The role of the Development Bank of Southern Africa (DBSA) in Regional Economic Integration in the Southern African Development Community

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Abstract

The regional economic integration is a positive process at work in the world economy, as it acts as an effective vehicle for trade and economic and financial globalization, thereby fostering growth. Regional economic integration is also a reflection of the diversity of economies and their histories, and it is notable that the process follows markedly different patterns across the world. Africa like all other continents, has developed a rational response to the difficulties faced by a continent with many small national markets, challenges of geopolitics and landlocked countries to address these shortcomings. African governments have over the years developed strategies, and from that concluded a very large number of regional integration arrangements, to drive this idea.

The Development Finance Institutions (DFI's) play, a positive and significant role in fostering economic growth and with the impact being stronger in low to medium income countries than in higher income countries. Financial investment has a huge role in the economic growth and in turn economic development. In their nature, DFI's have an additional role, that of, bridging the gap that arise, as a result of commercial banks not able to finance infrastructural needs (soft and hard), creativity and innovations, that will lead to meaningful regional economic integration.

However, it is not clear whether the regional DFI's are having any specified, significant role in the regional economic integration agenda, hence this research. The aim of this research is to investigate the effectiveness roles of the DBSA, in the regional economic integration, in the Southern African Development Community (SADC).

This study approach, focuses on three (3) main questions which are aimed at determining the effectiveness of the DBSA's roles in the regional economic integration. The secondary questions are a supporting instrument to the initial question and the questions are meant to find out about factors hindering the effectiveness of the supporting roles of DBSA in the SADC's regional economic integration. In endeavoring to determine the structural challenges faced by the DBSA, in the SADC region, the investigations explored the interventions and or measures that would improve the bank's supporting roles, especially because of its developmental importance in the region. To carry out this exploratory study, the investigation followed a qualitative research approach, as a framework and structured face to face interviews and document analysis were also used.

Almost all respondents sighted that the major roles of the DBSA in the regional economic integration in SADC to often be associated with resource mobilization and financing of regional infrastructures in SADC, identification of areas for cooperation to facilitate the economic development of SADC and influencing policy development through research and information exchange and sharing. Most of the interviewees, emphasized that the DBSA, has done extremely well in providing both technical and financial support to the SADC in their endeavor to facilitate for the regional economic integration. Simultaneously, most interviewees agreed again, that the, hindrances and or limiting factors to the effectiveness of the supporting roles of DBSA in the SADC's regional economic integration, have been the inhibiting inherent heterogeneity of SADC countries, inability of the SADC to hold member states accountable and responsible, lack of political will to implement the integration, legal factors, and significant reliance on grants and foreign funding.

The results shows that DBSA has been found to be very technically able to deal with support in the regional economic integration. This result suggest that the SADC leadership should consider revising the roles, and the funding model of the DFI's for the benefit of the regional economic integration agenda.

Declaration

I declare that this research report, apart from contributions mentioned in the acknowledgements, is my own, unaided work .It is submitted in partial fulfillment of the requirements of the degree of Master of Management (in the field of Public Development) at the University of Witwatersrand, Johannesburg. It has not been submitted before for a degree or examination at any other university.

Linda Hlongwa

Signed at ____________________ on __________________________ 2018

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List of Abbreviations

AADFI	Association of African Development Finance Institutions
ADI	African Development Institute
AEC	African Economic Community
AfDB	African Development Bank
ASEAN	Association of South East Asian Nations
COMESA	Common Market for Eastern and Southern Africa
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DRC	Democratic Republic of Congo
DTI	Department of Trade and Industry
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
FMO	Netherlands Development Finance Company
ICT	Information Communication Technology
KDB	Korea Development Bank
MTR	Medium Term Review (MTR)
NEPAD	New Partnership for Africa's Development
OAU	Organisation of African Unity

RIS	Regional Integration Strategy
RISDP	Regional Indicative Strategic Development Plan
RTA	Regional Trade Agreement
SADC	Southern African Development Community
SME	Small to Medium Enterprise
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development

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Chapter One

Introduction and Research Background

1.1 Introduction

In all economically strong and socially equitable states, Development Finance Institutions (DFI's) have acted as catalysts for accelerated industrialization, economic growth and human resources development (Gumede, Govender & Motshidi, 2011).Traditionally DFI's, provide development finance to address market imperfections as such complements both government resources and market financing. (Gumede, Govender & Motshidi, 2011) .DFI's have become so important over the past decade, and it is argued that they are able to increase investment and owing to their locational presence, they are likely to be particularly additional in poorer countries (Te Velde, 2011). DFI's objectives are to invest in sustainable private sector projects; to maximize impacts on development, to remain financially viable in the long term and mobilize private sector capital. In the global context, DFI's have been used to be counter-cyclical during economic downturn.

These institutions perform a vital role in advancing economic and social development across Southern Africa (Evans, 2014). They are established by governments to look into chronic gaps of commercial financing, and provide much needed finance for strategic projects, such as infrastructure development and small and medium enterprise. (Evans, 2014). An example of the Inga 3 project in Democratic Republic of Congo (DRC) is the case in point, since it is NEPAD's continental integrative flagship project, for the regional economy. Given the nature of emerging markets,(DRC included) and the general lack of skills in developing countries, the DFI's will have to be involved in capacitating their clients, to whom they are lending money , from project preparation and where needed, to the implantation stage.

Unfortunately, while these institutions have contributed to promote regional economic integration and, to a certain extent, competition in some countries, their potential have not been fully exploited, especially in the SADC region. It is on that basis that the purpose for this research is to reconstruct the discourse on economic integration in SADC, with a focus on examining the role of DBSA as a development finance institutions in the process.

1.2 Research Background

African economic integration suffers from a litany of problems, ranging from overlapping memberships, through unfulfilled commitments to unrealistic goals (Draper, n.d). The Regional Indicative Strategic Development Plan (RISDP) noted the improved economic situation in the 1990's, but still unsatisfactory with several countries experiencing low and decreasing levels of per capita gross national product, low growth rates of gross domestic product, relatively high budget deficits and interests rates, relatively low savings and investment rates and high external debts burdens, all of which contributed to high levels of poverty. The restructuring of SADC institutions started in 2001, through a slow process, with only 21 sectors grouped into clusters under four (4) directorates at the secretariat.

The integration agenda was conceptualized under the RISDP in 2003. However institutional challenges remained, with SADC still rooted in cooperative framework rather than rules based mechanism, which is an area of concern for the economic integration process. Saurombe (2009, p.100) states that "the decision to leave integration to committees was somehow immature because governments had failed to drive integration and also legislative bodies of national parliaments were weak, such that no oversight has and is being done on the matter at hand. This research seeks to expose the problems and prospects of the much talked about regional economic integration, by interrogating the roles of DFI's including the DBSA, as a resource for integration in realizing the aspirations of the Regional Integration Strategy (RIS).

1.3 Problem Statement

Development Financial Institutions such as the DBSA are important for facilitating effectiveness of regional economic integration. DFI's enhance the financing of the relevant soft and hard infrastructures to influence the improvement of trade and the flow of goods within the overall regional economic integration. In other words, DFIs enhance the fusion of economic activities between countries and regions to create fertile ground for regional economic integration to be undertaken. Unfortunately, empirical facts indicate that as much as SADC has made significant strides towards the achievement of effective regional economic integration in Southern Africa, poor defining of the roles of the DFI's seem yet to be a challenge. For instance there are a myriad of challenges that have engulfed regional economic integration processes in SADC, ranging from peace and security issues, nationalists rivalry, debt and dependency, unjust international economic structures as well as incompatible economic and political systems to mention a few (Chingono & Nakana, 2008). Accordingly, in terms of the Development Bank of Southern Africa (DBSA), Act 13 of 1997 which provides for the continued existence of the Bank as a development finance institution. The main objectives of the Bank are - the promotion of economic development and growth, human resources development, institutional capacity building; and the support of development projects and programmes in the region.

The Bank strategy is underpinned by two major themes:

- Generating investment in assets, hard and soft, that serve the poor, directly and indirectly, and that support broad-based wealth creation;
- Mobilizing, developing, applying and sharing knowledge in support of greater development effectiveness, innovation and an enabling development environment (dbsa.org)

However, due to poor stipulation of the roles of the development financial institutions in the process of facilitating regional economic integration in the Southern African region, the extent to which DFI's such as DBSA are able to get involved in the activities that influence effectiveness of regional economic integration has been undermined.

1.4 Aim of the Research

The aim of this research is to look at the role of DBSA as a development finance institution and to determine how those roles can be effectively integrated in the process for facilitating regional economic integration in the SADC region.

1.5 Research Objectives

The objectives of this research are to:

- Determine the effectiveness of the role of DBSA in supporting regional economic integration in SADC.
- Assess the factors limiting the effectiveness of the role of DBSA in supporting the regional economic integration and
- Recommend measures that can be adopted for improving the effectiveness of the role of DBSA in the regional economic integration in SADC.

1.6 Research Questions

The research questions intended to be answered consist of two parts, primary and secondary questions:

Primary question

- What has been the role of DBSA in the regional economic integration in SADC?

Secondary questions

- Which factors are hindering the effectiveness of the supporting roles of DBSA in the SADC's regional economic integration?
- What measures can be recommended for improving the supporting roles of DBSA in the regional economic integration in SADC?

1.7 Structure of the Report

The research report consists of six chapters and is structured as follows:.

Chapter one focuses on the Introduction presenting the research background and the problem statement.

Chapter two focuses on the literature review of the roles of Development Financial Institutions (DFI's) in the regional economic integration. This includes a review of significant prior research and presents a survey of relevant research.

Chapter three deals with the research methodology. This chapter presents the research methodology including the data used and research design.

Chapter four is a discussion of the research results and conclusion. Results from the research are compared with those from previous research and are critically discussed.

Chapter five presents conclusions of the study as well as recommendations and suggestions for further study.

Chapter six presents the conclusion by summarizing the research problem, research aims and objectives plus findings. The relevance of the research is also noted alongside recommendations for future research.

1.8 Significance of the Study

The study fills an academic understanding gap, as there is a need to understand the challenges plaguing the SADC region in its aspirations to facilitate the Regional Economic Integration, at the face of all available and signed strategies and treaties to enable the region to fulfill this ideal. The current vision of SADC is one of a common future within a regional community that will ensure economic wellbeing, improvement of the standards of living and quality of life, freedom and social justice, peace and security for the peoples of Southern Africa. This shared vision is anchored in the common values and principles and the historical and cultural affinities that exist amongst the peoples of Southern Africa (Chanda, 2010).

Regional economic integration could work in a variety of ways to address developmental gaps across countries. It could help less developed countries take advantage of global market access opportunities. This could be made possible with the support of regional economic integration schemes that optimally deploy the region's natural, financial, human, and technological resources to help converge the region's different levels of economic development among countries. Imperatives of Regional Economic Integration in Asia in the Context of Developmental Asymmetries: Some Policy Suggestions Ram Upendra Das December 2009. ADBI Working Paper Series.

SADC economies are heavily dependent on trade, especially in agricultural products, for their exports and for their imports, machinery, fuels, chemicals, and other inputs related to production. Recently, trade with the outside world has outweighed intra-SADC trade primarily because the economic structure of the SADC states has changed only marginally (Intra-SADC Trade Performance Review, 2007). Indeed, all SADC states belong to more than one regional integration grouping with binding commitments on trade matters; for example, commitments to both COMESA and SADC.

In other countries regional economic integration has been driven by public sector, and as such, the DBSA as a government owned bank, is an institution that has a greater role to play to help the region realize its potential.

Chapter Two

Literature Review

2.1 Introduction

This chapter attempts to present the literature review on the roles of development finance institutions. It explores the plethora of definitions of development finance and regional economic integration, the origins of development finance and the relationship between development finance institutions and regional economic integration. This study aims to briefly examine the linkages between DFIs, and economic integration. In this chapter we unpack the features of economic integration which are infrastructure, finance, human resources development, capacity, trade, finance, policy ,economy, regulatory framework, to better understand the concept from which DFI's operate and hence their roles and functions thereof. This chapter is guided by research objectives and questions, and therefore the discussion will also evaluate the theories on regional integration, and the roles of DFIs towards fostering the effectiveness of regional economic integration. The evidence emerging from the existing literature shows that DFIs have generated a significant amount of direct, indirect and induced jobs, as well as promoted innovation (and therefore productivity) in several different sectors ranging from health to education, environment, ICT, insurance, and infrastructure, although there is no consensus in the academic literature (Massa,2013).

Researchers have turned their focus to financial institutions and economic development and growth, including political economy explanations. They have mainly focused on policy development, however there is a still a gap in the literature, especially pertaining to studies on the Southern Africa region in this regard. While plenty of the literature discusses progress and processes in the regional economic integration, not much is written on the roles of development finance institutions and integration .Rather, what can be seen is that studies still remain narrowly focused on issues of integration challenges, successes and its contribution to sustainable development. Where studies exist on DFI's, they just do not give a perspective of the roles, rather they discuss governance of the DFI's. This is the gap we seek to fill in this literature review, but mainly focusing on financing, harmonization and institutional capacity building.

2.2 The Contextual Framework of DFIs

For the purpose of this study, we define a DFI as an institution which is majority owned by the government and that has an explicit legal mandate to foster economic and social development in a country, sector or target market, mainly by providing investment finance. This definition is aligned with the profile of the ordinary members of the Association of African Development Finance Institutions (AADFI). Accordingly, Musasike (2004) makes an observation that in both the economies of developed and developing nations, the State has always played a central role in economic integration although dominance has changed over time in response to globalization, privatization and the perceived efficiencies of the private sector. The same sentiment is echoed by Gumede, Govender and Motshidi (2011), who postulates that "in all the economically strong and socially equitable states, DFI's have acted as catalysts for accelerated industrialization, economic growth and human resources development. Examples of such states will be Germany, Japan, Sweden China and South Korea", just to mention a few. DFI's not only provide financing and capital, but, when necessary, also support financial institution-building in cooperation with private and public stakeholders. (Evans, 2014) posits that DFI's provide urgently needed capital for projects in strategic areas such as infrastructure and small and medium enterprises. In fact, it can be argued that the role of DFI's in developing countries has gone beyond addressing market failures to more broadly, addressing development failure, and it is against this background that the topic is focusing on the role of DBSA in relation to regional economic integration. Again, Gumede et al., (2011) assert that the DFI's are traditionally mandated to provide development finance for market failures, and so complement both the public and private sector.

The role of DFI's is however increasing as they are expected to address broader developmental policy objectives (Gumede et al., 2011). Over the years, these institutions have developed capacity programmes through cooperation and collaboration, and these have been consolidated by the signing of the memoranda of understanding between the cooperating institutions (SADC-

DFRC). Calice (2013) asserts that African DFIs can make an important contribution to lengthen maturities in the financial sector and mobilize resources for underserved segments of the economy. From this perspective, they can play a useful complementary role to that played by international financial institutions, such as the African Development Bank (AfDB), and commercial banks. The dual roles of these institutions involve financing development projects and acting as facilitator of finance in the broader industrialization and economic development strategies of countries (Sanusi, 2012). DFI's provide a broad range of financial services in developing countries, such as loans or guarantees to investors and entrepreneurs, equity participation in firms or investment funds and financing for public infrastructure projects. DFIs will initiate or develop projects in industrial fields or in countries where commercial banks are reticent about investing without some form of official collateral. DFIs are also active in financing small and medium-size enterprises, supporting micro loans to companies, often viewed as too risky by private sources of financing. A benefit of this approach is that DFIs often find themselves with first-mover advantage in markets with strong growth potential (Dickson, 2008).

The DFIs in Malaysia are specialized financial institutions established by the Government with specific mandate, to develop and promote key sectors that are considered to be of strategic importance to the overall socio-economic development objectives of the country. These strategic sectors include agriculture, small and medium enterprises (SMEs), infrastructure, maritime, export-oriented sector as well as capital-intensive and high-technology industries (Bank Negara Malaysia. 2011). Te Velde (2011), points to the review that the mandates of DFIs have evolved over the years, suggesting that the DFIs portfolio has a number of objectives including (i) to invest in sustainable private sector projects; (ii) to maximize impacts on development; (iii) to remain financially viable in the long term; and (iv) to mobilize private sector capital. Some DFIs provide finance (e.g. loans, guarantees, equity investment) to the public sector (e.g. most parts of the multilateral development financial institutions, such as the MDBs, e.g. the African Development Bank (AfDB).Successful DFI's do two things well: first they perform their jobs as development finance institutions, in that they finance development projects effectively. Secondly, they play key roles, whether as facilitators, arrangers, ideas banks or financiers, in the broader industrialization and economic development strategies of their countries. Gumede et al.

(2011). "As governments strive to create political and economic conditions that foster regional integration, the roles of the development financial institutions are often manifested in the establishment of policies that favour regional trade and integration" (Brodzicki, 2005, p.16; Carbaugh, 2004, p.13). The extent to which development financial institutions are able to influence the overall effectiveness of regional economic integration depends on appropriateness of the policy put in place.

2.3 The Role of DFIs with Regards to Financing.

> "The recent financial crisis has generated renewed interest in the DFIs. In the African context, government-owned DFIs can play a useful complementary role to fill existing gaps in the provision of long-term finance, especially in infrastructure, housing, agriculture and the SME segment. African DFIs have historically played an important developmental role, taking higher-than-average risks to perform their mandates and reducing credit pro-cyclicality. However, the track record of African DFIs is mixed, and their developmental contribution has frequently come with a cost in terms of relatively low efficiency and effectiveness" (Calice, 2013, p.18).

As specialized institutions, DFIs provide a range of specialized financial products and services to suit the specific needs of the targeted strategic sectors. Ancillary services in the form of consultation and advisory services are also provided by DFIs to nurture and develop the identified sectors. DFIs therefore complement the banking institutions and act as a strategic conduit to bridge the gaps in the supply of financial products and services to the identified strategic areas for the purpose of long-term economic development. Development Finance Institutions as observed by Massa (2013), can promote employment through channels including additionally, demonstration effects, technical change and forward and backward linkages. Additionally simple means that the DFIs focus on areas which are considered too risky by the financial institution, and by doing this, they may increase the overall activities and hence employment. Demonstration effects, implies that DFIs projects can demonstrate the potential of new types of investment thus leading to further investments by other private sector players, and hence new jobs may be created. Technical change, says that, in addition to investing financial resources to the two channels, DFI's provide support in enhancing knowledge through capacity building and technical assistance and contribute to strengthening environmental, social and corporate governance standards in business practices. By fostering greater managerial and innovation capabilities, DFIs raise firms' potential for growth and investment in technology, and skills with possible consequent employment gains. Forward and backward linkages – DFIs can support activities (e.g. manufacturing firms) that have indirect effects through backward linkages, such as need for inputs. This can generate new employment in the supplier. DFIs can also help other firms and households upstream. For example, infrastructure investments (ports, roads, railways, energy) can increase productivity, which can support new activities and jobs. Spill-over effects depend on a number of factors including policies, institutions and local supplier capacities.

Similarly an observation and assertions are made by Jouanjean & Te Velde (2013) that there are a number of channels through which DFIs can affect employment and productivity change and those can be divided into static and dynamic channels of effects. DFIs can affect job creation directly by being additional and they can have a direct effect on productivity through changing the composition and hence the structure of an economy. Additionally means that, DFIs aim to be additional to other financial flows and domestic investment. They solve market failures and provide finance in frontier markets where the private sector does not go sufficiently. Not only do they focus on market failure, but also on development failure. Development failure according to Gumede et al. (2011) touches on these components: institutional failure, originality failure, information failure, capacity failure and failure to facilitate strategic partnerships. Market failure is defined as a departure from the market equilibrium that would have been obtained in its absence. To some, it is a departure from the equilibrium that a fully informed, yet benevolent and empowered, central planner could restore (Bjornstad & Brown, 2004, p.16). DFIs often talk about catalytic or leverage effects of their investment on other source of finance. The addition of DFI's increase the overall level of economic activity and will probably increase employment depending on technologies used. In composition effects, with or without net job effects, DFIs can increase country-wide productivity and hence affect structural transformation by supporting activities that are more innovative and productive than the average level in the economy (e.g. pioneer sectors). Of course, the more capital intensive the projects and sectors are, the less likely they are to generate significant employment. In a dynamic sense, DFIs also create jobs through forward and backward linkages (and the induced effects these generate) and can foster technical change in companies, with possible spill-over effects for the sector and the whole economy. Forward and backward linkages - DFIs can support activities (e.g. manufacturing firms) that have indirect effects through the need for inputs provided by suppliers (backward linkages).This can lead to employment change in suppliers who in turn can generate spending and employment effects.

DFI supported activities can also lead to economic growth and employment change upstream. An example is the European Investment Bank which has set to support any development project that generates employment in Europe and beyond, as determined in their operational plans. In 2008 the EIB through the EU-Africa Infrastructure Trust Fund, financed projects aimed at economic growth and regional integration, which is the construction of the 970km transmission connection, the Caprivi interconnector, to reinforce electricity transmission between Zambia, Tanzania and South Africa. The extension of the Ruzizi Hydropower plant to supply electricity to Burundi, Rwanda and the Democratic Republic of Congo, contributing to a long term economic growth prospects for the region. Equally the bank financed the rehabilitation of the transport infrastructure in the Beira corridor, a channel linking landlocked areas of Southern Africa to the port of Beira, in Mozambique, Railway lines and port access will be improved, contributing to poverty reduction and enterprise development in the sub region (Zimbabwe, Mozambique, Malawi, South Africa and Zambia) (European Investment Bank (EIB), 2008).

2.4 The Role of DFIs with Regards to Harmonisation

If Africa is to recover and survive economically she must strengthen her capacity to integrate her regional economy. Regional integration arrangements are intended to pave the way towards the creation of larger regional markets. A larger market benefits the participating countries in that it enhances domestic competition, encourages economic diversification, increases return on investment and thereby attracts more investment. The rationalization, or harmonization, of the REC agreements and constitutive documents (which are agreements of international character) is but one aspect of the broad harmonization process that ought to be undertaken. Economic integration both presupposes and necessitates the harmonization of other economics-related laws. The eventual aim is to combine different national economies into a single economy. Thus, a number of areas will be affected. The envisaged integration includes product market and trade integration, capital, monetary, as well as labour market integration (Dlagnekova, 2009). It is already known and accepted that interstate relationships have entered a new era of globalization. The economic theory of convergence explains that it is this phenomenon which has spearheaded, amongst others, the development of international rules in the field of trade, finance and taxation. The envisaged economic integration will bring about a strong SADC bloc which would function on principles of trade liberalization.

Article 5 of the AEC treaty states that member states undertake to create favourable conditions for the development of the Community and the attainment of its objectives, particularly by harmonizing their strategies and policies. They shall refrain from any unilateral action that may hinder the attainment of the said objectives. (Organisation of African Unity (OAU), 1991). In reviewing the literature on harmonization of markets, the conclusions have been that the harmonization is done on incremental basis allowing markets to stabilize, and perhaps it is a lesson we need to learn. The DFI's as well can adopt the same approach of incrementally intervening in harmonization processes for regional economic integration to allow stages to unfold and grow over a period of time. Member states by the virtue of becoming parties to the AEC Treaty, the members of the Community set out to establish the legal framework within which the process of Africa's economic integration would take place. As such harmonization engagements must be done at a top level as demonstrated in the treaty, that Heads of States enter into these agreements on behalf of their countries. In a quest to fast track regional economic integration, there is a greater need to see where the features of economic integration meet, at a policy level, where all changes are effected. The critical strategic discussion about regional economic integration emphasized the greater need of hard and soft infrastructure, leveraging on knowledge and information sharing. Successful intervention by DFI's will assist member states with the project management as we have seen the Chinese Development Bank doing it through the Silk Fund which aims to fund most of their infrastructure projects for integration purposes.

The DFI's can then put more finance in infrastructure investments, to improve values of the commodities that the countries in the region trade in. That injection of funds to industries and processing plants must be coupled with harmonization of trade laws, policies, frameworks and regulations to create a free trade area and later a common market. In the EU, harmonization allowed for the free flow of comparable financial information, a necessary condition for the common market. Similarly the SADC bloc can follow the same ideal to fast track economic integration.

2.5 The Role of DFIs with Regards to Institutional Capacity Building

Gumede et al. (2011) asserts that given the extensive resources, both financial and human, at the disposal of DFIs, they are crucial in addressing capacity failure in public institutions that manage development. DFIs in developing countries have a critical role in boosting capacity in the broader public sector. Furthermore, DFIs are tasked with creating new markets and, given the general lack of skills in developing countries, they will also need to be involved in building the capacity of their clients – from project preparation to, in some cases, implementation. DFIs in industrial countries, such as the Netherlands Development Finance Company (FMO) and the European Bank for Reconstruction and Development (EBRD), provide capacity to their project finance clients as a matter of course (Te Velde, 2011). They also offer capacity development support to the public institutions managing development. In South Africa, scaling up the role of DFIs in the economic development process will mean that these institutions will also have to scale up their capacity development initiatives to clients, as well as the broader public sector, to mitigate the increasing risks.

Given the significant role of DFIs in employment and productivity change, the DFIs like the DBSA can be effectively used by SADC to address human resource deficiency, state capacity which has contributed to the lethargic pace of the implementation of development initiatives in the region (Zondi & Mulaudzi, 2010). In actual fact, this assertion confirms the notion that it is important for the region to acknowledge the strength, effectiveness and efficiency of these institutions in performing objectives of the Regional Indicative Strategic Development Plan (RISDP) better. The RISDP affirms that the private sector is a strategic vehicle through which the SADC region will achieve its objectives, and focuses, in part, on facilitating trade and financial liberalization, and increased investment through the establishment, over a period, of a SADC common market. In order to attain this goal, the SADC will need to harmonize policies, legal and regulatory frameworks, and achieve macroeconomic stability (RISDP) Through their intervention efforts, DFIs clearly catalyse investment from other investors both directly and indirectly thereby bringing comfort and demonstration effects. Likewise, DFIs promote sustainable growth by reducing dependence on aid and improving governance and environmental standards as well as good business practices (Dalberg, 2010). The Medium Term Review (MTR) of the Asian Development Bank Action plan calls for further resources to be directed toward improving governance and capacity development in operations and public sector management. ADB increased its focus on technological change in the public sector during 2014. It backed the adoption and implementation of e-solutions in countries such as Myanmar, where ADB is helping authorities to develop an e-governance master plan and benchmark local information and communication technology capacities. In 2014, ADB became a multilateral member of the open government partnership, which supports country efforts to advance open government and social accountability. These are some of the lessons the DBSA can emulate, to advance institutional capacity in the SADC.

The African Development Bank as a DFI, recognizes the critical role that knowledge plays in the development of Africa. Knowledge, among other things, empowers institutions, communities and individuals to plan and implement interventions and sustain the economic development processes. Development finance institutions like the Banks generate, mobilize, share and apply knowledge. Indeed, this ability to combine knowledge and financial resources to solve complex development challenges gives these institutions a comparative advantage over others in providing development assistance (AfDB). Since the bank is in Africa, it is in a better place to understand the region’s challenges and problems. In response to their roles to initiating and influencing dialogue, the statistics department (ESTA) has focused mainly on capacity building in response to the need for reliable and timely data. Equally, the African Development Institute (ADI) rolled out programs that focused on strengthening the capacity of Regional Member Countries (RMCs) to implement Bank projects. There is evidence that institutionalizing knowledge management and a knowledge culture throughout the Bank is crucial to realizing the region’s vision and its broader strategic objectives. Knowledge management is not the sole domain of any particular organizational unit, it cuts across all of them, and for successful economic integration, and knowledge management becomes fundamental. In this discussion, we derived the fact that DFI’s like the DBSA, can institutionalize knowledge of implementing agencies or government departments by adopting interventionist mechanism on complex developmental projects which are aimed at growing and developing the economy. In a 2013 working paper for the African Development Bank, Pietro Calice says that African DFIs have historically played an important developmental role, taking higher-than-average risks to perform their mandates and reducing credit pro-cyclicality. But, notes Calice, the track record of African DFIs is mixed, and their developmental contribution has frequently come with a cost in terms of relatively low efficiency and effectiveness.

According to Biekpe, clear and focused mandates, robust corporate governance standards, ‘acceptable’ level of government control, appropriate lending and risk management technologies, and the ability to recruit and retain qualified staff, are some of the key ingredients for an effective DFI that will ultimately contribute to economic and social development.

2.6 Regional Economic Integration

SADC has crossed the critical threshold on the way to regional economic integration and this process is likely to pick up speed over the next decade. Before 1994 the Southern African region was divided between South Africa and those countries linked to it in SACU and the CMA, i.e. the BLNS countries, and the rest of the SADC states. The precursor of SADC, the SADCC, was in fact formed in 1980 by nine regional states to reduce their dependence on South Africa. The 1994 elections opened the way for South Africa to join SADC in August 1994. Shortly after

South Africa started its political thaw in 1990, the SADCC changed its primarily political agenda in 1992 to form SADC with the express object of forming a regional common market. Since then, both from a private sector and a regulatory point of view, regional economic integration has become a virtually unstoppable force. Intra-regional trade has increased significantly since 1994 and has accelerated further since the SADC Trade Protocol came into force in 2000. When member states started to implement the Trade Protocol in September 2000 almost 47% of all goods traded in SADC were at zero tariffs.(Genesis Report,2004).Understanding dynamics within a region can be important to identifying and overcoming some of the fundamental barriers to regional integration.(Hagerman,2012). The regional economic integration takes place against this background.

The word integration originates from Latin word," integratio", which means renewal whereas in an English dictionary it is defined as the "combination of diverse elements of perceptions". Against this background economic integration in simple terms will mean bringing together elements and or communities within a particular area. Economic integration is realized when a common market is established as a result of joining various economic regions. Biswaro (2003), defined "regional economic integration" as a process involving trade, economic and financial convergence of integrating states. The literature clearly distinguishes regional economic integration from regional economic cooperation. Regional economic cooperation is seen as an ad hoc arrangement, temporary and based on contractual agreements, whereas regional economic integration talks to permanency, as we have noted above the mention of joining and common markets. Balassa (1961) asserts that in everyday usage the word "integration" denotes the bringing together of parts into a whole. In the economic literature the term "does not have such a clear-cut meaning. In interpreting our definition, distinction should be made between integration and cooperation. The difference is qualitative as well as quantitative. Whereas cooperation includes actions aimed at lessening discrimination, the process of economic integration comprises measures that entail the suppression of some forms of discrimination. For example international agreements on trade policies belong to the area of international cooperation, while the removal of trade barriers is an act of economic integration.

As an institution, SADC deserves credit for achieving some level of progress in integrating its economic area and improving its international competitiveness (Hagerman,2012). Now, for Southern Africa, the growing focus and support for addressing both the soft and hard infrastructure challenges along corridors such as the North-South Corridor is producing concrete results through the introduction of One-Stop Border Posts (OSBPs), the GIS mapping of the status of transport corridors as well as the identification of financing both for the preparation and implementation of road, rail and power projects. While the North South Corridor is being addressed incrementally through addressing the hard and soft infrastructure barriers between two or three countries, it must at least be viewed as success and a model for SADC as a coordinating body.

A review of literature on regional integration theory reveals a remarkable analysis by Marchal and Perroux, as cited in DeRosa (1998). Marchal has proposed an alternative approach that will take into consideration the historical dimension of socio-economic phenomena of the region. He indicated that integration, as the result of development, is distinct from integration as an instrument or precondition of development. In other words, economic integration can be perceived as the historical product of evolving technical, economic and social structures, or a product of conscious efforts on the part of societies acting collectively to improve their economic condition. However Marchal has shown that economic integration must be based on industrialization as its driving force, and must be sustained by the social forces capable of supporting and organizing the industrialization process. This a critical point, in view of the fact that Southern Africa's industrialization levels are very low and skewed, and are dominated by a few countries. Hagerman (2012) posits that, if Southern Africa is to increase intra-trade levels, it must seriously consider industrialization. While the good news within Southern Africa, have been that the SADC Secretariat has determined that approximately US$20 billion is required to support trade facilitation measures and to upgrade regional infrastructure, especially roads, rails and ports. There is however a growing concern about the leadership that has signed protocols, treaties and strategies with respect to economic integration. The Maputo Corridor has been repeatedly heralded as the success story corridor for infrastructure development on the continent. The key success factors identified include political will with former President Mbeki personally shepherding the initiative to its fruition, a competent and committed set of bureaucrats and engagement of the private sector based on terms that conveyed a level of trust and commitment to understanding the terms under which the private sector needs to operate. (Hagerman, 2012).This kind of an example demonstrates that regional economic integration, to some degree rely on both political and administrative will to execute the set objectives.

The Southern African processes of regional economic integration are also faced with the failure to effectively coordinate whether at the regional level or within and among relevant government departments, which can also be linked to human issues such as self-interest, distrust or concerns about ceding power or developing a level of dependence to a broader external constituency. (Hagerman,2012).Though many studies have confirmed that the integration of small markets is another way of providing new opportunities for growth and economic integration, but it has since progressed very slow in Southern Africa because the of the overlapping membership by member states. Noting that the Regional Integration Policy and Strategy (RISP) provides for the African Development Bank to adopt a holistic approach to capacity development, including for the rationalization of the Regional Economic Communities (REC's),it therefore solidifies the argument on the importance of the roles of the DFI's in economic integration. The RISP, determines that the Bank can work with key private sector institutions and business associations to generate results in policy convergence and alignments of national policies to regional policies and vice versa. An example of an infrastructure delivery vehicle will be the Programme for Infrastructure Development in Africa (PIDA), which is a common framework for African stakeholders to build the infrastructure necessary for more integrated transport, energy, ICT and trans boundary water networks to boost trade, spark growth and create jobs.

Against this backdrop, the DBSA, can also draw some lessons from the Bank Group to step up support to governments, national and regional institutions involved in the regional economic integration by improving the skills of staff in national and regional integration–related bodies, tying capacity development to the implementation of regional initiatives.

2.7 Development Finance Institutions and Their Roles in Economic Integration

Development finance institutions (DFIs) functions are often multiple and they may include investing in sustainable private sector projects; maximizing impacts on development; remaining financially viable in the long term; and mobilizing private sector capital. DFIs can be either bilateral or multilateral (Massa, 2011, p.21). As we have indicated above that that success of regional economic integration depends on policies put in place, we therefore discuss as follows:

2.7.1 Appropriate Policy for Facilitating Regional Integration

The existence of appropriate policy enhances the outline of critical activities that development banks must accomplish to foster achievement of effective regional economic integration (Brodzicki, 2005, p.16; Carbaugh, 2004, p.13). Some of the critical areas that must be considered during the formulation of policies for fostering regional economic integration encompass evaluation of strategies that DFIs can use to create larger and more attractive markets. Other measures include determining how development financial institutions can facilitate stronger linkage between landlocked countries by fostering international trade not only between countries within the regional economic integration, but also with the countries in other regional economic blocs (Findlay & Goldstein, 2004, p.37, Gagnepain&Marin, 2006, p229)

Effectiveness of the roles played by development financial institutions is also influenced by the extent to which the executives of the development financial institutions are able to put in place relevant policies that facilitate poverty alleviation intervention across borders. This can be achieved if development financial institutions invest in the development of appropriate regional infrastructures, cross border investment, invest to support regional and global value chains development in agriculture, services, manufacturing and mineral beneficiation (Findlay & Goldstein, 2004, p.37, Gagnepain & Marin, 2006, p. 229).

At the same time, it is critical that as development financial institutions engage in the application of the economic measures, they must also use advocacy measures to motivate governments to get involved in peace building initiatives and measures aimed at creating conducive investment

environment across countries in the regional economic bloc and beyond (Maruping, 2005, p.23; Schiff& Winters, 2003, p. 19) . In other words, supportive policies of the development financial institutions enhance the improvement of economic activities within the regional economic bloc and subsequently the ability of the region to operate competitively in the international market.
In other words, it is the realization of such a strength that influences countries in the bloc to operate in cohort with each other and thereby improve the overall extent to which regional economic integration can be a success (Bofinger, 2008, p.23). However, theoretical analysis of the trends on the successes of regional economic integration in other parts of the world indicates that unless accompanied by clearly defined principles that development financial institutions are able to follow, the roles of the development financial institutions towards facilitating regional economic integration may not precipitate the desired positive results (AfDB, 2014, p.19).

2.7.2 Cardinal Principles: Development Bank's Intervention in Regional Economic Integration

It is apparent from theories that as development financial institutions engage in the implementation of activities for regional economic integration, some of the seven critical cardinal principles that the bank's executives and staffs must observe include; principle 1; ownership and enhanced participation, principle 2: open regionalism, principle 3: progressive integration, principle 4: subsidiarity, principle 5: fair and transformative trade, principle 6: selectivity, principle 7: regional cooperation (Booz & Hamilton, 2007, p.22). Principle 1 requires all the executives and staffs of the development financial institutions to be more committed and put the necessary efforts at the continental, regional and national levels to ensure that the process of regional economic integration is successful (Booz & Hamilton, 2007, p.22).

The rationale of such a principle is anchored on the fact that in most cases, the overall commitment and effort of bank executives have been quite minimal even if there are stronger policy stipulations agitating for stronger intervention of the bank in matters of regional economic integration. In the process of demonstrating relevant levels of commitment, development financial institutions must constantly ensure that all beneficiaries are empowered (Booz & Hamilton, 2007, p.22).

It is also critical that development financial institutions engage in appropriate policy dialogue and capacity building support to encourage the participation of different stakeholders in the design of projects and to take lead in the managing of the process for the implementation of different activities for regional economic integration. Principle 2 that deals in open regionalism would require the intervention of the development financial institutions to encourage across border investments and trade in the region and with the countries in other regional economic blocs (Bowen & Leinbach, 2003, p.209). Development financial institutions can accomplish this through facilitating the ability of different stakeholders to participate in global markets and scaling up demands to match a growing supply capacity.

Other critical activities that must be accomplished in this endeavour encompass investment in technology and the improvement of efficient flow of the intermediate goods (Bowen & Leinbach, 2003, p.209). The fundamental argument under principle three that agitates for progressive integration is linked to the fact that since different countries and regions may follow different timeframes to reach integration, development financial institutions must conduct relevant evaluations and determine how they can aid each country or region progress from one stage to another (Bowen & Leinbach, 2003, p.209). Although challenges marring the effectiveness of regional economic integration can be more complex in certain cases, it is through such approach that development financial institutions are able to determine how they can intervene to ensure that regional economic integration is successful.

Subsidiarity in principle 4 would require that financial institutions ensure that powers, authorities and responsibilities are well distributed across national and regional levels and between different key stakeholders (Bowen & Leinbach, 2003, p.209). Such approach influences the improvement in the level of participation and commitment of different stakeholders. It also enhances ensuring that all the programmes for regional economic integration are well designed and implemented for every stakeholder with the designated responsibilities and powers to be held accountable (Booz & Hamilton, 2007, p.22). Principle 5 that deals with fair and transformative trade requires the development financial institutions to monitor and identify the potential risks of trade imbalances and inequities arising among the countries in the regional economic bloc.

The identification of such imbalances and inequities is critical for the development financial institutions to determine the intervention measures that can be undertaken to ensure that such imbalances are eliminated to enhance the extent to which every country and stakeholder are able to mutually benefit from regional economic integration (Booz & Hamilton, 2007, p.22). Further initiatives for ensuring mutual benefits within the countries in the region are echoed in principle six that demands development banks to be selective in the assessment of the projects to finance within the regional economic bloc (Bowen & Leinbach, 2006, p.147).

One of the criteria for selectivity would require the application of the principle of comparative advantages to ensure that the projects financed improve the comparative advantage that a particular country enjoys over other countries within the regional economic integration. Finally, principle 7 agitates for the need of the development financial institutions to encourage stronger cooperation between the countries and partners in the regional integration (Bowen & Leinbach, 2006, p.147). Although strict adherence to these principles would influence the success of regional economic integration, theoretical analysis indicates that the effects of these principles on the enhancement of regional economic integration would only be minimal unless accompanied by the use of certain seven critical strategies for a bank's intervention in the process of regional economic integration (Balaz & Williams, 2006, p.66).

2.7.3 Seven critical strategies for a bank's intervention in the process of regional economic integration

Theories indicate that the seven critical strategies that development financial institutions often use in the facilitation of the process of regional economic integration include; support for the development of soft infrastructure, design of appropriate programmes for regional integration, leveraging knowledge management, improving collaboration and liaison with regional development partners and stakeholders, improving private sector participation, and scaling up infrastructure projects (Balaz & Williams, 2006, p.66). The provision of soft infrastructure improves the capacity of different regional agencies involved in the implementation of different activities for regional integration.

Soft infrastructure provided by the development financial institutions creates a framework through which transportation and trade are facilitated. It also improves on the value chain development between different trading partners within the regional integration (Balaz & Williams, 2006, p.66). The establishment of soft infrastructure also involves the development and application of relevant standards, the establishment of a system for cross-border mobile banking to enhance international investment flows and regional financial integration (Balaz & Williams, 2006, p.66).

However, other authors caution that the establishment of soft infrastructure may not contribute towards the achievement of the desired objectives unless accompanied by the development and application of relevant indicators to enhance the assessment of the extent to which soft infrastructures put in place by the development financial institutions are contributing towards the improvement of the process for the implementation of the measures for regional economic integration (Balaz & Williams, 2006, p.66). This implies that the establishment of soft infrastructure must be accompanied by constant monitoring and evaluation to enhance the identification and elimination of deviations that limit its effects on the successful implementation of the measures for regional economic integration (Balaz & Williams, 2006, p.66).

In terms of the development of the programmes for regional integration, it is critical that development financial institutions ensure that the selected projects that are prioritized are not only of significant importance at regional levels, but also comprise priorities at national levels. Such approach would facilitate the extent to which the development financial institutions are able to ensure that national projects and priorities are aligned with the projects and objectives at regional levels (Balaz & Williams, 2006, p.66). It is through such measures that development financial institutions can be able to influence different stakeholders to get committed towards ensuring that regional economic integration turns into a success (Balaz & Williams, 2006, p.66).

Besides ensuring the effectiveness of collaboration and liaison between development partners and other stakeholders, other authors emphasize that development financial institutions must also be able to encourage stronger participation of the businesses in the private sector (Balaz & Williams, 2006, p.66). This can be achieved by improving the accessibility of financial resources by private sector businesses (Balaz & Williams, 2006, p.66). Other measures would involve consulting and involving them in the formulation and design of different projects and providing priorities to them when awarding contracts for the implementation of different projects.

By engaging in the process of scaling up the process of project implementation, development financial institutions must assist governments within the regional economic integration by conducting relevant feasibility analysis and providing the required technical support to ensure that the process for the implementation of different projects within the region is successful (Balaz & Williams, 2006, p.66). In addition to these seven critical strategies, the interpretation of theories also indicates that the executives of the development financial institutions must consider certain strategic pillars in the endeavours to foster regional economic integration (Balaz & Williams, 2006, p.66).

2.7.4 Strategic Pillars for a Bank's Intervention in Regional Economic Integration

The results of the studies conducted on regional economic integration in Asia and North America indicate that the two main pillars that the development financial institutions often put in place to influence the effectiveness of the process for the implementation of the activities associated with regional economic integration include; pillar 1: investment in the development of regional infrastructure and pillar 11: financing activities that facilitate regional industrialization and trade (Asian Development Bank, 2010, p.29).

2.7.5 Investment in the Development of Regional Infrastructure

Development financial institutions committed towards ensuring the successful implementation of activities for regional economic integration are often interested in financing all activities that lead to the successful regional economic integration (Asian Development Bank, 2010, p.29). Investment in the relevant regional infrastructures is one of the measures and pillars through which banks can ensure that such initiatives are successfully implemented (Asian Development Bank, 2010, p.29). By investing in relevant regional infrastructure, development financial institutions are able to improve linkage between different countries in the region. All these impact on the improvement of the intra-trade among the countries within regional economic integration and subsequently the strengthening of the relationship between countries in the regional economic integration (Asian Development Bank, 2010, p.29). Activities required in pillar 1, do not only involve investment roads, rails and airports to facilitate regional integration, but also in the telecommunication infrastructure by harmonizing the level of bandwidths in the region.

Investment in the appropriate telecommunication infrastructure influence reduction in the general costs of communication to thereby impact positively on the improvement of export trade and economic diversification among countries and trading partners in the region (Asian Development Bank, 2010, p.29). However, other authors argue that for the infrastructure put in place to influence the reduction in the level of trade and economic activities in the region, it must be linked to key national infrastructures and further cascaded down to the community levels as well as other productive centers and markets at rural levels (Desai, 2010, p.53).

Theories indicate that the other forms of infrastructure that must be put in place to influence the effectiveness of the process of regional economic integration include financing the development of the sources of clean energy, ICT infrastructure, establishment of corridors linking different strategic locations within the region, improving logistical and infrastructure hubs, supporting trans boundary water resource management, bridging soft and hard infrastructure gaps, support of infrastructure maintenance and investment in research and development to initiate new projects and improve the conditions of the existing infrastructure (Desai, 2010, p.53). As all these are being undertaken, it is also critical that the development financial institutions accomplish activities that deal with putting in place the necessary measures to facilitate regional trade and industrialization (Desai, 2010, p.53). An example of Inga 3 project in the Democratic Republic of Congo is a case in point. The Grand Inga Hydropower project may prove to be South Africa's solution to the current and future energy challenges once the South African Parliament ratifies the treaty on the energy scheme with the Democratic Republic of Congo (DRC). The treaty, signed by South Africa and the DRC in October 2014, provides the framework for the facilitation of power generation from the Grand Inga project and its delivery to the border between the DRC and Zambia. The ratification of the treaty will pave the way for the development of Inga 3, which will provide 2 500 MW of electricity to South Africa and contribute to regional integration, energy security and economic growth in an environmentally sustainable manner.

2.7.6 Facilitate Regional Trade and Industrialization

The activities in this pillar deals with facilitating activities that relate to improving values of the commodities that the countries in the region trade in. This can be achieved by increasing the investment and support provided to the activities associated with the establishment of industries and processing plants (Asian Development Bank, 2010, p.29). The undertaking of such measures enhances the extent to which the development financial institutions are able to facilitate the ability of different countries and trading partners to mutually gain from the trading relationships (Achard, 2009, p.13).

Such a view is based on the fact that in most cases, regional economic integration has failed because some countries or trading partners feel cheated to thereby imply that if all the countries feel that they are mutually benefiting, they may be more interested towards ensuring that they are committed that regional economic integration succeeds rather than disintegrates (Achard, 2009, p.13).

In other words, by investing in the activities that contribute to the improvement of trade and industrialization, development financial institutions are also able to improve on the level of diversification of economic activities and improve the balance of payment of the region and countries within the region (Achard, 2009, p.13). Other measures would also require the development financial institutions to finance education, agriculture and create conditions that attract foreign direct investments in the countries in the region (Achard, 2009:13). Besides the need to improve the level of service exports, the facilitation of the free movement of people through review of the relevant legislations is the other initiative that the development financial institutions can undertake to improve the level of intra-trade in the regional economic integration (Achard, 2009,p.13).

2.7.7 Models for Dialogue and Engagement of Governments

It is often perceived that the roles of the development financial institutions are limited to the provision of the relevant support and financing of different projects within regional integration (Essletzbichler & Rigby 2010, p.19). However, empirical facts indicate that if development financial institutions are to influence the process of regional integration, extending their roles to initiating and influencing dialogue and engagement of governments at different levels is a prerequisite (Essletzbichler & Rigby 2010, p.19). Development financial institutions can play these roles at two critical levels that include intervention at the top level and application of bottom-up approach.

2.7.8 Intervention at the Top Level

Top level approach requires banks to intervene at the top and sponsor different programmes to ensure that different government officials are engaged in their different capacities to forge a link between the different governments (Essletzbichler & Rigby 2010, p.19). These can often be accomplished by initiating seminars, conferences and workshops that bring different key government officials and stakeholders in their capacities. It's through such approach that the development financial institutions can be able to highlight the importance of regional economic integration and change the attitudes and perceptions of most of the key government officials to be supportive of the initiatives for fostering the overall effectiveness of the process of regional economic integration (Essletzbichler & Rigby 2010, p.19).

Although such shadow diplomacy enhances the overall effectiveness of the process of regional economic integration, other authors argue that its effects towards enhancing the initiation of new policies may be limited. This is attributable to the fact that as governments change, trends in Asia indicates that new key government officials are often brought in (Hausmann & Hidalgo, 2010, p.10). These new key government officials may have new ideas and perspectives of which some of them may be incompatible with the policies for fostering regional economic integration (Hausmann & Hidalgo, 2010, p.10).

Such a view explains why certain authors reason that if the development financial institutions are to ensure the sustainability of their initiatives, then, the process of consultation and engagement involve not only those in government, but also other stakeholders such as the opposition and other civil organizations (Hausmann & Hidalgo, 2010, p.10). In other words, this implies that the intervention at the top level must be accompanied by the application of the bottom-up approach (Hausmann & Hidalgo, 2010, p.10).

2.7.9 **Bottom-up Approach**

Bottom-up approach requires the development financial institutions to constantly sponsor consultation meetings, conferences, seminars and workshops at the community levels so as to solicit the views of the ordinary population of the countries within the region about how regional economic integration can be effectively undertaken (Hausmann & Hidalgo, 2010, p.10). Some of the members or groups that can be consulted during the application of the bottom up approach include the business communities, rural population, farmers, civil servants and the civil society organizations (Bretschger & Steger, 2004, p.19). The application of the bottom-up approach influences the extent to which the development financial institutions are able to understand the needs of the communities and pass them on to the top government officials during meetings and conferences associated with the intervention at the top level (Bretschger & Steger, 2004, p.19). In other words, such approach enhances the involvement of the ordinary people in the process of the formulation of the policies on regional economic integration. It is through such approach that the development financial institutions are able to identify and eliminate any concerns among the larger population that can emerge later to interfere with the smooth process of regional economic integration (Bretschger & Steger, 2004, p.19).

In other the use of these two approaches influences the extent to which development financial institutions are able to woo key stakeholders from the community, national and regional levels to enhance the effectiveness of the overall process for the implementation of activities linked to regional economic integration (Bretschger & Steger, 2004, p.19). From this discussion, it is clear that regional economic integration under study is to start at a sub-regional level (a bottom-up approach). This seems to be a sensible option, especially because it allows for states to overcome impediments to both regional and continental integration because, at a regional level, states are generally more socially, economically and culturally compatible and interdependent. Though there is much commitment and enthusiasm around economic integration, very little evidence is available to support the idea that the existing economic communities (ECOWAS, COMESA, SADC etc) have made significant progress towards the coveted objective of achieving market integration (Dlagnekova, 2009).

2.8 Conclusion

It is apparent from the discussions in this chapter that although the roles of the development financial institutions have been largely underrated in the process of the implementation of activities associated with regional economic integration in SADC, theories indicate that DFIs play significant roles in fostering the effectiveness of regional economic integration. The chapter has highlighted that development financial institutions often provide critical pillars for regional economic integration that include; investment in the development of regional infrastructure and financing activities that facilitate regional industrialization and trade.

As much as the provision of such infrastructure is noted to be critical, the chapter also reveals that their positive effects towards influencing effectiveness of regional economic integration may only be minimal unless accompanied by the initiative of putting in place the appropriate policy for facilitating regional integration and embracement of the cardinal principles for a development bank's intervention in regional economic integration. It was also noted in the discussions that theories indicate that the seven critical strategies that development financial institutions often use in the facilitation of the process of regional economic integration include; support for the development of soft infrastructure, design of appropriate programmes for regional integration, leveraging knowledge management, improving collaboration and liaison with regional development partners and stakeholders, improving private sector participation, and scaling up infrastructure projects.

Further theoretical evaluations in the chapter revealed that empirical facts indicate that if development financial institutions are to influence the process of regional integration, extending their roles to initiating and influencing dialogue and engagement of governments at different levels that include intervention at the top level and application of bottom-up approach is a prerequisite. The key finding in this regard has been the confirmation that economic integration has to start at bottom-up approach, which makes it to be used as a microcosm for bigger integration in Africa and internationally.

Chapter Three

Research Design and Methodology

3.1 Introduction

The aim of this methodology chapter is to outline and describe the methodological choices and motivations for carrying out this study. It is also done to assist the research investigation to better comprehend and research the process of regional integration in Southern Africa. Thomas (2010), asserts that all research is based on some underlying philosophical assumptions about what constitutes 'valid' research and which research method(s) is/are appropriate for the development of knowledge in a given study. In order to conduct and evaluate any research, it is therefore important to know what these assumptions are. The discussions in this chapter will therefore elucidate on the research design and methodology which will be used in the primary research process. Having prescribed the research design, the chapter notes that the research strategy is going to be qualitative. This set the trend for evaluating the sampling process, data collection method, questionnaire design, interview processes, data analysis, validity and reliability, limitations of the study and research ethical considerations.

3.2 Research Design: Case study

The strategy for inquiry will be qualitative, because the topic under study is primarily an exploratory research. It will be used to gain an understanding of underlying reasons, opinions, and motivations thereof. According to Thomas (2010), research design can be thought of as the logic or master plan of a research that throws light on how the study is to be conducted. It will show how all of the major parts of the research study– the samples or groups, measures, treatments or programs, etc–work together in an attempt to address the research questions. The research design for this study is an exploratory case study that is analyzed through qualitative methods. This study will the exploratory case study design to assist in the evaluation of the role of DBSA in SADC's regional economic integration so as to determine how the role of DBSA and other development financial institutions can be effectively integrated in the process for facilitating regional economic integration in the SADC region. It is noted in Saunders and Lewis' (2012) explanation that instead of conducting a sweeping survey, a case study focuses only a particular aspect of the organization or only on a single organization in order to conduct in-depth analysis and evaluation of the research problem. Because the research is narrowed down to a particular area or subject, these authors argue that the use of a case study will facilitate the comprehensive understanding of complex issues which would have not been reasonably practicable if evaluated in a wider context.

3.3 Research Methodology: Qualitative Research Method

Contrary to a research design that prescribes a form a general approach and methods which are used in the accomplishment of a research, Strauss and Corbin (2000, p.172) posit that a research method refers to the process of outlining the specific techniques and tools which are used in the primary data collection process. In other words, these authors interpret that a research method concerns the actual techniques that the research uses in the process of obtaining raw data from the participants or respondents in a study. Collis and Hussey (2009, p.15) and Bryman (2012, p.32) reveal that a research method can either be qualitative or quantitative. Bryman elaborates that the quantitative research method which is usually applied when the researcher intends investigating large scale patterns of behaviour, approaches social phenomena from the perspective that they can be measured and quantified. In stark contrast to the quantitative research methods, these authors note that qualitative research which is often more effective when seeking to investigate interactions and relationships in details, refers to a research method which seeks to elicit as much in-depth understanding of human behaviour and reasons thereof as possible. For the purposes of the research questions and problem identified, the researcher will endeavour to discover new insights into the topic at hand, by organizing interviews with relevant stakeholders who are mostly involved with both the SADC and the DBSA, in order to explore and understand the context to which regional economic integration in attaining. The research methodology discussed will be used as a tool to collect ideas, views, beliefs and opinions to acquire perspectives from people who hold data, by entering into their lives and organizations being studied. The researcher has to make sure that rich descriptive data that will help to see the world through the eyes of the participant (Wagner, Kawulich & Garner, 2012, p.133)

Collis and Hussey (2009, p.15) further explain that the qualitative research method will not only seek to answer what, where and when of the research aspect, but also why and how of decision making. Strauss and Corbin (2000, p.172) point out that whereas the common quantitative research methods include experiments, surveys and statistical analysis; the common qualitative research methods include participant observation, focus groups, interviews and content analysis. Considering the views of these authors on what quantitative and qualitative research methods entail, this study opted for the use of the qualitative research method. The selection of qualitative research method is accentuated in the view that it is anticipated that it would facilitate the question on how the role of DBSA can be effectively integrated in the process for facilitating regional economic integration in the SADC region. This according to Baxter & Jack (2008) facilitates exploration of a phenomenon within its context using a variety of data sources. This will ensure that the issue is not explored through one lens, but rather a variety of lenses which allows for multiple facets of the phenomenon to be revealed and understood. In a bid to accomplish this, the research will use interviews as the main qualitative research method.

3.4 Sampling

Taylor (2007, p.126) notes that whereas a sample refers to a subset of the population which is used in the study, sampling connotes a process of determining the appropriate valid representative units or subjects which can be used in the study to enable it possible for drawing the relevant generalization about the target population. Taylor (2007. p.126) further highlights that the process for sampling can be accomplished using either probability or non-probability sampling techniques. According to Wagner et al. (2012) probability sampling strategies are generally preferred because the selection of participants is non-systematic and random.

In addition to highlighting that probability sampling is mainly used in quantitative research, these authors also note that the main techniques which are used in probability sampling include;

simple, systematic, stratified or cluster random sampling. In line with Taylor (2007, p.126) and Blumberg, Cooper and Schindler's (2005) prescriptions and the fact that the selected research method is qualitative, this study will use the non-probability sampling technique. Specifically, the study will apply convenience sampling in the process of drawing the sample participants from the bigger population. Taylor (2007, p.126) explains that convenience sampling is a technique where subjects are selected because of their convenient accessibility and proximity to the researcher. Accordingly, Wagner, Kawulich and Garner (2012), posit that convenience sampling is the most expedient form of sampling that there is, because the researcher simply uses whoever is readily available. In this research, the interviewees will be the SADC secretariat, because they have the data on all discussions since inceptions of the concept, and also because of their strategic position in the bloc. At the DBSA the focus will be on the branch in charge of regional projects, because they will throw light on what they have done to assist the region fast track the economic integration.

The DTI, is a custodian of trade and investment projects that take place between South Africa and any other country or countries and as such will be in a position to detail the extent to which investments in the region have been structured to enhance both the traditional and non-traditional gains from the regional economic integration arrangement. Lastly it will be specialists (academics, diplomats and political economists) who are involved with research and policy formulation and narrating at the regional level. The targeted people as mentioned, all have a valuable information and opinion they could offer to the researcher as they will be describing their lived experiences with SADC and DBSA, in as far as the regional economic integration is concerned.

3.5 Data Collection Methods

Strauss and Corbin (2000, p.172) explain that the different data collection methods which are used for eliciting information from participants in a qualitative research include participant observation, focus groups, interviews and content. Despite the existence of these different data collection methods, this study will use interviews as the main technique or tool for primary data collection. Focus groups should not be preferred because it would not be reasonably practicable to convince the potential participants to spare their time to participate in the focus groups discussions. Content analysis will be left out as the researcher does not want second opinion or views from documents, but actual firsthand experience of the participants. Wagner, Kawulich and Garner (2012), state that an interview is a two way-way conversation and a purposive interaction in which the interviewer asks the participant questions in order to collect data about ideas, experiences, beliefs, views, opinions and behaviours of the participant. While deriving from Zimbalist's (2007, p.29) enunciation, interviewing which is the process of gathering data from humans by asking questions and getting them to respond can be structured, semi-structured or unstructured. Zimbalist adds that semi-structured interviews consist of a list of open-ended questions based on the topic areas the researcher intends to study with the effect that the open-ended nature of the questions provides opportunities for both the interviewer and interviewee to discuss certain topics in more detail. Zimbalist (2007, p.29) further states that the advantage of semi-structured interviews is also reflected in the fact that if the interviewee has difficulty answering a question or hesitates, the interviewer can either do a detail-oriented probe, elaboration probe, a clarification probe or a combination of the three.

3.6 Data Analysis

Burnard, Gill, Stewart, Treasure and Chadwick (2008, p.21) indicate that the two main fundamental approaches which are used for the analysis of interview data include the deductive approach and inductive approach. These authors elaborate that the process and structure for analyzing interview data using deductive approach is usually predefined by a conceptual framework and/or the research objectives and questions for the study. In stark contrast, Burnard *et al.* (2008, p.21) explain that in inductive approach, a blind analysis is usually undertaken by reading and evaluating interview data without reference to any predefined framework in order to determine the emerging themes and how they relate to the key issues that concern the study. This study will use both deductive and inductive approach in the process for analyzing the interview data. The deductive approach will be used on the basis that while transcripts will be read and evaluated repeatedly, the overall purpose is to determine how the emerging themes and subthemes effectively relate and respond to the research questions that are out lined in Chapter 1 of this research proposal to include: What has been the role(s) of DBSA in SADC's regional economic integration? Which factors are limiting the effectiveness of the role of DBSA in SADC's regional economic integration? What measures can be recommended for improving the effectiveness of the role of DBSA in SADC's regional economic integration?

The inductive approach will be used in order to encourage the analysis without any biasness, but with a free mind. In order to accomplish this, the study will use the thematic content analysis as one of the most common techniques for the analysis of interview data. The three main steps which will be used in thematic content analysis include: thorough reading and evaluation of interview transcripts, the identification of key themes and subthemes, grouping of themes according to how they relate or contrast each other, and creating relationship between key themes in order to assess whether they provide any relevant meaningful framework.

3.7 Validity and Reliability

Wagner *et al.* (2012, p.78) state that reliability estimates the consistency of your measurement and put more simply, reliability is the degree to which an instrument measures a construct the same way each time it is used under the same conditions with the same respondents. Validity, on the other hand, involves the degree to which you are measuring what you are supposed to measure .In other words, is the researcher actually measuring what she /he says she /he is.

Reliability and validity both relate to the logic and accuracy of a test (Wilckens, 2010). Reliability necessitates improved equivalent investigation, whereas validity examines the question of whether or not the investigation is done to properly answer the research questions being asked; that is to ask if the experiment is logically valid (Wilckens, 2010).The question as to whether the validity and reliability of a qualitative research can be upheld continues to dominate most of the modern literature and theories on qualitative research methods (Lincoln & Guba, 2005, p.69).

In these debates, the contentious issue is that the validity and reliability of a qualitative research cannot be guaranteed because of the high likelihood of the researcher's feelings, beliefs and cherished ideological values creeping into the analysis process to cause biasness. However, as this issue remains largely unresolved, enormous theories prescribe how validity and reliability in a qualitative research can be tested and guaranteed (Maxwell, 2012, p.279). In a qualitative research, Maxwell highlights that validity is measured by assessing whether the obtained qualitative data is plausible, credible, and reliable and can be defended when challenged. In other words, he posits that validity and reliability in a qualitative research are debatable (2012, p.279).

In order to assess validity and reliability of a qualitative research, Wagner *et al.* (2012, p.82) describe types of validity and reliability that will be considered in this research. Content validity, construct validity and criterion validity. On reliability, it is inter-rater reliability, test-retest reliability, parallel-forms reliability and internal consistency reliability.

3.8 Limitations of the study

According to (Spring and Fall, 2014, p.27) the delimitations of a study are those characteristics that limit the scope (define the boundaries) of the inquiry as determined by the conscious exclusionary and inclusionary decisions that are made throughout the development of the proposal. Unlike limitations, which flow from implicit characteristics of method and design, delimitations results from specific choices by researcher. In this proposed research there are limiting elements which will be deliberated in advance before extrapolations are made. The Development Bank of Southern Africa (DBSA) is a state owned entity with the purpose of accelerating sustainable socio-economic development and improve the quality of life of the people of the Southern African Development Community (SADC) by driving financial and non-financial investments in the social and economic infrastructure sectors. This study will not mention the position of Economic Partnership Agreements (EPA's) whether they stand to hinder or benefit regional economic

3.9 Research Ethical Considerations

Bless, C, Higson-Smith, C and Kagee. (2009) posits that in conducting research interview, confidentiality must be given, respondents should not be harmed or experience problems through the research. Before conducting the interview, the research interviewer should give a clear explanation of the purpose of the research. The researcher will take certain precautions prior to resuming the interview, this will include risk assessment the interview may pose on the personal, professional life of the respondent as well as the legal liabilities and ramification that may result from participating in the interview. The researcher will have to clarify ethical matters related to the research prior to commencement of the research and inform the respondent that they are free to exit the interview at any time. Information gained during the interview will be kept confidential and respondent will be given an opportunity to review the transcripts once completed before the research is finalized. The word "ethics" is derived from the Greek word "ethos", meaning one's character or disposition (Bless et al., 2009: 140). An ethical issue is concerned with whether the behaviour conforms to a code or set of principles. In this study, ethical issues to be considered encompassed providing: a brief description of the nature of the study, a description of what participation would involve in terms of activities or duration, a statement indicating that participation is voluntary and can be terminated at anytime without penalty, a list of any potential risk and/or discomfort which participants may encounter, the guarantee that all responses would remain confidential and anonymous, the researcher's name, plus information about how the researcher can be contacted, an individual or office which the respondents could contact, should they have questions or concerns about the study, an offer to provide detailed information about the study, e.g. a summary of the findings upon the completion of the study, and a place for the participant to sign and date the letter, indicating agreement to participate.

3.10 Conclusion

Overall, the discussions in this chapter indicate that having prescribed the research design, it is noted that the research method will be qualitative. According to the discussions in the chapter, this set the trend for evaluating the sampling process, data collection method, questionnaire design, interview processes, data analysis, validity and reliability, and research ethical considerations. The next chapter provides the discussions of the primary research findings.

Chapter Four

Presentation of findings and discussions

4.1 Introduction

This chapter offers the presentation and discussions of the findings. The presentation and discussions of the findings are structured according to three sections derived from the research questions from the questions indicated in chapter 1 of this dissertation. The first section evaluates the role of DBSA in the regional economic integration in the SADC. The second section examined the hindrances of the effectiveness of the supporting roles of DBSA in the SADC's regional economic integration. Lastly, the third section analyzed the strategies for improving the supporting roles of DBSA in the regional economic integration in SADC. In the main, the findings will be summarized based on three (3) questions, notwithstanding the fact that the questionnaire had ten (10) sub-questions. The details of the findings are presented and evaluated below.

4.1.1 **What have been the roles of DBSA in the regional economic integration in SADC?**

The analysis of findings revealed the major roles of DBSA in the regional economic integration in SADC: resource mobilisation and financing of regional infrastructures in SADC; identification of areas for cooperation to facilitate the economic development of SADC; and influencing policy development through research and information exchange and sharing. The details of these themes are evaluated as follows.

4.1.1.1 Resource Mobilisation and Financing of regional Infrastructures in SADC

It emerged from the analysis of the findings that most of the activities of DBSA have entailed resource mobilisation and financing of different regional infrastructure projects in the SADC region. It was evident across DBSA reports and integrated strategic plan that resource mobilisation and resource allocation is part of the mandates that the DBSA was established to fulfill. This is also expressed in its vision, mission statement and in its values. To accomplish this narrative, some of the participants from DBSA, SADC, Regional Integration Experts/Researchers and the National Treasury intimated that the resource mobilisation roles of DBSA have entailed liaising and motivating the need for financing different projects that are perceived as critical for stimulating further socio-economic development and growth of the SADC region. The DBSA, as stated by the SADC secretariat office "has played a pivotal role in the preparation, funding and building phases of the infrastructure development value chain".

Accordingly, since 2009, the DBSA has disbursed more than R43.1 billion to infrastructure projects, and with the low levels of economic integration in the region, the bank has been increasingly putting money to realise the regional integration. In 2013/2014 as it were, the bank had approved R5.6 billion for developing the region and this was seen as growth from the previous year, which allocated R3.8billion.

The similar view is substantiated in the opinions of one of the participants from the National Treasury who stated that:

> "The DBSA has played a significant role within the DFI Network, which is managed by the DFRC located in Botswana. DBSA has significant exposure to Africa currently and continues to invest in countries such as Zimbabwe Angola and Zambia to enhance their economic participation in the regional economy. Though the DBSA has no legislated direct role in the regional economic integration, but the institution, has effectively extended infrastructural finance to help link small economies through road infrastructure, they have put in funding for water, ICT, energy to encourage inter-trade in the region. The bank has also catalyzed investments by crowding in investors to put more money in the region."

Nonetheless, with sufficient funds raised and put in place, it was common across the findings that the major roles accomplished by DBSA have often entailed financing of different infrastructural development projects. Though not every participant hinted the importance of equilibrium before integration, but just two persons raised a view in "that there was a great need for the DBSA and other banks to put money in small economies, before the regional economic integration is full blown, precisely because states are unequal, and the size has an effect in the integration process.

Another participant from the National Treasury dealing with integration argued,

> "that the glaring inequalities in the SADC member states may disadvantage other states from growing, and an example of South Africa versus Malawi, was made, with the question of marginal propensity of South Africans to go and invest in Malawi, with regards to safety, weak institutions, poor infrastructure and human capacity, which are some of the considerations, investors look for when they decided to invest in a particular country".

In a bid to bring about equilibrium in the SADC member states, interviewees from National Treasury, SADC and the research experts both from the SADC and Commonwealth noted with appreciation, that the DBSA has been engaging in different infrastructural development programmes such as the construction of rails, roads, airstrips and airports in less developed countries such as the Democratic Republic of Congo, Angola and Mozambique, however reiterated that there is a still a lot of work to be done, so that the regional economic integration is a success, and actually benefit ordinary countrymen.

In the 2009/2010 annual report, the bank stated that the DBSA has partnered with the African Development Bank (AfDB), on a project preparation fund of 3 million pounds for 2010/2011 focused on Sub-Saharan Africa, and with a memorandum of understanding signed with the European Investment Bank for another 6million pounds for over three years for infrastructure projects in Southern and Eastern Africa. Equally, the bank secured an agreement with the Finland government to establish the Energy and Environment Partnership Programme for Southern and Eastern Africa. This programme will provide 8.5 million pounds for project development in eight (8) countries, including Botswana and South Africa" (DBSA Annual report 2009/2010). This is in accordance with the claim by the National Treasury participants, that for many years the DBSA actually catalyzed a lot of funding for huge investments that will factor economic growth and job creation in the region.

Besides resource mobilisation and financing of critical infrastructural projects, it also emerged that the other critical role accomplished by DBSA has entailed identification of the areas for cooperation to facilitate integrated economic growth and development of SADC countries.

4.1.1.2 Supporting Identified Areas for Cooperation to facilitate the Economic Development of the SADC

To stimulate the overall integrated economic growth and development of SADC countries, the analysis of the findings revealed that DBSA has been supporting identified areas of cooperation to ensure the required critical activities are effectively implemented. The areas of cooperation, include amongst the others capacity building and development, agriculture, education, energy, water and sanitation and infrastructural development.

In terms of local government capacity building and development, it emerged from the analysis of the findings that DBSA recognizes that the effective performance of most governments in the region is linked to the functional local government with capacity to undertake effective planning and implementation of different programmes that are critical for aiding effective development of the SADC region. Ranging from Angola, Mozambique, Democratic Republic of the Congo and South Africa, the DBSA notes that the major local government capacity related challenges are linked to lack of critical skilled human resources, institutional capacity, financial capital, infrastructural development and poor sanitation that affects the health of the population in the SADC region. Such a view is substantiated in the opinions of one of the experts working at National Treasury who stated that:

> "As a key DFI in Southern Africa, DBSA could consider focusing on five areas: (1) investment in cross-border infrastructure to reduce trade costs (e.g. roads, rails, ports – and increasingly infrastructure/capabilities for participating in the digital economy); (2) investment in energy generation and distribution networks (including renewable energy);

(3) develop grants or facilities for project preparation to deliver bankable infrastructure or industrial projects; (4) pilot projects in technological development and adaptation, including climate-friendly technologies and "greening" of industrial processes; and (5) support for building productive capacity (i.e. SMEs, projects in agro-processing and industrial capacity, special economic zones, regional value-chains in goods and services, investing in the green economy, etc.). SADC has adopted an Industrial Strategy and Infrastructure Strategy and DBSA can become a useful implementing agency for some of the projects."

Whilst recognizing that most local government structures struggle with the challenge of insufficient skilled personnel, the participants stated that the "DBSA has been intensely involved in the development and financing of different local government capacity development programmes in the region." The training programmes as coordinated by the Vulindlela Academy, have sought to focus on local government capacity, as it is in the coal face of development. During the launch of the academy in 2011, it was proclaimed that, "the academy will offer a wide variety of specially tailored courses to, amongst others: municipalities, civic organisations, youth groups, traditional leaders, national and provincial government departments, DBSA staff and development finance institutions (DFI) of SADC countries" (NGO Pulse, 2006). Equally, the manager responsible for the Academy commented that it is an exciting initiative that confirms the DBSA's vision of being a leading change agent for socio-economic development in the Southern African Development Community (SADC) region. As indicated earlier in the literature with regards to capacity building, the establishment of the Vulindlela Academy, was a step in a right direction, to further strengthen the DBSA's ability to disseminate and share knowledge across a broad base and to give effect to its triple role of financier, advisor and partner (NGO Pulse, 2006).

On the other hand, some of the participants argued that "as population expansion in the region continue to pose threats, agricultural development in the SADC region is increasingly being adopted as a strategic tool for creating excess food reserves, and hence a great need to focus more attention to agricultural linkages". In a bid to accomplish this, interviewees from National

Treasury, SADC, and two experts raised importance of putting more resources for agricultural production, as fundamentals for intra- regional trade, as stated in the RISDP.

Zunckel, Sandrey, McCarthy and Vinck (2006), argue that the opportunities and challenges facing the Agricultural sector of Southern African countries, in the context of regional integration, particularly under SACU and SADC, are intuitively linked to South Africa's economic strength and with that of the other countries. South Africa contributes 67 percent of the GDP of SADC and 62% of the total value of SADC's external trade. Although it generates only 24 per cent of the contribution of Agriculture to GDP in the SADC region, South Africa provides half of the agricultural exports originating from SADC countries.

Against this knowledge it is argued by one expert that as DBSA plays a significant role in the SADC economic integration, it equally must put more effort in Research and Development, which should in anyway be housed within the Vulindlela Academy, to determine the best Agricultural concepts, in line with the RISDP vision.

In addition to identification of uniform large scale agricultural policy as a strategy that would facilitate regional economic integration in the SADC region, two interviewees from the DBSA reiterated that SADC has also been heavily investing energy and power generation, which is somehow a contributory factor to Sustainable Agriculture. This is reflected in the fact that besides DBSA's partial investment in energy and power generating utilities such as the ongoing Kusile energy power development, DBSA has also been investing in the development of energy in other SADC countries like the Democratic Republic of the Congo, Angola and Mozambique. Improved energy generation across the SADC region was reiterated by one interviewee from the SADC, "to be not only critical for edifying even economic development across the SADC member countries, but also to ensure that it facilitates the extent to which those countries that have excess energy can share with those with limited energy generating capacities". According to the National Treasury, this is reflected in the fact that as South Africa gets some of its water supplies from Lesotho; it also supplies Mozambique with some energy. This form of sharing and exchange of resources emerged in the findings to be critical for leveraging the overall level of regional economic integration in the SADC region.

4.1.1.3 Influencing Policy Development through Research and Information Exchange, Advisory and Sharing.

A strong view that emerged from the researcher at the SADC headquarters, in relation to the DBSA's role, was that its mandate is adequate to assist the SADC realize its regional objectives, and what requires working on are the mechanisms and modalities of ensuring a sustained engagement and cooperation between the bank (as a financier and a facilitator), the SADC Secretariat (as coordinator and harmonizer), and member states, each one of which is individually responsible for the implementation of projects and programs.

This sentiment is also encapsulated in the DBSA's Annual Reports dating back to 1991/1992. It demonstrates clearly the commitment of the bank to regional development first, and even at that time, the bank reports that it is in the position of being able to play a significant role in the development of South and Southern Africa (DBSA, 1991, p.4). It possesses a pool of skills and experience, as well as database of focused development information. The bank's annual report 1991/1992, talked about framework for development, which emphasizes the greater need to develop appropriate policies and strategies, and mostly the institutional dispensation which will manage functions and programme in the future. The bank also believes that the functions and services that it renders will be of increasing importance in both South and Southern Africa, and its role will be determined by the larger institutional dispensation for development (DBSA, 1991).

The DBSA's Annual Report (1998) also sets out clearly the banks' commitment to regional development by loaning R2.9 billion to SADC countries, and systematically establishing relationships, developing country risk profiles, and strategies, and gradually building up investment portfolios in the region (DBSA, 1998, p.14-15). The actions of the bank emphasizes the benefits that can come through the bank's involvement in other SADC countries, like linking of regional economies, the opening of new trade channels, global contacts and opportunities for businesses of all sizes.

At same time, views from some of the participants from the National Treasury revealed that,

> "The DBSA has been involved with the SADC region since 1997, and they have done a lot of work towards the realization of the regional integration. They have played a major role in the infrastructure development and have contributed immensely in railways, roads, water, energy and agricultural projects. Accordingly, the National Treasury is convinced that the DBSA has worked so hard in the area of economic development in the Sub-Saharan Africa, such that its role has changed from being a South African development finance institute to become a financier of projects aimed at enhancing regional economic integration, and this role has yielded desirable fruits at this stage, but there is a still a lot of work to be done."

To influence regional economic integration in the SADC region, the analysis of the findings revealed that DBSA has heavily invested in research and information exchange and sharing that influence policy development in the SADC region. Through this analysis, findings revealed that DBSA aims to help in developing policies that would leverage equal economic development of the SADC region. This would certainly contribute to minimizing risks of the emergence of competing national interests and nationalism that often hamper the process of regional economic integration in the SADC region. To accomplish this, it was evident from the findings that DBSA has established the Project Preparation Fund Unit (PPFU), for the preparation of the environment for project implementation, feasibility analysis and assistance with relevant financial support to ensure the kick start of the processes for the implementation of different projects. Through this initiative, some of the participants from DBSA noted that DBSA managed to act in conjunction with the South African government and the European Union to raise a total of 100 million Euros to aid in the preparation and financing of projects across energy and infrastructure development. In other words, the view that DBSA has been influencing activities that facilitate regional economic integration is echoed in the fact as raised by a researcher at the SADC headquarter that:

> "The DBSA has not had a direct role in either of the SADC areas of cooperation. Particularly, they have not observed any engagement of the SADC with the DBSA in the area of political and security cooperation. However, there are potential areas of cooperation with regard to economic activities, especially the establishment of the SADC Regional Development Fund and support for industrialization and infrastructure development, the latter of which the SADC has prioritized in the Revised RISDP 2015-2020 as key intervention areas to promote the economic development of Southern Africa. The DBSA would best contribute to the regional cooperation and integration of Southern Africa through facilitation of the development fund, industrialization, and infrastructure development."

Besides energy, the other projects that have been initiated and influenced by DBSA cut across water and sanitation, transport and logistics and ICT infrastructure. In terms of energy development, findings revealed that DBSA has been influencing energy policies and committing enormous resources towards energy generation, transmission, safety and energy security. The findings also revealed that the DBSA has also been committing funds towards the development of transport and logistics infrastructure.

As the DBSA agitates for regional economic integration, it has also been significantly advocating for the adoption of uniform policies that facilitate the protection of the environment through the adoption of uniform water management policies. Such policies must be accompanied by willingness to properly implement and monitor water maintenance and waste management to minimize water pollution and health risks emerging from the consumption of polluted water. In addition to these strategies, some of the participants (the SADC, an expert from the SADC and one from National Treasury) also reiterated that DBSA has also recognized the importance of having to encourage governments and businesses operating in the SADC region to adopted better technologies and low carbon and cleaner production system to minimize risks of ozone layer depletion that in turn also causes climate change.

To accomplish this, the DBSA as part of its Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) contributed part of the $57 trillion was dedicated by SADC towards financing rural electrification to minimize over-reliance on biomass by 78% of the SADC population that still rely on biomass. In addition to influencing the research and policy development in the areas of energy generation and development, it emerged from the views of some the officials from the National Treasury that DBSA has also been influencing SADC infrastructural policy development.

This is evident in the study conducted by the DBSA in which it was noted that there is an urgent need for SADC to invest the expansion of ports and airport capacities. In this study it was noted that by 2030, traffic for landlocked SADC countries would spiral by about 8.2% which is about from 50 million tons to 148 million tons by 2040. This view is also corroborated by the results of the review of DBSA Annual report (1999/2000, p.8), in which it is stated that South Africa in general, and the DBSA in particular face the challenge of translating the positive perceptions into investment leverage for SADC. The DBSA is demonstrating its commitment to development in SADC by using innovative financing instruments to crowd in higher levels of investment. Its existing approvals of R4.5billion would have represented less than 6 percent of the other SADC's countries' total external debt in 1997 and about 8 per cent of long term public and publicly guaranteed debt in that year (DBSA, 1999). However, these commitments probably play a much more important role in the development of productive sectors in these countries. While less than 30 per cent of total aid to SADC between 1995 and 1996 constituted productive investment, 99.8 per cent of the Bank's sectoral commitments to other SADC countries are for productive investments.

Nevertheless, from the discussions with both the experts from the DBSA and from SADC , it was revealed that "the transport sector in the region is found wanting, and there is an indication that there is a widening gap in the provision of infrastructure in the surface transport subsector across the region." A similar view echoed that "transit traffic for landlocked SADC countries, will increase from 13 million tonnes in 2009 to 50 million tonnes by 2030 and 148 million by 2040, at an average annual growth rate of 8.2%." Most regional ports handle only 30- 50%

transit traffic, meaning that actual port volumes will be far higher. Current projects for additional container terminals at Dar-es-Salaam will only provide adequate container capacity until 2020; planning for further expansion and/or a new port should commence. The OR Tambo International Airport in Ekurhuleni will have demand for 2 million passengers per year by 2030 and 3 million by 2040; and Lusaka International Airport currently operates at 70% capacity, but will reach 124% of capacity by 2020. Aeroport de Kinshasa (Democratic Republic of the Congo (DRC)) is currently operating at 70% of capacity and will reach 133% of capacity by 2020. The situation is similar at many other SADC regional airports (SADC, 2012).

Although it will also spur improvement of the socio-economic development and integration of the SADC countries by ease of movement of the SADC population, the analysis of the findings indicated that the DBSA's quests to leverage regional economic integration of SADC is still constrained by a number of factors, which are discussed below

4.1.2 Which factors are hindering the effectiveness of the supporting roles of DBSA in the SADC's regional economic integration?

It emerged from the contributions and analysis from the researcher at the Commonwealth, that the hindrances of the effectiveness of the supporting roles of DBSA in the SADC's regional economic integration: inhibiting inherent heterogeneity of SADC Countries; inability to hold member states accountable and responsible; lack of political will to implement the integration, and; significant reliance on grants and fundings. The details of these hindrances are evaluated as follows.

4.1.2.1 Inhibiting Inherent Heterogeneity of SADC Countries

In terms of area, population figures, size of their domestic markets, per capita incomes, and social and political situation, the SADC countries present a highly heterogeneous picture. This situation is further complicated by pronounced internal disparities in several countries. South Africa in particular is marked by an extremely unequal distribution of incomes. Some 40% of the 190 million persons in SADC are living in poverty, 30 to 40% of the working population is unemployed or forced to eke out a living in the subsistence economy (Qualmann, 2000).This sentiment also emerged from the analysis of the findings that as much as DBSA has been working dedicatedly to leverage the regional economic integration of the SADC region, major challenges often still arise from the inhibiting inherent heterogeneity of the SADC countries. These are some of the challenges that DBSA and SADC itself are struggling to deal with. Some of these inhibiting heterogeneity variables are latent in the differences of currencies used by different member states in the SADC region. In effect, as much as SADC agitates for complete socio-economic integration, the differences in the currencies used under different and sometimes incompatible economic systems and policies render harmonization of the economic policies and integration difficult. This is attributable to the fact that whereas the economic policies and systems of some of the member states' countries may be suitable, in other member states, poor economic challenges often emerge as major hurdles in the initiatives for ensuring that the economic growth and development in the SADC region evolve at the same pace. Besides differences of the economic systems, the other inherent heterogeneity factor causing poor performance is latent in the fact that although through the concerted efforts of the SADC countries, democratisation of the political system in the region has achieved significant strides; the challenge still arises from the differences in the political systems and ideologies. These differences in political systems and ideologies favour different political approaches of which some of them do not favour SADC policies of regional economic integration.

The argument that inhibiting inherent heterogeneity of SADC is a challenge is accentuated in the views from one of the DBSA officials who stated that:

> "The DBSA is viewed with suspicion at the regional level. Yet a number of SADC members are beneficiaries of DBSA funding at national level. It is this kind of sentiments that stand in the way of DBSA being able to assist more than it has done at the moment. Obviously the other one is that DBSA has limited financial resources. However, this is able to be dealt with by working with other development agencies. The size of other member states is an obstacle to regional economic integration. The National Treasury believes that the DBSA will do better if the bank were given more finance, more space to

> advise and play an effective role in catalyzing investment projects in the region. Constraints are both structural and institutional. SADC as well as all other REC's in Africa follow an approach called "intergovernmental". This approach does not provide for executive authority and devolution of powers to execute the tasks at hand. They do not have authority to drive the regional integration. An example of this is that "there is no supernatural power in Botswana that can hold states to account for their actions. There are no penalties to be imposed in case states renege on their commitments". This intergovernmental approach is rectified through parliament, and the DBSA thinks the power should be with the secretariat rather than the parliament. Therefore, there is really not much that the DBSA can do but only project preparation, project development, mainly transport, water, ICT, energy. Most of the projects in the SADC are not bankable, they are sitting as concepts, and no funding is made available as well."

According to Vanheukelom and Bertelsmann-Scott (2016) , due to political differences, some of the SADC member countries have not lived up to their commitment to the promotion of SADC regional economic integration. A classical case in point is that of DRC and Angola who both keep the SADC economic integration processes at arms length and play-off their participation in other RECs (Central African and Great Lakes structures) against their SADC commitments. Their interests in the SADC region are very much political as the commercial relationships of both the DRC and Angola are dominated by European countries (Belgium and Portugal respectively), China and the US. Neither country can be expected to play a leading role in the debates on industrial policy, which is not necessarily a reflection of the substance of the issue itself but more the overall approach to SADC membership (Nene, 2012; Redvers, 2013, as cited in Vanheukelom and Bertelsmann-Scott, 2016). This highlights the point that different countries seek to address different interests and objectives through different RECs.

According to Qualmann (2000), a crucial obstacle to deepened integration is the membership of all SADC countries in other regional organizations and trade agreements. For instance, the SACU customs union includes five SADC countries, nine countries are at the same time members of the Common Market for Eastern and Southern Africa (COMESA), Tanzania belongs to the East African Cooperation (EAC), South Africa has signed free-trade agreements with the EU and Brazil, and so on. Overlapping memberships entail various technical problems: different rules of origin are introduced; SADC's rapid development into a customs union is impeded; multiple contributions due in connection with rounds of negotiations and membership fees constitute an additional burden in this context. But the lack of political commitment to SADC as the single integration project may be of even greater impact here.

This view is encapsulated in the thoughts of an interviewee from National Treasury, who states that beyond all other mentioned inhibiting inherent heterogeneity of the member states, one other challenge with the SADC is,

> "…overreliance on donors and international cooperating partners resources. SADC is also unable to mobilize sufficient resources from Member States to finance projects to implement its regional integration agenda. A number of SADC Member States are members of similar regional economic communities which have same mission and mandate and therefore duplication of roles and of resources. For example, a number of SADC Member states are also members of COMESA, EAC and IOC. Many SADC Member states sign protocols and agreements but take a long time to do so or they sign and take a long time to ratify these instruments. SADC Member States intern political issues take priority over the economic integration agenda. Therefore more SADC resources both in terms of time and financial resources are diverted to conflict resolution at the expense of enhancing regional integration."

However, as indicated by (Russett, 1967) ,the ability of states to succeed in regional economic integration also depends on domestic economic conditions, as differences in degrees of economic development present hindrances to creating currency unions. Hass (1970) also argued that such differences were central to the failure of the Latin American Free Trade Association (LAFTA) in the 1960s. Others similarly argue that the divisions between oil poor and oil-rich states‘in the Middle East have contributed to the failure of most of the early regional integration attempts.

Notwithstanding the views in relation to inhibiting inherent heterogeneity factors to the regional economic integration, but some of the participants from both the SADC and the DBSA strongly believe that,

> "The development of interlinking infrastructure such as rails, roads and the North-South Corridor (NSC) would certainly cause increased movements of both people, goods and services across the region to rebalance the existing economic imbalances, created by the many years of colonial rule in the SADC regions."

In addition to the above, the analysis of the findings also indicated that other challenges are linked to the inability of the DBSA to hold SADC member states accountable and responsible, clearly because it is owned by the South African government.

4.1.2.2 Inability to hold Member States Accountable and Responsible

It emerged from the views of most of the participants that in a bid to improve good governance and accountability in the region, DBSA has been significantly investing in the training and development of government officials in the region to adopt good governance practices. However, despite such initiatives, findings revealed that SADC is still largely unable to hold member states accountable and responsible for acts that contravene SADC provisions. This is latent in the fact that as some of the states act in contravention of SADC provisions such as limiting free movements, it often becomes difficult for DBSA to intervene, except through convening and facilitating conferences of which their recommendations often do not get enforced. As on the other-hand, some of the cases have emerged of the instances where some of the member states charge tariffs and custom duties on the products imported from fellow member countries. Even in the midst of all these, DBSA has often not undertaken necessary endeavours to ensure that such member states are held accountable. This is largely attributable to the argument that there is no proper adjudicating institution that has been charged with monitoring and enforcement of the SADC member states' compliance with SADC provisions.

A case in point is reflected in the fact that although the development of SADC Tribunal was a significant development, its positive overriding effects towards facilitating the enforceability of

SADC provisions has not yet been realized. It is inherent weakness was reflected in the failure to enforce its judgment about the compensation of the Zimbabwean farmers. It emerged from other sources either than research findings that besides the tribunal finding against Zimbabwe was in violation of the SADC Treaty, articles 4 and 6, however, SADC never implemented the court finding, instead opted to develop a new protocol for the SADC Tribunal This demonstrates the extent to which it is yet still too far for DBSA to influence the development of acceptable business model that would influence the realization of effective regional economic integration in the SADC region. The SADC does not have supranational institutions to which the Member States have ceded national sovereignty. This view is also expressed by Erasmus (2015),

> "The starkest reminder of the failure to bring about a rules-based arrangement, is provided by the Zimbabwean example. Harare has for several years now violated its obligations under the SADC Protocol on Trade and has done so with impunity" (Erasmus, 2015, para.12).

One of the interviewees connoted that:

> "These weaknesses are further compounded by the inability of DBSA to develop and entrench the principle of accountability and responsibility at state levels. Most of the SADC states operate in the midst of poor accountability and poorly developed levels of good governance."

These challenges are further summed up by one of the participants at the DBSA who stated that:

> "Despite SADC leaders' strong declaratory commitments to regionalism, there remain many political, economic and institutional challenges to deeper integration and effective implementation of SADC agreements. The political obstacles are associated with lack of political will to advance integration, including concerns about loss of sovereignty, policy space and tariff revenue. Overlapping memberships of SADC countries in the RECs (e.g. COMESA and EAC), with different tariff reduction schedules, rules of origin and ambition regarding regional integration. The institutional obstacles are linked to failure to respect and implement regional trade agreements and their obligations; persistence of

> NTBs that impede trade, from import licenses, additional fees and surcharges to stringent sanitary and phytosanitary measures".

A review of an expert, called Hartzenberg (2011) revealed that, the other biggest challenge in the region is to move from the persuasive political rhetoric of developmental regional integration to a practical policy and governance agenda that provides the incentives and legal certainty for investors, producers, and workers to take decisions that, in aggregate, deliver real development outcomes.

These assertions, by these two sources, confirms that there is a challenge with the entire coordination of the activities that will assist in holding the member states accountable and responsible for the regional economic integration.

4.1.2.3 Lack of Political will to implement the Integration

As mentioned by an expert from the Commonwealth, the experts from the SADC, one interviewee from the National Treasury and DBSA, the lack of political will to implement regional integration is one of the limitations affecting the faster promotion of socio-economic integration in the SADC region. This is attributable to the fact that in most of the cases, most of the countries tend to act nationalistically. In this nationalistic and patriotic approaches, most of the states or representatives of the states tend to put the interest of the state a head that of SADC. That affects efforts undertaken to facilitate socio-economic integration in the SADC region.

Reasons for significant emphasis of the importance of nationalism among states emerged from the contributions of the SADC expert, to be attributable to the fear some of the nations have about having to compromise their sovereignty in favour of SADC. The other view that merged from a National Treasury interviewee, was the fact that there is a lot of corruption in member states, regardless of a lot of money that has been put into this endeavor, but lack of accountability, as a consequence of poor political will, renders this great plan inefficient. This view of the lack of political will was also accentuated in the opinions of participants from DBSA and SADC who stated that:

> "The DBSA has done what is within its scope and mandate in terms of regional development, thus far. The challenge for the DBSA to mention whether it has been effective or not in the regional economic integration, is dependent on the regional political leadership fast tracking the discussions on integration and clearly outlining the regimes to be followed, because as it were the ones stated in the RISDP are difficult to be realized and there is little trading happening in between countries, for now. The SADC cannot draw the DBSA into the question of integration, since the SADC is struggling not with strategic support, but with political commitment, stringent rules of origin which somehow defeats the whole purpose of regional integration. The SADC cannot at this stage assess the effectiveness of the DBSA, since most of the imperatives of regional integration are missing from the side of member states."

The SADC interviewees, asserted that,

> "Many SADC Member states sign protocols and agreements but take a long time to do so or they sign and take a long time to ratify these instruments. SADC Member States and their political issues take priority over the economic integration agenda. Therefore more SADC resources both in terms of time and financial resources are diverted to conflict resolution at the expense of enhancing regional integration", which is a sign of poor political leadership."

In the light of these observations, it emerged that some of the countries that have recently gained their independence such as South Africa aim to tread carefully with undertaking any initiative that would affect or erode the abilities of its population to enjoy the benefits that often emerge from state sovereignty. This has led to the situation where although countries such as South Africa and Namibia are at forefront of the initiatives for fostering SADC's regional economic integration, they are quite slow so as to buy time to deal with the internal challenges and inequities caused amongst their population. In other words, these are some of the challenges that cannot be addressed concurrently with the challenges facing general SADC population. If lack of political will is not linked to such unique domestic conditions, then, the challenge could emerge from political trends such as the one in Zimbabwe and the Democratic Republic of the Congo.

In Zimbabwe, the entrenchment of Robert Mugabe dictatorial rule has not created favourable condition for the development of autonomous SADC political system. Instead, the system seems to favour the status quo through which a few head of states either decide certain issues or completely ignore the creation of independent economic and political institutions that would further the process for the political integration of the countries in the SADC region. As the other hand, the undemocratic Kabila administration has not only undermined SADC's formation by joining COMESA, but also seems to less willing to create autonomous SADC political institution that would undermine DRC's sovereignty. All these factors tend to create political unwillingness of the states to hurry with the initiative for developing more autonomous SADC political system. It is such challenges that render it difficult for DBSA to influence and effectively facilitate the process of socio-economic integration in the SADC region. These challenges are further exacerbated by the fact that DBSA faces constraints of fundings arising from the fact that it only relies on a few sources of grants and funding.

4.1.2.4 Legal Factors

It transpired in discussions with the SADC, National Treasury and experts that the legal factors are a major hindrance to the effectiveness of the DBSA in the regional economic integration, as issues concerning the legal regime include, the law applicable to cross-border trade, establishment of enterprises and offices for provision of goods and services, and the right to work - complementing free movement of goods, capital, services and labour; and enforcement of obligations at the regional level. In common markets and economic unions, the issues will include regulations on standards in various areas, and economic and social policies, in order to harmonize or uniformise them, but such regulations are not uncommon even in customs unions and FTA's.

Mangeni (2004) argued that, the success of economic integration in Africa will depend on the extent to which the question of equitable sharing of benefits is addressed. Mangeni further elabortated that,

> "A good legal framework for ensuring an equitable sharing of benefits, provides a clear conceptual and interpretational basis for the case for equity, and has elaborate provisions spelling out appropriate measures, embodying the negotiated deal agreed by all the members." (Mangeni, 2004, p.24)

It spells out the criteria for qualifying for the preferential treatment, instead of deferring it to the time of action, for otherwise deserving cases may fail and candidates disagree with the criteria applied, leading to loss of confidence in the scheme. A good framework has an institutional structure to adopt and secure implementation of the measures, instead of relying on unlikely initiatives from dissatisfied members or areas. This structure, though, should contain an emphasis on initiatives by community institutions being co-opted by the dissatisfied members or depressed areas, through provision for joint action with designated national or local authorities, and for prior consultation with these latter authorities so the scheme remains relevant to efforts in those areas.

4.1.2.5 Significant reliance on Grants and Fundings

One of the participants, from the DBSA revealed that some of the major challenges of DBSA's endeavours to leverage improvement of SADC's regional economic integration are linked to the fact that DBSA depends on grants and funding's from the SADC member states and regional bodies such as the European Union and ASEAN. As on the other hand, funding from the Chinese and the United States has mainly been in the form of direct financing of infrastructure developments. This is latent in the fact that some of the regional infrastructure development projects such as the interlinking railway that will facilitate the interconnectedness of the SADC countries are being funded directly by the European Union in conjunction with the World Bank.

Although internal sources of funding through the contributions from the member states are critical for sources of development funds for DBSA, there are also limitations that except the dominant economies such as South Africa that constitute 70-80% of SADC's GDP, most of the countries such as Lesotho, Swaziland, Mauritius and Namibia are relatively small. This renders it difficult for SADC to raise the required amount of capital finance. In other words, all these imply if governments are not paying their annual SADC contribution, it is also not easy for DBSA to raise capital finance from the required funds from the private sector. However, views from the National Treasury indicated that:

> "DBSA has the most extensive knowledge and is the most financially and organizationally viable development finance institution based in Africa; it is at the same level as the African Development Bank. Thus it has a lot of knowledge and experience to share with counterparts in the region. It can also be helpful a lot as far as capacity development is concerned. The DBSA unlike the European Union member countries, who at the beginning sets a policy framework, aimed at creating an equal platform for member states to work through the regional integration, having agreed on the effectiveness of the operation model leading towards the creation of the European Union. Equally, the debate at SADC should consider the strengthening of regional institutions, particularly with a view to promoting regional governance and cooperation for peace and security and to improving national institutional capacities to implement regional policies; as well as developing regional policies for sustainable development, especially because the sizes of the economies are different. The support for cross border infrastructure is one strategic area that can help DBSA do more for regional integration."

Apart from the fact that the DBSA excessively relies on external donors, as expressed above, an expert from the Commonwealth reiterated the fundamental difficulty of the regional economic integration, as being the size of the member states, the harmonization complexities, good governance and functional structures, as seen in South Africa and Mauritius. He also mentioned the participation of the private sector as key towards addressing over reliance to external donors, as this may bring a risk.

The other challenges as expressed by one SADC interviewee, related to external dynamics that among others include import competition from advanced and emerging economies, which has contributed to Africa's deindustrialization. With these challenges, DBSA is often unable to raise the required capital finance from most of the countries in the SADC region. DBSA is limited by operational limitations emerging from the fact that by virtue of the regulations mandating its establishment, it is not authorized to operate as a commercial financial institution. DBSA is also not permitted to lend in return for profits to the private sector businesses. This affects the extent to generate the required internal funds to finance an array of different activities and projects that it has to finance lo leverage the improvement of the overall economic integration of the SADC region.

A similar view, is expressed by Vanheukelom and Bertelsmann-Scott (2016), where they punctuate the influence of donor funding on institutional development and agenda setting, that such overreliance on donors – and the lack of predictability, fragmentation of different sources of funding, failing transparency and accountability systems – tend to reduce the incentives on SADC stakeholders (including member states) to effectively prioritise, plan, and budget.

4.1.3 **Factors to enhance the role of the DBSA**

In the discussion with some of the experts, from both the SADC and Commonwealth it became evident that the mandate of the DBSA is adequate to assist the SADC in realizing regional objectives. What requires working on are the mechanisms and modalities of ensuring sustained engagement and cooperation between the DBSA (as financier and facilitator), the SADC Secretariat (as coordinator and harmonizer), and the Member States, each one of which is individually responsible for implementation of regional projects and programmes. One of the interviewed experts asserted that,

> "DBSA needs to refocus on a developmental regionalism perspective, especially to address the underlying conditions that hamper deeper integration – lack of productive and supply capacities and poor infrastructure connections that raise trade costs. SADC has already adopted industrial and infrastructure strategies, and therefore the DBSA can become a useful implementing agency for some of the projects, of course depending on the agreements by decision makers. DBSA could also look into possibilities and opportunities for a more equitable spread of the benefits of SADC integration. In general, the implementation of RTA"s may result in different trade and welfare implications for the participating parties, depending on their specific characteristics and levels of

> development. One of the reasons is the ‘agglomeration’ effect of regional integration, whereby manufacturing and industrial activity (i.e. increasing returns industries) tends to concentrate in the ‘core’ parts of the REC – especially South Africa – to the disadvantage of poorer ‘peripheral’ countries. The distribution of these costs and benefits will to a large extent determine the effectiveness and sustainability of regional trading blocs like SADC. “

Can the DBSA, for example, support “regionalization” of production (i.e. value chains in goods and services) through the SADC Industrialization Strategy?

4.1.3.1 Political Networking and Cooperation

Hartzenberg and Erasmus (2017), states that regional integration continues to enjoy strong political support in Africa. But the winds of change blowing in the global economy are being felt on the continent too. It is clear that the policy focus is shifting from bold trade liberalization focusing primarily on tariff reduction, to more emphasis on industrial development and diversification, and associated distributional and broader development concerns such as job creation, inequality and poverty reduction. Many of these development challenges require cross-border initiatives and cooperation among member states for effective and sustainable solutions.

Against this background, it was evident from the research findings, that the DBSA often has enormous ideas on how the SADC can undertake an effective regional economic integration. However, as stated above, the socio economic and political nature of the region has always been a main hindrance in realization of the regional economic integration.

To turn around this hurdle, the Commonwealth and SADC experts, connoted the importance of the DBSA lending its administrative capability in assuring the region develops effective mechanisms for strategy development, planning, and especially for monitoring and evaluation of protocols and other core policies, are urgently required in SADC. This assertion is raised by the former member of the secretariat, in that the DBSA can develop and use relevant political networks through which political leaders are engaged and involved in the discussion of effective regional economic integration.

The development of the appropriate political network will also enable DBSA sell its ideas. Among the issues that can be put forward are the importance for balancing regional economic integration with nationalism, the importance for the development of a common currency for the SADC region, the importance for harmonization of SADC custom policies and the need for securing the commitment of the SADC members. Such mechanisms need to be underpinned by a rules-based institutional framework that enhances compliance by member states. The current institutional mechanisms remain inadequate to foster greater policy and regulatory convergence among member states (Hartzenberg & Kalenga, 2015).

In the light of these observations, as expressed above, it was also noted in a lecture by Simão (2015) that:

> "regardless of the high level commitment and enthusiasm in the member states to implement the adopted regional development plan, the commitment had somehow declined, citing the lack of focus and sense of priority" (Simão, 2015, p.7).

Consequentially, one of the interviewees, an expert from SADC, had hinted that "some of the countries that have recently gained their independence such as South Africa aim to tread carefully with undertaking any initiative that would affect or erode the abilities of its population to enjoy the benefits of the state sovereignty". The initial energy to run with the regional economic integration, has suffered because at times it is not easy to find consensus on internal matters.This view, flies at face of such a competent higher caliber structure at the DBSA, but in the absence of strong political will, the DBSA is limited to unleash its multi-dimensional team to assist in the realization of the regional economic integration.

The SADC interviewee recalled that,

> "…the international experience of regional economic integration, whether in Europe, Asia, South America or in Africa, it has demonstrated unease around the issue of

> sovereignty, truthfulness to strategic directions, meeting timeframes and creation of credible institutions to support these integration agendas."

To turn around this hurdle, it is important that the DBSA lends its administrative capability in assisting the region develops effective mechanisms for strategy development, planning, and especially for monitoring and evaluation of protocols and other core policies, are urgently required in SADC. Such mechanisms need to be underpinned by a rules-based institutional framework that enhances compliance by member states. The current institutional mechanisms remain inadequate to foster greater policy and regulatory convergence among member states (Hartzenberg & Kalenga, 2015).

It is widely accepted that,

> "The harmonization of trade laws and commercial practices is an important ingredient of regional integration, without which meaningful economic integration cannot be achieved .Economic integration needs a legal framework to foster and support it. It is widely recognized that conflicts and divergences arising from the laws of different States in matters relating to international trade constitute an obstacle to the development of that trade" (Ndulo, 1996, p.211).

Whereas this assertion would be a success, even in the SADC, most of the interviewees, agree that the DBSA would remain a critical factor in the regional leadership to facilitate in the interlinking project implementation.

4.1.3.2 Regional Leadership in Interlinking Project Implementation

It is critical for DBSA to undertake regional leadership in the development and implementation of interlinking projects across the SADC region. This assertion was mentioned by one expert who stated that,

> "The DBSA does have credible leadership, basic fundamental knowledge of financing and economic outlook in the region, which serve as a guide to its operations in the SADC

region, but it needs to have a specific dispensation, that addresses its adaptive role in relation to the regional mandate."

A similar sentiment is carried in the UNCTAD (2016). In order to fulfil its role as a provider of long-term loans for the development of the industrial sector and the national economy, KDB went through successive transformations, adapting its functions and repositioning itself in response to changing circumstances and the different stages of development that the Republic of Korea experienced over time. During its first years, the Korean Development Bank (KDB) was tasked with funding the restoration of industrial facilities and reconstruction of basic infrastructure (Cho & Kim, 1995).

In performing this task, its prominent role in the financial system of the Republic of Korea was soon established. By 1955, the bank accounted for over 40 per cent of total bank loans and, at one point, for 70 per cent of the equipment loans and 10 per cent of the working capital loans made by all financial institutions (Sakong & Koh, 2010). In the 1950s, 50 per cent of KDB funds came from the Government's fiscal loans programme and another 37 per cent was raised by issuing bonds. So far it is evident that the development of South-North Corridor (SNC) would leverage the ease of movement in eight SADC countries. Regardless of this adaptive role, as expressed, it is still critical that DBSA gets more engaged in planning and directions on the critical priority developmental projects that must be undertaken.

Equally, the DBSA, according to Kilian (2017), was in the process of providing funding to preparation studies aimed at improving the North–South Corridor (NSC), which runs from Durban, South Africa, to Dar-es-Salaam. They are allocating $1-million for a preparation study to improve the rail linkage that will lead to about $700-million of capital expenditure over the next two years. The NSC will be one of the largest transnational corridors and has massive regional importance. It will connect eight countries, 252-million people and generate $458-billion of collective gross domestic product. Already the Transport Ministers in the region have signed, as a commitment towards interlinking the region. The interlinking roles of the DBSA, are also expressed in a lot of other projects as well, including electrification , water, education , and agriculture to mention just a few.

4.2 Conclusion

The findings revealed the major roles of DBSA in the regional economic integration in SADC to often be associated with resource mobilisation and financing of regional infrastructures in SADC, identification of areas for cooperation to facilitate the economic development of SADC and influencing policy development through research and information exchange and sharing. However, despite the fact that all would spur improvement of the socio-economic development and integration of the SADC countries by ease of movement of the SADC population, the analysis of the findings indicated that DBSA's quests to leverage regional economic integration of SADC is still constrained by a number of factors. It emerged from the analysis of the findings that the hindrances of the effectiveness of the supporting roles of DBSA in the SADC's regional economic integration are often linked to inhibiting inherent heterogeneity of SADC Countries, inability to hold member states accountable and responsible, lack of political will to implement the integration, legal factors and significant reliance on grants and funding. Against this backdrop, the discussions in the next chapter deals with the third research question by documenting the conclusions and the strategies that can be recommended for improving the supporting roles of DBSA in the regional economic integration in SADC.

Chapter Five

Analysis of research findings

5.1 Introduction

The previous chapter focused on the analysis and interpretation of results, based on the data collected from interviewees, and/or reviewed documents. This chapter will focus on the discussion and interpretation of the main findings' results, in line with the objectives of the study, following the literature review. The presentation under this section will be based on the primary and secondary questions which were as follows:-

- *What has been the role of DBSA in the regional economic integration in SADC?*
- *Which factors are hindering the effectiveness of the supporting roles of DBSA in the SADC's regional economic integration?*
- *What measures can be recommended for improving the supporting roles of DBSA in the regional economic integration in SADC?*

Although the roles of development financial institutions (DFI's) have been largely underrated in the process of the implementation of activities associated with regional economic integration in SADC and as well as in other developing countries, international literature on DFIs interprets the role of DFIs as largely based upon whether they address market failure or not. Market failure intervention in this context is interpreted by the extent DFIs address import substitution as well as how they develop poor people/regions, develop or revive industrial sectors, create employment and develop the private sector (UN, 2005).

It is noteworthy that DFIs played a very important role in avoiding a drastic credit crisis in many developing economics, by intensifying their activities, in terms of deleveraging and increased risk avoidance by private agents (Calice, 2013). The challenge at present, is the manner in which adequate use of DFIs can be guaranteed, to safeguard against the deployment of some costly policy instruments, while ensuring they play a dynamic role in providing access to finance (Gutierrez, Rudolph, Homa & Blanco, 2011).

As a consequence of the above assertions from the literature, in this chapter, the discussion and interpretation of results, will explore the effectiveness and adaptability of the discussions, so that they can be implemented by the SADC region, for the successful regional economic integration.

5.1.1 Roles of Development Finance Institutions, with a special focus to the DBSA

DFI's provide a broad range of financial services in developing countries, such as loans or guarantees to investors and entrepreneurs, equity participation in firms or investment funds and financing for public infrastructure projects. DFIs will initiate or develop projects in industrial fields or in countries where commercial banks are reticent about investing without some form of official collateral. DFIs are also active in financing small and medium-size enterprises, supporting micro loans to companies, often viewed as too risky by private sources of financing. The DFIs in Malaysia are specialized financial institutions established by the Government with specific mandate to develop and promote key sectors that are considered to be of strategic importance to the overall socio-economic development objectives of the country. These strategic sectors include agriculture, small and medium enterprises (SMEs), infrastructure, maritime, export-oriented sector as well as capital-intensive and high-technology industries (Bank Negara Malaysia, 2011).

Narrowing down to the SADC, a region under study, the analysis of findings revealed the major roles of DBSA in the regional economic integration in SADC to often be associated with resource mobilisation and financing of regional infrastructures in SADC, identification of areas for cooperation to facilitate the economic development of SADC and influencing policy development through research and information exchange and sharing. It emerged from the analysis of the findings that most of the activities of DBSA have entailed resource mobilisation and financing of different regional infrastructure projects in the SADC region. Besides resource mobilisation and financing of critical infrastructural projects, it also emerged that the other critical role accomplished by DBSA has entailed supporting identified areas of cooperation to facilitate integrated economic growth and development of SADC countries. To stimulate the overall integrated economic growth and development of SADC countries, the analysis of the findings revealed that DBSA has been identifying areas that cooperation can be forged to ensure the required critical activities are effectively implemented.

From analysis of the findings, some of the critical areas that have been identified and supported by the DBSA encompass local government capacity building and development, agricultural development in the SADC region, education, energy development, environmental conversation, water and sanitation as well as infrastructural development. According to the National Treasury,

> "this is reflected in the fact that as South Africa gets some of its water supplies from Lesotho; it also supplies Mozambique with some energy. This form of sharing and exchange of resources emerged in the findings to be critical for leveraging the overall level of regional economic integration in the SADC region".

At the same time, views from of the participants from the National Treasury emphasized the role played by the DBSA in SADC region since 1997, wherein they have done a lot of work towards the realization of the regional integration, through catalyzing of project investments. To further influence regional economic integration in the SADC region, the analysis of the findings revealed that DBSA has been significantly investing in research and information exchange and sharing that influence policy development in the SADC region. Through this analysis, findings revealed that DBSA aims to develop policies that would leverage equal economic development of the SADC region. This would certainly contribute to minimizing risks of the emergence of competing national interests and nationalism that often hamper the process of regional economic integration in the SADC region.

5.1.2 Strategic Pillars for a Bank's Intervention in Regional Economic Integration

The two main pillars that the development financial institutions often put in place to influence the effectiveness of the process for the implementation of the activities associated with regional economic integration include; pillar 1: investment in the development of regional infrastructure and pillar 11: financing activities that facilitate regional industrialization and trade (Asian Development Bank, 2010, p.29). Development financial institutions committed towards ensuring the successful implementation of activities for regional economic integration are often interested in financing all activities that lead to the successful regional economic integration (Asian Development Bank, 2010, p.29). Investment in the relevant regional infrastructures is one of the measures and pillars through which banks can ensure that such initiatives are successfully implemented (Asian Development Bank, 2010, p.29). Investment in the appropriate telecommunication infrastructure influence reduction in the general costs of communication to thereby impact positively on the improvement of export trade and economic diversification among countries and trading partners in the region (Asian Development Bank, 2010, p.29). However, other authors argue that for the infrastructure put in place to influence the reduction in the level of trade and economic activities in the region, it must be linked to key national infrastructures and further cascaded down to the community levels as well as other productive centers and markets at rural levels (Desai, 2010, p.53).

In the DBSA annual report 2015/2016, it is stated that with regards to the two pillars as alluded, the DBSA's strategy maintains its focus on social and economic infrastructure development but with an emphasis on driving financial and non-financial investments in the primary sectors of energy, transport, water and communications, whilst providing support to various social sectors such as health, education and housing to a lesser extent (DBSA, 2015).

Over the years, the bank has demonstrated through its funding , with a value of infrastructure disbursements amounting to R17.8billion, with SADC (excluding RSA) getting R3.5 billion, the actual of R3.3 billion (2016) from R3.5billion, set targets of R2.5 billion (2017), R2.8 billion (2018), R3.1 billion (2019).With regards to implementation and delivery support programmes, the total funds under management are R3.2 billion (target 2016), R3.3 billion (actual 2016) R4.2 billion(target 2017), R4.4 billion (target 2018) R4.7 billion (target 2019). These figures accordingly strengthen the commitment by the bank to the pillars as indicated (DBSA, 2015).

5.2 Hindrances of the effectiveness of the supporting roles of DBSA in the SADC's regional economic integration

From the analysis of the findings it can be seen that the hindrances of the effectiveness of the supporting roles of DBSA in the SADC's regional economic integration are often linked to inhibiting inherent heterogeneity of SADC Countries, the multiple membership held by REC's inability to hold member states accountable and responsible, lack of political will to implement the integration, and significant reliance on grants and funding.

It emerged from the analysis of the findings that as much as DBSA has been working dedicatedly to leverage the regional economic integration of the SADC region, major challenges often still arise from the inhibiting inherent heterogeneity of the SADC countries. This view about the inhibiting inherent heterogeneity of the SADC member states is mentioned in the literature review as well, where the journey of the SADC is described from SADCC, and the divisions that had previously defined the region.

The similar view is echoed by Marchal and Perroux, as cited in De Rosa (1998), who have proposed an alternative approach that will take into consideration the historical dimension of socio-economic phenomena of the region. Marchal and Perroux indicated that integration, as the result of development, is distinct from integration as an instrument or precondition of development. In other words, economic integration can be perceived as the historical product of evolving technical, economic and social structures, or a product of conscious efforts on the part of societies acting collectively to improve their economic condition (De Rosa, 1998). The views of these authors can be proved true by the interviewees who mentioned a myriad of factors acting as hindrances to the effectiveness of the supporting roles of the DBSA to the SADC.

Whereas the economic policies and systems of some of the member states' countries may be suitable, in other member states, poor economic challenges often emerge as major hurdles in the initiatives for ensuring that the economic growth and development in the SADC region evolve at the same pace. Besides differences of the economic systems, the other inherent heterogeneity factor causing poor performance is latent in the fact that although through the concerted efforts of the SADC countries, democratisation of the political system in the region has achieved significant strides; the challenge still arises from the differences in the political systems and ideologies. These differences in political systems and ideologies favour different political approaches of which some of them do not favour SADC policies of regional economic integration. In addition to the inhibiting inherent heterogeneity of the SADC countries, the analysis of the findings also indicated that other challenges are linked to the inability of DBSA to hold SADC member states accountable and responsible.

As on the other-hand, some of the cases have emerged of the instances where some of the member states charge tariffs and custom duties on the products imported from fellow member countries. Even in the midst of all these, DBSA has often not undertaken necessary endeavours to ensure that such member states are held accountable. This is largely attributable to the argument that there is no proper adjudicating institution that has been charged with monitoring and enforcement of the SADC member states' compliance with SADC provisions.

However, as SADC strives to deal with such challenges, the analysis of the findings indicated lack of political willingness as part of the other challenges that DBSA may have to also deal with. It appears that despite the speeches and conferences, and resolutions and treaties, on economic integration, by Africa's political leaders, the basic problem remains to be lack of political will. Yet one would have expected the conclusion of treaties to be a concrete indication of support for policies to be pursued and, in the case of economic integration, and the strategy to be followed.

The problem with the lack of political will is attributable to the fact that in most of the cases, most of the countries tend to act nationalistically. This sentiment is also echoed by Mangeni (2004) who illustrates that the treaties for the RECs have stuck with the model giving undue prominence to the organ of Heads of State and Government, and in this manner not taken the crucial change to remove the integration process from the vagaries of Africa's political leaders. In this nationalistic and patriotic approaches, most of the states or representatives of the states tend to put the interest of the state a head that of SADC. It is such challenges that render it difficult for DBSA to influence and effectively facilitate the process of socio-economic integration in the SADC region. These challenges are further exacerbated by the fact that DBSA faces constraints of funding arising from the fact that it only relies on a few sources of grants and funding (Mangeni, 2004).

5.3 What measures can be recommended to improve role of the DBSA in supporting regional integration in SADC

In the literature review, as mentioned the Development finance institutions (DFIs) functions are often multiple and they may include investing in sustainable private sector projects; maximizing impacts on development; remaining financially viable in the long term; and mobilizing private sector capital. DFIs can be either bilateral or multilateral (Massa, 2011, p.21). It has also been discussed that that success of regional economic integration depends on policies put in place, which can include appropriate policy for facilitating regional integration.

This view is strengthened by Brodzicki (2005) and Carbaugh (2004), who propose that the existence of the appropriate policy enhances the outline of critical activities that development banks must accomplish to foster achievement of effective regional economic integration. These authors continue to say that, some of the critical areas that must be considered during the formulation of policies for fostering regional economic integration should encompass evaluation of strategies that DFIs can use to create larger and more attractive markets.

Other measures include determining how development financial institutions, like the DBSA can facilitate stronger linkage between landlocked countries by fostering international trade not only between countries within the regional economic integration, but also with the countries in other regional economic blocs (Findlay & Goldstein, 2004, p.37; Gagnepain & Marin, 2006, p.229).

As mentioned in the previous chapter, there are four main assertions that came from the interviewees, that have been broadly explained under literature review, and somehow stated in documents reviewed. Below is a comprehensive analysis and conclusion of those four main areas, namely: Political Networking and Cooperation; Regional Leadership in Interlinking

Project Implementation; Development of the institutional Capacity of the Bank; and Monitoring and Evaluation of the Effectiveness of the Process of Project Implementation.

5.3.1 **Political Networking and Cooperation**

Going back to the literature, we have found that the role of DFI's is however increasing as they are expected to address broader developmental policy objectives (Gumede et al., 2011). Over the years, these institutions have developed capacity programmes through cooperation and collaboration, and these have been consolidated by the signing of the memoranda of understanding between the cooperating institutions (SADC-DFRC).

Calice (2013) asserts that African DFIs can make an important contribution to lengthen maturities in the financial sector and mobilize resources for underserved segments of the economy. From this perspective, they can play a useful complementary role to that played by international financial institutions, such as the African Development Bank (AfDB), and commercial banks. The dual roles of these institutions involve financing development projects and acting as facilitator of finance in the broader industrialization and economic development strategies of countries (Sanusi, 2012).

DFI's provide a broad range of financial services in developing countries, such as loans or guarantees to investors and entrepreneurs, equity participation in firms or investment funds and financing for public infrastructure projects. DFIs will initiate or develop projects in industrial fields or in countries where commercial banks are reticent about investing without some form of official collateral. DFIs are also active in financing small and medium-size enterprises, supporting micro loans to companies, often viewed as too risky by private sources of financing. A benefit of this approach is that DFIs often find themselves with first-mover advantage in markets with strong growth potential (Dickson, 2008).

The DFIs in Malaysia are specialized financial institutions established by the Government with specific mandate to develop and promote key sectors that are considered to be of strategic importance to the overall socio-economic development objectives of the country. These strategic sectors include agriculture, small and medium enterprises (SMEs), infrastructure, maritime, export-oriented sector as well as capital-intensive and high-technology industries (Bank Negara Malaysia, 2011).

Te Velde (2011), points to the review that the mandates of DFIs have evolved over the years, suggesting that the DFIs portfolio has a number of objectives including (i) to invest in sustainable private sector projects; (ii) to maximize impacts on development; (iii) to remain financially viable in the long term; and (iv) to mobilize private sector capital. Some DFIs provide finance (e.g. loans, guarantees, equity investment) to the public sector (e.g. most parts of the multilateral development financial institutions, such as the MDBs, e.g. the African Development Bank (AfDB).

Successful DFI's do two things well: first they perform their jobs as development finance institutions well, in that they finance development projects effectively. Secondly, they play key roles, whether as facilitators, arrangers, innovators, ideas banks or financiers, in the broader industrialization and economic development strategies of their countries (Gumede et al., 2011).

> "As governments strive to create political and economic conditions that foster regional integration, the roles of the development financial institutions are often manifested in the establishment of policies that favour regional trade and integration."
> (Brodzicki, 2005, p.16; Carbaugh, 2004, p.13).

The extent to which development financial institutions are able to influence the overall effectiveness of regional economic integration depends on appropriateness of the policy put in place. As it was evident from the findings, that the DBSA often has enormous ideas on how the SADC can undertake regional socio-economic integration. However, it seems the challenge is usually the backing from relevant political leaders.

Now, in relation to the literature above, we can finally assert that there is a nexus between political networking and cooperation, and the DBSA can play an influential role in achieving long term development, and economic growth in the region, that will lead to a sustainable regional economic integration. Just one participant from UNCTAD raised an angle that:

> "…most of the countries whether it is Turkey, China, Japan, Brazil and or Germany, a strong networking with politicians, to enable a working environment for the banks to function optimally, and facilitate for more investment, has worked tremendously well, and the DBSA, is not exempted from flexing its muscle to help the region work better."

This assertion is echoed by (Hermann, 2010) who says that country experiences have shown that development banks have played such a role, as they have acted as institutions that not only were able to remove bottlenecks but also had the capacity to anticipate future needs arising from rapid and transformative development.

5.3.2 Regional Leadership in Interlinking Project Implementation

In the literature review, there was a pointer which stated that

> "If Africa is to recover and survive economically she must strengthen her capacity to integrate her regional economy. Regional integration arrangements are intended to pave the way towards the creation of larger regional markets."

Now, with this background in mind, there is an understanding that development banks do not have a major role in harmonization, *but a more enhanced role in investment for integration.* Concretely, development banks provide finance for long-term investment, including in capital intensive industries. In addition, such banks provide both lending and equity participation, meaning that they have a clear interest in the close monitoring of projects, thus developing a special form of relationship banking. That is, the banks have a hands-on approach whereby they not only provide close project monitoring but also are in a position to nominate directors to the boards of the companies to which they lend and in which they have an equity stake. Moreover, developing banks have in-house technical expertise that allows them to participate in decisions involving choices of technology, scale and location (UNCTAD, 2016). Equally, the DBSA as a key facilitator, arranger and innovator, does have what it takes to lead in the regional implementation of interlinking projects.

In the literature again, there was made mention of top level approach which requires banks to intervene at the top and sponsor different programmes to ensure that different government officials are engaged in their different capacities to forge a link between the different governments (Essletzbichler & Rigby 2010, p.19). These can often be accomplished by initiating seminars, conferences and workshops that bring different key government officials and stakeholders in their capacities. It's through such approach that the development financial institutions can be able to highlight the importance of regional economic integration and change the attitudes and perceptions of most of the key government officials to be supportive of the initiatives for fostering the overall effectiveness of the process of regional economic integration (Essletzbichler & Rigby 2010, p.19).

Interestingly a similar view, is postulated by (Mangeni, 2004) that

> "by and large, economic integration is a technical matter, and can appropriately be implemented by technical organs. Political organs should participate at the level of ministerial meetings or committees, and not at that of Heads of State and Government, and further effective power should be shifted downwards from political to technical organs" (Mangeni, 2004, p.6).

It is critical for the DBSA to undertake regional leadership in the development and implementation of interlinking projects across the SADC region. So far it is evident that the development of South-North Corridor (SNC) would leverage the ease of movement in eight SADC countries. However, it is also critical that the DBSA gets more engaged in planning and directions on the critical priority developmental projects that must be undertaken.

In the literature review, there is a mention that

> "Given the significant role of DFIs in employment and productivity change, DFI's like the DBSA can be effectively used by the SADC to address human resource deficiency,

> state capacity which has contributed to the lethargic pace of the implementation of development initiatives in the region" (Zondi & Mulaudzi, 2010, p.15).

In actual fact, this assertion confirms the notion that it is important for the region to acknowledge the strength, effectiveness and efficiency of these institutions in performing objectives of the Regional Indicative Strategic Development Plan (RISDP) better. This sentiment as it were confirms that the DBSA's roles can be more enhanced, and more effective, should the powers that be considers this opinion to allow it to play a strategic leadership role in the interlinking of regional projects.

A former secretariat member of the SADC, asserted that

> "Though the bank may succeed in playing a strategic role in interlinking of regional projects, however the continued development of the institutional capacity of the DBSA and other role players to combine both knowledge prowess and financial resources to solve complex development challenges is one feature that is so much needed, for a DFI, to sustain its investment and help in the institutional arrangements, for proper management of disbursements".

This view was imbued in the literature review, especially in area of bottom up approach, where it said "The application of the bottom-up approach influences the extent to which the development financial institutions are able to understand the needs of the communities and pass them on to the top government officials during meetings and conferences associated with the intervention at the top level (Bretschger & Steger, 2004, p.19). In other words, such approach enhances the involvement of the ordinary people in the process of the formulation of the policies on regional economic integration. It is through such approach that the development financial institutions are able to identify and eliminate any concerns among the larger population that can emerge later to interfere with the smooth process of regional economic integration (Bretschger & Steger, 2004, p.19).

This view of putting people in the centre of the regional integration was an underlying theme with most of our interviewees, even as we review documents, it became clear that regardless of all other strategic connections, plans and ideals, but the interventions would be meaningless if it did not consider the people, as beneficiaries of the arrangements, and thus the ideals of the region will be futile.

5.3.3 Development of the Institutional Capacity of the DBSA

From the literature, we noted that in a 2013 working paper for the African Development Bank, Pietro Calice says that African DFIs have historically played an important developmental role, taking higher-than-average risks to perform their mandates and reducing credit pro-cyclicality (Calice, 2013). However, Calice also notes that the track record of African DFIs is mixed, and their developmental contribution has frequently come with a cost in terms of relatively low efficiency and effectiveness.

The Multilateral Development Banks including the AfDB have increasingly recognized that to tackle the challenges, in the region they (SADC) must play a major role as knowledge intermediaries in addition to their financial intermediation functions based on the need to explore the causes, dimensions and interlinkages of economic growth, poverty, population growth, as well ensuring that operational policies constitute a relevant and effective response to the problems of its member states. Indeed, this ability to combine knowledge and financial resources to solve complex development challenges gives these institutions a comparative advantage over others in providing development assistance (AfDB, 2000).

As mentioned in the literature, in accordance with Biekpe(2016), clear and focused mandates, robust corporate governance standards, 'acceptable' level of government control, appropriate lending and risk management technologies, and the ability to recruit and retain qualified staff, are some of the key ingredients for an effective DFI that will ultimately contribute to economic and social development. In the findings, most of the interviewees reinforced the view, by the African Development Bank and Biekpe, and emphasized the importance of growing a pool of qualified human resources, and clarification of corporative governance standards, to help the bank determine whether there is value for money in the regional economic integration processes or not. The need for capacity building of the DFI's institutional capacity, is substantiated in the fact that since 2003/4, the DFRC has been actively engaged in capacity building for the DFIs, and their portfolio has grown in this regard. The DBSA, IDC and AADFI have also been actively engaged in providing services within, and for the DFIs in, the SADC region. The overlap in service provision has created room for cooperation and collaboration amongst the key service providers with a view to rationalize the use of resources for the advanced level programmes. To this effect, these key institutions have established frameworks for cooperation, inclusive of memoranda of understanding, and effective cooperative alliances, and a substantial number of programmes have been undertaken under the joint collaboration of two or more of these institutions at various times. The institutions have also shared technical and human resources, and other important information to help inform and strengthen the capacity building processes in their respective jurisdictions (SADC-DFRC, 2012)

As on the other hand, funding from the Chinese and the United States has mainly been in the form of directing funding and financing of infrastructure developments. This is latent in the fact that some of the regional infrastructure development projects such as the interlinking railway that will facilitate the interconnectedness of the SADC countries are being funded directly by the European Union in conjunction with the World Bank (SADC, 2009). Although internal sources of funding, through the contributions from the member states, are critical for sources of development funds for DBSA, there are also limitations that except the dominant economies such as South Africa that constitute 70-80% of SADC's GDP, most of the countries such as Lesotho, Swaziland, Mauritius and Namibia are relatively small. This renders it difficult for SADC to raise the required amount of capital finance.

In other words, all these imply if governments are not paying their annual SADC contribution, it is also not easy for DBSA to raise capital finance from the required funds from the private sector. To address this challenge, the development of institutional capacity for the DBSA, will have a positive consequence to the member states and for the bank, since both the financier and the member states will be clear about the definite roles of the bank, so that it does not invest is unproductive projects.. However, even if the process for the implementation of all programmes are going as planned, it is usually still critical for frequent monitoring and evaluation to be undertaken.

5.3.4 Monitoring and Evaluation of the Effectiveness of the Process of Project Implementation

Monitoring within the context of development cooperation is defined by the OECD DAC as,

> "A continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an on-going development intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds" (OECD DAC, 2002, p.27).

In relation to the objective and the question to look at other innovative ways the bank can improve on as it increases its footprint in SADC, few participants also pointed to the importance of monitoring and evaluation as fundament to the success and lesson tracking in the regional economic integration. In line with the OECD literature, it is asserted that,

> "monitoring and evaluation of the effectiveness of the process of project implementation would enable DBSA assess the extent to which the implemented processes are contributing towards aiding regional economic integration" (OECD DAC, 2002).

According to Rillo and de La Cruz (2016), because regional economic integration is a complex process, there is a need to understand how the process works so that policy makers are better informed of its outcomes and to guide them in formulating integration-related policies. Hence, monitoring regional economic integration becomes crucial.

Monitoring can be undertaken at two levels: compliance monitoring and outcome-based monitoring. In terms of compliance, one approach is to measure the implementation of various integration measures by tracking how countries comply with their commitments. The other approach is intended to benchmark outcomes and impacts of implementation, improve the quality of decision making, and make the integration process more sustainable by identifying problems (information gathering) and assessing changes required (information analysis) (Rillo & de La Cruz, 2016).

The DBSA like the African Development Bank will have to look for systematic and ongoing monitoring, which will be implement the systems of indicators for measuring regional economic integration in Africa, which employs a robust results-based approach. It will track inputs, outputs, outcomes and impacts using carefully selected indicators. The indicators will not only provide a sense of whether expected results are being achieved but also identify gaps and areas for policy intervention (AfDB, 2014). To be effective, this monitoring mechanism has to be institutionalized both at the regional and country levels. (Rillo & dela Cruz,2016)

5.4 Conclusion

The analysis of findings revealed the major roles of DBSA in the regional economic integration in SADC to often be associated with resource mobilisation and financing of regional infrastructures in SADC, support to identified areas of cooperation to facilitate the economic development of SADC and influencing policy development through research and information exchange and sharing. However, despite the fact that all would spur improvement of the socio-economic development and integration of the SADC countries by ease of movement of the SADC population, the analysis of the findings indicated that DBSA's quests to leverage regional economic integration of SADC is still constrained by a number of factors. It emerged from the analysis of the findings that the hindrances of the effectiveness of the supporting roles of DBSA in the SADC's regional economic integration are often linked to inhibiting inherent heterogeneity of SADC Countries, inability of the DBSA to hold member states accountable and responsible, lack of political will to implement the integration, and significant reliance on grants and fundings.

To leverage the supporting roles of DBSA in the regional economic integration in SADC, it is argued that the executives of DBSA must consider adopting strategies that include: mobilisation and funding conferences and seminars on how regional integration can be further fostered, political networking and cooperation, regional leadership in interlinking project implementation, development of the commercial division of DBSA, and monitoring and evaluation of the effectiveness of the process of project implementation. Future research can explore the model for financing interlinking infrastructure in the SADC region.

Chapter Six

Conclusion

6.1 Introduction

Literature shows that, in many developing economics, DFIs played a very important role in avoiding a drastic credit crisis, by intensifying their activities, in terms of deleveraging and increased risk avoidance by private agents (Calice, 2013). Equally Bhandari, Dasgupta and Gangopadhyay (2003), assert that Development Financial Institutions (DFIs) are largely regarded as the primary source of long term debt financing, whereas Dickson (2008) clarifies that DFIs act as an intermediary between public aid and private investment facilitating capital flows. Kwakkenbos and Romero (2013) describe DFIs as the ones which are either government owned or the government is the majority shareholder. The mandate of DFIs is generally on engaging in high risk investments in sections or societies with limited access to capital markets.

The present challenge being experienced, according to Gutierrez et al. (2011), concerns how to guarantee adequate use of DFIs, as a precaution against implementation of some costly policy instruments, while at the same time, ensuring they play a dynamic role in providing access to finance. This is specifically relevant for Africa because of the prevalent market failures in the provision of infrastructure finance, agriculture finance, housing finance and SME finance. This condition however, provides a strong rationale for an active developmental role to be played by DFIs.

As it were, the DBSA was initially established to address development gaps between the industrialized RSA government and the underdeveloped Bantustans. Post 1994, the Bank's mandate became more specialized focusing on infrastructure. However, at that time, because it had the ability to finance projects in the entire public sector, it could target a broad client base. With the advent of all the changes that have been introduced through the SADC agenda, the

DBSA as evidenced in the research, has had to evolve and adapt to market challenges, which are a consequence of global economic meltdown, especially in 2008.

6.2 Summary of findings

The focus of this chapter will be on the summary of findings, conclusions about the research questions, and recommendations arising from the results of the study, as well as recommendation for further research.

Question 1

The findings in relation to determining the effectiveness of the role of DBSA in supporting regional economic integration in SADC, was that the bank has generally played a significant role in catalyzing for infrastructure investment, and most of the activities of the DBSA have entailed resource mobilisation and financing of different regional infrastructure projects in the SADC region. It was evident across DBSA reports and integrated strategic plan that resource mobilisation and resource allocation is part of the mandates that the DBSA was established to fulfill. Besides resource mobilisation and financing of critical infrastructural projects, it also emerged that the other critical role accomplished by DBSA has entailed identification of the areas for cooperation to facilitate integrated economic growth and development of SADC countries. To influence regional economic integration in the SADC region, the analysis of the findings revealed that DBSA has heavily invested in research and information exchange and sharing that influence policy development in the SADC region, as a means of capacity building.

Question 2

The findings regarding the assessment of the factors limiting the effectiveness of the role of DBSA in supporting the regional economic integration, revealed a lot of hindrances which have deprived the regions success in this area. The factors range from lack of political will; inherent heterogeneity of member states, inability of the SADC to hold its member states accountable and responsible; legal factors; and significant reliance on donor funding and grants.

Question 3

On recommending measures that can be adopted for improving the effectiveness of the role of DBSA in the regional economic integration in SADC, the analysis revealed that the bank can reconsider the following ideas:-

- The bank could consider political networking as an instrument to get the political powers support and understand the greater role the DBSA can infuse in the REC, of course the bank will also have to corporate with other banks to emulate some of the available interventions, that have aided in some parts of the world in the area of economic integration.
- The bank could also consider increasing, empowering and retaining more of its strategic personnel and human resources as fundamentals to the capacity of the DBSA to execute its mandate in large scale.
- The bank could also consider doing more in the area of monitoring and evaluation, state newer and clarified standards, so that is able to determine value for money, as it facilitates, innovates, finance and implement projects in the region.
- The bank should also consider its critical role to undertake regional leadership in the development and implementation of interlinking projects across the SADC region, especially when we contemplate the huge investment going to the North South Corridor projects and others.

6.2.1 The DBSA's role in financing

This study concluded the extent the DBSA operates within its development finance has been broadly driven by a need to grow infrastructure, which is a cardinal tool to grow the economy, and foster more opportunities of economic integration. In the main, what became apparent in the study, was the emphasis that the bank has always been in the forefront of project preparation, catalyzing for investments, and filling development finance gaps.

In the literature review, an assertion was made that,

> "theories indicate that the other forms of infrastructure that must be put in place to influence the effectiveness of the process of regional economic integration include financing the development of the sources of clean energy, ICT infrastructure, establishment of corridors linking different strategic locations within the region, improving logistical and infrastructure hubs, supporting trans boundary water resource management, bridging soft and hard infrastructure gaps, support of infrastructure maintenance and investment in research and development to initiate new projects and improve the conditions of the existing infrastructure" (Desai, 2010, p.53).

This study, has unbundled this assertion, and concluded that the DBSA was in line with its mandate, however this mandate may have to be revisited as observed to allow the bank to widen its influence, in a quest to get the Southern Africa Development Community's economic integration process, coordinated for success and economic improvement.

6.2.2 The DBSA's role in institutional capacity building

In the literature, there was an indication that

> "…it is often perceived that the roles of the development financial institutions are limited to the provision of the relevant support and financing of different projects within regional integration" (Essletzbichler & Rigby 2010, p.19).

However, empirical facts indicate that if development financial institutions are to influence the process of regional integration, extending their roles to initiating and influencing dialogue and engagement of governments at different levels is a prerequisite. In the findings, there was a suggestion that the bank may play a much greater role in networking and cooperation, leading in the interlinking of infrastructure implementation, monitoring and evaluation as well.

Theories indicate that the other forms of infrastructure that must be put in place to influence the effectiveness of the process of regional economic integration include financing the development of the sources of clean energy, ICT infrastructure, establishment of corridors linking different strategic locations within the region, improving logistical and infrastructure hubs, supporting trans boundary water resource management, bridging soft and hard infrastructure gaps, support of infrastructure maintenance and investment in research and development to initiate new projects and improve the conditions of the existing infrastructure (Desai, 2010, p.53).

6.2.3 The DBSA's role in harmonisation

In the document review, as well as in the interviews, not much came out which talks about the bank becoming a vehicle in harmonisation. In the literature there was a mention of Article 5 of the AEC treaty which stated that member states undertake to create favourable conditions for the development of the Community and the attainment of its objectives, particularly by harmonizing their strategies and policies. They shall refrain from any unilateral action that may hinder the attainment of the said objectives (Organisation of African Unity (OAU), 1991).

In reviewing the literature on harmonization of markets, the conclusions have been that the harmonization is done on incremental basis allowing markets to stabilize, and perhaps it is a lesson we need to learn. The DFI's as well can adopt the same approach of incrementally intervening in harmonization processes for regional economic integration to allow stages to unfold and grow over a period of time. Although not much was found in the literature about harmonisation, but it is clear that within this broad spectrum of ambitions, the RIS will focus concretely on coordinating policy dialogue at the national, REC and continental levels, on reducing transaction costs, on improving the speed and flow of goods and services, on improving connectivity of people and of systems, on adopting appropriate policies to harmonise and simplify complex customs procedures and regulations, on rules of origin and other forms of barriers (Kingombe, 2013).

6.3 Areas of future research

By exploring the effectiveness of the roles of the DBSA in the success of the regional economic integration in the SADC region, the study has opened other areas for future research, which are the exploration of the model for financing interlinking infrastructure in the SADC region.

Another future research are that rises from this study, especially in relation to hindrances, an area of interest will be the greater need for the DBSA to lead a project implementation protocol for

SADC region, with a view to enhance accountability, and the third area, will be benchmarking the successes of the DBSA to that of the other DFI's, in Africa and the world, in relation to regional economic integration.

6.4 Conclusion

The research project, has in many ways opened a platform for researchers, academics, politicians, economist and financial institutions, to further engage in the regional strategy, factoring all other important players, and key institutions, that will make the vision a success. In a nutshell, it has been an exciting time to ask critical questions, unearth new ideas and also compare REC's approaches to economic integrations in Africa and in the whole world. It must however be noted that the limitations of the project, were many, and have ranged from the fact that the researcher is not very much involved with the subject at hand, inability to acquire more data from the participants, and also time constraints.

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