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BRIEFS ON SOCIO-ECONOMIC AND POLITICAL SITUATION IN  
SOUTHERN AFRICA

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## INTRODUCTION

Democracy is now ingrained in the societies of the Southern African subregion. The countries of the subregion are grasping a more favourable economic climate ushered in by the democratic changes, on-going economic reforms coupled with the globalization and liberalization. Glimpse of hope are starting to show the importance of reforms for relaunching successful process of economic cooperation and integration of the subregion into the world economy. Defiantly, the relative merits of reforms cannot be enough without the peace dividend created in the region.

The demise of apartheid has opened new dimension in the development of the Southern Africa. It has not only broken down the wall inhibiting trade relations between the countries of the subregion, but has given clear indications that the subregion has potential to enhance growth and development. Innovative international cooperation in terms of releasing much needed financial and technical resources, which until recently were used for suppression and military purposes, with the aim of achieving equitable and shared development is concrete evidence of the desire of the subregion to integrate into

the world economy. Democratization has unleashed a clear proof that Southern African participation in the region's transformation is a matter of great importance.

### Evolution and Strategic Perspective in the Subregion

Democratization process sweeping through the African continent coupled with the demise of apartheid in the Southern African region have ushered in an era of commitment to the development agenda. The resultant impact has been positive on the economic performance of the subregion.

### Economic Performance in Southern Africa

Available data shows that during the period between 1994-1997, the countries of the subregion have overturned a negative performance to positive. Dynamic economies such as those of Botswana and Mauritius achieved remarkable growth during the period.

Macro-economic performance varies from country to country. During 1996, high performance in terms of GDP growth varied between 13.0% in Lesotho and 8.0% in Zimbabwe. The majority of countries have had growth rates varying between

4.5 and 6%. Countries featuring in this variations are Mozambique, Zambia and Botswana. The slow but modest performance has been registered in Namibia, Swaziland and South Africa ranging between 2.0 to 3.0 percent.

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Table 1: GROWTH IN REAL GDP, 1994-1996  
(ANNUAL PERCENTAGE CHANGE)

	1994	1995	1996
Dev. Co-untries	6.8	6.0	6.5
Africa	2.9	2.9	5.0
Sub-Saharan Africa	2.6	4.0	4.4
SA. countries	3.0	3.7	4.1
Angola	9.0	12.0	8.6
Botswana	3.0	4.9	6.1
Lesotho	11.5	9.3	13.1
Malawi	-10.2	9.6	10.4
Mauritius	4.2	3.3	4.4
Mozambique	5.0	1.5	5.7
Namibia	6.5	2.6	2.0
South Africa	2.7	3.4	3.1
Swaziland	3.4	2.5	2.5
Zambia	-3.0	-3.9	5.0
Zimbabwe	6.3	2.3	8.1

Source: International Monetary Fund, World Economic Outlook, May 1997.

The countries of the Southern African subregion continue to improve their economic performance, recording growth rate from 3% in 1994 to 3.7% in 1995 and 4.0% in 1996. Majority of countries recorded real growth rates of about 5% or higher, due to pragmatic policies particularly those geared towards fostering financial stability and increasing growth.

The region has embarked on financial deregulation whose consequences are the current stable prime lending rates. However, the exchange rates continue to fluctuate widely in relation to the US dollar.

Table 2: CONSUMER PRICE INCREASES, 1994 - 1996 (ANNUAL PERCENTAGE CHANGE)

	1994	1995	1996
Dev. Countries	51.3	21.2	13.1
Africa	38.6	32.1	24.8
S-Saharan Africa	46.4	39.6	31.5
Southern Africa			
Angola	949.8	2.672	4.182
Botswana	10.6	10.5	8.6
Lesotho	8.2	9.3	8.9
Malawi	34.7	83.1	37.7
Mauritius	9.4	6.1	5.8
Mozam'	63.1	54.4	44.6
Namibia	10.8	10.0	8.0
South Africa	9.0	8.6	7.4
Swaziland	13.8	12.3	11.0
Zambia	54.6	34.9	43.1
Zimbabwe	22.3	22.6	21.4

Source: International Monetary Fund, World Economic Outlook, May 1997.

Inflation pressure varies. The countries of South African Customs Union (SACU) are experiencing inflation rate of between 6-10%. Zimbabwe has inflation that varies between 21-24%. Zambia and Mozambique have much higher inflation levels of between 37 - 40 percent. Angola continues to suffer war-related hyper-inflation.

Development of capital markets is at a very low and varied level. Johannesburg and Zimbabwe Stock Exchanges are the largest attracting foreign company listing. It is important to note, that most of the economies are small to justify the cost involved in setting up stock markets. Regional cooperation

on capital market development will play an import role.

### External Debt

With the exception of a handful of countries, the subregion does not have the burden of external debt. Countries such as Lesotho, Namibia, Mauritius, South Africa, Botswana and Swaziland have low external debt. The subregion witnessed the cancellation of Namibia's debt by South Africa in March 1997.

### Economic Reforms and Strategies of Southern African Countries

#### Botswana

Economic performance of Botswana continues to improve. Its economic growth rate in 1995/96 was estimated at 7% against 3.0% in 1994/95. The strong economic performance is due to improvements in the outputs and international price of diamonds, the main export commodity.

In Botswana, 46% of total revenue is contributed by sale of diamonds. Mining, income from investment of reserves and customs duties constitute about 84% of total revenue. The 1997/98 budget puts emphasis on sustainable economic diversification so as to reduce dependency on mining and to encourage rapid growth in non-mining economic activities such as manufacturing, trade, banking and insurance. The Botswana 2016 vision launched in 1996 has the goal of making Botswana a prosperous, productive and innovative society with a diversified economy.

**Mauritius**

Mauritius continues to improve its economy. Its economic growth rates average about 6.0 percent. Manufacturing is the engine of Mauritius economy accounting for 24% of GDP, followed by wholesale retail trade, restaurants and hotels. Diversification from sugar locked economy to manufacturing testifies the dynamism of the economy, one that thrives on value-added export oriented activities.

**Malawi**

In pursuing the goals of poverty alleviation, Malawi has embarked on economic reforms that broaden income and employment opportunities driven by the private initiative. Budget priorities have shifted in favour of social sectors.

In its 1997/98 budget, Malawi's main priority areas include health, education, agriculture and works. The government is privatizing most of the economic business activities through the Privatization Commission established in 1996. Some 135 public enterprises had been listed for privatization or liquidation by mid-May, 1997. However, attracting investors is affected by many factors including deteriorating road infrastructure, poor communications as well as unreliable power supply. A World Bank Report in May 1997 on priorities for accelerating growth in Malawi's private industry and non-farm enterprises warned that the poor roads, unreliable telecommunications and mounting crime were hampering foreign investment in the country. Corruption, at all levels, is another major concern that affects foreign investment. Malawi, at the May 1997 Consultative Meeting with the

Paris Clubs, reaffirmed its commitment to poverty alleviation as the main focus of its development strategy. The government expenditure earmarked for social sectors, according to the 1997/98 budget has increased to 42% from 27% during 1996/97. One of the reforms of the government is that of the public sector management and to reduce the civil service. The pledges at the Paris Consultative Meeting amounted to US\$319 million for 1997 and US\$900 million for the period 1997 to 1999.

Norway is one of the countries that has signed an agreement to assist Malawi to finance agriculture, education, health and social sectors in 1997.

**South Africa**

The main objective of South Africa's macro-economic strategy is to accelerate delivery of public services based on equity and universal access. Commitment to increased contribution to social and community living standards and eradication of poverty are clearly reflected in the budget allocation.

South Africa's budget for 1997 at R186.7 billion has given special attention to social sectors. Expenditure on housing has doubled, while there has been a 20% increase on education spending at R40 billion - the biggest item. There has been a reduction in military spending with reduced foreign military threat. However, there has been an increase in spending on law and order to fight the high crime rate. Some efforts are being made to open the economy to external competition by lowering certain import tariffs. Zimbabwe and Zambia have had problems penetrating the South African

market due to decades of protection of the South African market.

**Mozambique**

The government macro economics focus is on the challenges of sustainable growth and poverty reduction. Particular attention is on rural development in order to assist small farmers; rebuilding rural infrastructure; safeguarding land rights of small holders; and enhancing the role of women in the rural economy.

Mozambique's conducive economic climate has attracted inflow of investments into the country. The economy is strong with growth rate of 6.4% in 1996, as well as good governance. This has earned the Government praise from the Paris Club.

At the 15 and 16 May, 1997 Paris Club Consultative Group, Mozambique was given pledges of US\$560 in 1997 to finance investments, balance of payments, food aid and other programmes.

**Zambia**

Zambia continues to evolve strategies and policies capable of mitigating development crises inherited from three decades of autocratic rule. Among those we may refer to is privatization.

Over 160 parastatal companies had been privatized by the end of May 1997. The Zambia mining industry is also being privatized. Foreign trade and exchange control have been liberalized and the kwacha is convertible. Interest rates have also been reduced significantly. As in Malawi, the poor infrastructure seem to affect potential investors to invest in

Zambia. Some commercial banks have collapsed in Zambia causing the public to lose confidence in banks. However, the Bank of Zambia has taken measures to ensure the restoration of confidence in the banking system.

The 1997 budget of the Government of Zambia was US\$1.097 billion. There has been some revision to the budget to accommodate some salary increases after the budget had been approved. The major share of the budget is allocated to: personal emoluments; road reconstruction; and the public sector reform programme (to pay terminal benefits to retrenched civil servants). Social services expenditure including education and health constitute 34% of the budget. Emphasis is on economic reforms initiated in 1991. About two-thirds of the budget is expected to be financed from externally generated resources. External funding was affected by donor-Zambia relations on good governance. Most donors had suspended funding of some of Zambia's programmes, including balance of payments until July 1997. Most of them were dissatisfied with the constitutional amendment of 1996 and were linking resumption of aid to good governance and dialogue between the government and opposition parties.

By mid-1997, 37 of the 48 sub-Saharan African countries were undertaking serious economic reforms, including liberalizing trade barriers, privatizing State enterprises and easing investment laws. However, the fruit of such reforms are to be realized in the long-term if the reforms can be sustained. At present, the reforms have a hardship impact on the population in the countries concerned.

## POVERTY IN SOUTHERN AFRICAN COUNTRIES

According to the 1997 Human Development Report, 220 million people live well below the poverty line in Africa. This may increase to 300 million in the year 2000. Worldwide, 1.3 billion people (about one-third of the world's population) live on less than US\$1 per day. Poverty is of major concern in Southern Africa as well. Some programmes are being developed to deal with it.

In Zambia, poverty eradication initiative is receiving attention from the Government (of Zambia). Government objective is to reduce the level of poverty, currently estimated about 70% to 50% or less by the year 2004. However, clear strategies to achieve poverty alleviation are being formulated. In March, 1997 UNDP released K13 billion for poverty alleviation in Zambia for four years. ILO estimates that some 3.4 million people are unemployed in Zambia. Among those affected by unemployment include the youth. Some problems of unemployment, according to the Zambia Federation of Employer's Organization are attributed to government's economic reform programme. Some of the reactions to the 1997 budget were that the budget was far from alleviating the extreme poverty in the country. The pressure and hardships are on the tax payer through various direct and indirect taxes and the common population.

In Malawi, the Government is implementing a poverty alleviation programme. Some specific funding initiatives through a loan system to benefit women and the youth have been

established. However, the programme is meeting difficulties due to a number of reasons, including the abuse of the facility by the rich, as well as high degree of non-payment of the loans. The extreme poverty situation makes it very difficult to establish democracy. The government has liberalized agriculture in the hope of alleviating poverty. Liberalization of prices has attracted commercial farming sector into growing maize (the staple food) while small holder farmers face difficulties to purchase farm inputs. This has led to reduced household food security and increased poverty.

The Government of Mozambique's macro economic focus, as noted earlier, is on challenges of sustainable growth and poverty alleviation. Priority is on rural development in order to assist small farmers and traders to increase food production and rural incomes; rebuild rural infrastructure; safe guard land rights of small holders; and enhance the role of women in the rural economy.

As for Zimbabwe, about 33% of the 11.5 million people in the country were reported to be unemployed in 1996. About 40% of the population were reported to be under absolute poverty, while national poverty was put at 60% according to a Country Profile on Zimbabwe prepared for the United Nations General Assembly Special Session on Environment and Sustainable Development in June 1997. The Government is implementing a programme to reduce poverty. It has formulated a Poverty Action Plan.

Issues of poverty alleviation are receiving attention in Southern Africa. This is reflected in the convening of a

Regional Forum on Poverty Eradication in Southern Africa from 13 - 15 May, 1997 in Windhoek, Namibia. The forum was organized by the United Nations Information Centres of Namibia, South Africa and Zimbabwe. Two more series of such a forum are expected in Southern Africa. Some 150 participants discussed strategies to reduce poverty in Southern Africa at the Windhoek forum based on 16 background papers. President Sam Nujoma of Namibia addressed the forum and called for a united front against poverty among Southern African member States. The themes discussed were: Poverty Eradication; Employment Creation; and Social Integration. Some of the issues stressed in combating poverty included the involvement of government, public and private sectors, civil society, the media and NGOs. The Forum called on the Economic Commission for Africa, working through its Subregional Development Centre in Lusaka, and in cooperation with other United Nations Organizations and donors in the region, to organize capacity-building workshops. The meeting was attended by participants from government, non-governmental organizations, media, community based organizations from Angola, Botswana, Malawi, Namibia and Zambia, SADC and United Nations Agencies including a representative from ECA Headquarters.

It will be recalled that poverty eradication was a theme discussed by the Special Session of the United Nations Commission for Social Development in May 1996, as follow-up to the implementation of the 1995 World Summit goal on Social Development. Some of the issues stressed by the special panel on eradication of poverty

included: Diversification of the economies and to improve education and training; Governments to assist the creation of employment and not to leave this area entirely to the private sector; the need to be less dependent on donor aid and put emphasis on self-reliance towards sustainable socio-economic development; need to support the informal sector and to integrate it into the regular economy; and to involve the media in strategies for the eradication of poverty. African countries need to take these into account in their socio-economic development efforts in combating poverty.

In addition, African countries and their development partners in combating poverty need to take into account priority areas reflected in the 1997 United Nations Human Development Report. These include:

- Initiate people-centered policies that give individuals, households and communities expanded access to economic, social, political, environment and personal assets.
- Work towards gender equality, both as an end in itself and as a means to eradicate poverty.
- Improve the management of globalization, including better trade policies, and fairer rules and fairer terms for poor countries to enter markets.
- Create a political environment so that poor people and poor communities can be heard rather than suppressed.

### **SOME IMPORTANT EVENTS THAT TOOK PLACE IN SOUTHERN AFRICA, JANUARY - JUNE, 1997**

The Second Summit of COMESA Authority, 10 April, 1997, held in Lusaka, Zambia Summit meeting was preceded by an Intergovernmental Committee (IC) meeting, 3-5 April and the meeting of the Council of Ministers, 7-8 April, 1997. The newly revamped Subregional Development Centre was represented by its newly appointed Officer-in-Charge who presented a statement on behalf of the Executive Secretary. The theme of the meeting was "COMESA: Gateway to Regional Economic Integration, Growth and Development into the 21st Century". The Summit was attended by 16 member States of COMESA. The new bureau of COMESA Authority consists of President Chiluba of Zambia as Chairman, President Museveni of Uganda as Vice-Chairman and President Muluzi of Malawi as Rapporteur.

The Summit reaffirmed the following:

- (a) Reduction of tariffs in accordance with the agreed timetable to ensure the attainment of a Free Trade Area by the year 2000 and a common external tariff by the year 2004;
- (b) Expedious implementation of trade and transit transport facilitation programmes which COMESA put in place;

- (c) Continued implementation of the COMESA fiscal and monetary harmonization programme and endorsed the decision of the Third Council of Ministers meeting to replace the UAPTA Unit of Account with a COMESA Dollar, which will be equivalent to one United States Dollar;
- (d) Developing an Irrigation Action Plan for the COMESA region in order to decrease dependency on rain fed agriculture in view of the recurrent droughts;
- (e) Acceleration of the process of setting up the COMESA Court of Justice.

The Summit endorsed the following decisions of the Council of Ministers:

- (a) To develop a comprehensive agricultural strategy in cooperation with regional and international organizations,
- (b) The co-existence of the two institutions of COMESA and SADC as decided by the Select Joint COMESA/SADC Ministerial Meeting held in Harare, Zimbabwe in August 1966.
- (c) To undertake further consultations with Mozambique and Lesotho on their membership of COMESA. Lesotho gave notice to leave COMESA at the Lusaka Summit.

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**SADC Conference on Food Security, 21 to 25 January, 1997**

The meeting was reported by the media as the first of its kind in the region. The discussions focused on issues such as land reforms, water right and food security. The conference created a regional black empowerment task force whose objective is to improve the living conditions of the people in the region. The task force has been given the responsibility to organize pressure groups and labour movements in the region to lobby their respective governments against policies that affect African people. About 75% of the population in the SADC region were reported to be living below poverty line and the situation was reported to be getting worse.

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**The First Southern Africa International Dialogue: SADC Leaders Meeting on Smart Partnership, 4 to 7 May, 1997 held in Botswana**

The meeting was attended by Heads of State and Government. It discussed ways to foster economic partnership. The Prime Minister of Malaysia, Mahathir Mohamed, who initiated the idea of **Smart Partnership**, also attended the meeting. At that meeting, President Masire of Botswana said that Southern Africa had the potential to be an economic power house comparable to the South-East Asian countries of Hong Kong, Malaysia and Singapore.

**SADC Economic Summit, 21 to 23 May, 1997, Harare, Zimbabwe**

SADC and a Swiss-based World Economic Forum convened the above meeting. It was attended by at least 600 business executives and 200 political leaders from Africa and outside the continent. The attendance was a reflection of the international business community interest in the potentials in the subregion. It was the Fourth of such meetings since 1994. The meeting's objective was to enhance greater economic and political links in the SADC region. At that meeting, President Mandela of South Africa supported regional integration among the twelve SADC member States and appealed to member States to ensure that phased reduction of trade barriers should benefit not only the strong countries but the weaker ones too. He stressed that the ultimate goal of Southern Africa should be **poverty alleviation** which affects the majority of the population in the region. President Mandela observed that while reducing tariffs on imports into his country could help the region in the short-term, he felt that such action would be dangerous to his administration. Some countries including Zimbabwe have had problems to penetrate South African markets. Zimbabwe and South Africa are the two most competitive economies in Southern Africa subregion.

Some observers feel that there are too many meetings like the one above, with little follow-up action to create the right environment for investment.

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## SADC Launches a Communication Centre

The Communications Centre for Southern Africa was launched on 22 May, 1997 in Zimbabwe with the assistance of the Italian Government. The Centre's activities will be implemented through the involvement of the United Nations Food and Agriculture Organization. The Centre's objective is to ensure that all stakeholders and the poor, participate in identification, formulation and implementation of policies and projects. The Centre is expected to contribute towards the reduction of poverty and malnutrition.

elections are scheduled early 1998. Political analyst view that both the ruling and the opposition parties are not able to resolve the country's mounting political problems. In Zambia, the political situation is still confused since the last general election. There is a petition in court on the last election. There is no mutual trust between the government and opposition parties. This makes the running of the government very difficult. Even within the various parties there are serious differences. In July 1996, donors resumed the balance of payment support suspended following the constitutional amendment of 1996.

At the country level in Zambia, where the Lusaka SRDC has its headquarters, the UN system, under the UN Resident Representative, works together to contribute to the country's programme of activities. The demands are quite heavy and require additional staff at the SRDC to ensure effective response to the demands for the UN system in Zambia. There are several working groups and task forces at which each UN Agency is to be represented and there are very frequent meetings that the SRDC staff are required to devote considerable time in addition to the programmed activities. This is an issue that needed to be examined in-depth and a possible and satisfactory solution found.

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## THE POLITICAL SITUATION IN SOUTHERN AFRICA

Notwithstanding the positive developments in the subregion, Angola's political situation remains a sore thumb. Hopes have been shattered that peace would be established on the ruins of Lusaka Agreement as UNITA dragged its feet in the implementation.

In Malawi, the opposition parties ended their boycott of parliament in March 1997. The boycott started in July 1996. However, mistrust between government and the opposition parties continue. There are mounting political problems in Lesotho. The ruling party, the Basutoland Congress Party (BCP), led by the ailing 78 year old Prime Minister Ntsu Mokhehle, is reported to be in disarray. One of the problems is to find a successor to the Prime Minister. The strongest opposition party, the Basuto National Party (BNP), is also having its own problems of rebuilding the party since it lost at the last polls. The general

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## OBSERVATIONS

It would appear that at most of the events happening in the subregion, the Lusaka SRDC is not represented. In cases where the Centre is represented, the involvement is confined to presentation of an opening address. Non-active involvement in the past may have been due to lack of resources - financial as well as manpower. However, in line with the ECA Conference of Ministers resolution 828 (XXXII) of May 1997, "to strengthen ECA's presence at the SRDCs", there is need to change the past image of the SRDC. The SRDCs should be involved actively in the major socio-economic events and activities taking place in the subregion. If resources are not forthcoming, any image change and better impact of SRDC may just be a wishful thinking.