not constitute explanations or answers to our research questions, rather, I use these to develop explanatory hypotheses that I expose to rigorous empirical testing.

My analytical framework helps to illuminate other challenges that cooperation raises for a group of self-interested regional governments and provides more comprehensive explanations of African cooperation. Use of the game models, is not meant to deny the complexity of the phenomenon, rather the game theoretic logic is used to complement empirical research in each of the case studies. I use process tracing to account for cooperation outcomes in those initiatives where these are already known and explain my observations in the context of the relevant logic of action. By considering a number of cooperation initiatives across different issue areas, facilitates evaluation of the impact that individual logics have on patterns of cooperation.

Methodologically, a focus on a single sub-region confers advantages to the study. Firstly, uniform background conditions of the case studies create a semi-controlled environment
that limits the effects of external variables by holding them constant.\textsuperscript{24} Therefore, observed differences in the values of the dependent variable cannot be explained by variables other than those depicted by my theoretical framework. Secondly, a single sub-region means that all initiatives involve the same set of governments all of which are exposed to similar regional influences such as intra-regional politics, conflicts and political instability.

2.2 Applications of Game Theory: Modelling SADC Cooperation Initiatives

Accession to the SADC Treaty commits member states to accepting a series of binding principles, objectives and strategies.\textsuperscript{25} Many of these commitments oblige member governments to work together either by pooling their resources in collective management or engaging in deliberate cooperation for mutual gains. Member governments participate in the structures of SADC and negotiate necessary protocols that give practical effect to their collective aims as a region. Specific obligations are contained in the respective protocols once agreed, which have to spell out the national obligations and the scope of these provisions as well as the institutional mechanisms for cooperation and integration.\textsuperscript{26} Member governments negotiate the key protocols which after approval by the SADC Summit, and ratification by a majority of SADC governments, becomes an integral part of the regional treaty.

In SADC as in any other scenario of regional cooperation, independent governments face policy choices that hinge on both envisioned tangible payoffs and strategic but non-materialistic considerations. Hence my position that reliance on empirical analysis of international cooperation alone as conventional approaches do, usually face non-linearities that obscure alternative causal mechanisms. In order to address the shortcomings of the conventional approaches and to answer the research questions in this

\textsuperscript{25} See The SADC Declaration and Treaty, Windhoek Namibia, August, 1992.
\textsuperscript{26} See Lolette Kritzinger van Niekerk and Emmanuel Pinto Moreira, \textit{Regional Integration in Southern Africa: Overview of Recent Developments} (Washington DC: World Bank, 2002), 47.
study, I carry out a comparative study of cooperation across four different sub-regional initiatives in SADC. I describe each one of these initiatives in terms of a corresponding game and construct a game model based on the main points of congruence between the key aspects of a particular game and the main properties of a cooperation initiative associated with it.

Each regional cooperation agreement constitutes special actor constellations within which I examine effects of strategic behaviour of governments and assess the effects on cooperation. Analytically, inherent logic in these models allow for some degree of hypothesizing about the main challenges for cooperation as well as remedial action that may be necessary to enhance chances for good quality cooperation in each case. Different game models do not replace each other, rather they complement and supplement one another to facilitate our understanding of different (multiple) logics of collective action and their effect on cooperation. Therefore, my case studies cover a number of these challenges from intractable types that can lead to situations of chronic non-compliance, where pursuit of self-interest suggests uncooperative game as the best option for each government, to other situations where disagreements about various policies can hinder resumption of cooperation in the first place.27

Modelling each of the case studies on different games help us comprehend or follow the logic that governs interrelationships amongst incentives, strategic interrelationships and the quality of cooperation. Each model therefore, helps us understand the thought processes of political actors in situations of collective action. Game theory captures the strategic social dilemma that affects policy decision-making by governments in collective action situations. While the logics of different games enable us to systematically develop models for rational decision making in various situations of strategic social interaction. The aim of the case studies is to account for discrepancies between formal regional cooperation targets - where these clearly declared - and the actual outcomes at the end of the specified implementation period.

I identify four cooperation initiatives within SADC that I model on corresponding games. Depending on physical attributes of the initiative and the unique strategic structure, each regional initiative is described in terms of a corresponding game. The logic of action of the game enables identification and systematic analysis of a specific type of collective action problem. Modelling helps us to highlight points of congruence between key aspects of a chosen game and properties of an individual regional initiative. Thus analytically, modelling the initiatives allows for significant degree of hypothesizing about the main challenges for cooperation as well as the remedial action that may be necessary to enhance prospects for successful cooperation. Therefore, different game models do not replace each other in this study, on the contrary, the models complement and supplement one another to facilitate our understanding of different (multiple) logics of collective action and their implications for regional cooperation.

Table 1 below highlights and summarises selected games reflecting specific tensions for cooperation. The table also depicts the essential features of individual initiatives and the corresponding game and a particular logic of action involved. The presentation and application of game theoretic logic help isolate the fundamental and strategic components in each initiative and indicate the likelihood of cooperation, impact of distributional problems, enforcement and the relevance of institutions in alleviating some of these tensions.
### TABLE 1: Game Models of Selected Case Studies

<table>
<thead>
<tr>
<th>Type of Initiative</th>
<th>Proposed Case Study</th>
<th>Type of Game</th>
<th>Basic Problem</th>
<th>Hypothesised Dilemmas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shallow Economic Integration</td>
<td>SADC Protocol on Trade and the Amendment Protocol-FTA</td>
<td>Prisoners’ Dilemma</td>
<td><strong>Cooperation:</strong> Governments are interdependent, each imposes costs on others independent of the others actions</td>
<td>Monitoring and Enforcement</td>
</tr>
<tr>
<td>Deep Economic Integration</td>
<td>SADC Finance and Investment Protocol</td>
<td>Coordination</td>
<td><strong>Coordination:</strong> Governments are interdependent, impact of each governments decision is contingent on decisions made by others</td>
<td>Multiple equilibria: may decrease prospects for cooperation (initially). Enforcement and monitoring less problematic</td>
</tr>
<tr>
<td>Physical Infrastructure Development</td>
<td>SADC Protocol on Energy</td>
<td>Stag-Hunt</td>
<td><strong>Assurance:</strong> Governments are willing to engage each other for mutual gain but each need to be assured that partners are not going to defect. Defections can impose damaging costs to one’s welfare.</td>
<td>Multiple equilibria: Monitoring and Enforcement</td>
</tr>
<tr>
<td>Governance</td>
<td>SADC Election Monitoring</td>
<td>‘Second-Order’ Prisoners’ Dilemma</td>
<td><strong>Enforcement:</strong> Governments as peers monitor and enforce commonly adopted norms or values-consensus on reporting and ability to act in concert delivering punishment</td>
<td>Regional Consensus, Reporting and collective enforcement</td>
</tr>
</tbody>
</table>
My effort to complement existing explanations of poor performance of African cooperation arrangements emphasizes the value of theory in understanding the nature and variety of collective action problems. Application of game theory highlights the role of strategic factors and enables analysis they may have on the quality of cooperation. Game theoretic analysis based on various game models helps us identify the circumstances under which self-interested governments can achieve cooperative outcomes by their own self-interested choices. By explaining variations in the quality of cooperation across different initiatives, I also recognize the relationships between cooperation outcomes and the effects of the underlying strategic structure of individual cooperation initiatives. Therefore, identification, modelling and comparison of different problems of collective action, imply a logical comparison of the problems that each poses for international cooperation and the implications for resolution of these problems.

However, various contextual differences or circumstances such as asymmetries among regional states or prospects for future play also have significant influence on the degree and quality of cooperation. These factors can be amplified further by historical and other differences not directly accounted for in the game theoretic analysis. The principal limitations of these games as models are their simplifying assumptions. For example, the models assume two actors, each with two choices and only one play. My analysis of real-life situations, relaxes some of these assumptions without changing the basic intuitive thrust of the analysis itself. I assess competing variables by carrying out detailed empirical research on each of our case studies. This two-pronged approach allows me to extensively investigate and shed some more light on the variations in the patterns or quality of cooperation observed.

In theory, fundamental structural differences between the initiatives imply variation in the degree and quality of regional cooperation. Thus, challenges to cooperation arising from each initiative will differ both in nature and level of ‘toxicity’ hence they may require different forms of interventions for resolution. Significant structural differences of our selected case studies map-out various strategic features and challenges reflected by a corresponding game. So the use of various game models enables us to study behaviour of
governments involved in various strategic sub-regional arrangements. If only the challenges arising from specific logics and the implications for collective action were better understood in Africa today, then appropriate intervention mechanisms better able to guide international cooperation could be designed to improve chances of successful cooperation.

I carry out an empirical enquiry mainly to evaluate quantitative differences between different regional initiatives. Since I insist on the primacy of qualitative distinctiveness, the empirical research is complemented, but not substituted by game theoretic modelling to assist in grappling with the qualitative imperatives that I suggest carry significant influence on decision-making in cooperation arrangements.

My analysis of cooperation in this study makes the following assumptions. Firstly, it assumes that state preferences emerge through a bottom-up domestic policy making process. Secondly and closely related to this assumption is another, that regional governments are generally democratic and thus to a reasonable extent receptive to domestic societal influences. The two pronged approach allows for explanation of behaviour of governments by uncovering incentives and constraints that face political actors or policy makers in situations of collective action. Where cooperation outcomes are already known, I trace preceding decision-making processes through using historical methods such as process tracing in combination with techniques borrowed from game theory which I use for analysing strategic behaviour. National governments may remain autonomous entities; however I submit that, in collective action situations, decision-making processes are subject to the vagaries of group dynamics and constraints imposed by interdependence of their goal. All these considerations introduce further distortions to available policy options.

While my two pronged approach is intended as a critique of the traditional approaches that assume a direct relationship between the size of quantitative payoffs and the degree or quality of cooperation, my analysis is also meant to examine the role of qualitative factors on cooperation decisions. What are the strategic concerns or concerns of ‘human
decision makers,’ and how do these concerns affect state behaviour in collective action situations? By focusing on the possibilities of “human agency” and how it affects outcomes of international cooperation agreements, the thesis strives to illuminate much that until now is left obscure in many studies of African cooperation.

My analytical approach takes into consideration that beside perceived material gains from cooperation, decisions by self-interested governments often reflect considerations of both tangible and intangible factors that influence their individual preference orderings. Therefore, over and above explaining why specific outcomes occurred based on the logic of a particular game, I proceed empirically to test the causal linkages between declared policy goals (independent variable) and the quality of cooperation (dependent variable). I also explore the role of regional institutions in shaping such outcomes (intervening variable). In each case study, field work research helps me build upon the explanations implied by the theoretic logic of action implied by in each of the game models.

Methodologically, in order to examine the conditions under which sovereign governments achieve cooperation, the analysis is divided in two parts. The first part involves developing game theoretic models of the cooperation problem in each regional initiative. Since the logic of action behind each one of these models suggest that different situations of collective action are affected by different types of cooperation challenges or strategic problems, on the basis of the inherent logic of action in each model, I formulate and assess a number of logical theoretical propositions about factors that may facilitate or inhibit cooperation.

The second aspect of this study, subjects the theoretical propositions to empirical testing in the selected SADC case studies. The case studies essentially help me clarify how certain results came about and through process tracing I am able to explain various cooperation outcomes that I observe. Through process tracing, I look for evidence to examine the causal relationships suggested by the theoretical logics in the propositions. Process tracing helps me to understand behaviour of governments during the negotiations of various regional cooperation agreements and subsequent implementation phases. This
enables me to explain the actions (non-actions) of these governments and the motives behind those actions. I adopted an eclectic approach in the execution of this study. This included a broad survey of official SADC documents and reports most of which are available at the SADC Secretariat in Gaborone. The SADC Secretariat also houses a library that possesses useful collection of records and media clippings of SADC activity reports spanning a number of years.

In order to gain some insight into the formal SADC negotiations, which are ordinarily not accessible to the public, a mixture of official reports and interviews of senior SADC officials at the Secretariat, and some civil servants, particularly those that were involved as negotiators in various committees, experts particularly those involved with SADC processes as consultants. Data from these sources provided a critical window into the official SADC negotiations, and enabled me to gain grasp of some of the key dynamics behind the agreements. On a few occasions I also interviewed some politicians and political parties in some member states.

Therefore, I visited several government departments in Lesotho, South Africa, and Botswana. The Department of Trade and Industry (DTI) in Pretoria was a useful source for SACU related data and I interviewed officials from both the DTI and the DFA on specifically different elements of the SADC trade negotiations. Some desk research at the Committee of SADC Stock Exchanges (CoSSE) Secretariat at the JSE in Johannesburg provided rich data about the CoSSE negotiations. These were complemented by the interviews at the CoSSE Secretariat and at South African Reserve Bank in Pretoria and interviews (telephonic) with expects some of them SADC consultants in the area of securities exchanges.

It was also necessary to interview some of the political actors who are direct participants in some of the SADC processes. I interviewed some national political leaders including opposition politicians in Lesotho. Other enquiries were in the form of emailed questions to political parties in South Africa and Zimbabwe. All efforts to interview the current
Chair of the Organ on Defence, Security and Politics, which might have been ideal, did not materialise, I was able to access fairly good data from other sources.

The results of this study should be of interest from a number of different perspectives. First, as an empirical study of regional cooperation in Africa where numerous initiatives, old and new are currently being undertaken. Second from a methodological perspective, the thesis demonstrates the utility of adopting a comprehensive approach to the study of regional cooperation, which allows examination of both strategic and empirical factors on the quality of cooperation.
CHAPTER THREE

REGIONAL TRADE LIBERALISATION AS A PRISONERS’ DILEMMA: THE CASE OF SADC PROTOCOL ON TRADE

3.1 Introduction

In August 1996, SADC governments signed a regional Protocol on Trade with an expressed aim to form a Southern African free trade area “on the basis of fair, mutually equitable and beneficial trade arrangements.” The Protocol stipulated that the planned FTA was to comprise 85 percent of all intra-SADC trade at zero tariffs by the year 2008. The remaining 15 percent was to be liberalized by 2012. Member governments committed to implement reciprocal annual tariff reduction schedules in line with the stipulations in the Protocol. Member governments opted for gradual elimination of various trade restrictions including custom taxes and tariffs on all intra-regional trade on goods and services excluding arms.

In theory, implementation of the Trade Protocol particularly its free trade principles would lead to wide-spread economic gains from freer trade relations. SADC leaders also viewed closer cooperation as a catalyst for broader integration within the Southern African economic community. Creation of a free trade area (FTA) was seen as critical to overcoming policy externalities and other shared perils including very small and fragmented national markets. The text of the Protocol sets out a hierarchy of sub-regional structures that were meant to facilitate and oversee progress towards realization of the FTA within targeted period of eight years.

In practice, economic cooperation arrangements have done little to liberalize or integrate economies or to facilitate economic turn-around of respective regions and countries in Africa. Trade liberalization initiatives have failed to eliminate trade restrictions including both tariffs and non-tariff barriers. Today, trade barriers on the continent continue to be
relatively high, thus constraining intra-regional trade which remains generally low and continue to be subjected to high transaction costs.28

Despite numerous cooperation attempts in Africa, integration remains an elusive end. Past and present regional cooperation arrangements fall far short of their ambitious target to realize integrated regional economic communities, whether these are free trade areas or customs unions. Inadequate political commitment by governments and general lack of political support has often been blamed for many failed trade liberalization attempts.29

Explanations of why regional trade liberalization seems particularly difficult on the African continent are many but unsatisfactory. One argument is that, real economic gains from trade liberalization are too low or scanty, inadequate to provide sufficient motivation to national policy makers and political authorities. The gains from free trade are limited by a number of factors including insufficient price competitiveness; high dependence on primary commodity exports in particular minerals and fuels, incompatible production structures as well as inadequate transport infrastructures.30

Those proposing these explanations rightfully posit that, trade liberalization present costs as well as opportunities to respective national policy makers. Since national trade policy decisions logically flow from cost-benefit calculations acceding to the regional trade liberalization agreement or implementing trade liberalization provisions depends on perceived costs or benefits associated with either option. Logically, wherever the cost of implementing liberalisation provisions threaten or outweigh the expected gains, policymakers prefer to withhold implementation of their liberalisation provisions. Non-

implementation by one or more governments produces a ripple effect as other
governments acting out of their own self-interest, retaliate by re-imposing equivalent
tariffs. Progressively, all governments start moving towards the pre-agreement status-
quo.

The balk of existing research on African economic cooperation and integration explain
failure by national governments to implement regional trade liberalization provisions in
terms of projected costs and benefits. There are two main sub-types of these explanations,
some question whether regional trade liberalization carries any real prospects of
economic benefits. Expected gains from shallow integration either do not exist at all or
they are of insignificant magnitude to act as an incentive to the policy makers. By
implication, the cost for implementing trade liberalization provisions always outweighs
possible economic gains from free trade.\footnote{Hazelwood, “Problems of Integration among
African States,” p. 6.} The implication is that African political
authorities and policy makers do not adequately value these miniscule economic gains
that accrue from integration and the contributions these can make to the national resource
pool.

The second sub-type of explanations sees some prospect for economic benefits, but they
believe that the domestic political costs of implementing trade liberalization exceed
potential gains.\footnote{Henry Bienen, “The Politics of trade liberalisation in Africa,”
\textit{Economic Development and Cultural Change}, 38, (1990), 713-32: Dani Rodrik,
“Why is Trade Reform so Difficult in Africa?” \textit{Journal of African Economies}, 7(1998), 67.}
For example, Henry Bienen has argued that implementation of trade
liberalization policies in Africa were likely to be piecemeal and not fully realized as
governments backslide under various domestic political pressures.\footnote{Bienen, “The Politics of
trade liberalisation in Africa,” 729.} Political leaders
generally, do not accord prominence to free trade and integration but rather prefer to be
more responsive to their domestic political constituencies. According to these
perspectives, in Africa, prospects for successful or sustainable cooperation in regional
trade liberalization arrangements are almost always limited.
While there maybe a thread of truth in the conventional explanations, they are also problematic. For example, lamenting the inadequacy of these conventional approaches to the understanding trade reforms in Africa, Rodrik argued that, “stock phrases like ‘ownership of reform’ or ‘commitment of the leadership’ that are common in these discussions, do not do justice to the real political challenges that reformers face.”\textsuperscript{34} He argued that, these explanations have to be complemented with a more sophisticated understanding of what really blocks trade reform. I concur with Rodrik that, conventional explanations of regional cooperation in Africa are generally unsatisfying and analytically deficient. For example, these explanations do not shed light on why is it that despite abysmal record of economic cooperation, African political authorities continue to show overt interest in trade liberalization and integration.

The collective zeal for economic integration and liberalization of markets amongst African governments, seen against the backdrop of dismal performance of similar initiatives in the past, presents an interesting puzzle. Despite the past failures, economic cooperation and integration continue to be first choice strategies among African leaders even though past declarations and agreements to liberalize regional trade have seldom been matched by commensurate action from participant governments. This begs the question, why governments that enthusiastically sign trade liberalization agreements at one point, fail so dismally, to implement subsequent liberalization commitments; a necessary step towards mutual free trade gains? Conventional explanations premised on cost-benefit considerations of governments clearly have only limited utility for understanding cooperation challenges beyond tangible economic incentives and disincentives for economic cooperation.

One may argue that continued faith in economic cooperation by African leaders, despite past failures, constitutes a vote of confidence in economic cooperation, and a rejection of unilateralism. It is obvious that cooperation in shallow integration initiatives retains an economic rationale that highlights significant potential gains from free trade. My game theoretic approach goes beyond the conventional accounts of African cooperation. For

\textsuperscript{34} Rodrik, “Why is Trade Reform so Difficult in Africa?” 67.
example, my analysis aims to complement existing explanations on why governments may fail to achieve mutually desirable gains from a regional free trade area, even if they are convinced there are benefits to be had from free trade. In practice, governments involved in liberalizing intra-regional trade, have often failed to sustain reciprocal action going forward even if such action would clearly lead to mutual gains for all.

Regionalism and regional integration have been strongly pursued by African governments recognizing their economic potential to facilitate economic development. Efforts to intensify regional integration and economic cooperation intensified in the 1990s, leading to the creation of various economic arrangements across the world. These economic communities include the European Union, in Europe, North American Free trade Area in North America and MERCOSUR in Latin America. Successful experiences in many of the economic cooperation arrangements around the world motivated other states and particularly in developing regions like Africa to promote regional cooperation and free trade as a way to realize mutual economic gains.

African governments have consistently demonstrated strong support for regional integration and cooperation. However, sustained attempts by successive governments to realize mutual economic gains from intra-regional trade liberalization have been markedly unsuccessful. It is important to examine how governments can overcome the challenge of collective action pertinent to regional trade liberalization. It would be unlikely for governments to spend so much time and resources into pursuing regional trade liberalization if they preferred the status-quo and did not really intend to carry out free trade. For example, SADC governments engaged in intense negotiations over the period of four years to facilitate agreement and open way for implementation of the Trade Protocol.

My analysis focuses on the problems of collective action that may prevent a group of governments from realizing mutual economic gains from liberalizing intra-regional trade. I seek to explain how and under what conditions sovereign governments implementing free trade sustain cooperation and eventually achieve collective economic gains. By
modeling the SADC trade liberalization initiative as a Prisoners’ Dilemma game, I am able to study the influence of strategic considerations on a group of governments implementing reciprocal trade liberalization commitments. The basic logic of the game is that, action that benefits governments the most individually, conflicts with the group’s overall objective, thus undermines prospects for voluntary cooperation.

Therefore, any group of governments implementing successive trade liberalization provisions faces strategic challenges that can affect policy decisions regarding implementation or non-implementation of the national liberalization commitments. And by drawing links between the theoretical basics of the Prisoners’ Dilemma game to trade policy decision making processes, I am able to systematically draw implications these actions have for cooperation.

Thus, this chapter contributes to the existing literature on African economic integration, in at least two ways. Firstly, it examines both theoretically and empirically, how the interplay between collective and individual motives shapes policy outcomes in regional cooperation arrangements. In particular, it assesses how tangible and intangible incentives can hinder a group of governments implementing a trade liberalization agreement to sustain cooperation. Thus, I see regional trade liberalization exercise not only as a mere tariff elimination process, but also as a negotiated and agreed regulatory framework that encapsulates monitoring and enforcement of a comprehensive regional agreement. In this case the SADC Protocol on Trade.

The rest of this chapter is constructed as follows; the next section advances the analytical framework, which imports a theoretical model for multilateral trade liberalization in an ‘insecure’ regional environment comprising of self-interested sovereign states.³⁵ The framework advances a theoretical game model of regional trade liberalization and deducts logical theoretical propositions from the logic of action of the game. Thirdly, I examine and test both theoretical and empirical validity of each of the propositions these propositions by analyzing cooperation process from negotiations to implementation of the

³⁵ Insecure here refers to the chaotic nature of international relations.
SADC Protocol on Trade and subject each of the suggested theoretical propositions to rigorous theoretical and empirical testing.

### 3.2 Analytical Framework

International cooperation is often studied in the context of rational theories. While a number of games have been used to study various problems of cooperation, the Prisoners’ Dilemma game in particular, has been extensively used to examine issues of international cooperation in the provision of regional public goods.\(^{36}\) The cooperation initiatives in this area usually cover diverse regional efforts aiming to optimise usage of shared resources. These can include sharing of river basins by riparian countries, sustainable harvesting of common fishing grounds, improving transport inter-connections, and use of other shared environmental spaces.\(^{37}\)

The Prisoner’s Dilemma game got its name from the following hypothetical scenario. Two criminals are arrested under suspicion of having committed a crime together, but the authorities do not have sufficient proof to secure a conviction. The officer isolates the two, and offers each a deal; the one who agrees to testify against the other earns his freedom, while his partner gets a lengthy prison sentence. If none of them accepts the offer, they are in fact cooperating against the authorities, and each will get only a minor punishment due to lack of sufficiently incriminating evidence. However, if one of them betrays the other by confessing to the authorities, he will gain his freedom at once. The prisoner, who remained silent, will then get the full punishment, based on sufficient proof authorities garnered from his mate. If they both talk, both will receive a severe but relatively light punishment than if they had refused to talk.

The game highlights the following social dilemma. As strategically rational actors, each prisoner knows that his sentence depends not only on what he does, but also on what his

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counterpart does. As a strategic actor, each prisoner is tempted to buy his freedom by selling out his partner choosing the selfish option that yields his most preferred outcome attainable (DC > CC), no matter what his partner chooses to do. Expecting that acting in his own self-interest, his counterpart will do the same, one would rather defect than fall victim to partner’s actions. Choosing to minimise their sentences both prisoners strike a deal with authorities and confess, getting moderate sentences, and miss out on possible light sentences they could get from holding back on information. The dilemma resides in the fact that each prisoner has a choice between only two options, for both prisoners desired outcome (freedom) depends on what the other one does. Each prisoner gains when both cooperate, but if only one of them cooperates, the partner will gain more if he acts selfishly and defects. If both defect, both lose out, but not as much as the cheated co-operator whose cooperation is not returned.

The Prisoners’ dilemma scenario highlights the collective action problem where pursuit of narrower self-interest leads to mutually damaging outcomes. Figure 2, below shows the payoff matrix and the order of preferences of a Prisoners’ Dilemma game.

**Figure 2: The payoff matrix for Prisoners’ Dilemma game**

<table>
<thead>
<tr>
<th></th>
<th>Cooperate</th>
<th>Defect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperate</td>
<td>3, 3</td>
<td>1, 4</td>
</tr>
<tr>
<td>Defect</td>
<td>4, 1</td>
<td>2, 2</td>
</tr>
</tbody>
</table>

In terms of international cooperation, figure 1 above illustrates that if they act in their self interest, the two governments will opt for their first choice strategy-governments A and B will choose to defect (4, 1) and (1,4) respectively. However, such action produces sub-optimal outcomes at (2, 2), while alternative strategy (Cooperate, Cooperate) produces an improved outcome at (3, 3), which is still inferior to one-sided defection (Defect,
Cooperate) at (4, 1). Therefore, it pays more to defect than to cooperate. This provides an incentive for unilateral defection in Prisoners’ Dilemma game situations. The incentive matrix in PD makes mutual cooperation a desirable strategy but one that is difficult to sustain as parties to the agreement continue to face the temptation to cheat on their counterparts. Duncan Snidal has referred to the Prisoners’ Dilemma game as “an archetypical example of a disjuncture between individual and group rationality.”

In theory, when trade barriers are dismantled, intra-regional trade expands. This expansion leads to a general increase in regional economic output and a possible rise in regional employment levels. Furthermore, cheaper regional products replace more expensive regional products which have positive effect on regional welfare levels. However, trade liberalization is characterized by substantial costs as well. Possible costs include loss of trade policy sovereignty and revenue loses resulting from reducing declining trade duties and taxes which can reach several percentage of national GDP in some cases. Therefore, effects of foregoing national tariffs can significantly decrease the national welfare levels. Collaborative action in shallow integration initiatives presents a trade-off between significant and immediate costs to individual governments against future gains for all that are also conditional on everybody implementing their national commitments.

Modeling the SADC trade liberalization initiative as a Prisoners’ Dilemma game provides further insights into strategic difficulties that face any group of governments trying to capture gains from implementing free trade policies. The logic of action in the PD game is as follows; any action that benefits governments individually, conflict with the group’s overall objective, hence also undermines potential for voluntary cooperation. Therefore,

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38 Snidal “Coordination versus Prisoners’ Dilemma,” 926.
regardless of the value of possible future gains from free trade, cooperation will be problematic due to considerations of strategic self-interest by individual governments.\textsuperscript{41} The paradox highlighted by the Prisoners’ Dilemma game is that while reciprocal action produces highest gains to all, defection produces the highest possible individual gains. Therefore Prisoners’ Dilemma is basically a non-cooperative game. No matter how lucrative potential economic gains from free trade may seem, sovereign governments will fail to cooperate and realize mutual gains voluntarily. This depicts the central dilemma that faces sovereign governments trying to achieve free trade and its potential economic gains. If unmitigated, this dilemma can scuttle the cooperation efforts despite presence of obvious mutual economic gains desirable to all governments.

Any group of governments that may aspire to be members of the FTA in the future, remain keen to maximize their national gains in the present. Therefore, in the present, the temptation to cheat or ‘free-ride’ on others is as real as the fear of being exploited by them. Policy decisions of respective national policy-makers also are also influenced significantly by intuition or their judgment regarding the prospects for successful outcome from the initiative. This strategic decision-making is critical for national political leaders making trade policy decisions within the free trade agreement framework.

Modeling any cooperation initiative as a game means that the inherent logic of action in the game concerned facilitates ordered examination of strategic determinants of government behaviour in collective action situations. In this case, the logic of the Prisoners’ Dilemma game allows for a systematic deduction of logical theoretical propositions about the behaviour of governments implementing the free trade agreement and subsequent effects of such behaviour on regional cooperation. The Prisoners’ Dilemma game model captures strategic challenges that trade liberalization agreements present to a group of governments. The model helps us to systematically link the theoretical basics of game theory to trade policy decision-making processes, including the

role of political considerations for trade policy decisions and the impact these may have on the quality of regional cooperation. Therefore, the use of game theoretic models enables extending the scope of analysis of cooperation beyond purely materialistic considerations, to include a focus on qualitative attributes of the cooperation initiative and their impact on cooperation. The model provides a unified framework that captures strategic dimensions of cooperation and facilitates analysis of interdependent policy decisions.

The inherent logic of game theory suggests that governments always choose the course of action that maximizes one’s expected utility. This means that a choice for policy strategy is based primarily on the overall sum of all positive and negative consequences of a particular course of action, weighed with the probability of its occurrence. Sovereign governments first have to agree to engage each other in an interdependent and mutually beneficial regional arrangement. Each government first has to decide on the desirability of joining a regional free trade arrangement. A decision to join and later to comply with the free trade agreement will only find support if and only if:

1. The envisioned gains from cooperation are higher than the gains from unilateral action. (CC>DD).

Each government would be better off, if all chose CC rather than DD because the payoff from CC > DD. However, in any Prisoners’ Dilemma situation, each player risks unilateral disadvantage if they individually commit to CC, because the outcome CD is worse than any other option. Therefore, none of the participant governments would expect that any other government would voluntarily prefer/choose CC over higher payoff DC > CC.

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2. **a)** The gains from unilateral action (DC) are higher than the gains from mutual action (CC). Temptation incentives for unilateral action exist, DC>CC.

Despite their shared desire to liberalize intra-regional trade for mutual economic gains, the temptation for each government to defect from the agreement is very strong. In fact, no government expects that any of its partners will voluntarily commit to cooperation and risk unilateral disadvantage because the outcome CD is synonymous with being exploited by partners that defect. Each government knows that (CD) cooperation is not a rational strategy, and it is the least favorable to any one self-interested actor. Therefore, they may as well defect too. This gives rise to our subsequent proposition that;

2. **b)** Strong incentives exist to avoid being exploited/suckered leads to the outcome DD>CD. Unilateral action (DD) becomes a stable outcome and remains the equilibrium point for the Prisoners’ Dilemma game.

One can deduce that mutual mistrust compels each government to opt for evasive action in order to avoid falling victim to manipulation of other governments. Thus, the outcome DD is a dominant strategy for both governments, and meaning that cooperation will collapse and the status-quo will prevail as strategic dilemma prevents governments from achieving cooperation in a one-shot game.

Governments can overcome the dilemma if the game is repeated indefinitely. This opens an opportunity for back-up strategies which cannot be applied in a one shot-game. Ability to apply back-up strategies means that if one’s action is not reciprocated the defector can be punished in the future. Punishing non-compliance effectively raises the benefits of self-restraint and if the punishment is sufficiently high, it translates into compliant behaviour, by diminishing the incentive for unilateral defection (DC<CC). Punishment elevates the value of future discounted returns from cooperation (CC) above the gains one can achieve from defection (DC) in a given period. Hence our third proposition;
3. Where trade liberalization is repeated indefinitely, the PD problem can be overcome and reasonable levels of cooperation sustained if retaliatory strategies can be applied in subsequent rounds. Lower levels of defection should be apparent where effective monitoring and punishment institutions exist.

Governments can overcome the prisoners’ dilemma challenge and sustain implementation of regional free trade provisions and realize mutual economic gains if trade liberalization is played repeatedly making punishment possible. 43

The next section presents a case study of efforts to build cooperation around the SADC Protocol on Trade. The case study includes evidence regarding the theoretical propositions just presented. The first section focuses on the proposition that SADC member governments genuinely prefer mutual cooperation over mutual defection. It examines the extensive negotiations over the content and time frames of the trade reduction schedules in the protocol.

The second section focuses on the propositions about the temptations for unilateral defection and concerns about cooperating while others defect. It examines the attention given to monitoring and enforcing compliance. The third section examines the level of cooperation in implementing the protocol, which has been somewhat limited. I argue that this can be explained by failures of institutions to monitor and enforce compliance. The problem is not that SADC members would not prefer to liberalize trade among themselves as some studies have alleged, 44 rather it is that they have not yet overcome the collective action problems that accompany all regional efforts to remove barriers to trade.

3.3 Regional Motivations for SADC Free Trade Area

In theory by expanding access to regional markets, free trade arrangements promise increased and low cost intra-regional trade. These arrangements can facilitate economic growth by promoting foreign direct Investments (FDIs), improving balance of payments position of economies as well as attracting new technologies and requisite skills for national economic development. For example, from 1990-2000 exports between MERCUSOR members rose from USD$ 4.1 billion to USD$17.9 billion, while imports also grew from USD$4.2 billion to USD$ 17.9 billion. In this period, the general exports of every MERCUSOR member state to other members maintained a steady upward trend. The successes of MERCUSOR and developments in other regional arrangements such as the European Union go a long way to empirically prove the logic of the free trade theory, in particular, that economic integration helps reduce the risk of investments and bolster cross-border economic activity with potential benefits to all involved.

The SADC FTA was expected to create a regional market worth USD$360 billion with a total population of 70 million. The joining of Angola and the DRC could add a further USD$71 billion and 77 million people to the total regional market. Therefore, the combined income of the SADC market is estimated at around USD$431bn and comprises a total population of 247 million. In spite of huge economic and developmental disparities between SADC member countries, the FTA was deemed key to enhance intra-regional trade and investment flows from which all regional countries could benefit. Regional governments big and small

expressed common desire to “liberalise intra-regional trade in goods and services on the basis of fair, mutually equitable and beneficial trade arrangements.”

Therefore the signing of the Trade Protocol by SADC members reflected a mutual desire to coordinate and manage regional action in order to reconstitute regional trade and enhance regional efficiencies. The trade liberalisation initiative emanated from the widely held perspective among regional leaders that cooperation was necessary to achieve mutual gains from free trade. Regional FTA was perceived as a win-win situation for both big and small regional economies. Improved regional production efficiencies and easier access to FDIs translates into improved growth prospects and domestic industrialisation. Secondly, depending on available domestic resource advantages, smaller economies could take advantage of the economies of scale to compete in the bigger and more lucrative regional market. Acquisition of new production technologies, access to regional capital, and access to bigger more competitive markets all prepare regional producers to take market opportunities elsewhere in the world.

South Africa being a dominant economy in SADC making up about 65 percent of combined SADC GDP, and also enjoying huge trade surplus with the rest of the member states was equally in favour of the FTA. And the official position in South Africa has consistently been that a situation in which all the trade went one way was not in South Africa’s long-term interest. Positive effects of the FTA in neighbouring smaller economies might help stem the tide of illegal economic migrants into South Africa. Larger regional economies also perceived positive spinoffs from more open regional market. These include Mauritius and Zimbabwe which also desired an opportunity to increase their regional market share for their manufactured goods. Therefore, SADC may comprise of unequal economies, but regional

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50 See Article 2, of the SADC Protocol on Trade, signed in Maseru, August 24, 1996.
www.abcnews.com
leaders in both small and big economies devotedly supported regional economic cooperation and integration.

Thabo Mbeki echoed a popular sentiment when he said, “integration can create the basis for regional markets and industries to overcome the limits of small markets, to achieve economies of scale, and enhance competitiveness.”\textsuperscript{54} Free trade was generally perceived by regional leaders as having a positive-sum outcome, and one that could re-integrate SADC into the global economy. The option of free trade seems to provide a situation in which individual governments could pursue policies that maximise not only their national welfare but also the regional welfare.

It was at the 1995 SADC Conference, held in South Africa, that serious talks around forming a regional trading block were first initiated. Subsequent talks led to the signing of a regional Trade Agreement commonly referred to as the SADC Protocol on Trade on the 24 August 1996, in Maseru Lesotho. The Protocol was signed by eleven Heads of State and Government of the Southern African Development Community. The signing was essentially a unanimous declaration of intent by SADC leaders to cooperate in liberalising respective national trade regimes to form a regional FTA. The SADC Trade Protocol committed governments to cooperate in a gradual elimination of trade barriers as agreed in subsequent trade negotiations. The heads of State and Government, at the Summit in Arusha Tanzania, adopted the SADC Regional Strategic Indicative Plan, (RISDP) to give further impetus to the regional economic integration framework beyond the planned FTA. Authorities chose regional cooperation as a broader development strategy through which to accelerate and consolidate economic growth and development of Southern Africa.

Therefore, SADC governments rejected the regional trading status-quo, for an alternative new cooperative trade arrangement in the region. In terms of my analytical framework, the Trade Protocol was clearly perceived by regional political authorities as being Pareto-superior to  

what had been the unilateral sub-game perfect equilibrium. The realization of the FTA was rated very highly, and it came to comprise an urgent sub-regional goal, achievement of which depended on reciprocal action. Success would require signatories to deliberately prioritise the collective goal over the usual national/private material gains.

3.4 Easier Said Than Done: Strategic Aspects of Multilateral Trade Liberalization

The signing of a legally binding Protocol on trade, in 1996 symbolized converging preferences among SADC governments and political leaders who believed that the FTA will have positive growth effects for the region. In theory, freer more open economies encourage competition, which in turn enables governments relying on their competitive advantages to achieve more efficient allocation of national resources. Exploitation of economies of scale and easier or free access to bigger regional market comprise essential ingredients for stimulating regional production and improving regional competitiveness in the global market.55

Despite a strong theoretical rationale and widely acknowledged potential gains from free trade, strong traditions and support for regional cooperation within SADC, the trade negotiations were difficult. SADC governments missed a number of critical deadlines that threatened ratification and later implementation of the trade protocol. The apparent reluctance by SADC governments to endorse implementation of the potentially beneficial trade Protocol at first appears imprudent if not foolish. The reality is that when governments undertake to gradually open up their national markets to one another strategic problems arise, since each of these governments is motivated more by its own private goals. Therefore multilateral liberalization of intra-regional trade might eventually produce mutual desirable gains, but the temptation to maximise one’s private welfare outweighs declared desire for collective good. Individually, governments succumb to the temptation to hold on to one’s own tariffs while enjoying the free market access as others’ abolishes their own tariffs.

55 See Benjamin William Mkapa, Foreword of the SADC Regional Indicative Strategic Development Plan (RISDP), (Gaborone, August 2004).
Economic gains from unilateral action exceed any returns from cooperation. The temptation to cheat exceeds any motivations to collaborate for mutual gain, which renders deviation from mutual agreement a highly valued strategy over compliance. If a government reneges on the agreement by delaying or revoking its tariff concessions, it gains significantly more, and its partners can do no better than retaliate by revoking their own concessions. This retaliatory action inflicts no penalty or cost upon a defector who has unfairly gained by exploiting others, but the action basically threatens the sustainability of the cooperation agreement itself.

As indicated earlier, in multilateral trade liberalisation, one country’s cooperation is vulnerable to the opportunism of other countries. And since every government knows that other governments are will cheat, governments approach shallow integration negotiations well aware that, ex post, other government can cheat or harm their own national interest. Therefore, from the onset, governments behave strategically with one another and choose conditional cooperation that is based on specific terms and conditions. Where strong motivations for cooperation exist, governments will tend to stick to the agreement in the first period and continue to do so for as long as no other government defects from it. If one defects by raising its tariff, others will retaliate by re-setting their own tariff to pre-agreement level which can set-off a series of defections and retaliations that can lead to the collapse of the trade liberalisation initiative.

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3.5 A review of the SADC Trade Negotiation Process

The SADC trade negotiations leading up to the ratification and coming into force of the Protocol were far from smooth.\(^{57}\) Despite having already agreed in principle to cooperate, behaviour of the regional governments in the trade negotiations reflected strong mercantilist tendencies of international trade. SADC negotiations were characterised by tense competition between various short-term domestic priorities than by a common drive to realise a mutual regional goal. As such these negotiations tend out to be a more contentious exercise than initially anticipated as member states jostled to align the agreement with their national economic interest. Zunkel observed that many government negotiators were of the view that, allowing others access to the domestic markets under more favourable conditions, was a concession that compromised the rights of domestic producers in their own home market. Therefore, any concession required a reciprocal ‘favour’ of foreign market access as a quid-pro-quo. And wherever trade offers were deemed unacceptable or unfair, others would revise their own tariffs upwards, which ran counter to the regional objective.\(^{58}\)

Trade liberalisation as exchange of market access is consistent with a once off or finite play Prisoners’ Dilemma game. Opening up one’s domestic markets by implementing liberalisation commitments is costly and carries immediate risks of being exploited, while the benefits of liberalisation only emerge over time, provided other governments make reciprocal concessions. Strategically, governments will prefer not to comply until they are assured that non-compliance will be monitored and punished sufficiently strongly to deter others from reneging on their commitments. Therefore reciprocal liberalisation of trade among sovereign governments is not possible unless it is gradual and based on a sound framework agreement and has in place clear mechanisms to monitor and punish opportunistic incidences of non-compliance.

The SADC Trade Protocol envisioned a gradual approach to regional trade liberalisation. Member governments committed to realise the regional FTA over the period of eight years.

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\(^{58}\) Zunckel, “Can SADC achieve a free trade area by 2008,” 3.
(2001-2008), this signified partial, though significant, liberalisation covering about 85 percent of intra-SADC trade. The remaining 15 percent supposedly comprising of sensitive products was scheduled to be liberalised 2 to 4 years later (2012). The gradualist approach opened up an opportunity for application of contingent strategies to punish non-compliance, ensuring members that no sovereign government can get away with doing anything that is against collective interest. The difficult nature of subsequent trade negotiations was largely unexpected as member governments had already declared their support and desire to establish an FTA. After signing the Protocol in 1996, the expectation in SADC was that the ratification process was going to follow on relatively quickly and the Protocol operationalised at once. This optimism was reflected also by the then SADC General Secretary, Kaire Mbuende, who expected members to ratify the protocol and resume implementation as early as 1998 for the creation of a free trade area by the year 2004.59

In the context of my theoretical framework, such optimism would appear rather naïve, considering that the Protocol was a legally binding agreement, withdrawal from which would certainly carry some cost. Each government had strategic concerns regarding potential costs of liberalization on their domestic economies thus they engaged each other in robust trade negotiations that lasted from 1996 to 2000 and beyond. The negotiation process had a number of stalemates that resulted in a series of missed deadlines, delaying ratification and coming into force of the Protocol. Some of the most difficult issues reflecting key concerns of member states included modalities of tariff offers, harmonization of standard documents, information and procedures guiding the liberalization process. Delays by governments to ratify the protocol induced a sense of pessimism about finalization and implementation of the protocol. The net effect of this pessimism was to exacerbate uncertainty as member governments began to think that the FTA might never be realized after all.

The then Mozambique’s minister of tourism and trade, Oldemiro Baloi, captured cogently some of the motives for delaying ratification of the Protocol when he said,

Some countries did indeed ratify speedily, but the weaker members including Mozambique thought it necessary to alert business and society to the content and of the protocol because of the drastic consequences it would have for our economy. As SADC members understood the complexity of the protocol, they delayed ratification. This meant that what was supposed to be a second phase, that of negotiating tariff reductions, started before the first phase of ratification was concluded. We had to think of the losses and gains, and ratification was conditional on this. Thus ratification became dependent on concluding the negotiations and this was also the South African position.  

At this stage SADC trade negotiations had hit another one of several stalemates. Amid allegations of foot dragging by South Africa, the then minister of trade and industry, Alec Erwin corroborated Baloi’s position above, when in 1998 he said, that South Africa could not ratify the Protocol on free trade without specific details pertaining to the actual lowering of tariffs. The concerns by both Baloi and Erwin, reflect that, while there was broad support for free trade, individually member governments were worried about the content of the agreement and risks of unreciprocated liberalization gestures, or those which might not be fairly matched by those of their counter-parts.

It was however remarkable that the unequivocal commitment by regional leaders to cooperation and integration at no stage came into question. Taking trade liberalization off the table was never viewed as a viable policy option and the political leaders remained resolute to proceed with the goal to realize the FTA by 2008. Hence, the momentum of the trade talks did not completely disappear, neither did the general enthusiasm about the Protocol nor its free trade goal fizzle-out. Therefore, it may be argued that, the difficulty of SADC trade negotiations and numerous delays by member governments to rectify the protocol had little to do with whether member governments were still in favour of the protocol or not. As Rob Davies put it;

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All agree about the desirability and necessity to accelerate regional integration. The fundamental issue is how to do this in a way that is sustainable and contributes to promotion of economic growth and development.\(^6^2\)

The protocol being a legally binding document meant that, individual governments with diverse interests were determined to secure a regional trade agreement that was as favorable to their national interests as possible. These situations generate incentives for further negotiations among bargainers reluctant to commit themselves to positions from which it is subsequently costly to back down. Rod Alence indicates that such situations often lead to stalemate or impasse in multilateral negotiations.\(^6^3\) Therefore, contrary to early expectations, regional governments significantly delayed the ratification process because of the reluctance to accede to the agreement on terms they perceived as uncertain and potentially costly.

The more states value future benefits, the greater the incentive to bargain hard for a favourable deal, which increases possibility of costly standoffs. The SADC Secretariat’s efforts to urge members to ratify the Protocol to achieve the required number of ratifications to catapult it into force fell flat at the 19\(^{th}\) Annual Summit of SADC in Maputo, Mozambique on August 18, 1999.\(^6^4\) By the end of the Summit, only seven of the participating member states had ratified the protocol, short of one more member to get into force.\(^6^5\) At this stage, any hope to meet the newly agreed target of the 1, January 2000, for the coming into force of the protocol, were clearly under threat and Zambia with support from South Africa and Mauritius asked for a further postponement until the issues around textiles, sugar and motor and motor parts trade were resolved.\(^6^6\)

\(^{6^2}\) Rob Davies, “Advancing Regional Integration in SADC,” (power point presentation to Southern African Forum on Trade, Johannesburg, August 6, 2008.


\(^{6^4}\) Kaire Mbuende, Interview with Mesh Moeti, (SADC Summit Brochure, August 18, 1999), 23.

\(^{6^5}\) Malawi was the latest to ratify the SADC Trade Protocol following the Council of Ministers meeting prior to the Summit in Mozambique, August 1999.

http://www.africanews.org/south/stories20000103/20000103_feat1.html
The then Zambian Minister of Commerce, Trade and Industry, William Harrington, explained Zambia’s position as follows, “We want to make sure that our interests are protected.” Harrington proceeded to acknowledge the need to protect Zambian local industry. Once again SADC trade negotiations had reached a deadlock, and SADC again missed the envisioned deadline of January 1, 2000 for the implementation of the Trade Protocol. Negotiations continued while the postponement meant that implementation could only take place after 31, March 2000.

Outstanding issues at this stage were the proposed rules of origin for clothing and textiles, which according to Sifiso Ngwenya, were “simply too lax.” South Africa and SACU were of the view that the new arrangements should not undermine the viability of this sector in the region. The argument was that, the protocol was committed to linking liberalization to a “process of viable regional development,” As Angus September, part of the South African/SACU trade negotiating team pointed out that, “the idea of trade liberation in the region, “wasn’t liberalization for its own sake, we had to maintain growth and create jobs for our own people.” Thus, SACU’s position on the textile trade and its proposal of a double transformation rule on textile products must be understood in that context. This rule required that two stages of production - process from yarn to fabric and from fabric to finished product - take place within the region.

On the contrary, non-SACU countries preferred to source fabric from global sources at relatively lower cost and sell their produce in the region at a slightly higher price. Malawi and Mozambique were countries that were producing garments from fabric imported from outside the region. Smaller economies with their weak production bases and their inability to produce their own fabric were concerned that under the proposed double transformation rule, they would not be able to benefit under the Protocol. Consequently, non-SACU SADC countries strongly resisted South Africa/SACU’s proposal to establish a two-phase transformation rule for the sector. This is what caused the rules of origin deadlock.

67 William Harrington quoted in The Times of Zambia, Ibid.
68 Sifiso Ngwenya was the Director for Southern African Trade Relations in the DTI: Pretoria, quoted in The Zimbabwe Mirror, Harare, January, 2000.
70 Mr Angus September, “Interview,” (Hatfield: Department of Foreign Affairs Offices, October, 2006).
The breakthrough eventually came during the 13th meeting of the Trade Negotiating Forum (TNF) on 3-8 of September 1999. This meeting of the TNF was actually mandated by the previous Summit of the Heads of State and Governments held in Maputo in August to find solutions to outstanding issues and make way for the implementation of the Protocol. Outstanding issues included the determination of tariff schedules, preparation of all relevant SADC documents as per Annexes I, II, IV, and harmonization and standardization of all SADC documents, information and procedures which also had to conform to international trade regulations and in line with the World Trade Organization (WTO) regime.\textsuperscript{71}

The difficulty of the negotiation process revealed that the widely held view by political authorities in that free trade could generate strong intra-SADC trade benefits ran parallel to concerns held by member states individually. The stop-and-go character of the trade negotiation process reflects the seriousness of regional governments about the un-intended effects of trade liberalization on domestic economies. South Africa’s regional dominance has consistently been cited as a challenge to progressive trade liberalization, because of a huge intra-regional trade surplus in its favour and the fact that its economy accounts for about 76 percent of the total regional GDP, dwarfing those of its partners each of which account for about 5 percent or less.\textsuperscript{72} The implication in liberalising trade is that, firms in smaller economies might not survive once they can no longer rely on tariff protection to shield them from competition. While these ‘shut-downs’ might be desirable in principle, in practice, they are undesirable to national governments as resultant lay-offs aggravate domestic unemployment levels and have a potential to ignite social instability if displaced workers fail to get alternative employment.

Therefore fears and concerns about integrating extremely heterogeneous economies permeated SADC trade negotiations since the signing of the Trade Protocol in 1996. These concerns included potential loses of revenue from taxes and duties and risk of industrial polarization. Some members associated trade integration with reinforcement of ‘spoke and hub’ relations between South Africa and the rest of the region, creating de-industrialization

of smaller economies while increasing concentration of industry in South Africa. However, the flip-side of this argument, found expression from certain interest groups in South Africa. The Confederation of Southern African Trade Unions (COSATU) for one, expressed fear of possible influx of cheaper imports from lower wage economies in the region and the possible relocation of South African plants to these locations and their potentially devastating effects on domestic production and employment levels.

Therefore, to aid the negotiation process, member states improvised and crafted some tailor-made provisions in an attempt to mitigate polarization effects and assist the economies of the most vulnerable countries. Compromises were achieved by way of extended liberalisation periods, as well as non-reciprocal market access in specific commodities and more relaxed rules of origin in textiles. The Trade Negotiation Forum (TNF) resolved to invoke the principle of asymmetry in tariff differentiation in return for new double transformation rule of origin.

Three functional categories were adopted, Category 1, namely developed countries, comprising South Africa; de facto SACU, who in terms of the 1969 SACU agreement must apply South Africa’s external Tariff, and for whom South Africa had to negotiate their external trade position. Category II, comprised of non-SACU members of SADC that qualify as developing countries, namely Mauritius and Zimbabwe, and Category III, the non-SACU countries qualifying as least developed members. Along these 3 categories, SADC developed asymmetrical tariff phase down program each cluster, undertaking tariff phase down commitments at variable scales and speeds. Category 1 members were expected to generally front load their tariff reductions schedules, and achieve ‘substantially all’ trade

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74 COSATU, “Submission on the SADC Protocol on Trade,” (presentation to a joint sitting of the Portfolio Committees on Trade and Industry, Foreign Affairs, Agriculture and Land Affairs and the NCOP Select Committee on Economic Affairs, Cape Town, October 25, 1999).
75 These comprised the Least Developed Countries outside SACU, Mozambique, Malawi, Tanzania and Zambia (MMTZ).
76 See Article, 4, 5, 8, and 10 of the 1969 SACU Agreement; reviewed in 2002.
77 These include Malawi, Mozambique, Tanzania and Zambia. Angola, The DRC and Seychelles were not part of the negotiations at this stage.
free threshold by 2005, fifth year of implementation of the Protocol. Category 2 members were expected to generally mid-load their tariff reductions to achieve the targeted threshold in about seven to eight year period. Category 3 members comprised of the poorest members in the region were given leeway to back-load their tariff reductions schedules, beyond the eight year threshold but not to exceed 12 years, Mozambique the only exception with up to 2015 latitude.

Trade liberalisation offers were instruments of implementation that detailed national annual commitments to the tariff reductions. These trade liberalization schedules varied significantly across countries and across commodities with respect to the scope and timing of planned tariff reductions. However, they generally followed the basic guidelines and format as agreed to in the Trade Negotiating Forum.\(^{78}\) Eleven member governments acceded to the implementation phase of the trade protocol by submitting their tariff schedules to the SADC Secretariat but each reserved the right of gazetting the effective rates of duty each consecutive year.\(^{79}\) Required number of ratifications was solicited by late 1999 with a resolution on outstanding issues which technically brought the Protocol into force on the 25\(^{th}\) January, 2000.

However the general consternation of about the trade protocol did not completely vanish with the conclusion of the negotiation process and the settlement of the outstanding issues. Some of the controversies spilled over into the implementation phase, despite efforts to operationalise and modify the Protocol to accommodate various key interests of the other member states. Realisation of the FTA was obviously not going to follow automatically even though participant governments had agreed in principle and resumed submitting their trade liberalisation offers to the SADC Secretariat. Highlighting the trade-off between often undeclared policy-makers’ immediate national political goals and long-term regional economic goals, George argues that demands for short-term tariff reduction commitments vis-à-vis lack of immediate economic benefits from implementing free trade measures

\(^{78}\) The basic structure of Tariff reduction offers were agreed to in the TNF process.

\(^{79}\) See, [www.sadc.int](http://www.sadc.int) for versions of tariff phase down offers.
compels policy-makers to make calculated decisions; whether to proceed with implementation of their regional commitments or not.  

In choosing what to do in situations of this kind the policy-maker is guided not exclusively or even primarily by dictates of analytical rationality, but may be heavily influenced by his judgement of the political side-effects and opportunity costs of his choices.

The resumption of implementation of the Protocol brought to governments the reality of eliminating taxes on intra-SADC trade, which presented new practical challenges for some of the member governments. Despite lengthy negotiations, SADC governments eventually resolved a number of issues that were initially acting as stumbling blocks to the ratification and execution of the Protocol. However, the real costs of complying seem to become clearer to members when the time came to implement the Protocol. Some of the conspicuous threats included revenue loses, and risks of industrial polarisation. But of utmost importance, were strategic concerns regarding dependability of other governments in terms complying with their trade liberalisation commitments. For example, the Protocol technically came into force on the 25, January 2000, but consensus leading to resumption of implementation was only reached on 1, September 2000 meaning that actual implementation could only resume in January 1, 2001.

Despite the majority of members already following export oriented strategies as part of the IMF economic reforms introduced in the 1980s and 1990s, intra-SADC trade was still extremely low as a result of persisting high tariff rates on intra-regional trade. For example, in 2001 intra-regional trade was a meagre 22 percent of the sub-region’s total. However,

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81 George, Bridging the Gap, 25.
82 The DRC is not part of the Protocol, Angola and Madagascar only acceded to the protocol, on the 26 September 2003, and 21 February 2006 respectively.
initial tariff reduction offers submitted by SADC governments, reflected a commitment to achieve only 20 percent of the total liberalization scheduled for 2008. Even SACU, the most advanced block within SADC offered to liberalise only 34 percent of its planned liberalization with the rest of SADC.\textsuperscript{84} It is apparent that even though they had ratified the Protocol, once faced with the actual implementation many governments became increasingly aware of the real costs involved in liberalizing trade. Hence, governments generally adopted extremely cautious approach, while others opted for ‘wait and see’ tactics once in the implementation phase of the Trade Protocol.

The submissions made by member governments to the Secretariat were generally conservative and restrictive in nature. Angus September notes that in particular, “trade offers from non-SACU member states to SACU were very protective, given the size of our economy, so we asked them to prepare two offers, one to South Africa and another to other countries.”\textsuperscript{85} However, even SACU supposedly the fastest liberalizing member, initially offered to liberalize only 34 percent of its planned liberalization with the rest of SADC.\textsuperscript{86} The lack of enthusiasm about implementation of the agreement basically reflected very real concerns of individual governments, despite acceding and ratifying the Protocol, reciprocal implementation was still not a given. Non-compliance was likely to be a norm, and until all the fears were addressed the SADC FTA and it’s acknowledged potential economic gains would remain an elusive goal.

\textsuperscript{86} The services Group, “Mid-Term Review of the SADC Trade Protocol: Draft Final Report” (USAID/RCSA, August, 2004) 1
3.6 SADC trade negotiations and content of trade liberalization commitments

My theoretical proposition implies that in a finite play Prisoners’ Dilemma game, governments cannot sustain cooperation if they do not have mechanisms to detect and punish defection from the agreement. One shot game, basically implies that governments whose compliance is not returned by an abusive defector have no way to recoup their loss or punish the defector. And since it is common knowledge amongst governments implementing a trade liberalization agreement that, without assured negative sanctions everybody is tempted to defect, it is logical that all governments limit their exposure by not making any commitments which others might abuse. Therefore, governments can only manage to sustain voluntary cooperation only if effective monitoring and punishment mechanism to deter defections but also to reassure governments that their deeds will be reciprocated.

Therefore, the implementation of reciprocal trade concessions among a group of sovereign governments is feasible only where partner governments are assured that effective monitoring and enforcement mechanism is in place. Otherwise every government knows that other governments are going to cheat, so many simply do not accede to the liberalization protocol to avoid being abused by others. Delays among SADC governments to ratify the protocol, is an affirmation of my third proposition, that only when the victimized partner can rely on enforcement mechanism to identify and sufficiently punish defections, can cooperation be sustained. This improves reciprocal action by elevating the payoffs of compliance relative to defection and it makes reciprocity a self-enforcing strategy.

Beside the fact that tariff liberalization schedules differed across countries, an overview of progress from the onset of implementation in 2001, reveals an uneven pace and the general lack of adherence to the official liberalisation schedules. Implementation of Category B goods in particular, remained sluggish, so much that in 2004, half way through the program, only Mauritius, Mozambique and SACU were on schedule with respect to their tariff reduction
commitments. Tanzania was only slightly behind due primarily to what was called ‘lack of synchronisation between SADC and domestic administrative processes.’ Malaw and Zambia were behind, citing fiscal difficulties. By this time, Zambia had not even implemented tariff schedules for 2002 and 2003.

In Zambia implementation of category B commitments for the differentiated offer was delayed. And about 3385 (HS-8 digit tariff lines) which were scheduled to be liberalised by the 1, January 2005, were only exempted from duty in 2008. Malawi and Zimbabwe, also significantly delayed resumption of the implementation process when it came to their category B schedules. Zimbabwe being the worst performer with only partial implementation of Category A phase downs after fours of implementation. Mozambique and Tanzania formally made block approvals of their tariff phase down programmes but failed to carryout implementation within agreed phase down period.

Therefore in 2004, half-way through the official implementation period of the trade protocol, disproportional amount of intra-SADC trade was still not free. The general back-loading tariff schedules and selective and delayed implementation of official tariff reduction schedules by member governments, gave rise to a perception that non-compliance was rife and not largely not punishable. This in turn gave rise to fears regarding feasibility of the planned FTA, which would also have to affect about 85 percent of intra-SADC trade, and to cover ‘substantially all trade’ to be WTO compliant. Strategic considerations among SADC governments were further aggravated by a number of other concerns that basically elevated the risk as well as the real cost of implementing liberalisation commitments.

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87 The Services Group, “Mid-Term Review of the SADC Trade Protocol,” 2.
88 Changes to the schedule are made in July of each year and not in January as is the case in the rest of SADC Member governments.
89 The Services Group, “Mid-Term Review of the SADC Trade Protocol,” 5.
90 World Trade organization Secretariat, factual Report, based on data provided by respective SADC Member States.
Many governments had to grapple with a range of real and potential challenges, including dwindling revenues as a result of eliminating trade taxes, risk of lay-offs due to industrial migration and shut-offs. The revenue concerns featured strongly in the trade negotiations and later on, impacted significantly on trade policy decisions during the implementation of the trade protocol. For example in 2001, trade tariffs accounted for about 10 percent of total government revenue for Tanzania and Zimbabwe, 30 percent for Mauritius, Namibia and Zambia and for more than 50 percent of government revenue in Lesotho and Swaziland.92

After implementation of 2008 tariff schedules, Zambia and Malawi were expected to forfeit between 66 and 50 percent in total trade duty collections respectively.93 The same study indicated that Zimbabwe and Mozambique were expected to experience duty reductions of 42 and 34 percent respectively. Mauritius, Tanzania and SACU were expected to experience relatively moderate revenue loses at about 24, 12 and 4 percent respectively.94 Fears of revenue lose by SADC governments were mostly legitimate and on several occasions affected governments’ decisions whether to enact liberalisation commitments into law or to delay implementation indefinitely; in other words to defect from the regional liberalisation agreement.

In order to appreciate the enormity of revenue concerns on political decision making, one must examine a proportion of total national revenues that trade duty loses represented. In Zambia, Malawi and Zimbabwe full implementation of the SADC free trade commitments were estimated at 9, 8 and 7 percent respectively of total government revenues, predictions were 8, 9 and 1.6 for Mauritius, Mozambique and Tanzania respectively.95 SACU faced even a lesser revenue loss prospect at about 0.1 percent. However, this should not mask the fact that Lesotho, Namibia and Swaziland faced 58, 38 and 55 percent loss of the total government revenues respectively, making support for free trade policies significantly problematic. For example, in 2006, Zodwa Mabuza of Swaziland’s Employers and

94 Kandelwal, “COMESA and SADC: Prospects and Challenges for Regional Trade Integration,” 22.
95 Tanzania having already implemented tariff concessions to Kenya and Uganda under the East African Community-Common External Tariff.
Chamber of Commerce argued that, “Since 50% of our revenue comes from SACU revenue pool….if we want free trade we have to look at other sources of revenue.”96

Beside heavy dependence on tax revenues, import tariff represents a very potent policy instrument to other member states. South Africa has consistently used import tariff as an instrument of industrial policy. Tariffs have been used selectively to protect selected vulnerable home industries. For example, South African law did not and still does not allow importation of second hand clothing and vehicles.97 For example, the South African motor industry continues to benefit considerably from protective laws and domestic support program such as the Motor Industry Development Program (MIDP). The Clothing and Textile sector also continues to enjoy limited protection.

Despite differentiated tariff offers, the potential costs of implementing SADC trade liberalisation commitments differed both in nature and in magnitude across countries. These variations had implications for trade policy decision making and hence direct consequences for reciprocal action. For example, mid-term review of the Protocol in 2004 revealed that, at full implementation, Zambia was to lose about 5 percent of total government revenue; over half of this reduction represented taxes lost from trade with South Africa alone.98 Which explains why even though Zambia generally delayed implementation of its tariff reduction commitments, it did relatively better on the offer to SADC, liberalising about 2529 tariff lines by 2005, while it only liberalised a meagre 479 tariff lines with South Africa in the same year.

In February 2004, by Zambian government had informed the SADC Committee of Ministers of Trade that, implementation of the tariff reductions seriously threatened the fiscal stability of the government.99 The Ministry of Finance indicated that implementing the 2004 tariff reduction schedule alone, was going cost the Zambian government a staggering

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96 Zodwa Mabuza was the chief Executive Officer of the Swaziland Employers and Chamber of Commerce, (presentation on SADC Finance and Investment Protocol, Lesotho, Maseru August 2006.
97 Mr. Angus September, Interview, 2006.
41 billion Kwacha equivalent of $8.6 million USD.\textsuperscript{100} And on this basis, a decision was taken by the Zambian government to further delay implementation of a tariff reduction offer to South Africa until 2008.\textsuperscript{101}

Zambia was not an isolated case in delaying implementation of trade liberalisation commitments. By 2004, Zimbabwe had still not implemented any tariff reductions on Category B offer to the rest of SADC. At this stage only partial implementation of the less critical category A offer to SACU at been implemented.\textsuperscript{102} Trade tariffs also comprised significant portion of Tanzanian government revenue, to the extent that, Percy Mistry argued that, Tanzania might have decided to leave COMESA in 2000, precisely to avoid further trade liberalisation.\textsuperscript{103} Harries and Kulkani put it much more emphatically, that Tanzania indeed withdrew from COMESA because “the government refused to further reduce tariffs.”\textsuperscript{104}

In comparison, SACU was fairly consistent at implementing its commitments. All five SACU members were pursuing a single tariff schedule because of a Common External Tariff (CET), but even among SACU there were notable discrepancies. While Botswana, South Africa and Swaziland were consistent in implementing up to date SACU commitments, implementation was conspicuously irregular in the case of Lesotho and Namibia. Lesotho’s tariff schedules were not regularly updated; as a result higher 2001 to 2003 rates were still being applied in 2004. In Namibia there were always delays in gazetting the SACU-CET amendments which significantly delayed implementation of the new tariff reductions.\textsuperscript{105}

\textsuperscript{100} The Ministry of Finance, “The revenue Implications of the SADC Free Trade Area for Zambia,” 4.
\textsuperscript{101} Zambia planned to liberalize the total of 3385 tariff lines of the offer to South Africa only as late as 2008.
\textsuperscript{102} According to the roadmap, Category A products were suppose to be liberalised at once, that is upon entry into force of the Trade Protocol in January 2001.
\textsuperscript{103} Percy Mistry, “Africa’s Record of Regional Co-operation and Integration,” 570.
\textsuperscript{104} Curt J. Harries and Kishore G. Kulkani, “The Role of International Trade Policy on Economic Growth: A Case of Tanzania,” Global Business Review, 5 (2004), 171-184; Tanzania tendered notice to leave COMESA on the 2, September 1999. One would also note that this is the same month that SADC TNF negotiations had a breakthrough making way for trade liberalisation under the SADC Trade Protocol.
\textsuperscript{105} The Services Group, “Mid Term Review of the SADC Trade Protocol,” 6.
An overview of the implementation process reveals a discernable trend that, higher government dependency on trade tax revenues has been accompanied by delays or failure to meet agreed national tariff reduction deadlines. Trade liberalisation decisions in richer SADC members were not entirely unaffected by revenue concerns. In South Africa for example, Confederation of South African Trade Unions (COSATU), challenged government to ensure that domestic losers from implementation of the (SADC) Protocol, particularly workers with limited alternative options, were supported by the government.\textsuperscript{106} Constant pressure from the local labour organisations partially explains South Africa’s inflexibility on the ‘Double Transformation Rule of Origin’ during the trade negotiations; the rule was arguably calculated to limit the number of potential domestic losers.

3.7 Towards the SADC FTA: Opportunism and Consequences for Cooperation

The implementation phase of the Protocol from 2001 to 2008 was also not without challenges. In general the implementation process was sluggish primarily members had back loaded their trade liberalisation schedules, but also because while implementing the tariff reduction schedules, some governments were simultaneously adopting more restrictive trade policy measures that were not in keeping with the letter and the spirit of the Trade Protocol.\textsuperscript{107} A number of SADC governments implemented counter-liberalisation measures or implemented a variety of protectionist measures early in the implementation phase of the protocol.

For example, while Namibia was doing fairly well implementing its official tariff reduction commitments, it had introduced additional tariffs just on the eve of coming into force of the protocol. These tariffs were imposed on the following; broilers in 2000, milk products in 2001 and pasta in 2002.\textsuperscript{108} This was done under the guise of the SACU agreement provisions on protection of infant industries. Swaziland amended the Dairy Act of 1968, to give effect to new import levies to selected agricultural and dairy products. And throughout the

\textsuperscript{106} COSATU, “Submission on the SADC Protocol on Trade,” 12.
\textsuperscript{107} See Article 6, SADC Protocol on Trade , Op Cit.,
implementation phase of the Protocol, Lesotho retained severe restrictions on beverages and several agricultural commodities, including poultry, bread, eggs, pulses, fruits, vegetables and milk.\textsuperscript{109}

Governments also employed restrictive NTBs to retain some of the trade restrictions and reverse the effect of implementing the terms of the trade protocol. In Tanzania, non tariff barriers included issuance of export permits, import restrictions, local government taxation and cumbersome administrative procedures.\textsuperscript{110} In 2002, Zambia imposed a six months ban on imports of 14 Zimbabwean products.\textsuperscript{111} Malawi delayed free trade in a number of key products such as poultry, salt, maize and tobacco, by insisting on import licenses. South African importers demand for strict production standards for quality and consistent flow of fresh produce also placed a strain on the liberalisation process. To further demonstrate profligate use of various forms of NTBs by SADC member governments, on the 14\textsuperscript{th} of October 2003, Botswana published a new act called “The Control of Goods, Prices and Other Charges Regulations of 2003.”\textsuperscript{112} This bill took effect on the 15\textsuperscript{th} of October that year, this was barely few hours after it was published and this was remarkably quick under normal circumstances. The act imposed a new 15 percent levy on imports of wheat flour and wheat flour products such as pie pastries and pastas. This act effectively restricted imports of all wheat flour products into Botswana.

Botswana’s action reflected a larger problem around trade in wheat and wheat-flour products which by this time was still a matter of rigorous negotiations in the TNF. While Botswana’s motives seemed to have been purely protectionist, Mozambique’s case highlights some of the pressing national concerns that faced SADC governments in liberalising trade in wheat and wheat flour products. In 2005 Mozambique was importing subsidised wheat to mill and sell

\textsuperscript{109} See Department of Marketing and Department of Planning and Policy Analysis “The Liberalization of Agricultural Commodity Production and Marketing” (MTI) and (MOA), 2003; From Tseko Nyesemeane, Lesotho Revenue Authority official, Interview, Maseru Border Post, Maseru, June, 2005.
\textsuperscript{111} Zambia imposed a ban on Zimbabwean beef firstly in 1993; second ban included a ban on poultry imports in 1994 still in place.
domestically, and was exporting animal feed made from the residue. From this activities the national milling industry, created thousands of jobs and paid more taxes to the state than huge gas and petroleum project like MOZAL, trained people from the banking industry and supplied other cereal-based industries, like pasta and cake factories, with cheaper domestically milled wheat flour.\footnote{Krister Holm, “Impact of EPAs on Mozambique: The Case of Wheat, Wheat Flour and Rice,” accessed October 2007, \url{www.tradescentre.org.zw/newsletters/2004/december/article5.html}} Liberalisation in this sector, was bound to have serious implications for milling industry in Mozambique, as one of the few domestic manufacturing industries, liberalisation threatened approximately 1,500 direct job loses, while about 10,000 people were going to be affected indirectly.\footnote{Holm, “Impact of EPAs on Mozambique,” 2.} The implications for Mozambique can easily be used to explain behaviour and underlying motives of many regional governments in the negotiations on trade in wheat and sugar if not all agricultural products.

Despite the fact that the region is a net importer of wheat, with only South Africa and Zimbabwe growing it in any meaningful scale, liberalisation of trade in wheat and wheat products has been one of the most difficult areas SADC trade negotiations. Negotiations on this issue raised complex issues for SADC members individually and collectively, the effect of which was to further complicate the trade negotiations. For example, while South Africa was a producer of wheat, at the same time it was still a net importer, and it was also a regional net exporter of wheat flour. Liberalisation would imply that millers in the region could import wheat at prices lower than the local cost of production. Therefore, as the case of Mozambique above illustrates, while non-producers of wheat were negatively affected by protective tariff on wheat they were positively affected by duties on imports of flour.

South Africa presents a challenge, and a paradox. As a net exporter of wheat flour South Africa might support liberalisation of trade in the sector, but the country is also the main producer of wheat in SADC, where about 6000 commercial wheat farmers sustain about 28,000 jobs.\footnote{National Agricultural Marketing Council, “Final Report of the Food Pricing Monitoring Committee,” (NAMC, Pretoria, 2004).} Liberalisation of trade in the sector might benefit South African millers it will negatively impact the wheat growers and aggravate already high unemployment levels in the

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country. These considerations were behind the difficulties surrounding the trade negotiations on the rules of origin and other barriers to trade in wheat and wheat products in the region.

Trade in sugar was another difficult area of negotiations in the SADC process. Investors in Mozambique’s sugar sector openly supported continued protection and had significant leverage on the government. This was demonstrated in 2000, when these investors threatened to pull out if the government yielded to pressure from the International Monetary Fund and removed existing protection for domestic sugar producers. Consequently, the government stood its ground against the IMF and later defended this position in SADC negotiations. Other SADC sugar producers faced similar domestic challenges in the sugar sector and declarations of self-interest were echoed in various ways by other SADC member governments and concerns about global sugar trading regime complicated the negotiations in the sector making an agreement impossible to reach. SADC eventually agreed that sugar was going to be traded under a special agreement meaning that trade in sugar was not to be liberalised under the Protocol.

A review of the implementation of the SADC Protocol on Trade from January 2001 to 2008 reveal that behaviour of member states was not always consistent with their regional liberalisation commitments. Governments did not always behave in a manner consistent with the vision set forth in the Trade Protocol. Article 6 of the Protocol on Trade, requires member states to adopt policies and implement measures to eliminate all existing forms of NTBs and refrain from imposing any new ones. However, a review halfway through the implementation phase of the Protocol on trade revealed that, individual governments continued to introduce new forms of non-tariff measures. In their discussion paper, in 2009, the SADC Secretariat noted that, “NTBs continue to be a major hindrance to intra-regional trade due to their cost-raising effects.” The use of NTBs and other arbitrarily imposed measures remained a chronic problem that bedevilled the protocol from its first date of implementation in 2001.

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116 Quoted in Holm, “Impact of EPAs on Mozambique,” 2.  
117 SADC, SADC Protocol on Trade, (Maseru, 1996.)  
In theory, the realisation of the SADC free trade area, would render all regional governments better off; firstly, by improving their competitive edge in trade with other regions and secondly, by raising regional welfare in general by setting more efficient price mechanisms. Therefore, the behaviour of SADC governments might not make sense because even if the gains from liberalising their trade were modest, logically, regional governments should still proactively pursue regional trade liberalization for its potential gains for the region. However, my observations challenge the common notion that mere existence of potential benefits from free trade can necessarily inspire sovereign governments to surrender trade policy in pursuit of the common free trade gains. I argue that, contrary to some in the literature of African regional economic cooperation, the failures of cooperation in liberalising trade does not necessarily indicate lack of potential economic benefits from free trade, rather the inability of governments to strategically pursue their collective interests.

Lack of enthusiasm or low compliance levels by many governments implementing trade liberalisation commitments seem to go against both the letter and spirit of the Trade Protocol. Majority of their unilateral acts of non-compliance were neither justified to the partner governments, nor were they officially notified to the SADC Secretariat. These acts were intended to offer continued protection to certain domestic industries. For example, in the case of Botswana the motive behind the ban of bread imports was said to be primarily to protect Botswana bakeries.¹²⁰ In many other cases, the majority of less developed member governments including Malawi, Tanzania, Zambia and Mozambique significantly missed their implementation schedules on the basis of averting impending fiscal or revenue problems. Newly instituted trade barriers were erected opportunistically to curtail imports in particular sectors for purely protectionist purposes. For example, in 2009 and subsequent to the inauguration of the SADC FTA, Mozambique introduced new scanning charges for imports of sugar, leading to a deluge of complaints and protests from other member states. However, the SADC Secretariat indicated that the government of Mozambique was insisting that the

¹²⁰ Botswana failed to notify this act to the SADC Secretariat, since it not meet requirements of Article 9 (protection of Animal or plant life and food security issues) or the infant industry protection clause under Article 21 (infant industry protection clause under Article 21 (Infant Industry protection) of the SADC Trade Protocol.
extra charges were justifiable since the scanning service was outsourced to a private company whose services did not come free.\textsuperscript{121}

On the 1\textsuperscript{st} of January 2008, SADC FTA came into being even though it was only inaugurated at the SADC’s 28\textsuperscript{th} Summit held on the 16-17 August in Johannesburg. The inaugural membership included 11 of the 15 SADC member states. Governments applauded the launch as a major success that followed sustained efforts of progressive implementation of their trade liberalisation schedules since 2001. However, at 2008 eleven of the participating twelve member states were currently active members of the FTA. Angola, the DRC and Seychelles were still not party to the protocol on trade, and according to the report of the SADC Executive Secretary, in 2009, the DRC was still not ready to accede to the Protocol, while Angola’s offer was technically ready for submission.\textsuperscript{122} In fact, SADC anticipated Angolan government to make a decision on resuming implementation of its tariff offer in 2004, after the offer was prepared with the assistance of the Secretariat and presented to parliament for clearing before formal submission to the Secretariat. More than five years later, Angola has still not acceded to the SADC trade protocol. While Mozambique and Tanzania have consistently been late in with implementing their commitments, often failing to adhere to the agreed phase down time-table, they made last minute block approvals of their tariff phase down programmes in order to meet the criteria for the FTA in 2007.

According to the SADC Secretariat, some member states like Angola, Malawi and the DRC continue to face some challenges that so far have prevented implementation of the Protocol.\textsuperscript{123} Malawi which resumed implementation with the rest of SADC in 2001, failed to make the criteria, to join the SADC FTA. In 2008, the year of the inauguration of the SADC Free Trade Area, Malawi had implemented only one tariff reduction for 2001, having consistently cited revenue concerns.\textsuperscript{124} And one year after the inauguration in 2008, Malawi was only at 2004

\textsuperscript{121} Ms. Mpho Palime, Interview, SADC Secretariat, Gaborone 9, November, 2009.
Malawi is not likely to join the SADC FTA anytime soon. In 2009 the government belatedly requested derogation from the Secretariat to implement 2008 tariff liberalisation commitments. Malawian government has already indicated that it will not be possible to implement the 2010/11 commitments on the sensitive list, citing the national poverty alleviation program. This will certainly have implications for further cooperation moving towards the planned fully-fledged FTA by 2012. Difficulties will arise, since, besides enjoying unreciprocated free access to the regional markets under the SADC FTA, Malawi also continued to enjoy special benefits under the MMTZ-SACU arrangement through which it gets preferential access to a lucrative SACU textile market. The failure of Malawi to join the FTA would clearly have implications for the MMTZ arrangement which had to be re-negotiated when it expired.

In 2004, SADC Mid-Term review also identified SADC rules of Origin as too complex and restrictive, and suggested a review process which was completed in July 2008. While Ministers of Trade agreed on some of the proposed improvements, the agreement affected rules applicable only to a few tariff lines. According to Mthethwa, this agreement brought no fundamental change in the nature of the rules of origin. Therefore, these continue to be one of the hotly debated issues in SADC, in particular the rule on Textiles and Clothing which remains outstanding. SACU continues to resist single stage transformation rule to Mauritius and Zimbabwe. Secondly, the MMTZ-SACU agreement which confers single stage status to textile and clothing imports into SACU which expires in December 2009 has been shrouded in controversy. The BLNS (component of SACU) has long demanded that MMTZ countries should reciprocate on specific goods. And the lack of agreement around these matters has by

126 Jabulani Mthethwa, Interview; TIFI, SADC Secretariat, Gaborone, 16/11/2009.
127 Mthethwa, Interview, November 16.
128 Liberalization of category C (sensitive) products was to resume in 2009, Only SACU is on track, 99.9% its intra-SADC being duty free, Mauritius, Mozambique and Zambia have implemented 2009 commitments, the rest have failed to do so, for reasons ranging from technical to the global financial crisis.
and large obstructed any real trade under the special MMTZ arrangement to date. The rule of origin on wheat and wheat flour products is still not resolved; therefore wheat and wheat products continue to be excluded from preferential trade under the new SADC FTA.

After the 8 years of implementation only 11 of the original twelve original signatories have successfully met official liberalisation commitments. Many governments that became members of the new SADC FTA showed strong proclivity to retain or even introduce new trade restrictions in one form or another. For example, Tanzania introduced complications with imposition of a 2% levy on all goods entering Zanzibar.\textsuperscript{130} Secondly, the total trade volume between members of the new FTA amounts to about 25 percent of their total free exchange. This remains significantly low as much of the intra-SADC trade continue to take place under bilateral agreements among SADC member states, and the bulk of their trade continues under special or preferential arrangements with third parties, in particular former colonisers. Therefore, while the FTA has been officially launched, there is doubt as to whether SADC has fully met the terms of its own Protocol or whether its FTA inaugurated in 2008, fulfils the key conditions of the Article XXIV of the WTO. What is clear is that at least one year after the launch of the FTA, some member governments had still not implemented their full liberalisation schedules, which forced the postponement of the SADC Customs Union initially planned for 2010.

3.8 SADC Institutions and the Quality of Cooperation

Notwithstanding the strong mutual interest to erect a regional FTA, and political sentiments often depicted in the rhetoric of SADC leadership, the actual trade liberalization process by governments was mostly difficult if not conflictual.\textsuperscript{131} Implementation of the SADC trade protocol has been generally weak and accompanied by lack of conformity and governments have frequently been guilty of wilful disregard of their own annual liberalisation

\textsuperscript{130} Mpho Palime, Interview; TIFI, SADC Secretariat, Gaborone, on 9/11/2009.
\textsuperscript{131} Conflict here is used in a positive way to denote, lack of harmony on the strategies towards a common regional goal.
commitments. Governments frequently breached the offer principle and more often than not, their implementation has been inconsistent with their agreed offers.

This created an impression among regional stakeholders that there was even larger degree of non-implementation existed of liberalisation commitments.\(^{132}\) This had a dampening effect on cooperation in general, as it created uncertainty around activities of other governments in the short-term. In the course of implementing the protocol, members increasingly became or doubtful as to whether the envisioned gains from the FTA could still be realised. This aspect fuelled hesitation among members and encouraged a wait and see approach that generally compromised the quality and stability of cooperation implementing the SADC Protocol on Trade.

Whenever, it has been in their self-interest, member governments have wilfully used a variety of anti free trade tactics from back-loaded tariff liberalisation schedules, delays in gazetting the annual reductions, discrepancies with originally negotiated offers to suspensions of tariff reductions.\(^{133}\) The question is whether SADC had the kind of institutions that are capable of exercising effective monitoring and enforcement able to act as ‘agents of restraint’ to track reciprocal action and assist member governments achieve stable cooperation. Bridget Chilala argues that numerous complaints submitted by the business community to their governments during implementation phase of the Protocol saw only limited action from national governments concerned, due to lack of clear operational institutional mechanism in SADC for addressing such issues.\(^{134}\)

Implementation of the Protocol has not been smooth; it was riddled with inconsistencies and delays leading to unstable cooperation. Monitoring was on the basis of self-assessment with very little if any role by a third party. SADC lacked an effective mechanism to deal with complaints or reports of non-compliance. There were numerous complaints and cases despite none of these ever being reported to the Dispute Settlement Mechanism. The Secretariat itself

\(^{132}\) The Trade Services Group, “Mid-Term Review of the SADC Trade Protocol,” 8.
\(^{133}\) These governments include Zimbabwe, Tanzania, and Namibia and Lesotho at different times their implementation was not in line with their SADC schedules.
was playing no major part in monitoring or enforcement roles during the implementation of the protocol. Referring to the performance of the SADC Secretariat, Bertie Lubner has said, “SADC has failed the region and what is needed is a revamped, leaner organization that will put into effect the various agreements that member governments have signed.”

Mistakenly, Lubner seems to blame the Secretariat, while absolving the national governments, however, the main thrust of her argument is that existing regional institutions are inefficient and simply not capable of anchoring a healthy regional trade liberalization exercise.

Throughout the implementation phase of the Protocol, SADC lacked institutional capacity to monitor the conduct of members, as even the SADC Secretariat relied on reports from member states’ own self-monitoring to assess regional performance. There was no detection mechanism to pick-out instances of non-compliance or disseminate information regarding activities of member governments. Lack of proper monitoring and reporting mechanisms, means that the region lacked the ability to eliminate uncertainty about activities of member governments. Again, lack of vigilant monitoring meant that SADC could not act as an agent of restraint, as no government was afraid of getting caught or punished for non-compliance.

However, all the efforts to restructure SADC institutions fell far short of creating new type of institutional arrangements. The idea of independent or supra-national Secretariat did not find ‘fertile soil’ among regional leaders. Since the days of the SADCC, national governments have been at the pinnacle of cooperation and the idea of having a powerful supra-national institution was a new experience and a significant detour from the previous sectorally based approach of the 1980s to early 1990s. Therefore, after two attempts (1998 and 2001) to restructure SADC institutions, the sovereignty delegated to the SADC secretariat is still minimal, with no discernable will on the part of regional leaders to change the status-quo. The SADC Headquarters is still just a Secretariat, responsible for executing decisions reached at Summits or ministerial meetings, with no official powers to take any independent initiatives.

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Numerous incidents of non-compliance by member governments have exposed not only capacity deficiencies of the Secretariat, but also lack of mandate to execute monitoring and surveillance activities. The mid-term review of the trade protocol in 2004 revealed that even though members were generally on track with the implementation of the tariff reduction schedules, there was a general impression among members that there was widespread non-implementation or lack of compliance. The review identified lack of reporting or information dissemination, communication and lack of overall transparency both within and among member states as one of the main weaknesses of the current SADC institutional framework and one source of the difficulties in the implementation of the protocol. SADC clearly lacked the capacity to undertake continuous policing of the implementation process, and it was not capable of keeping participant governments abreast of activities of their counterparts.

The lack of enforcement in SADC left the door for opportunistic defections wide open, but even worse created a general impression that there was impunity for non-compliance. Therefore, once the implementation process got under way, and the short-term effects (costs) of trade reform set in, policy makers in many instances succumbed to vested interests and waived their national trade liberalisation commitments. For example, while the trade agreement clearly calls for elimination of NTBs, implementation of the Protocol was accompanied by a steady increase in the use of non-tariff barriers. Governments were found to be applying a variety of new qualitative restrictions ranging from import restrictions and prohibitions, levies, TBTs and SPS measures. The report stated clearly that, “little or no significant progress has been made towards the systematic elimination of NTBs as agreed.”

Performance of individual governments implementing trade liberalization commitments has not been uniform and in many cases, it has also not been in line with what individual governments initially pledged in their tariff offers. Only four months before the target date for the inauguration of the SADC FTA in 2008, the then Chair of SADC, the former President

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136 Ibid., p. 8.
137 See, Article 6 of the Trade Protocol requires elimination of all existing NTBs and urges Member States to refrain from imposing any new ones on goods originating from the region.
Levy Manawasa of Zambia commented that consolidation of the FTA “remained elusive.”

Mwanawasa attributed the slow pace of implementation of the protocol to “inherent production structures that remained by and large unfavourable and the continued existence of intra-regional trade barriers between member states.”

The lack of directed activity towards elimination of NTBs, the use of which actually increased during the implementation of the SADC Trade Protocol reinforces my observation and argument that, SADC did not have appropriate institutional set-up to reinforce cooperation. It was only after the inauguration of the FTA that SADC in collaboration with COMESA and EAC developed an interactive online reporting and monitoring mechanism through which all stakeholders from the Private Sector, the Secretariat and national SADC offices in individual member states can report, negotiate and remove unilateral or opportunistic trade barriers including the NTBs.

A few generalisations logically flow from the forgoing analysis and summarise intricate challenges that affect governments implementing reciprocal trade liberalisation commitments. The pace of subjecting national tariffs to reductions for intra-SADC trade has generally been slow and to some extent dependent on the level of development of member states. While the realisation of the SADC FTA depended partly on the ability of member governments’ ability to resolve issues of equity, compensation and balanced development, these issues remained only partially resolved, and were lingering throughout the duration of the implementation process. It is apparent that the principles of ‘asymmetry’ and ‘non reciprocity’ as reflected by the protocol have not been sufficient to dispel fears of smaller regional members. Hence, the trend in the implementation of SADC trade protocol was such that the poorer SADC member states were consistently lacking behind with implementation of their tariff reduction commitments.

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140 Levy Patrick Manawasa, speech at the 27th Ordinary SADC Summit of Heads of State and Government, (Mulungishi International Conference Centre, Lusaka, Zambia, August 10-17, 2007).
142 Mupelwa Sichilima, (Program Officer Regional Trade Facilitation, TIFI), Interview, SADC Secretariat, Gaborone, 16/11/2009.
However, resilience of SADC governments through the 8 years of implementing the Protocol was fairly good highlighting broad support for the trade protocol since its inception. But political factors or strategic considerations by governments gave rise to spectre of difficult negotiations, which in the absence of strong policy enforcement institutions continued to hamper implementation of the Protocol. The combination of lack of compensatory mechanisms and the absence of effective/permanent monitoring and enforcement instruments both offer potent explanations to the difficulties encountered in attaining sustainable or satisfactory compliance rate by member governments. President Mwanawasa’s commitment as the Chairperson of SADC in 2007, to “ensure full operationalisation of the SADC FTA in which member governments fully implement their commitments with respect to their tariff liberalisation schedules as well as eliminate non-tariff barriers,” did not really have verifiable impact.\(^\text{143}\)

\(^{143}\) Levy Patrick Mwanawasa, President of Zambia’s Speech addressing the 27\(^{\text{th}}\) Ordinary SADC Heads of States and Government Summit, Mulungishi Conference Centre, Lusaka, Zambia. 10-17, August 2007.
3.9 Conclusion

The conventional views on African cooperation and integration suggest that existence of potential benefits from potential economic benefits from regional cooperation will inspire governments to realise cooperation. Poor performance of African governments trying to realise economic cooperation and integrate their regional economies is attributed either to negligible magnitude of mutual economic benefits or unaffordable political costs for cooperation. The arduous nature of SADC trade negotiations was interpreted by some as indicative of the low priority that regional leaders accorded to free trade and regional integration. Contrary to these views, this chapter illuminates the complexity of the problem that characterises multilateral trade liberalization initiatives everywhere, and argues that, unless these challenges are properly understood and appropriate interventions made to address them; African trade liberalisation initiatives will continue to underperform.

I do acknowledge that the conventional explanations are correct to relate the quality of cooperation to the magnitude of material gain. There is certainly an element of truth in this, but mine is an argument that, these explanations are nevertheless analytically deficient. For example, these explanations cannot help us address the question; if the gains from cooperation are really non-existent or negligible, why do African leaders continue to identify regional cooperation and integration as key strategies for addressing mutual economic woes and advancing the continental developmental agenda?

Applying game theory to the analysis of African cooperation efforts helps illuminate some of the factors that can inhibit a group of governments to engage in mutually beneficial regional cooperation. The story of Prisoners’ Dilemma suggests that the poor record of regional cooperation in Africa does not necessarily indicate lack of potential economic gains or the inability of African governments to pursue their interests strategically. From the game theoretic perspective, for a group of self-interested governments to realise mutual free trade

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144 Ng’ong’ola, “Regional Integration and Trade Liberalisation in the Southern African Development Community,” 485-506.
gains from cooperation, they have to overcome a collective action problem. A focus on strategic problem helps me understand against simple logic based on material considerations, why it is easy to find governments that are both voluntary partakers in a trade liberalisation initiative, while simultaneously not complying with their own trade liberalisation commitments. This is becomes even more interesting when mutual economic gains from regional free trade are not in doubt, which should naturally lead regional governments to behave rationally and consistently with the imperatives of successful cooperation.

The logic of the Prisoners Dilemma game highlights how, and under what conditions governments can successfully promote cooperation and realise mutual economic conditions. Governments implementing a free trade agreement, face a dilemma, that can only be resolved if members have effective compliance mechanisms in place to monitor and punish non-compliance. As a Prisoners’ Dilemma game, SADC trade liberalisation initiative presents a situation in which retaining control over national trade policy is at odds with the regional welfare. Self-interested national leaders value short-term unilateral payoffs either through gains or avoided losses above long-term mutual gains from the FTA. Therefore, their actions are motivated more by domestic concerns, so if domestic firms are driven out of business, due to heightened competition from imports, the local political support for free trade policies disappears leading to a defection from the agreement or even a temporary withdrawal from it long before the free trade gains are realised.

Therefore, despite shared optimism and apparent common vision that all regional governments stand to benefit from fully implementing the trade agreement and functional regional FTA, the process of eliminating the trade barriers by individual members has been far from smooth. Implementation has been inconsistent and riddled with numerous delays many of which were never justified to the regional body SADC. Governments resorted to various evasive tactics to hold on to their own national tariffs, including significant back-dating of their national tariff schedules, imposition of new non-tariff barriers and in many cases member governments just ignored their own implementation deadlines. In spite of the common desire by governments to realise a functional regional FTA, the low quality of

cooperation was to be expected if effective compliance mechanisms did not exist to monitor conduct of member governments-identify free-riding - provide arbitration and deliver punishment where it is due.

Despite previous effort to rationalize SADC institutions in 2002 SADC governments were reluctant to delegate executive power or authority to the SADC Secretariat. There has been no political will to delegate adequate powers to the SADC Secretariat to turn it into an agent of restraint. Key decisions remain the prerogative of political leaders at the Summit level and a number of specialised Ministerial Committees and sub-Committees. The SADC Secretariat services these forums, and it does not have the authority to take its own initiative and to exercise effective monitoring of member governments behaviour.

I find that despite several attempts at reform, SADC institutional framework remains inadequate to ensure compliance to the trade liberalisation schedules. Past and present SADC institutions remain weak and lacking in capacity and real decision-making powers that remain predominantly the prerogative of member governments. For example, the SADC Secretariat did not have accessible mechanism in place to detect or through which to report free-riding activities by members nor did the Secretariat have any real authority to enforce compliance to the letter of the Protocol. The organisation remains ill equipped to deal with compliance and enforcement issues to ensure credibility of a rules based regional framework. Both implementation and policing of the implementation process and enforcement are the prerogative of politicians through political regional organs such as the Summit and the Council of Ministers.

Therefore, national political leaders play both the player as national policy-makers responsible for implementing national trade commitments and referee as final decision makers in issues around the protocol. Other supporting regional bodies such as special committees, sub-committees and the Secretariat all play facilitating roles with no legal authority mandate or any powers for decision making. Therefore, they can neither ensure accountability nor execute any enforcement of decisions. Uneven implementation process by member governments of their respective national liberalisation commitments highlights a
fundamental weakness in SADC; a regional body that lacks clear mandatory, transparent, accountable and predictable mechanisms for monitoring and enforcement. Hence despite what is broadly accepted as a viable trade agenda in SADC, with real potential for mutual gains if implemented.

In the final analysis and despite inaugurating the SADC FTA in August 2008, poor cooperation in the implementation of the Protocol, threaten to undermine the regional goal of achieving a functional FTA in the region. For example, outside SACU, most intra SADC trade outside SACU takes place either under alternative arrangements such as The Common Market for Eastern and Southern Africa, (COMESA) and a number of old and new bilateral trade arrangements. SADC continues to lack credible punishment mechanisms that can discourage lip-service by regional leaders and improve the level of political commitments.

I infer that unless remedial interventions are made SADC will continue to face formidable difficulties that seriously threaten the stability and the future of the newly launched FTA. Firstly, poor rates of compliance, particularly reintroduction of non tariff measures will continue to undermine SADC efforts to realise a goal of duty free trade on 85 percent of intra-regional trade by 2012. It will be difficult to gain a WTO compliant status or a fully fledged FTA where 85 percent all intra-SADC trade will be free. Secondly, there may even be stronger challenges facing governments with the liberalisation of the sensitive sectors that were initially left out of the liberalisation agreement as a compromise. Thirdly, the little trade conducted within the SADC FTA, and the rising use of NTBs among SADC members increases the risk that the SADC FTA may eventually be superfluous. This is quite serious because the bulk of regional trade is already taking place under alternative arrangements. As a result, the new SADC FTA may fail to gain international legitimacy by failing to meet the WTO stipulations on regional trade arrangements.\textsuperscript{146}

\textsuperscript{146} See, Article XXIV (GATT, 1994) agreement regulating the formation of Regional Trade Arrangements, is interpreted to mean to mean that at least 85 percent of all intra-SADC trade on goods will be free.
4.1 Introduction

In the 1990s, SADC governments collectively embarked on various initiatives to expand the range of available financial instruments and improve intra-regional coordination as a way to attract capital inflows and enhance domestic savings rates. SADC leaders anticipate deeper integration to improve both the quality and volume of foreign and cross border investment flows and turn individual national markets into critical channels for marshalling resources for development.\(^{147}\) Therefore, SADC governments have put into place a network of institutions to anchor cooperation towards deeper integration in regional capital, financial and investment fields.\(^{148}\)

The earliest cooperation efforts in finance and capital market sectors came in 1995, following the signing of the SADC Treaty in August 1992. The Committee of SADC Central Bank Governors (CCBG) was formed to spearhead harmonisation of regional financial sector policies and facilitate cooperation among SADC member states. Governments mandated the CCBG to form specialised sub-committees to coordinate and facilitate cooperation in respective areas of the regional financial and capital market sector. In 1997, the CCBG formed a new sub-committee, namely the Committee of the

\(^{147}\) See Augustine Chithenga, Chairman Malawi Stock Exchange, Speech at the opening of SADC Stock Exchange Committee Meeting, Blantyre, Ryalls Hotel, June 14, 2011.

SADC Stock Exchanges (CoSSE) with a specific mandate to focus on the coordination of activities amongst the regional stock exchanges, commercial banks and non-banking commercial institutions.149

The mandate of CoSSE involved coordinating efforts to reduce excessive control mechanisms and sharing of information and technologies with a view to boost operational efficiencies between regional Stock Exchanges. The Committee of SADC Stock Exchanges (CoSSE) is specifically tasked to;

Build and enhance cooperation amongst SADC exchanges and their regulators, make SADC securities market more attractive to domestic, regional and international investors and encourage and support development of a harmonised stock market environment within the region.150

Theoretically, cooperation to streamline or harmonise the regional policies, rules and practices can benefit SADC governments by addressing some of the common constraints they face in their financial and capital markets. Firstly, harmonisation of policies eliminates expensive duplications which may reduce fixed costs in financial markets development by spreading the costs across a number of economies. Secondly, integrated regional market is a much bigger and more attractive investment destination with a lot of flexibility and efficiencies, regional cooperation opens a realistic opportunity for addressing the liquidity problems of these countries. However, harmonising of national policies has cost implications because synchronising various functions could include acquisition of new technologies, development of requisite skills and capacities as well as new legislation by some member states.

Despite the enthusiasm of African policy-makers to deepen regional integration beyond elimination of trade restrictions or formation of the FTAs, past and present cooperation

efforts in deep integration on the African continent have not made demonstrable progress. With the exception of UEMOA in West Africa, CEMAC in Central Africa and to some extend CMA in Southern Africa, many of the post-independence cooperation initiatives in this area remain in the pre-implementation or negotiation phase.¹⁵¹ There are only a few exceptions that are making some movement, albeit at a glacial pace, in the direction of the stated objectives.¹⁵²

For example, the African Stock Exchanges Association (ASEA) was formed in 1993 to foster growth of and cooperation among member stock exchanges on the continent. ASEA has been forced to cancel its annual meetings due to lack of interest to attend from both the regional member exchanges and governments. Some in the literature have attributed this general lack of progress and lethargic cooperation to insufficient interest and motivation among African governments.¹⁵³ Furthermore, these studies posit that, national governments may oppose the idea of relinquishing control over key national institutions that are normally seen as symbols of national sovereignty.¹⁵⁴ Therefore, low interest and lack of motivation among national African policy makers and institutions impede cooperation and attainment of stated regional objectives.

While these explanations may be partially correct, they raise more questions about cooperation in deep integration initiatives in Africa than they answer. Firstly, the same governments and policy makers that are said to have insufficient interest in regionalisation are the same ones that have consistently cited regionalisation and cooperation as the best tool in their development arsenal. Secondly, the idea that

¹⁵¹ It is noteworthy that all three performing CEMAC, UEMOA and CMA are surviving pre-independence arrangements. ECOWAS has for sometime been negotiating the second monetary Zone, called the West African Monetary Zone (WAMZ) COMESA and the EAC also have plans for deeper coordination of monetary policies.

¹⁵² See UNECA, “Assessing Regional Integration in Africa (ARIA II): Rationalization of the Regional Economic Communities RECs -Draft, (UNECA 2005), 45. : ECOWAS has for sometime been negotiating the second monetary Zone, called the West African Monetary Zone (WAMZ) COMESA and the EAC also have plans for deeper coordination of monetary policies. The EAC involving Kenya, Uganda and Tanzania – national currencies are mutually convertible.


¹⁵⁴ Irving, “Regional Integration of Stock Exchanges in Eastern and Southern Africa,” 10
cooperation may fail because of governments may be opposed to relinquishing control of national stock exchanges based on their symbolic value, seems to imply strategic defect peculiar to African governments. Are African governments anymore possessive of their national institutions than governments elsewhere in the world? These explanations also tend to ignore the fact that the quality of cooperation and performance of regional arrangements also differ across sub-regions on the continent. Therefore, I find the bulk of conventional explanations for poor performance in deep integration or policy harmonisation initiatives only partial and analytically deficient.

In practice, a group of countries embarking on harmonising aspects of their national policies for mutual gain still have to agree on a single path on how to move away from mutually unsatisfactory status-quo. Conflict over how to achieve what is otherwise a mutual interest remains as a real possibility as individual governments can fail to endorse cooperation. Failure to reconcile their differences in strategic preferences or differences in the distribution of envisioned costs and benefits from cooperation will prevent resumption of cooperation despite clear potential for mutually beneficial long-term gains. Other factors such as incoherent national economic structures, different levels of economic development, divergent economic policies and regulatory frameworks among member states also make achievement of deep integration complicated if not impractical. Southern Africa, like the rest of the continent is generally deemed not ready for deep integration, “the economies are not stable enough and the macroeconomic strategies are still too divergent.”

This chapter argues that deep integration initiatives raise challenges of collective action that go well beyond those encountered in shallow integration schemes. Unlike shallow integration arrangements and the Prisoners’ Dilemma problems they raise, the literature on the impediments and facilitators of international cooperation in deep integration arrangements is still a bit scarce. Therefore, the challenges facing sovereign governments

http://www.nu.ac.za/indicator/Vol18No3
trying to harmonise beyond the border rules and regulations are not yet sufficiently understood. This chapter aims to illuminate some of the challenges of cooperation in deep integration initiatives and analyse their effects on the quality and stability of cooperation. I achieve this task by placing regional efforts to harmonise national policies within a theoretical perspective that helps to identify and grasp the type of collective action challenge that animate cooperation between governments involved in deep integration initiatives.

I assess the implications of strategic action for cooperation by examining the conduct of SADC governments during the negotiations and implementation of elements of the SADC Finance and Investment Protocol focusing specifically on Annex 1 on ‘Cooperation on Investment’ and Annex 11 on, “Cooperation in SADC Stock Exchanges.”

The focus is on the quality of regional cooperation in the harmonisation of regional Stock Exchange rules and procedures and focuses on both material and strategic factors that affect behaviour of sovereign governments trying to synchronize national policies for mutual gain.

My approach in this chapter is as follows. Firstly, I briefly outline the theoretical and the empirical issues related to harmonisation of policies among sovereign governments. I examine effects of strategic considerations on cooperation by using a coordination game model of the SADC Stock Exchanges program aiming to deepen stock market integration through policy coordination and adoption of common best practice for mutual gain. Secondly, a brief overview of the SADC Finance and Investment Protocol and the negotiation processes within CoSSE highlights the degree of ease or difficulty of the cooperation and also highlight the type and the effect of strategic factors germane to deep integration initiatives in general. Lastly, analysis of strategic considerations provides insights that help complement conventional explanations of regional cooperation that are typically based on material factors alone.

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156 See The SADC Protocol on Finance and Investment, Annexes 1 and 11 are on “Cooperation on Investment” and “Cooperation on Stock Exchanges” respectively.
4.2 Analytical Framework

As a problem of collective action, coordination involves two or more actors that are concerned with matching or optimising their policies for mutual gain. The Coordination game has more than one equally suitable coordination points. The presence of more than one coordination point raises potential for creating a problem for attainment of formal agreement and resumption of cooperation. The conflict over which outcome to pursue can be quite intense where no obviously dominant strategies exist. If and (only if) a single outcome can be arrived at, it becomes a ‘focal-point’ and subsequent cooperation becomes self-enforcing as no temptations for unilateral action.

Coordination problems are not synonymous with situations where actors are indifferent about strategies through which to pursue a mutually desirable goal. Actors have to negotiate and agree on mutually desirable outcomes, modalities and the time lines on how to achieve those outcomes. In a coordination game, a mutual desire to achieve a common goal among actors is bedevilled by deep seated differences in terms of strategies preferred by individual actors. Conflict over which outcome to pursue can lead to failure to reach a cooperation agreement.\(^{157}\) The higher the number of actors involved, the higher the likelihood of diverse policy preferences that are likely to hinder the resolution of the problem making agreement on cooperation difficult if not impossible.

Coordination animates many aspects of everyday life in society. Many coordination problems are fairly easy to solve as actors simply fall into a particular pattern that works and just keep on repeating it. For example, it does not matter whether individuals drive their cars on the left or on the right side of the road, what matters is that they all drive on the same side. The Coordination game is vastly different from Prisoners’ Dilemma. In contrast to the Prisoners’ Dilemma, the game has a very little disjuncture between individual and collective rationality.\(^{158}\) Consequently, the resulting problem of collective action is less severe and the optimal outcome can sometimes be secured through simple


\(^{158}\) Snidal, “Coordination versus Prisoners’ Dilemma,” 930.
communication sometimes common sense.\textsuperscript{159} And once agreement is reached, there is no logical reason for any actor to defect from the agreement.

The nature of strategic problem highlighted by the Coordination game differs quietly starkly, from chronic problems illuminated by the Prisoners’ Dilemma game. The problem in the Coordination game is one of choice between multiple but stable and efficient equilibria over which players have different competitive self-interests. Unlike in Prisoners’ dilemma game, where an obvious cooperation point exists, Coordination game has no immediately clear criterion upon which to base a choice among alternative outcomes preferred by various actors.

A common example of coordination problem in the literature of International Relations is the classic “Battle of the Sexes game.” The game features a couple, where a man prefers to attend a soccer game and the woman prefers to attend opera, but both would rather do something together than go to separate events.\textsuperscript{160} The couple strongly wants to be together, but faces a problem if the woman strongly wants to attend opera, and the man strongly wants to attend a soccer match. Existence of multiple equilibria means that a solution for a coordination problem may not be very difficult to find. For instance, the man might attend the opera if he thinks the woman will be there, even though his first preference was the other equilibrium outcome, attending a soccer match.

In figure 3 below, Government 1 prefers (BA) block and Government 2 prefers (AB) block. In international cooperation, different choices are a function of clashing strategic interests of individual actors-governments in our case. Again in sharp contrast with the Prisoners’ Dilemma, once a cooperative solution is attained, there is consensus between partner governments, the agreement requires only little enforcement if any at all. Its implementation is largely self enforcing because no actor has any incentive not to implement agreed policy change/s.

\textsuperscript{160} Jacob K. Goeree and Charles A. Holt, “Coordination Games,” 2.
From the payoff matrix in figure 3 above, government 1 and government 2 want to propagate certain norms for mutual benefit. The two governments can do equally well coordinating at either AA top-left block or at B, B bottom-right block. So there are two cooperative outcomes. Once one of the two possible cooperative outcomes is eliminated, cooperation becomes self-enforcing. Outcomes AB top-right block, and BA bottom-left block reflect mutually undesirable status-quo, meaning that AA > AB and BB > BA are both equal to a mutually preferred and self-enforcing outcomes.

Unlike in a Prisoners’ dilemma where the problem emanates from the strategic structure of the game itself, the Coordination game has no given cooperative outcome that is ‘hard-wired’ into the game structure. A cooperative outcome must be identified from outside the game usually through a bargaining process or negotiations. Once the cooperative agreement is identified, the monitoring and enforcement problems associated with the Prisoners’ dilemma are absent. However, the common desire to coordinate policies for mutual good is accompanied by strong biases for or against certain coordination points. Thus official declarations by political authorities to rationalise or streamline national policies where closer may obviously be better for all, does not negate the fact that the same governments individually, may prefer to coordinate at different points (AA or BB). The potential for conflict still exists and if not successfully resolved, disagreements can prevent governments from achieving a cooperative outcome and resuming cooperation.
I use the Coordination Game to examine challenges that face SADC governments’ initiative to harmonise regional stock exchange listing rules and procedures. This exercise complements the broader regional capital and financial market reforms laid out by the Regional Indicative Strategic Plan (RISDP) and the SADC Finance and Investment Protocol (FIP). The RISDP presents a vision of progressively deeper economic integration amongst SADC members proceeding through stages along a linear progression model that starts with a regional FTA to the Monetary Union in 2025. Part of the RISDP’s vision is to establish an integrated real-time network of the region’s national stock exchanges in order to improve the liquidity and attractiveness of smaller exchanges. Finance and Investment Protocol complements the RISDP in this regard and seeks to give effect to some of its components by emphasising cooperation in Regional Capital and Financial Markets.161

From the theoretical logic of the coordination game, strategic interests of individual governments can impede easy attainment of a cooperative solution in the short-term.162 Since adoption of any region-wide norm requires unanimity, differences in current national norms reflecting legal regimes can make it difficult for a group of governments to achieve consensus. Policy harmonisation and coordination in particular are accompanied by unevenly distributed adjustment costs that affect unequally, those countries that may require making policy adjustments to align with the regional norm. In some cases a cooperative solution may even require compensatory measures to mitigate the costs and ensure that all participants are better-off cooperating.

Therefore, policy coordination problems can be slightly easier where a hegemonic actor who provides necessary leadership in norm development and facilitation of agreements exists. Presence of a well established leading country that plays a leadership role and acts as a focal point for its regional counterparts generally improves prospects for stable and steady cooperation. It can also help ease tensions that arise from inequitable distribution

162 ‘Cooperative Solution’ is a set of strategies, which would maximize the sum total of the benefits accruing to a group of countries. In a trade game, this refers to the set of free trade strategies at which the total regional welfare is at a maximum.
of gains from cooperation through making side payments. Otherwise, prospects for cooperation can also be enhanced through reciprocity and repetition. Referring to our previous example, Soccer this weekend and Opera next.\textsuperscript{163}

It is not for lack of choice of strategies rather, the opposite, that can impede easy attainment of a cooperative outcome in deep integration initiatives. Policy harmonisation and coordination are accompanied by adjustment costs of varying magnitude that are not equally distributed among members of the regional arrangement. In some instances these disparities may necessitate that a cooperative solution be configured in such a way that it has built-in compensatory mechanisms so its implementation may indeed make all better off in comparison to alternative strategy choices.

Therefore, in deep integration initiatives the quality of cooperation can also be a by-product of specific regional conditions, including peace, the culture of cooperation and ability to craft suitable arrangements. One of the most important elements is the presence of a powerful leading country within a region which helps to bring in more sharply the threat of negative sanctions for defection and the benefit of positive rewards for compliance. Such a country can also support a compensatory fund to mitigate for costs of adjustment all of which significantly improve prospects for cooperation.

The Coordination game captures a different type of collective action problem from the Prisoners’ Dilemma. This game is often used to analyse cooperation in deeper integration initiatives. Deep Integration involves even more ambitious cooperation agenda that goes well beyond of border restrictions.\textsuperscript{164} Deep integration initiatives involve coordination or aligning national domestic policies in a particular sector. In the words of Stephan Haggard, deep integration initiatives “involve jointly designed mutual adjustments of national policies for mutual benefits.”\textsuperscript{165} Therefore, as opposed to shallow integration, deep integration is about synchronising or adjusting policies “once deemed wholly

\textsuperscript{163} To satisfy all sides, partners can agree to adopt reciprocal or alternate measures that address key concerns of others members each time.
\textsuperscript{165} Haggard, “Integrating National Economies,” xxiv.
domestic” for mutual good. In practice, policy coordination exercises may require mutual agreement on selected coordination point meaning that those involved must agree and commit to observe common rules that effectively curtail their individual policy sovereignty.

The game emulates a multiple actor situation (social situation) with a number of equilibria in which deliberate effort is required to synchronise policies among a group of actors motivated by a common desire to move away from the least preferred outcome. Coordination game captures situations with multiple equilibria in which deliberate coordination is required if the actors are move away from the unwanted status-quo. In order to coordinate their actions successfully, actors need to negotiate and find consensus on how best to synchronise their individual actions.

The Coordination problem arises when actors have to work together to move away from the status-quo, but they disagree on their preferred coordination points. Multiple coordination points matter in this game, because each one of them gives one participant a higher material payoff than the alternative points. In diagram below highlights the pay-off matrix of a simplified coordination game involving only two participants, government 1 and government 2. To gain highest mutual benefits at (AB) the two governments are facing two equally desirable coordination points at AA or BB.

The actors involved in a coordination game may typically have strong incentives to achieve a mutually rewarding objective, but they have differences over which points to coordinate on for meeting a mutually desirable objective. The presence of the multiple coordination points (AA or BB) has the potential for creating a problem for cooperative agreement. Therefore, unlike in a Prisoners’ Dilemma game, the key to unlock mutual cooperation is not to avoid the temptation to defect, rather it is to decide on which of the equally ranked coordination points to converge on. Therefore the coordination problem involves coordinating actions of participants away from a sub-optimal, or a mutually

undesirable outcome by reaching agreement on a certain set of mutually optimal set of coordination codes.

In international relations, a situation resembling a coordination game arises whenever two or more autonomous governments have to agree on certain codes for attaining a common goal but have different preferences on which codes should be adopted. Governments require deliberate effort to harmonise their national policies as a way to move away from a mutually unsatisfying status-quo. The key condition for successful cooperation is that individually, governments have to trade-off nationally preferred policy positions for mutually agreed ones focusing on mutually desirable outcomes. In some instances, governments may also need to agree on additional measures to resolve distributional conflicts such as where there are concerns about inequitable distribution of costs and benefits flowing from cooperation.

Prisoner’s Dilemma and Coordination games showcase two different types of dilemmas that arise from international cooperation. While both problems can effectively impede governments from acting collectively to secure mutually desirable goals, the two games highlight fundamental differences in the two dilemmas that also require different approaches and mechanisms to resolve. While the two cooperation problems can both be addressed through the use of institutions, the form and type of the appropriate institutions depends on the nature of the collective action problem they are designed to solve.

Prisoners’ Dilemma games are usually afflicted by chronic defections that require centralised formal institutions to monitor and enforce compliance to the agreement as well as provide extensive information on the activities of partners. The problem in harmonising policies is not to avoid temptation to defect, but to find a mutually agreeable point around which to harmonise activities. Coordination games offer no gains for cheating and therefore, they do not require strong monitoring and enforcement institutions. Therefore participants devote little attention to the prevention of unlikely
incidences of defection the central focus is instead falls on finding a mutually agreeable coordination position.\textsuperscript{168}

Institutions can facilitate cooperation by performing information gathering, assessing and validating competing preferences and policies of members and they can provide a forum for resolution of bargaining problems including reconciling choices of individual members and their consequences on mutual welfare.\textsuperscript{169} Iterated coordination games render cooperation more difficult because repeated activity tends to aggravate distributional problems. The outcome of iterated games provides an actor whose preferences are chosen with sufficient satisfaction, while putting other actors who settled for second best solutions in growing discontent.\textsuperscript{170}

4.3 Understanding Deep Integration: Harmonisation of SADC Regional Stock Exchange Listing Rules and Regulations

The conventional wisdom is that well developed and bigger financial and capital markets with fewer restraints for movement of capital are better able to attract foreign direct investments than smaller less flexible markets. This wisdom holds that consolidated financial markets bring together scarce savings, viable investment projects and financial infrastructure that increases competition and innovation as well as insulate central banks from domestic fiscal excesses. Therefore, integrating national financial and capital markets into bigger entities improves their viability and enables them to compete effectively for foreign investments. And theoretically consolidation of regional markets generally enables domestic capital markets to have desirable poverty-reducing effects in developing countries.\textsuperscript{171} Hence regional economic integration in SADC is geared towards creating larger markets with favourable business and investment climate aimed at

achieving economic growth and ultimately improving the livelihoods of citizens of the region.

The signing of the Finance and Investment Protocol by the SADC Summit in Maseru, Lesotho on the 18th August, 2006 was meant to give legal and practical effect to earlier commitments to cooperate in finance, investment and macroeconomic policy issues within the context of overall regional integration process. The Protocol has a broad mandate which includes development, strengthening and deepening integration of regional financial and capital markets, attainment of deeper monetary cooperation, and promotion of SADC as an investment destination. Therefore, integration program has several elements including removing barriers to intra-regional economic relationships, harmonising the regulatory framework and legal frameworks and facilitating the ability of the region to function as a single economic unit.

The Protocol specifically identifies harmonisation of capital markets as one of the primary components of regional integration. Annex 1 and Annex 11 of the FIP emphasises cooperation on Investment and Cooperation among SADC Stock Exchanges. Article 2 of FIP, strongly encourages regional stock exchanges in particular, to explore opportunities for development of joint products and cross listing of companies with the member exchanges. In line with Jacqueline Irving’s observation that regionalisation of small financial markets in developing countries encourages harmonisation of regional financial laws and institutions. Article 2 of the FIP emphasizes that cross market harmonisation should be pursued by member exchanges on an on-going basis.

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173 Regional Harmonization of regional policies was emphasized as a regional priority at a meeting of donors and African regional economic communities held at the African Development Bank (ADB) in Tunis, December 2009.
175 See Annex 11, Article 2, sub-section 6 of the SADC Finance and Investment Protocol, (Gaborone 2006), 110.
By acceding to the Finance and Investment Protocol, regional governments effectively pledged to act in unison to “make their securities markets more attractive to both regional and international investors.” Governments are obliged and committed to execute the mandate of CoSSE which among others seeks to achieve the following:

- Improve operational, regulatory and technical foundations and capabilities of SADC Stock Exchanges
- Increase market liquidity and enhance trading in various securities and financial instruments
- Promote development of efficient transparent trade in securities market in the SADC region.
- To encourage development of a harmonised securities market environment within the SADC region
- To maximise cooperation among the member Exchanges of CoSSE.

Theoretically, harmonised listing of rules is a step in the direction of deepening the region’s capital market that if successfully carried out will give SADC capital markets a competitive edge among other regions. Technically, harmonising and streamlining listing rules and processes across a number of regional stock exchanges can be mutually beneficial. According to Emmanuel Munyukwi, the Chief Executive Officer of the Zimbabwean Stock Exchange (ZSE), and the current Chairman of The Committee of SADC Stock Exchanges (CoSSE), harmonisation will improve efficiencies of regional stock markets by bolstering their operational, regulatory and technical capabilities, thus increasing market liquidity, and enhance trading in various securities and financial instruments and spur development of efficient, and transparent regional securities markets.178

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However, the logic of the Coordination game is instructive in understanding cooperation in deep integration initiatives. Based on the logic of this game, I formulate three logical but distinct theoretical propositions about the behaviour of governments involved in harmonising policies for long-term mutual gains and the implications on cooperation. Firstly, governments have to find consensus on the desirability of linking their national policies towards a particular convergence point. Mutual gains (perceived or real) from cooperation generate mutual preference for harmonisation.

The problem for cooperation is that there are a number of possible coordination points that are equally viable to choose from. Despite each government wanting access to superior gains, these gains are possible only from the synergy of coordinated activities with others irrespective of where they coordinate. Therefore, despite the coincidence of interests to move away from the status-quo, no one government can choose its policy option without knowing what policies others will choose. The problem here is that governments must coordinate their policy choices and actions. This calls for negotiations to find a mutually acceptable coordination point. And based on this logic, I make the following theoretical propositions;

1. Existence of mutual gains from cooperation generates mutual preference for cooperation. Governments prefer joint-action away from the status-quo AB or BA to either AA or BB.

The coordination problem emerges because the two governments face different payoffs for the same outcomes. From the matrix, top left box at A, A has a payoff of (4, 3), where government 1 receives disproportional higher payoffs 4, to government 2 who receives only 3 at same outcome. The challenge in a Coordination game is that governments face difficulty in reaching an agreement on which of the available coordination norms to will be chosen. Unless this problem is resolved or mitigated, a cooperative agreement is not possible, governments will opt to retain their unilateral policies and settle for the status-quo. I deduce a theoretical proposition that;

http://www.sardc.net/editorial/sadctoday/v4-212-2000/v4-2-11-2000-5.htm
2. If governments fail to mitigate their preferences and find a cooperative agreement, cooperation will not resume and the status-quo will prevail.

Therefore in a coordination game, the problem is to mitigate governments’ preferences, and find an agreement on one of the possible focal points. Consensus among self-interested participants can be difficult to reach. The presence of a strong state willing and capable to lead a cooperation arrangement can reduce the severity of coordination problems. Therefore, our third proposition is that,

3. If either of the available stable points AA or BB becomes a focal point, the dominant strategy by both governments is to conform to the focal outcome.

Once a coordinated outcome is reached, cooperation is self-enforcing since there are no incentives for unilateral action. Unlike in a Prisoners’ dilemma game, coordination problem does not require effective monitoring and enforcement institutions. If present a hegemonic leader can significantly enhance prospects for mutual agreement by acting as a focal point and make credible commitments to its own preferred norm for others to coordinating on. If willing and able to assume the role of a regional paymaster, a leading government can ease cooperation agreement by compensating potential losers from the cooperation agreement.179

Stable cooperation is possible if and only if governments’ activities continue to complement one another. Higher payoffs from cooperation act as an incentive for compliance and it can be sustained for as long as everybody believes that everybody else is complying. Failure to generate and avail information about activities of counterparts turns to elevate strategic uncertainty. This can aggravate incidences of non-compliance in a policy harmonisation arrangement as members turn to defection as a safer option.

179 Walter Mattli, The Logic of Regional Integration: Europe and Beyond, (Cambridge: Cambridge University Press, 1999), 56.
The game-theoretic model illustrates that envisioned gains from harmonising regional policies may not always be a sufficient condition for attaining a regional cooperative agreement. Concerns emanating from conflicting preferences of individual governments are not resolved; the Pareto-deficient status-quo will prevail. And as Feldstein reminds us, “It is important to remember that to a very large extent a nation has the ability to achieve its goals by itself.”\textsuperscript{180} Therefore, it is an everyday practical reality in international relations today that the national instead of the collective interest is what informs and drive national policies. However, cooperation is always an alternative involving rational decision making by policy-makers’ seeking to realise maximum gains.

However, the logic of the Coordination game suggests that mere existence of mutual gains from harmonisation of policies does not mean that cooperation between governments follows automatically. Irvin warns that “inherent nature of states implies that it is not uncommon for all regional integration plans to encounter some resistance at the government level.”\textsuperscript{181} The logic of the coordination game suggests that in harmonising divergent national rules and regulations between stock exchanges that vary greatly in terms of size and technological sophistication, raises challenges that governments have to resolve in order to reach agreement on a specific coordination strategy yet to be adopted.

The application of the Coordination Game to regional policy harmonisation initiative helps elucidate the effect such strategic factors on cooperation. These type of actors otherwise escape conventional analytical approaches that are based on the cost-benefit analysis. Modelling the SADC Stock Exchange rules harmonisation initiative as a Coordination Game, provides a unified framework that illuminates importance of strategic challenges that emerge when a group of governments try to harmonise policies to attain a common goal. The game captures strategic considerations that affect policy decisions and their ramifications for cooperation.


Regional policy harmonisation requires that national economies make adjustments around agreed regional strategy. These are fundamentally deep integration initiatives as they imply adjustment of national policies around a negotiated common norm. Haggard proceeds to draw a clear distinction between macroeconomic coordination and policy harmonisation. He posits that policy coordination initiatives such as macroeconomic convergence arrangements require deliberate intergovernmental cooperation to address a common problem. The process involves jointly designed mutual adjustments of national policies, where bargaining occurs and governments agree to alter their behaviour for the collective good. For example, macroeconomic coordination programs may require that individual participants formulate, implement and maintain fiscal and monetary policies with a clear bias towards agreed regional macroeconomic goal.

Policy harmonisation on the other hand, requires concrete agreement on even more rigorously defined policy codes or standards to be met by participants. In this case, “explicit policy harmonisation requires still higher levels of intergovernmental cooperation, may require agreement on regional standards or world standards.” Examples of policy harmonisation would include initiatives to agree on minimum standards in a particular sector or setting of some actual and clear policy codes that all members must comply with. Based on the two typologies identified above, I find that regional policy harmonisation as opposed to ‘macroeconomic coordination’ initiatives fit more accurately and neatly as Coordination Games.

Therefore, in order to track their collaboration activities, participants have to agree on a single set of policy rules to adhere to. The existence of multiple equilibria means that situations have at least two possible and equally ranked coordination points (if there are only two actors each with two choices). The fact is that while the status-quo is mutually unsatisfactory, there is no universally acceptable strategy away from it, but the choice of

184 Haggard, Developing Nations and the Politics of Global Integration, xxiv.
strategy is influenced by the fact that all available strategies give higher payoffs to some participants than to others.

In regional terms the coordination game applies as follows; each government will prefer the focal point that closely resembles its own national policy. Therefore, achieving harmonisation requires convincing the other regional governments why they are better off adopting your favoured position. In SADC, the regional leader South Africa often has to convince other governments that they are better off with everyone following South Africa than adhering to disjointed national policies. Convincing one’s partners often involve subsidising their costs of harmonisation. The question is whether securing consensus (AA) is worth enough to justify the costs of supplying technical and financial assistance where it is required to establish a regional focal outcome? If they do, AA will become self-enforcing once implementation resumes, as other countries will have no reason to go back to AB unilaterally.

4.4 Regional Motivations for Deeper Integration in the SADC Capital Market: Harmonised Listing Rules and Regulations for SADC Stock Exchanges

Broad economic reforms in the 1980s opened up trading spaces, these reforms also laid out the basis for even deeper forms of integration. The foundation laid out by trade reforms continue to give impetus to contemporary initiatives to reform African regional capital and securities markets. The current international interest in the African capital markets and the opportunities that come with it added further rationale and momentum for deeper reforms of African financial sectors. Integration of these sectors was also meant to improve the significance of these markets as destinations for investments and a possible new source of state revenue.

In southern Africa, SADC governments agreed on a vision for regional capital market integration and harmonisation in the 1990s. These governments sought to deepen regional financial links through harmonising various national policies and unifying existing financial institutions or developing new ones to facilitate collective goals in this sector. In some of their efforts, SADC governments aimed to increase cohesion in regional capital market regulatory frameworks, enhance information exchange and align national operational structures. The end goal was to achieve a ‘seamless’ regional market that could effectively function with the efficiency of a single regional entity.

The fact that individual national markets are generally small, illiquid and relatively undeveloped provides a strong rationale for regionalising capital markets in Southern Africa. Theoretically, integration can increase the size of these markets and enable them to operate more efficiently through streamlining their operations and exploitation of economies of scale. Regional Indicative Strategic Development Plan (RISDP) presents a vision of progressively deeper economic integration amongst SADC member states. This vision encapsulates a linear progression model that proceeds through removing barriers to movement of goods and services in intra-SADC trade (The SADC FTA), followed by integration of labour and capital markets and finally a common currency with the regional central bank and a single regional monetary exchange rate policy.

In line with a broader objective to facilitate ability of SADC to operate as a single economic unit, member governments have initiated various projects to promote integration. The RISDP encapsulates a broad spectrum of regional integration plans that are expected to give rise to an integrated regional economic community in Southern Africa. Lack of liquidity and low market capitalisation has been identified as a potential obstacle to or barriers to investment in securities. Hence the RISDP refers specifically to the goal of the planned regional initiative as to;

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fast track the development of the capital markets in the region by improving the liquidity of trade in equities, bonds, derivatives and other financial instruments in Southern Africa, so as to raise capital for regional economic development and make the SADC securities markets more attractive to local and international investors.\textsuperscript{188}

SADC governments envisioned potential gains of regional financial market integration to include, a large and efficient market that can boost intra-regional trade and investment flows into the region. Under the auspices of the CCBG, SADC has embarked on a substantial liberalisation of the banking and financial sectors as well as in capital and investments services.\textsuperscript{189}

The Finance and Investment Protocol of SADC, specifically calls on member states to co-operate in developing and strengthening national capital and financial markets with the intention of creating an integrated regional market.\textsuperscript{190} Subsequently, member governments have signed more practical sub-regional agreements committing national Stock Exchanges, in particular, to cooperate closely and share experiences to enhance each others’ capacities.\textsuperscript{191}

The SADC region has ten stock exchanges all of which are members of a Committee of SADC Stock Exchanges (CoSSE) formed by the CCBG in 1997 to facilitate coordination between the regional exchanges. One of the striking observations about the members of CoSSE is the contrast between them in terms of the institutional size and structures. For example, the gap between the Johannesburg Stock Exchange (JSE) and the rest of the regional exchanges is astounding with major inequities and discrepancies between the JSE and other regional exchanges. However, this discrepancy should not mask considerable variations amongst the smaller exchanges themselves in terms of size, turnover, liquidity, growth and number of listings. Table 2 below draws comparisons of

\textsuperscript{188} SADC, “The Regional Indicative Strategy Development Plan,” 80.
\textsuperscript{191} SADC, Protocol on Finance and Investment, Annex Eleven: Article 2.
the regional stock exchanges across four factors, namely, the national GDP, national population size, the national stock market capitalisation, and stock market capitalisation as percentage of national GDP.

Table 2: SADC National Stock Exchanges

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<tbody>
<tr>
<td>Botswana</td>
<td>BSE</td>
<td>14.0</td>
<td>1.8</td>
<td>3.9</td>
<td>28%</td>
</tr>
<tr>
<td>Malawi</td>
<td>M SE</td>
<td>5.0</td>
<td>15.7</td>
<td>1.8</td>
<td>36%</td>
</tr>
<tr>
<td>Mauritius</td>
<td>SEM</td>
<td>9.7</td>
<td>1.3</td>
<td>6.8</td>
<td>70%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>BVM</td>
<td>9.9</td>
<td>21.6</td>
<td>0.4</td>
<td>4%</td>
</tr>
<tr>
<td>Namibia</td>
<td>NSX</td>
<td>11.9</td>
<td>2.1</td>
<td>1.1</td>
<td>9%</td>
</tr>
<tr>
<td>South Africa</td>
<td>JSE</td>
<td>357.0</td>
<td>50</td>
<td>923.0</td>
<td>259%</td>
</tr>
<tr>
<td>Swaziland</td>
<td>SSX</td>
<td>3.6</td>
<td>1.2</td>
<td>0.3</td>
<td>7%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>DSE</td>
<td>22.7</td>
<td>41.3</td>
<td>3.2</td>
<td>14%</td>
</tr>
<tr>
<td>Zambia</td>
<td>LuSE</td>
<td>16.2</td>
<td>13.3</td>
<td>6.3</td>
<td>39%</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>ZSE</td>
<td>7.5</td>
<td>12.6</td>
<td>3.6</td>
<td>48%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>457.5</strong></td>
<td><strong>95.3</strong></td>
<td><strong>21%</strong></td>
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Among the ten regional exchanges, only the JSE, The Stock Exchange of Mauritius (SEM) and Zimbabwe Stock Exchange (ZSE) are financially autonomous or independent. The JSE is much larger than the other exchanges and provides much larger and more diverse liquid pool of investable funds than all other regional exchanges. The rest of the Stock Exchanges remain dependent on government financial support or donor
subventions. In many respects, the JSE also offers significantly lower transaction costs.\footnote{See, CoSSE, Draft Strategic Plan, (Johannesburg: JSE, June 2011).}

The smaller regional stock markets are also dependent on captive customers who are restricted by exchange controls or prudent regulations in their ability to place funds in markets outside of their country of origin. Faced with relatively high fixed costs and low trade volumes, smaller markets generally struggle to bring listing fees and transactions costs down to levels that are regionally competitive. The perception among SADC leaders is that smaller stock exchanges are constraint in various ways and generally operate inefficiently.

It is part of the broader FIP objective to create a dynamic and more liquid capital and financial market in SADC. Annex 11 of the FIP puts particular emphasis on cooperation among SADC Stock Exchanges. Article 2 of the FIP also states that, member exchanges shall extend multilateral co-operation and assistance to one another across a number of areas including exchange of information, inter-institutional training, regulating investments and developing cross-border listings. The FIP, therefore, commits national exchanges to synchronise their efforts and work towards creating a more efficient regional capital and financial market. The Protocol sets the legal basis for regional cooperation and harmonisation in the areas of finance, investment and macroeconomic policy.\footnote{Noko Murangi, Director Trade, Industry, Finance and Investment (TIFI), quoted in , “FIP Information Brochure,” (Gaborone: SADC Secretariat), 2.}

The SADC Summit has approved a number of regional cooperation projects in line with a stated goal, to fast track regional economic integration and establish larger “markets with favourable business and investment climate aimed at achieving economic growth and ultimately, improving the livelihoods of the citizens of the region.”\footnote{SADC, “FIP Information Brochure,” 2} Individual Stock Exchanges are bound by Protocol’s commitments as members of CoSSE which has a legal standing in SADC reporting directly to the SADC Committee of Central Bank Governors (CCBG).
The signing of the Protocol on Finance and Investment in 2006, in particular Annex 11 of this Protocol was based on the common awareness by SADC authorities of the potential contribution that the national stock markets can make to the national revenue and therefore contribute towards socio-economic development in the region. The former Prime Minister of Mozambique, Luisa Diogo, reflected part of this rationale when she said,

We feel that the recognition given to Stock Exchange Markets cannot be limited only to large businesses, because it is well known that the engine of development for economies is also based on small and medium enterprises.\textsuperscript{195}

Therefore, initial efforts to form a real-time integrated network of stock exchanges in 1999 were relatively well received and in principle it enjoyed immediate support from SADC member governments.\textsuperscript{196} The strategy was first to get all the stock exchanges to harmonise their listing rules and procedures based on the 13 principles of the JSE’s listing requirements as an enabling step towards an automated and more efficient regional capital market.\textsuperscript{197}

Technically, integrated regional financial market can improve the liquidity, efficiency and competitiveness of the region’s national Stock Exchanges. Harmonisation of listing procedures generally make the process of listing shares and raising finance in different countries easier and also raise the profile of SADC as a destination for all forms of investments. While integration of regional financial markets is a long-term goal of SADC, in the short-term, national policy-makers are required to devise coherent strategies that are based on mutual recognition that national interests of members are best served through cooperation. Efforts to harmonise activities of regional stock exchanges present various challenges that if not resolved can undermine progress. CoSSE was

\textsuperscript{195} Luisa Diogo is a former prime minister of Mozambique, she also held a portfolio of Planning and Finance, quoted in “SADC bourses adopt loose cooperation to pave way for gradual integration,” (SANF, June, 2004), 1-2.


\textsuperscript{197} The strategy in SADC was Harmonization; usually equated to a process through which two or more institutions achieve consistency in their rules and regulations.
formed to undergird cooperation and facilitate stronger working relations between member exchanges.¹⁹⁸

Harmonisation of regional policies by a number of sovereign governments requires that governments initially solve the coordination problem, by determining a mutually agreed program of action. The logic of the Coordination game can benefit analysis of cooperation among sovereign entities trying to harmonise policies for mutual gain. My Coordination Game model suggested that even if governments are sufficiently interested in the mutual gains from bigger integrated market finding mutually suitable strategy can present a formidable challenge that unless resolved can undermine attainment of mutual goal. The coordination problem can become more intractable where participants fail to reconcile their preferences. This effectively impedes a cooperative agreement or consensus and leaves participants no other choice but to retain the status-quo.

Therefore, the coordination problem can impede cooperation if participants individually hold strategic choices that cannot be reconciled. This is more likely where policy makers’ positions are informed by incongruent preferences as a result of inequitable distribution of potential costs and benefits associated with the available coordination points. The resolution of the problem requires inclusive negotiations, involving all the stake holders in deciding on the mutually desirable outcome. The role of third parties can also be crucial, in facilitating agreement by mitigating between various strategies, through making enticements and analytical support and diplomacy to present and advocate policies and actions contained in various policy options.¹⁹⁹

4.5 Towards a Harmonised Regional Stock Exchange Market?

In SADC, harmonisation efforts have been driven by a long held vision to create an “integrated real-time network of national securities markets in Southern African Development Community.” Measures have since been implemented to tie up illiquid national stock exchanges and harmonise their listing rules and regulations. In an integrated regional market, capital moves freely across borders, while investors and capital face similar opportunities and treatment. Therefore, integration implies minimal friction between the national rules, procedures, treatment and easy access to market information.

SADC tasked the CCBG (by extension CoSSE) to harmonise the listing rules, listing requirements and stock market procedures in the region. The first task was to finalise the review of the potential benefits for harmonising listings requirements, using the Johannesburg Securities rules as a base. The second task for CoSSE was to come up with a list of requirements for the integration of SADC exchanges including investigating and developing a suitable model of interconnectivity of the regional stock exchanges. The strategy compels each national exchange to offer automated trading instruments via a regionalised system easily accessible from a single workstation.

Initial efforts to regionalise capital markets resumed in 1998 with the agreement to harmonise stock market rules and procedures. Initially, CoSSE strategy was to review potential benefits of harmonising listing requirements and draw up recommendations for harmonisation. But each CoSSE member retained the prerogative to assess these recommendations and decide what to implement based on individual preference and need. This phase of the harmonisation project did not make much progress as individual stock exchanges voluntarily implemented elements they felt most comfortable

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202 South Africa Global Competitiveness Hub, “Harmonization Initiative for SADC Stock Exchanges,” 42
with, otherwise national rules remained largely un-identical across the board and individual national stock exchanges chose to maintain significant differences mainly reflecting national constraints and different levels of technical development. This strategy was deemed largely vague and in-actionable therefore the program remained largely unimplemented by members.

In 1999 members agreed to up the ante and develop a more definable and clearer harmonisation strategy. CoSSE members agreed to harmonise their listing rules to a basic minimum standard of 13 agreed principles. The harmonisation would be based on the JSE rules as a basic framework structure and format. Illuminating this strategy in 2002, the former Chief Executive of BSE Tebogo Matome, “We [CoSSE] are moving from a loose arrangement to a SADC Stock Exchange.”204 It was anticipated that by 2006, the operations of all the 10 stock markets in the SADC region were to be sufficiently harmonised and interconnected to make them electronically accessible from a single point via internet.205 Both the stock brokers and buyers were expected to be able to easily access information and to buy from a wider region-wide pool of shares in various regional companies.

Harmonisation was expected to create better investment choices and therefore lure more customers and investors to the regional bourses and continue to expose companies listed on all the 10 SADC Stock Exchanges to local and foreign investors. In addition, harmonisation was expected to promote development of efficient, fair and transparent securities markets within the SADC region and to maximise mutually beneficial cooperation among the exchanges.206

Meeting in Gaborone from the 4 to 5 September 2002, CoSSE members agreed to draft a multilateral memorandum of understanding charting the way towards achieving

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206 SADC defines securities markets holistically to include money and capital markets - stock markets pension funds and other financial services like banking and insurance.
harmonisation and automation among regional stock exchanges.\textsuperscript{207} The milestone agreement on this new redefined and more elaborate project was reached at a second quarter meeting of CoSSE held at Livingstone from 22-23 May 2003. CoSSE members agreed to link emerging stock markets in the region with the highly developed JSE making it possible for any SADC citizen to trade or buy shares in any regional stock market from their work station at home but through the national stock exchange.\textsuperscript{208} This is what the JSE Director Government and International Affairs, Geoff Rothschild referred to as an integrated network of national securities within the SADC community.\textsuperscript{209}

In practice, this model of integration would involve installation of common electronic platforms to facilitate communication, trading and automation between regional exchanges. Therefore the technology, rules and practices in various national stock exchanges seeking to integrate operations by necessity have to be harmonised to the minimum extent to allow for efficient, uninterrupted flow of information and activity across member exchanges in various countries in the region. The linking of regional stock exchanges and achievement of seamless operations between them and the JSE was meant to facilitate flexibility and facilitate cross trading. However, such a prospect exacerbated fears among smaller stock exchanges of being dominated by the JSE. For example, in these negotiations, the BSE released a statement accusing the JSE of “attempting to apply pressure on the smaller regional Stock Exchanges into accepting an unreasonable proposal, which will allow the JSE to siphon off order flow from the smaller exchanges in an effort to boost their own trading volumes and revenue.”\textsuperscript{210}

Addressing the CoSSE meeting in Livingstone in May 2003, the then Deputy Finance Minister of Zambia, Felix Mutati challenged CoSSE to find a strategy whereby autonomous national markets find ways of using technology, skills sharing, across-border

\textsuperscript{207} Geoff Rothschild, “Attracting Foreign Investment,” (A power point presentation, November 21, 2003), 7.
\textsuperscript{209} Rothschild, “Attracting Foreign Investment,” 7.
\textsuperscript{210} The BSE statement was quoted in “SADC Stock Exchange deal is still on,” The Independent, April 23, 2004, accessed November 18, 2010. http://theindependent.dev.co.zw/business/14868.html=component&print=1&layout..
investment and dual listing to ensure that SADC can reap synergistic benefits of integration and foster economic development. It was not until CoSSE meeting held in Maputo, Mozambique in 2004 that members clarified some of the issues that had hindered agreement, slowing down progress towards the envisioned integrated real-time network of the region’s national bourses. Concerns about possible domination by the JSE compelled CoSSE members to adopt a less ambitious project that required a loose type of cooperation to be achieved. The Maputo meeting discussed and agreed on measures to overcome the lingering concerns and devising ways to sustain the momentum towards the goal of a large integrated regional capital market.

The earlier attempts to find a substantive and workable cooperation agreement from 1998 to 2002 faced various challenges including technical, planning and funding problems. Concerns around these issues hindered consensus around modalities to achieve a SADC vision of an integrated real-time network of national securities. The lack of consensus hindered any real progress and prolonged the negotiations; as a result the 2006 deadline was missed. For example, by August 2009, only six of the ten SADC stock exchanges had automated their trading systems, while five stock exchanges retained stringent exchange controls, remained without automated trading systems and securities depositories. These exchanges remain relatively unconnected and continued to operate in relative isolation from the other regional stock markets.

Today, many SADC national exchanges retain exchange controls and some still lack automated trading systems and securities depositories, these exchanges remain relatively isolated from the SADC capital and financial market. The CoSSE meeting of June 2011, held in Blantyre Malawi, urged members to put words into action and begin moving or

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213 See SADC Finance and Investment Protocol; Annex 11; Cooperation in SADC Stock Exchanges; Preamble p. 107.
214 Regional exchanges with automated systems include; JSE, Bond Exchange of South Africa (BESA), MSE, NSE, DSE and the LSE, while BSE, MLE, MZE, SWE and ZSE remain unautomated and trading is still manual.
working towards harmonisation of their operations. Malawi’s Stock Exchange Chair, Augustine Chithenga, urged delegates that, it was time to turn words into action as there has been lots of talking in the past. Chithenga was lamenting the glaring lack of implementation of the resolutions adopted in the previous CoSSE meetings.

After 2006, CoSSE was subsequently tasked to come up with a list of requirements for yet another integration initiative of SADC stock exchanges through a suitable and mutually agreed model of interconnectivity. These efforts culminated in the adoption of the “SADC Interconnectivity Hub and Spoke Project.” The hub-and-spoke model has been a subject of long debates and negotiations but it was only approved by CoSSE in their meeting held in Livingstone, Zambia on 28th May, 2008. Identified exchange business functions perceived as crucial for proper functioning of the Spoke and Hub Integration model include listing regulations, trading clearing and settlement and data dissemination.

In part to facilitate realisation of the Spoke and Hub model and advance the harmonisation process, CoSSE adopted a recommendation to change the approach from the stringent harmonisation of the actual rules, to harmonising on a basis of ‘common set of core principles.’ The goal was to harmonise rules governing various practices including treatment of sponsors, conditions for listing, continuing obligations, listing particulars, financial and dual listings information.

However, the prospect of integrated regional capital markets while potentially mutually beneficial paradoxically continues to be perceived with scepticism by some members who are not happy with strategies agreed upon. It is apparent that some of the smaller

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217 IPSC, “CoSSE Hub and Spoke Interconnectivity Project,” submitted to CoSSE in Maputo, Mozambique September 14, 2009), 5.

218 The Minutes of the CoSSE Meeting, (Blantyre, Malawi, June 9, 2011), 12.
stock exchanges are interested in the gains from being part of the regional market, but they fear any form of integration that may bring cross border trading. Perception among the smaller less competitive members is that, larger exchanges seem to be much more attractive to larger and more lucrative companies and possible migration of these companies to larger regional exchanges would come at a cost to smaller regional exchanges. Highlighting the contentious issue and a stumbling block in these negotiations, Hiran Mendis argued that, “there are (and have been) conflicts in between thoughts (various positions) on integrated market, but there shouldn’t be if the ideas are properly conceptualised.” It is almost in direct response to the these type of concerns, that Beatrice Nkanza of the Lusaka Stock Exchange (LSE) said that, working together now (cooperation) was not to be confused with integration which is only a long-term event and goal of SADC.

Exchanges of this kind have been an enduring feature of the talks in CoSSE. And this reveals that despite often repeated desire to work together and achieve an integrated capital and financial markets in SADC, the negotiations on how to realise an integrated market with envisioned mutual gains have neither been smooth nor have they been without challenges. Nisham Aubeeluck of the Stock Exchange of Mauritius and CDS attributed the general lack of progress in CoSSE, in particular, the difficulties in the current negotiations “as a consequence of genuine differences in interpretation, understanding, interests and objectives between CoSSE members.”

SADC objective to establish a real time integrated network of capital markets has raised long running debates and a sustained search for a mutually acceptable vision that is also in line with integration objectives set out in the RISDP and the FIP. The signing of CoSSE Charter in 2003, outlining the objective to maximise cooperation has been pursued but finding mutually acceptable strategy has over the years eluded CoSSE limiting cooperation or progress by members. Since it was founded in 1997, CoSSE

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219 The Minutes of CoSSE Meeting, (Blantyre, Malawi, June 9, 2011), 12.
220 The Minutes of CoSSE Meeting, 12.
221 The Minutes of CoSSE Meeting, 12.
222 Nishan Aubeeluck is the CEO of the SEM & CDS Mauritius; he was quoted in the minutes of CoSSE Meeting (Blantyre, June 9, 2011), 13.
members have been struggling to find a mutually acceptable interpretation or model of a mutually desirable regional-wide capital and securities market as anticipated by the Protocol and the RISDP.

Subsequent negotiations have revealed that strong interests and even fears of domination by individual exchanges and respective national political leaders has led to resistance from some exchanges in the region. This resistance has been more pronounced among those that associated harmonisation with setting up a single regional stock exchange. As a result only superficial harmonisation leading to minimal progress has been achieved in this sector since 1998. For example, there has been reasonably good cooperation and progress in information sharing and mutual cooperation in capacity building. The same cannot be said about negotiating and enacting common rules and regulations that facilitate establishment of an integrated real-time network of the region’s national exchanges as envisioned by members.223

Thus, far SADC efforts to harmonise around the JSE listing rules has only seen limited progress, but it has consistently provoked debates and significantly prolonged negotiations among members. Against the common quest to gainfully employ national stock exchanges to mobilise savings, the plans preferred by members individually do not always sit favourably with the declared common vision of seamless operations between the regional stock exchanges.

223 See, The Original Memorandum of Understanding on CoSSE; The RISDP and the Protocol on Finance and Investment FIP.
4.6 Strategic Aspects of Multilateral Policy Harmonisation

The Coordination game highlights a collective action problem whereby a number of self-interested actors have incentives to achieve something jointly, but retain some individual differences over where to coordinate their policies. Malone and Thompson associate coordination problems with those international situations where, “connected actors pursue goals that a single actor pursuing the same goals would not perform.” The coordination problem is that which emerges where interdependent activities need to be integrated correctly through deliberate effort to achieve an envisioned optimal goal from collective action. This game reflects situations with multiple equilibria in which coordination is required if the actors are to avoid the least preferred outcome.

African capital and financial markets are ‘micro-markets,’ they are relatively small, inefficient and generally costly to maintain. Integrating these markets were expected to lower operational costs by eliminating duplications generally enhancing market efficiencies and attractiveness to investors. The positive relationship between integrated regional stock market, development and long-run economic growth presents a mutual incentive for financial and capital market integration and cooperation among SADC members.

Harmonisation process aims to align closely the operations of national financial markets through converging practices and harmonised rules, members hope to generate intra-regional efficiencies with a number of mutual benefits. SADC authorities anticipate that harmonisation of stock exchange operations will have desirable effect. It will have the effect to expand the regional capital market thus make the regional market more attractive.

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to investments or enable these markets to generate revenue and supplement declining financial contributions from traditional sources. Thus harmonised policies and rules would improve viability of small regional exchanges and enable each to support national economic development. Why would poor countries facing debilitating financial or capital shortages, such as SADC fail to realise the benefits from cooperation as theory promises?

Despite widely accepted theoretical rationale for harmonisation of stock exchange policies, larger more efficient, dynamic and more stable trading systems, in practice harmonisation can only be achieved and its gains realised if SADC national leaders and stock exchange chiefs are firmly committed to regional plans and the collective objective to harmonise policies. Wakeman-Lin and Wagh argue that for successful cooperation, national policy-makers’ commitment has to go to the “extent of allowing short-term national concerns to be outweighed by the benefits of long-term regional cooperation.”

In practice, individual governments have not been very receptive to the idea of relinquishing control of elements of their national policy instruments which deep integration requires. Stock exchanges in some member countries are still perceived by national authorities as symbols of national sovereignty and therefore are normally a protected national property. Beatrice Nkanza of the Lusaka Stock Exchange indicated that despite many of the stock exchanges in SADC being small and illiquid, governments still see the value in expending time and resources to support them. The negotiations in search of actionable policy harmonisation plan have only amounted to a vexing attempt to balance various national policy preferences, and are often complex and difficult. The more intricate coordination problem emerges, where preferences of members remain irreconcilable; in such a case governments face a coordination problem that unless resolved, impedes development of cooperation. Coordination problems therefore can impede a move away from a mutually sub-optimal outcome, since failure to find a cooperative agreement, implies collective failure to work together away from mutually undesirable status quo.

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228 Wakeman-Lin and Wagh, “Regional Financial Integration,” 23
229 Beatrice Nkanza Chair of Lusaka Stock Exchange, Electronic communicae to CoSSE members, on May 31, 2011.
Efforts of the SADC stock exchanges to harmonise their stock markets operations face a number of challenges. Coordination problems are aggravated by the fact that the regional economies are highly unequal. The stock markets themselves are of various sizes and they are at various levels of development or technological sophistication. While the more advanced regional Stock exchanges can provide effective benchmarks for smaller exchanges, higher integration raises a risk that free flowing financial resources will tend to favour exchanges with the most viable investment options. Therefore, while harmonised regional capital market is mutually desirable, some exchanges have expressed fears that harmonisation of stock market processes can also aggravate existing inequalities among stock exchanges.

Apart from the Common Monetary Area (CMA) members that enjoy close political and economic ties with South Africa, other countries continue to raise concerns over inequitable costs and distribution of potential gains from integrated regional stock and equity markets. It is the differences in perceptions between costs and benefits that inform various levels of commitment at a national level. Botswana Stock Exchange has consistently echoed concerns about distributional consequences of harmonising stock exchanges in CoSSE meetings and deliberations. The sceptics have pointed out that closer harmonisation between the JSE and Namibia Stock Exchange largely resulted in migration of liquidity and capital towards the JSE.

This issue fuelled allegations that the JSE indeed has a regional domination agenda. It also rekindled old concerns among member states, that harmonisation will favour the JSE. These concerns led to resistance or rejection of closer stock market integration or coordination in the region. Smaller stock exchanges have been reluctant to find agreement mainly because of concerns that despite anticipated mutual benefits, seamless regional capital market dominated by the JSE might not work in favour of their national economies. Some have argued such a development would significantly decrease the

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number of issuers and investors on these smaller national stock exchanges further diminish their trading volumes and fuel capital flight to Johannesburg. “The disparities in sizes of economies and markets have a tendency to create conflicting objectives and low level of mutual trust that complicate progress towards integration.” 232 For example, while the larger exchanges may seek to meet rigorous international standards, smaller exchanges on the contrary, show willingness to make compromises in that may enable them to be competitive and to attract some listings. 233

Meeting in Gaborone in August 2010, CoSSE noted significant resistance to the harmonisation of listing rules program, admitting that actual harmonisation of listing rules by smaller exchanges threatened to slow down plans to benchmark and align regional listing requirements with those of the JSE. 234 According to CoSSE, the fear of being dominated by the JSE has impeded moves towards harmonisation and capital market integration among SADC member exchanges. CoSSE is also of the view that, this fear “may have led CoSSE and other SADC exchanges to miss out on the potential benefits of making use of facilities offered by the JSE.” For example, CoSSE notes that, members generally failed to react positively and accede to the JSE’s “Africa Board” which is a voluntary initiative by the JSE to provide firms listed in smaller exchanges some exposure and access to capital through dual listings. Despite envisioned potential benefits of the Africa board initiative, smaller exchanges saw it as a threat to liquidity and income from listing fees, regardless of whether it offers potential benefits to issuers.

Vipin Mahabirsingh of the Stock Exchange Mauritius (SEM) and Chair of the SADC Interconnectivity project observes that “Most SADC states seem to favour having their own national exchange and regulatory framework whereby local issuers and brokers are supervised by the national regulator.” 235 It is such concerns and considerations that have so far acted as barriers to the attainment of a seamless regional stock market in SADC.

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233 Ibid.


235 Vipin Mahabirsingh is a managing director CDS Mauritius, Chairman Interconnectivity PSC, Committee of SADC Stock Exchanges.
Despite sustained efforts since 1997 to coordinate stock exchange operations for mutual benefit, differences around the approach to such a regional project have inhibited progress and effectively prolonged negotiations in CoSSE. Modalities of stock market cooperation and strategies of achieving harmonised capital market integration in SADC remain sensitive and a subject of negotiations in CoSSE. And the lack of clear agreement between member stock exchanges continues to dampen political will and obstruct a clear regional agreement on achieving deeper levels of capital market integration in SADC.

As we indicated earlier, SADC set out to form a fully fledged regional capital market with integrated regional financial and securities markets. However, in its meeting in Maputo Mozambique in June 2004, CoSSE discussed measures to overcome some of the concerns obstructing progress towards the region’s goal of integrated capital and financial markets. In this meeting CoSSE sought to “find a common strategy for the development of capital markets.” Members agreed that concerns about different levels of development should not be an obstacle to the agreed regional goal of creating a robust regional capital market that can bolster the liquidity and attractiveness of all member stock exchanges. Consensus from the Maputo meeting was to pursue measures towards development of a central processing platform, but one which enables individual national exchanges/bourses to keep their own identity while doing cross border trading among themselves and with the non-regional actors.

At this stage, SADC member states resolved to adopt a loose form of financial and capital market cooperation to kick start a gradual and smoother transition into an integrated regional capital market. CoSSE members agreed to develop a ‘Hub and Spoke’ model, which would allow investors in each country to trade on SADC exchanges through their local brokers. The hub and spoke model was essentially a compromise position upon which consensus among CoSSE members and indeed SADC policy-makers was possible. This model allows governments to retain control of national stock exchanges, only opening up a little more room for increased mutual cooperation. The agreement on the

spoke and hub model was actually a watered down version of the initially anticipated cooperation agreement that aimed to achieve an “integrated network of the region’s national exchanges by the year 2006.”

Despite a resolution to pursue softer form of cooperation on the basis of a Hub and Spoke model, implementation of this agreement was generally poor and did not make any real progress towards smoothing out operations between the JSE and smaller national exchanges as anticipated by members. And in 2010, CoSSE was still pondering alternative strategies to achieve even closer cooperation between the SADC stock exchanges. The consistent efforts by SADC governments to find a workable agreement reflects strong mutual desire to gain mutual benefits that integrated markets could have for the region. However, one may argue that in SADC the motivations for deeper integration have not been sufficiently strong to support a regional agreement that is both sufficiently supported by members and potent enough to advance integration in this sector.

The negotiations in CoSSE have revealed various concerns that were built on the background of specific issues and concerns from different national markets. These concerns included fears about distributional consequences from weaker less competitive stock exchanges hampered a clear agreement and largely impeded implementation of any adopted cooperation measures in the sector. Following sustained protests about possible undesirable effects of integration, which threatened progress/cooperation in this sector, the regional goal was moderated to harmonising to achieve consistency while still allowing flexibility for the small undeveloped markets.

Members opted to harmonise policies, focusing on the standards, principles and core listing requirements as a medium term goal and a requisite step towards an automated trading of nationally listed securities at the regional level. This is a position adopted in 2010 as a compromise, even this compromise position was reluctantly agreed to as some

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238 CoSSE Secretariat, “Minutes of the Committee of SADC Stock Exchanges (CoSSE),” Meeting held in Blantyre, June 9, 2011, 11.
members still raised further concerns. For example, Botswana was reluctant to support even this agreement on the basis that the previous cooperation initiatives harmonisation of listing rules and procedures and the hub and spoke model projects were deemed to be in progress. Hiran Mendis of the BSE was quoted as saying that, “one can’t understand why we [are] embarking on another harmonisation project even if it is based on standards and principles while the previous ones remain incomplete.”

Despite a number of hurdles, the coordination process in SADC has benefited significantly from the active role that South Africa and its financial institutions have played in SADC. Our third theoretical proposition highlights the importance of leadership as a critical factor that can reduce the severity of the coordination problems. Many exchanges in SADC are small and not self-financing, therefore by necessity, they rely on government subsidies or donor financing for survival. The JSE stands in sharp contrast these exchanges; it is by far the dominant market in the region with its market capitalisation at about US $600bn dollars in 2005, and about US $800 billion dollars in 2010. The JSE is rated one of the top 20 Stock Exchanges in the world, and it accounts for approximately 94 percent of total sub-Saharan market.

Since the beginning of cooperation efforts between stock exchanges in the region in 1998, the JSE has offered use of its automated trading system and as well as rendered some technical assistance and training its partners in the region. The South African capital market is fairly large and liquid, and it has achieved world standards relating to trading, investor protection and risk management. In achieving this position, the JSE has had to overcome numerous challenges and gained vast experience and a pool of expertise. South Africa therefore is in a strong position to provide advice, training and technical expertise to SADC and the relevant national authorities. In 2002, the JSE actually offered that other SADC exchanges consider adopting its trading model, also proposed to help

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239 CoSSE Secretariat, “The minutes of the CoSSE Meeting,” 12.
other members achieve transition and acquisition of the relevant technologies and expertise.

Therefore, while one cannot ignore the role played by formal SADC institutions and specialised Committees such the CCBG and its subsidiary CoSSE, in facilitating cooperation, it is also true that South Africa through its financial institutions have been proactively providing guidance and leadership in advancing strategies towards collective interests of the entire region. Addressing CoSSE members meeting in Livingstone on the 22-23 May 2003, former Deputy Finance Minister of Zambia, Felix Mutati assured representatives that, achievement of the regional market requires cost effective information technology infrastructure and support systems and the JSE had already expressed willingness “to leverage some of existing infrastructure to ensure economies of scale.”242 And further to underscore the importance of South Africa to the whole integration program, Emmanuel Munyuki the current chairman of CoSSE, indicates that very early on, the CoSSE successfully lobbied the South African authorities to allow South Africans to invest in the regional exchanges.243

Integrated regional markets enable individual investors a choice to invest in additional financial instruments based on own preferences and liquidity needs. Experiences from other regions that have attained linked trading platforms show that a small country could successfully exploit the existence of a well-functioning exchange in a larger neighbour thereby reaping the advantages of better technology to the home market at lower costs.244 Incoming investments can boost the national savings rate. Within the integrated regional market with freer movement of capital, means that smaller exchanges may benefit directly from doing trade in a more flamboyant JSE.

The coordination game model also suggests that the presence of a hegemonic state that is willing and capable of supporting the regional policy coordination agreement, significantly improves prospects for speedy resolution of strategic differences that might otherwise impede progress. The theoretic logic of the model also suggests that even more importantly, solution to coordination problem is even easier if the powerful state is also willing to directly compensate potential losers from cooperation. The prospect of being compensated helps to woo potential losers and sceptics on board the regional agreement.

In the case of SADC, South African finance institutions, the Reserve Bank and the Treasury Department have in various ways played meaningful roles that generally helped to catalyse the harmonisation of national policies. For example, coordination initial efforts that led to the signing of the two MOUs and eventually the FIP were first inaugurated in December 2000 in the Directorate of Finance and Investment Sector Coordinating Unit (FISCU) at the South African Department of National Treasury in Pretoria. Other institutions in South Africa like the South African National Language service help carryout translations on material and documents form non-english speaking members on a pro bono basis.245

South Africa enjoys unassailable position of dominance in SADC; however, it also faces daunting domestic developmental and financial challenges. For example, South Africa’s per capita income at US $3,377 is almost equal to that of Botswana and significantly lower than that of Mauritius both of which stand at US $3,307 and US $3,796 respectively.246 This highlights that fact that while slightly a bigger economy, South Africa does not always enjoy unchallenged dominance and more importantly may lack sufficient financial leverage to effectively play a facilitating role of a regional paymaster. These constraints place a major limitation in what South Africa as a dominant party can do to facilitate reaching a cooperation agreement.

246 For tabulated 2001 figures; See www.fao.org/docrep/005/ac850e/ac850e
South Africa does not really have the capacity to make financial payouts or pay compensations to ally fears of smaller members that integrated regional financial market might undermine their national stock exchanges, leading to financial loses. For example, in April 2004, Botswana vehemently opposed plans to put up an electronic link with the JSE, protesting that such a link was going to have undesirable effect on smaller markets. The argument was that any link that enables regional cross-border trading was going to decrease the number of issuers and investors on national stock exchanges, as well as diminish trading volumes and exacerbate capital flight to Johannesburg.247

Botswana has consistently represented a voice of dissent against the initially planned regional electronic trading platform. And similar concerns shared to varying extent by other exchanges have shadowed the negotiation process and threatened to stall the negotiations. Private concerns of individual members have effectively impeded any progress towards an integrated regional stock market as anticipated in the RISDP and the FIP.248 It was not until the meeting of CoSSE in Maputo in June, 2004 that a compromise was reached where members resolved to begin with loose cooperation, which would in order to pave way for a smooth transition towards integration as a long-term goal. This change of strategy by CoSSE happened amid the heated debate with smaller regional exchanges and South Africa. The ultimate compromise was to begin with a loose collaboration where national bourses were to keep their national identity while doing cross-border trade in company shares and other stocks.

Regional financial integration refers to a process that is market driven and sufficiently institutionalised to broaden and deepen existing financial linkages within a region. The harmonisation of listings rules in SADC is part of a broader process of achieving capital markets integration. This process involves eliminating barriers to cross border investments and differential treatment of foreign investors. And deepening financial links can be achieved through further harmonisation of national policies, laws and erecting


requisite institutions. If successful, cooperation leads to cohesion of regulatory framework, operational structures and information systems a region effectively come to function as one.

It is the view shared by both SADC political leaders and leaders of the regional stock exchanges that, integration if achieved, can help propel development in the region. This is the rationale behind this initiative, but preceding discussion show that unless coordination problems are sufficiently resolved, a concrete cooperation agreement remains elusive. Indeed experiences of SADC governments so far provide useful insights. One, the story of SADC cooperation in this sector show that envisioned benefits from integrated bigger capital market has so far proved inadequate to spur cooperation and facilitate a cooperative agreement. Two, the study also reveals and illustrates the unique type of cooperation challenge that faces governments trying to achieve cooperation in deep integration initiatives.

4.7 Conclusion

The Committee of SADC Stock Exchanges in SADC has over many years carried the mantle of advancing financial and capital market integration in Southern Africa. Cooperation and integration of national stock markets in southern Africa could help members overcome some of the main obstacles that constrain their growth and development. Regional capital market integration if realised could improve liquidity, efficiency and competitiveness of the region’s exchanges, thereby enhance their collective ability to mobilise local and international resources and make a contribution to national development. In Southern Africa, integration of the national stock exchanges can go some way towards overcoming some of the impediments to development that most countries in the region are currently facing. I argue that despite the sound theoretical rationale for cooperation and perceived mutual gains from harmonising regional stock exchange policies, member governments can still find it hard to achieve cooperation unless they resolve the coordination problems.
This chapter set out to examine how SADC members were cooperating to advance integration of regional financial markets. Integration of the small, inefficient national stock exchanges in SADC offers a way around some of the impediments to development and growth of these fledgling markets. Integration of these markets could improve liquidity, efficiency and competitiveness of these exchanges and allow the national financial markets to function as vehicles for wealth generation by raising the national savings rates. Member governments’ desire to access these gains in the future forms a strong incentive for regional cooperation in the sector. However, successful cooperation can be impeded by coordination problems, despite mutual interest to benefit from efficiencies of the integrated regional capital and securities market, governments may fail to mount a successful cooperation initiative. In fact, these governments may fail to find initial agreement to upon which to resume cooperation.

So far attempts to harmonise national policies have raised coordination problems, where SADC governments have confronted enduring difficulty trying to formulate consensus around a regional strategy to be adopted. Prevailing inequalities and asymmetries in levels of economic development particularly between South Africa/CMA and other regional countries aggravates the coordination problem by exacerbating the gap between preferred options. These generally render coordination challenges more acute and can prolong the negotiation process.

SADC leaders have consistently shown in their declarations strong willingness to respond collectively to some of the challenges facing the regional financial markets. Ironically the measures and steps they have pursued so far to harmonise their stock exchange systems and operations have ironically been accompanied by reluctance and trepidation on the part of individual governments. This is because commitment to regional plans is normally based on perceived benefits from harmonised policies. This is a quid pro-quo before political leaders can commit to support and back cooperation initiatives. Otherwise, governments readily settle for alternative strategies, which in this case may well be to reject cooperation and hold on to their small, inefficient stock markets despite these
exchanges being unable to contribute effectively to national economic growth and poverty reduction.

Despite having agreements in place, SADC governments have remained cautious about harmonising or integrating their national securities. This is partly due to fear of losing their national identity and independence which may come with the integrated regional capital market. The logic of the Coordination game is such that availability of several equally viable coordination points, make reaching a cooperative agreement between sovereign governments difficult. The key issues revolve around appropriate strategies to achieve mutually desirable goal in the form of more integrated and efficient regional capital market. Despite their collective resolve to integrate their stock exchanges, SADC member states with diverse inequitable economies find themselves facing a coordination problem that has made it so difficult to achieve discernable levels of harmonisation since 1998.

The presence of South Africa has been absolutely critical to the successes or achievements of SADC in harmonising national policies towards further integrating of regional financial market. By providing the example and its own systems and sharing experience and resources, South Africa and the JSE has been a distinctive factor that has significantly facilitated mitigation of the coordination problems in SADC. Therefore, South Africa’s presence and economic dominance while perceived as a threat by some members and therefore a hindrance to cooperative agreement, it also mitigates inevitable tensions by providing a focal point around which to converge. Despite the differences that emerged during the negotiations, it was with relative ease that CoSSE members agreed to the JSE’s rules and regulations as benchmarks at the beginning of the negotiations.

Progress has not been assisted in anyway by the fact that SADC governments are not very enthusiastic to develop the organisation into a supranational agency more capable of generating knowledge and providing guidance. But in this sector, SADC has benefited significantly from being led by a hegemonic regional power that has the willingness and
the capabilities to act as a focal point. South Africa has actively lead the region, facilitating dispute resolutions and lending its expertise and resources where necessary. South Africa has played and continues to play a critical part in setting SADC as a whole on a steady path towards regional financial market cohesion and integration. In spite of limitations, South has taken the lead when it comes to resolving distributional problems among members by availing its resources and offering technical support to members. The JSE has basically been operating as a SADC platform for SADC Stock exchanges and a framework upon which cooperation among the regional stock exchanges can be premised.

One may also add that, while an undisputed hegemon, South Africa’s hesitance or failure to respond favourably to Botswana’s fears of capital flight towards the JSE, led to a compromise from the initial goal of an integrated SADC stock exchanges to one of more loosely defined cooperation between independent national stock exchanges. This was inevitable given South Africa’s own limitations as a hegemon given its own domestic challenges. South African authorities have been non-committal when it comes to alleviation of anticipated distributional problems. South Africa did not pledge or commit to financially compensate potential losers in the case of implementing the initial stock exchange integration plan. This is despite the fact that, fears around financial loses to the JSE have been the thorniest issue throughout the negotiations and one that eventually forced an early compromise from market integration to loose cooperation between national stock exchanges.
CHAPTER FIVE

THE CONSTRUCTION OF SADC REGIONAL ELECTRICITY GRID AS A STAG HUNT GAME

5.1 Introduction

Southern Africa possesses a wide range of energy reserves that include coal, petroleum, natural gas and massive hydroelectric generation potential. Notwithstanding the abundance of regional energy resources, only about 22 per cent of SADC population has access to electricity, the rest depend on bio-fuel to meet their energy needs. In 2006, southern African countries began to experience crippling power shortages with negative consequences for the regional economy as a whole. Energy demand has since continued to outstrip supply increasing the likelihood of crippling power shortages in the future. For example, since the year 2000, regional demand for electricity was increasing consistently at a rate of about three percent per year (approximately 1200MW). At that rate, regional authorities and energy experts forecast that regional demand for power was going to outstrip regional supply by 2007.

Many of the new responses to the imminent power crisis were conceived within and moulded to the existing SADC energy cooperation framework. One of the earlier SADC milestones was the signing of an “enabling memorandum” for the establishment of a coordinating body, namely the Southern African Power Pool (SAPP) in September 1995. This body was designed to spear-head cooperation efforts among regional governments in the energy sector. The SAPP in conjunction with member governments responded to emerging regional power crisis by identifying a number of regional projects that can be gainfully implemented to meet the regional electricity deficit. These plans are currently in

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various stages of development and they include projects that aim to rehabilitate existing infrastructures, complete some short-term generation plans, implementing regional interconnectivity projects and securing funding for regional projects.\(^{252}\)

Despite collective approach of the SADC members to the impending energy crisis, the ultimate responsibility for ensuring rapid expansion of regional electricity infrastructure remains primary responsibility of individual member governments. Capitalisation of these projects poses enormous challenges to many developing and less developed members of SADC. Many of these countries have small private sectors and about 70 percent of current spending on infrastructure comes from the state and only 20-25 percent and the remaining 5 to 10 percent comes from the external sources such as Official Development Assistance.\(^{253}\) The former Finance Minister of South Africa, Trevor Manuel summarised the constraints facing developing countries when he said,

> Investments in Infrastructure tend to pose particular challenges. Projects tend to be large and expensive. Given the small size of the domestic markets, our development prospects are greatly enhanced if we facilitate trade across national boundaries, create integrated energy markets and develop private sector so that they can invest in regional infrastructure.\(^{254}\)

Disparities in energy endowments and in consumption patterns across the region provide a strong rationale for cooperation in this sector for SADC. Thus, regional leaders (including Manuel) have called for promotion of regional energy trade through optimal regional framework that promotes financial and environmental efficiencies. The signing of the Inter-governmental Agreement by SADC governments creating the Southern African Power Pool (SAPP) in August 1995, laid the foundation for such a framework.\(^{255}\)


\(^{255}\) All inland regional Member States of SADC are party to these Memoranda.
This agreement was promptly followed in 1996 by the signing of the SADC Energy Protocol, (SEP) which aimed to provide a more comprehensive regional framework agreement that is binding on all signatory governments. The Protocol lays a framework for cooperation on exploitation, development and utilisation of regional energy resources and commits member states to make deliberate effort to harmonise their national energy strategies and policies to reflect the common interest. The then chairman of Eskom, Reuel Khoza aptly captured both the spirit and the goal of the Protocol when he said that,

Bound by the common purpose and in support of each other, African utilities can achieve the world-class status that is needed for the type of effective competition that reduces costs and brings power to the people of our continent in real terms.  

Despite a number of other initiatives endorsed by the SEP, the SAPP constitutes a central pillar for energy cooperation in the region. The SAPP is tasked with creating a mechanism by which member countries can freely trade electricity within a regional market (that is buying from suppliers with the best terms and conditions and selling to those offering the best prices). The SAPP endeavours to facilitate regional electricity trade by coordinating, the planning, generation, transmission and marketing of electricity across the region on behalf of member states’ utilities. The SAPP spearheads efforts by inland SADC governments to develop a regional free market in electric power as the optimal response to the energy crisis, but members are equally motivated by the prospect of mutual free trade gains in the sector.

The SEP reflects a commitment and a mechanism through which SADC governments commit to work together to implement a regional plan of action both to address short to medium-term power shortages and gain mutual free trade gains in the long-term. However, the establishment a functional electricity free market in SADC, will raise various practical challenges including, insufficient generation capacity and lack of

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infrastructure to distribute electrical power once available. Firstly, challenges include limited financial resources to finance new generation and transmission infrastructures or refurbish existing ones. Secondly, in theory any effort by self-interested governments to invest in common projects aiming to exploit common resources, raise strategic obstacles that can hinder successful cooperation despite potential for clear mutual gains for all from such projects.

While I focus holistically on impediments to cooperation among the SAPP governments, implementing interdependent projects, I pay particular attention to the effects of strategic considerations on cooperation between governments involved in developing common physical infrastructure projects. The focus is specifically on SAPP members efforts to develop selected short-term power generation and transmission infrastructure projects as part of a broader SAPP power network. Therefore, I examine the effects of both material and strategic factors on behaviour of individual governments and how it impacts on the quality of regional cooperation.

The analysis is based on the logic of a Stag Hunt game, upon which I develop a regional cooperation model. The game model forms part of the broader analytical framework, but one more useful for analysing the nature and magnitudes of a specific strategic problem that arise when a group of sovereign governments try to reap mutual benefits from development of common infrastructure projects. From the inherent logic of action in this game, I systematically draw out logical theoretical propositions that are related to strategic behaviour of governments involved in development of shared physical infrastructural projects. Firstly, I identify the type of strategic challenge that afflicts international cooperation in joint-infrastructure development projects. Secondly, I empirically examine cooperation and explain developments between governments implementing specific sub-regional projects in line with provisions of the SEP pertaining to construction of the generation projects and the regional electricity transmission grid.
5.2 Analytical Framework

In regional terms, collective-action strategies such as “collective self-reliance” are today generally preferred over “national self-reliance,” partly because the national self-reliance strategies are deemed to have failed in the past, and also because collective self reliance produces maximum regional and national welfare benefits. It is in the common interest of countries mostly in close proximity to collaborate in regional projects that have potentially huge mutual gains. However, regional infrastructure projects are often huge in magnitude involving massive resource requirements and capital outlays that are well beyond the capacity of any of the participants. Therefore, cooperation is the most optimal approach that delivers maximum possible collective benefits. If achieved cooperation leaves each country better off by maximising or positively affecting the national welfare of each member country.

One of the stated objectives of the SADC Protocol on Energy is to harmonise national and regional energy policies and programmes on matters of interest on the basis of equity, balance and mutual benefit. Signatories also undertook to cooperate in the development and utilisation of clean energy. In the post 1990s energy challenges emerged as a common threat to future development plans for Southern Africa as a whole. Governments also endorsed energy pooling and formation of regional energy market, as a way to ensure security and reliability of clean energy supply in the most efficient and cost effective manner.

Subsequent efforts at regional cooperation on energy have focused mainly but not exclusively on electrical power. These efforts culminated in the launching of the region-wide cooperation on generation and distribution of electrical power establishing a regional electricity market, namely, Short Term Energy Market (STEM). STEM has been in operation for the past few years but it has only been operating on much smaller scale

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covering only few of the regional countries that are part of the regional electrical grid system. With a sharp rise in demand for electrical power, expansion of STEM has come to enjoy universal resonance among SADC governments, garnering support for further and speedy expansion of the regional power market. Realisation of the regional electricity market has made it imperative to construct a region-wide electricity transmission grid. In fact, transmission grid has to be in place, if the regional electricity market is ever to become operable; a reality that can convey real market gains on member states and address the growing energy drought in SADC.

Therefore, governments have undertaken various initiatives to bolster not only their generation capacities but also efforts to expand the grid to link-up all the member states in the region. The thesis examines cooperation by regional governments trying to construct a region-wide electrical grid that is meant to facilitate energy pooling and bolster prospects for the formation of fully functional region-wide Short Term Energy Market and realisation of the free trade benefits that come with it. The logic of the market and some research carried out in the past, actually underscores and supports prevailing belief among regional authorities that all regional countries stand to benefit significantly from cross border cooperation in this sector.

The Stag Hunt game provides insights on the nature of collective action problems that affect a group of governments seeking to develop common infrastructure facilities for mutual gain. However, the fact that individually rational strategy in a Stag Hunt game yields mutually beneficial outcome valued by all above any other possible outcome, is not to be misinterpreted as a panacea for successful cooperation. As I argue above, formal policy decisions do not depend exclusively on envisioned gains from the regional project, these equally depend on perceptions regarding the likelihood of the project being completed or not. Despite mutual desire to cooperate, perceptions that others may defect will bring about quick defections to avoid incurring sunken costs on a project that will probably never reach fruition. This means that successful regional cooperation is “subject
to the constraints imposed physical resources and the excepted behaviour of other actors.”

The collective action in joint-venture infrastructure development projects can be gainfully represented and studied as a Stag Hunt game, which represents a form of a coordination problem but with only two pure-strategy positions or Nash equilibria. Stag Hunt game is known by many names in the literature of game theory. Some refer to the Stag Hunt game as the Trust dilemma and the Assurance game. This game got its name from the following hypothetical scenario. A group of hunters surround a Stag. If all cooperate, they can surround and successfully subdue the big animal and all will eat well. However, if one of these hunters defects to chase a passing hare, the Stag will escape and all will forfeit the big meal. With only a hare in hand, the defector will at least eat lightly while the rest of hunting party will starve. If all chase hares, all can at least eat lightly. Hunters have a mutual interest in a big animal relative to all other smaller outcomes. This strong mutual preference militates against unilateral defections. In this game, optimal action to maximise gains for one-self coincides with what the group needs to do to maximise the common good.

The Stag Hunt game has similarities to both the Prisoners’ dilemma and the Coordination games. Like the Prisoners’ dilemma game, the Stag hunt has a single cooperative outcome, which is preferred to unilateral action. Again as in the Prisoners’ dilemma, there is a danger of cooperating while the other actor defects (CD<DD). But unlike the Prisoners’ dilemma, the ‘not temptation’ condition holds true as CC>DC. Achieving a single cooperative outcome is ‘problematic’ in some ways familiar from the analysis of the Prisoners’ dilemma problem but less so because in a Stag hunt game, actors do not have incentives to give false assurances that they will cooperate (because there is no ‘temptation’ incentive). But actors are wary of committing to cooperate if they do not

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have assurances about commitment of others. However, like the Coordination game, once cooperation is achieved it is ‘self-enforcing’ since it is a mutually preferred outcome to all available alternatives.

Therefore, awareness that no alternative course of action can do any better than cooperation, is no ‘silver bullet’ for mutual agreement and sustainable cooperation among self-interested governments that want to maximise their national gains but equally keen to minimise their national costs. However, Stag Hunt cases would be expected generally to produce more stable cooperation, and better quality cooperation. This is particularly true where projects are excludable and failure to comply comes with exclusion from the expected project gains. Otherwise, these types of cooperation problems are generally less prone to defections and are relatively self-enforcing.

In signing and ratifying the Protocol on Energy and its supporting documents SADC governments were motivated primarily by the envisioned tangible benefits that would come from the established regional power market. SADC governments are spurred by the prospect of cheaper generation of electricity and opportunity to trade in electricity as well as tap into cheaper and cleaner regional electricity generation potentialities. The key feature in Stag Hunt situations is the size of the envisioned initiative and the magnitude of the usually immediate benefits that flow from it. Regional initiatives are multinational in character and often involve physical infrastructure projects of significant budgetary outlays that individual governments cannot meet on their own. Being the initiatives almost always straddle national boundaries therefore are essentially interdependent joint-ventures that are also non-excludable.

The significant cost requirement of this type of initiatives emphasis the importance of interdependence among the actors, failure by one or two partners to meet their commitments to the initiative can affect the feasibility of the project and impose significant irrecoverable costs on the partners. Any decision by individual participant is essentially driven by a sense of vulnerability or fear of abandonment by others. The failure even by one of the parties to honour their cooperation commitments, for any
reason (political or financial) can spell a national disaster for one or more members since the initiative may eventually be abandoned. In which case, those resources already expended on the project may never be recouped. Apart from fear of being abandoned by others ‘mid-stream,’ the game has no obvious incentives for unilateral action. Therefore, cooperation in developing common regional infrastructure projects should generally be less problematic to attain and fairly easy to sustain once it started.

International collaborations in physical infrastructure development are usually of huge magnitude with technically complex capital outlays. More often than not, cross-border or joint-venture multinational infrastructure projects are ‘public good’ type projects, whose technical and capital requirements fall way beyond the capacity of any one stakeholder. Therefore, joint-action is a necessity if a project is to be completed and anticipated gains be realised. Cooperation can assist a group of governments to achieve gains that would otherwise remain unattainable through individual effort. Success is conditional on mutual contribution towards a common goal. Pooling their resources creates an opportunity to embark on projects of the magnitude none of the participants could achieve alone, making the outcome. In theory, the outcome from such cooperation is often bigger than the sum total of individual contributions, making cooperation the most optimal strategy for maximisation of possible benefits for all.

Practically, cooperation in developing joint infrastructure projects often reflects these types of features. Thus, collective action becomes the most optimal approach to development of shared regional infrastructural projects. Despite the obvious and best returns from cooperation in these types of arrangements, failure by any one of the stakeholders to honour their cooperation commitments can effectively stall the project or reduce the magnitude of the project, thus effectively diminishing the size of expected gains. Governments involved in cooperation for development of common physical infrastructure project for example, confront challenges that go beyond just resource requirements, but they also face strategic challenges that unless resolved cooperation cannot resume.
To a group of self-interested governments sharing the costs to develop a common regional resource, cooperation may be an optimal strategy and mutually desirable. The problem is that one or more participants may still have short-term incentives not to prefer cooperation. In which case, other governments would prefer not to make contributions lest they incur costs on a project that may never come to fruition. Therefore, it is important to note that, decisions to participate are based on both material and non-material or strategic considerations. Therefore, analysis of international cooperation in development of shared cross-border properties has to focus beyond straight forward cost-benefit considerations, but to explain cooperation they have to include strategic factors as these can either facilitate or hinder resumption or sustainability of mutual action.

Real life Stag Hunt situations would feature one identifiable project, which demands reciprocal action for maximisation of individual and collective gains. Participants not only see the obvious need for cooperation, they also have no other incentive to act otherwise, as compliance with the terms of the agreement is the best thing to do so long as everyone else remains loyal to their own terms. For example, in developing joint-infrastructure projects, a number of governments face mutual gains if they adhere to their commitments, but they are individually exposed, and lose out if one of the partners defects or fails to meet their commitments. Policy-makers are naturally weary of incurring undue costs as these impacts negatively on their abilities to deliver in their home constituencies and undercut their re-election prospects.\(^{263}\) In a Stag hunt game scenario, prospects for international cooperation improve significantly when policy-makers have no reason to doubt commitment of their counterparts to the agreement, but the reverse is also true, any doubts about commitment of others undermines cooperation.

Therefore a group of governments involved in voluntarily compliance require adequate ‘assurance’ that other parties will indeed their own positive or mutually beneficial gestures. Despite reciprocity of action being a logical thing to do in Stag Hunt game, it is not given that reciprocal action will follow automatically from individual participants.

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Deliberate effort and intervention is required to assist sovereign governments to achieve and secure superior gains from developing and sharing common infrastructure facilities. Governments have to explicitly engage each other through negotiations and formally commit to agreement and closely coordinate their actions going forward.

However, prospects for cooperation improve significantly where governments with good reputations or reliability records are involved. And also where cooperation initiatives are couched in effective and comprehensive legal frameworks with predictable paths for pursuing legal action against defectors exist. Such frameworks allow participants some degree of ‘assurance’ and provide confidence in making commitments and in implementing subsequent national obligations. In a regional setting, existence of supporting institutions do not only help to provide centralised organisation of efforts in a defined direction, but institutions provide complementary services such as advocacy and information dissemination. Availability of positive information helps to reduce negative perceptions such as levels of risk. The positive feedback can help galvanise support and instils confidence in the regional project. In this manner, institutions can facilitate cooperation by instilling a sense of trust between collaborating governments and help sustain reciprocal action.

I do note that in the real world, international cooperation is much more complex and developments are driven by many other factors and considerations of policy decision-makers. However, Stag Hunt game can still be gainfully used to illuminate some of the challenges that are often ignored in debates about cooperation in Africa. The nature of the game is such that, either everybody complies and obtains superior or maximum possible benefits or everybody defects and settles for inferior outcome. Mutual defection, amounts to the status-quo outcome of which amounts to a mutually undesirable inferior equilibrium, that everybody wants to get away from. Mutual compliance on the other hand, is the best preferred strategy which makes every participant better off.

The game does not completely rule out a possibility that one hunter may choose to chase a passing hare by so doing impose hunger on the rest of the group who having failed to
subdue a stag, then remain with nothing. This is why Stag Hunt is sometimes called the ‘Assurance game,’ because a credible assurance to cooperate is both possible and central to achieving the cooperative outcome. Stable cooperation can only be achieved if each actor believes that others will remain steadfastly committed to the agreement. If one hunter defects to chase a passing hare, others will defect too to secure smaller meal. Optimal choice in a Stag Hunt game is to do exactly what the other party does. This game simulates situations in which actors choose to collaborate in order to maximise their collective and individual gains but are keen to minimise individual exposure to the risk of abandonment. Therefore, in Stag Hunt game, sub-optimal outcomes are made more likely by the fear of abandonment by others. In its simplest form, the Stag Hunt game is described by the payoff matrix below.

Figure 4: The payoff matrix for the Stag Hunt Game

<table>
<thead>
<tr>
<th></th>
<th>Hunt Stag</th>
<th>Chase Hare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hunt Stag</td>
<td>3, 3</td>
<td>1, 2</td>
</tr>
<tr>
<td>Government 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chase Hare</td>
<td>2, 1</td>
<td>2, 2</td>
</tr>
</tbody>
</table>

The payoff matrix of the game above illustrates that mutual cooperation produces the best possible gains at (hunt stag, hunt stag) with the output of (3, 3) and any unilateral action is at best second choice at (2, 1) for unilateral defection or (2, 2) for mutual defection. Therefore, cooperation as a strategy also approximates the Nash equilibrium.\(^{264}\) Unlike the Prisoners’ dilemma, gains from unilateral defection bottom-left block (chase hare, hunt stag) has inferior gains at 2, 1 compared to 3, 3 top-left block. There is no incentive to defect; one is better off defecting only if others defect to chase hare (2, 2).

\(^{264}\) Nash Equilibrium is a set of strategies at which each actor maximizes its own gains subject to the strategy chosen by others. This is a position at which no actor can improve its gains by unilaterally changing its move.
Mutual defection (chase hare, chase hare) bottom right block is preferable to unilateral cooperation.

The actors are aware that individually, none unilaterally do any better than they can do cooperating no matter what. Logically, the level of cooperation in a Stag Hunt game would be expected not only to be higher than in Prisoners’ Dilemma and Coordination game situations. Unlike in Prisoners’ dilemma games, cooperative agreement should be relatively easy to reach and follow up by a cooperation process that is relatively self-enforcing thus less prone to defections. The dilemma in Stag Hunt game is rendered more acute whenever any one of the parties has a reason to doubt the rationality of any other actor the likelihood of which increases when participants are in large groups. Concerns about reputation of actors may reduce prospects for reaching cooperative outcomes.265

The logic of the Stag Hunt game allows us to systematically deduct the following theoretic propositions regarding behaviour of sovereign governments that are involved in multinational joint-venture infrastructure project. The first theoretical proposition is as follows;

1. Governments mutually prefer a fully implemented and functional regional electricity grid and electricity free market to no grid, no free market at all. 
   \((3, 3 > 2, 2)\).

However, the Stag Hunt Game has not one but two stable equilibrium points. But superior equilibrium point at \((3, 3)\) and inferior equilibrium point at \((2, 2)\), meaning that governments as maximising agents, will opt for significantly higher payoffs at \((3, 3)\) making \((3, 3)\) in the upper left box a mutually preferred strategy.

In regional cooperation terms, a decision to accede to the regional agreement is relatively easily arrived at since consensus comes easy when addressing what is essentially a mutual problem. Any temptation to move away from the collective action is counter-

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balanced by strong universal preference for superior gains from multilateral initiative compared to the status-quo. Hence second proposition;

2. Once governments agreed to implement complementary energy policies/projects, there is no temptation to move away from the agreement if the counterparts are cooperating. (3, 3 > 2, 1).

Reciprocal action delivers the highest individual and collective payoffs. Therefore, there is no alternative strategy through which any one government can do any better than cooperating. So once agreed upon, cooperation is likely to be of good quality and relatively stable. However, strategic uncertainty or concerns about how other governments may behave can still make it difficult for governments to reach a cooperative agreement, resume even to sustain cooperation after reaching an agreement. Hence my third theoretical proposition;

3. A fully implemented agreement is a mutually preferred equilibrium, but if there are perceptions that others may defect in the future, governments will choose defection today, as a defensive action. (2, 2 >1, 2).

Therefore, lack of assurance among governments can trigger defections out of fear of potential defections. This can scuttle cooperation as individual governments would rather settle to maintain the status-quo than risk being abused by others in the future. Thus, governments will opt for unilateral action and settle for a less appealing second choice strategy (2, 2).

Stag Hunt initiatives are generally far less demanding to achieve and if the agreement is reached, they are relatively self-reinforcing and require little if any policing at all. However, effective institutional framework can reduce uncertainty through disseminating timely information about activities of others, hence providing assurance and allowing participants to proceed with confidence implementing current obligations or signing future agreements.
In a Stag hunt game, rational strategy yields mutually beneficial outcomes that are valued by all participants above any other possible outcome. Collective action approximates the Nash equilibrium as participants are well aware that no matter what they do individually, none of them alone can achieve any better than what they can achieve cooperating. Therefore, is no temptation to defect, defection exists only as a counter strategy or a fallback to minimise individual cost in case others defect. Also the degree to which participants have shown willingness to ratify and adhere to regional agreements in other areas of cooperation, generally has a direct impact on the quality of cooperation in Stag Hunt situations. Similarly, lingering mistrusts from previous initiatives can hinder cooperation. Bad reputation or perceptions about any participant’s ability to comply with one’s obligations reduces the likelihood of a cooperative agreement and may complicate what might otherwise have been a simple negotiation process.


Cooperation in the electricity sector is not a new phenomenon in Southern Africa. Over the past five decades, utilities in the region have engaged in cross-border trading in electric power as well as cooperating in shared generation and transmission projects. One of the earliest of these projects was a bilateral project to construct a transmission line between Nseke in the DRC to Kitwe in Zambia. This project was inaugurated in 1958 mainly to supply electricity to the Zambian copper belt. The construction of the Kariba dam and associated hydro-electric power stations straddling both Zambia and Zimbabwe effectively interconnecting them into one grid was another multinational project in this sector. As early the 1980s, the old SADCC recognised the strategic importance of energy for the development of the region and formed a special administrative unit dedicated to

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the coordinate plans and activities of members in this sector. This was complemented in the early 1990s by the regional electricity sub-committee, to more directly coordinate activities and efforts of sub-regional utilities in improving the medium to long-term regional electricity supply.

Today, intra-regional trading in electric power remains a high priority among mainland SADC member states. And since the past arrangements were mainly complex bilateral contracts that were difficult to administer, members states have created a regional power pool to shift away from these complicated contracts to a more streamlined and efficient regional unit. The forging of the new legal agreements for sharing resources between members of the power pool, required explicit political agreements between governments to ensure that such arrangements would be both mutually beneficial and legally binding.

Majority of the projects identified as part of the power pool are of the magnitude beyond resources of any one member state and often straddle one or more borders, so none of the member governments can complete a project alone. This effectively means that members are mutually interdependent and have to cooperate if they are to realise any benefits from the pool. Successful cooperation in such extensive multinational initiatives can benefit from existence of effective regional cooperation frameworks that govern the planning, construction and operation of the common assets once they are in place. Therefore, the SADC structures play a central role as existing generation and transmission plans involve complex cross-border arrangements that backed by political agreement and commitment.

In August 1995, regional governments signed Inter-Governmental Memorandum of Understanding which created the Southern African Power Pool (SAPP). The SAPP came into effect just a month later on the 28 September that year. Thereafter, the national utilities also signed an Inter-Utility Memorandum of Understanding in order to facilitate and develop power pooling and cross-border trade in Southern Africa. The inauguration of the SAPP was an affirmation of the regional governments’ resolve to cooperate in
expanding intra-regional electricity trade, reducing energy costs and improving reliability of supply in cleaner and more affordable power in SADC.267

Today, regional electricity trade remains a high priority for SADC member states. Establishment of the SAPP in 1995 was followed by the inauguration of the regional Short-Term Electricity Market (STEM) in 2001. Prior to the operation of STEM, trade in electrical power was already significant. For example, in 1999 the total value of electricity traded between SADC member countries was well over US $150 million.268 The operationalisation of STEM brought about a steady growth in sub-regional trade in electrical power at an annual average rate of about 20%.269 In other words, since its establishment in 1995, the SAPP has made a positive impact and the STEM has grown from strength to strength. The STEM facilitates short-term intra-regional contracts between national utilities and other customers including the independent power producers (IPPs) of up to a month long for the supply of electrical energy across the region. Hence STEM is often referred to as the regional stock exchange of electrical power supply.270

Cooperation and integration of the energy sector have a dual goal, first to alleviate existing disparities between member states, and second, to facilitate the potentially lucrative trade in electrical power within a regional exchange system.

However, power supply situation in recent years has not increased in tandem with the growth in regional demand. Lack of capacity to generate and to deliver more power threatens to choke long-term development potential of SADC as a region or ability of regional governments to realise their respective national developmental goals. In 2004, Ikhupuleng Dube the principal research officer at the Zimbabwe Electricity Supply Authority indicated that, “the region would have to invest in excess of US $1 billion to

meet its local needs.” Two years later in 2006, the manager of the SAPP Coordination Centre, Lawrence Musaba, also cautioned that, “The SADC region was experiencing diminishing generation capacity, which if no action is taken would lead to massive power shortages by 2007.” The threat of declining generation capacity was expected to adversely affect both exporters and importers of electricity as regional member states are largely interdependent in this sector.

In 2007/08 many of the 15 countries in the SADC region including the economic powerhouse South Africa, experienced problems in meeting their domestic energy needs. Many cities in the region were exposed to frequent blackouts and rationing of electricity supply to industries, mines and smelters had enormous negative economic impact. For example, in Zambia the energy ministry anticipated crippling supply problems unless the national generation capacity bolstered three fold in just two years. This dwindling generation capacities in traditional power exporter countries like Zambia, South Africa and the DRC coupled with rising economic and population growth in importing countries, further complicated the supply situations in power importing countries such as Zimbabwe, Botswana, and Namibia which import 40 percent, 70 percent and 50 percent of their power supply respectively.

Meeting in Harare on the 25th April 2007, SADC Energy Ministers were aware that load-shedding was already in effect in Namibia, Zambia and Zimbabwe while South Africa was forced to initiate demand side management at that stage. Dire power situation presented great a mutual threat to economic development of the region. This provided a strong incentive for regional political leaders to respond. While a variety of national responses were undertaken, regionally, leaders sought to respond to the impending crisis

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in a concrete and most efficient manner possible. A coordinated regional effort was deemed a fitting response to the emerging power crisis and regional cooperation was identified as the quickest and the most efficient and optimal approach to the emerging power crisis. This added some new impetus to the existing cooperation efforts in the energy sector and old agreements were reinforced with new ones, adding new bilateral and multilateral initiatives to existing SAPP and SADC cooperation framework.

The planned projects included some construction and refurbishment of generation and transmission infrastructure. These projects involved costly long-term regional responsibilities for individual governments and the magnitude of the costs involved also varied inequitably between countries. These asymmetric exposures have serious implications for government decision-making during the negotiations on these projects. Considerations of these kind can prolong what otherwise should be easy negotiations on modalities on how to realise a mutually desirable goal. However, cooperation is relatively easy once governments have reached an agreement, since all parties want access to obvious gains from the envisioned project. Regional cooperation in physical infrastructure development is supposed to be relatively stable with little if any need for monitoring once a mutual agreement has been established.

5.4 Overview of the SAPP Regional Generation and Transmission Projects

In 2007, all SADC power utilities were load-shedding and urging consumers to save energy in an effort to manage demand. The energy division of the Directorate of Infrastructure and Services at the Secretariat, the Southern African Power Pool (SAPP) and the Regional Electricity Regulators Association (RERA) have jointly developed a Power sector development regional roadmap which basically seeks to arrest the reality of worsening energy shortfalls in the region. Subsequent projects were focused on bolstering the diminishing surplus generation capacity and power shortfalls within the region, and they involve developing power generation, increasing capacity and constructing power transmission lines to promote intra-regional connectivity.
The roadmap comprises short-term measures that include demand side management measures, rehabilitation of power plants and development of an effective institutional framework to accelerate implementation of these projects. In addition, the SAPP has also developed a Regional Generation and Expansion Plan (The SAPP Pool Plan) which focuses on obtaining benefits for member states coordinating their individual power expansion plans. The SAPP plan by necessity puts emphasis on interconnectivity that aims to enable region-wide exchange among member utilities. Therefore, SADC has approved a list of priority generation and transmission power projects to address the region’s short and long term power requirements. If these projects were to be implemented as planned, the region would acquire surplus generation capacity by 2013.

The approach adopted by SADC governments places physical infrastructure development at the core of the region’s community building agenda and concerted efforts are being made to ensure the creation of an integrated, efficient and cost effective system to sustain regional economic development and trade. According to the SADC Protocol on Energy, plans involve cooperation on energy trade, integrated resource planning, energy efficiency and conservation. Power pooling has been at the core of regional initiatives in the energy sector. SADC has planned to achieve 100 percent connectivity to the regional grid for all member states by 2012. Many of the member states have very ambitious national electrification programs that in line with the SADC plans, aim to connect at least 70 percent of their rural households to their national electricity networks by 2018.

Annex 1 of the Protocol provides for SADC Energy Cooperation Policy and Strategy to facilitate and support regional integration efforts and regional economic development. All the region’s twelve inland national utilities participate in the maintenance and further development of the SAPP, based on the regional vision of a fully integrated electricity

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276 Currently, Angola, Tanzania and Malawi are non-operational members of the SAPP as their national grids remain unconnected to the regional transmission system.

grid. Dominant perception being that a fully functional regional grid would not only confer direct gains to the sub-region and contribute to economic growth but would also enhance closer cooperation and economic growth across the sub region as a whole. Meeting in Harare on the 25 April 2007 amid a regional power crisis, SADC Energy Ministers renewed their commitment to respond collectively to the power problem. This meeting mandated the SAPP member governments to undertake selected short-term projects to the tune of US $7.88 billion. The projects included generation and transmission projects that were meant to complement each other in addressing the power crisis. Regional governments chose to engage each other in developing a number of complimentary sub-regional projects with the aim of addressing the power crisis in Southern Africa.

According to the then Minister of Energy and Power Development of Zimbabwe, Lt. General Mike Nyambuya, the intervention by the SAPP in the energy crisis, set the scene for a new regionally coordinated development of the electricity supply industry in Southern Africa. Nyambuya indicated that previous initiatives of the SAPP have benefited both Zimbabwe and the region at large. He identifies a number of projects including the construction of new transmission lines recently commissioned as part of cooperation under the SAPP. These include the following interconnectors; the completion in October 1995 of the Matimba-Phokoje-Insukameni 400kv interconnector linking ESKOM, ZESA and BPC; the commissioning of the 330kv interconnector between Songo substation in Mozambique and Bindura Substation in Zimbabwe commissioned in 1997.

As predicted by the SAPP Coordinating Centre in 1999, the SADC region ran out of surplus generation capacity in 2007. The combined electricity demand in the region

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was at 47,067 MW against available capacity of 43,518 MW.\(^{281}\) Given the continuing threat for energy shortfalls since 2007, efforts were mounted to intensify cooperation and accelerate implementation of the identified generation and transmission projects. The new projects and the urgency with which they had to be implemented basically transformed the SAPP from a loose cooperative arrangement into a competitive regional pool. New generation projects had to be complemented with new transmission infrastructure to carry additional load around the region. Therefore, member governments of the SAPP also continued to engage in a number of sub-regional transmission projects with an objective to increase regional interconnectivity.

Guided by the SADC Protocol on Energy and the supporting documents such as SADC Energy Activity Plan, the RISDP and the fifteen, five and one year business plans, the SAPP has identified a few national and cross-border projects that are deemed as critical for fending-off the energy crisis in SADC. In keeping with the SADC plans and the SAPP spirit of cooperation, the SAPP selected and recommended to member states a number of regional projects whose implementation could increase SADC total electricity generation by about 42,000 MW. Therefore, successful implementation of these projects could significantly improve energy reliability and enhance intra-regional exchange in electrical power. Some of the projects recommended by the SAPP are bilateral initiatives involving two governments or utilities, while others are multilateral and involve three or more governments or utilities. While most of the operations and implementation of regional projects are facilitated by the SAPP in conjunction with national utilities, SADC Energy Ministers play a central role for cooperation. Acting on behalf of governments, ministers decide which projects to authorise or to licence and with which partners to work with.

A number of proposed generation and grid interconnection projects have since been approved by the Ministers for implementation. These include short to medium-term generation and transmission projects, some of which have since been initiated. This

\(^{281}\) SADC Today, “Review of Progress on SADC energy recovery strategy,”
chapter focuses specifically on regional cross-border transmission expansion projects and the construction of associated support infrastructure.

The SAPP lays out rights and obligations to national utilities covering aspects of quality, capacity, operations and access to power within a common regional power pool. The incentives for the formation of the Pool include a real possibilities or gains from reduced generation costs and reliable access to relatively cheaper and cleaner electrical power across the region. The realisation of this goal however, requires additional generation capacities and most importantly, the envisioned single market requires a power transmission network that can efficiently distribute electricity to the consumers across the region. Domestically, good networks helps put additional beneficiaries on line, therefore expands the size of the local electricity market. Similarly, a good regional transmission network help expand the size of the regional market. By facilitating cross border imports and exports of electrical power, good transmission network make it feasible to meet regional aggregate demand via available aggregate supply capacity in the region.

The construction of such a multinational network that is shared by a number of utilities in different member states amounts to a realisation of a long held vision in the regional electricity supply industry: a fully functional southern African Power Grid. Reuel Khoza, the then Chairman of Eskom, described the planned grid as a collection of smaller projects whereby each of the participating countries builds transmission lines that connect its national grid to those of its neighbours. As the number of such interconnections increases, and the ability [of SADC countries] to buy and sell electricity improves, so the effectiveness and the benefits of the arrangement will increase. And according to Eskom the idea of such a grid was an ingenious and effective way of countering crippling shortages of electricity as moving power around the sub-continent, would simultaneously improve working relations between states, which can also facilitate economic and social advancement in SADC.

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In line with the regional objective to build and expand STEM, SADC governments have identified a number of priority transmission projects that aim to improve system reliability and also enable easy exchange of energy to improve system economics. The interconnections once completed will enhance system efficiencies and enable member states to source electricity in bulk and then redistribute it nationally at cheaper prices. The SAPP and the member governments view this exchange as a new potential revenue stream for the national utilities and governments. In order to take full advantage of this mutual opportunity, SADC member states have to do more than develop new generation capacity to alleviate the current shortages, but they aim have to construct a region wide transmission grid. Priority is also to connect the national power grids of Angola, Malawi and Tanzania to the SAPP regional grid. SADC plan is to achieve 100 percent intra-regional connectivity by 2012 and to have at least 70 percent of all rural households connected to national electricity grids by 2018.284

A number of these sub-regional projects are currently at different stages of planning and development. The initiatives comprised seven selected sub-regional projects. These were bilateral, trilateral and multilateral projects intended to enhance both generation and transmission projects, with the main aim to achieve the practical benefits of shared power grids.285 Jac Messerschmidt, a former executive at Eskom Holdings in South Africa, argued strongly that a shared regional electricity grid and its benefits is a critical facilitator of economic development. SADC policy-makers have clearly come to share the view that, without a complete and functional regional electricity grid “the dreams of the region remain in peril.”286

Therefore, a number of prioritised sub-regional projects involving both generation and transmission joint-ventures were approved. These projects are currently at various stages of development, some are been completed and commissioned, some are nearing

completion while others are in their planning phases or still being negotiated. While these initiatives are useful as our case studies, some are a ‘work-in-progress’ and do not provide an opportunity to assess the full effects of collective action problems throughout all the planned stages of the initiatives. Therefore, this chapter focuses more but not exclusively, on the Inga III project or the WESTCOR which directly involved five of the SADC members namely, South Africa, DRC, Namibia, Botswana and Angola over the past ten years. The chapter studies the dynamics of cooperation in this initiative and uses the data to test the stated theoretical propositions about regional cooperation in shared physical infrastructure development initiatives.

**Table 3:** Prioritised SADC Transmission & Generation Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Nature</th>
<th>Progress</th>
<th>Estimated Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>DRC-Zambia Interconnector</td>
<td>Refurbishment &amp; upgrade 220kv</td>
<td>Implementation- 2010 to 2012</td>
<td>US$16.2 million</td>
</tr>
<tr>
<td>Zambia-Tanzania-Kenya Interconnector</td>
<td>Construction of 700kv Transmission line, 1600 km</td>
<td>Planning and negotiation phase</td>
<td>US$900 million</td>
</tr>
<tr>
<td>Zambia-Namibia-Zimbabwe Interconnector</td>
<td>Construction of 220kv line</td>
<td>Implementation resumed in 2006 Completed &amp; inaugurated on October 14, 2010</td>
<td>US$300 &amp; US$350 million</td>
</tr>
<tr>
<td>Mozambique-Zimbabwe Interconnector</td>
<td>Construction of a 400kv Transmission line</td>
<td>Commissioned 1997</td>
<td>US$100 million</td>
</tr>
<tr>
<td>WESTCOR-Inga III</td>
<td>Construction power lines, generation of 4320 MW</td>
<td>Formed by five member utilities in 2003. Abandoned in 2010.</td>
<td>US$7 billion</td>
</tr>
</tbody>
</table>
Table 3 above illustrates some of the regional projects that were identified as key to the regional strategy to avert the energy crisis in Southern Africa.

5.5 The Western Power Corridor Project (WESTCOR) and the Inga III Initiative (2003 – 2010)

The idea to develop the hydropower potential of the Inga rapids was conceived in South Africa as early as June 1999. This idea was further developed and thrashed out in 2002 as part of the New Partnership for Africa’s Development (NEPAD), and Eskom in South Africa was assigned key responsibility to explore workable modalities for Inga III development project. The project was initially estimated to cost about US $6 bn. The initial plan was to engage not one but a number of regional utilities as a consortium led by Eskom and Hydro-Quebec of Canada.

However, in February 2003, five regional power utilities; Eskom Holdings Ltd of South Africa, Botswana Power Corporation (BPC), Empresa Nacionale de Electricidade (ENE) of Angola, NamPower of Namibia and SNEL in the DRC formed the Western Power Corridor Company (WESTCOR). The envisioned project was massive, aiming to develop 44,000MW of power, generation and transmission faciliticies in phases. WESTCOR was registered as a conglomerate in Gaborone in November 2003 and initial ground work of to foreground the negotiations processes resumed immediately. These negotiations paid off in October 2004, when members of the consortium signed a memorandum of understanding to proceed with the first phase of the project. The aim of this phase was to proceed with the construction of the first phase, called the Inga III as part of a regional response to the impending energy crisis.

Phase 1 of this project included the construction of the 4,320 MW Inga III hydropower station along the Congo River in the DRC. This phase included interconnections of about 4000 km of power transmission lines to supply the five core member countries and that form the WESTCOR Company. The Western Power Corridor Project was a flagship
long-term project that was intended to harness or to tap into environmentally clean and renewable electricity potential of the Inga rapids on the Congo river in the DRC.

Development of the Inga rapids was project initially conceived in South Africa as early as 1996. It eventually brought together the SADC Secretariat and the regional power utilities particularly of five member nations of WESTCOR and their governments. WESTCOR was one of the priority projects that were meant to alleviate crippling power shortages in the region. It was also meant to interconnect members of the SAPP which were not yet connected to the regional transmission network. The project was approved by the Ministers responsible for energy in the SADC region on the 22 October, 2004. Meeting in Johannesburg, SADC energy Ministers also signed an Inter-Governmental Memorandum of Understanding, while the chief executives of the five participant utilities also signed an Inter-Utility Memorandum of Understanding on cooperation for the establishment of the WESTCOR Company later registered in Gaborone Botswana. Once registered the WESTCOR set out to draw preparatory work, aiming to produce and supply energy initially for the five core member countries but ultimately to the whole SADC sub-region.

The proposal comprised a series of transmission lines to transport electricity from the DRC to southern Africa via Angola, Namibia and Botswana. Phase one of the Inga III project comprised the construction of the hydropower station in the DRC, the hydroelectric dam and the transmission and tele-communication lines. This phase comprised extensive interconnections that cover over 2,000 km of transmission lines to supply all five WESTCOR member states. At this stage, the project was estimated to cost about US $7 billion and participating utilities agreed on an equity initial contribution of 20% of the total US $500 000 that was required for initial studies and costs to finalise the project. The WESTCOR Co. was charged with the responsibility to implement the plan, but each of the involved utilities or participating member states was required to pay the required 20% or US $100 000 seed money as a contribution towards the initial

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development work on the project. The WESTCOR appointed the chief executive officer in February 2006.

The Inga III project has been a subject of discussion and negotiations for well over ten years. Prior to the signing of the Inter-Governmental Memorandum of Understanding in October 2004, the DRC government temporarily stalled the process indicating in August that year, that as a host country it would like to have more than the agreed 20 percent controlling stake in the project. However, as of January 2006, member governments and utilities signed agreements to co-develop the project and each utility committed US $100 000 and signed a share holders’ agreement in which each agreed to own 20 percent stake in WESTCOR.\textsuperscript{288}

Potential benefits to the region were clear from the onset and also well acknowledged. The huge generation potential of the Inga III project raised hopes for solving energy problems that are currently confronting all the regional countries at an extremely low cost. The plan was that project would generate about 4,500 MW from the planned hydroelectric dam on the Inga-river and feed the planned transmission lines down the Western side of the region help create a southern African loop.\textsuperscript{289} The former senior official of the WESTCOR Co. and the now technical director of SNEL, indicated that the 4,500 MW forecast for phase 1 of the project could be developed without even damming the river. This was meant to emphasise not only cleanliness of electricity produced here but also to emphasise its low cost potential which is rated among the cheapest in the world.\textsuperscript{290}

However, in spite of existing regional agreements with its WESTCOR partners, and the sunk costs of conducting feasibility studies and setting up the company, in 2009, the DRC government reneged on its WESTCOR commitments. The government made that it was no longer interested in the regional approach, instead opting to pursue and develop the Inga III project unilaterally. This discovery came as a shock to its partners, who allegedly

\textsuperscript{288} Energy Information Administration, “Southern Africa (SADC) Electricity,” 3.  
\textsuperscript{289} PANA, “Westcor pulls out of Inga III power project,” in http://www.africanmanager.com  
\textsuperscript{290} See Jean Thomas, “DRC Blames Eskom for Inga Project Failure,” quoted in http://www.wattnow.co.za/article.php?id=146
found out about this decision when the DRC government unilaterally opened up a new bidding process for new international partners in June 2009. The then Chairman of WESTCOR, Kahenge Simson Haulofu posits that by early 2009, the DRC no longer had WESTCOR in its planning radar nor did it have any considerations to the existing agreements with the regional partners involved in this project.291

The DRC government substituted WESTCOR’s Inga III project by partnering with a multinational company, BHP Billiton in 2009. It is noteworthy, that the appointment of BHP Billiton came after lengthy negotiations and planning in SADC and also among WESTCOR members. These members also incurred financial costs for carrying out and concluding costly feasibility studies as well as establishing and registering a multinational company. Billiton proposed to establish a 2,500 MW aluminium smelter at Muanda on the Atlantic coast of the DRC. Technically, the BHP proposal and WESTCOR one are mutually exclusive given the 4,000 MW capacity of the Inga III site, and since economies of scale in heavy current transmission requires that WESTCOR transports the minimum of 3,000 MW to the South.292 Despite sustained efforts by SADC leaders to rescue the Inga III project, the initiative finally collapsed after seven years of costly preparatory work and lengthy negotiations. The WESTCOR Company was eventually de-registered on June 30, 2010.293

The Western Power Corridor initiative provides an ideal case for studying different dimensions for international cooperation in shared physical infrastructure development initiatives. Developments leading to the spectacular collapse of the WESTCOR project illustrate, aptly that some of the issues and arguments this chapter set out to advance about cooperation in this type of initiatives. Therefore, applying the logic of the Stag Hunt game, to analyse developments in the WESTCOR project, help illuminate how strategic factors may facilitate or inhibit regional cooperation. However, this chapter

291 Kahenge Simson Haulofu, was quoted in PANA, “Westcor Pulls Out of Inga III Power Project,” in http://www.africanmanager.com/site_eng/articles/13808.html
293 Kahenge Simson Haulofu, was the Chairman of WESTCOR, he was quoted in Alternative Energy Africa, “Westcor Drops Grand Inga III Project,” May 2010. http://www.ae-africa.com
focuses mainly but not exclusively on the Inga III or WESTCOR project, I will frequently take detours to other sub-regional initiatives to augment my arguments whenever necessary.

5.6 Cross-Border Projects as a Region-Wide Stag Hunt Game

The SAPP mandate emphasises that the key purpose of the Pool is to allow its members to coordinate the planning and operation of their systems while maintaining reliability, a degree of autonomy and sharing of the benefits. And a study by SADC in the early 1990s comparing integrated regional development with independent national development, reached a conclusion that, between 1995-2010 coordinated actions could save the region about US$ 785 million. Therefore, implicitly, regional governments had and continue to have strong incentive in the form of higher economic gains/payoffs from an integrated approach. The prospect of huge and immediate gains in the sector made cooperation an overwhelming choice for all governments in SADC. Other envisioned benefits included reductions in the required national generating capacities, exploitation of existing energy reserves and access to cleaner hydro-electric energy.

Member states also aspired to achieve some reductions in the level of investments in the sector and also aimed to lower the operating costs and enhance the power supply through closer coordination of the installation and operation of generation and transmission facilities. The end-goal was forming a competitive regional power market, which is able to generate free-trade gains from open exchange. However, this would require a well developed and integrated regional infrastructure without which effective competition would be difficult to envisage.

However, realisation of the regional grid as envisaged by SADC implies that individual SADC member governments through their national utilities carry huge responsibilities. Among other responsibilities, the governments have to allocate significant and often

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sparse national resources towards the development of what is essentially a regional mega-project involving a series of interdependent sections under various jurisdictions.

The fact that many of the Southern African countries are developing countries that are facing serious scarcity of resources means that the challenges facing these countries are wide ranging. They include severe lack of requisite skills, severe budgetary constraints, language differences, cultural barriers, corruption, and bad management. It is noteworthy that financial resources have already been identified as one of the main huddles in the maintenance of the existing SAPP grid infrastructure. According to Cornelius van der Waal several SADC countries are struggling to maintain existing systems against other competing national needs such as poverty reduction, the development of other or new infrastructural projects and industry development. Therefore, for some of these governments and their utility companies, project finance will certainly be one of the main constraints considerations in decision-making towards the expansion of the Southern African Power Pool grid.

Theoretically, cooperation in various regional transmission projects is likely to be successful, because of potentially major gains to participants. The interconnection of electricity grids naturally leads to higher reliability in power supply for all members and also less costly mutual development of generation assets. The real concern for cooperation in this case is emerges only if the perceptions of members differed significantly from these underlying facts. The fact that the planned regional transmission network constitutes a number of interdependent or interlinked national components and complementary facilities each the responsibility of a different member state, further complicates prospects for cooperation. This so because the regional project is viable only if every participant duly builds their part of the interdependent transmission network and its complementary facilities.

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297 van der Waal, “The Southern African Development Community.”
Therefore, the huge incentives to partake in the development of the SAPP project of this magnitude are counter-balanced by fear of abandonment or a possibility of others failing to complete their section of the plan. The decisions to invest limited national resources in a project where the gains depend on others’ contributions carry real risk, since a failure by one of the participants to complete a section of the network jeopardises economic viability of the whole project. Therefore, any possibility that a member may fail to carry out its obligations, not matter how slight, affects decisions of partners who may rather chose alternative development plans rather than risk being abandonment in an incomplete project. For example, political instability in one country or perceptions of undue interference that may dissuade the government to alter policy priorities would generally elevate fears among other governments intending to co-invest in a costly cross-border project. In Southern Africa, the SAPP has noted insufficient financial resources, inadequate infrastructure and human resources or skills as some of the main challenges facing members.298

These challenges imply that the stakes are relatively higher than would ordinarily be the case for SADC governments embarking on this initiative. The investment risks faced by these governments become even more pronounced or substantial. Therefore, the consideration of these factors and their implications complicates the cooperation process. In spite of the fact that the SADC Energy Protocol and supporting agreements are enforceable as international treaties, the fact is that governments remain sovereign actors that can defect from their commitments and fail implement their own obligations, thus leaving a regional project incomplete or a stranded asset. The fear of this possibility affects behaviour of individual governments as they try to avoid expending scarce national resources in projects that might never reach fruition. As a result of strategic concerns, a group of rational governments may fail to resume or sustain cooperation despite obvious gains from a common regional project.

However, while the SAPP raises a number of mutual gains including a clear opportunity for mutual reduction in generation costs, some SAPP members have shown some reluctance to rely significantly on power imports even from the other members of the pool. Therefore, for the national self-interest governments can still prefer to work unilaterally or outside existing regional frameworks. For example, the SADC region was said to possess approximately 11,000 MW of potential surplus generating capacity which could only be harnessed through coordinated action. In spite of this significant over capacity, governments in SADC and their national utilities continued to plan for costly national generation and transmission investments instead of making use of the opportunities available through the regional approach. There are several examples of these cases in SADC. These include current plans by Zambia to expand Kafue hydrostation, proposals by Zimbabwe to build another thermal power station at Gokwe North, South Africa hatched a proposal to construct a gas fired power station in Cape Town fuelled by Namibian gas fields.\(^{299}\) And more often than not, these national power projects are developed in total isolation and not in sync with the regional programs and planning contexts.\(^{300}\)

The logic of the Stag Hunt game helps us identify a number of strategic concerns that generally shape the behaviour of national policy-makers involved in regional initiatives. Their actual or even perceptions of what leaders in one country might or might not do in turn influence behaviour of their counter-parts and as such has implications for success or failure of a regional cooperation initiative. Any two or more countries can benefit greatly from cooperation in exploiting resources that they share. Schiff and Winters refer to these as regional public goods, and they argue that in exploitation of such resources failure to cooperate is usually extravagant and economically costly.\(^{301}\)


\(^{300}\) Graeber, Spalding-Farber and Gonah, “Optimising trans-national power generation and transmission investments,” 2345.

Pool members aspire to produce a unified regional electricity transmission grid and harness the savings associated with efficient power transmission and other potential gains from free trade in electrical power. The logic of the Stag Hunt game, suggests that uncertainty or any doubts on ability of some of the participants to meet their commitments can hurt cooperation. In common infrastructure development particularly regional electricity interconnections, and common electricity market, any doubts on the exporting partner’s ability to supply electricity amounts to possibility of unrealisable gains and major losses in investing in idle infrastructure.

The SAPP members are striving to establish does a regional infrastructural system comprising of various interdependent generation and transmission components. The motivation behind the regional infrastructure network is actually access to the regional power market, which is important to both the exporters and importers of electrical power alike. Exporters need access to the regional network so they can develop or benefit from the sale of their excess power, while energy dependent members need the infrastructure to tap into the regional power grid to access and diversify supply sources to maintain reliable domestic supply of power which they so desperately need. Only as a system, linking pool members with complementary needs can the planned infrastructure projects deliver benefits to individual members.

National components of the system on their own are not of any clear practical value to the national governments. For example, a transmission line straddling two or more members and complementary infrastructure such as the sub-stations form part of an integrated transmission system that cannot operate separate from the other components located in partner countries. The other benefit comes in the form of financial gains that accrue to a national government as charges for ‘wheeling’ or transmitting electricity through the national sections of the transmission grid. There is no visible economic incentive and certainly no real practicable value for any one of these governments to defect from the arrangement today or at a later stage.
5.7 Regional Motivations and Private Concerns: Understanding Regional Cooperation within the SAPP Infrastructure development Program

Regional cooperation and integration within the energy sector has brought up significant opportunities for reducing economic and environmental costs of meeting increasing electricity demand in Southern Africa. Integrated planning and cooperation in the energy sector has generated mutual economic and environmental benefits to the countries in the region. Bernard Graeber et al posits that,

From a financial perspective, optimizing generation and transmission investments in the region would result in savings of US $2-4 billion over 20 years, or 5% of total system costs. Introducing a tax based on the damage costs (15-20%), but would reduce regional carbon emissions by up to 55% at a mitigation cost of 11% per tone of carbon dioxide.302

The meeting of SADC Energy Ministers in Arusha, Tanzania in June 1997 aimed to align national energy policies and harness the regional potential in the sector. Building on the 1995 SADC Protocol on Energy, and the 1996 Energy Co-operation Strategy, Ministers in this meeting approved the preparation for the first SADC Energy Activity Plan of 2000-2005. Judging by official statements and declarations, regional authorities continue to place very high priority on regional co-operation in this sector. However, and despite having regional institutions and commitments in place to enhance cooperation and facilitate mutual exchange, individual governments are still reluctant to depend significantly on energy imports from their counterparts. This is mainly for both national security reasons and tariff setting considerations.

My assessment of cooperation in seven projects identified as priority projects by SADC reveals that despite good theoretical rational and high enthusiasm among policy-makers, the quality of cooperation has been poor to fair. Many of these prioritized projects have

been in the negotiation phase for the past few years. Of the seven projects, only the Zambia-Namibia Interconnector project has been successfully completed. This was a project involving the two countries, constructing a two hundred and twenty (220 kv) transmission link, between Katima-Mulilo in Namibia and Mosi-oa-thunya in Zambia effectively linking the two national grids. The negotiations between Zambia and Namibia were followed by implementation in 2006, and the two members completed and commissioned the transmission line in 2010.

However, smooth and sustained cooperation in Zambia-Namibia Interconnector project was more of an exception rather than a norm. Cooperation in other SADC projects has not been easy, delays and detours have severely limited progress in other SAPP priority projects. For example, Malawi and Mozambique agreed on a bilateral project to construct a four hundred (400 kv) transmission line linking the two national grids. The plan involved construction of a two hundred and nineteen (219 km) transmission line linking Tete in Mozambique to North Blantyre in Malawi. This line was to be complemented by construction of auxiliary substations in the two countries.

By August 2005, initial phases of this project including feasibility and environmental impact studies carried out in both countries were concluded and approved. In September 2005, the World Bank offered the US $32 million credit facility required to finance and kick-start implementation of the project. Malawian parliament later failed to pass the bill to endorse this credit facility, thus stalling the implementation. The bill was referred back for reconsideration of the ‘wheeling’ agreement between the two utilities, the EDM in Mozambique and ESCOM in Malawi. The World Bank credit for this project was due to expire on the 15th March, 2010.

The project clearly had proven potential for mutual opportunities for both partners. As part of the regional strategy, it was also one of great strategic significance for SADC since it was going to link Malawi to the regional grid. This link would practically enable

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Malawi to be part of the regional power market for the very first time. Despite the clear potential mutual gains from a project which had already been certified commercially and financially viable it still missed the implementation date. Significantly amounts of clear and acknowledged incentives for cooperation were not sufficient to guarantee positive action from the parties. The collapse of this project, has less to do with whether or not there were potential mutual gains from the project, but more to do with some national concerns that nonetheless impacted negatively on cooperation.

The failure of cooperation in this case can be understood in terms of huge and unequal capital outlays required by the project. For example, Mozambique had to put up 124 km of transmission lines at the cost of about US $1.3 million and refurbish existing Matambo sub-station at the cost of about US $27 million. The project required on Malawi’s side, construction of an all new Phombeya sub-station and a 76 km transmission lines. Together these facilities required Malawi to put up about US $32 million. While the two figures are relatively close, ruling out asymmetry in the distribution of costs, one must note that Malawi has been struggling to meet its financial commitments during the period of this project. The project did not collapse because its future benefits were in doubt, but because one of the parties involved came to a decision that it was not its own national interest to proceed with the project at the time when it was struggling financially. Malawi’s decision meant that resumption of implementation was not possible; effectively settling Mozambique with costs incurred up to that stage.

Another major project involves one of the key regional power exporters Zambia and the two power net importers of power, Tanzania and Kenya. Zambia has abundant hydro-electricity resources making it a net exporter of electricity mostly to both Tanzania and Kenya both of which are net importers. The three sought to build inter-connections to link the three national grids and very importantly, link Tanzania to the SADC/SAPP grid. Estimates put the total cost for the project between US $153 to 230 million. By

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improving their transmission linkages, the three countries would significantly improve not only their trade in electricity, but also improve efficiency and reliability.

In 2007, feasibility studies were completed, and March that year, the three governments agreed to set up a Project Management Unit to be stationed in Lusaka Zambia with a mandate to facilitate implementation of the tripartite project. However, a number of developments since 2007 halted progress and threatened the future of the whole project. Firstly, 2007 was the same year that SADC ran out of generation surplus that plunged the region into crippling power shortages. Zambia’s northern recipients were no longer ‘assured’ of Zambia’s generation and capacity to feed power into the proposed lines.

In the face of such uncertainty about Zambia’s ability to meet the demand, Kenya has been finding it difficult to secure guaranteed funding for the project. Kenya’s energy secretary, Patrick Nyoike indicated that, the parties cannot talk financing of the project until there is prove that adequate power is available. Another factor has to do with the discovery of gas deposits in Tanzania in 2004 and the subsequent construction of the new CCGT power stations in that country. This development was somewhat of a game changer for Tanzania which began to call for economic re-evaluation of the proposed multi-million dollar transmission lines in comparison to the unilateral gas alternative at home.

Officials from the three countries last met in Lusaka, Zambia in March 2010. The agreement was to continue negotiations and discussions within the same tripartite framework and resolve outstanding issues in order to keep the project on track. However, the concerns I discuss above continued to overshadow subsequent cooperation efforts and significantly affected the speed and dampened the resolve of the partners to proceed with the project. In particular, doubts or uncertainties about Zambia’s ability to supply power to the planned grid had far reaching consequences, forcing Zambia’s partners to develop ‘cold-feet’ about delving into a multi-million dollar project whose economic viability is

306 Patrick Nyoike, was Kenyan Energy Permanent Secretary, he was quoted in East African Business Week, (All Africa Global Media, GENI, October 8, 2007).
in doubt. Logically, for Zambia as well, these uncertainties and skepticism of its partners elevated the risk of abandonment. Despite the fact that the three members resolved to carry on with the negotiations with a stated aim to resume construction work in sometime in 2011 following completion of the necessary feasibility studies, the feasibility of the project has become uncertain. Each member clearly has strategic concerns that most likely will complicate future negotiations and render cooperation much more difficult to achieve. This at best may significantly delay resumption of construction, at worst these concerns can lead to abandonment of the project.

As I alluded to earlier, developments within the Western Power Corridor more succinctly illustrate the coordination problem in Stag Hunt game situations. The WESTCOR was conceived as one of the most ambitious energy projects on the African continent. The five member countries of the WESTCOR project set out to put their resources together and tap into rich energy source deep in the DRC territory. The DRC has extensive potential for hydroelectric capacity of approximately 100, 000 MW, a fraction of which has yet been developed. Until November 2003, when WESTCOR was formed, the DRC had only 2,568MW installed while actual production was at about 600-700MW only due to lack of maintenance. Two thirds of the turbines were out of action due to lack of maintenance. This implies the DRC’s lack of capacity to develop even bigger scale Inga III project unilaterally. Hence, the government was then much more amenable to collective action on this project.

The signing of the WESTCOR initiative would surely assist the DRC achieve what it could not realize unilaterally. This made regional cooperation a strategy of choice both to the DRC government and its partners. However, in May 2006 when the Canadian company called MagEnergy resumed refurbishment of INGA Dam to restore its work to full capacity of 1,774MW by 2010, the DRC realized an opportunity to go it alone or say with foreign private partnership on Inga III as well. The DRC government saw an opportunity to ‘jump-ship’ and abandon the WESTCOR-Inga III project, which was
initially identified by many as “the most significant hydropower project in Africa on the African continent.”

The WESTCOR situation eventually took a turn for worse, when BHP Billiton got involved. This development effectively altered the previous incentive structure upon which the WESTCOR agreement was premised. Taking into consideration the earlier concerns, that as a host government, the DRC wanted a majority ownership of the project, the Billiton deal provided an opportunity to the government to increase its ownership stake in Inga III. The BHP Billiton proposal also represented a lot of immediately available capital in the bank for the DRC. The policy choices facing the DRC officials or policy makers at this point was a choice between the WESTCOR, which even though might have been good for all, the gains could only come in the medium to long-term or BHP Billiton with immediate cash gains. The WESTCOR agreement clearly lacked the huge one time cash injection which the BHP Billiton deal presented to the DRC authorities. It is a temptation many governments in the developing world would find hard to resist.

Therefore, by choosing BHP Billiton over regional cooperation which clearly comes with less or no capital resources at least in the short term (BA>AB). DRC reneged on its initial agreements and abandoned its WESTCOR partners’ ‘midstream’ as Pat Naidoo former chief executive of WESTCOR put it. The action effectively amounts to a defection from a mutual agreement signed in 2004. In the words of Pat Naidoo, “The DRC had decided to change its project mandate, in flight.” This action was not only out of sync with the SADC preference for multilateral cooperation over unilateral approaches in the power sector, but it also imposed significant financial loses and damage on WESTCOR partners. Financial loses as a result of sunk costs in the WESTCOR project present significant drain on their national resources, which further undermine their own national efforts to address the power crisis.

http://www.engineeringnews.co.za/print-version
For example, beside the US $100,000 that individual members contributed to establishment, register and operationalise the WESTCOR Company in 2004, members also incurred extra costs including expenses for arranging and attending meetings, staffing and training the personnel of WESTCOR. Namibia has quantified its total costs towards WESTCOR and the figure is no less than N$ 2 million. Nampower’s general manager in the generation department, Simson Haulofu indicates that when it was de-registered, other WESTCOR financial liabilities were to the tune of US$ 25,000 or well over R200,000 that members still had to settle.310

Haulofu who earlier served as a Chairman of WESTCOR, also indicated that the consortium can never recover the money following collapse of the initiative in winter of 2010.311 In August 2010, when the consortium finally shut down, Haulofu again said that, “It [the collapse] is not something that was envisaged but it is a lesson learned. Yes we are upset but no repayment will be demanded for the sake of maintaining the SADC brotherhood.”312 In terms of our analytical framework, the WESTCOR partners find themselves at the worst possible position in a Stag Hunt situation.

By choosing the private sector partner over its counterparts in the region, the DRC government effectively imposed significant and irrecoverable financial costs on its partners. The wasted investment could have been better invested elsewhere by governments still facing serious energy shortages. DRC opportunism also has regional cooperation implications that go beyond WESTCOR; SADC partners will in the future view the DRC as non-credible and not trust-worthy. The WESTCOR has probably damaged regional relationships which can undermine future prospects for cooperation in other arrears as well. Therefore, long-term, regional development is likely to come out worse-off considering that termination of WESTCOR disregarded existing regional agreements, plans and their benefits to the region. Paddy Hartdegen accused the DRC of spurning its African partners and behaving opportunistically, disregarding relationships,
development of the region or its long-term future by opting to grab whatever money is on offer now.\textsuperscript{313}

\section*{5.8 Conclusion}

In this chapter, I made a case that the quality of cooperation in the development of shared physical infrastructure projects is affected by specific type of strategic action challenge based on a peculiar logic of action. My Stag Hunt game model enables me to draw out the logic of action in that guiding strategic action when a group of governments try to develop common facilities for mutual gain. Based on the logic of action in a Stag Hunt game, I systematically mapped the SADC cooperation in the development of regional energy infrastructure as a Stag Hunt game. Then I deduced a number of logical theoretical propositions about behaviour of governments and implications for international cooperation, which I later subjected to rigorous empirical testing. The observations from the case study are then tested against the suggested logic of action as stated by each proposition.

The construction of regional power grid interconnections has a strong rationale including existence of diverse and complementary sources of electric power in the region. SADC also has a long history of regional cooperation in sectors such as politics and trade. SADC authorities have in the past demonstrated willingness to increase intra-regional cooperation across a number of sectors. All these factors are important and form favourable environment for good regional cooperation in general. In the energy sector, existence of semi-independent national utilities and the autonomous SAPP Coordination Centre in Harare, allow member states and other contractors to proceed with some degree of confidence in making cooperation commitments to regional or SADC projects.

\textsuperscript{313} See Paddy Hartdegen is the editor of “WATTnow,” Hartdegen was quoted in Earthzine article, 5. 
http://www.earthzine.org/2010/03/08
Facing a regional power supply shortages and concomitant transmission challenge, from the mid 1990s SADC member states signed the Protocol on Energy provisions of which allowed members to negotiate and initiate a number of sub-regional infrastructure projects. The threat presented by power shortages and rolling mass blackouts provided a strong stimulus for states to pool their resources and synchronize their responses to avert what was clearly an impending regional crisis.

However, part of the goal of this chapter is to shed some light on why despite existence of an environment conducive for realization of mutual gains, regional cooperation would still not come automatically. Firstly, I argue that cross-border projects are normally huge and complex. They bring together multinational stakeholders that can involve a variety of national, sub-national even international parties to the agreement. An effective sub-regional framework governing cooperation between partners requires clear political consent embodied in a cooperation agreement. Operation of an international power line can provide significant gains accruing to individual countries and to the region in general. At the same time, shared electricity infrastructures raise the level of interdependence, which often perceived as a liability by individual governments. Disagreements can also develop over the sharing of benefits from cooperation. It is in this context of private vs. collective considerations that cooperation initiatives are negotiated and agreed upon. Therefore, negotiations and cooperation initiatives once resumed are affected by strategic concerns that if not addressed can affect the quality of cooperation or undermine implementation of what is otherwise a mutually beneficial agreement.

The SADC member states in the SAPP have a long history of cooperation which leads to higher levels of trust and confidence among them. Moreover, cooperation among members of SAPP since 1995 has been relatively smooth enabling SAPP members to respond very efficiently to mutual need. Some power producers have been collecting monetary benefits from regional electricity trade, while even big regional producers are appreciating non-monetary benefits of regional interconnection. For example, when one of the main exporters of electricity Zambia had transformer problems at one of its stations, it sourced support from the regional network and avoided disrupting supply to its
national customers. Arrangements were also in place to support South African supply and back it up during the hosting of the 2010 soccer world event. These advantages and the fact that not only SADC but also Power Pool have been functioning successfully without any major unresolved disputes help to moderate all barriers to engaging in interdependent responses to mutual problems.

The outcome of the WESTCOR project should not be perceived as something novel in this type of cooperation initiative. The case study clearly highlights some of the subtle or intangible but telling factors that can determine failure or successful implementation of the initiative of this kind. An overview of cooperation and progress in the SADC initiatives that I have considered indicates that to a large extent theoretical propositions about behaviour of participant governments find resonance in the data. The chapter also brings up impacts of material considerations including the benefits of free trading in electricity and associated costs such as the financial constraints and capacity issues, against the probability of realizing desired outcomes. This raises an interesting dimension, and one that we explore extensively in this thesis; the impact of intangible factors on international cooperation.

The signing of the regional agreement is not the end, as the WESTCOR clearly illustrated; policy-makers still have to keep in mind possibilities of being abandoned by one’s partners. The collapse of WESTCOR in 2010 followed a few years of progress including completed registering the company, feasibility studies, conferences and study tours. The costs imposed by the DRC government’s decision to abandon other members of the consortium amount to millions of Rands. This event or collapse of the Inga III plan lends validity to our theoretical proposition that concerns about abandonment by partners midway through the project are a real concern among individual member states involved in huge often long-term regional projects. In many other plans of regional projects (some with good potential) fail to get off the ground simply because members either just do not trust each other, or they cannot agree on distribution of anticipated gains.
My case study brings to the fore, a question regarding ability of existing institutional framework and its ability to support or spur regional cooperation. In particular, the collapse of WESTCOR project, the regional flagship of SADC power project raises questions about ability of existing SADC institutions to produce and support credible regional agreements. In line with our third proposition, effective institutions are critical for maintaining cooperation. The institutions help undergird reciprocal action by backing regional agreements and hence raising their credibility. The highest SADC decision making body, the Summit, on several occasions tried to deter the DRC government reneging on its WESTCOR obligations but failed. While the role played by the SADC Secretariat (Infrastructure and Services Directorate) is not immediately obvious in WESTCOR and in other transmission construction projects as well. Therefore the inconspicuous role of the SADC Secretariat and failure of few unsuccessful attempts by the SADC Summit to dissuade the DRC government from pursuing mutually damaging unilateral action, again seem to point to weak regional institutions that are not capable to anchor regional cooperation on a solid legal framework.

On the 14th November 2011, South Africa and the DRC signed a new memorandum of understanding to resume fresh negotiations on the joint-development development of the Congo energy resources. With hindsight from this study, I argue that cooperation in the new initiative will still not be free from the challenges that undermined the WESTCOR initiative. South Africa and the DRC will have to focus beyond narrow national self-interest and immediate material gains if their joint action is to succeed and bring them real benefits. The collapse of the WESTCOR project clearly illustrates that success for any future cooperation will hinge strongly on the availability of a more credible agreement with explicit and credible commitment mechanisms in place. These mechanisms are critical and inspire confidence in participants and provide trust and assurance reducing risk of being abandonment, thus effectively reducing the possibility of a non-cooperative behaviour of the nature that led to the collapse of WESTCOR project.

314 The South African Cabinet approved the draft agreement on 29 August 2012.
CHAPTER SIX

GOVERNANCE AS A “SECOND-ORDER PRISONERS’ DILEMMA”: THE CASE OF SADC ELECTION MONITORING AND REPORTING

6.1 Introduction

The SADC Treaty obliges members to erect or put up domestic governance institutions “which are democratic, legitimate and effective” and which cherish the regional objective of consolidating, defending and maintaining democracy, regional peace, security and stability. Many of the member states of SADC are relatively new democracies, majority of which recently inherited one-party political systems. Therefore, in many cases, their political cultures and practices including constitutional and legislative provisions are still at odds with the requirements of democratic plural politics. As part of the effort to re-align national policies to emerging regional aspirations, SADC member governments signed the Protocol on Politics, Defence and Security Cooperation in 2001. The Protocol committed governments to “promote political co-operation among state parties and foster evolution of common political values and institutions.” The Protocol also makes reference to the Charters and Conventions of the Organisation of African Union and the United Nations on universal human rights.

SADC member governments proceeded to sign a number of other agreements aimed at changing the political landscape and improving governance practices in the region. In June 1996, the Heads of State and Government launched the SADC Organ on Politics, Defence and Security Co-operation the purpose of which was to coordinate day to day regional efforts in “political cooperation and evolution of common political values and institutions.” This agreement was later complemented by the Strategic Indicative Plan.

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315 SADC, Article 5 of the SADC Treaty, (Windhoek, 1992) 7
316 SADC “Treaty Article 5,” 7
for the Organ on Defence, Security and Cooperation (SIPO) which is basically a reaffirmation of the Protocol on Politics. Through implementing SIPO, the SADC region aimed to align its political, peace and security agenda with that of the African Union (AU) which includes among others, strong emphasis on multi-party democracy, human rights and good governance. SIPO emphasises the need for democratic consolidation in the region and encourages the holding of periodic free, fair, credible and legitimate multi-party elections by member states.

In Article 4 and 5 of the SADC Treaty, member states also commit to promote the development of democratic institutions and practices within their own territories. Article 5 in particular, outlines the objectives of SADC as a collective and commits member states to “consolidate defend and maintain democracy, peace, security and stability.” These articles are part of the broader framework within which regional governments collectively strive to transform the political landscape of the region and strive to consolidate political stability and promote a positive image of the SADC region. The Heads state and Governments established the Organ on Security and Politics and developed the Strategic Indicative Plan for the Organ (SIPO). SIPO lays out the implementation framework of the Protocol and puts a strong emphasis on the need for democratic consolidation and propagation of “multi-party elections that are free, fair, credible and legitimate” within SADC.

Adding to the challenge for SADC states, was a fact that, in a majority of these member states, the legislative provisions relating to elections were either poorly developed or undeveloped. And the new statutes and provisions governing political conduct in member governments retained ambiguities and inadequacies particularly with regard to conduct.

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319 The then Chairman of SADC and the Prime Minister of Lesotho, Pakalitha B. Mosisili, “Foreword, of the Strategic Indicative Plan of the Organ.” Accessed in June 23, 2004 www.sadc.int/index/browse/page/116  
322 Quoted in; Electoral Institute of Southern Africa, “Principles for Election Management, Monitoring and Observation in the SADC Region,” (Johannesburg: EISA, November 6, 2004), 7.
and management of elections. In the light of weak and ambiguous national regulation, it is not surprising that the region remained susceptible to post election instability emerged as one of the prominent causes of political conflict and violence in SADC. Some of the prominent cases since the mid 1990s include, violence that engulfed Lesotho following the national election in 1998, and the unrest that followed 2007 elections. The hotly contested election results in Mozambique in 2004, Zimbabwe in 2002 and 2008. Other cases include the Democratic Republic of Congo, Angola and Madagascar.

As part of the collective desire to “contain and resolve inter and intra-state conflict by peaceful means,” SADC leaders found it vital to facilitate smooth transitions of power within member states. SADC efforts have culminated into a number of sub-regional agreements and led to development of supporting institutions that focus on tracking national electoral processes within member states. Meeting in Grand Baie, Mauritius on the 17th of August 2004, SADC Heads of State and Government adopted a declaration, called “SADC Principles and Guidelines Governing Democratic Elections”. The new declaration added the intrinsic and practical meaning to the regional democratisation drive by setting common regional electoral standards, rules and procedures. Emphasising the centrality of these principles to SADC cooperation on matters related to propagating democracy and conducting elections in particular, the then chairman of SADC and Prime Minister of Mauritius, Paul Berenger said that,

Over and above encouraging establishment of independent electoral commissions, the rules encapsulate allowing the opposition to operate without harassment by the police or anybody else, it is freedom of the press, it is access to the media, and it is credible observation of the electoral process, so we are all committed to that.

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323 EISA, “Principles for Election Management, Monitoring and Observation in the SADC Region,” 7.
The declaration was a comprehensive document implementation of which was calculated to improve both quality and substance of the national electoral processes. This way the guidelines were meant to bolster the credibility and legitimacy of elections and enhance easy acceptability of the electoral outcomes. However, it is only if observed and its provisions implemented by member states, that electoral guidelines could transform the political culture in the region, improve prospects for smooth power transitions and deliver expected peace dividend. Mauritian declaration therefore, forms a benchmark against which performance of individual members holding national polls can be assessed and judged by their peers and other election observers.

However, multilateral agreements to implement common norms or espouse certain values are not self-sustaining as realisation of the regional goal frequently fall victim to narrower ambitions of national political leaders. This is particularly important because African politicians are often perceived to treat politics as a zero-sum game, where the incumbents and the opposition parties turn to be driven by very strong motivations to access or maintain their hold on power. It is conceivable that despite their commitments to follow the region’s code of best practice, self-interested national leaders will not voluntarily comply with the norm if compliance threatens their stay in office. Therefore, official commitments made by national politicians-implicit in the SADC declarations-may actually turn to out to be “cheap-talk” that remain reversible should the same politicians find it expedient to so. In the absence of a supranational regional structure to act as a monitoring mechanism, the SADC declaration makes a provision for member states to collectively police and enforce adherence to the regional electoral norms.

Therefore, the high possibility for underhand tactics and flouting of regional election rules raise a formidable challenge for vigilant policing and enforcement. The primary responsibility to guard against these underhand practices reside with fellow governments, to a lesser extent, other regional agents and bodies that can play a role as election monitors and observers. Peer governments have to act as agents of restraint that can effectively encourage and enforce adherence to the regional norms and principles at all times. The collective ability of governments to monitor and arbitrate electoral disputes is
absolutely critical if SADC is to be successful in propagating democratic electoral norms and achieve mutually desirable regional stability.

The reality in SADC is that despite the signing of the declarations and commitments by regional political leaders, southern Africa continues to reflect a mixed-bag of performances. Good performances in some member states are shadowed by poor controversial performances in others where both the fairness of the electoral process and subsequent election outcomes continue to be bitterly contested. Close to a decade following adoption of the electoral guidelines by SADC, accusation and reports of some member states failing to adhere to the SADC criteria and guidelines remain common, some of these cases have produced what Chris Landsberg called ‘bad losers and bad winners.’ These are situations where both the incumbent and the opposition fail to accept official election results.

Despite periodic challenges, SADC has made some recognisable strides towards consolidation of democracy particularly improving citizens’ participation in national decision-making processes and erection of supporting institutions. But a watershed moment is still the adoption of the Mauritian declaration which has since became a de-facto benchmark for judging performance of national governments in the conduct of elections and thus facilitates electoral observation and monitoring by counter-parts and provides a point of reference for other parties observing the elections.

Successful implementation of these norms would lead to the attainment of higher quality electoral processes and generally improve acceptability and legitimacy of election results the opposition the losing parties and to the region as whole. Easily acceptable results would reduce if not eradicate a common problem of post-election instability that frequently tarnish the image of the region. This negative image damages both the short


and medium-term investment and developmental prospects by undermining southern Africa as a competitive investment destination. The efforts to clean up the image of the region must necessarily be inclusive to minimise effects of externality, or a single unstable country can continue to obstruct the attainment of a good image despite the efforts by others. However, regional communities on the African continent that have sought to implement normative changes have encountered challenges regarding operationalisation and implementation of the new norms. I do not expect SADC as an organisation to be an exception.329

I argue that SADC governments will encounter challenges when trying to execute monitoring particularly collective enforcement duties. This is because in trying to execute or enforce compliance to the regional norms, observer governments themselves face a collective action problem that resembles a Prisoners’ Dilemma game. Where faced with the responsibility to deliver punishment on one of their own, individual member governments may prefer to ‘free-ride’ and simply ‘duck’ to pay individual share of the cost involved in imposing that punishment. Similar to the Prisoners’ dilemma game, delivering punishment resembles a public good, where all governments have to contribute because it is in their collective interest to do so.

The strategic challenge arise because all the governments want to avoid acting in isolation, so any decision to deliver punishment is not made independently, but contingent on decisions of the other governments. The problem is once it is obvious that other governments are going to contribute, individually, other governments prefer to cheat by holding back their own contributions. When this happens, all governments are going to hold back their action, as no one government wants to face the transgressor alone. But if everybody avoids their responsibility, the defector eventually goes unpunished.

The literature on election monitoring and reporting corroborates the point I am making in this chapter. Which is that, while international election monitoring and observation may help improve the quality of the electoral process and enhance legitimacy of the election outcomes, it is not a cure-all for election problems, as the process itself is rigged with challenges that can diminish the effectiveness of the observer missions.\textsuperscript{330} In many parts of the world, “flawed or even fraudulent elections still occur frequently despite the presence of international observers.”\textsuperscript{331} Thomas Carothers argues that any contingent of international observers may have limitations that can affect the group’s ability to effectively play a restraining role. For example, in September 1996 poll, a contingent of international observers noted significant problems surrounding the Albanian parliamentary elections and the Armenian elections, but in both cases they failed to forestall the outcome.\textsuperscript{332}

I note that while immediate limitations facing multilateral observer missions would normally be of logistical and methodological nature, the fact of the matter is that election observer teams do not operate in a political vacuum. For example, David Pottie has argued that sometimes different conceptions of democracy and the purpose of election observation have given rise to misunderstandings regarding the role of elections leading to doubts about political agendas of some observers and their organisations.\textsuperscript{333} I argue that, multi-national observer missions are not immune to problems of similar nature and they are also affected by collective action problems. These are strategic challenges that are equally potent and critical for performance of multinational missions.

My analysis of SADC’s performance starts from the following premises. Firstly, the observer mission’s pronouncements or verdict on the credibility of the electoral process is tainted by strategic interests of their national political principals. Secondly, observer mission’s reports do not constitute a final say, there is no guarantee that the political

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\textsuperscript{331} Carothers, “The rise of Election Monitoring,” 17-31.  \\
\textsuperscript{332} Carothers, “The rise of Election Monitoring,” 21  \\
\end{flushright}
authorities will back-up any findings of electoral fraud with real punitive action. The challenge lies at the policy decision-making level, since enforcement require governments to act deliberately in a coordinated fashion. Enforcement will fail if members acting as a group fail to coordinate their actions. Afflicted by the free rider problem, a collective of governments face challenges when they have to coordinate their efforts and cooperate to deliver punishment.

This type of strategic problem can cripple ability of a regional grouping to perform as an agent of restraint as their weaknesses can be wilfully exploited by those who may find it in their own self-interest to rig or tweak the electoral process in their favour. Therefore, this dilemma is particularly pronounced where members are involved with controversial polls that force governments to face choices whether to punish perceived offence or tolerate it. I refer to this type of collective action problem as a ‘second-order’ Prisoners’ Dilemma game. The focus on this game falls on the other players in the game, other than the subject making a primary decision. That is the focus is this case is not on the government hosting the polls, but on the level of secondary actors who have to find a cooperative agreement and act cooperatively to implement it in response to the activities of the primary actor.

Therefore, my focus in this chapter is on the study of how SADC governments as peers, behave particularly in enforcing compliance with the SADC electoral code. In the next section I advance an analytical framework within which strategic and empirical factors affecting performance of SADC governments aiming to enforce compliance to the regional electoral stipulations. Therefore, I focus on the period following adoption of SADC Principles Governing Democratic Elections, in 2004, and pay attention to those regional cases or episodes where elections have been controversial necessitating a follow up or official reaction from SADC observer governments.
6.2 Analytical Framework

In theory realisation of democratic peace and political stability in southern Africa can raise regional economic competitiveness of SADC and raise its stature as a destination for foreign investments. Propagation of democratic values and rights would also closely harmonise political relations between member states working towards a long-term goal of forming a regional community. However, to safe-guard the goal of democratic peace and stability, members need to secure universal adoption and consistent implementation of fair and credible electoral practices. Since it is the reality of electoral competition that self-interested politicians will do all in their power to re-gain or retain political office, member governments have to work together to constrain each other. Unless incumbent office holders are constrained by knowledge that untoward balloting practices cannot go unidentified, and that such practices will draw undesirable consequences, defections will engulf the initiative and eventually unravel cooperation.

However, delivering punishment on a deviant member through negative sanctions carries substantial costs that accrue to members individually. These decisions can carry foreign policy implications that can complicate what might have otherwise been a simple decision for the national government. Therefore, a collective decision to take punitive action against another member amounts to a trade-off between immediate foreign policy costs of such an action against the regional long-term gains from a politically stable region that is also dependent on the others governments making complementary actions.

The Prisoners’ dilemma game can be used to model strategic problem involving additional actors trying to cooperate in enforcing compliance by a third party to a mutually agreed norm or value. This scenario would imply existence of at least three actors: the actor that breached the common norm, plus at least two other actors involved in monitoring and enforcing compliance to that norm. Similar to the two actor Prisoners’ dilemma scenario, the problem here can be presented by a simple payoff matrix below.
The payoff matrix above illustrates that all governments can do better by cooperating, CC>DD. But if each government expects others to cooperate, the two blocks on the left side of the matrix become possible, the gains from unilateral defection are significantly high, raising the temptation for unilateral defection DC. If one government gives in to the temptation and defects, strategic self-interest of other governments will require them to defect as well. If one of the governments expects to be on the right side of the matrix, its strategic interest will require it to defect CD>DD. Individual governments fear to incur the heavy cost of cooperating while others defect.

I refer to the cooperation challenge facing the secondary actors as a ‘Second-Order Prisoners’ Dilemma’ problem where in pursuing what is in their collective self-interest, peer governments individually prefer to limit, if not altogether avoid, incurring costs (economic, political or diplomatic) of delivering punishment to the defector. Therefore, my analysis focuses on the strategic challenge facing the second-tier of actors or electoral observers. The focus is not on the primary actor or the host government. The illustration above implies involvement of at least three governments: the government that breached the agreed norm or standard, and at least two other observer governments cooperating to carryout monitoring and enforcement. I apply the second-order Prisoners’ dilemma game to clarify some of the challenges that have shadowed election observation in SADC since adoption of regional guidelines in 2004. Several SADC election observer missions and their governments have been criticised for being ineffective or even failing to act as agents of restraint against election malpractices.
Therefore, analysis of cooperation in this case study focuses on the SADC election observer missions, but more precisely, on the performance of member governments collectively charged with the responsibility to make final decisions. I anticipate collective action problems to manifest as inconsistencies in the official reports of the SADC electoral observer missions (SEOMs). Discrepancies in reporting would generally undermine consensus on the validity of the poll and whether or not to deliver punishment. A quorum or at least a critical mass in support of any resolution or decision at the regional level is critical as a first step towards any collective action. If for strategic considerations, one or more member governments fail to join unanimous position on whether to punish another member government or not, disagreements about severity of punishment and how to deliver it, can undermine ability to execute punitive action. This in turn, takes away the threat against non-compliance, therefore, opening the initiative up for future defections.

However, the declaration on SADC Principles and Guidelines does not explicitly specify relevant trigger mechanisms telling the other governments when and how to react against those political leaders who violate the terms of the electoral code. Therefore any decisions around when and how to execute punishment are left exclusively to member states to decide on a case by case basis. Making a punitive decision would predispose observer governments to a social problem akin to a one shot Prisoners’ Dilemma game. In practice, the temptation to put strategic self-interest ahead of collective regional goals will manifest as inconsistencies in official comments or reports following monitoring and observation of elections. Flowing from this logic, we can draw the following theoretical propositions about cooperation among peer governments in second-order PD;

1.
   a. Governments prefer to uphold the regional electoral norms and promote regional peace and stability. (CC>DD).

   b. Governments prefer not to contribute to delivering punishment for non-compliance if other governments were not going to contribute (DD>CC).
c. Governments are tempted not to contribute to punishing defection if their counterparts embark on punitive action anyway. (DC>CC)

Theoretically, all governments prefer a region that is politically stable region with capacity to hold peaceful and credible elections (CC>DD). This is achievable if it is self-evident that regional governments have the ability to expose and punish non-compliance to the regional electoral code. The implication is that full compliance is achievable and can be maintained at stage 1 of the game, among primary actors that is governments holding elections. It is only if the credible threat of punishment exists at the secondary stage.

The cooperation problem facing peers trying to enforce a common norm, presents a strategic challenge with a slightly different logic of action. No one government will voluntarily contribute to punish non-compliance if other governments choose to continue with gainful relations with the defector (DD>CC). However, if everybody contributes to delivering punishment, it is still rational policy to defect and continue with peaceable relationship with the defector (DC>CC). The payoffs from unilateral defection are higher than possible payoffs from cooperation. The prospect of negative foreign policy implications of confronting a neighbouring government and essentially questioning its legitimacy is a cost that members individually may want to avoid. In fact, in a second-order prisoners’ dilemma, cooperation has virtually no short-term gains. Governments prefer the outcome DC>CC, making unilateral defection a preferred strategy. Secondly,

2. 
   a. All governments benefit from exposing and punishing non-compliance (CC).
   b. The only Nash equilibrium is for no agreement on the regional norm (DD).

Regional governments benefit from nurturing a peaceful and a stable region. The status-quo associated with frequent post election violence is associated with negative economic
environment which brings mutually undesirable consequences. Therefore, where DD
represents the Nash equilibrium or the undesirable status-quo, regional governments all
want to move away from the status-quo (CC). The problem is that cooperation to deliver
punishment involves some form of cost whether economic, political or diplomatic cost.
Any decision to punish a defector carries implicit but immediate costs, whereas making a
contribution to collective punishment carries virtually no material benefits at all.
Logically, cooperation within a group of governments delivering punishment will
generally be of poor quality. In second order PD, one either contributes in punishing
defectors, or free-rides one-self, but contributing whilst tolerating free-riders is not an
option. 334

According to the logic of action in Prisoners’ Dilemma situations, in any arrangement of
international cooperation where deterrence is based on informal means of enforcement, as
opposed to agreed forms of punishment to be administered by a chosen authority, within
a pre-defined framework, - costliness of punishment can prevent a community of rational
governments from producing a public good.335 Mutual consensus to punish non-
compliance will generally be difficult to come by, but even where an agreement exists,
cooperation delivering such punishment is vulnerable to defections and is not self-
enforcing.

The implication is that, SADC observer governments acting together to monitor and
enforce implementation of regional election laws would safeguard the collective/regional
interest. In practice, the success of collective action depends on two critical conditions.
Firstly, member governments must keep their regional commitments to the group. These
governments must resist the temptation to free ride on the contributions of others where
collective punishment is to be delivered. When facing the prospect of delivering
punishment on one of their own if found to be non-compliant, may often not be in the
immediate interest of governments to deliver punishment. A second requisite of

334 Matthew Breier and Martin Visser, “The Free Rider Problem in Community-Based Rural Water Supply:
A Game Theoretic Analysis,” (Southern African Labour and Development Research Unit: Working Paper
Series, Number 06/05, 2006), 9.
335 Ernst Fehr and Simon Gachter, “Cooperation and Punishment in Public Goods Experiments,” American
collective action is that enough member governments must agree on what constitutes non-compliance. And the lack of consensus among peer governments will generally lead to paralysis or inaction among regional governments.

Therefore, cooperation in imposing collective punishment will generally be shallow and tenuous, and enforcement or monitoring by central institutions will remain weak, and more importantly have no little impact on the patterns of cooperation when delivering a collective punishment. The reason being, the impetus of institutional decisions or their actions actually flows from the same member governments; hence they are subjected to same considerations. How effective international observer missions are is essentially a function of complex policy decision-making by political leaders in respective member governments.

SADC member countries have hosted a number of elections since adoption of the regional electoral guidelines in August 2004. What has become evident is that, despite adoption of the regional electoral guidelines, SADC has not rid itself of the post electoral contests and instability. Electoral outcomes continue to be hotly contested between the opposition and the incumbent parties, often leading to broad accusations or allegations that border on failure by host governments to adhere to the letter of the SADC electoral guidelines. Each one of these controversial elections practically tested the effectiveness of both the new regional election instrument and the collective resolve or ability of the SADC governments to police and enforce compliance to the declaration. The central question is, even if observer teams can identify clear incidences of non-compliance; can member governments successfully mount and execute collective punishment where it is due?

Strategic problem for cooperation is that while governments collectively want a peaceful region and the benefits associated with it, individually, governments always keen to avoid incurring the cost of punishing non-compliant members. Individual governments would rather prefer to free-ride on the efforts of others. In practice, punitive action would manifest as negative pronouncements, such as declaring a poll non-compliant with the
regional electoral code. The challenge is also that such an announcement carries an obligation to deliver punishment. And it effectively questions the legitimacy of the incoming government, which is in itself a form of negative sanction. Modelling the SADC election monitoring and observation initiative as a second-order prisoners’ dilemma game, suggests that the act of delivering punishment for non-compliance carries no individual payoffs, but can be costly. As a result, governments tend to behave strategically when they ponder how to react to incidences of non-compliance where these are encountered. Therefore, the act of delivering punitive action, raises collective action problems that if not resolved can limit ability of the observer governments to punish incidences of non-compliance.

SADC leaders did not dispute description of free and fair elections during the closed sessions of Heads of State and Governments in 2004, however, it is one thing for leaders to sign-up to formal commitments, it is quite another for the same leaders to ‘walk the talk.’ And from the onset, concerns regarding monitoring and enforceability of the agreement emerged immediately. Paul Berenger the then incoming Chair of SADC, emphasised the importance of “a credible SADC observer team” that would be sent to monitor every election in member states. The game theoretic perspective shows that delivering collective punishment is always problematic even though it is certainly possible. Where delivery of punishment is a logical option, strategic considerations inform governments’ decisions as each begins to consider broader implications of its actions. Therefore, even a decision to report or pronounce on the credibility of the electoral process itself flows from cost-benefit considerations. Firstly, individual governments unilaterally do not want to incur the costs involved in delivering subsequent action.


In some respects, a decision to deliver punishment can imply other costs to the collective. For example, regional governments collectively may not want to risk losing a valued member of the regional organisation. For example, a regional organisation could lose a valuable member each time it declares sanctions on a non-compliant government. The resulting exclusions or withdrawal from the grouping by certain members (pivotal) may potentially have undesirable consequences for other cooperation initiatives. For example, implications for punishing a pivotal state in the region certainly presents a challenge as negative sanction even if appropriate may have undesirable consequences not only for individual governments but also for current and future regional projects and programs. I characterise this as a second-order prisoners’ dilemma, which depicts a situation facing a group of governments that have to react collectively to the actions of a primary decision maker.

Cost-benefit considerations of this nature affect decisions of peer governments regarding whether to condone or punish non-compliance when it occurs. The logic of action in a Prisoners’ Dilemma game suggests that individual governments will be reluctant to carry the cost of non-compliance, rather governments prefer to ‘free-ride’ on the efforts of others. At another level, pronouncement of the observer mission is based on the potential cost to the organisation as a whole. These considerations highlight the strategic complexity that belies regional election observer missions and their subsequent official pronouncements. Strategic considerations that influence government decisions at both levels effectively reduce the game to a standard one shot ‘Second-Order Prisoners’ Dilemma game,’ with Nash equilibrium of mutual non-contribution or incapacity to punish non-compliance.

Hence, regional attempts to create collective institutions for purposes of policing behaviour of member governments will in some instances, be inconsistent with the reason for which they were originally designed.338 For example, regional bodies can function to bless otherwise ‘unsatisfactory’ election processes and function to confer legitimacy to

338 Bo Rothstein, “Can Efficient Institutions be established? A closer look at the soft under belly of Rational Choice theory” (Paper presented at the Centre for Democracy and the third sector Georgetown University, April 11, 2006), 6-7.
otherwise non-compliant governments. SADC has often been referred to by some as an “old boys club” lamenting perceived lack of objectivity in decision-making particularly on issues affecting fellow member governments.

In the context of SADC Principles and Guidelines Governing Democratic Elections, the Second Order-Prisoners’ Dilemma, would translate into collective inability to hold peers to the test of the regional electoral norm. Theoretically, peer governments observing elections would often struggle to find consensus composing mission reports even fail to report - at least not unanimously. And they will in all likelihood, fail to exercise enforcement where necessary, as the tendency for SADC Election Observer Missions would be to report in favour of the incumbent officials or the host government, the reason being any negative reporting would compel peer governments to take corrective action including possibility of delivering punishment.

The act of delivering punishment is interdependent one, unless all government involved make a contribution, the initiative will in all likelihood collapse as no one government would continue to contribute in delivering punishment when others carry on with gainful relations with the defector. Whether the cost involves loss of material gains from forfeiting trade with the offender through sanctions or rapture in diplomatic relations, it is a cost nonetheless. Similar to all Prisoners’ Dilemma situations, peer governments may fail to attain desirable outcome, as their behaviour individually, undermine cooperation and threaten to unravel the regional effort. This logic is plausible and useful in understanding SADC’s efforts in monitoring and enforcement of the regional guidelines governing democratic elections.
6.3 SADC Election Monitoring and Observation as a ‘Second-Order’ Prisoners’ Dilemma game

The Protocol mandates SADC governments as a collective, to dispatch a formal electoral observer missions to members hosting the national polls. It also makes provision for individual signatories to invite their regional peers to observe, monitor and evaluate their performance. In line with this provision SADC constitutes and dispatches an official election observer mission after receiving official invitation from a member about to hold an election. These teams measure the level of compliance by hosting governments to the regional principles and norms. On the basis of their reports, regional governments collectively determine the fairness or lack thereof of the poll, thus the credibility of the election process and the legitimacy or acceptability of the poll results.

These official SADC Election Observer Missions (SEOMs) provide a mechanism that enables SADC to play a monitoring and enforcement role, therefore taking a mantle of a regional overseer. The SEOMs constitute a crucial link in the process of collective norm enforcement and they comprise a key pillar and the only mechanism through which SADC governments collectively monitor each other. Their physical presence on the ground means that observers can identify incidences of non-compliance and reflect these on their reports back to SADC. The principal decision makers in SADC, the Heads of State and Governments, collectively take action based on the content of these reports. Theoretically, monitoring and observation can enable SADC to act as an agent of restraint, by revealing unfair electoral practices or acts of non-compliance - and supposedly take relevant action such as delivering punishment where necessary.

Commenting on political developments in Australia in 2005, Peter Tucker used the adage, “governments lose elections, and oppositions don’t win them.” Many would find this adage pertinent on the African continent, where conflict often engulfs all the

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stages of the electoral process.\textsuperscript{340} Today, many regions on the African continent continue to experience political conflicts particularly those emanating from election contests. As a result, issues around credibility of the electoral processes and concerns about legitimacy have since been prioritised as the centre-pieces of the democratisation process.\textsuperscript{341} Collectively and unilaterally, governments have put up efforts seeking to alleviate these conflicts by involving contesting parties, the citizenry and other political actors as part of the national electoral process. These measures were meant to build confidence in the electoral outcomes in a bid to facilitate peaceful transfers of political power.\textsuperscript{342}

The conflict that shadow election processes on the continent often leads to crises of legitimacy and political instability that discourages domestic and foreign direct investment. The general view is that political instability is inimical to socio-economic development. In extreme cases political conflicts even lead to civil or communal wars, ethnic clashes, and death. The fallout from this kind of violence often spill-over into neighbouring countries. In other words, political instability often has a multiplier effect which at times can engulf whole sub-regions regions.\textsuperscript{343}

Governments and sub-regional organisations have responded by implementing broad democratic reforms, thus introduced new electoral processes and adopted principles of transparency and accountability. These initiatives have involved not only governments, political parties and voters but non-governmental organisations are in various ways involved in the process. Many regional communities have put into place institutions and legal guidelines to oversee and guide implementation and propagation of democratic values and norms among their member governments.

SADC has also been touched by these developments. As a result of persisting undemocratic practices and concomitant struggles between ruling parties and opposition

\textsuperscript{341} Mbugua, “Resolution and Transformation of Election Related Conflicts in Africa,” 29.
\textsuperscript{342} Mbugua, “Resolution and Transformation,” 23.
parties, electoral instability has emerged as one of the prominent causes of political conflict and violence in Southern Africa.\textsuperscript{344} Consequently, in many sub-regions, the practice and the ethos of good governance and transparent and political conduct have emerged as regional goals. SADC has developed rules and set up institutions for the sole purpose of synchronising regional action in a chosen direction. The new electoral guidelines and rules seek to address a range of issues relating to elections and election management. The guidelines categorically address integral parts of the electoral process including the levelling of the playing field for all the players contesting elections, inequalities in political party funding, inadequate access to the state-owned media, and means to address all forms of election related violence.\textsuperscript{345}

There is consensus that since the dawn of multi-party democracy in southern Africa, SADC has made laudable progress in terms of developing regional norms, advancing democratic consolidation and setting regional best practices in governance.\textsuperscript{346} The irony is that in spite of excellent policy stipulations that SADC has on paper, many of the problems these instruments were designed to remedy still persist today. Various reports on election monitoring and observation in some of the SADC countries continue to reflect mix performance by members. In some of the bad performers acceptance of the national election outcome remains hard to come by. These frequently necessitate post electoral interventions by SADC to avoid instability or outbreak of conflict as incumbent parties and the opposition fail to accept the election results.

Francis Makoa posits that making electoral outcomes acceptable to all parties contesting the national elections remains a major political challenge for Southern Africa. Makoa posits that, it is in a minority of SADC member states that we do witness dispute free election results.\textsuperscript{347} These member states include, Botswana, Mauritius, Namibia and South Africa, this is a group that has made commendable progress towards democratising

\begin{footnotesize}
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  \item \textsuperscript{344} Prominent cases, from the mid 1990s to date, include the Democratic Republic of Congo, Lesotho in 1998 and 2007, Mozambique 2004 and Zimbabwe 2002, 2005 and 2008.
  \item \textsuperscript{345} SADC, \textquotedblright SADC Principles Governing Democratic Elections,\textquotedblright 2.
  \item \textsuperscript{346} Landsberg, \textquotedblright Southern African governance ten years after apartheid,\textquotedblright 5.
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their national institutions and electoral practices. Towards the other end of the spectrum, there are member states like Angola, Tanzania, Lesotho, Madagascar, the Democratic Republic of Congo, Swaziland and Zimbabwe, these states have a long history of one party rule and some of them have also had military dictatorships. It is in these states where a group in which elections continue to raise hostilities and results are often fiercely contested presenting an immediate threat to stability.

The SADC guidelines on democratic elections oblige member states to invite SADC to observe their elections. Tacitly, SADC monitors compliance to the regional electoral norms and requirements for a credible electoral process and practice and where necessary deliver punishment for observed infringements. As indicated earlier, any group of sovereign governments observing each other may fail to find a common position and pronounce collectively on the performance by the host government and subsequently, fail to agree on the appropriate course of action going forward. This presents a social dilemma that the governments face as a result of their strategic choices. If not resolved this dilemma can effectively scuttle their collective ability to formulate and implement formal decisions.

Of course, in those situations where elections are perceived as being free and fair, consensus will logically be easy as the host nation is generally perceived to have complied or satisfactorily met the regional requirements for a credible electoral process. The situation changes drastically if there is controversy, either the election results or the credibility of the election process is contested. Election monitoring teams, particularly their principal’s have to make a political pronouncement which if negative, logically might require subsequent punitive action directed at the host nation. Therefore, SADC observer mission reports have direct implications for political decisions or formal pronouncements from peer governments. In practice, this may make it difficult for SADC observer missions to make clear negative pronouncements about the member’s performance.
The SADC Principles Governing Democratic Elections is effectively, a peer review instrument for promoting legitimate and democratic polling processes to enhance legitimacy and credibility of the polling processes. The declaration indicates that each time a member state invites SADC election observer mission, (SEOM) the SADC Troika puts together a regional observer team led by the incumbent chair of the Troika.\textsuperscript{348} The mission is headed by the official from the office of the chairperson of the Organ, who also acts as its key spokesperson.\textsuperscript{349}

There have been a number of controversial cases in SADC following adoption of the electoral guidelines in 2004. In some of these cases the electoral process was severely criticized as unfair and undemocratic by the opposition parties who often refused to accept election outcomes. I investigate and analyse how SADC responded to these situations. My aim is to explain the findings in the context of my analytical framework the focus of which is on the effects of strategic interests on cooperation. The consequences on cooperation will determine SADC’s ability to propagate a democratic culture and bolster political stability in the region. In order, to evaluate performance of SADC member governments’ ability to function as guarantors of credible electoral process, I focus specifically on the most controversial elections in southern Africa from 2004 to 2010. The main focus is on the role played by the official SADC Electoral Observer Missions (SEOMs), their reports and actions of their political principals. The chapter also endeavours to illuminate political cum diplomatic processes by which self-interested governments achieve critical political decisions.

SADC electoral observer missions have often been perceived as ‘toothless’ and criticized for always offering support for incumbent parties-governing parties offering support to one another.\textsuperscript{350} This chapter adds a new dimension and a fresh analytical perception to this argument, and essentially brings up a different interpretation of the problem. My premise is that, effective monitoring, particularly, critical decisions that may require

\textsuperscript{348} SADC, “Principles and Guidelines Governing Democratic Elections,” (Article, 6.1.10), 14.
\textsuperscript{349} SADC, “Principles and Guidelines Governing Democratic Elections,” 14.
delivery of punishment for non-compliance presents a collective action challenge that a group of observing governments have to overcome, if they are to be effective as an agent of restraint. Despite the commitment to monitor and enforce compliance, in practice each national government primarily seeks to defend its own narrower self-interest. In regional situations of collective action, this can come at the expense of one’s counterparts. The fear of being exploited by partners in this manner can effectively hinder a group of governments from acting in concert to punish non-compliance. Therefore, more often than not, in initiatives of this nature, one is likely to find clear disparity between rhetoric and action on the part of regional political leaders.

Modeling SEOMS as a Second-Order Prisoners’ Dilemma game brings out intangible problems that animate international election observer missions and often hinder ability of a group of governments to find consensus or to enforce compliance with the international norm. Since holding political office is the primary goal of politics, election process is by its very nature a competitive process.\textsuperscript{351} In Southern Africa, where “winning elections seems to be a matter of life and death,” deliberate effort to establish strong conflict prevention mechanisms in the context of democratic elections is imperative.\textsuperscript{352} The incumbent parties seem to have very strong incentives to remain in power, so much that the path to continued incumbency at times, includes all means ‘foul or fair’ to win elections. This implies strong temptations to defect from the regional norms and procedures that are meant to safeguard free and fair elections and for strategies that are calculated to secure electoral victory.

The problem facing the secondary actors, who are the observers monitoring the activities or performance of the host nation, amounts to what earlier I referred to as the ‘second-order Prisoners’ Dilemma. This is a type of social problem pertinent in international election monitoring and observation even though the dilemma does not arise where election processes proceed relatively smoothly, giving rise to easy consensus about fairness and credibility of elections.

\textsuperscript{352} Mbugua, “Resolution and Transformation,” 28.
6.4 A Closer Look at the SADC Electoral Benchmarks and the role of SEOMs

The stated objective of the SADC Guidelines and Principles Governing Democratic Elections is “enhancing the transparency and credibility of elections and democratic governance as well as ensuring the acceptance of election results by all contesting parties.” Therefore, evaluation and verification of the credibility of the electoral process is the central facet of the election monitoring. The regional election observation exercise reflects the mutual interest in consolidating democracy, peace and stability in the SADC region. Election observer teams play a monitoring role in line with the agreed guidelines, focusing on essential political and civil freedoms, management standards and good governance practices that are central to the express aim of “enhancing the transparency and credibility of elections and democratic governance, well as ensuring the acceptance of election results by all contesting parties.”

The declaration comprises 10 key stipulations to which members hosting elections must comply. Therefore, the guidelines constitute a check-list by which the performance a host government is evaluated and judged in accordance with the reasonable standards of impartiality. Observers are tasked to evaluate the credibility and legitimacy of national election processes. And subsequent reports and pronouncements by the observer missions can either enhance or diminish the integrity of the electoral process. Robust monitoring and reporting that can expose irregularities and fraud can effectively deter rigging of the electoral process while simultaneously promoting public confidence in the electoral process and mitigating the potential for election related conflict.

Observer teams can pronounce on whether the electoral process in the host country met the required regional standards or not. Jorgen Elklit and Palle Svensson acknowledge the general difficulty of providing precise guidelines for assessing elections. This is also somewhat of a challenge in SADC, where the degree of conformity to national laws,

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electoral regulations and the regional guidelines are all considered part of the yardstick used to determine the credibility of the electoral process. In practice, key requirements are that there should be no problems with voter registrations, voters’ rolls and nominations of prospective candidates. Electoral processes should be free from intimidation or violence, be free of any underhand activities such as vote buying, tampering within ballot papers and ballot boxes.

Four regional states held national elections in the inaugural year of the SADC principles and guidelines in 2004. Botswana held national poll in October, followed by Namibia in November and then Mozambique in December 2004. On the 31st of March 2005, Zimbabwe held parliamentary elections followed by Mauritius and Tanzania later in the same year. These were followed by Angola and the DRC in 2006. The early trend since 2004 was that at least one SADC member hosted elections each year. This high frequency of elections presented an early opportunity for SADC to test the efficacy of the guidelines in guiding the region towards a new culture of transparent election processes and peaceful transfers of political power.

It was also a test for assessing the ability of the SADC members to galvanise collective effort, in monitoring each other as part of broader effort to take SADC into a new era of credible elections and peaceful transfers of power. Despite a high frequency of elections in SADC, only a few polls have raised sufficient controversy to actually test the SADC members’ resolve or their ability to make hard decisions. Some of the controversial and contested elections include Mozambique 2004, parliamentary elections in Zimbabwe in 2005, and the amalgamated election of 31st March 2008, the DRC elections in 2006 and Lesotho elections in February 2007.

Evidence from subsequent elections in the region still points to a mixture of outcomes, with a few cases where the process was deemed free and proper and the election results widely accepted, against cases where election results were bitterly contested. Therefore, several years after adoption of the official guidelines and principles, it is apparent that
implementation by member states remains uneven. Francis Makoa observed that, despite committing to the regional guidelines, some of the rulers in Southern Africa retained a strong penchant for hanging onto power indefinitely through the manipulation of their national constitutions and electoral processes.

The official regional election monitoring missions have a limited mandate. Each comprises only a representative technical group, whose primary responsibility is to observe the electoral process and assess its compliance or lack thereof to the regional standard. The reports of these missions are crucial for legitimacy purposes and easy acceptance of election results. As Jorgen Elklit, puts it, the confidence of other political actors in the electoral process is a “condition sine qua non” for acceptance of the outcome and legitimate institutions. Through their reports, observer missions judge whether elections meet regional standards or not. These missions have even more impact if they are known to carry a ‘big stick,’ that is, when it is clear that punishment can be invoked on the basis of their reports. The real threat of exposure and punishment from effective observer missions can restrain national political players by eliminating the payoffs for unfair electoral practices or non-compliance from their strategy sets.

However, what observer missions typically do is to deliver relevant information about the conduct and management of elections and the overall situation in a host country to their political principals or the regional body. It is a prerogative of these leaders or their governments to draw up the political conclusions. It is ultimately the political authorities who make political judgements as well as take responsibility for any consequences on the official pronouncements made about the performance of a host country. Post-electoral decision-making or reactions to the monitoring report imposes strategic challenge on these governments, who’s approach is to separate the mission’s electoral assessment report from analysis of the political consequences implied by that assessment.

Therefore, electoral observer missions in and of themselves cannot guarantee that political authorities or member states will back up their findings of non-compliance with any punitive action. Over and above strategic considerations, any punitive action if agreed upon requires a coordinated group action where governments pool resources in delivering the punishment to the non-compliant partner.

6.5 Second-Order PD challenge and SADC Election Monitoring and Observation
The Case of Zimbabwe 2005 and 2008 Elections

Zimbabwe has endured political violence and economic instability since 1999. The conflict has been linked with the introduction of a new land policy in 1992, the policy through which the Zimbabwe African National Union-Patriotic Front (ZANU-PF) to redress the colonial imbalance in land ownership between whites and blacks sections of the population. Both the scale of land distribution and violence escalated dramatically in the early 2000s following a constitutional amendment that allowed for seize privately owned land by the state without compensation. The amendment came on the heels of popular rejection of a new constitution through a national referendum in February that year. The ‘No’ vote in this referendum was seen by many as an indirect vote against President Mugabe and the Zimbabwe African National Union-Patriotic Front (ZANU-PF) government. These interpretations heightened expectations and a ray of hope for electoral victory to the main opposition party the MDC in the parliamentary elections that were scheduled for June 2000.

When the ZANU-PF government won this election, the opposition MDC cried foul and blamed the violence and electoral rigging by the government. The deaths of few farmers and a number of farm workers galvanised international attention on Zimbabwe. Since this period, political relations inside Zimbabwe have remained tense and the period leading up to the 2002 presidential elections was characterised by allegations and counter allegations of violence and human rights abuses. While events in this era managed to retain the focus
of the international community on Zimbabwe, they also exposed a split in opinion among foreign governments. For example, western powers opted to make public appeals for reforms and threatened punitive action in response to reported acts of human rights abuses. Various African organisations including SADC and other sub-regional governments continued to engage the government through ‘quiet diplomacy.” Under the leadership of South Africa SADC constantly and persuasively pushed for political reforms and urged for respect for human rights in Zimbabwe.

About two months before the March 2002 presidential elections, in a communiqué to SADC, ZANU-PF government pledged full respect for human rights and made a commitment to investigate fully and impartially all cases of alleged political violence through an adequately resourced Electoral Supervisory Commission (ESC). The commitments included timely accreditation of national and international election observers, reaffirmation for international journalists to cover national events of significance including elections.

Many observers were concerned that the pledges to security and peaceful elections by the government came late for necessary reforms to be effected in time for the presidential election. The government also enacted a new law Public Order and Security Act (POSA) that significantly curtailed the freedom of speech and freedom of assembly. The effect of this law was to severely restrict free movement and hinder ability of the opposition to mobilise freely. The legislation also placed some restrictions on the activities of reporters or journalists and imposed even more severe restrictions on foreign journalists who applied to cover the elections.

The election was held on the 9-10 March but polling eventually extended into a third day, the 11th of March. Polling day was preceded by changes in the number of polling stations, the saw a reduction in a number of polling stations in the urban areas while increasing the number in rural areas. While the real contest was primarily between the two main contesters, three other candidates were in the running. These were Wilson Kambula,

359 Prior to amendments before the 2000 legislative elections, the ESC was also responsible for accrediting observers these powers has since been allocated to the government through the Minister of Justice.
Shakespeare Maya and Paul Siwela. Despite the obstacles voters turned out in reasonable numbers, long queues were observed in urban areas that compelled the MDC to ally to the High Court for an extension of polling into a third day.\textsuperscript{360} Otherwise the Election Day was deemed largely peaceful.

As we already indicated the elections in Zimbabwe had attracted considerable international attention drawing many international observers to the country. The observers included the Commonwealth Mission led by General Abubakar of Nigeria, the European Union Mission even though they drew from Zimbabwe on the 18\textsuperscript{th} of February. There were also observers from the OAU and few regional bodies such SADC and SADC-PF. Civil servants forming the bulk of domestic election monitoring.

The reports of these international observers were contradictory. They did not speak with one voice and in some instances they reflected different assessments of the electoral process. Europeans released some of the most condemning reports, for example, the Norwegian observer mission said, “The presidential elections failed to meet key, and broadly accepted criteria for elections.”\textsuperscript{361} This view was however contradicted by reports from many African observer missions, including the AU, Nigeria, Namibia, and South Africa all of which issued generally positive assessments of the electoral process and declared that the elections were peaceful and reflected the will of the people.

While the preliminary reports of the South African mission suggested that all was generally well with the elections, the content of the draft final report revealed that not all members of the South African delegation supported the official conclusion of the mission. The text of the report said that while the election might not have been ‘free and fair’ it was nonetheless legitimate. Sam Motsoenyane, head of South Africa’s observer mission said expressly, that in his view, there was no contradiction in the detail of the mission report. The Commonwealth report said that “the conditions in Zimbabwe did not

\textsuperscript{361} See Kare Vollan’s statement, Head of Norwegian Observer Mission, The Independent, March 12, 2002.
adequately allow for a free expression of will by the electors.” And subsequently, the Commonwealth formally suspended Zimbabwe from the group.

While the reports from various observer groups cast different even contradictory opinions about ‘freeness and fairness’ of Zimbabwe’s 2000 and 2002 elections, these reports seemed to agree that, generally, the electoral environment was characterised by tension and conflict, particularly between the two major parties. Therefore, many reports proceeded to make and submit recommendations encouraging electoral reform and general improvement of the political climate and conditions in the future elections. Observer mission reports play a critical role in supporting governance as they generate political pressure on both government and the opposition to implement commitments for democratic reforms where these were found necessary.

6.6 Testing SADC as an Agent of Restraint

In 2005 Zimbabwe held two major elections March parliamentary elections and November Senate elections. Beside previous electoral controversies in 2000 and 2002, these two episodes were of much higher significance both to the ZANU-PF regime and to the region as a whole. Firstly, elections in 2005 followed unanimous adoption of the SADC declaration by Heads States and Governments in 2004. Secondly, this election followed hotly contested and divisive polls in 2000 and 2002, as a result, they were held under close scrutiny and the leadership of ZANU-PF government had some self-interest to redeem itself and bolster legitimacy of the regime.

The 2005 parliamentary elections were one of the three national polls within a space of few months that followed adoption of the SADC electoral code in Mauritius in 2004. Therefore, this poll can be regarded as a real test case at least at two levels. For the

364 The other two ballots had been Botswana national election in October and Mozambique in November in 2004.
ZANU-PF government, the poll if judged favourably could assist offset controversies that occurred in the previous exercises. This was possibly why there was noticeable interest on the part of the ZANU-PF government to transform and improve the general political environment. The government made some effort toward adopting some of the electoral law reforms mainly to align its domestic electoral law with the newly adopted SADC regional electoral code.

About a month after the inauguration of the new regional code, Zimbabwe instituted steps to reform its electoral legislation in apparent effort to align it with the regional electoral rules and guidelines. Firstly, in September 2004, President Mugabe appointed a four member delimitation commission chaired by a High Court judge, George Chiweshe. With a mandate to redraw and partition the constituency boundaries the Delimitation Commission split Zimbabwe into 120 constituencies. Both the Commission and its mandate were highly criticised mainly by the main opposition party for working in favour of the ruling party.365 Secondly, based on 2.1.7 clause of the SADC’s Principles, which emphasises the ‘independence of the judiciary and impartiality of the electoral institutions’ the government also established Zimbabwe Electoral Commission and formation of an electoral court.

More reforms were implemented that seemed to reflect the new SADC principles and requirements. For example, the opening of state broadcaster media, accreditation of more domestic observers, use of translucent boxes, use of indelible ink and counting of votes at polling stations all seemed to have been calculated to enhance transparency.366 Thirdly, provision of government political party funding, which covered both the governing ZANU-PF and the main opposition MDC further portrayed government’s commitment to comply with the SADC’s democratic principles of inclusiveness and fairness. While implementation of these reforms did not really silence the critics of the ZANU-PF

government, there is evidence suggesting that decent effort was made to address some of the concerns of the 2002 elections.\textsuperscript{367}

It is also apparent that the ZANU-PF government made some real efforts to comply with SADC Principles and guidelines for holding democratic and credible elections in 2005. Unlike in 2002, some observer missions noted, real improvements and peaceful electoral environment in which the March 2005 Parliamentary elections were held. The coalition of Churches noted improved atmosphere that engendered greater freedom at the point of voting than in previous elections. And the coalition went on to register satisfactory progress in the “growth of democracy as witnessed in our country’s March Parliamentary elections.”\textsuperscript{368} However, many observers and the main opposition party lamented the fact that these reforms came too late to make a positive difference just two months before the elections.\textsuperscript{369} However, it cannot be disputed that the reforms nonetheless amounted to a degree of technical compliance with the SADC principles and guidelines.

While Botswana and Mozambique held polls late in 2004, Zimbabwe elections in 2005 attracted far more attention. These elections were seen by some as not only the first hard test of the new regional electoral rules, but also the real acid-test for SADC member governments to perform as a regional monitoring mechanism. Zimbabwe was indeed a test case for the implementation of the regional electoral code.\textsuperscript{370} The poll stood to test both the will of the host government to fulfil its obligations under the agreement, and simultaneously test the resolve and ability of peer governments to observe a fellow member’s performance against clear unambiguous bench marks.

\textsuperscript{367} Opposition parties and other groups called for repeal of certain legislation Public Order Security Act (POSA) and Access Information and Protection Privacy Act (AIPPA); (Zimbabwe Election Support Network: “Statement 2005 Parliamentary Elections,” April 3, 2005), 6-7.


The total of five political parties participated in the elections. These were the Zimbabwean African National Union Patriotic Front (ZANU-PF), Movement for Democratic Change (MDC), Zimbabwe People’s Democratic Party (ZPDP) Zimbabwe African National Union- Ndonga (ZANU-Ndonga) and Zimbabwe Youth Alliance (ZIYA) as well as seventeen independent candidates. This election was seen by many to have been a lot more peaceful throughout all its phases.\(^{371}\) Contrary to the 2000 and 2002 polls, the 2005 election campaigning was relatively free from intimidation, coercion and political violence. Over and above the electoral reforms implemented by the government, the level of political tolerance was enhanced by frequent appeals by the two leading candidates President Robert Mugabe and Morgan Tsvangarai to their supporters to refrain from any acts of violence and intimidation.

As such, only minor incidents of intimidation and violence were reported in the build up to the poll. Many of the reported cases accused traditional authorities (chiefs) and the police of harassing and barring opposition party candidates and supporters from freely campaigning in certain areas and localities. In addition, POSA the remnant of the previous politically volatile period was still in place during the elections. According to POSA any 5 or more people intending to hold a meeting must obtain a written authorisation from police four days in prior to the intended meeting.\(^{372}\) As such, POSA extremely curtailed the freedom association hence the ability of the opposition parties and independent candidates from freely holding meetings and rallies without prior police clearance.

An effective election campaign requires sufficient financial resources, which more often than not political actors in developing countries do not have. Political parties Finance Act in Zimbabwe stipulates that parties with at least 5% of the national vote from the previous election automatically qualify for state funding. Against this benchmark, only ZANU-PF and the rival MDC qualified and obtained funding in 2005 election. The two parties

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\(^{372}\) See Zimbabwe Public and Order Security Act; Chapter 11: 17 of January 22, 2002.
received Z$3.5 and Z$3 billion (Zimbabwean) dollars respectively. Many smaller parties and independent candidates remained financially harm-strung as they were denied access to state funding for campaigning. This led to protests and criticism that unfair legislation froze them out of the election by denying them access to state resources therefore leaving an uneven playing field. In terms of access to the media and the overall coverage of the campaign phase, contrary to 2002 elections public media devoted a great deal of time to opposition despite views from the opposition that media access was still heavily skewed in favour of the ruling party.

This poll gave ZANU-PF a two thirds parliamentary majority winning 78 of the 120 seats. The main opposition party the MDC did not fair very well, it achieved about 41 seats which was actually a decline from the 52 that it won in the previous election in 2000. The remaining seat was won by an independent, Jonathan Moyo. Therefore the official outcome not only gave the ruling party ZANU-PF the two thirds parliamentary majority, but it was also significant in the sense that the MDC the main opposition party had actually lost 16 seats gained in the previous poll in 2000. The allegations of stolen election quickly surfaced, aggrieved parties appealed to the international community - SADC in particular-for intervention or investigation in establishing the legitimacy of the election outcome.

Allegations of misconduct and disputes covered the entire electoral process from the delimitation of constituencies, to prevailing political environment, vote rigging, intimidation, inappropriate constitutional and media environment. The hotly contested results called for various domestic and external interventions or comments. But most importantly, this election drew significant attention to the regional body SADC and its role as an election observer and a regional authority in the wake of adopting its declaration on Principles, Management and Observation of Democratic Elections a year earlier in 2004.

373 These groups included DP, ZAPU, NAGG, and Multi-racial Christian Democrats totally failed to register decrying lack of funding as the main reason.
Post electoral reports from various observer teams were contradictory and contentious. The quality and credibility of the poll was judged differently by various observer teams, and their observations and recommendations differed significantly. Some observers labelled the poll a farce while others judged the poll fair and credible.\textsuperscript{374} The main opposition rejected the SEOM report which pronounced the election fair and legitimate and vigorously challenged the official election results. In some instances even individual observer teams were divided, coming to contradictory judgements on how the host government had performed. These contradictions that emerge in various reports from different, in some cases even same observer missions raise vexing issues around election monitoring, particularly by peer governments.

6.7 The SEOMs Country Reports and the Logic of Collective Decisions-Making

While the poll provoked massive international and local interest and reactions that led to a number of observer missions from and outside the region, as many anticipated, the election proved more of a test case for SADC than the previous ones. The new SADC electoral guidelines for the first time provided a solid framework against which the impartiality and the credibility of the election process could be measured. The guidelines came to play a critical role as a key peer review instrument which provided for national election observation to be carried out by SADC Election Observation Mission.

In this document, the provision of the responsibilities for electoral observers and their code of conduct are reflected together with the details of the responsibilities of a member states hosting external observer missions. The assessment made by the official SADC observer mission is therefore, based on mutually agreed principles and is the most important and critical evaluation of any regional poll in SADC. Therefore, among all electoral observers and commentators, the role of the official SEOM and those of

\textsuperscript{374} The SADC ECF and the AU observer missions expressed that the elections reflected the will of the people. SADC observer mission described the election as peaceful and well managed.
individual country missions from within the region are the ones I consider for analysis in this chapter.

According to the SADC declaration on democratic elections, invitations to the observer missions are supposed to be extended at least 90 days prior to the polling day to allow an adequate preparation for the deployment of the observer team. Despite this provision, SADC received a formal invitation from Zimbabwean government in February 2005 to monitor the parliamentary elections that were due on the 31st March that year. The SEOM was officially launched on the 15th of March with the arrival of the Secretary General of SADC and the rest of the team was on the ground by the 2 April. The SEOM was headed by the then South African Minister of Minerals and Energy Affairs, Phumzile Mlambo Ngcuka, and it comprised of 55 observers from eleven member states. The mission was backed almost entirely by the South African Secretariat.375

The observer mission was effectively on the ground for about three weeks instead of the 90 days stipulated by the SADC guidelines. Prior to the official launch of the observer mission, SADC governments individually made use of their diplomatic missions to Zimbabwe as pre-election observers. A number of other regional observer missions were also on the ground, South African observer mission, the African Union (AU) mission, Botswana national observer mission, Malawi electoral observer mission, The Regional Based Joint faith Initiative and the Christian Councils of Southern Africa.376

The 55 member SEOM in its official report espoused the overall view that the election was conducted in an open, transparent and professional manner. The mission therefore, found that the poll was legitimate and in compliance with the regional code rules and standards. While the official SEOM report and statements by some officials seem to purport a united position, closer examination reveals fierce disagreements and divisions

375 These member states were Angola, Botswana, Democratic Republic of Congo, Lesotho, Namibia, Mozambique, Malawi, Tanzania, South Africa, Swaziland and Zambia.
376 Reports of various observer groups reflected the diversity of interests in Zimbabwe and did not speak with one voice. According to EISA: there were different assessments of the electoral process reflected diversity of interests in Zimbabwe. For more discussion; See EISA, “Zimbabwe Elections update 2005,” 3, April 25, 2005.

208
among the delegates. The SEOM was split, the former leader of the Democratic Alliance (DA) party in South Africa, Tony Leon, argued that according to DA component of the SEOM, members were themselves subjected to extreme pressure and threats by the mission leadership. Leon further alleged that, the DA representative protested that, the ANC commandeered the SEOM and sidelined other governments and parties. The DA also took issue with the fact that, by SADC rules, the SEOM should have been led by Mauritius as the sitting Chair of the regional body.

On the 12 of April the main opposition party MDC released a post election report allegedly detailing evidence of electoral fraud in at least 31 constituencies. The reported cited among other electoral misdeeds, allegations of ballot stuffing sufficient to change election outcomes in about 20 constituencies. The then SADC chief mediator in Zimbabwe, President Thabo Mbeki also corroborated this report by acknowledging that the discrepancies cited indeed needed to be considered. However, these discrepancies even though acknowledged, they were not deemed sufficient by SADC to invalidate the electoral outcome. Therefore, the official position that “the elections were conducted in an open, transparent and professional manner” held fast and the SEOM continued to conclude that, the “poll was peaceful, credible and well managed and transparent.” The official report by SADC highlighted and acknowledged the some of the electoral reforms that were implemented prior to the poll as positive and progressive landmarks towards the ideal of a multiparty society.

Zimbabwe’s political and electoral problems in 2005, more than any other poll before it called attention to SADC election monitoring and its interventions as a regional body. Adoption of the regional guidelines in 2004 meant that SADC member governments hosting elections were under some pressure to prove their commitment to the rules. Similarly, SADC also had a responsibility to exercise authority or have the last word over

377 Tony Leon argues here that ANC leaders threatened to abandon DA representatives to the Zimbabwean security forces.
the quality of the process. The 2005 parliamentary elections while relatively peaceful were divisive and their outcomes were contested by the main opposition party in Zimbabwe. The election left deep divisions among different election observer missions particularly between Western and African missions, but also split opinions among members or delegates of the SEOM reducing the credibility of the official SADC report.

The lack of unanimity reflected within the members of the SEOM, was also apparent among member states and political leaders. Shortly after this poll, the then President of Zambia, Levy Mwanawasa, publicly referred to Zimbabwe as a ‘sinking titanic,’ and his subsequent effort to try and table “Unacceptable Zimbabwean Crisis” on the SADC agenda eventually led to a diplomatic confrontation with President Mugabe. This attempt by President Mwanawasa, who was Chair of SADC by then, precipitated President Mugabe’s premature departure from the SADC Summit of Heads of State and Government held in Lusaka, Zambia on the 17th August 2007.

Zimbabwe again hosted harmonised election on 29 March, 2008. As per regional guidelines, Zimbabwe invited SADC observer mission and 46 other teams including the regional groupings like the African Union (AU) as well as teams from the individual countries including the Peoples Republic of China (PRC), Russia and Iran. According to Angolan Foreign Minister, Joao de Miranda, SADC deployed a contingent of about 120 personnel to observe and monitor the election.

On the first round of the multilayered poll on the 29 March, the ruling ZANU-PF party lost control of parliament for the first time since independence in 1980. In the critical presidential election, the opposition candidate Morgan Tsvangirai won 47.9 percent of the vote against President Mugabe’s 43.2 percent. Tsvangirai however failed to attain a 50 plus percent of the vote that is required for an outright win and declaration of victory. This stalemate set the stage for a presidential run-off that was scheduled for 27 of June

http://news24.com
382 See news24, “SADC Confident of Zim(babwe) polls” April 8
http://www.news24.com

210
2008. While the other parts of the multilayered elections, such as the parliamentary elections, the senatorial and local council elections did not raise many questions, the presidential leg of the poll, particularly the run-off was very controversial. Many commentators and observers including the opposition parties decried the fact that the run-off was only to follow three months after the poll. The steady rise in the levels of political violence in the interim led to a lot of criticism of the ruling party’s choice of date for the run-off, and Tsvangarai the other presidential candidate eventually pulled out of the race, blaming the worsening political atmosphere that was not conducive to free and fair elections.

The ZANU-PF government once again came under strong criticisms from a number of foreign observers and governments including the British and the American governments. These elections broad up even more sharply, some of the intra-SADC differences that had been bubbling beneath the surface since the 2005 elections. The differences between SADC member governments’ approach to the ZANU-PF regime’s handling of elections in the past had always been a carefully managed issue usually confined to the SADC Summit. The March 29, harmonised election in 2008 highlighted fissures among SADC leaders. The open disagreements and discords were unprecedented for regional leaders renowned for their strong ties forged by history of liberation struggles. The differences became apparent a few months prior to the 2008 elections in Zimbabwe, when some of the SADC political leaders openly identified President Mugabe’s presidency as a liability to the region.

While SADC continued to lead peaceful negotiations through the key mediator Thabo Mbeki, the regional body also engaged in internal debates and discussions on the way forward. On the 13 April, 2008, SADC convened the first extraordinary Summit of Heads of State and Government or their representatives in Lusaka Zambia. The sole agenda of

This meeting was to discuss the “political developments in Zimbabwe following the recent presidential, senatorial, national assembly and local authorities elections held on 29 March 2008.” This was a noteworthy meeting in SADC. It was convened specifically to discuss the post electoral situation in Zimbabwe and in a clear break with the past practice and tradition in SADC, the other two Presidential candidates who were not sitting heads of state Morgan Tsvangarai and Simba Makoni were also officially invited to this meeting.

The Summit was briefed by President Dos Santos of Angola, then Chairperson of the Organ on Politics, Defence and Security Co-operation. He tabled the report of the SEOM deployed in Zimbabwe during the election which indicated that the electoral process was acceptable to all parties, even though the results of the presidential election were yet to be announced. According to the communiqué following the Summit, Makoni and Tsvangarai did not have a problem with the election results of the Senatorial, Parliamentary and Local Authority elections, but they expressed concerns on the delay in announcing the results by the officials, as well as lack of their participation in the verification process.

However, the criticism of the ZANU-PF government and the administration of President Mugabe began to grow stronger within SADC as well as among other regional governments. For example, addressing the African Union (AU) Summit on Zimbabwean election, the Vice President of Botswana, Mompati Merafhe was remarkably blunt and he openly declared that;

Botswana’s position is that the outcome of these elections [harmonised elections] does not confer legitimacy on the government of Robert Mugabe, in our considered view it therefore follows that the representatives of the current

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government in Zimbabwe should be excluded from attending SADC and AU meetings.\textsuperscript{387}

Botswana’s vice president also indicated that it was also his country’s strong view that the mediation process must treat both parties as equals.\textsuperscript{388} I find Merafhe’s veiled criticism of the SADC mediation process telling and symbolic of the on-going differences among SADC member states. However, his proposal to expel Zimbabwe from the regional bodies still failed to garner support at both the AU and SADC levels and neither of the two bodies declared any sanctions against President Mugabe’s government. Instead, the Summit finally adopted a resolution to continue to back the SADC mediation efforts led by President, Thabo Mbeki to encourage both Mugabe and Tsvangirai to initiate dialogue and work towards finding peace and stability in Zimbabwe.\textsuperscript{389} Mbeki’s efforts eventually led paid-off, resulting in the founding of a bipartisan government under the Global Partnership Agreement (GPA) that was signed on the 15\textsuperscript{th} of September 2008.

While the GPA did bring peace and stability to Zimbabwe, it did not directly address the allegations of vote rigging and electoral fraud that were levelled against the ZANU-PF government. This creates an impression that SADC was much more preoccupied with the quest for peace and stability in Zimbabwe and less with the practices of electoral justice and fairness. In the context of SADC role as a compliant mechanism, the GPA while a diplomatic achievement can effectively be perceived as opening a door for impunity considering that the concerns and accusations about the conduct of electoral process were sidelined in order to broker a political agreement. Relations between Botswana and Zimbabwe governments were still not recovered a year following the elections, in March 2009, President Khama of Botswana was again accusing his counterpart President Robert Mugabe of ignoring the SADC sponsored power-sharing deal.\textsuperscript{390}

\textsuperscript{387} Merafhe was quoted in IRIN, “Reports of Zambian President’s Death Disputed,” 1. Accessed January 2, 2010. \texttt{http://www.irinnews.org}

\textsuperscript{388} IRIN, “Reports of Zambian President’s Death Disputed,” 1.

\textsuperscript{389} IRIN, “Reports of Zambian President’s Death Disputed,” 2.

6.8 SADC Intervention in Lesotho’s Post Electoral Dispute: The Case of Parliamentary Elections of February 2007

While Zimbabwe is generally perceived as a major problem in SADC and one that frequently requires SADC post electoral interventions and mediation, it has not been the only case to require SADC attention since the adoption of the electoral guidelines in 2004. On at least two occasions, in 1998 and 2007, SADC undertook post election interventions and mediation to restore peace and stability in Lesotho. Madagascar is another one of the recent cases that required SADC intervention to restore a constitutional order. Lesotho has been one of the more interesting and enduring cases in southern Africa, engaging SADC on various occasions starting as far back as the mediation efforts that ended up with a military intervention in 1998.

The crisis was partly caused by an overwhelming victory by the ruling party Lesotho Congress for Democracy (LCD) party in 1998 parliamentary elections was followed by allegations of electoral malpractices that gave rise to massive protests in Maseru. The ruling (LCD) party claimed to have won 79 of the 80 parliamentary seats. The opposition parties cried foul and called for annulment of election results and dissolution of the government to be replaced by the government of national unity. These calls culminated into crippling strikes and demonstrations that completely stalled the functioning of the government.

At the request of the embattled LCD government, South Africa and later Botswana sent troops into Lesotho on the 22 September 1998. These forces were under the SADC flag and were tasked with restoring stability to make way for national dialogue and negotiations to resolve the stalemate. And subsequent negotiations between the governing party and the opposition resulted in the formation of an Independent Political Authority (IPA), in which various political parties undertook negotiations with a “view to review

http://www.iec.org.ls
Lesotho’s electoral system to making it more democratic and representative. The IPA process eventually led to adoption of the fourth Amendment of the Constitution Act of 2001, to accommodate compromises or reforms of the electoral system.

The date for the next election was set for the 25 of May 2002. Again the ruling party won comfortably, but under the new Mixed Member Proportional (MMP) electoral model, where out of the 120 seats in parliament, 80 were filled through First-Past-The-Post, method, while the remaining 40 seats were distributed proportionally among best losers in the constituencies. The ruling party, won 77 of the contested seats, the Lesotho People’s Congress won 1 and the other two seats remained vacant. The 40 MMP seats were taken by the main opposition parties. The overall impression was that the election was transparent, and many observers deemed it democratically fair and credible.

The February 2007 parliamentary election raised some challenges and the judgements of fairness were not as straightforward as had been in 2002 election. This election was the seventh in the region since adoption of the SADC Principles and Guidelines governing Democratic Elections in 2004. It was a snap election, held almost six months ahead of schedule, in which the ruling LCD party came out a distant winner taking 61 of 80 constituencies. The new comer the All Basotho Convention (ABC) came out second with 17 constituencies and ACP winning 1 constituency. Despite the poll being declared credible by majority of election observers, election outcomes were challenged by the opposition parties led by the leader of the All Basotho Convention (ABC), Mr. Tom Motsoahae Thabane, who declared the election “free but not fair.”

One of the main grievances of the opposition parties about the poll was the slow counting and dissemination of official election results. The results were announced by the Independent Electoral Commission (IEC) on the 20th of February, three days after the poll

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393 Prior to 2007, the new instrument had been tested in The DRC, Madagascar, Mauritius, Tanzania, Zambia and Zimbabwe.
and the delays such as these fed into suspicions of vote manipulations. The second grievance and one that necessitated the intervention of SADC was around the allocation of parliamentary seats and the application of the MMP model. The manner in which the MMP was being implemented raised both political and legal questions and challenges. The core of the controversy was centred on the ruling party’s controversial alliance, with the National Independent Party (NIP). The arrangement ensured that the two parties LCD and NIP could rule as a coalition but opposition parties perceived this arrangement as opportunistic, improper and not in line with the electoral law. The alliance practically gave the LCD 82 percent of the 120 seats in Parliament. The political disputes around the constitutionality and legitimacy of the LCD/NIP coalition threatened to paralyse the functioning of the National Assembly itself.

Subsequent refusal by the Speaker of the National Assembly to recognise the dominant opposition party as official opposition in Parliament further aggravated the dispute, leading to further deterioration of the situation. An alliance of aggrieved parties involving the main opposition party, The ABC, Marema-Tlou Freedom Party (MFP), and other smaller parties threatened to start rolling mass protests, which included the general strikes, and work boycotts if the problem was not resolved. At this stage, Lesotho was caught-up in a constitutional crisis. And the opposition parties found themselves facing a ruling party that simply was reluctant to negotiate on one hand and the sluggish court processes on the other. So they made repeated calls and appeals to SADC for intervention.

SADC eventually, launched an intervention after the visit of the SADC Troika to Lesotho in April 2007, about two months after the election. The report of the SADC Ministerial Troika of the Organ on Politics, Defence and Security Co-operation, released on 11 of June 2007, called for Government of Lesotho to initiate a formal political dialogue facilitated by SADC under the guidance of an Eminent Person. Two days later, on the 13, June 2007, the Eminent Person Group (EPG) led by the former President of Botswana President Ketumile Masire was sent to mediate and find a peaceful solution to the political enduring political stalemate.
One must note that, because Lesotho’s 2007 crisis emerged a few months after polling and many months after the SEOM disseminated its report and disbanded, the EPG was constituted a SADC presence during the crisis in Lesotho, an equivalent of SEOM during the polling period. Just as the SEOM would table a report to the SADC Summit for activation, so was Masire’s task as well. His brief as a SADC representative exceeded just being a mediator but he was tasked to report to relevant SADC structures for final decisions.

Masire presented his preliminary report to the Extra-Ordinary Summit of the Organ Troika held in 20 October 2008. Masire initially noted a sense of commitment among political stakeholders in Lesotho and also indicated that experts had been invited to facilitate the mediation efforts by elucidating the Mixed Member Proportional (MMP) model that Lesotho adopted post 1998 crisis. The advisory panel of experts arrived in Lesotho on the 25 of November, but for three days, the planned seminar could not take place, each time the government side failed to attend. It soon became clear that the government’s foot-dragging was going to be a feature of the negotiation process. The final report of the EPG presented to SADC later in 2009, Masire clearly identified the ruling LCD party as a stumbling block to the solution of the dispute in Lesotho.

Firstly, the report notes the intransigence of the ruling party and its hostility to the mediation process. It indicated that the ruling LCD party made it clear that it would no longer accept any form of advice from the panel of experts and that it was keen on maintaining the status quo. Secondly, Masire expressed shock that the case filed by the opposition with the highest Court in Lesotho, was dismissed and the Lesotho High Court ruled that the opposition had no right to challenge the electoral outcome, and the Highest Court in the land also declared that it had no jurisdiction over such matters. At the press conference held in Gaborone in July 2009, Masire directly blamed the government side, asking “How can the highest court in the land say it does not have jurisdiction over any matter of national concern?” Masire also indicated that subsequent to this case, the LCD

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government informed him as a mediator and a SADC envoy, that they [the ruling party] were no longer interested in his mediation and that he could go home. Sir Ketumile Masire submitted a report to the SADC Summit held in the Democratic Republic of Congo in September 2009. At this point, Masire indicated that it was now up to SADC to proceed with the matter.

SADC responded by again dispatching a high powered SADC Troika of Foreign ministers, comprising of Oldemiro Baloi of Mozambique, Kabinga Pande of Zambia, and Lutfo Dlamini of Swaziland accompanied by the SADC Secretary General Tomaz Salomao to Lesotho. The mission arrived in Lesotho on Sunday 24 October 2009, hoping to convene yet another stakeholders meeting and carry the process forward. However, the process stalled as the opposition coalition laid down a few conditions; Firstly, the opposition insisted that SADC must first table Masire’s official report and deliberate on it. In other words, they tried to nudge SADC to take action on the basis of the report of its own envoy.

Secondly, the opposition also threatened to stop cooperating with SADC “if the regional body continues[ed] to favour government and behaving like Lesotho is not a major issue.” According to Majara Molapo, of the Lesotho Opposition Parties’ Forum, parties informed the SADC Troika that, they were not happy with the way SADC had been handling the matter. A member of the coalition of opposition parties, Mafa Sejanamane is reported to have told the SADC delegation that, “SADC had become a club of leaders working together to oppress their people.” It was on this note that the SADC mediation and intervention efforts in Lesotho came to an abrupt end in 2009.

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398 Masire was quoted in the Online edition of Sunday Standard, under the headline “Masire Pessimistic about mediation in Lesotho quagmire,” in http://www.sundaystandard.info/print_article.php?NewsID=5410
400 Majara Molapo was a spokesperson for Opposition Parties’ Forum and he was quoted in Lesotho Today, January 7, 2011.
401 Mafa Sejanamane is a Publicity Secretary of the All Basotho Convention Party; he was quoted in Moeletsi oa Basotho, January 27, 2009.
SADC principles were accepted by the region as a starting point aimed at enhancing the credibility of the electoral process in the region. The intentions and motivations of SADC to promulgate normative instruments including the guidelines and regional commitments and responsibilities allocated to member states are clear. SADC Declaration on Principles and Guidelines Governing Democratic Elections is one such pivotal regional instrument that is meant to propagate common democratic values and facilitate peace and stability in the region. This chapter focused on assessing SADC’s ability to work collectively in ensuring that member states comply with the agreed regional electoral code and standards. Through monitoring and observation missions SADC sought to police implementation of the agreed norms and ensure that non-compliant behaviour by political parties does not go undetected.

Based on the reports of SEOMs SADC may refer to the SADC Summit any member or party deemed to have failed to comply with the regional electoral stipulations. The Summit should then take appropriate action that may include the imposition of sanctions against the party that has failed to fulfil its obligations under the SADC electoral guidelines. Practically, this kind of action can only spring from SEOM’s reports or equivalent bodies like the EPG and possible penalties would include imposition of sanctions to expulsion from the regional grouping.

Key to the success of SADC depends on the ability of the regional member governments to act in concert and in enforcing compliance with the regional instrument. Earlier in this chapter, I argued that any group of independent governments trying to punish occurrences of non-compliance will face a collective action problem that may hinder cooperation among themselves undermining their good intentions. This is particularly difficult in this case as member governments delivering punitive action cannot develop regional consensus and political will from all regional governments concerned. While Zimbabwean cases highlight how the lack of consensus among observer governments can inhibit consensus and stall cooperation going forward, Lesotho’s case illustrates that the groups reluctance incur costs for enforcement can result in indecisiveness and group inertia.
And the fact that Mauritian declaration does not state explicitly, what punitive measures are to be impose in case of non-compliance, implies that ultimately, decisions that may be taken by the SADC are essentially political decisions as opposed to technical ones. Therefore, while it may not matter, when dealing with non-controversial elections, a decision to declare any poll non-compliant is to veer into a grey area given the lack agreed rules that stipulate the collective course of action in dealing with non-compliance. Strategic considerations by individual members complicate decision-making processes and make it extremely difficult for regional leaders to agree on the content of official reports or as the case of Lesotho illustrates, regional authorities may fail to respond meaningfully to reports of their own envoys resolving post electoral conflicts.

Despite various negative assessments by various local and foreign commentators, and a clear split within the SEOM in the Zimbabwe’s 2008 presidential election, the official SADC observer mission report was generally positive. Presenting the report of the SEOM to the Extra-Ordinary Heads of State and Government meeting held in Lusaka in April 2008, then Chair of the Organ on Politics, Defense and Security Cooperation indicated that “the electoral process was acceptable to all parties.” At this point in time, the results of the poll were not yet announced and divisions among SADC member states were already visible. So much that President Mugabe did not even attend the SADC Summit on Zimbabwe, held in Zambia under the Chairman of the then SADC Organ, President Levy Mwanawasa. Mugabe’s boycott of the summit was interpreted by many as a form of protest because SADC had invited opposition parties to the Summit, normally a preserve of the heads of state and Government only.

It was the results of the Presidential run-off election that brought to the surface the simmering tensions within SADC. Subsequent to the Presidential run-off, the Angolan Foreign Minister, Joao Bernardo de Miranda, admitted that, the unity and cohesion of SADC was being “fragilised and threatened” by the ongoing electoral and impasse in

\[402\] See The SADC Heads of State and Government Communiqué on the Summit Meeting held in Lusaka Zambia, April 2008.
\[403\] President Mugabe’s action though might be understood as a form of protest because SADC had invited Opposition Leaders, to the SADC Summit normally for Heads of State and Governments only.
Zimbabwe. Therefore, driven by various considerations other than the regional electoral code, SADC leaders failed to show a united front and to stand on principle dealing with the ZANU-PF government. With the exception of Botswana, that threatened to boycott the 28th Ordinary Summit of SADC in South Africa if Mugabe attended, the majority of the leaders preferred to bend the rules and adopted what was viewed as a weak decision motivated by political expediency and based on consensus. This opens room for strategic factors including the national self-interest considerations to can it difficult even for democratic governments to censure and enforce compliance on those that are blatantly not.

Botswana also broke ranks with its neighbours stating that it did not recognise Robert Mugabe as a president of Zimbabwe. I argue that, Botswana’s position must also be understood in the context of its own strategic interests. Continuous political instability and violence in Zimbabwe since 2000 imposed an extremely heavy toll on the government and the people of Botswana. For example in 2008, Botswana was home to more than a thousand Zimbabwean refugees, with the cost of about P1.2 million per month equivalent of US $150,000. Indeed, Botswana’s Vice President Mompati Merafhe, put it more succinctly, saying that the stand-off in Zimbabwe was having a negative local impact and progress in resolving the impasse in Zimbabwe was in Botswana’s own self-interest. Government statistics also indicate that from 2005 to 2008, Botswana government repatriated over 175,000 illegal migrants from Zimbabwe, again spending further P62 million over that period to provide shelter and feed Zimbabwean refugee in Botswana.

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404 Joao de Miranda was addressing the Meeting of SADC Ministers of the Organ on Politics Defense and Security held in Durban South Africa, July 2008.
408 Relief Web, “Botswana using P 1.2m on Zimbabwe refugees monthly.” 1.
While Botswana openly put pressure on the ZANU-PF government and differed with the rest of the leaders in SADC, it is clear other states were influenced by different considerations. Zambia for example, while initially openly criticised Zimbabwean government, it later became joined ranks with the other governments stopped openly criticising the ZANU-PF government. South Africa, Angola and some other members also equally concerned about a possible split and the dissolution of SADC itself as a consequence of imposing punishment on ZANU-PF government. In his address to SADC Ministers in Durban Miranda said, “It is our duty to defend and fight for unity of our organisation.”

Throughout this saga, Swaziland remained non-committal, maybe due to the fear that its own democratic deficiencies might become exposed. While reports of the SADC Observer Missions to Zimbabwe have often been criticized for being extremely lenient, even ambiguous, the 2008 run-off the SEOM report was categorically clear. It stated that,

The process leading up to the presidential run-off elections which was held on the 27 June 2008, did not conform to the SADC Principles and Guidelines Governing Democratic Elections. However, the day of the election was generally peaceful. Based on the above mentioned observations, the mission is of the view that the prevailing environment impinged on the credibility of the electoral process. The election did not represent the will of the people of Zimbabwe.

However, the report did little to heal the rift between SADC member governments. And without real consensus, no punitive action on the ZANU-PF government was possible or was even contemplated. Rather, SADC leaders continued with their mediation efforts in search of compromise between the aggrieved opposition and governing ZANU-PF party leading to the signing of the Global Partnership Agreement in between the governing party, and the two MDCs on September 15 2008. While the agreement formed the Government of National Unity in Zimbabwe, SADC remained a guarantor for

implementation of a number of electoral reform provisions and therefore remains responsible for resolving the potentially unstable situation in Zimbabwe.

Similarly in Lesotho, following submission of the damning report on the post electoral mediation by the leader of the EPG, Ketumile Masire in 2009, some including the opposition parties in that country, expected SADC to react with punitive measures to the LCD government’s conduct and its unceremonious dismissal of the SADC appointed regional mediators in 2008. Instead, official report that Masire submitted to SADC has not been made public by the organisation. And again SADC leaders opted to continue with negotiations and encourage electoral reforms, rather than to address the disputes arising from February 2007 elections, rather than acting on the findings of their own envoy and mediator.

In the final analysis, SADC intervention has neither resolved the long standing political or constitutional crisis at the heart of the Lesotho’s 2007 elections, nor addressed specific concerns tabled by the opposition parties. This is a course for concern for many, as Lesotho is preparing for another round of parliamentary elections in 2012. There is a real possibility that unresolved issues from 2007 poll could again taint the upcoming elections or yet again create instability as a result of issues around the MMP electoral model. Another possibility is after ineffective indecisive interventions in 2007, SADC may lose credibility to act as a go between in future conflicts in Lesotho.

The logic of my analytical model links failure by a collective of self-interested governments to act cooperatively to lack of cohesion in strategic interests. While abusive behaviour or non-compliance produces private rewards to individual government’s non-compliance to common rules imposes costs through externality on the group. Mere awareness by individual members that restraint or compliance may in fact benefit all in the long term, it is not sufficient to induce self-restraint and ensure positive action by individual governments. Evidence from the case study of Zimbabwe, suggests that it is possible to account for a share of variations in the electoral reports and positions adopted

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411 Masire has publicly blamed the Government of Lesotho for non-compliance and refusal to cooperate.
by different governments. This case study highlights divisions in official reporting and subsequent pronouncements between and within different bodies. To some extent, these splits can be interpreted as being about the differences between those governments and bodies who have little or nothing to lose from their relations with the ZANU-PF government.

Evidence in this chapter suggests that the extra-regional actors, non-governmental organisations, think-tanks and parliamentary delegations observing elections in Zimbabwe have been able to sustain some cohesion and thus able to act with relative ease in comparison to official government observer missions. Their reports easily pass negative pronouncements where official government delegations and mission generally struggled to maintain cohesion and find consensus on their reports. The interpretation is that because these extra-governmental institutions are much more removed from foreign-policy making, they are less concerned with the broader consequences of their pronouncements than the regional political authorities do. The SEOMs and their political principles were also affected to some extent by some measure of discord, which complicates decision-making on official reports of SEOMs or those emanating from other post-electoral mediation efforts. For example, the heads of states and governments making up the SADC Summit and different national leaders have to consider broader consequences of their actions in foreign policy terms.
6.9 Conclusion

The Grand Baie consensus was essentially a political agreement between SADC governments to engage each other in a collaborative effort to rid the sub-region of political instability in general and post-electoral violence in particular. SADC declaration comprises a generally acceptable set of values and strives to bolster legitimacy and acceptability of the electoral outcomes by ensuring integrity and inclusiveness of the electoral process. SADC Principles and Guidelines were deemed by many in the region to have a critical role to play as a peer review instrument for promoting fair and legitimate elections. However, effectiveness of these countries depends on regional governments’ ability to monitor and observe each others’ conduct of national polls.

Even more importantly, effectiveness of the electoral guidelines will depend on the ability of these governments to hold each other accountable and where necessary to enforce compliance to the regional electoral stipulations. The fact that the SADC declaration is a political agreement with no legal force and no provisions for enforcement in the event of non-compliance means that signatories to the agreement have to device mechanisms to police and discipline each other.

As such the widespread lack of decisive action and unified responses to electoral controversies in the region were bound to be fiercely criticised. In SADC critics have argued that, rather than presenting an opportunity for a unified regional stance on electoral norms and democratic practice, SADC Principles appear instead to be an attempt to win cheap international credibility by looking tough on demanding democratic polls, without really having to do the tough work of ensuring that elections are truly democratic.412

This chapter has however argued that failures or shortfalls to enforce common norms by a group of independent governments were to be expected. The poor performance by SADC

governments in resolving controversial regional electoral disputes illustrates very real
effects of strategic interests on cooperation. The effectiveness of SADC to act as an
‘agent of restraint’ is hamstrung by a number of various interests of individual member
states or interests of individual political leaders or ruling parties comprising SADC. The
case study of Zimbabwe indicates that SADC member governments’ struggle to
formulate unified positions cripples their collective ability to safe-guard compliance and
safe-guard the integrity of the regional electoral processes. Botswana’s position on
Zimbabwean polls in 2008 must be understood in within the context of strategic interests.

Apart from being hailed as a model of democracy, the Zimbabwean refugee problem was
costing Botswana hundreds of thousands of dollars each month. This may also explain
the lack of consistency by Botswana, which took a strong stance and used strong
language against Zimbabwe, but failed to do the same in other regional cases including
Lesotho. Another point is that, unlike South Africa, which is equally burdened by
Zimbabwean refugee problem, Khama’s government in Botswana, does not carry any
hegemonic responsibilities in the region and it is therefore less likely to tolerate the cost
imposed on it as a result of political instability and violence in Zimbabwe.

In the case of Lesotho’ 2007 election disputes, the SADC envoy former President Masire,
clearly implicated the governing party for intransigence and collapse of the SADC
mediation process. SADC failure to act against the ruling party and protect the integrity
of the mediation process seems to confirm common accusations that, SADC members are
sometimes just reluctant to act against one of their own. One can argue that cooperation is
affected by both the prospect of costs involved in delivering punishment and also by
other considerations including sub-national factors where ruling parties may just not have
any interest to act against one another. Narrower considerations of this kind, (national and
sub-national interests) present a challenge for achieving the necessary intra-organisational
consensus among various governments and leaders commanding different levels of
legitimacy. SADC’s ability to work together in advancing democratic change through fair
and just democratic elections is always going to face collective action challenges
informed by strategic positions or concerns of its members. Deterring free riders is
always difficult, and “retaliation is rarely either swift or certain.”\textsuperscript{413} Behaviour of SADC can in fact be understood in the context of the difficulties involved in organising the international effort to deliver punishment.

CHAPTER SEVEN

CONCLUSION

7.1 The Modest Record of Regional Cooperation

Despite many decades of experimentation with regional cooperation and integration on the African continent, national economies in various sub-regions remain largely disjointed and without real coordination. Past and present regional and sub-regional cooperation initiatives, some of which were conceived with great optimism and ambitions have largely failed to bring about meaningful change towards closer ties and integration. As we earlier noted, conventional approaches to the study of African cooperation often raise descriptive rather than explanatory arguments about failure of international cooperation in Africa. The common tendency in the literature is to attribute poor cooperation to political authorities on the continent who are generally perceived to a penchant to sign cooperation agreements which they simply do not implement. By attributing relatively heavy weight to political will or lack thereof of political authorities, means that these studies cannot explain incidences of isolated African regional success stories and some islands of good performance in various cooperation initiatives as well as across various sub-regions. This is a puzzle that this thesis set out to investigate and to explain.

The poor quality of cooperation on the African continent is striking, given the long history of successive efforts by African political authorities to collaborate in combating similar challenges in their developmental paths. Against this backdrop of generally poor performance by African regional arrangements, the literature paints a gloomy picture of cooperation in Africa. However, a closer examination of African cooperation initiatives suggests that cooperation outcomes in Africa are in fact mixed. Observed variations in the outcomes of different cooperation initiatives provoke questions about impediments and facilitators of international cooperation. Firstly, why have so many cooperation
attempts on the African continent failed, despite enduring verbal support from African authorities?

Secondly, what explains the ‘pockets’ of successful outcomes within and across individual African sub-regions? The enthusiasm and optimism by which past and present African leaders have endorsed and initiated some of the sub-regional cooperation initiatives, seen against paltry and disappointing achievements of some of these initiatives was a puzzle that I set out to examine. The variations in performance by various regional arrangements, particularly variations between individual initiatives within sub-regions seems to suggest that under certain conditions, willing political leaders may fail to collaborate despite the possibility of mutual gains from cooperation.

My primary objective and the contribution that I set out to make were as follows. I sought to establish whether there were special conditions, which were more favorable to multilateral cooperation than others. I examined the circumstances under which a number of sovereign governments can support or sustain cooperation to secure a mutually beneficial outcome from collective efforts. In order to examine the challenges that can influence governments’ behavior I assess the effects of these conditions on regional cooperation. I achieve this by adopting a general analytical framework that enables me to draw out a broader spectrum of factors, including material and strategic conditions under which self-interested governments can achieve and sustain cooperation and attain mutually desirable outcomes.

The conventional approaches to the study of African cooperation, analyze it cooperation in the context of potential gains and costs that governments associate with specific initiatives. As a result, analysis of cooperation is often focused on material payoffs and tangible outcomes anticipated to accrue to participating governments. A logical deduction is that, in cases where anticipated gains from cooperation are high, the quality of cooperation is supposed to be similarly good. Therefore, these approaches assume a direct relationship between the quality of cooperation and the magnitude of the payoffs that flow from it. However, experiences of regional cooperation on the African continent
defy explanations that are based on this seemingly tight logic. In fact many of the past African cooperation agreements and initiatives that failed were conceived on the basis of strong material motivations based on clearly envisioned benefits for all.

Other studies of regional cooperation, particularly those with a strong focus on developing countries, often attribute the poor quality or failure of cooperation to more than just lack of political will on the part of national political leaders. These studies by extension, argue that whenever the gains from cooperation are perceived to be either insufficient or inequitably distributed, cooperation may collapses as disaffected governments may lack sufficient incentives to comply with their cooperation agreements. For example, some of the common explanations for poor cooperation among African governments trying to liberalize intra-regional trade often attribute failure to miniscule returns that free-trade among small economies that also lack complementarities can generate. I argued that these conventional approaches are insufficient to explain numerous cases of failed international cooperation in initiatives unrelated to the liberalization of trade, where mutual benefits were not only real, but a lot higher and more obvious.

7.2 Multiple Logics of Regional Cooperation

My analysis of regional cooperation in southern Africa reveals other dimensions to cooperation that must be considered in order to improve our understanding of the challenges that face governments trying to realize mutual gains from cooperation. This study set out to illuminate the often neglected role of strategic factors on government behavior and how strategic considerations influence government decision-making in collective action situations. Therefore, I maintain a strong focus on strategic interaction and the consequences that various situations of collective action may have on the quality of cooperation. And through logical deductions from the game models of various regional initiatives in SADC, I have identified not one, but various types of collective action problems that manifest differently in various cooperation initiatives. I note that different
logics of collective action animate specific types of cooperation initiatives depending on the physical attributes of these initiatives. And that the regional game models based on a particular game with its specific logic of action, help to advance a distinct strategic challenge for regional cooperation, effective resolution of which requires a different approach or appropriate design of intervention strategies.

The thesis focused on exploring the interface between collective goals of governments, their strategic interests individually and different logics of cooperation and the effects they have on multilateral cooperation. This is achieved by mapping various games to specific cooperation arrangements in SADC constructing unique game-models. Based on the unique internal logic of each of these models, I systematically deduce different theoretical logics of action that are also unique to each of the selected regional initiatives. It is this game theoretic logics that bring to the fore intangible factors that often escape conventional analytical approaches in international cooperation studies. Therefore, the game models that I construct enable me to isolate these factors, on each of the initiatives and on the basis of the logic of action involved, evaluate their effects on international cooperation. Game theoretic models of various SADC cooperation initiatives allowed for a systematic and comparative analysis of the effects of strategic interaction on the ability of regional governments to achieve the goals they have declared under specific regional agreements or protocols.

The inherent logic of the game theory suggests that in any situation of collective action, self-interested actors always choose the course of action that maximizes expected utility. This raises various implications for cooperation in various regional initiatives that involve a number of governments. Governments make choices based on the overall sum of all the positive and negative consequences of a particular course of action, weighed against the probability of its occurrence. Therefore, a whole range of factors including magnitude of material gains (tangible factors) and non-material (strategic factors) considerations have a bearing or influence the choice of strategies and the outcomes. These types of considerations ultimately determine policy choices of individual governments. Therefore,
strategic considerations are particularly vital for explaining instances where governments willing to cooperate for lucrative and mutual gains are unable to sustain reciprocal action.

The main objective of this thesis was to shed some light on the type of cooperation problems and the nature of challenges that face independent governments involved in voluntary cooperation for mutual gains. The thesis set out to study international cooperation in Africa where cooperation challenges are relatively more pronounced and failures of cooperation initiatives much more common. These cases reflect higher ambitions in the planning and negotiation phases and poorer outcomes at implementation. Furthermore, my findings also give some empirical meaning to what others in the literature simply label ‘lack of political will.’ This I achieve this goal by highlighting the effects that perceptions about the potentials and the pitfalls of complying with one’s regional commitments can have on the behavior of governments involved in international cooperation. By systematically modeling a number of SADC cooperation arrangements, each on a specific game, facilitates logical deduction of different types of strategic considerations that give rise to various types of cooperation problems which animate different regional cooperation initiatives.

Therefore, instead of merely learning about SADC as an organization, its various initiatives and protocols, the analytical focus of this thesis was on the behavior of SADC member governments and their handling of issues and problems thrust upon them as a result of their participation in various initiatives. My approach to focus on various initiatives helps to illuminate both the diversity and the complexity of strategic cooperation problems. This approach systematically identifies a number of SADC cooperation initiatives and model identified regional initiatives on specific games on the basis of their physical attributes. The logic in each game model helped me to identify the type of strategic problem that is identified with each cooperation initiative and the appropriate intervention strategy to aid cooperation.

This approach brings to the fore the relationships between a particular logic of collective action, the national self-interest of governments and the quality of international
cooperation. And by analyzing effects of the specific logics on governments’ abilities to cooperate with one another, the thesis transcends simplistic explanations of international cooperation as discussed earlier. It strives to unpack or determine the conditions under which constraints imposed and the opportunities or imperatives raised by self-interest among international actors can affect the content and the implementation of regional cooperation agreements and policies.

The conventional wisdom in SADC is that, given the structural challenges of their national economies, regional cooperation is not only essential for regional growth and development, but it is also viewed as a critical stepping-stone for integration into the global economy. My approach of selected SADC case studies or initiatives treats the quality of cooperation in each of the selected initiatives as a dependent variable, which demands explanations beyond rather simplistic, but popular notions associated with many studies in the literature on African regional cooperation. Thus, in each case study, I strive to examine and explain cooperation or lack thereof in terms of a particular logic of action that is associated with a particular game.

The developments surrounding the inception and implementation of some SADC cooperation agreements indeed affirm observations made by other studies of international cooperation, that view collective choices as solutions to mutual problems. These conventional explanations correctly emphasize the centrality of economic efficiencies or cost effective considerations in government policy decision-making. I have taken these explanations a step further, by indicating that while national policy decisions are conditioned by both technical – cost efficiencies and political considerations, perceptions about the national welfare effects of a particular course of action are equally important.

Analysis of SADC cooperation initiatives reveals that behaviour of governments in negotiating and implementing cooperation commitments is indeed game-like, in that each government tries to ‘win’ concessions or to maximize national benefits while trying to minimize national costs. The analysis also affirms the validity of my analytical framework as each of the selected games’ unique logic of action, was in each case
consistent with the initiative or a case study modeled on it. The game models do not only have different physical attributes but they also emphasize a slightly different challenge for cooperation and highlight the challenges that require appropriate type of interventions or institutional mechanisms to help anchor or sustain cooperation.

The first case study is on the SADC Protocol on Trade. The protocol’s stated aim was to liberalize regional trade and establish a free trade area in SADC by 2008. Therefore, all the signatories to the protocol were in favour of working towards free intra-regional trading relations and realization of envisioned free trade benefits from the regional FTA. In spite of broad support for free trade by regional governments, negotiations of tariff reduction schedules and subsequent implementations were extremely difficult. The negotiations significantly delayed ratification and implementation of the trade protocol while implementation when it resumed in 2000, was sluggish and peppered with delays and incidences of unexplained failures by governments to adhere to their implementation schedules and re-introduction of alternative forms of trade restrictions. The implications of these practices were of such a magnitude that in the final analysis they threaten the achievement of a desired functional and WTO compatible SADC FTA.

The Prisoners’ Dilemma model of the SADC trade liberalization initiative illustrates that while it might have been in the collective interest of SADC governments to implement the Protocol on Trade, it is also risky for individual governments to surrender their tariffs when their counterparts might choose not to reciprocate by doing the same. The logic of action in a Prisoners’ dilemma game, suggests that individually, governments prefer to defect from their own commitments in order to obtain even more lucrative short-term gains from cooperation of others. SADC member governments frequently missed agreed timelines to put into effect agreed liberalization commitments. These delays which in some cases actually became failure to implement national tariff commitments amount to cheating once the other governments had implemented their own liberalization commitments.
While SADC formally inaugurated the FTA in August 2008, implementation of the trade protocol was definitely not a smooth process. Cooperation was generally poor and analysis reveals that the inaugurated SADC FTA is extremely shallow in substance and that only miniscule volumes of regional trade are occurring through it. Desirable effects of lower or zero tariff duties and taxes on trade have largely been annulled by increases in the use of non-tariff barriers. This is not really surprising given that throughout the eight years of successive implementation of tariff commitments, cooperation process has been affected by frequent instances of non-compliance by member governments.

The case study affirms our hypothesized problem of free-riding, which animates all Prisoners’ Dilemma situations. And from 2001 when implementation of annual liberalization schedules began, up until 2008 when the FTA was founded, the use of NTBs remained on a steady increase despite efforts by the regional body to discourage the opportunistic imposition of new NTBs by member states. The magnitude of this problem became clear in 2009, when SADC in collaboration with COMESA put up the first monitoring mechanism in the form of an E-based electronic monitoring and reporting system through which traders could report cases of non-compliant activities. The rise in the use of more difficult to detect NTBs threatened not only the consolidation of the newly established FTA but its stability or sustainability as a regional trading framework.

Chapter four focused on the analysis of cooperation among the regional stock exchanges that are involved in harmonizing elements of their policies under the stewardship of the Committee of SADC Stock Exchanges. While harmonizing the listing procedures and rules are in principle mutually desirable, SADC stock exchanges and national governments had to agree on a mutually preferred strategy for harmonizing various rules and procedures. Negotiations among regional stock exchanges on a number of proposed integration models reveal that achieving consensus on the detail of how to harmonize the rules of various national stock exchanges faced resistance even dissent from regional smaller stock exchanges. These exchanges while interested in mutual action, disagreed with the chosen approach of achieving harmonization which they equated to integrating
various regional stock exchanges into one functional unit despite the fact that this was the initial plan. This disagreement essentially challenged the unity of SADC and effectively threatened the ability of SADC stock exchanges to work collectively to harmonize their rules for mutual benefit despite widely accepted wisdom that a harmonized listing rules and regulations would benefit all the stock exchanges in the region. The negotiations among member stock exchanges illustrate that finding a mutually acceptable cooperation model has been difficult to reach, confining cooperation to more marginal issues.

SADC governments through their stock exchanges have struggled for a few years to reach agreement on cooperation. It has been a difficult and time consuming process to reconcile polarized positions on how to achieve mutually beneficial cooperation. Despite the fact that integration in the financial sector is a declared long-term goal of SADC, governments and their stock exchanges eventually agreed on a compromise - a loose type arrangement as an intermediate phase before beginning to pursue full financial market integration in the region. Failure to find a workable mutually acceptable solution to the situation would spell failure to coordinate activities to address a mutual problem. This would prevent the start of cooperation and effectively hinder regional exchanges from functioning optimally and making a contribution to their national economies.

Chapter five modeled the SADC initiative to develop common electrical infrastructure initiative as a Stag Hunt game. The initiative is an integral part of the SADC Protocol on Energy, implemented under the aegis of the Southern African Power Pool (SAPP). It involves construction of selected sub-regional electricity generation and transmission projects that aim to facilitate easy power exchanges throughout the region. This initiative is a crucial component of SADC strategy to achieve a long planned clean energy free market in southern Africa. The cooperation efforts in several of these projects, from those still in negotiation phase to those being implemented reflect yet another type of collective action problem, but one significantly different from Prisoners’ Dilemma and the coordination problems. Strategic problem encountered by governments trying to construct enormous, interlinked and interdependent regional project can impede the
ability of these governments to resume coordinated construction of planned regional facilities.

The construction of a region-wide electricity transmission network and the prospect of mutual benefits in the form of access to steady uninterrupted supply of power suggest that a group of rational governments would have strong incentives to cooperate. The completion of the projects would enhance mutual access to huge regional generation potential, and assist members avoid frequent power shortages that threaten their national economic growth. If completed, these projects can also significantly facilitate free trade in electric power and enable members to access substantial and mutual gains by enabling utilities to harness their combined regional generation capacity and also access free trade gains within a huge regional electricity market. Therefore, for region threatened by a common threat of severe electrical supply shortage, a coordinated response offers a most optimal solution to this mutual problem. And simultaneously offers potential gains for importers and exporters of electricity in the region both of which could gain from dynamic gains from free trade in the region. Therefore, all the governments have pretty good incentives to choose cooperate over acting unilaterally in developing resources in the energy sector.

However, obstacles to cooperation in the development of these shared physical projects including often discussed financial and technical resources. This chapter has argued that strategic considerations can impede positive action between governments concerned with behavior of their counterparts. And unless there is some form of assurance in place, lack of trust among partners can thwart cooperation and impede realization of obvious mutual benefits from coordinated construction of shared facilities or exploitation of common resources. The data from the cases considered in this chapter confirms the theoretical proposition that, cooperation follows relatively easy if all governments involved believe that all other governments will carryout their end of the commitments.

In SADC, negative perceptions about ability of other governments’ to meet their end of the bargain have resulted in lack of progress and stalling of the planned project. The
initiative cooperation between Zambia, Tanzania and Kenya to build generation and transmission facilities linking the three countries has virtually collapsed mainly as a result of uncertainty about Zambia’s ability to raise its generation capacity to feed power to the network. Kenya being a highly energy dependent member and a net importer of electricity has proved reluctant to commit to implementation of this project without some guarantee or assurance that power will indeed be available. As a result of these uncertainties, progress on this initiative has been slow and in the meantime, Kenya continues to pursue alternative energy sources and on the 14th December 2011, Kenya signed a new power purchasing agreement with Ethiopia.414

The case of WESTCOR, illustrates even more succinctly how strategic behavior of individual governments can raise problems for mutually beneficial cooperation. The decision taken by the DRC government supposedly putting its own national self-interest ahead of the collective good imposed significant and irrecoverable financial cost on its WESTCOR partners. By the time the DRC government terminated the project WESTCOR members had already incurred costs that ran into millions of Rands, mainly going towards human resource or staffing and registration of the company in Gaborone, which existed for a period of few years.

The collapse of the Western Power Corridor illustrates the problem of collective action that faces any group of governments involved in physical infrastructure development and affirms the logic of action in a Stag Hunt game. The review of cooperation in the two initiatives validates the theoretical propositions about behavior of governments and the implications of strategic concerns for the cooperation. The experience of WESTCOR members illustrates why the lack of mutual assurance that partners can be trusted have dire consequences for cooperation, which can derail a collective effort to achieve a mutually beneficial goal. However, developments in other sub-regional initiatives such as cooperation between Zambia and Namibia to construct a 350 kv transmission line linking the two countries which was completed in October 2010, illustrate that cooperation in this type of agreements can also be relatively easy and self-enforcing. This is particularly the

414 See ESI-AFRICA, “Ethiopia will export power to Kenya,” in www.esi-africa.com/node/13973
case where there is good information dissemination mechanism in place to keep involved governments aware of the activities of their counterparts as helps to reduce uncertainty and enable governments to proceed with confidence, each assured that the envisioned gains from the project are indeed achievable.

Chapter six which is my last case study focuses on what I call a second-order Prisoners’ Dilemma, a variant of the Prisoners’ Dilemma game. The chapter focuses on cooperation in SADC election monitoring and reporting initiatives in regional election exercises. The application of the second-order Prisoners’ Dilemma game helps to elucidate one of the collective action challenges that affect cooperation in international norm building. This game readily applies to typical international relations situations where no overarching authority exists to monitor or enforce implementation of collectively agreed norms among a group of peer governments. The case study evaluated SADC member states’ ability to monitor compliance to regional electoral norms as reflected by SADC Principles Governing Democratic elections. My analysis of cooperation in this case focused on the second stage of the Prisoner’s Dilemma game, whereby attention is on the performance of peer governments that have to cooperate in monitoring and enforcing compliance to the regional electoral guidelines and principles.

To determine their course of action, these governments have to act as a collective and where necessary have to synchronize their action in order to punish non-compliance. When facing this situation, a group of governments confront another collective action problem which is somewhat similar to that raised by the classical Prisoners’ Dilemma game. Any decision to deliver punishment involves possible economic and political costs that are normally not equitably distributed among members delivering the punishment. The prospect of costs with no clear individual returns for contributing to punish incidences of non-compliance means that free-riding must endemic whenever punishment is due to be delivered. This is because strategically, defection is still the most strategically optimal strategy for individual governments, who given a chance, would prefer to exploit others by ducking their commitments to contribute to the cost of delivering the punishment to the defiant government. The possible costs may involve forfeiting trading
relations with the aggressor, which could be more costly to those who have the closest trading links than to others with insignificant links to the aggressor. The 2005 and 2008 elections in Zimbabwe and Lesotho’s 2007 elections are some of the polls for which SADC observer missions and its subsequent interventions have been criticized as indecisive. For other SADC seemed reluctant in some instances to punish certain acts of non-compliance, sparking criticisms that ruling parties are just not keen to punish one another.

However, closer analysis of cooperation among peers in these two cases suggest that, despite other weaknesses including lack of a clearly stipulated punishment criterion, it is often difficult for peers to find consensus on when and how to deliver punishment. The fact that more than 5 years since the adoption of SADC electoral stipulations and more than ten national polls observed by the SEOMs under the new regional bench marks, SADC is yet to denounce a poll despite the fact that results from a number of the polls have been invariably disputed. Selected cases of Zimbabwe and Lesotho, so far represents the most trying cases that necessitated either the lengthy involvement of SADC mediation or long running disputes in domestic courts of law.

Zimbabwe’s 2008 elections in particular, exposed fissures among SADC governments on how to deal with the ZANU-PF government. Some governments such as Botswana and Zambia showed willingness to punish President Robert Mugabe’s government, for non-compliance, while their counterparts showed reluctance to do so and refrained from making any negative pronouncements. The case study reveals that a government’s own decision whether positive (advocate punishment) or negative (condone non-compliance) are related to the country’s own strategic interests. For example, Botswana’s position as I argued was informed mainly by its costly exposure to the refugee problem as a direct result of political and economic instability in Zimbabwe. In Lesotho, Masire’s report as an envoy of SADC, even though damning to the ruling party, did not solicit official pronouncement from the regional body many years after submission of the final report to SADC in 2009.
7.3 Challenges of Successful Regional Cooperation

The literature explains poor performance of African regional cooperation to number of issues ranging from lack of gains from cooperation, to unreasonable policies by African political leaders driven by desire to survive in office. However, closer empirical scrutiny shows that both these positions are only partially correct. The data in all my case studies challenges the view that African governments deliberately pay lip-service to cooperation and integration. There is ample evidence in all the four case studies that governments’ decisions to sign up to the regional initiatives are based on sound rational to capture envisioned mutual gains from regional cooperation. Numerous cooperation agreements and sustained efforts by African leaders to implement them do not lend themselves to the view or position that African leaders are less serious about regional cooperation than other politicians elsewhere in the world.

Contrary to the conventional explanations of a long history of poor cooperation in Africa, I note that substantial obstacles to regional cooperation exist even where regional governments may prefer mutual cooperation to no cooperation at all. Observations from my case studies indicate that while existence of mutual gains from cooperation may incentivize governments to sign-up to a regional cooperation agreement, the presence of these mutual gains is not a guarantee that subsequent cooperation will be successful. Conversely, the failure of cooperation also does not imply that mutual gains from collective action did not exist.

Based on the analysis of cooperation in various game models of various SADC regional cooperation initiatives, it is clear that collective action gives rise to strategic dilemmas that if not addressed can easily lead a group of governments pursuing a mutual goal to collective inertia. Even if the governments involved face obvious gains from cooperation, the problem persists, since individually governments have short-term incentives that raise temptations to defect from a regional cooperation agreement that is mutually beneficial in the long-term. This also means that the other governments are vulnerable to the opportunism or exploitation by potential defectors. Observations from the cases studies
confirm the key theoretical proposition that mutual fear of being exploited can inhibit a group of governments from realizing obvious mutual gains from cooperation.

One of the key objectives of this study was to highlight that there is not one but many different types of collective action problems and that each one of these problems can hinder a group of governments from reaping collective gains from cooperation. Therefore, I emphasize that the obstacles to cooperation vary in different initiatives depending on the underlying strategic structure of a particular initiative. Thus, various regional cooperation initiatives raise different types of strategic obstacles to cooperation. To some extent, the game-theoretic ideas help us identify the differences in the nature and the steepness of these obstacles and perhaps most importantly, the game-theoretic analysis helps in identifying the types of strategic problems and the related practical approaches required to facilitate cooperation.

In all the four case studies the theoretical propositions deduced from the logics of various models have to a significant extent been supported by the empirical data. Analysis of cooperation across my case studies affirm that observed variation in the quality and stability of cooperation across a number of cooperation initiatives that involve the same governments can best be attributed to different logics of action that animate these initiatives. Therefore, the thesis reveals the important relationships between the physical attributes of international cooperation initiatives, the type of strategic challenge emanating from the inherent logic of action and the quality of international cooperation. For example, in the case of the SADC trade liberalisation, members of the SADC FTA frequently failed to comply with the terms of the liberalization agreements and often missed agreed timeframes for implementation of the national tariff reduction commitments. The motives of individual governments for retaining some of these trade restrictions sprang primarily from domestic pressures exerted by import competing domestic industries demanding protection. Therefore, we argue that the internal features of cooperation initiatives are critical, pertinent and key in explaining observed patterns or variations in the quality of regional cooperation in SADC.
Therefore, distinguishing among different logics of collective action and identifying particular challenges to collective action associated with each of these logics is critical and matters not only to those who seek to achieve deeper understanding of international cooperation for academic purposes. But the understanding of the relationships examined in this thesis is even more crucial to bureaucrats and state officials who seek to design and craft successful cooperation initiatives. Identifying a particular logic of action involved in each type of initiative means that appropriate institutions or mechanisms can be put up to support or sustain collaborative action. The analysis of SADC cooperation initiatives reveals that the various game theoretic logics that we examine in each of the four case studies is consistent with the empirical evidence-related to behavior of member governments and the quality of cooperation in each of the regional initiatives considered.

The literature on African cooperation arrangements indicates that many cooperation initiatives on the continent were erected without due regard to the subtle differences in their physical attributes and the implications these attributes may have for strategic challenges in collaborative action. The logical recommendation from our findings is that, conventional explanations on poor cooperation in African arrangements in general and to some extent those explanations of poor cooperation in developing countries must begin to pay closer attention to the effects of strategic factors and also differentiate between the effects that various logics of action have cooperation.

One would also recommend that efforts to design multilateral or regional cooperation agreements, must by necessity, embrace internal logics of action that animate individual cooperation initiatives. This approach can significantly improve both design and by extension quality of cooperation assisting member states achieve the mutual gains that they set out to achieve. Appropriate solutions in the future may come from the analysis of how cooperation arrangements are conceived, their physical attributes, inherent logic of action and the challenges that animate the particular type of cooperation initiative. The study posits that distinguishing among different logics of collective action is crucial for appropriate design of cooperation arrangements.
Therefore, in essence I conceit that traditional explanations for poor quality of regional cooperation on the African continent are partially correct, despite that, these explanations are narrow and fail to highlight or to appreciate the complexity of the phenomenon. And as a result of their inherent shortcomings, these conventional explanations have not provided analytically or practically useful insights to multilateral cooperation efforts in Africa. My feeling is that good explanations of Africa’s difficult regional cooperation initiatives must also be able to account for rare instances of successful cooperation. Therefore, while I acknowledge the position of these explanations about the role of material incentives and disincentives on cooperation, my explanation offered by this thesis goes beyond that simple position. It also recognizes that sometimes even regional leaders that are willing to cooperate can still fail to reach a cooperative agreement or even fail to sustain cooperation implementing the existing agreement irrespective of magnitude of anticipated material gains.

Therefore, my conclusions in this study help to illuminate some of the challenges that have been beyond the scope of conventional explanations. The thesis draws attention to the relationship between the type of the initiative and its physical attributes, the logic of action and the quality of cooperation. My game theoretic analysis does not contradict conventional explanations instead it complements these explanations by illuminating the role of strategic challenges for cooperation. This dimension is often missing from the analysis of African cooperation by the conventional approaches. Therefore, my findings in this study have consequences that go beyond just academic understanding of how regional cooperation arrangements work. The role of strategic considerations in collective action as I discuss it in this thesis, should inform the design of regional initiatives. These initiatives must take into account the role of strategic structures and put into place appropriate mechanisms that are informed by a particular logic of action involved.

In other words, my findings and conclusions comprise new knowledge or insights that may be crucial for conception and design of regional cooperation initiatives and the intervention strategies that may be vital to facilitate cooperation. The multiple logics of action that animate different types of regional cooperation initiatives give rise to different
collective action problems. This logically suggests a need for caution in designing regional cooperation arrangements. Embracing the common one size fits all designs for cooperation initiatives across different issue areas, regardless of their physical characteristics and the different logics of action involved, does not benefit current regional cooperation arrangements in Africa. This approach encourages the usual undifferentiated designs of regional initiatives in Africa and these will frequently not be appropriate to anchor and support specific regional cooperation initiatives.

I highlight the importance of distinguishing among different logics of action, and I argue that these matters not only for comprehensive academic analysis of regional cooperation, but is even more crucial for policy-makers, officials or practitioners and experts involved in negotiation and design of regional cooperation arrangements. The findings of this thesis therefore offer new insights that may help break the cycle of disappointing performances by African cooperation initiatives and assist the African governments sustain cooperation and achieve some gains in some of the contemporary and future cooperation initiatives.
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