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SUBREGIONAL DEVELOPMENT CENTRE FOR SOUTHERN AFRICA
(ECA/SRDC-SA)

Dist.: GENERAL

ECA/SRDC/SA/ICE/98/5
8 October 1998

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Fifth Meeting of the Intergovernmental Committee of Experts
for Southern Africa (ICE)

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Lusaka, Zambia

REPORT ON ECONOMIC AND SOCIAL CONDITIONS
IN SOUTHERN AFRICA, 1996-1997

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CONTENTS

	<i>Paragraphs</i>	<i>Page</i>
FORWARD		1
EXECUTIVE SUMMARY	1-6	2
I. ECONOMIC PERFORMANCE 1996-1997.		
1. Introduction.....	7-8	3
2. Sectoral performances		
<i>1.1 Agriculture</i>	<i>9-21</i>	<i>4</i>
<i>1.2 Mining.....</i>	<i>22-31</i>	<i>8</i>
<i>2.3 Manufacturing</i>	<i>32-36</i>	<i>10</i>
<i>2.4 Transport and Communications</i>	<i>37-47</i>	<i>11</i>
<i>2.5 The Financial Sector and the External Debt.....</i>	<i>48-60</i>	<i>14</i>
II. THE SOCIAL SECTOR		
1. Overview	61-67	17
2. Special issue: Progress in poverty reduction		
2.1 Introduction	68-73	18
2.2 The conceptual framework.....	74-79	19
2.3 Underlying causes of poverty	80-81	20
2.4 Government policies and programs to alleviate poverty.....	82-84	22
<i>Botswana.....</i>	<i>85-90</i>	<i>22</i>
<i>Lesotho.....</i>	<i>91-96</i>	<i>24</i>
<i>Malawi.....</i>	<i>97-98</i>	<i>26</i>
<i>Namibia</i>	<i>99-100</i>	<i>27</i>
<i>South Africa.....</i>	<i>101-103</i>	<i>28</i>
<i>Swaziland</i>	<i>104-106</i>	<i>29</i>
<i>Zambia.....</i>	<i>107-110</i>	<i>32</i>
<i>Zimbabwe.....</i>	<i>111-116</i>	<i>33</i>
2.5 Lessons to be learned.	117-120	36
2.6 Further actions to be taken.....	121	37
III. MAIN POLICY CONCERNS IN 1996-1997.....	122-138	38
IV. PROSPECTS FOR 1998	139-145	41
V. STATISTICAL APPENDIX.....		1-3

FOREWORD

I am pleased to present the Report on Economic and Social Conditions in Southern Africa, 1996-1997. The Report is a recurrent publication of the ECA Southern Africa Subregional Development Center (ECA/SRDC-SA). It assesses progress in economic and social development in the subregion over the period as well as the prospects for 1998 and identifies some key national and subregional development experiences in the subregion.

While acknowledging the continuing weakness of some economies in the subregion, the Report notes the positive progress that has recently been made on many fronts towards economic and social development. In this issue, particular attention has been given to the progress made, at various levels, towards poverty reduction in Southern Africa. This progress can be seen in the wave of policies and programs adopted by nearly all member States of the subregion. Yet, much remains to be done in this field.

We hope that this Report will provide a solid basis for consideration of the strategies and policies needed for socio-economic development in Southern Africa subregion. The Report may also be viewed as a tool and source of information for decision-makers and researchers as well as an indicator of the challenges and opportunities facing the countries in the subregion. Above all, we hope that it will provide impetus to suggest possible actions aimed at enhancing its usefulness to policy-makers in the subregion.

Robert M. Okello
Acting Director
ECA/SRDC-SA

EXECUTIVE SUMMARY

1. The economy of the Southern African subregion during both 1996 and 1997 continued to exhibit elements of resilience under trying domestic and international conditions. Weather conditions, and particularly those induced by the El Nino oceanic current, had varying impacts on agricultural production. In Malawi, Zambia and Zimbabwe, for instance, the current led to crop flooding, wash-aways and partial droughts in many areas. This resulted in food shortages pushing thousands of people close to starvation and forcing governments to call for international food aid.

2. Growth in GDP, although positive in nearly all countries, declined to an average of 2.4 per cent in 1997 as compared to a 3.0 per cent growth in 1996, reflecting the high dependence of the sub-region's economies on agriculture. In Malawi and Zimbabwe, where agriculture accounts for large shares of export earnings, GDP growth was down to 5.2 per cent in 1997 compared to 11.7 in 1996 for the former while corresponding figures for the later are 5.0 per cent and 8.1 per cent, respectively.

3. The implementation of structural adjustment programs (SAPs) in nearly all member countries of the subregion greatly assisted in the fight against inflation although results were mixed. Angola had the highest rate of inflation (64.2 per cent) in 1997 largely due to the war situation

while Seychelles had the lowest rate (0.5 per cent).

4. Like in other subregions, economic development in the Southern Africa sub-region continued to be stymied by unsustainable external debt levels. Many countries had difficulties keeping up with principal and interest payments and those who managed did so at the expense of requisite expenditures on social services and economic infrastructure.

5. Levels of poverty in the subregion remained deep and there was an intensification of national poverty alleviation programs supported largely by the assistance of the donor community. Poverty alleviation programs were, however, increasingly coming up against the debilitating HIV/AIDS pandemic that was claiming more lives and scarce resources.

6. Based on several assumptions, SRDC-SA secretariat estimates that the El Nino weather phenomenon is likely to continue affecting agricultural production in the subregion throughout 1998. In spite of this, expected growth in manufactured exports, particularly in Mauritius, South Africa, and Zimbabwe should help to offset some of the negative impacts of lower agricultural output. In this regard, subregional GDP growth rate is expected to average 3.0 per cent in 1998 as against 2.4 per cent in 1997.

I. ECONOMIC PERFORMANCE IN 1996-1997

1. Introduction

7. Economic performance in Southern Africa subregion is dominated by that of the Republic of South Africa, the largest economy of the subregion, representing more than 70 per cent of the combined subregional GDP. During 1996 and 1997, economic performance in the subregion was once again dictated by developments in South Africa's economy as well as the weather conditions induced by the El Nino current. Although virtually all countries in the subregion experienced positive growth rates, these were slightly below those ones achieved in 1996. Average growth rate of GDP declined to 2.4 per cent in 1997 from 3.0

per cent in 1996 (see Table No. 1 below). The decline in GDP growth rate in the subregion was a reflection of both the decline in South Africa's GDP from 2.5 per cent in 1996 to 2.0 per cent in 1997 and the adverse weather conditions caused by the El Nino oceanic current already referred to, which resulted in reductions in overall outputs of food crops within the subregion.

8. The resultant food shortages led to calls for international food aid in nearly all countries with the exception of Botswana, Mauritius, Seychelles and South Africa. Employment levels were also affected, as agriculture is a major source of employment in the subregion

Table No. 1 GDP at current prices, 1994-1998 (US\$ Millions)¹

	1994	1995	1996	1997	1998E
Angola	6,870	6,187	6,960	7,830	8,674
Botswana	4,011	4,318	5,315	5,713	6,113
Congo D. R.	5,829	6,140	19,437	11,730	11,249
Lesotho	766	841	958	1,054	1,159
Malawi	1,283	1,465	1,636	1,721	1,807
Mauritius	3,514	3,940	4,292	4,506	4,798
Mozambique	1,433	1,462	1,715	1,801	1,909
Namibia	2,926	3,162	3,026	3,150	3,307
Seychelles	488	518	515	530	546
South Africa	121,619	133,927	137,275	140,020	143,520
Swaziland	988	1,073	1,069	1,101	1,107
Tanzania	3,378	4,192	4,389	4,542	4,678
Zambia	3,714	4,108	4,168	4,314	4,551
Zimbabwe	5,819	6,606	7,509	7,884	8,357
Growth rate ²	2.5	2.5	3.0	2.4	3.0

Source: The World Bank, Africa Development Indicators, 1997, EIU, Various issues and Country sources

¹ All SADC member States.

² SRDC-SA member States only.

2. Sectoral performances

2.1 Agriculture

9. As in other parts of the African region, agricultural sector plays a dominant role in the subregion, contributing on average about 48 per cent of the subregional GDP. Production in 1997 was not as encouraging as in 1996. Overall agricultural growth rate declined to 6.8 per cent from 10.3 in 1996 (see Table No. 2 below). However, the results were mixed, with some countries facing acute food shortages.

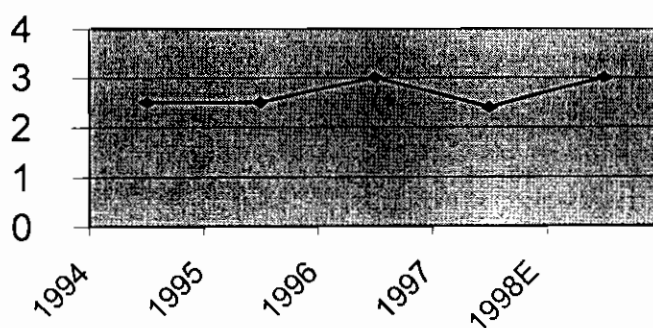
10. In Botswana, for instance, combined cereal production fell to 30,395 metric tons in the 1996/97 planting season compared to the 90,000 metric tons harvested in the 1995/96 planting season. While noting the effects of the El Nino, the Government attributed the sharp drop in cereal output to the 50.0 per cent reduction in planted communal arable land in the 1996/97 season. The shortfall in cereal output was expected to be met through imports of 229,800 metric tons. In response to the challenges posed by the

has embarked upon the preparation of a National Master Plan for Agricultural Development (NAMPAD). The Plan will, among others, address the state of rural infrastructure and socio-economic and environmental issues³.

11. Livestock production constitutes an important component of the economy of Botswana. Nevertheless, despite the good rainfall in 1996/97, the livestock sector experienced a decline. This was especially remarkable for cattle whose throughput at the Botswana Meat Corporation slumped to 127,151 in 1997 from 145,000 in 1996. The reduction as explained mainly by the incidence of the cattle lung disease that caused a preventive extermination of some 320,000 beef animals.

12. In Malawi, by contrast, overall growth in agricultural sector in 1997 remained positive at 3.9 per cent. Estate crops, especially tobacco, buttressed the continued positive growth. Burley tobacco production during the year was 133.8 million kilograms compared to 117.9 million kilograms in 1996. Tea

Chart No. 1. GDP Growth rate



country's arid nature and weather related vicissitudes, the Government

³ Botswana, Annual Economic Report, 1998.

production was 44.9 million kilograms and 37.2 million kilograms in 1997 and 1996, respectively. Heavy rains caused wash-away in the Lower Shire River Valley and led to a reduction in sugar output from 212.0 million kilograms in 1996 to 195.3 million kilograms in 1997. Like in many other African countries, the agricultural sector in Malawi has a clear divide between peasant/small-scale producers and commercial/estate producers. During the 1996/97 planting season, output in the small-scale farming community marginally grew by 1.6 per cent from its impressive growth rate of 45.4 per cent in the 1995/96 season.

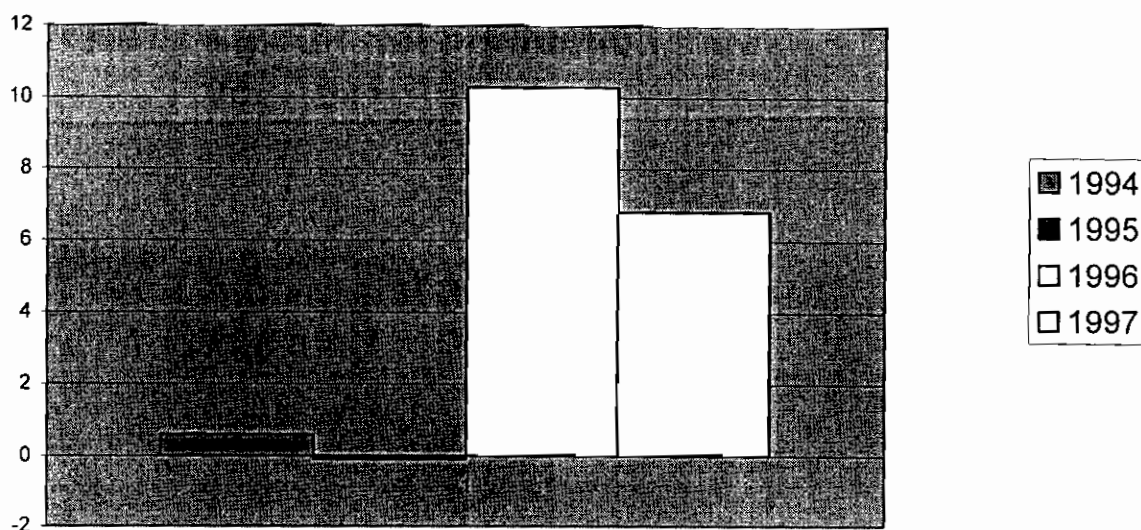
13. The agricultural sector in Mauritius, which includes crop farming, hunting, fishing and forestry, accounts for 9.5 per cent of GDP. Cane growing and sugar milling account for the major part and are treated as the barometer of the performance of the sector. Overall growth in the sector in 1996 was moderate at 4.3 per cent compared to 7.3 per cent in 1995. This was largely due to unfavorable weather patterns during the 1995/96 planting season. In contrast to the general decline in the sector, growth in sugar production in 1996 performed well at 9.0 per cent against the 8.0 per cent recorded in

1995. Output jumped from 539,521 tons in 1995 to 588,455 tons in 1996. Export earnings from sugar were R8,025 million in 1996 up from R6,326 million in 1995.

14. Black tea production in Mauritius suffered a decline from 3,785 tons in 1995 to 2,496 tons in 1996 mainly due to a deliberate diversification program of the Ministry of Agriculture. Tea production was directly reflected in a lower export volume of 1,381 tons and earnings of R28 million in 1996 compared to 2,844 tons in 1995 which earned the country R51 million. The tobacco sub-sector also saw a decline in production from 1,065 tons in 1994 to 749 tons in 1996.

15. During the 1996/97 planting season, the overall agricultural sector posted an impressive rate of growth in Swaziland. Value added increased by 21.0 per cent in contrast to the negative rate of 6.5 per cent in the 1995/96 planting season. Its share of GDP stood at 10.4 per cent in 1997 against the 8.9 per cent for 1996. The record achievement in the cotton sub-sector markedly contrasted with a 37.0 per cent decline in maize output in the 1996/97 planting season. Being the maize a staple food, the less than expected production shattered the Government's hope of attaining food self-sufficiency.

**Chart No. 2 Agricultural production index
(1989-1991=100)**



16. The agricultural sector in Swaziland is divided into Swazi National Land (SNL) and Individual Tenure Farms (ITF). The SNL comprises peasant and small-scale producers who are largely involved in growing traditional food crops, especially maize. Output in the SNL is entirely dependent on weather conditions. The ITF sub-sector involves the large and commercial farming community. Crops are mostly grown under irrigation and include sugar, citrus and pineapples which makes the sub-sector less susceptible to weather vicissitudes.

17. Favorable rains during the 1996/97 season helped to increase yields among SNL farmers. Agricultural value added in SNL recovered to a record 94.2 per cent in 1996/97 after shrinking by 12.4 per cent in the 1995/96 season. Cotton was responsible for most of the growth and benefited from institutional support through the Swaziland Cotton Board (SCB).⁴

18. Production in the ITFs marginally dropped by 1.2 per cent against a decline of 12.4 per cent in 1995/96. The drop came on the back of reduced pineapple's area planted.

⁴ Central Bank of Swaziland, Annual Report, Financial year 1997/98.

Low output in the pineapple sub-sector was, however, likely to be reversed by the coming on stream of the Usuthu Basin Irrigation Project (UBIP) which targets citrus and tropical fruits and high-value crops such as paprika and roses.

19. Sugar production went up by a marginal 1.0 per cent and settled at 475,785 tons in 1997 from 470,988 tons in 1996. Production is optimistically projected at 500,000 tons during the 1998/99 season. Royal Swaziland Sugar is planning to increase exports from 150,000 tons to 650,000 tons over a five-year period. The planned expansion is based on another plan to invest US\$70 million in both factory capacity expansion and more cane production.

20. Zambia has a huge potential to join the group of major agricultural producers in the world. Its potential has not, however, been realized due to a combination of

domestic and exogenous factors. The sector's average contribution to GDP has remained between 16.0 and 20.0 per cent over several years. In 1997 agricultural output accounted for only 16.0 per cent of GDP against its share of 17.2 per cent in 1996. The drop was mainly due to insufficient rainfall caused by the El Nino weather current which resulted in crop flooding in the north and semi-drought conditions in the south of the country. In addition, the government's policy reversals and its withdrawal from agro-input and distribution appear to have contributed profoundly to the poor performance of the sector.

21. Maize output in the 1996/97 planting season declined to 10,668,761 bags from the 15,660,945 bags recorded in the 1995/96 season. The shortfall in maize output caused widespread food relief appeals in rural areas. The government met this with imported grain.

Table No. 2 Agricultural Production Index, 1994-1997
(1989-1991=100)

	1994	1995	1996	1997
Angola	119.3	122.2	131.3	131.0
Botswana	88.9	106.1	93.2	89.1
Congo D. R.	105.7	107.5	99.1	97.2
Lesotho	114.8	100.8	119.3	101.7
Malawi	91.5	109.3	116.0	120.5
Mauritius	98.5	101.0	102.5	105.3
Mozambique	92.3	108.8	121.6	130.2
Namibia	114.3	110.3	117.8	123.7
Seychelles	N/A	N/A	N/A	N/A
South Africa	99.1	86.1	102.4	97.6
Swaziland	96.8	84.8	94.6	89.2
Tanzania	95.7	99.1	104.0	98.5
Zambia	96.0	88.5	104.2	92.9
Zimbabwe	100.6	81.9	111.6	113.8
Growth rate	0.6	-0.1	10.3	6.8

Source: FAO Yearbook Vol. 51, 1997

N/A = Not available.

2.2 Mining

22. The mining sector continues to be one of the most important sectors for some countries in the subregion. On average, the sector accounts for 60 per cent of the foreign exchange earnings and about 10 per cent of subregional GDP.

23. During 1997, the mining industry suffered particularly from the market dampening effects of financial crisis in Southern Asia. Asia is one of the principal export destinations for most of the Southern African mining outputs mostly diamond and gold. As such, the crisis particularly affected mining production in countries namely Namibia, South Africa and Zimbabwe.

24. In South Africa, the effects of South Asia's precious metal market spurred an unprecedented shake-up in the gold mining industry, which was already plagued by steep production costs and falling productivity. In 1997, most mines continued to face significant productivity problems associated with working conditions and slender profit margins. Gold production was particularly affected due to both declining quality and quantity of ore milled. Overall gold production was estimated to be 484 tons in 1997, down slightly from 495 tons in 1996.

25. Despite the market dampening effects of the Asian crisis, some other countries within the subregion such as Botswana and Zambia performed quite well, while others continued to witness

extensive mining exploration activities. Operational centres of South Africa's major mining houses are springing up all over the subregion and exploration subsidiaries vying for concessions and exploration permits in almost all the countries in the continent.

26. In Botswana, for instance, diamond output at the end of 1997 stood at 20 million carats, up from 18 million carats at the end of 1996. The corresponding sales figures were P7 billion as against P4.6 billion, respectively.

27. In Zambia, finished copper production increased to 318 thousand tons in 1997 compared to 314 thousand tons in 1996. Cobalt production, however, dropped slightly from 4,831 tons in 1996 to 4,584 tons at the end of 1997. During 1997, privatization of the copper mining industry continued to be a major priority of the government. It is generally agreed that the successful transfer of the mines into private hands is the key to enhance not only the mining sector but also the entire economy. To this end, the Zambia Consolidated Copper Mines (ZCCM) conglomerate was unbundled so as to allow for the sale of individual mining units. As of December 1997, the government had managed to sell: Kansenshi Mine to Cyprus Amax Minerals of the US; Luanshya/Baluba Mine to Binani Industries Limited of India; Chibuluma Mine to Metorex Consortium; Maamba Collieries; and Copperbelt Power Company to the Copperbelt Energy Corporation (CEC).⁵

⁵ Republic of Zambia, Economic Report, 1997.

28. The mines sold so far are, however, considered as small cows in Zambia's mining kraal and the world is awaiting the sale of Nkana and Nchanga Copper Mines, the fattest milk cows. Their sale will attest to the Government's commitment to a full privatization of the mining sector. The two were nearly sold to the Chafe Consortium led by Anglovaal of South Africa. The deal, unfortunately, did not go through partly due to demands by the Consortium for, *inter alia*, a reduction in the bid price and the inclusion of mine houses in the deal. Projected negative fluctuations in international copper prices also contributed to the scuttling of the deal. The prolonged delay in the sale of Nkana and Nchanga Mines is having dampening effects on the economy due to the fact that these are the country's principal foreign exchange earner, and their poor performance due to their aging machinery and under capitalization have led to reduced productivity.

29. Tracking the performance of the gemstone-mining sub-sector is a very difficult exercise in Zambia. This is due to the sub-sector's informal operations and its bad record of adherence to tax obligations. It is estimated that upwards of US \$600 million worth of gemstones, especially green emeralds are exported illegally each

year. Nevertheless, in 1996 and 1997, legal gemstone exports earned the country US \$10.3 million and US \$13.8 million, respectively.

30. The restoration of peace to Mozambique has ultimately exposed the country's extensive mineral potential and now there is a near scramble for exploration sites. Gold mining is among the most promising sub-sectors and during the review period, Canada's Adamas Resources Corporation, in conjunction with South Africa's MINCOR, were exploring for the mineral in the Niassa Province. Other important explorers were Anglo-American Corporation, Gencor, Ashanti Goldfields and Australia's Broken Hill Proprietary.

31. Apart from gold, titanium was another mineral that was attracting investments in Mozambique with Gencor planning new mining and smelting facilities. Foreign partners were, on the other hand, being sought for the development of tantalite and pegmatite mining in Zambezia Province, gold and bauxite in Manica Province and for several semi-precious and precious stones. A consortium involving Gencor and Edlow Resources of the United States was also planning to invest in platinum mining and smelting.

Table No. 3 Mining production, 1994-1997
(Thousand of tons, or otherwise stated)

	1994	1995	1996	1997
Asbestos	270	257	249	236
Coal (1)	197	213	212	223
Cobalt	3.2	3.5	5.5	5.3
Copper	588	527	511	523
Chromite (1)	4,107	5,794	5,658	6,449
Diamonds (2)	28	29	29	33
Gold (3)	606	552	525	520
Lead	122	91	96	84
Nickel	63	59	66	67
Zinc	141	130	143	144

Source: SADC, Mining Sector Annual Report, August 1998

(1) Million tons

(2) Thousand carats

(3) Thousand kilograms.

2.3 Manufacturing

32. The performance of the agricultural sector and the status of resource flows into the subregion still largely determine the performance of the manufacturing sector. In 1997 the sector registered mixed performance across the subregion with Mauritius, Mozambique and Zimbabwe registering steep increases, while in other countries results were either stagnant or slightly inferior to those achieved in 1996. High inflation and interest rates for borrowers in some countries continued to be major constraints in their efforts to improve the performance of the manufacturing sector.

33. In Mauritius, the manufacturing sector has since 1973 turned on economic activities in

Export Processing Zones (EPZs) which have historically accounted for close to 50.0 per cent of all value added in the sector. Overall output in the sector was positive at 6.3 per cent in 1996 compared to 5.7 per cent in 1995. The strong performance of the sector came on the back of the generally positive growth in the agricultural sector, which provides most of the agro-processing inputs. Other contributory factors were reduced textile export tariffs to South Africa and the rationalized tariff structure. The sector would have performed better, however, had it not been subjected to labor disturbances.

34. The manufacturing sector in Mozambique, after five years of decline the sector finally showed a real increase of 13.3 per cent in 1995, from a negative growth rate of 6 per cent in 1994. However, the sector is

still facing some problems that inhibit the growth of the sector. Factors include limited financial services, high inflation rate at 16 per cent at the end of 1996, and some problems associated with the transition process after the adoption of a market driven economic policy.

35. Zimbabwe's manufacturing industry increased by 8.5 per cent in 1997 compared to 4.0 per cent posted in 1996. The impressive growth rate was led by the chemical and petroleum sub-sector which grew by 37.4 per cent during the year. Metals and metal related products and transport equipment were up by 11.2 per cent and 10.3 per cent, respectively.

36. The manufacturing sector in Zambia grew by 2.5 per cent in 1996 as compared to a negative growth rate of -4.5 per cent in 1995. Its contribution to GDP, however, declined slightly to 25.5 per cent compared to 26.5 per cent in 1995. Contributing to this slow growth were the production difficulties experienced in the mining sector and the general economic instability which translated in excessive high interest rates and high inflation both of which constrained borrowing for investment, particularly in the manufacturing sector.

2.4 Transport and Communications

37. The development of transport and communications in Southern Africa is increasingly regarded as a fundamental part of overall economic development. During 1996 and 1997, developments

in the sector were impressive. Nearly all countries have been upgrading their infrastructure of roads, ports and railways to attract foreign investment. In addition, telecommunication facilities were generally improved in the subregion and communication exchange systems were also being rehabilitated. Facsimile, expedited mail (e-mail) service and cellular telephones were established and are in use.

38. In Malawi, improvements in the country's rural transport infrastructure are viewed by the Government as being key to increasing food production and income opportunities in affected areas. As a sector, Transport and Communications in 1997 grew by 7.5 per cent over 1996 due to improvements in the passenger transport sub-sector, and especially air transport and Lake Service.

39. The road transport sector underwent fundamental policy and administrative changes in 1997. The Malawi Parliament passed the Road Bill under which the National Roads Authority (NRA) was established. The NRA took over road sector roles previously performed by the Ministry of Works and Supply. The Authority's mandate is to ensure that funds generated from the sector are utilized within the sector for maintenance and rehabilitation. Overall performance of the Malawi Railways Ltd. was unimpressive in 1997 compared to 1996, due largely to wash-away in certain track sections. Meanwhile, the implementation of the nation-wide Integrated Rural Transport Program

(IRTP) with funding from the World Bank began in 1997.

40. In Mozambique, the transport and communications sector, like other sectors in the economy, was not spared the devastating ravages of the civil war. In fact the sector suffered the worst brunt of the war. It was estimated that nearly 60.0 per cent of the country's roads and bridges were both destroyed and in urgent need of repair. Despite the effects of the war, Mozambique's Indian Ocean ports of Maputo and Beira still remain the shortest and most efficient export outlets for landlocked countries of Malawi, Swaziland, Zambia and Zimbabwe. Apart from Maputo and Beira ports, there are also big harbours at Matola and Nacala. To this extent, Mozambique's road and port infrastructures are critical targets for infrastructure related regional rehabilitation projects under the Southern African Development Community (SADC).

41. The success of infrastructure rehabilitation projects can be gauged from the fact that, during the review period, traffic between Mozambique and its neighboring countries increased by as much as 80.0 per cent between 1996 and 1997. A co-operation agreement was entered into with the South African Government to facilitate private sector participation in the development of the Mpumalanga corridor, connecting the port of Maputo and the Guateng industrial heartland in South Africa. The agreement involves the upgrading of (a) the Witbank-Komatipoort road and the rehabilitation of the Ressano-Garcia

road; (b) the line linking Maputo and Ressano-Garcia; and (c) the handling capacity of the Maputo port to a maximum of 30,000 tonnes by dredging the channel. Telecommunication facilities were equally targeted for destruction during the civil war operations and continue to need enormous public and private sector investments to bring them back to internationally acceptable standards. Cellular phones and expedited mail service (e-mail) are, however, widely used in Maputo.

42. In Namibia, the Namibian Ports Authority (Namport) in 1996 embarked upon a US\$80 million four-year expansion and upgrading program. The TransNamib company which operates Rail way, Rail road, Sea transport, and Property holding performed very well in 1997. Performance was more noticeable at its 2,382 kilometers rail track that runs from the South African border in the south through Windhoek to Tsumeb in the north of the country. During the period under review, the Trans-Kalahari Highway was completed and officially opened. The Highway runs from Walvis Bay through Windhoek to Lobatse in Botswana, linking up with the South African road network which continues to Maputo. A second highway, the Trans-Caprivi, was also completed, only the bridge were still under construction to link the country with Zambia. It is envisaged that the two highways will immensely contribute to transforming Walvis Bay into an important sub-regional port.

43. In an effort to improve the country's transport delivery systems, the Government during the

review period was in the process of unbundling the TransNamib, the parastatal conglomerate that owns Air Namibia, the railways, the country's biggest road haulage fleet and has interests in shipping. The parastatal was unbundled into three subsidiaries: one for surface transport, the second for air transport; and the third for property management. In addition, there are advanced plans to establish the Namibia Roads Authority (NRA) and the Namibia Road Administration (RFA).

44. In the telecommunication sub-sector, Telecom Namibia, the national telecommunications firm, has nearly completed the automation of its network and soon many centers in the country will be provided with high-capacity digital dialing. The earth station in Windhoek directly connects Namibia to the global telecommunications network.

45. In the Republic of South Africa, transport and communications sector has two worlds in one. The first is characterized by urban highways, fly-overs and inter-sections that are associated with the industrialized world while the second is typified by squalid township and rural roads that generally define the face of African transport infrastructure. Despite this dichotomy, South Africa's transport network is second to none on the African continent and several countries in the sub-region depend on it for their external trade. The telecommunications network, though unevenly distributed, is highly developed and of internationally acceptable standards.

Telkom, the national and largest telecommunications' company, offers modern communications services including electronic data inter-change and teleconference facilities. Voice and data optical fiber networks are in operation in and between major centers. South Africa has successfully launched satellite television.

46. In Zambia, the road sub-sector performed particularly well in 1997, with value added at K63.1 billion against the K61 billion recorded in 1996. This was largely due to the liberalisation of road freight and passenger businesses which allowed for the entry of many local and foreign competitors. Under the Road Sector Investment Program (ROADSIP), government policy emphasis was more on road maintenance and rehabilitation rather than on new projects. A National Roads Board (NRB) and a Road Fund (RF) were established to direct road policy and resource mobilization in the country. On the contrary, the rail transport sub-sector did not perform well in 1997 on account of serious structural and management difficulties. Real output slumped to K10 billion in 1997 from K12.3 billion in 1996. As a consequence, Zambia Railways adopted a far-reaching restructuring program, while the telecommunications sub-sector were liberalized to local and international actors. The state-owned Zambia Telecommunications Corporation (ZAMTEL) continued to expand its telephone net work with the commissioning of new exchanges around the country. TELECEL and ZAMNET, a private company provides cellular telephone services.

47. In Zimbabwe, road and rail networks infrastructures are well developed which strategically link the country with all neighboring countries, through the all-important export ports in Mozambique and South Africa. The railway system is also comparatively efficient both in passenger and freight businesses. The system links the country to Zambia in the north, Mozambique in the east and South Africa in the south. The link to Mozambique, which is popularly known as the Beira Corridor, is especially important, as it is the shortest export route for the country. Telecommunication facilities are fairly efficient and a fiber optic cable network has been laid throughout the country. There are two earth satellite stations serving the Indian and Atlantic Oceans. Cellular phone usage is widespread.

2.5. The Financial sector and the External debt

48. With the exception of South Africa, Mauritius and Zimbabwe, all countries in the subregion continued to be characterized by small and underdeveloped financial and capital markets. It was encouraging, however, to note that under the auspices of SADC, concerted efforts were made towards rationalizing and harmonizing financial and capital markets. In this regard, a meeting of all SADC stock exchanges was convened in October 1997 in Gaborone, Botswana. One of the main objectives of the meeting was to explore the means of harmonizing listing requirements. By now, it is equally important to note that

almost every country in the subregion has established a national stock exchange, including Mozambique, whose Stock Exchange is scheduled to become operational by end 1998.

49. In South Africa, the Johannesburg Stock Exchange (JSE) had a very good year in 1997, despite the crisis in Asian financial markets. The value of the shares traded in 1997 was 76.6 per cent higher than for the same period in 1996. Liquidity increased by 56 per cent from 10.9 per cent to 17.0 per cent. There was also a growth in activity from non-resident investors, who purchased a net R26.2 billion worth of shares in 1997, up from R5.2 billion in 1996.⁶

50. The Lusaka Stock Exchange (LuSE) in Zambia was also one of the most fast growing bourses in the subregion in 1997. In terms of market capitalization, it grew by an impressive 208 per cent, in addition to the overall good performance.⁷

51. The reduction of run-away inflation was also a reform target in the financial sector, as it constitutes the key to macro-economic stability and restoration of business confidence and sustainable economic growth.

52. In Mauritius, reform of the fiscal regime is seen to be critical, as the country strives to transform itself from its dependence on agriculture and export processing zones (EPZs) into a high-technology based economy. As such, a list of ten policy priority areas has been

⁶ SADC, Finance and Investment Sector, Annual Report 1997/98

⁷ SADC, op. Cit.

established. Areas include the adoption and implementation of fiscal reform with a view to creating a basis for re-establishing confidence in the economy and the introduction of a flat value added tax (VAT) replacing the indirect taxation system.

53. In the Kingdom of Lesotho, inflation was contained at 8.8 per cent in 1997 from the annualized rate of 9.3 per cent in 1996. This was largely due to the strict control of money supply, contraction in the fiscal deficit and low credit flows to the private sector. In addition, for the 1996/97 budget, fiscal performance was better than expected. A budgeted deficit turned to be a surplus, mainly as a result of discipline and a stronger than anticipated growth in government revenues.

54. In Swaziland, contrary to the overall trend for some time now, an encouraging result was achieved on the fiscal side in 1997. Preliminary figures for the 1997/98 budget point towards a modest surplus of E0.7 million. Nevertheless, in 1996/97, inflation was only slightly higher at 7.2 per cent compared to 6.5 per cent in 1996. This was not so much because of tight fiscal management as because of the strict monetary policies coupled with lowered tariffs on selected imports. However, Swaziland's membership of the Common Monetary Area (CMA) means that its interest rate structure may not widely deviate from that of the Area. Nevertheless, in order to attract foreign direct investments, the government is likely to deliberately keep its interest rate

slightly below that prevailing in the Area. During both 1996 and 1997, the country also continued to liberalize its exchange rate regime within the CMA regulatory framework. With effect from December 1997, individuals may invest E100,000 outside the CMA and residents can operate foreign exchange accounts.

55. Growth of South Africa's trade and investment in the subregion has provided an important impetus to trade among the countries within the entire SADC region. South Africa's investment in the subregion since 1995 includes infrastructure projects, setting up economic corridors to link countries such as Botswana, Namibia, and Mozambique. As a result, intra-SADC trade has shown a positive growth pattern and it has also increased relative to the total world trade of the member States.⁸

56. Available statistics show that total intra-SADC trade stood at US\$8.76 billion in 1996. This is a remarkable increase from US\$4.16 billion achieved in 1995. Almost all countries expanded their exports, but the greatest performers were South Africa, Botswana, Namibia, Swaziland, Zambia and Zimbabwe. These countries jointly accounted for more than 90 per cent of the total volume of intra-SADC trade in 1996.⁹

57. Unsustainable external debt levels were a prominent feature in

⁸ SADC, Industry and Trade, Annual Report 1997/98 Ref. SADC/CM/2/98/4.7

⁹ Imani, Tariff Schedules for the Implementation of the Trade Protocol, July 1997.

the economies of the subregion. Many countries faced special difficulties with repaying of principal and interest and those who kept up with their obligations only did so at the expense of expenditures on social services and infrastructure.

the Naples Terms remained inclusive on account of differences on issues of governance and transparency between the Government and the donor community.

58. The recognition that Africa's debt crisis persists, in spite of the application of traditional debt relief measures, has led the international community to revisit the subject, re-examine existing debt relief mechanisms and their efficacy. In light of this, it designed and proposed a new debt relief mechanism, the Highly Indebted Poor Countries (HIPC) initiative.

59. The HIPC initiative is to provide debt relief to all ESAF-eligible, IDA only countries with a debt situation that is definitely or possibly unsustainable. A sustainable debt situation is defined as falling below 200 per cent debt-to-exports ratio and 20 per cent debt service-to-exports ratio, at current value terms, after full application of traditional relief mechanisms, in the context of a strong track record of performance, under the World Bank/IMF supported structural adjustment programs¹⁰.

60. Despite this initiative and since it was introduced in September 1996, at subregional level, only one country, Mozambique, has so far reached the "decision point" - April 1998. With this, Mozambique's external debt will be reduced from US\$5.6 billion in late 1996 to US\$1.1 billion by June 1999, when the HIPC package is implemented. Zambia's debt rescheduling under

¹⁰ UNECA, An Overview of Africa's debt in the Context of the HIPC initiative, 1997

II. THE SOCIAL SECTOR

1. Overview

61. Over the last decade or so, the social sector has remained under great pressure, not only because of rapid population growth relative to economic growth in many countries of the subregion, but in part, because of poverty incidence that has been deepening in the subregion among city and town dwellers. This has largely been due to sluggish economic growth, which has resulted in the failure to absorb the increasing number of job seekers, especially the young just coming out of school, and staff retrenchments under structural adjustment programs. Fiscal and monetary policies that have emphasized consumption at the expense of production have equally played a role in worsening social conditions in the subregion.

62. In 1996 and 1997, poverty continued to afflict the majority of the population of Southern Africa. Among the most afflicted are rural communities and peri-urban dwellers. Social services particularly education and health have continued to be reasons for concern, while the employment situation remained precarious as well as access to basic nutritional requirements, shelter, safe water and transport facilities.

63. The subregion, with an average Human Development Index (HDI) of 0.470, is among the poor subregions in the world. Its average GNP per capita of US \$1,236 is also one of the lowest compared to the average of Sub-Saharan Africa (US\$1,460), industrial countries

(US\$17,221) and the rest of the world (US\$4,797). Average infant mortality rate (IMR) for the subregion stands at 82 deaths per 1,000 live births against 64 per 1,000 for all developing countries, 14 per 1,000 for industrial countries and 58 per 1,000 for the rest of the world.

64. Incidence of poverty, however, varies from country to country and within countries themselves. Some countries, notably Botswana, Mauritius, Seychelles and South Africa have relatively lower levels of poverty largely due to economic growth over long periods.

65. The fight against poverty in the subregion is increasingly coming up against the debilitating HIV/AIDS pandemic. According to the latest report on the rate of HIV/AIDS infection in Africa, 14 million of the 21 million people living with HIV in the world are in Africa south of the Sahara¹¹. The report further states that 83.0 per cent of HIV infected children worldwide live in Africa. Southern Africa is said to bear the severest brunt of HIV/AIDS infection in the African region. The spread of HIV and AIDS in Southern Africa has largely been due to deteriorating socio-economic conditions, which have pushed the majority of its population into abject poverty and social exclusion. Urban crowding, mass social dislocations caused by civil wars have equally contributed to the rapid spread of the HIV/AIDS pandemic.

¹¹ Africa: New HIV/AIDS Report, apig@igc.org

66. Southern Africa has a sizeable **unemployment** problem mainly involving the youth and the uneducated. Loss of jobs as a result of privatisation and commercialisation combined with the sluggish rate of growth in job opportunities to worsen poverty levels in the sub-region. To get around the problem, governments are encouraging both public and private sector investments with strong biases towards labour intensive production methods. Efforts by the governments to instil a productive culture within the subregion are also viewed as central to raising productivity and the quality of goods and services.

67. In Zambia, for instance, between June 1996 and June 1997, total formal sector employment

declined from 479,400 to 472,300. The 1.5 per cent drop in employment was attributed to retrenchments in privatized and commercialized state firms and the dampening effects of the El Nino phenomenon, which affected activities in the agricultural sector. Although the Public Sector Reform Program (PSRP) was supposed to result in substantial job losses in both 1996 and 1997, however, this was not possible largely due to the yawning gap between targeted lay-off and the capacity of the government to pay packages. Reluctance by the donor community to contribute to the PSRP has also been a major sticking factor. Job losses in the private sector were largely due to reposition in the face of stiff competition from imported goods.

2. Special Issue: Progress in Poverty reduction

2.1 Introduction

68. The First World Summit on Social Development that took place in Copenhagen in March 1995 made commitment to work for social development throughout the world so that men and women (including children) in poverty will be able to exercise their rights, utilise resources and share responsibilities through an integrated global approach and reconstructing social links with disadvantaged populations to build confidence and take action to combat misery¹².

69. The objective of this section is to review progress in selected countries of the subregion in their fight against poverty and to suggest further actions to be undertaken. The review includes government policies and programs in order to gauge their impact on poverty eradication. The role of civil society, NGOs, the international community and the private sector in their support and implementation of policies and programs relative to poverty alleviation is also considered.

70. Generally speaking, the subregion has made some progress in poverty reduction. A Forum on

¹² The Courier, May-June 1995.

Poverty Eradication in Southern Africa was held in Windhoek in May 1997. That Forum adopted a Declaration that emphasized the role of governments in involving the people, non-governmental organizations (NGOs), community based organizations, the private sector, including the media and other agencies in formulating and implementing programs for poverty alleviation in Southern Africa. The Forum particularly called on the Southern African Development Community (SADC) to encourage its members to place poverty issues at the center of their development agendas. The United Nations Economic Commission for Africa Subregional Development Center (UNECA/SRDC-SA) was, on its part, urged to facilitate capacity building workshops in the area of poverty reduction.

71. Poverty alleviation has since then become a policy target for all governments in the subregion. With the backing of the donor community, nearly all SADC countries are implementing one form of poverty alleviation program or the other. Most of the poverty alleviation programs have taken the form of direct food and material transfers to affected population segments.

72. Free transfers of poverty relief items have, however, been found to be wasteful and now recipients have to offer their labor before benefiting from on-going programs. The Program Against Malnutrition (PAM) in Zambia is one example that has worked well so far. Poverty alleviation schemes in the subregion have largely targeted

women who are the most vulnerable either as heads of households or wives to unemployed men or men in low paid jobs. Their participation has involved, among others, organized work teams for civil works such as unblocking of road drainage systems and waste and garbage disposal and cleaning streets. Remuneration comes in the form of either cash or food items such as maize, rice, beans, salt and edible oils.

73. Various credit schemes with patent bias towards women have also become popular in the fight against poverty in the Southern African subregion. South Africa, for instance, has special credit arrangements under its **Growth, Employment and Redistribution (GEAR)** program that target female entrepreneurship development in disadvantaged locations in both urban and rural areas. The Financial Assistance Policy (FAP) in Botswana, the Poverty Alleviation Trust Fund (PATF) in Malawi, the Micro Finance Trust (MFT) in Zambia and the Poverty Action Plan (PAP) in Zimbabwe are distinct examples of gender biased credit schemes.

2.2 The conceptual framework

74. Poverty refers to a situation where people are unable to meet basic necessities of life such as food and shelter. People are also said to be poor when they have limited access to basic social services such as health, education, safe water and sanitation. Measures of welfare including life expectancy and under-five mortality rates are used

to gauge poverty levels. The concept of poverty has been broadened to include powerlessness, vulnerability, deprivation, isolation, lack of decision making power, lack of assets and general insecurity (Chambers R, 1992).

75. Various statistical measures are used to determine levels of poverty. Some of the measures widely used include per capita Gross National Product, the Human Development Index (HDI), the Poverty Datum Line (PDL) and Capability Poverty Measure (CPM). Gross National Product per capita assesses a country's level of development in terms of the total value of goods and services produced within a country together with net income received from other countries, divided by the size of the population. This measure of poverty is an aggregate and does not reveal income disparities among population groups and geographical locations where poverty is concentrated.

76. The HDI measures a country's level of development in terms of an index calculated from that country's average life expectancy at birth, education levels (literacy and enrolments) and GNP per capital. HDI theoretically ranges from 0.0 (no human development) to 1.0 (maximum human development).

77. The PDL represents income estimated to provide a minimum standard of living for a person or household. Estimation of poverty datum lines is often difficult, value laden and with little agreement on what constitutes a minimum level.

78. CPM index assesses the proportion of a population that is deprived of health care (% of births unattended by trained health workers) nourishment (% of children underweight) and basic literacy and knowledge (% of illiterate population). CPM ranges from 0 (no deprivation) to 100 (total deprivation).

79. This analysis uses the HDI because it reveals whether or not a country's population is able to meet the three basic dimensions of human development, namely, the ability to live longer, access to knowledge and having a decent standard of living. Infant mortality rates, accessibility to safe water and sanitation will also be used to get a better understanding of the quality of life.

2.3. Underlying causes of poverty

80. Poverty levels in Southern Africa are among the highest in the world. The average HDI of 0.470 for all the SADC countries ranks among the lowest in the world. The region's average GNP per capita of US\$1236 is also one of the lowest compared to the rest of Sub-Saharan Africa (US\$1,460), industrial countries (US\$17,221) and the rest of the world (US\$4,797). The region has high infant mortality rates (82 per 1000 live births) compared to all developing countries (64), industrial countries (14) and the rest of the world (58). The average life expectancy at birth is also one of the lowest (see Table No. 4 below).

81. The high incidence of poverty in the Southern African subregion is a result of a combination of factors but the

following rank among the major ones:

- (a) Prolonged sluggish growth in the formal sector which has resulted in less job opportunities especially for the youth;
- (b) Inappropriate and antiquate land tenure systems that are heavily biased against women. Some countries in the subregion, for instance, still do not permit women to own land and property in their own right;
- (c) Limited access to capital particularly among rural women;
- (d) Urban biased development programs, which have contributed to rural-urban migration. Rural areas have in the process become unattractive while increasing urban populations have caused massive pressures on social service delivery systems;
- (e) Inappropriate and inadequate identification of the actual poor which has resulted in misdirection of poverty alleviation resources;
- (f) Rapid population increase which has led to the cultivation of marginal lands;
- (g) Inappropriate farming systems that have emphasized the use of inorganic fertilizers at the expense of tested organic farming practices;
- (h) High and unstable prices of agricultural inputs which have put them beyond the reach of rural farmers; and
- (i) External factors such as unfavorable terms of trade and unsustainable external debt levels.

Table No. 4 Selected Poverty Indicators

Country	GNP per Capita	Life exp. at birth	HDI 1994	HDI World Rank 1994	SADC Rank	Infant Mortality rate 1994	Po. With access to safe water % 1990-1996
Angola	799	47	0.335	157	10	120	32
Botswana	2,800	52	0.673	97	3	55	93
Congo D. R.	429	52	0.381	142	n/a	94	42
Lesotho	720	58	0.457	137	7	79	56
Malawi	170	41	0.320	161	11	147	37
Mauritius	3,150	71	0.831	61	1	17	99
Mozambique	90	46	0.281	166	12	116	63
Namibia	1,970	56	0.570	118	5	63	57
Seychelles	n/a	n/a	n/a	n/a	n/a	n/a	n/a
South Africa	3,040	63	0.716	90	2	51	99
Swaziland	1,100	58	0.582	114	4	72	n/a
Tanzania	140	50	0.358	149	9	85	38
Zambia	350	43	0.369	143	8	110	27
Zimbabwe	500	49	0.513	129	6	70	77
SADC Average	1,236	53	0.470	130	82	55	50
Sub-Saharan Africa	1,460	50	0.380		97		
All Developing Countries	1,053	62	0.576		64		
Industrial Countries	17,221	74	0.911		14		
World	4,797	63	0.764		58		

Source: United Nations Human Development Report, 1997.

2.4 Government Policies and Programs to Alleviate Poverty

82. Poverty issues have increasingly become an area of immediate concern for governments, donor agencies and civil society in 1990s due to failure of previous policies to bring about economic development including poverty eradication.

Conventional development thinking of the past decades emphasised economic growth and that high incomes and employment generation would result from the multiplier effect and the trickle down-effect. Thus poverty, unemployment and income distribution took a second place. Failure by economic growth which was expected to generate the trickle down effect that would have reduced poverty, economic mismanagement and the need to address the adverse impact of exogenous factors such as drought, has led governments and other development agencies to evolve broad based development strategies.

83. Concern to alleviate poverty by international bodies such as the UN system and the poor countries themselves has led to a resurgence of various programmes that have seemingly taken a pro-poor stance. Institutions such as the IMF and World Bank that championed the efficacy of market forces in bringing about all round development in resource poor countries, including Southern Africa, have also begun to incorporate poverty alleviation and good governance dimensions in their aid packages. The policies and programmes are being targeted at women who constitute the majority of the poor despite their being at the

forefront of ensuring survival of households.

"A creative commitment to gender equality will strengthen every area of action to reduce poverty-because women can bring new energy, new insights and a new basis for organisation ... If development is not engendered, it is endangered. And if poverty reductions fail to empower women, they will fail to empower society" (UNDP, Human Development Report, 1997).

84. The policies are also targeting the aged, disabled persons, the chronically unemployed and destitute children. The following is a summary of policies and programmes against poverty in selected countries in the subregion.

Botswana

85. Botswana is one of the few countries in the Sub-Saharan Africa that has experienced sustained economic growth over the past decades due to high incomes from the diamond mining sector. The country's HDI of 0.673 is only surpassed by those of Mauritius (0.831) and South Africa (0.716). The GNP per capita of US\$2800 is the third highest in the SADC region. Between 1985/86 and 1993/94 the proportion of population below the PDL declined from 49% to 38%. This was due to increases in incomes and higher public expenditure on social services (Pelani Siwawa-Ndai, 1997).

86. Despite such remarkable achievements, however, poverty has continued to afflict a significant proportion of the population particularly in rural areas. Poverty in Botswana is considered a rural

problem because 60% of all poor households are found in rural areas (Jefferis, 1997). Female headed households experience higher incidences of poverty (41%) compared to male-headed households (34%).

87. Causes of poverty in Botswana include land alienation, adverse climate (persistent droughts) and soil conditions (semi-desert) and urban biased development policies as well as unequal income distribution patterns. To alleviate poverty, government has been implementing the following programmes since 1980s:

- a) Income supplementation of rural workers.
- b) Direct specialised feeding programmes.
- c) Direct food transfers to vulnerable groups.
- d) Grants to private sector and NGOs to enable them create jobs in various sectors including manufacturing, horticulture and the service industry.

88. The programmes have succeeded in alleviating poverty without raising the standard of living on a sustainable basis and have been considered to increase dependency on the State since they have done little to generate employment (Mozonde 1997 in, P&P).

89. The Government has also recognised some shortcomings of the above programmes and has devised policies aimed at generating employment and raising incomes as

well as ensuring rural development. Phase I of the Study of Poverty and Poverty Alleviation in Botswana (1997), which was conducted by government made the following recommendations on two fronts in fighting poverty in the country: employment and rural development,

i) Employment and incomes:

- a) Creating income earning in formal and informal sector.
- b) Ensuring that women are fully integrated in the nation's economic and social development through evolution of a National Policy on Women in Development under a Women's Affairs Unit in the Ministry of Labour and Home Affairs.
- c) Establishment of a favourable environment in both rural and urban areas for private initiatives that generate incomes and employment.
- d) Provision of education, training and extension services to enhance skills and increase productivity.
- e) Supply of social and economic infrastructure and encourage its efficient utilisation.
- f) ensuring that prices of capital, land and labour reflect relative scarcities to safeguard labour intensive technologies.

ii) Rural Development:

- a) Increasing sustained production through research, extension services and conservation planning.

- b) Improving marketing and credit facilities in rural areas.
- c) Creating productive employment to reduce numbers of people without means of support.
- d) Improving access to social services.

90. These measures are expected to reduce poverty among the population once effectively implemented.

Lesotho

91. Lesotho is comparatively better off than most countries in the region. Its life expectancy, infant mortality rates, and GNP per capita are higher than most countries in sub-Saharan Africa. The country's HDI is 0.457. Despite this good level of human development index, a significant proportion of the country's population still lives in poverty. According to 1993 estimates, 49.15% of the country's population lived in poverty. Poverty levels are higher in rural areas where 80% of the population lives. Approximately 54% of rural households are poor compared to 28% in urban areas (Ministry of Finance and Economic Planning, 1996). Households headed by old people and women are the most afflicted by poverty.

92. Causes of poverty in Lesotho include unemployment, environmental disaster (including drought, floods as well as loss of fertility and productive pasturelands), lack of agricultural land and inputs and ill health or disabilities. In terms of employment, only 28% of the workforce were in

formal employment in 1993 with the remainder confined to agriculture and the informal sector in which returns to labour are low (op. cit.).

93. Recent efforts to reduce poverty have had mixed results. According to the 8th Round Table Conference on Poverty reduction in Lesotho, the country devoted more public resources to provision of social services than most countries in the region. Networks of community based village health workers and facilities have evidenced this. The provision of social services has however continued to favour urban and richer areas.

94. Special employment schemes through labour construction and civil works have made a positive impact on self-targeting females, the poor and food insecure who received food or cash rations. However, Special Employment Schemes have had limited success and only catered for 12% of the unemployed mainly due to poor co-ordination and limited budgetary allocations. The programme was also perceived to be unsustainable due to donor dependency.

95. Limited success of previous efforts to reduce poverty has led government to formulate new policies and strategies. These have been articulated in the Social Policy Framework. The policies and strategies will be implemented through prioritised poverty action plans and will focus on:

- a) Strengthening the Social Safety Net, through lowering consumer price of staple foodstuffs, provision of food supplements to vulnerable

- groups, identification of specific national areas of intervention to reduce poverty and directing resources to areas where the incidence of poverty is highest. Already five rural districts and peri-urban areas have been identified.
- b) Building institutional capacity, through reform of the civil service, decentralising functions to local authorities with direct contact with the poor, use of the budgeting process as a tool to rationalise expenditure and allocation for poverty reduction, merging fragmented programme units and consolidating safety nets, designing and implementing a transparent poverty reduction programme of investment financed from the development fund and initiation of annual household surveys using selected national indicators to monitor progress in poverty reduction.
 - c) Fostering labour intensive growth in agriculture, small enterprises and export-oriented manufacturing and rural development. Rural development will be achieved through investment in infrastructure, making land tenure and women's rights more secure, reorienting agricultural research and extension to crop diversification. The measures will be accompanied by improved access to capital and business management skills.
 - d) Improving the health status of the population through geographic equity, exempting children under five, the elderly, and disabled from user fees, introducing a free or low cost package of health services and decentralising facilities as well as focusing on specific health problems.
 - e) Improving education through: diverting public resources away from tertiary to primary education, investing more in poorer regions, lowering the costs to parents of primary and secondary education, improving technical and vocational education and strengthening informal education for out-of-school young people.
 - f) Improving access to safe water and sanitation services which would have a bigger impact on health.
 - g) Reducing poverty related environmental degradation.
 - h) Ensuring sound macro-economic management.
 - i) Privatising state-owned enterprise which the private sector could run efficiently. This is intended to release resource to divert to poverty related programmes while creating employment.

96. The policies will be prioritised according to their impact on poverty in the short, medium, and long-term period.

Malawi

97. Poverty in Malawi is perverse particularly in rural areas where it is estimated that 80% of the country's population resides. The 1998 government Economic Report estimated that 65% of the population were living below the PDL while 1990-91 estimates of poverty prevalence showed that 42% of the poor were in rural areas and 36% and 20% where in Bomas and urban areas (cities), respectively. Rural women are the most affected as they have to perform 70% of farm work in the face of discrimination in accessing credit and low participation in credit programmes (Vision 2020, 1998:238). As in most countries in the region, poverty in Malawi is mainly attributed to urban biased infrastructure development and promotion of export commodities at the expense of smallholder farmers. The government of Malawi has recognised the need to reduce poverty both in urban and rural areas.

98. Government policies and strategies have been articulated in the National Long Term Perspective Study and Vision 2020 and focus on the following areas:

- a) Placing emphasis on primary education. This is intended to increase enrolments for children who have hitherto been denied opportunities due to limited educational facilities.

- b) Development of credit facilities and introduction of Malawi Social Action Fund.

A small and medium enterprise fund was set up in 1995 to give credit to the poor. Another credit facility called the Malawi Mudzi Fund provides small farmers' clubs, farmers growing on customary land, individual small holder farmers and owners of small estates. Government also established a youth credit fund to promote enterprise development for young people.

- c) Poverty Alleviation Programme (PAP).

This programme is intended to re-align sectoral plans towards the poor through the Public Sector Investment Programme. It is also intended to liberalise markets for inputs and outputs to improve incomes of smallholder farmers. Donors and NGOs are also involved in implementing credit programmes to supplement government efforts. A Poverty Alleviation Trust Fund has been set up under the PAP to assist community based projects, help the needy particularly children, women, and persons with disabilities. Among programmes under PAP, the Public Works Programme to improve communication is considered the most effective means of addressing poverty.

d) Creation of a Poverty monitoring system to constantly observe incidences of poverty. To this end, the National Economic Council of Malawi has undertaken analytical research and information gathering on poverty, design and implementation of poverty reduction programs (Economic Report 1998:90-94).

e) Reduction of Gender inequalities through:

- i. Creation of women's clubs to facilitate access to inputs and credit.
- ii. Instituting equal employment policy and transparent hiring procedures and promotion guidelines.
- iii. Removing discriminatory laws and customary practices that discriminate on the basis of gender.
- iv. Provision of technologies to increase production.
- v. Promoting day care/nursery schools in rural areas to increase women's time for economic activities.
- vi. Improving family planning services.
- vii. Promoting cottage industries for women.
- viii. Removing discrimination in accessing credit.

- ix. Expanding micro credit scheme targeted at women.
- x. Granting paternal leave for men to alternate with women to sustain earnings.
- xi. Improving family planning services by increasing service delivery.

Namibia

99. Namibia with a HDI of 0.570 is considered to be a medium developing country. GNP per capita was estimated at US\$1970 in 1994 and life expectancy at birth at 55.9. The country's economic development has, however, not been accompanied by equitable income distribution. Poverty afflicts a significant proportion of the population. The causes of poverty are rooted in uneven development before independence in 1990 when the country was treated as a colony of South Africa and, consequently, subjected to apartheid laws that discriminated against development of indigenous population. To date wealth is still concentrated in 5% of the population, mainly whites. Unemployment was estimated at 21% in 1996. Poverty is prevalent in informal urban settlements and rural areas where 70% of the population lives with limited access to land. High levels of malnutrition, poor access to social services including health and education are a common feature among the rural population.

100. To reduce poverty and ensure equitable distribution of wealth, the Namibian government has set up a

permanent Inter-institutional National Committee on Poverty Reduction with membership drawn from government, private sector, NGOs and donor agencies. The Committee provides a framework for monitoring implementation of policies and programmes on poverty reduction. The Committee is mandated to ensure:

- i. Improved provision of social services particularly health and education.
- ii. Creation of employment opportunities for the poor.
- iii. Promotion of participatory approaches to socio-economic development.
- iv. Narrowing of the income gap.
- v. Improving agriculture and industrial productivity.
- vi. Provision of social security through a Development Fund, national Medical Aid Fund and National Pension Fund.
- vii. Improved accessibility to productive land.
- viii. Implementation of resettlement and rehabilitation. Under the programme the government has been purchasing commercial farmland. By 1997 the programme had reached 7,000 people majority of whom were previously displaced by war.
- xi. Continued implementation of the Drought Relief Programme. The programme

has been implemented in collaboration with NGOs, donor agencies' such as the World Food Programme and churches. The programme is considered to have had a positive impact on poverty alleviation and sustainable development.

- x. Co-ordination of the Affirmative Action Programme to create job opportunities on non-racial and gender grounds. This first phase of the programme involving broad consultations was completed in 1997.

South Africa

101. South Africa, with a GNP per capita of US\$3040 and HDI of 0.71, is classified as a medium developing country. Its infant mortality rate of 51 per 1000 is one of the lowest within the subregion. The country's economic infrastructure approximates that of the so-called first world in many respects. This has been made possible by an abundance of mineral resources and a modernised manufacturing and agricultural sectors.

102. Although the country has developed to such heights, it has poverty and poverty related problems which have been linked to the past apartheid policy of separate development for different racial groups. About 53% of the population were living in poverty in 1997. The South African government's response in 1997 was the setting up of the Poverty and Inequality Committee within the Reconstruction and Development

Committee. The mandate of the Committee is to make recommendations on poverty reduction. In February 1997, Parliament adopted the White Paper for Social Welfare Policy encompassing, among other concerns, greater emphasis on anti-poverty programmes such as the Developmental Programmes for Unemployed Women and Women with Children Under Five years (South Africa Year Book, 1997). Through this programme, priority will be given to:

- promoting early childhood development, stimulation, care, education, health and nutrition
- facilitating access of poor female-headed families to employment opportunities (government programmes-public works, trade and industry - as well as non-governmental programmes
- linking with inter-sectoral programmes and targeting early childhood development
- linking with economic development through economic empowerment, such as market oriented work skills, and capacity building
- rendering social support programmes to poor female-headed families which will be both curative and preventive (family life enrichment and parenting)
- reducing the dependency on social security through the development of market oriented skills.

103. Apart from government, churches, trade unions the South

African NGO Coalition, international organisations such as the United Nations Development Programme are actively involved in addressing poverty reduction in the country.

Swaziland

104. Despite Swaziland having a comparatively high GNP per capita and an HDI that is above the regional average, the majority of the country's population (66%) were estimated to be living below the PDL with 54% and 64% of the rural population without access to safe water and sanitation, respectively, in 1997.

105. To reduce poverty levels, the Swazi government through its Social Welfare Section, has been providing rehabilitation services for disabled persons, and disaster relief to communities affected by drought through providing them with farming inputs. A number of NGOs have been providing food aid through health facilities and primary schools. The National Provident Fund was set up to provide a measure of security for all formal sector employees (Development Plan 1996/97-1998/9, 1996).

106. The National Development Strategy identified key areas on which to concentrate efforts aimed at alleviating poverty. These include the following:

(i) Water

- (a) Designing of a water policy covering

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|-------|--|------|---|
| | pricing, conservation and management; | (iv) | <u>Infrastructure</u> |
| (b) | Constructing dams and irrigation facilities through full community involvement; | (a) | Improving socio-economic infrastructure, overall macro economic environment and delivery of public services; |
| (c) | Promoting irrigation-based agricultural production among rural households. | (b) | Strengthening community based administrative structures; |
| (ii) | <u>Extension Services</u> | (c) | Improving functioning of local authorities through ensuring public accountability; |
| (a) | Effective provision of extension services; | (d) | Reviewing and overhauling the education system to emphasise skills required by the economy and self employment; |
| (b) | Extending business extension services into rural areas; | (e) | Improving delivery of primary education and health sector; |
| (c) | Developing cost-effective, environmentally friendly farming technologies. | (f) | Strengthen early warning system and use it output to promote food security. |
| (iii) | <u>Employment</u> | (v) | <u>Empowerment</u> |
| (a) | Introducing labour intensive technologies; | (a) | Monitor the incidence of poverty and design specific programmes to eliminate observed pockets of poverty; |
| (b) | Encouraging small-scale income generating activities and re-orienting educational activities toward self-employment; | (b) | Develop special programmes targeted at disadvantaged groups; |
| (c) | Promoting non-agricultural activities in peri-urban areas; | (c) | Implement social security payments for the very destitute (elderly, disabled, and unemployed orphans); |
| (d) | Improving tourism with links to rural areas; | | |
| (e) | Evolution of a comprehensive policy to promote urban informal sector; | | |

- (d) Place poverty alleviation at the heart of all policy measure by ensuring that national budget is underpinned by poverty alleviation;
 - (e) Reform and introduce new law to deal with problems such as inheritance, land-use rights and status of women;
 - (f) Formulate programmes aimed at improving the status of women, including facilitation of entry into decision making process.
- (vi) Population
 - (a) Involve communities at grassroots in articulating and implementing sustainable population policy;
 - (b) Incorporate population issues into national development planning.
- (vii) Shelter
 - (a) Increase the number of serviced plots;
 - (b) Encourage permanent dwelling structures meeting minimum standards of decency;
 - (c) Promote loans for low-income families.
- (viii) Role of Communities
 - (a) Involve targeted communities in the design and implementation of intervention measures to eradicate poverty;
 - (b) Institutionalise consultation, collaboration and corporation among central government, local authorities, NGOs, donors and other agencies.
- (ix) Cultural practices and family relations
 - (a) Reform customary and common law systems to remove discrimination based on gender to allow women access to land or credit;
 - (b) Formulate policy on street kids.
- (x) Gender
 - (a) Place women in decision making through establishment of a Gender Unit in Ministry of Home Affairs
 - (b) Give women preferential treatment in some of the small scale loan guarantee schemes, Export Credit Scheme and Small Enterprise schemes.
 - (c)

Zambia

107. Zambia's HDI of 0.369 is one of the lowest in the subregion. Life expectancy is one of the lowest and is said to be declining due to a combination of poverty and the HIV/AIDS pandemic.

108. Female headed households in rural and peri-urban areas, the aged and destitute children, victims of retrenchments during the privatisation process, are most affected by poverty. Statistics indicate that 75.5% of the poor lived in rural areas while 60.4% of female headed households experienced extreme poverty in both rural and urban Zambia in 1996 (CSO, 1997).

109. Government in collaboration with donor agencies and NGOs has designed policies and programmes to reduce poverty. A recent review of Poverty Programmes in Zambia include the following (Matanda H K, 1997):

- (a) Social Action Programmes.
The programme was adopted by government in 1990 to channel investment into health, nutrition, education, water and rural roads, women in development, development of small-scale industries and employment generation through public works. The programme was abandoned in 1993 because of poor co-ordination, unclear objectives and inadequate funding.
- (b) Public Welfare Assistance Scheme (PWAS). PWAS is the government's major social safety net for cushioning the adverse impact of economic

reforms on the poor. The scheme has three major components namely:

- i) Social support (provision of food, clothing, blankets and assistance to stranded persons);
 - ii) Health care cost scheme to assist identified poor to access medical care;
 - iii) Education cost scheme to assist needy children with school requirements.
- c) Support to children's homes for those orphaned and destitute.
 - d) National Programme of Action for Youth intended to provide skills training to unemployed young men and women.
 - e) The Programme for street children provides rehabilitation services to youths through drop-in centres and is implemented in collaboration with UNICEF.
 - f) The Micro Start Fund with support from UNDP will provide credit to the poor through financial intermediaries.
 - g) The Zambia Autonomous Development which will be financed by donor resources will provide credit to vulnerable groups for start /run small and medium scale enterprises.

h) Public Works Programme with three major components, namely:

- Programme Against Malnutrition which provides links between rural NGOs, Government, and donors to provide relief and community based activities to improve food security;
- Peri-urban self-help which is implemented with support from the World Food Programme and provides food for work in peri-urban areas in 6 districts and 23 compounds. Women in peri-urban areas comprise 90% of beneficiaries; and
- Individual empowerment to equip beneficiaries with life skills.

i) The African Housing Fund (a Pan Africa organisation) is being implemented in collaboration with government assists the poor with integrated self-help poverty eradication programmes embracing housing water supply and income generation activities.

j) The Water and Sanitation Programme which involve rural communities to achieve safe water supply and sanitation is being implemented in five provinces.

k) The Hammer Mill Project in peri-urban and rural areas

targets women to enable them attain food security, improve nutritional status, generate incomes and reduce workload.

110. Zambia's poverty alleviation programmes have been considered a drop in the ocean when one looks at the magnitude of the problem. According to the UNDP Human Development Report on Zambia (1997) political interference leading to non deserving people accessing assistance, inadequate funding and poor co-ordination due to limited capacity by both government and local NGOs are some of the major constraints. Government's response to above problems has been development of the National Poverty Reduction Strategic Framework (NPRSF). The NPRSF will be translated into a National Poverty Reduction Plan and will focus on:

- a) Broad based economic growth through agriculture and rural development;
- b) Provision of public physical infrastructure;
- c) Increasing productivity of urban micro-enterprises and informal sector;
- d) Developing human resources;
- e) Coordinating, monitoring and evaluating poverty reduction programs and activities.

Zimbabwe

111. Zimbabwe is considered a medium developing country with a GNP per capita of US\$500 and an HDI of 0.513. Despite the relatively moderate HDI, 62% of the

population were estimated to be poor in 1996. The majority of the poor were in rural areas i.e. 75% of rural population (UNECA, 1997). Poverty in Zimbabwe is closely linked to landlessness. About 70% of the population depend on small-scale agriculture with limited productivity while limited access to land, agricultural resources has resulted in female-headed households being the most severely affected. Unemployment in the formal sector is also high. About 30% of the active working seeking labour force was estimated to be unemployed (Moyo, 1995:1).

112. The government has since the 1980s been implementing measures that are intended to improve standards of living especially in the rural areas. In 1991 it adopted the Social Dimension of Adjustment to mitigate social costs of adjustment as part of the Economic Structural Adjustment Programme. These measures were also meant to improve the status of women. They included the following strategies:

- i) Improved agricultural extension and access to credit.
- ii) Free primary education and access to health care for the poor.
- iii) Literacy campaigns.
- iv) Water and sanitation programmes in rural areas.
- v) Support for women's community level initiatives through training and financial inputs.
- vi) Welfare grants for people with disabilities and the poor.
- vii) Law to provide for maintenance of children born out of wedlock.

viii) Price controls to prevent exploitation of rural people.

ix) Land resettlement to reduce pressure on land.

113. These measures have had limited impact on poverty alleviation however. This has been attributed to the persistent adverse impact of structural adjustment programmes and recurrence of droughts. Land redistribution has also not been effectively implemented. Failure to implement land reforms has been attributed to errors in management, planning and provision of extension services (Moyo, 1995). The resettlement programme has also suffered from limited resources for establishing infrastructure including roads, schools and clinics.

114. Government response has been reformulation of the Social Dimensions of Structural Adjustment programme that was initiated in 1991 by redesigning and focusing on poverty alleviation as policy framework. The government has also adopted the Poverty Action Plan covering fifty initiatives to build institutional capacities and provide support services to women, youth and other vulnerable groups. Other programmes that are being implemented with donor support include employment creation, decentralisation and drought management.

115. A framework has also been evolved to address improvement of the status of women (Government of Zimbabwe, 1994). The framework encompasses a policy on gender issues, institutional capacity for women's advancement, equity in power sharing and decision-making

bodies, and women's economic empowerment through:

- establishment of a women's bank and revolving loan fund,
- deregulation of the informal sector,
- provision of training in marketable skills,
- appropriate legal provisions guaranteeing women's access to productive resources,

promotion of functional literacy,

- Civic education, training for women in the public service and in development oriented organisations, an environmental awareness building in women's development programmes.

116. The above measure will be implemented by government, communities themselves and NGOs.

**Table No. 5 Poverty Reduction Policies and Programmes in selected countries:
Congruence and Divergence**

Country	Policy Framework	Capacity Building (Institutional Framework)	Direct Assistance Programmes	Empowerment
Botswana	National Policy on Women in Development	Women's Unit	Income supplementation, food transfers	Sills, Training, micro credit employment generation through private sector development
Lesotho	Social Policy Framework and Action Plans in Place	Civil service reform, decentralisation, effective planning & budgeting, household surveys partnerships with NGOs & donors, merging fragmented Units, transparency in use of Development Fund.	Through Social Safety Net (i) lower price of food, (ii) expand labour intensive public works & provide food supplements	Human resource development(education & health), private sector development
Malawi	Employment Policy,	Poverty Monitoring by National Economic Council	Poverty Alleviation programme, Trust Fund, Public Works, Programme	Private sector and enterprise Development Skills training & micro credit delivery
Namibia	National Long term Perspective Study	Inter-institutional National Committee on Poverty Reduction	Social Security, Development Fund, National Medical Aid Fund and National Pension Fund	Affirmative Action Programme, private sector development
Swaziland	National Development Strategy	Improving community based structures	Social Security,	Labour intensive technologies, promoting self employment and informal sector, private sector development
South Africa	Social Welfare Policy	Reconstruction and Development Committee, Decentralisation	Public Works Programmes, Social, security	Skills training and enterprise development
Zambia	National Poverty Reduction Strategic Framework	National Social Safety Net Co-ordinating Committee	Public Welfare Assistance, Public Works Programme	Micro credit for enterprise development, agriculture & rural development, Human resource development.
Zimbabwe	Revision of Social Dimensions of Structural Adjustment Programme into poverty policy with Action Plans		Welfare grants,	Land resettlement, reforms, micro credit delivery

Source: SRDC-SA Secretariat.

2.5 Lessons to be learned

117. The above analysis reveals that poverty levels in the region are high and that unless concerted

efforts are made the situation is likely to worsen. Policies and programmes to alleviate poverty have only gained prominence in the 1990s partly due to donor influence and support. Attempts to reduce poverty have been hampered by

absence of carefully formulated policy and institutional frameworks including inadequate resources.

118. Sustainability of the programmes in the long run is doubtful because of overwhelming dependence on external resources in the majority of countries. Some countries will find it difficult to sustain poverty reduction programmes due to economic difficulties they are under-going and would continue to rely on donors in the short and medium term. Only a few countries such as Botswana would be in a position to ensure long term sustainability of programmes from their own resources because of favourable economic conditions.

119. Southern African countries are at different levels of policy formulation and implementation of poverty alleviation programmes. While some have already formulated policies and are in the process of implementing them, others are only beginning to appreciate the magnitude of the problem following recent surveys on the incidence of poverty.

120. Ineffective targeting of the poor in direct intervention programmes has made it difficult to evaluate successes and failures. Poverty alleviation through empowerment schemes such as micro credit can only succeed where viable grass roots and development oriented micro credit institutions exist.

2.6 Further actions to be taken

121. Based on the review of the poverty situation and measures that

are currently being implemented in the Southern African subregion, this analysis suggests the following actions to be taken:

1. Continued practical demonstration of governments' commitment to poverty reduction through increased budgetary allocations and capacity building of programmes should be given priority. This should include shifting actual expenditure from urban to rural areas, decentralising decision making on public expenditure to local levels, and resorting to participatory approaches involving the poor.
2. Measurable indicators of impact of programmes should be developed and applied to monitor success of programmes on a regular basis.
3. Donor support should relate to government's commitment to poverty reduction. In view of overwhelming support to poverty alleviation programmes by donors, it is necessary to conduct research at national and regional level to determine sustainability of programmes in the absence of such support.
4. Regional fora for sharing experiences in poverty eradication should be encouraged for policy makers and development practitioners. At national and

- local level forums should be encouraged where all parties concerned can evaluate and co-ordinate programmes to reduce poverty.
5. Research into experiences of other countries that have successfully reduced poverty with the private sector, as the engine of growth should be carried out and findings disseminated on the applicability of such models to Southern Africa.
 6. Although communities and local institutions should play a critical rôle in poverty alleviation programmes, governments should ensure that national co-ordinating committees are put in place.
 7. Governments should put into practice the Declaration by Heads of State of SADC on Gender and Development. This should be extended to implementation of International Legal Instruments relevant to Women they have acceded to.

III. MAIN POLICY CONCERNS IN 1996-1997

122. The drive towards macro-economic reform embarked upon in recent years has been maintained in 1996 and 1997 in a number of Southern African countries. In addition to pursuing overall macro-economic reform programs, the salient areas on which these reforms have focused include privatization, poverty reduction, liberalization of the economies with a view to encouraging local and foreign investment, fiscal policy and the maintenance of macro-economic stability.

123. As regards **privatization**, companies in the manufacturing, trading and distribution, transport and telecommunications, aviation and mining sectors were special candidates for privatization. Commercialization of non-sensitive government operations was equally a priority in a number of countries.

124. In Angola, for instance, government economic policy initiatives during both 1996 and 1997 focused on sustaining the economic reform program started in 1990. The main objective of the reforms was to implement macro-economic policies and instruments, which will eventually diminish the role of the state in running the economy in favor of the private sector. The arrest of run-away inflation was also a reform target, as it constituted the key to macro-economic stability and restoration of business confidence and sustainable growth.

125. One of the outcomes of the reform program is a drastic reduction in inflation from a high of 1,650.0 per cent in December 1996 to 64.2 per cent at the end of December 1997. Notable also was the reduction in the government budget deficit from 23.8 per cent in 1995 to 10.6 per cent in 1996. Key monetary targets among others include, the bridging of the gap between the official and

parallel exchange rates, opening up of commercial banking service provision to the private sector, increasing reserve ratios and establishing credit ceilings. Foreign banks now operate branches in the country. Open capital market operations are, however, in the nascent stage and the parallel market is still evident.

126. In Lesotho, economic policy in 1996 and 1997 lay emphasis on deepening macro-economic gains exacted from the Financial Sector Reform Program (FSRP) which was embarked upon with the assistance of the International Monetary Fund (IMF) since 1988. Under the program, the Government of the Kingdom of Lesotho continued to pursue market liberalization strategies with a view to creating suitable conditions for the attraction of both local and international capital.

127. In Mauritius, during the second evolution of the EPZ sector, the government embarked on a course of policy shift from quantitative to qualitative development. In this context, the thrust of this new policy strategy evolved around modernization throughout high-tech and capital-intensive technology transfer, raising the productivity of both human and material resources. These developments led to the diversification of the export basket with especial focus on high value added product lines and the expansion and diversification of the export markets.

128. In Mozambique, overall macro-economic policy during both

1996 and 1997 continued to place emphasis on further strengthening the implementation of the Economic Rehabilitation Program (ERP) started in 1987. The review period also continued to see a strong official commitment to the implementation of the Enhanced Structural Adjustment Facility (ESAF) under the Bretton Woods institutions. Accession to ESAF greatly assisted in the re-establishment of local and international business confidence. This was largely manifested by the influx of, among others, commercial farmers from the Republic of South Africa.

129. In Swaziland, economic policy during 1996 and 1997 continued to focus on enhancing economic growth and job creation. These targets were pursued through strict and improved fiscal management and revenue diversification.

130. In Zambia, economic policy focus and strategies in 1996 and 1997 were characterized by the deepening of the gains from economic reform embarked upon in 1991. Major policy objectives included the maintenance of macro-economic stability, fiscal discipline through cash-based budgeting, downsizing of the public service, privatization of state firms and commercialization of non-performing government enterprises. In addition, adherence to tight fiscal discipline resulted in a net reduction in the rate of inflation from 35.2 per cent in December 1996 to 18.6 per cent in December 1997.

131. With respect to agricultural sector, the major

preoccupation of policy focussed on mitigating the impact of the unfavorable weather conditions on the agriculturally dependent population. In these regards, most governments of the subregion have prepared comprehensive contingency plans for mitigating the impact of a possible drought. Countries such as Botswana, Mozambique, Namibia, South Africa and Zimbabwe have initiated water saving measures, although major dams are currently at 91 per cent full. Other countries are preparing to meet the national demand either by producing additional food products or by importing them from abroad, in order to meet the subregional food requirement of 26.85 million tons.¹³

132. In the **social front**, in addition to the perennial situation in education and employment, the rising population in the subregion vis-à-vis the available medical infrastructure continued to pose serious policy concerns for all governments in the subregion. In addition, HIV/AIDS infection and deaths also continues to present serious problems for the countries.

133. In Malawi, for instance, the health policy objective of the Government is to raise the level of health standards for all Malawians through, *inter alia*, preventive and primary health care delivery systems. Plans are under way to embark upon the second phase of the National Health Plan (NHP) which is to involve health management decentralization,

hospital autonomy, and essential medical kits.

134. In Zambia, government health care policy initiatives in 1996 and 1997 focused on the mobilization of local and international resources and the application of the same towards effective nation-wide health care delivery. Under the Health Sector Reform Program (HSRP), the Ministry of Health was restructured and Central, Provincial and District Health Boards created. The Boards were meant to devolve health management decision-making from the center and to bring health services close to the people. Cost-sharing schemes are part and parcel of the Government's management policy. The schemes seem to be not practicable, however, due to, *inter alia*, the widespread lack of capacity to pay by end-users that were worsened by rising unemployment. The HIV/AIDS pandemic also remained a source of grave policy concern.

135. In **education**, one of the most important issues is the proclamation of a Decade for Education in Africa (1997-2006). The proclamation was established by Resolution AHG/Res.251 (XXXIII) of the Assembly of Head of States and Governments of the Organization of African Unity (OAU), adopted in June 1996, to "remove obstacles impeding progress towards Education for All".

136. The overriding objective of the Decade is the repositioning of Africa in the new knowledge-intensive world society. To achieve this, African countries would need to invest more, and more effectively, in

¹³ Caiphaz Chimhete, "Southern Africa Prepares for El Nino-Induced Drought", Africa Information Centre November 1997.

the human resource development, enched on broader and higher quality education.

137. In the Republic of Botswana, for instance, the government attaches special importance to human resource development through education and training. The emphasis that has been placed on investments in skills training is reflective of the country's commitment to weaning itself from its historical dependence on other countries in the subregion to meet its demand for teachers and instructors in various fields. This commitment has been reflected in increasing budgetary allocations to the sector and the embracing of skills training and science teaching as key curricula components. Under the National Development Plan 8 (NDP 8), policy emphasis is on rehabilitation of

education infrastructure around the country although a few new projects have so far been envisaged.

138. In 1996, the government of Zambia approved a policy document entitled, "*Educating Our Future*" among whose outputs were the creation and deepening of collaboration between and among all stakeholders and the introduction of a cost-sharing culture among end-users. As with the health sector, cost-sharing schemes have faltered on the incapacity of end-users to pay for services. However, the number of school-age children out of school was on the rise in the country. During the review period, the donor-backed Education Sector Investment Program (ESIP) continued to place emphasis on the rehabilitation of educational infrastructure around the country.

IV. PROSPECTS FOR 1998

139. As in previous years, the vicissitudes of the weather always casts a cloud of uncertainties over prospects in the subregion, given the importance of the contribution of agriculture to subregional output. But, overall economic performance in Southern Africa subregion in 1998 would also continue to depend on the pursuit of strong economic reforms already initiated by most governments in the subregion, the developments in South Africa's economy and the persistence of peace and stability in the subregion. .

140. Based on the above considerations, there are modest

grounds for optimism regarding the subregional economy in 1998. SRDC-SA secretariat estimates that subregional overall output will grow by 3.0 per cent in 1998. Although the El Nino weather phenomenon is expected to affect agricultural production in the subregion, expected growth in manufactured exports, particularly in Mauritius, South Africa, and Zimbabwe should, however, help to offset some of the negative impacts of lower agricultural output.

141. This concern notwithstanding assumes first and foremost that, Southern African governments will

no doubt continue to intensify the implementation of macro-economic management reforms, which they have already embarked on. In any event, this relates to an average of widely divergent results by countries within the subregion.

142. In Angola, for instance, strong GDP growth rate observed in 1997 is expected to continue in 1998, strengthened by improved performance in the mining sector, particularly the oil sector.

143. In the Republic of South Africa, membership in the World Trade organization (WTO) should prove beneficial to the country's export drive. However, GDP growth rate is expected to pick up only slightly by 0.5 per cent in 1998 over the 1997-growth rate of 2.0 per cent.

144. In Malawi, given the intensification of the macro-

economic gains achieved so far, economic prospects appear to be bright in 1998.

145. In Mauritius, macro-economic stability coupled with government's forward planning approach is bound to keep the economy on an upward growth trend. The GDP growth rate expected for 1998 is 5.5 per cent.

146. In the external front, the major determinants of the Southern African economic performance would continue to rest on the out-turn of the developments in the external economic environment. The most important factors are (a) the world prices for Southern Africa's exportables, particularly gold, diamonds and copper; (b) the development in the Asian economies; and (c) the developments in the external debt, associated with resource flows.

V. Statistical Appendix

Table No. 1. SADC countries: Basic Indicators

	Land Area (sq. Km)	Population (Million)			Population Growth (%)
Country		1995	1996	1997	
Angola	1,250,000	10.80	11.60	12.80	2.7
Botswana	585,000	1.46	1.50	1.58	3.3
Congo D. R.	2,345,409	45.50	46.81	47.70	3.0
Lesotho	30,355	2.03	2.08	2.20	2.6
Malawi	118,484	9.79	10.14	11.57	3.2
Mauritius	1,865	1.09	1.14	1.53	1.0
Mozambique	790,380	17.42	18.00	18.53	3.0
Namibia	824,269	1.54	1.58	1.69	3.0
Seychelles	455	0.07	0.08	0.91	0.7
South Africa	1,223,201	37.14	37.86	38.70	1.9
Swaziland	17,000	0.86	0.88	0.91	2.7
Tanzania	945,000	30.34	30.80	31.51	3.0
Zambia	752,614	9.37	9.80	10.04	3.2
Zimbabwe	390,757	11.53	11.91	12.29	3.1
Total/Average	9,274,789	178.9	184.2	170.2	2.6

Sources: UN, World Population prospects, The 1996 Revision; National sources; SADC, Southern African Economic Summit, Harare, Zimbabwe, 21-23 May 1997 and SRDC-SA Secretariat.

Table No. 2 SADC Basic Economic Indicators (US \$ Millions)

	GDP Constant 1990 Prices (Million US\$)		GDP Growth Rate		Inflation (%)		Exports (Million US\$)		Imports (Million US\$)	
	1996	1997	1996	1997	1996	1997	1995	1996	1995	1996
Angola	9592	10216	7.2	6.5	1650		3299	4396	1855	1831
Botswana	5224	5553	4.9	6.3	10.0	8.9	2143	3231	1914	1723
Congo D. R.	5472	5527	1.4	1.0			438	1462	397	1357
Lesotho	748	796	6.3	6.5	9.3	8.8	160	191	986	957
Malawi	2110	2243	6.0	6.3	37.6	9.2	405	494	475	695
Mauritius	3465	3607	5.3	4.1	6.6		1538	1573	1958	2193
Mozambique	1535	1627	4.0	6.0	16.6		169	240	784	1453
Namibia	2942	3016	2.5	6.0	8.0					
Seychelles	457	480	5.1	2.8	0.5		84	169	230	339
South Africa	113.12	115.39	2.5	2.0	7.4	8.7	276	29330	27030	26870
Swaziland	1016	1067	2.4	5.0	6.5	7.2	957	893	1105	1079
Tanzania	3074	3212	4.6	4.1	21.0	14.0	678	761	1619	1394
Zambia	3878	3975	4.9	2.5	35.2	18.6	986	1000	693	885
Zimbabwe	7314	7552	6.6	3.2	5.0	20.1	2119	2343	2480	2811
Total	156.92	164.26	4.8	4.5						

Sources : ECA/SRDC-SA, COMESA Selected Economic Indicators, March 1998 and
National sources.

Table No. 3 FDI Flows to Africa by subregions, 1991-1996**(US \$ Million)**

Subregion	1991	1992	1993	1994	1995	1996
Central	659	442	362	355	477	423
Eastern	80	71	129	205	388	454
North	886	1,582	1,679	2,364	1,265	1,633
Southern	489	227	32	560	681	649
West	850	779	1,470	2,350	2,215	2,120
Africa	2,964	3,109	3,672	5,834	5,026	5,279
Developing Countries	41696	49,925	73,045	90,462	96,330	128,741
World	158,936	173,761	218,094	238,738	316,524	348,227

Source: UNCTAD, World Investment Report, 1997