Recent economic and social conditions in

Southern Africa

United Nations
Economic Commission for Africa

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The hope for the 2019 version of this report is that, should member States pick the policy and administrative “low-hanging fruits”, then the 2018 socioeconomic setbacks would have been reversed, and the dreary outlook for 2019 and 2020 brightened. Regrettably, no advantage was taken of the few opportunities (such as using the slight uptick in commodity prices to build fiscal buffers) that 2019 presented, and the onset of the coronavirus disease (COVID-19) in early 2020 worsened the situation. COVID-19 has abruptly halted economic activity: trade and tourism have plunged; the envisaged increased manufacturing for faster industrialization is in abeyance; the State-owned enterprises’ governance woes remain unresolved; and the gravely impaired fiscal situations in 2018–2019 have degraded further, due to economic shutdowns and a sharp rise in health spending needed to save lives and preserve livelihoods in other areas. The relaxed monetary policy has so far had a muted economic impact amid lockdowns and ultra-low business confidence, and the external assistance has not matched needs. Progress in social sectors has stalled and some previous gains have unravelled due to, inter alia, closure of places of education and employment, and the instances of gender-based violence and child abuse have soared.

As member States were safely opening up economies in late 2020 and preparing for the post-COVID-19 “new normal”, they were mindful of the struggles ahead in steering economies out of the pandemic-induced economic slump, and have overcome other long-standing structural impediments to development. They have vowed greater collaboration at continental and regional levels to tackle mutual challenges and embrace opportunities to hasten regional integration for development, including faster implementation of protocols and programmes. Furthermore, the leadership has renewed its resolve to prepare countries to deal better with future pandemics and climatic catastrophes; remove obstacles to macroeconomic stability, job creation and economic growth; improve education and health outcomes; and foster greater social inclusion. Recent economic and health setbacks have made these welcome renewed resolutions timely and, more importantly, their speedy and steadfast implementation urgent.

Member States’ representatives and other stakeholders attending the twenty-sixth session of the Intergovernmental Committee of Senior Officials and Experts are invited to consider this report and its recommendations, as well as share updated country data on economic and social conditions, to improve future analysis.

I. Introduction

1. This report on the economic and social conditions in Southern Africa for 2020 is a document presented annually to the Intergovernmental Committee of Senior Officials and Experts of Southern Africa. The main objectives of this report are to (a) present member States with the economic and social situation in Southern Africa in 2019, and prospects for 2020; and (b) offer advice on selected policy issues in the region.

II. World economic developments and implications for Southern Africa

A. Global economic growth

2. Global growth in 2019 receded to 2.9 per cent from 3.6 per cent in 2018, due to trade policy uncertainty, geopolitical tensions and downbeat manufacturing activity in key emerging market economies. As table 1 shows, the weak economic growth was generalized and observable in all parts of the world. Southern Africa was particularly adversely impacted by the economic performance of its key trading partner regions, such as the euro area, China and India. The global economic outlook in 2020 and 2021 is imbued with risks derived from the still-unfolding impact of the COVID-19 pandemic. As countries strive to save lives and livelihoods, the mitigation actions adopted have disrupted domestic activities and will continue doing so for a while. The world economy is seen to be shrinking by 4.9 per cent in 2020 before growing by 5.4 per cent in 2021, as private consumption and aggregate demand start rising and firms cautiously resume capital spending.

Table 1: *Global gross domestic product growth rates*

Indicator	2014	2015	2016	2017	2018	2019	2020
World output	3,6	3,4	3,4	3,8	3,6	3,6	2,9
Advanced economies	2,1	2,3	1,7	2,4	2,2	2,2	1,7
EM and DE	4,7	4,3	4,6	4,8	4,5	4,5	3,7
Euro area	1,4	2,1	2,0	2,4	1,8	1,9	1,3
China	7,3	6,9	6,7	6,8	6,6	6,7	6,1
India	7,4	8,0	8,2	7,2	6,8	6,1	4,2

Abréviations: EM = Emerging markets; DE = Developing economies.

Note: Figures for 2020 are projections.

Sources: FMI (2020a).

B. Commodity prices

3. The COVID-19 pandemic has created major supply and demand shocks to the commodities markets, and was invariably accompanied by widespread declines in agricultural, mineral and oil prices. The decline in the travel sector due to measures to mitigate the impact of COVID-19, and the associated border closures and restrictions on movement, have undermined the oil sector, as demand and prices

declined drastically. Crude oil prices declined from $61/barrel in early 2020 prior to the pandemic to $43/barrel in late August 2020. Overall, crude oil prices have fallen by two thirds since late January 2020.

4. Similarly, metal prices have declined, due to the reduced economic activity around the world. As economies slowly emerge from the COVID-19-induced slowdown, however, the base metal prices have recovered somewhat. Copper prices are currently over $6,678/ton, from around $6,400/ton in early April 2020. Similarly, nickel prices have firmed, from $14,961/ton in early April 2020 to $15,256/ton in September 2020. The slow global upturn continues to undermine the metal price recovery. However, production disruptions from mine and refinery shutdowns due to COVID-19 are also impacting the supply, and an estimated 15 per cent of copper mines and 20 per cent of zinc mines are currently either offline or operating at reduced capacity. Gold prices have continued to rise, as metal has assumed a prominent role as a safe haven for investment during these times of slow growth.

5. International agricultural prices were less affected, due to their indirect relationship with economic activity. Worldwide, prices of main food commodities have declined about 9 per cent since late January 2020. This relatively modest decline reflects a lower income elasticity of demand for agricultural commodities, compared with industrial commodities and, hence, less demand pressure from the global recession currently underway. Over the short term, in addition to weaker demand, disruptions to supply chains could cause dislocations in commodity markets, with food security becoming a key concern.

C. Manufacturing sector

6. The low level of intraregional trade of 20 per cent in 2019 in the Southern African Development Community (SADC) region is primarily due to a relatively small manufacturing sector, which produces similar products and is constrained by low productive capacity. In 2019, the intra-SADC exports of goods stood at $34.8 billion, while intra-SADC imports stood at $32.6 billion. The intra-SADC exports as a percentage of total exports of goods have been constant in the last five years, and the intra-SADC imports as a percentage of total imports decreased gradually to 17.1 per cent in 2019. This declining trend of intraregional trade and the limited diversification of domestic economies continue to undercut attempts at accelerating regional economic transformation. However, the creation of regional manufacturing production networks through value chains development and value addition will enhance the diversity of products and anchor intraregional trade.

7. The share of manufacturing value added to regional gross domestic product (GDP) remains low, and has declined from 17.6 per cent in 1990 to 10.7 per cent in 2019. The sector grew by 4.3 per cent in 2018, compared with 4.6 per cent in 2017, to which agroprocessing contributed the most. The manufacturing sector's size varies among SADC member States. For example, the sector accounted for 32.8 per cent of GDP in Eswatini in 2018, 13.2 per cent of GDP in South Africa, 14.5 per cent of GDP in Lesotho, 5.2 per cent of GDP in Botswana in 2016, and 6 per cent of GDP in Namibia in 2015. The COVID-19 pandemic lockdowns will further diminish the contribution of the sector to regional GDP in 2020.

D. International investment and capital flows

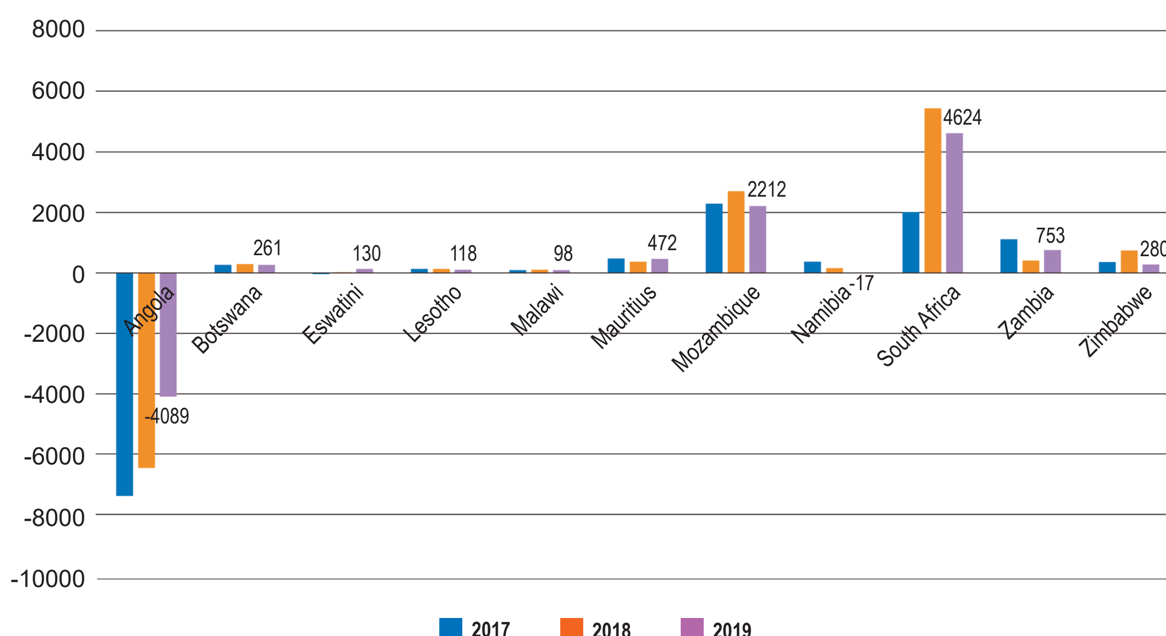
8. The global foreign direct investment (FDI) flows will drop sharply this year due to COVID-19, with the largest decline affecting the energy and basic materials sectors, as well as airlines and automotive industries (UNCTAD, 2020a). The decline in global FDI flows is expected to range from 30 to 40 per cent in 2020, and from 30 to 50 per cent in 2021. Africa is expected to see a decline of FDI flows of

25 to 40 per cent in 2020, mirroring the global trend (UNCTAD, 2020b). The decline in FDI flows could be compensated for in the future by higher levels of intra-African investments, provided member States implement the requisite policies to make the most of the African Continental Free Trade Area (AfCFTA) and other regional trade agreements. The conclusion of negotiations of the Investment Protocol under Phase II of the Agreement Establishing the African Continental Free Trade Area could also provide a lift to intracontinental investment flows. Remittance flows from South Africa and elsewhere to other parts of Southern Africa are expected to contract, compounding development financing challenges amid rising external indebtedness.

9. For 2019, the United Nations Conference on Trade and Development (UNCTAD, 2020b) notes that FDI flows in Africa declined relative to 2018 – by 10 per cent – undercut by declines in major FDI recipients such as Nigeria, South Africa and Ethiopia. In Southern Africa, FDI flows increased by 22 per cent, to $4.4 billion, driven by a slowdown in net divestment from Angola (figure 1).

Figure 1: *Trends in FDI inflows in Southern Africa, 2017–2019*

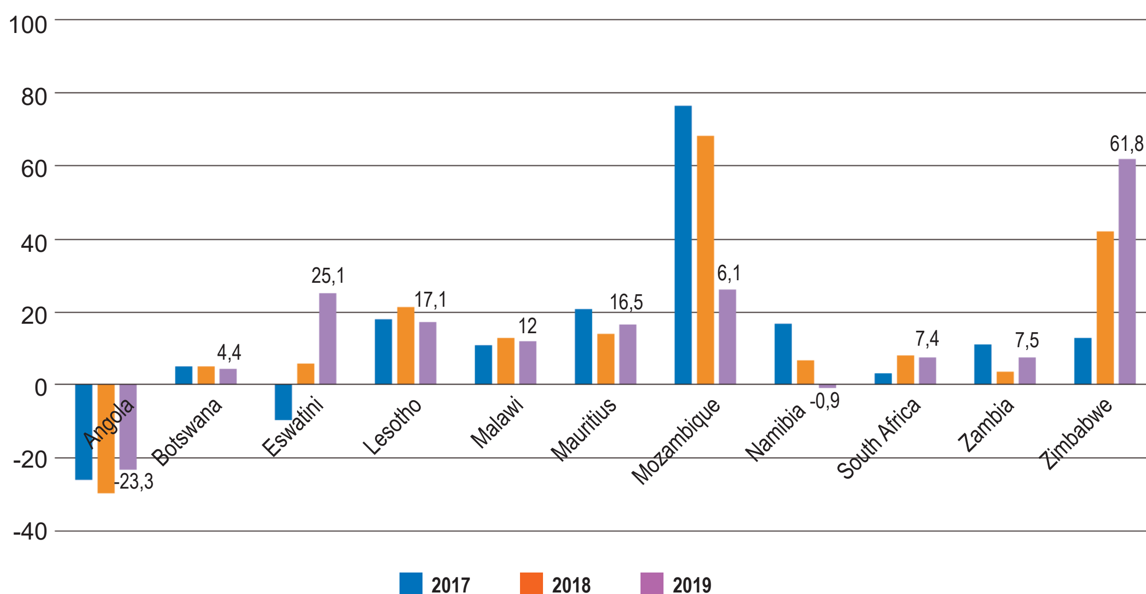
(Millions of United States dollars)



Source: UNCTAD, 2020a.

10. FDI inflows to South Africa decreased by 15 per cent, to $4.6 billion. The same UNCTAD report notes that in South Africa, the FDI flowed mostly to the mining, manufacturing (automobiles and consumer goods) and services (finance and banking) sectors, and a significant part of this FDI consisted of intrafirm financial transfers (UNCTAD, 2020b). A rise in intracontinental investment was noted between 2017 and 2018, driven by South Africa, whose FDI flows to the continent increased by $7 billion in 2017 to $35 billion in 2018.

Figure 2: *FDI inflows as a percentage of gross fixed capital formation*



Source: UNCTAD, 2020a.

11. Figure II shows trends in FDI inflows for Southern African countries for the period 2017–2019 and as a share of gross fixed capital formation.

E. Developments in African economies

12. Economic growth in Africa has been relatively stable over the last three years, following the weak performance of 2.1 per cent growth in 2016 (AfDB, 2020a). The continent's real output growth was estimated at 3.4 per cent in 2019, still below the decade's average of 5 per cent. The key drivers of the continent's economic growth in 2019 were investments and exports. The contribution of investments to growth has been increasing over recent years, and in 2019, for the first time in the decade, the contribution of investment to GDP growth (54 per cent of GDP) surpassed that of private consumption growth (31 per cent of GDP). Furthermore, the contribution of net exports to growth significantly increased, from 1 per cent in 2018 to 6 per cent in 2019. However, this increase was mainly due to the rise in commodity exports, especially from the oil exporting countries.

13. The dominant macroeconomic indicator has been the rapidly rising public debt. While inflation has remained high in some countries, the average inflation rate decreased, from 11.2 per cent in 2018 to 9.2 per cent in 2019. Likewise, Governments' fiscal positions also registered a slight improvement. The average fiscal deficit decreased from 5.9 per cent of GDP in 2017 to 4. 8 per cent in 2019. On the other hand, public debt has continued rising, owing to several factors, including the still-lingering after-effects of the global financial crisis, commodity price slowdown, low domestic savings and high infrastructure investments. Debt service costs and repayment risks are elevated, particularly in the slowest-growing economies.

14. Before the COVID-19 outbreak, the continent's economy was projected to grow by 3.9 per cent in 2020. However, the significant economic disruptions induced by the pandemic have necessitated revisions to these growth estimates. The continent is now projected to contract by 1.7 per cent in 2020 (as per revised estimated by AfDB), a 5.6 percentage point decline from the January 2020 pre-COVID–19 projection. The projections of ECA are slightly better but, at a 2.6 per cent contraction, will still show that 27 million of the African population will be pushed into extreme poverty. The

implementation of the Agreement Establishing the African Continental Free Trade Area is expected to help somewhat. However, trade under this Agreement – initially scheduled to start on 1 July 2020 – has been postponed to a later date, meaning that any possible benefits have been pushed far into the future.

15. Regionally, the economy of East Africa grew the fastest, at 5 per cent in 2019, slightly lower than the 5.2 per cent rate in 2018. Strong public infrastructure spending, increased private consumption, improved stability and newly-introduced investment incentives for industrial development have supported growth. Prior to the pandemic, the region was projected to grow by 5.1 per cent in 2020; however, with the onset of COVID-19 and instability in the Sudan, this figure has since been revised to 1.2 per cent for 2020 (AfDB, 2020a). The GDP growth rate in North Africa was 3.7 per cent in 2019, driven by the rapid economic growth rates in Mauritania (6.7 per cent) and Egypt (5.6 per cent). The services sector, the top contributor to the region's GDP, has been hit hard by the pandemic, resulting in an expected economic contraction of 2.3 per cent in 2020.

16. Average GDP in West Africa grew by 3.6 per cent in 2019, up from 3.4 per cent in 2018. The region's economic activity is projected to shrivel by 4.3 per cent in 2020 due to the pandemic's impact. Political tensions abound in Mali, Côte d'Ivoire and Togo, and could further undermine the economic performance of the region. In 2019, the economy in Central Africa grew by 2.8 per cent and is set to shrink by 4.3 per cent in 2020, due to the COVID-19 disruptions (AfDB, 2020a). The region's heavy dependency on natural resources and lack of diversification are key reasons for the region's economic fragility.

17. Finally, subdued economic growth in Southern Africa continued, with an average GDP growth of a mere 0.7 per cent in 2019. The cyclones Idai and Kenneth also contributed significantly to the region's poor economic performance in 2019. The severe impact of the COVID-19's pandemic on the region's largest economy, South Africa, is expected to aggravate the medium-term prospects. The average regional GDP is projected to shrink by 6.6 per cent in 2020.

F. Implications of the global outlook for Southern Africa

18. Southern Africa has good protocol and programmes to address the region's economic challenges discussed above. The implications are that member States will continue to suffer from the wildly gyrating global commodity prices and demand; the region will continue to lag behind other African regions in economic growth if it fails to take advantage of benefits anticipated under AfCTA; it will continue to wait for the global FDI that may or may not come; and it will continue exporting raw material if manufacturing activities are not promoted in earnest. Therefore, the region should:

    (a) Quickly roll out all agreed mitigation programmes to achieve industrial development and economic diversification, and expand productive capacity, employment, income and wealth. A renewed commitment to domesticate and implement the SADC Industrialization Strategy and Roadmap (2015–2063) and its Action Plan (2017) is key;

    (b) Strengthen cooperation in cross-border infrastructure development, and reduce cross border non-tariff barriers to improve intraregional trade;

    (c) Implement national stimulus initiatives to address the adverse impacts of the COVID 19 pandemic; and

    (d) Boost regional economic resilience by ushering in policies to promote intraregional investment flows, and thus rely less on global FDI flows. As things stand now, the highly

FDI-dependent countries (Mozambique, South Africa and Zambia), for extractive activities, will feel the pinch of ebbing global FDI flows for some time. Others (Mauritius and Lesotho) that depend on FDI for their textile dominant manufacturing industry face a similar uncertain future.

III. Recent macroeconomic performance in Southern Africa and prospects for 2020

A. Economic performance overview

19. As section II.A above alluded to, the economy of Southern Africa is intricately connected to the world's advanced and developing economies. Hence, macroeconomic or broader sociopolitical developments in those regions have a direct impact to the trade, investment and financial market developments in Southern Africa. This is so, even if there are macroeconomic developments that are solely due to national or regional peculiarities. The discussions of this chapter should therefore be viewed against this backdrop.

20. The preliminary data provided by member States in July 2020 indicated that the average real GDP growth in SADC in 2019 declined, and prospects in the short-to-medium term remained gloomy (SADC, 2020a). Annual regional inflation rose in 2019 compared with 2018, largely due to heightened inflationary pressures in Angola and Zimbabwe. Member States that achieved single-digit average inflation rates benefited from the weak commodity prices, especially oil prices.

21. The average regional fiscal deficit improved in 2019, largely due to tax reforms and financial management improvements in member States. Public debt, however, continued an upward trend, and is about to breach the regional threshold of 60 per cent of GDP, despite some member States making improvements in fiscal positions in 2019. The region's external position in 2019 deteriorated in line with the weak commodity prices, slowdown in global economic activity and escalating global trade tensions. However, the severity varied among the member States.

B. Price movement developments and monetary policy

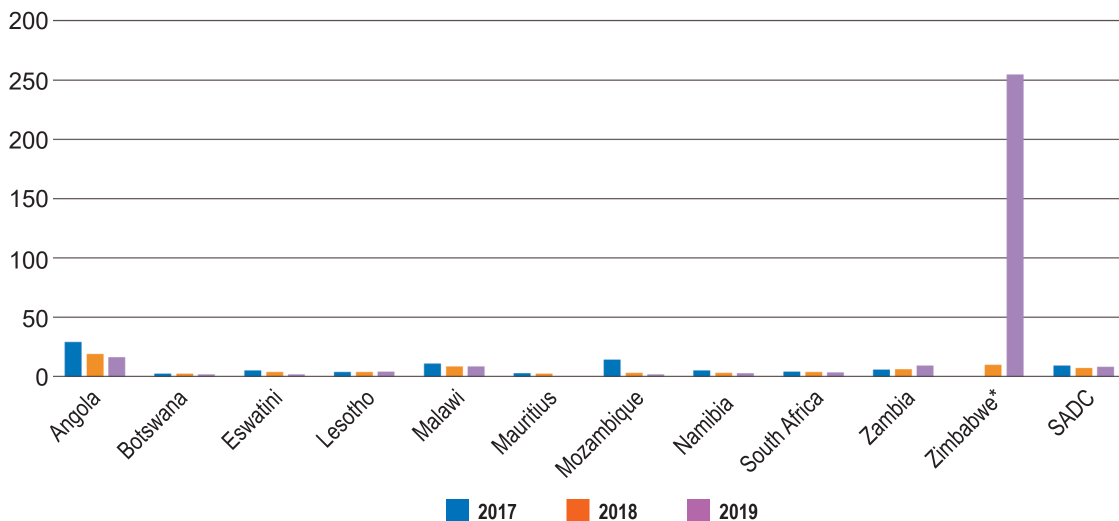
22. Les variations des indices des prix à la consommation sont présentées à la figure III. En 2019, l'inflation moyenne annuelle a dépassé la fourchette cible d'inflation sous-régionale de 3 à 7 %. Quatre pays (Angola, Malawi, Zambie et Zimbabwe) n'ont pas atteint l'objectif d'inflation sous-régional, alors qu'en 2018 ils étaient six (Angola, Madagascar, Malawi, République démocratique du Congo, Zambie et Zimbabwe) à ne pas atteindre cet objectif (SADC, 2020b). Les États membres qui ont réussi à maintenir des taux d'inflation moyens à un chiffre ont bénéficié de la baisse des cours du pétrole, en raison de l'affaiblissement de la demande mondiale. Le taux d'inflation moyen en Afrique australe a légèrement augmenté, passant de 7,7 % en 2018 à 9 % en 2019, sous l'effet de taux d'inflation élevés en Angola et au Zimbabwe (FMI, 2020b).

22. The changes in consumer prices indices are shown is figure III. In 2019, the annual average inflation overshot the regional inflation target range of 3–7 per cent. Four countries (Angola, Malawi, Zambia and Zimbabwe) failed to meet the regional inflation target, compared with 2018, when six countries (Angola, the Democratic Republic of the Congo, Madagascar, Malawi, Zambia and Zimbabwe) missed the regional inflation target (SADC, 2020b). The member States that achieved single-digit average inflation rates benefited from lower oil prices, due to the softening global demand. The average inflation rate in Southern Africa increased slightly, from 7.7 per cent in 2018 to 9 per cent in 2019, driven by high inflation rates in Angola and Zimbabwe (IMF, 2020b).

23. Inflation in Zimbabwe remained in low single digits from 2009 through September 2018, but has jumped sharply since, to an annual average of 255 per cent, because of a sharp exchange rate depreciation, quasi-fiscal activities of the central bank, a rise in fuel and food prices, as well as high inflation expectations. Although annual average inflation in Angola declined from 19.7 per cent in 2018 to 17.1 per cent in 2019, the rate was still above the central bank's single-digit target. The slowdown in inflation rate was related to weak economic activity and muted exchange rate pass-through effects.

Figure 3: *Consumer prices, 2017–2019*

(Annual average, percentage change)



Sources: IMF, 2020b; SADC, 2020a.

* Annual inflation rate of Zimbabwe in 2019 averaged 255.3 per cent.

24. Inflationary pressures in Zimbabwe in 2019 were largely driven by exchange rate depreciation and food price increases. Inflation in Malawi rose but remained in single digits, increasing to 9.4 per cent in 2019 from 9.2 per cent in 2018 on elevated food prices induced by disruption in supply chains caused by the cyclone Idai and the alleged grain hoarding by some suppliers. In South Africa, the 2019 inflation rate came out well below expectations, averaging 4.1 per cent for the year, lower than the 4.7 per cent recorded in 2018. The moderation in inflation throughout 2019 in South Africa was driven by food prices, which remained below longer-run averages, as well as low housing inflation, which decelerated to a historical low 2.2 per cent rise in December 2019.

25. The COVID-19 outbreak has brought new dynamics on the inflationary front, mainly due to disruptions in supply chains, decline in consumption because of trade restrictions and lockdowns, and depressed prices of some commodities. Lower oil prices and weak demand have eased inflationary pressures, creating room for central banks to ease policy in response to the pandemic-induced slowdown in economic activity. Nonetheless, central banks are vigilant to possible

inflationary pressures from the unavailability or shortages of imported goods caused by supply disruptions. Therefore, Southern Africa is projected to record an average inflation rate of 27.7 per cent (or 6.8 per cent excluding Zimbabwe), with most SADC member States (except Angola, the Democratic Republic of the Congo, Madagascar, Malawi, Zambia and Zimbabwe) expected to meet the average regional inflation target rate of 3–7 per cent range in 2020 (SADC, 2020b).

26. Given the tame inflationary environment, monetary policies have eased in most member States, to contain economic contraction stemming from the COVID-19 shock by reducing borrowing costs and providing liquidity to households and firms, thus stemming job losses and protecting livelihoods. For example, monetary authorities embarked on an aggressive policy rate-cutting cycle, with cumulative reductions since the end of 2019 of 300 basis points (to 3.75 per cent repo rate) in South Africa, and 275 basis points in Namibia (to 4 per cent repo rate).

C. Exchange rate developments

27. Table 2 shows that all member States' currencies depreciated against the United States dollar in 2019. The global recession caused by the COVID-19 pandemic – coupled with the decline in export revenues of Southern African economies, capital flight and a high demand for the United States dollar – may lead to further deterioration in financial conditions, and a further depreciation of the region's currencies going forward.

Table 2: *Exchange rate, period average*
(National currency per United States dollar)

Indicateur	2017	2018	2019
Angola	165,92	252,86	364,83
Botswana	10,35	10,2	10,76
Eswatini	13,32	13,23	14,45
Lesotho	13,32	13,23	14,45
Malawi	730,27	732,33	745,54
Mauritius	34,48	33,93	35,47
Mozambique	63,58	60,33	62,55
Namibia	13,31	13,23	14,45
South Africa	13,32	13,23	14,45
Zambia	9,52	10,46	12,89
Zimbabwe	1	1	...

Source: Retrieved from World Bank, 2020.

28. The currencies of Angola, Zambia and South Africa depreciated sharply from 2018 to 2019. Angola had changed the exchange rate regime to a managed float, resulting in a marked depreciation of the kwanza in 2019. In Zambia, the depreciation of the kwacha was due to foreign exchange shortages against rising demand for imported petroleum products, electricity and agricultural inputs. Furthermore, negative market sentiment linked to the credit rating downgrade of Zambia also weighed on the kwacha, which continued to weaken in 2020 on concerns about the country's ability

[1] En août 2019, Standard and Poor's a abaissé la note de la Zambie de B- à CCC+, citant, entre autres facteurs, la baisse des réserves, l'augmentation du service de la dette extérieure, les énormes dépenses d'infrastructure et la hausse des arriérés intérieurs (Bank of Zambia (2020), Monetary Policy Statement, July-December, Lusaka).

to repay debt that is about to fall due. The financial volatility and a sharp rise in perceived risk due to the COVID-19 pandemic has caused the South African rand to further depreciate, from R17/US$1 at the start of 2020 to R19/US$1 in March 2020 following Moody's downgrade of the sovereign to below investment grade. Overall, the rand depreciated by about 18 per cent against the United States dollar from January to June 2020.

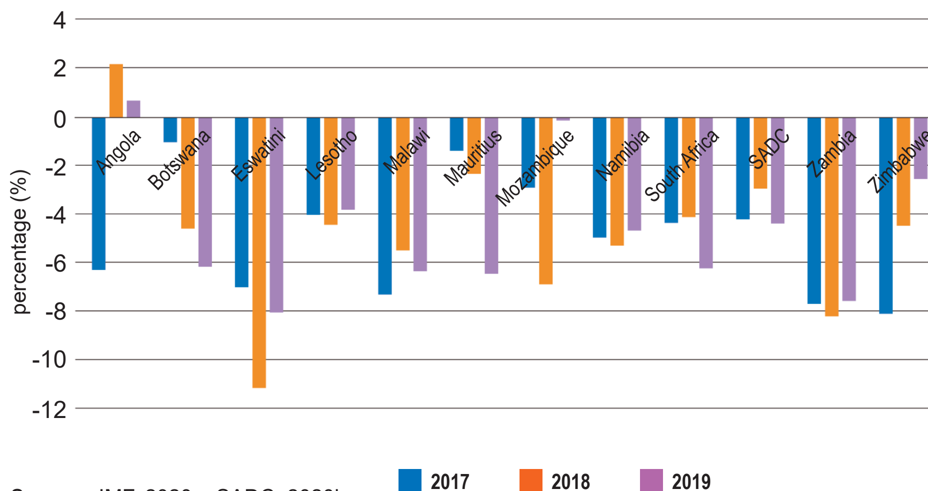
29. To restore normalcy in the foreign currency, Zimbabwe abandoned its 1:1 United States dollar peg for its bond notes and electronic dollars in February 2019. Subsequently, the Government removed the multiple-currency system by introducing the RTGS (Real Time Gross Settlement) dollar in a "managed float" regime at 2.5 per United States dollar in June 2019. As the parallel exchange rate stood at 20 Zimbabwe dollars per United States dollar on the backdrop of dollar shortages in the official interbank foreign currency market, the official exchange rate dropped to 16.8 by December 2019 (AfDB, 2019, p. 74). In March 2020, the central bank fixed the official exchange rate at 25 Zimbabwe dollars per United States dollar. Subsequently, the central bank replaced the fixed exchange rate system with a foreign exchange auction system in June 2020 to respond to the volatility in the pricing of goods and services, and this has seen the rate settling around 82 Zimbabwe dollars per United States dollar, officially against a parallel market rate of over 100 Zimbabwe dollars per United States dollar.

D. Fiscal performance and public debt

30. The COVID-19 outbreak and the stimulus packages to mitigate its adverse health and economic impacts are straining the fiscus, resulting in fiscal dislocations in already-fragile Southern African economies. Most member States have little space to deploy fiscal policies to address the COVID-19 crisis without accumulating debt or getting external assistance. Despite some improvements in financial management in member States in 2015, the average fiscal deficit in SADC deteriorated to 4.4 per cent of GDP in 2019, from 3 per cent of GDP in 2018 (figure IV).

31. Eswatini, Mozambique and Zimbabwe made noticeable improvements in their fiscal balances in 2019. On the contrary, the fiscal situations in Mauritius, South Africa and Botswana deteriorated by 4.1, 2.1 and 1.6 percentage points of GDP, respectively. Only Angola maintained a fiscal surplus of 0.7 per cent of GDP in 2019, down from 2.2 per cent in 2018, with a projected fiscal deficit of 6 per cent in 2020. The Government of Angola has made progress in implementing expenditure control

Figure 4: *Fiscal deficit, 2017–2019*
(Percentage of GDP)



Sources: IMF, 2020e; SADC, 2020b.

measures such as adjusting water tariffs, liberalizing the jet fuel price and hiking electricity tariffs to improve the fiscal position. Also, the Government implemented fiscal (for example, broadening of the tax base, strengthening of capacity of tax administration and introducing a value added tax) and economic reforms to enhance revenue mobilization and fiscal consolidation efforts.

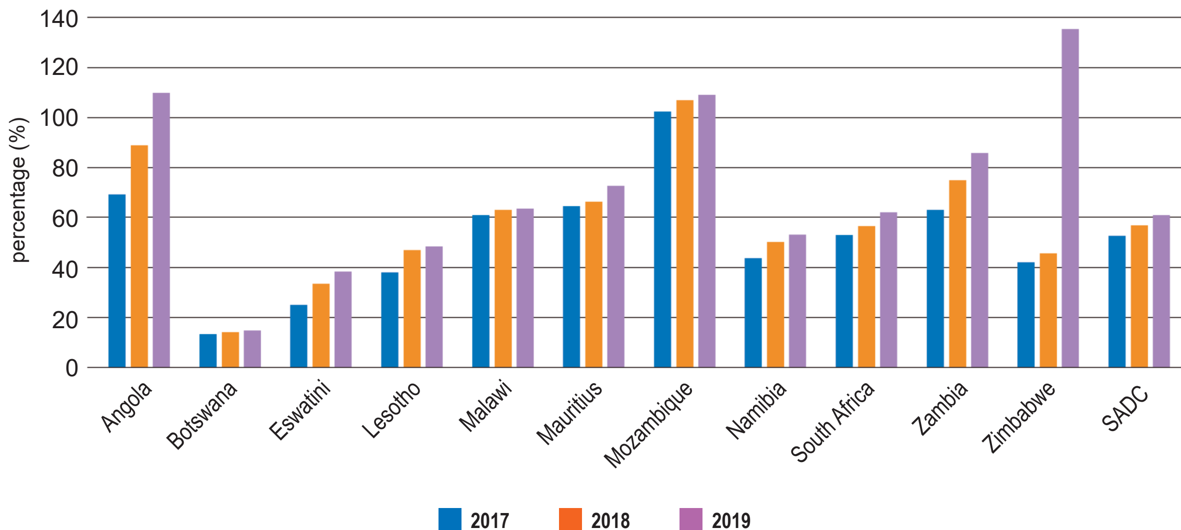
32. Despite significant election expenses, cyclone relief spending, reconstruction outlays and a heavy wage bill, the fiscal deficit in Mozambique narrowed from 6.9 per cent in 2018 to 0.2 per cent in 2019, thanks to the Government's fiscal consolidation efforts addressing governance vulnerabilities. Fiscal consolidation, which relied mostly on addressing unsustainable levels of public service wages, led to a reduction of unsustainable deficits in Zimbabwe to 2.6 per cent in 2019. The fiscal stance remained expansionary in 2019 in Mauritius, as spending increased, to boost employment and growth. In South Africa, the fiscal deficit remained high, at an estimated 6.3 per cent in 2019, up from 4.1 per cent in 2018, due to weak economic growth, poor revenue and massive financial bailouts of State-owned enterprises (such as Eskom, South African Airways, Landbank and South African Post Office Ltd).

33. The COVID-19 shock will further widen the fiscal deficits in the region, given the lower revenue collections and increased spending obligations. A shift to "safe haven" assets due to the pandemic will exert higher pressure on borrowers globally, and the riskier borrowers will bear higher borrowing costs. The pandemic-induced heightened risk sentiment is already being reflected in sharply higher sovereign spreads in member States (such as Angola and Zambia). The fall in oil prices is weighing on the fiscal balance in Angola in 2020, where the fiscal balances are expected to shift into deficit. The pandemic hit the already-weak South African fiscal situation hard, and Moody's downgrade of the country's foreign currency sovereign has worsened the country's credit profile. The forecast for 2020 suggests that the fiscal deficit in the region will continue to widen to 8.9 per cent of GDP, well above the target of 3 per cent of GDP (IMF, 2020c).

34. The average public debt in Southern Africa continues to rise, from 57 per cent in 2018 to 61 per cent in 2019, and has breached the regional threshold of 60 per cent of GDP (IMF, 2020b). Figure V shows this rising indebtedness, which was apparent even before the pandemic hit the region. Among the region's four low-income countries (Malawi, Mozambique, Zambia and Zimbabwe), Zambia is classified as being at high risk of debt distress, while Mozambique and Zimbabwe are in debt distress (IMF, 2020b). At the country level, Angola had the highest public debt burden of 110 per cent of GDP in 2019. Significant increases in debt levels were observed in Zimbabwe at 89.3 per cent of GDP (IMF, 2020c). Botswana (14.8 per cent of GDP) had the lowest public debt-to-GDP ratio in 2019.

35. The public debt position of Angola is highly vulnerable to macro fiscal shocks, especially a sharp drop in the price of oil, which constitutes a significant risk to debt sustainability going forward. In Zimbabwe, the accumulation of external debt arrears, budg¬et deficit and the depreciation of the local currency has driven the public debt crisis, compromising its ability to secure new external financing. The sharp increase in public debt in 2019 in Zambia was on account of new disbursements to support infrastructure development projects. Debt service consumed 46 per cent of domestic revenue in 2019, compared with 36 per cent in 2018, reflecting a weaker kwacha and higher domestic interest rates.

Figure 5: *Government debt, 2017–2019*
(Percentage of GDP)



Sources: IMF, 2020e; SADC, 2020b.

36. Weak economic growth, large fiscal deficits and exchange rates depreciation are expected to raise total public debt to 70.7 per cent of GDP in the region in 2020. For some member States, the COVID-19 shock will push their debt beyond sustainability limits. The increasing public debt levels will put additional burdens on member States' resources to service their debt obligations, intensifying macroeconomic vulnerabilities amid ongoing pandemic crisis.

E. External account developments

37. Table 3 depicts trends in current account and merchandise account deficits in Southern African countries since 2017. In 2019, only Angola, Eswatini and Zambia reported current accounts surpluses. Global trade contracted by 3.5 per cent in the first quarter of 2020 relative to the same period last year (IMF, 2020a), and this trade is expected to fall by between 13 per cent and 32 per cent in 2020 as the COVID-19 pandemic disrupts normal economic activity around the world (World Tourism Organization, 2020). This drop in global trade has adversely impacted Southern African countries, but trade is expected to normalize as global economies start opening. A few examples illustrate this turnaround situation: in July 2020, the merchandise trade balance in Eswatini exhibited signs of recovery as the country registered a trade surplus amounting to E630.2 million (about US$37.6 million), a significant rise from a surplus of the E62.3 million recorded in June 2020 (Central bank of Eswatini, 2020).

Table 3: *Balance of payments statistics for Southern African countries*, ***

	Merchandise trade deficit (% of GDP)				Current account deficit (% of GDP)				Gross official reserves in months of import cover			
	2017	2018	2019	2020 Q1	2017	2018	2019	2020 Q1	2017	2018	2019	2020 Q1
Angola	-0,5	6,9	6,1	6,8	16,5	23,4	24,3	22,8	7,7	7,5	9,3	12,2
Botswana	4,7	2,6	-5,9	-6,0	5,3	0,6	-7,6	-8,4	11,4	9,0	--	--
Eswatini	4,1	1,1	6,3	--	6,1	1,3	4,4	--	2,8	2,1	2,1	2,6**
Lesotho	-44,9	-39,1	-46,1	--	-4,8	-0,2	-3,3	--	3,2	3,4	--	--
Malawi	-27,2	-25,2	-22,0	--	-22,3	-19,7	-15,1	--	2,9	3,6	3,9	3,1**
Mauri	-21,3	-21,3	-21,9	-19,2	-5,6	-3,9	-5,5	-4,2	9,3	10,1	11,3	13,2**
Mozambique	-3,8	-6,6	-13,9	--	-19,6	-30,6	-20,2	--	3,1	3,6	3,9	4,6**
Namibia*	-14,8	-21,9	-17,2	--	-4,0	-2,9	-2,3	--	4,3	3,6	3,8	--
South Africa	1,4	0.5	0,8	4,0	-2,5	-3,5	-3,0	1,3	5,3	4,8	5,5	--
Zambia	3,7	1,9	3,2	8,3	-1,7	-1,3	0,6	3,0	2,5	2,5	2,5	1,9**
Zimbabwe	0,3	1,2	4,0	--	-1,4	--	--	--	0,5	--	--	--

Sources: Central banks and national statistical offices databases; World Bank Development Indicators database.

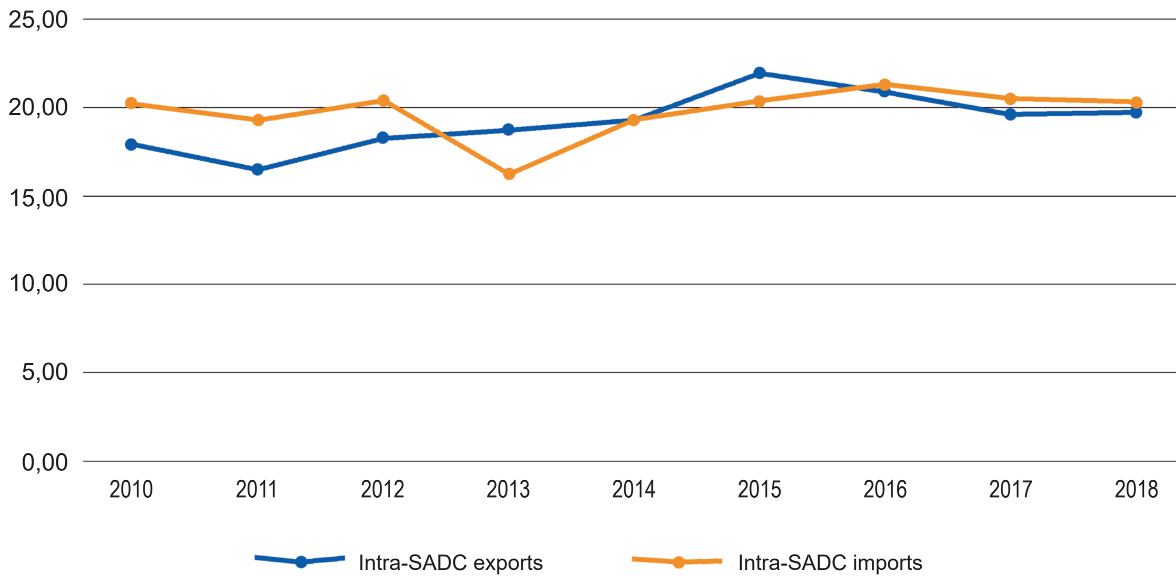
* Data are taken from the World Bank Development Indicators database, unless otherwise specified.

** For Eswatini, data refer to end March 2020. For Malawi and Mozambique, they refer to end June 2020. For Zambia, they refer to end March 2020. All are taken from Central Bank statistics.

Note: Figures for Zambia in 2019 and first quarter 2020 are preliminary estimates. Discrepancies exist between data from the World Bank and those of national authorities. For some countries, data are taken from multiple sources, including central banks, national statistical offices and the World Bank.

38. The merchandise trade balance of Malawi was recorded at negative $140.6 million in June 2020, compared with a deficit of $117.6 million in June 2019, due to a 36.5 per cent drop in exports, to $63.4 million. This performance was attributed to a decline in global demand, paired with logistical challenges caused by the COVID-19 pandemic (Reserve Bank of Malawi, 2020). The current account balance of South Africa has switched from a deficit of R68.1 billion in the fourth quarter of 2019 to a surplus of R69.7 billion in the first quarter of 2020. The current account balance as a ratio of GDP has changed from -1.3 per cent in the fourth quarter of 2019 to 1.3 per cent in the first quarter of 2020. With the domestic lockdown restrictions only effective from March 2020, the effects of the COVID-19 pandemic on South African imports and exports were still limited in the first quarter of 2020 (South African Reserve Bank, 2020). Zambia recorded a trade surplus valued at K4,595.6 million (US$253 million) in July 2020, from K1,743.7 million in June 2020, indicating a 163.6 per cent increase. This increase was mainly due to a 37.9 per cent increase in export earnings from intermediate goods (Zamstats, 2020).

Figure 6: *Intraregional trade as a percentage of total SADC trade, 2019–2018*



Source: UNCTAD, 2019.

39. Total intra-SADC exports in 2018 were $37.3 billion, while imports were $35.3 billion. Total exports from SADC to the rest of Africa were $5.4 billion, with imports amounting to $7.1 billion. Exports from SADC to the rest of the world were $150 billion, and imports were $139.3 billion. In 2018, 19.8 per cent of total SADC exports were destined to SADC countries, 12.8 per cent to the rest of Africa and 67.4 per cent to the rest of the world (excluding Africa). The share of intraregional trade within SADC and its evolution over time is depicted in figure VI.

40. There has been little increase in intraregional trade since 2015 (table 4). The top merchandise exports from Southern Africa to the world, Africa and SADC reveal a lack of product differentiation for most countries, thus a need for more action if member States will take advantage of preferential market access under AfCFTA and other trade agreements. SADC had an overall score of only 0.337 on the 2019 African Regional Integration Index (ECA, African Union and African Development Bank, 2020), the lowest among all regional economic communities. Policies to deepen integration in Southern Africa should emphasize improvements in infrastructure and development of productive capacities.

Table 4: *Top merchandise exports of Southern African countries to World, SADC and Africa*

		Top Merchandise Experts (2-digit level SITC)	Percentage share in total
Angola	World	Petroleum, petroleum products and related materials	90,3
	Africa	Petroleum, petroleum products and related materials	66,2
	SADC	Petroleum, petroleum products and related materials	78,1
Botswana	World	Non-metallic mineral manufacturers, n.e.s. (Pearls, precious and semi-precious stones)	90,0
	Africa	Non-metallic mineral manufacturers, n.e.s. (Pearls, precious and semi-precious stones)	42,3
	SADC	Non-metallic mineral manufacturers, n.e.s. (Pearls, precious and semi-precious stones)	43,3
Eswatini	World	Essential oils for perfume materials and cleaning preparations	31,5
	Africa	Essential oils for perfume materials and cleaning preparations	34,6
	SADC	Essential oils for perfume materials and cleaning preparations	31,7
Lesotho	World	Textile fibres, yarn, fabrics and clothing	52,2
	Africa	Textile fibres, yarn, fabrics and clothing	57,6
	SADC	Textile fibres, yarn, fabrics and clothing	57,6
Malawi	World	Tobacco and tobacco manufacture	39,8
	Africa	Feedstuff for animals (excluding unmilled cereals)	17,5
	SADC	Feedstuff for animals (excluding unmilled cereals)	20,8
Mauritius	World	Textile fibres, yarn, fabrics and clothing	36,4
	Africa	Textile fibres, yarn, fabrics and clothing	53,3
	SADC	Textile fibres, yarn, fabrics and clothing	61,9
Mozambique	World	Coal, coke and briquettes	28,5
	Africa	Gas, natural and manufactured	27,7
	SADC	Gas, natural and manufactured	28,6
Namibia	World	Non-metallic mineral manufacturers, n.e.s.	19,5
	Africa	Non-metallic mineral manufacturers, n.e.s.	22,9
	SADC	Non-metallic mineral manufacturers, n.e.s.	25,3
South Africa	World	Metalliferous ores and metal scrap	14,8
	Africa	Petroleum, petroleum products and related materials	8,3
	SADC	Petroleum, petroleum products and related materials	9,2
Zambia	World	Non-ferrous metals	62,1
	Africa	Electric current	12,5
	SADC	Electric current	13,8
Zimbabwe	World	Metalliferous ores and metal scrap	14,8
	Africa	Petroleum, petroleum products and related materials	8,3
	SADC	Petroleum, petroleum products and related materials	9,2

Source: UNCTADStat, 2019.
Abréviations: n.e.c. = not elsewhere specified ; STIC = Standard International Trade Classification.

F. Policy challenges and recommendations for macroeconomic policy

41. To boost economic growth, Southern Africa should attend to the well-known needed actions: boosting investments in key primary sectors of agriculture and extractive sectors. Guiding principles are well articulated in numerous continental, regional and national policy documents. Indeed, many macroeconomic challenges would not arise if economies grew and good economic governance is adhered to. Accordingly, member States should:

    (a) Cease spending in non-essential areas to limit increases in fiscal deficits, and boost efforts at domestic resource mobilization;

    (b) Stabilize the mounting public debts and reduce them overtime: By so doing, the region would be able to withstand future health and environmental shocks;

    (c) Focus more on stabilizing economic fundamentals and boosting economic growth, thereby also stabilizing exchange rates. In the end, these rates are reflective of economic fundamentals, and monetary policy actions can only be short-term in nature to smooth rates, rather than permanently put them at a particular level;

    (d) Fix external accounts of the balance of payments in the long run by concentrating on deepening regional trade (discussed below), and encourage long-term FDI, including by entrenching investor-friendly policies.

IV. Sectoral developments in Southern Africa

A. Agriculture and food security

42. Agriculture is a key pillar of socioeconomic transformation and sustainable development in Southern Africa. About 70 per cent of the region's population depends on agriculture for food, income and employment. Prior to the pandemic, the region was already on course to reach levels of food insecurity like the 2019 consumption year, when 41.2 million people were affected (SADC Synthesis Report, 2020). Severe droughts, floods, back-to-back cyclones and macroeconomic shocks in countries such as Zimbabwe significantly contributed to the food insecurity situation over the last year. Significant increases in the number of people who were food-insecure from the consumption year 2019/20 were recorded in Malawi (140 per cent), Eswatini (58 per cent) and Zimbabwe (40 per cent). It is estimated that at least 44.8 million people, including 33.6 million in rural areas, were food-insecure in the consumption year 2020, representing an increase of about 10 per cent from the previous year.

43. The impacts of coronavirus on agriculture performance and food security in the region will mainly transit through international supply- and demand-side channels, as well as via the dynamics of agricultural commodity prices in global markets. The demand for staple foods is not expected to suffer significantly in the medium-to-long term, as countries still need to feed themselves. However, relatively weaker global demand could still be expected in the short term. The main damage will result from the insufficient supply of agricultural products stemming from the loss of human capital and the stagnation of product markets, especially in the heavily affected countries, including China, the United States and European Union countries.

44. This situation may impinge on food security figures in the region, as most of the countries are net food importers, with a significant proportion of their imports coming from these markets. Cereal production in Southern Africa is quite significant, and includes products such as maize (80 per cent of cereal production), wheat, sorghum millets and rice. South Africa is the principal supplier of regional grain, and happens to be the country most affected by the pandemic in the region. Furthermore, the rising coronavirus infection and death tolls in China and around the world have led to a decline in commodity prices, including soybeans and cotton. Production and demand of soybean in the region are dominated by South Africa, though Zambia, Zimbabwe and Malawi are also significant producers. Thus, the declining global price suggests loss of revenues, especially for smallholder farmers, who are already suffering from low productivity due to poor agronomic practices. Finally, the agriculture sector depends on a global supply chain, ranging from paddocks to plates, as well as to access of essential inputs, including feed and equipment.

B. Mining

45. The mining sector remains an important economic anchor to the regional economy as a source of export earnings, GDP growth, employment and government revenue. The importance and diversity of the sector vary considerably across the region. For example, in Namibia in 2019, the mining sector contributed 13 per cent to GDP, paid N$3.1 billion in taxes to the treasury and directly employed more than 16,000 citizens in the growing base metals, diamond and uranium sectors. In Botswana, the sector contributed 19.1 per cent of GDP, 45 per cent of government revenues and 92 per cent of

export earnings in 2019, and the declining base metals sector has seen the diamond sector remaining dominant. In Zambia, where copper and emerald mining remain dominant, despite the rising agricultural and tourism sectors, mining contributed about 12 per cent of GDP and over 70 per cent in export earnings.

46. The fledgling minerals sector in Lesotho has witnessed a surge in the diamond sector in recent years, with the sector contributing 5.7 per cent to GDP in 2019 from only 1 per cent between 1985 and 1994. The mining sector accounted for 7 per cent of GDP, 55.2 per cent of exports (gold and platinum accounted for 77 per cent of the share of mineral exports) and 13 per cent of government revenue, and directly employed 35,000 people in Zimbabwe in 2019. An additional 500,000 citizens of Zimbabwe were engaged in artisanal and small-scale mining, mainly gold and chrome mining. Mining contributed 8 per cent to GDP, accounted for more than 20 per cent of the country's exports and 17 per cent of private fixed investment, and created more than 1.3 million jobs in the economy in 2019.

47. However, the COVID-19 pandemic brought the regional mining sector to a temporary halt during the early months, especially in March and April, as many operations were put under care and maintenance, as the industry developed strategies to sustain production, and Governments also developed frameworks for the industry/sector to operate during the pandemic. The range and complexity of the regional minerals sector from micro, small, medium to large scale has meant that the challenges faced have been equally diverse. The significantly large regional small-scale mining sector was particularly devastated by the pandemic, as operations ground to a complete halt due to restricted access to mining sites due to lockdowns. For example, in Zambia, the cancellation of auctions and the international travel ban caused stagnation in the artisanal and small-scale gemstone sector, which relies on international buyers for business.

48. Nevertheless, the industry is poised to recover, albeit slowly, as both base and precious metal prices performed reasonably well during August–September 2020 (table 5). The recovery of copper prices to over $6,500/ton in August and September 2020, due to increased demand, breathed life into the sector, and should naturally lead to increased production in Zambia and other regional producers. However, the depleted smelting and refining capacity continues to undermine the production of value added products. Furthermore, in Zambia, for example, the value added tax of 16 per cent on the domestic sale of copper concentrate and the export levy of 10 per cent on copper concentrates both serve as disincentives. As economies recover, and given that copper is a major component in electric vehicles, the expected boom in the vehicles market should significantly increase copper demand, with copper consumption expected to increase by 1.7 million tons by 2027 (Minerals Council of South Africa, 2019).

Table 5: *Firming LME[a] metal/mineral prices – selected commodities*

Mineral/metal	August 2020 Price[b]	September 2020 Price[c]	Price Change (%)
Aluminium	1 733	1 745	+0.69
Copper	6 492	6 833	+5.25
Zinc	2 448	2 512	+2.55
Nickel	14 602	14 908	+2.05
Tin	17 480	18 170	+3.95
Cobalt	33 045	33 980	+2.83

Source: LME Metals, available at www.lme.com/Metals/.

[a] LME : London Metals Exchange.

[b] 18 August 2020.

[c] 18 September 2020.

49. The precious metals sector, especially gold, has fared better than most mineral commodities, with prices remaining elevated as investors sought refuge from the unstable United States dollar. Despite falling from a high of $2,002/ounce on 18 August 2020 to $1,918/ounce on 25 August 2020, gold has sustained an upward momentum during the last month. This will continue to benefit regional gold producers such as South Africa and Zimbabwe, including the artisanal and small-scale producers, across the region. For Zambia, the recent activities in the gold sector by ZCCM Investment Holdings will benefit from a favourable market, and will generate more economic returns, if all the gold is captured through official channels.

50. There is optimism that the minerals industry will recover quickly from the depths of the COVID-19 pandemic, as shown by rising base and precious mineral prices during the last month. However, operational and environmental challenges will continue to undermine the anticipated strong recovery in the region. While prices remain a key risk, the challenges to the regional minerals sector going forward will include:

    (a) The adverse impacts of the unreliable electricity supply for an energy-intensive sector where electricity is a key enabler;

    (b) Regulatory bottlenecks and an ever-changing operating environment, as fiscal frameworks are adjusted and new demands introduced by regulators, all of which impacts on investment attractiveness: For example, the royalties and export taxes challenges in Zambia are affecting production as well greenfield and brownfield exploration investment activities;

    (c) Declining cost competitiveness due to limited investment in modernization and intelligent remote operated machinery: The sector has become highly mechanized, with increased investment in technology to address emerging complex operational challenges, which has lowered costs significantly, and the regional minerals industry remains on a higher cost curve due to antiquated technology (Ernst and Young, 2020);

    (d) Losing social support or the social licence to operate due to rising expectations from governments, society and communities continues to be a risk in the sector: The licence to operate has evolved beyond social and environmental issues to encompass increasing expectations of true shared value outcomes from mining projects. Society and communities are increasingly demanding more tangible and sustainable benefits from the sector, and this often creates uncertainty, especially where such requirements and expectations are not indicated up front (ibid.);

    (e) The generally slow worldwide economic recovery process continues to drag demand for mineral commodities and hence prices: For example, the anticipated boom in the demand for electric vehicles and the attendant demand in battery minerals were severely dented during the pandemic, and projects for lithium and other electric vehicles minerals were undermined;

    (f) Increasing geological risks, as easily accessible ore is exhausted and complex ore needs to be accessed, especially in the deep mines of South Africa as well as a general decline in greenfield exploration: Exploration is the lifeblood of the minerals sector, and conditions that encourage such investment need to be created through appropriate policies.

C. Manufacturing

51. Southern Africa has prioritized the manufacturing sector as the engine of growth to drive the industrialization process in the region in the Revised SADC Indicative Strategic Development Plan (2015–2020), and the signing of the SADC Protocol on Industry in August 2019 will anchor the SADC secretariat's role in coordinating the implementation of regional industrial activities. The

Protocol on Industry will complement the AfCFTA single market for goods and services in Africa, which aims to unlock manu¬facturing potential and facilitate industrialization, and drive sustainable growth and jobs. However, the sector is small in most member States.

52. In 2019, the share of the manufacturing sector to GDP for the SADC region stood at 10.7 per cent, a slight increase from the 2018 share of 10.4 per cent. This share of manufacturing has declined steadily since 2009, from a high of 12.4 per cent to its lowest share of 10.1 per cent in 2013, after which the share gradually increased to 11 per cent in 2016, before dropping moderately to 10.7 per cent in 2019.

D. Transportation infrastructure

53. Transport infrastructure is key to economic development, trade and regional integration. According to the latest reports (World Economic Forum, 2019; World Bank, 2019, p. 36) that rank the quality of infrastructure from 1 (low quality) to 5 (high quality), member States vary greatly, from 3.19 (South Africa), 2.9 (Botswana), 2.8 (Mauritius and Namibia), 2.3 (Zambia), 2.2 (Mozambique and Malawi), 1.96 (Lesotho), 1.86 (Angola) to 1.83 (Zimbabwe). The viability of transport infrastructure in Southern Africa is quite significant. The strengthening of transport infrastructure is gaining momentum: for example, the Beitbridge and Martin's Drift border posts now handle, respectively, up to 500 and 250 trucks per day.

54. It is quite challenging to carry out renovations of African ports, because of the significant urban development characterizing the surrounding areas. Yet, the index of the quality of port infrastructure shows an improvement of 0.2 in Namibia, 0.4 in South Africa, 0.6 in Angola and 0.9 in Mozambique, over the last decade. This index assesses progress in port infrastructure, ranging from an extremely underdeveloped infrastructure (index=1) to a well-developed and efficient infrastructure, according to international standards (index=7). On this basis, the quality of the port infrastructure in Southern Africa is currently above the average standard. The index is 5.2 in Namibia, 4.8 in South Africa, 4.2 in Mauritius, and 3.6 in Mozambique. South Africa, Mauritius and Angola rank respectively third, fifth and sixth among African economies, according to the liner shipping connectivity index (UNCTAD, 2019).

55. The African Development Bank identifies South Africa, Namibia and Eswatini as three of six African countries (along with Morocco, Tunisia and Egypt) with better rail infrastructure than the world average. Southern Africa leads in rail freight, handling more than 80 per cent of freight traffic on non-mineral lines. Also, Southern Africa and Egypt dominate passenger activity, with over 85 per cent of passenger kilometres. The density of the rail network in South Africa and Botswana is over 400 km per 1 million inhabitants, compared with an average of 30 to 50 km in other countries. The Southern African Mainline uses the Cape gauge (1.067 meters) while much of East Africa uses the metre gauge. This difference might be a barrier to connectivity in SADC, and a challenge for regional trade, considering the prospect of AfCFTA.

E. Tourism and other services

56. The services sector accounted for more than 50 per cent of nominal GDP in Africa over the period 2016–2018, and Southern African follows this trend (table 6). The imposition of lockdown restrictions to curb the spread of COVID-19 has depressed domestic demand for the mostly non-tradeable services sectors in Southern Africa, while travel and border restrictions adversely affected the tourism and transport sectors. As AfCFTA gets under way and negotiations on the Protocol on Trade in Services remain to be concluded, policies to promote the development of an efficient, competitive, high value added tradeable services sector in Southern Africa will help to enhance the value added of the services sector to Southern African economies, as well as its contribution to inclusive industrialization and structural transformation processes in the region.

Table 6: *Share of services sector in nominal GDP and its real growth rate, 2016–2018 (Percentage)*

	2016 - 2018				Real growth rate
	Share in the GDP				
	Overall	Wholesale, retail trade, restaurants and hotels	Transport, storage and communications	Other activities	
Angola	47,4	21,4	4,5	21,5	-1,7
Botswana	64,4	20,9	6,5	37,0	5,0
Eswatini	55,5	15,6	4,8	35,1	2,8
Lesotho	59,4	12,6	5,6	41,3	0,5
Malawi	52,4	20,4	8,2	23,8	4,9
Mauritius	76,2	19,2	10,6	46,4	4,3
Mozambique	47,4	13,2	9,8	24,4	2,3
Namibia	61,9	13,9	4,8	43,2	0,0
South Africa	68,2	15,0	9,9	43,4	1,2
Zambia	58,0	23,0	9,6	25,5	4,5
Zimbabwe	67,3	22,5	11,4	33,4	3,3
SADC	54,2	16,3	9,3	28,6	2,6

Source: UNCTADStats.

57. Tourism has been battered by the fallout from COVID-19 (especially in South Africa and Mauritius), and risks of slow growth in the sector remain elevated in the years ahead. Many Southern African countries count South Africa as their major source market and, as such, recovery of their tourism sectors will be contingent on how fast and how well the country recovers from the crisis. International tourist arrivals fell by 98 per cent in May 2020 as compared with 2019, with a 56 per cent year-on-year drop in tourist arrivals between January and May (World Tourism Organization, 2020). A total of 37 destinations in Africa have closed their borders, including all Southern African countries, thus wiping out the region's tourism receipts.

58. Table 7 shows selected tourism-related statistics for Southern Africa in 2019. Mauritius, Namibia, Lesotho and Botswana are the most tourism-dependent economies in the region, and will suffer the most from COVID-19's impact on the travel and tourism industry. Given that the tourism industry is labour-intensive and is an important source of employment for women, this will have negative repercussions from a gender empowerment perspective. The downturn in the travel and tourism industry has had negative effects on the aviation industry and other tourism-dependent sectors (such as retail trade and restaurants). In Southern Africa, both South African Airways and Air Mauritius announced an aggravation of their financial difficulties, worsened by COVID 19, leading to job cuts and a need for restructuring.

Table 7: *Selected tourism indicators in Southern Africa in 2019*

	2019 Travel and Tourism (T&T)				Top 2 inbound arrivals
	Contribution to GDP (%)	Contributon to employment (%)	Number of jobs	Visitor spend millions of United States dollars	
Angola	3,1	3,2	395,000	470 (1,3% of exports)	Portugal, China
Botswana	12,6	10,9	92,300	16 (1% of exports)	Zimbabwe, South Africa
Eswatini	5,5	5,8	17,300	10 (5% of exports)	South Africa, Mozambique
Lesotho	12,3	12,6	92,900	2 (1% of exports)	South Africa, Zimbabwe
Malawi	6,7	6,8	525,900	2 (2% of exports)	Mozambique, Zambia
Mauritius	18,8	19,1	104,200	2.017,4 (35% of exports)	France, United Kingdom
Mozambique	6,6	6,7	667,600	4 (6% of exports)	South Africa, Zimbabwe
Namibia	14,7	15,4	114,600	8 (1% of exports)	Angola, South Africa
South Africa	7,0	9,1	1.483.200	8 (6% of exports)	Zimbabwe, Lesotho
Zambia	7,0	7,2	469,700	849,4 (10,0% of exports)	Zimbabwe, UR of Tanzania
Zimbabwe	6,0	6,2	160,700	4 (4% of exports)	South Africa, Mozambique

Source: World Travel and Tourism Council.

F. Energy

59. The energy mix in the subregion includes both renewable and non-renewable sources, encompassing: hydro, thermal, solar, distillate, nuclear, wind, gas, biomass and landfill. Hydropower at all scales – pico-, micro-, mini-, small- and large-scale – is the leading source of both current and planned renewable energy development in most member States in the SADC region, except for Botswana (SADC, 2018). Overall, electricity is the dominant source of energy for both productive and consumptive purposes and, in 2019, the region had an installed generation capacity of 70,455 MW, with 63,157 MW being the installed capacity for operating members of the Southern African Power Pool (SAPP). Thermal power accounted for 60.67 per cent of the SAPP installed capacity in 2019, with hydro (21.04 per cent), distillate (4.24 per cent), solar (3.99 per cent) and wind (3.9 per cent) being the other major contributors (SAPP, 2019). The high regional dependence on coal for power generation adds a health burden to member States, and undermines efforts to mitigate the impacts of climate change and global warming. National utilities and other stakeholders continue to boost capacity in response to growing demand, and a total of 24,257 MW in new installed capacity occurred between 2008 and 2018, as the region endeavoured to support industrial development. Independent power producers are expected to contribute 15 per cent of the plan to commission 23,085 MW power plants between 2019 and 2023, with national utilities, supported by investors, contributing the remainder. Furthermore, of the planned investments, solar will account for 9.92 per cent and wind for 1.66 per cent, as the region continues to grow the renewables portfolio.

60. Trading under the competitive electricity market of SAPP continues to rise. In 2018/19, a total of 2,054 GW was traded through this arrangement, representing $107 million in value, and compared favourably with 2,123 GW trade in 2017/18. A total of 85 per cent of the energy traded was through the Day Ahead Marketing strategy, at an average price of 4.94 United States cents/kWh (SAPP, 2019). The electricity trading market aims to provide a fully integrated and competitive electricity market to meet the region's electricity needs, through interconnections of cross-border power and an increase in the role of renewable energy supplies on the regional grid. Although cross-subsidies are in use across the region, setting optimal tariffs remains a challenge and regulators and the private sector continue to dialogue. The electricity tariff structure varied considerably across member States, ranging from a low of 3.17 cents/kWh in Angola to a high of 14.58 cents/kWh in Eswatini, with a regional average of 7.63 cents/kWh (table 8).

Table 8: *Average electricity tariffs, 2018/19*

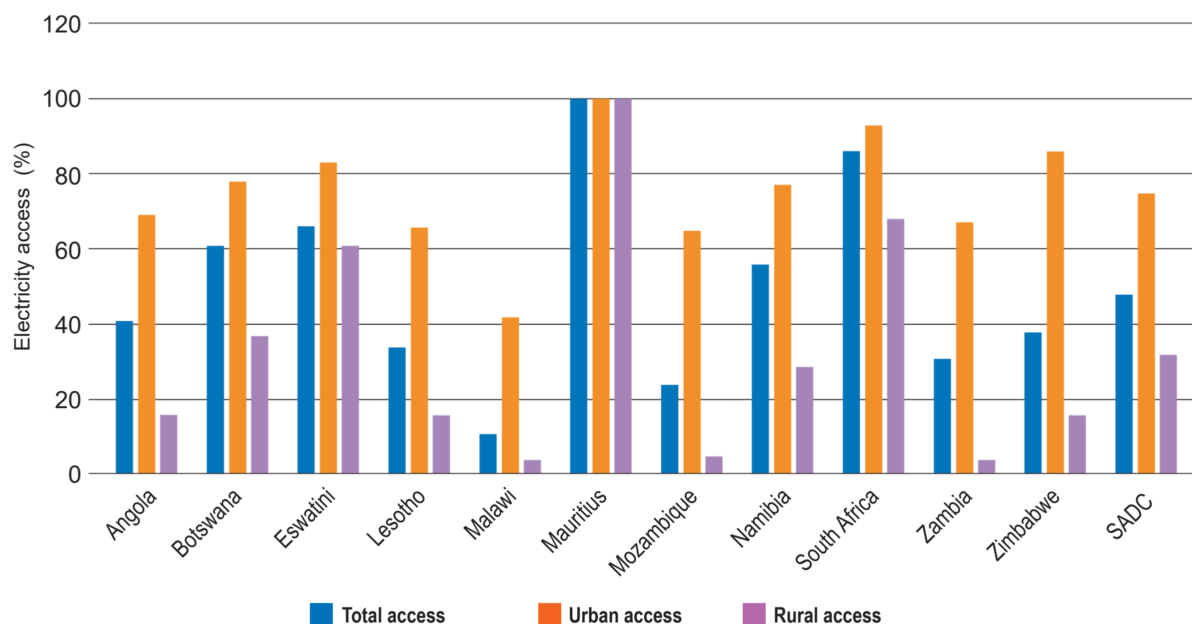
Regional member State	Angola	Botswana	Eswatini	Lesotho	Malawi	Mozambique	Namibia	South Africa	Zambia	Zimbabwe	**Southern Africa**
Average electricity tariff cents/kWh	3,17	7,26	14,58	7,3	8,0	10,58	11,51	6,6	5,2	10,0	**7,63**

Source: SAPP, 2019.

61. The overall share of renewables in the region's power capacity by mid-2018 was approximately 38.7 per cent, up from the 23.5 per cent in 2015, showing that renewables have kept pace with the regional additions to fossil fuel generation. Installed renewable energy capacity increased by 76 per cent, from 11,821 MW in 2008 to 21,759.7 MW in 2018, being dominated by large-scale hydro projects (SADC, 2018). However, the share of wind and solar systems increased significantly during that period, especially with projects in Botswana, South Africa and Zimbabwe. During the last decade, the region has experienced a notable maturation of the renewable energy market, as member States have taken steps to integrate these technologies into their overall energy supply systems, through the development and implementation of attendant policies and strategies. Renewables are being used both on- and off-grid, with decentralized systems helping countries satisfy rural electrification objectives (SAPP, 2019).

62. Member States are finding innovative ways to finance renewable energy projects, including engaging the private sector. For example, auctions for wind and solar were introduced in Mozambique in 2019. In addition, funding from green investment funds and global and regional support programmes has supported the adoption of energy efficiency and renewable energy technologies (SADC, 2018). Despite these strides, the regional renewable energy market remains underdeveloped, due to low investment and the economics associated with extending the electricity grid to remote, sparsely-populated rural areas, which is cost-ineffective. Although expanding access to modern, reliable and affordable energy services remains a regional priority, the region's final energy consumption profile for renewable sources continues to be massively biased towards traditional biomass fuels.

Figure 7: *Electricity access by citizens in Southern Africa (2016)*



Source: SADC, 2018.

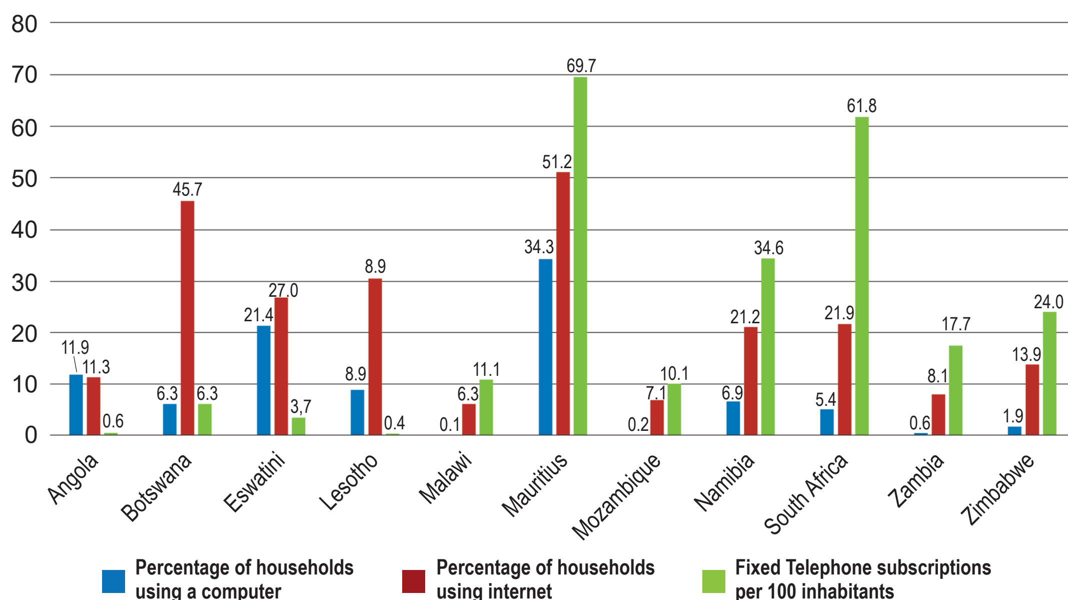
63. The relatively low levels of access to electricity in the region, estimated at 48 per cent in 2016, is a major handicap to socioeconomic development, as a large share of the regional population has limited access to power for both productive and consumptive purposes (SADC, 2018). Furthermore, access to electricity varied widely across the region, from total access in Mauritius to a low of 11 per cent in Malawi (figure VII). Equally variable among member States was the level of access between urban and rural areas, with access being higher in the former. In urban areas, the regional average access was 75 per cent, more than double the 32 per cent in rural areas. Such limited access in rural areas undermines the supply of health, education, water and other development programmes and services. Nevertheless, the development of specialist rural electrification agencies and the growth of private suppliers of micro-scale clean energy products – such as street lighting, and power for irrigation pumps – have improved access to electricity in recent years.

G. Information and communications technology

64. Digitalization is an enabler of increased productivity in many economic sectors, as well as a tool to foster regional trade and integration. The African Union Digital Transformation Strategy for Africa (2020–2030) has set as its objectives for the continent to “harness digital technologies and innovation to transform African societies and economies to promote Africa’s integration, generate inclusive economic growth, stimulate job creation, break the digital divide, and eradicate poverty for the continent’s socioeconomic development and ensure Africa’s ownership of modern tools of digital management” (African Union, 2020).

65. Member States stand to gain from the digital economy and e-commerce, but to do so they will have to significantly improve digital infrastructure, strengthen citizens’ digital skills, address energy shortages and introduce requisite policies to enhance cybersecurity. In this regard, the e-SADC Strategic Framework will indeed facilitate the use of information and communications technology (ICT) for socioeconomic development and regional integration. This Framework focuses on the harmonization of ICT infrastructure, services and indicators, and promotes ICT usage for regional economic integration, enhancement of connectivity and access to ICT services, among and within member States.

Figure 8: *ICT usage in Southern Africa*



Source: International Telecommunication Union statistics (ICTeye), available at https://www.itu.int/net4/ITU-D/icteye/#/countries.

66. Figure VIII shows the rate of Internet and computer usage among households and the rate of fixed-line telephone subscriptions per 100 inhabitants in Southern African countries, as measures of digital penetration and usage. With the exception of South Africa and Mauritius, the two most prosperous countries of the region, in general, ICT-based usage remains low in Southern Africa. Policies to foster digital penetration and address the digital gender divide should be given due priority by member States, as they aim to benefit from the implementation of AfCFTA. The collection of gender-based statistics in ICT use should be an additional area of interest to address the digital gender divide.

H. Policy issues and recommendations on sectoral developments

67. This chapter has touched on key sectoral policies needed for each sector's contribution to socioeconomic development of the region. Based on the above analysis, it is apparent that, as member States safely reopen economies and borders, new ways of doing things are needed, and these should include:

   (a) Boosting competitiveness, efficiency and value addition: This would require paying attention to policies that can address the infrastructure, both hard (such as transport and energy) and soft (such as ICT and human skills) to accelerate development, create jobs and promote social inclusion, including women and youth empowerment. The above enablers will further inject more investments and efficiencies in mining and manufacturing, thus helping to create the needed jobs;

   (b) Fast-tracking policy implementation to promote investments and innovations in the sectors such as energy and land to inter alia, promote sectoral production of agriculture and rural development, and ensure food security;

   (c) Restoring a sound financial situation by entrenching good economic governance: Calls for monetary authorities to loosen policies more than they have done will backfire. Monetary

policy in a vacuum – that is, in the absence of supportive policies elsewhere on the fiscal side, trade, appropriate education and job-suited training – cannot be effective. It is true that COVID-19 has caused unplanned spending to save lives and livelihoods; but it is also true that there was a generalized deterioration in fiscal situations due to lower economic growth, lower commodity prices, high spending not in sync with available resources, and increased allegations of financial mismanagement and corruption.

V. Social conditions under COVID-19: the impact and coping strategies in Southern Africa

68. The world remains in the grip of the COVID-19 pandemic and Southern Africa, like elsewhere, is dealing with the challenges and disruptions wrought by the pandemic and the subsequent containment measures.[2] Since the first COVID-19 case was announced on 5 March 2020 in South Africa, the cases among member States have shot up to over 778,400, with over 19,800 related fatalities by 19 October 2020 (table 9). It is still too early to gauge the full impact of COVID-19, but emerging consensus and evidence point to deeper income inequality, more social exclusion and discrimination, and higher jobless rates – all ingredients for instability. This chapter looks at the actual and likely impact of COVID-19 on selected social sectors.

Table 9: *Incidence of coronavirus among Southern African countries, 19 October 2020*

Country	Cases	Recoveries	Deaths
Angola	7 829	3 031	248
Botswana	5 242	905	20
Eswatini	5 780	5415	116
Lesotho	1 833	961	42
Malawi	5 861	4647	181
Mauritius	417	364	10
Mozambique	11 190	9 007	75
Namibia	12 293	10 422	131
South Africa	703 793	634 543	18 471
Zambia	15 982	15 038	346
Zimbabwe	8 187	7 692	233
Total	**778 407**	**692 025**	**19 873**
SADC	**811 352**	**723 852**	**20 583**
Africa	**1 656 281**	**1 364 397**	**39 946**
Global	**40 601 835**	**27 697 918**	**1 121 308**

Sources: John Hopkins University and Medicine, Coronavirus Resource Center, SADC, World Health Organization, Africa Centres for Disease Control and Prevention.

69. First, on gender, mounting evidence shows that the COVID-19 pandemic is worsening the ongoing crisis of violence against women and girls in Southern Africa. Experience from previous health crises

[2] South Africa, the region's hardest hit country, only observed declines in new cases from 15August 2020, exhibiting a flattening curve (SADC, 2020).

(such as the Ebola[3] and Zika outbreaks) shows that existing socioeconomic inequalities – such as those related to gender, economic status (for example, income level), age, race, disability, and health and migration status – are exacerbated within crises contexts, and COVID-19 is driving similar trends. The pandemic adversely affects all segments of the populations (for example, people living in poverty and vulnerable situations,[4] older persons, persons with disabilities, youth and indigenous peoples), with emerging data indicating that the pandemic's health and economic impact is being borne disproportionately by women and girls – with sexual and reproductive health services sharply curtailed[5] and gender-based violence on the rise.[6,7] Indeed, since the outbreak of COVID-19, reports of violence against women, and particularly domestic violence, have risen steeply across the world as economic and health anxieties create tensions and strains, accentuated by movement restrictions during the pandemic.[8,9] All forms of violence against women and girls are a violation of their human rights and social justice, and have high social and economic costs.

70. Moreover, women, as opposed to men, have less capacity to absorb the pandemic-driven economic shock, because they are in the majority in lower-paid, part-time and informal employment, with little or no job or income security, or social protection. Furthermore, women are overrepresented in the sectors most heavily impacted by the COVID-19 pandemic, such as the accommodation and food services, and the wholesale/retail trade sectors (ILO, 2020).[10] Clearly, the protection needs of women and girls must be at the centre of response efforts to improve the effectiveness of policies and interventions, and promote gender equality.

71. The COVID-19 pandemic has profoundly affected the informal economy. The rates of informality in employment (characterized by high rates of precarious jobs such as own-account employment and contributing family workers) exceed 50 per cent in most member States. The containment measures and lockdowns, crucial to slow the pandemic's spread, have left a significant portion of the population vulnerable (particularly people whose livelihoods are dependent on the informal economy[11]), as incomes dry up with little or no social protection to cushion them.[12]

72. The COVID-19 pandemic has also reduced cross-border trade. Informal cross-border trade (ICBT) is a significant form of economic activity in the region, making up an estimated 30–40 per cent of total intra-SADC trade, with an estimated value of $17.6 billion. Women comprise about 70 per cent of those involved in informal cross-border trade, trading a variety of commodities in either raw or semi-processed forms (Afrika and Ajumbo, 2012).

[3] The 2013–2016 Ebola outbreak in West Africa placed women and children at heightened risk of multiple forms of violence, including trafficking, child marriage, and sexual exploitation and abuse.

[4] People with inadequate access to safe water – such as refugees, migrants or displaced persons or slum dwellers – stand to suffer most; and homeless people are highly exposed to the virus, due to lack of safe shelter.

[5] Limited resources for sexual and reproductive health services may lead to a rise in maternal and newborn mortality, increased unmet need for contraception, and a high number of unsafe abortions and sexually transmitted infections (UNESCO (2020). COVID-19 Educational disruption and response. Retrieved DD MM, 2020, from https://en.unesco.org/covid19/educationresponse.)

[6] Available at https://turkey.unfpa.org/en/news/putting-brakes-COVID-19-safeguarding-health-and-rights-women-and-girls-4. Accessed on 24 March 2021.

[7] Crises often limit women's ability to escape abusive situations; life-saving care and support to gender-based violence survivors (such as clinical management of rape, and mental health and psychosocial support) may be disrupted when health service providers are overburdened and preoccupied with handling COVID-19 cases. Women are also at the forefront of public health crises as nurses, midwives and community health workers, putting themselves at a higher risk of exposure to the coronavirus.

[8] Even if official data are yet to come, a discernible increase in calls to emergency hotlines and in requests for emergency shelter, psychological counselling and legal aid has been observed (UN Women, 2020).

[9] Some measures put in place to protect women and children from violence include government hotlines, support to shelters (Zambia), and mobile gender-based violence clinics (Mozambique).

[10] According to ILO statistics, many women in high-risk sectors (such as micro-, small and medium-sized enterprises) or in self-employment face the risk of bankruptcy due to the pandemic.

[11] Most of these workers live hand-to-mouth, and disrupting their daily activities could tip them over into destitution.

[12] Indeed, many workers in the formal economy do not enjoy unemployment benefits. In fact, only two member States (Mauritius and South Africa) have unemployment insurance in place (ILO (2020) The Covid-19 Response: Getting Gender Equality Right for a Better Future for Women at Work, Geneva: ILO brief, ILO). In the event, laid off workers in the formal sector face a heightened risk of vulnerability as well.

73. Temporary cash and food transfers have been introduced at national levels in response to COVID-19. These mitigating measures need to be better targeted at the vulnerable population, including workers, the informal economy and migrants, if they are to cushion COVID-19's adverse impact on the majority of the citizens.

74. The pandemic risks deepening inequality and poverty in a region that is already the most inequitable on the continent. (In fact, South Africa is now considered the most unequal country in the world, as measured by the Gini Index.) This is reversing the hard-won progress toward achieving the Sustainable Development Goals so far, and potentially generating or intensifying resentment among the most vulnerable communities and risking social unrest.

75. The pandemic has exposed and amplified the daily struggles that many learners in the member States face. It has forced member States[13] to rightly temporarily close schools, affecting millions of learners from pre-primary to tertiary institutions (UNESCO, 2020). Some of these member States then adopted distance learning approaches, some of which require well-established ICT infrastructure, stable Internet connectivity and qualified teachers, to ensure continuous teaching and learning. However, many countries or parts thereof do not have a stable electricity supply, let alone widespread access to appropriate devices and Internet connectivity to enable effective distance education. In addition, mobile data and Wi-Fi are prohibitively expensive, leaving only the few relatively better-off learners to benefit. On this basis, radios and television sets have been the most utilized media to deliver distance education for primary and secondary students.[14]

[13] Most SADC countries lost approximately three months of learning following lockdown restrictions (SADC, 2020c).

[14] Most of the member States (for example, Angola, Eswatini, Lesotho, Malawi, Mauritius, Mozambique and Zimbabwe) have developed radio lessons and collaborated with national television channels. Angola, Malawi, Mauritius, Namibia, South Africa and Zambia provided an online platform to ensure continuity of academic learning of the students (SADC, 2020c).

VI. Key messages and recommendations

76. Southern Africa has good protocol and programmes to address the region's socioeconomic challenges and achieve regional integration. Implementation, however, continues to be obstructed by a lack of political will and courage, as well as a dearth of financial and appropriate human capital, among others. External factors such as climate change, and economic and geopolitical developments elsewhere, also play a part. However, more telling obstructions are home-grown. It is the removal of the latter that will propel the region's development forward. To reiterate, some of the messages or recommendations concern the need for member States to:

    (a) Reignite economic growth by focusing on implementation of sectoral policies and the general good economic governance that ensures zero waste and corruption;

    (b) Maintain macroeconomic stability by boosting investor confidence, reduce deficits and debts, mobilize and manage better domestic resources, and leave monetary policy to focus on inflation and sound financial system management as bases for economic growth and employment;

    (c) Quickly roll out various regional protocols and national policies to mitigate climate change effects on agriculture, and promote private sector growth and regional value chains;

    (d) Invest in social sectors to produce better outcomes in, inter alia, health and education, and roll out deliberate programmes to empower women and youth, thereby reducing poverty, promoting social inclusion and accelerating development;

    (e) Intensify the implementation of national post-COVID-19 fiscal and monetary stimulus initiatives to help build back faster and better, especially supporting micro-, small and medium-sized enterprises.

77. These actions are less dependent on external forces to enact, but are dependent for implementation on regional and national actors. The sooner the necessary actions are taken, the better the region will face better future global economic shocks, health and climatic challenges.

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