Report on Economic and Social Condition in Southern Africa, 2002

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The Report on Economic and Social Conditions in Southern Africa 2002 reviews the subregion's economic performance during the past year and considers the prospects for the short and medium term. It compares current economic and social indicators of the 11 member States served by the Centre[1] with those of preceding years.

The analysis in this report is based on preliminary data and information that was available to the Centre as of January 2002.

The main objective of the report is to review major economic, social and other development issues taking place in Southern Africa with a view to inform and guide economic and social policy decisions.

[1] These are: Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia and Zimbabwe.

I. EXECUTIVE SUMMARY

In 2001, growth of the world economy was dragged down as a consequence of the slowdown of the world's major economies of United States of America (USA) and the European Union (EU) throughout the year, particularly during the last quarter. Latin America and East Asia were among the most affected by the slowdown, while African countries continued to be vulnerable to downturns in commodity prices.

Growth performance in Africa improved only marginally in 2001 to 4.3 per cent from 3.3 per cent in 2000. This sluggish performance was due to low oil and metal prices. Three major issues were at the centre of economic debate in Africa during the year 2001. These included: the need to eradicate poverty and to place African countries on a path of sustainable growth and development, the fight against HIV/AIDS, and the entry into force of the Constitutive Act of the African Union.

Southern African economy showed, once again, signs of improvement in 2001, albeit with some variation across the countries. Preliminary data indicate that aggregate GDP growth in 2001 averaged 3.3 per cent as compared to 2.9 per cent in year 2000. GDP rose in several countries, including Angola, Malawi, Mozambique, Namibia and Zambia. In other countries, GDP growth rate was either maintained or increased only marginally in 2001 compared to 2000. Only one country, Zimbabwe, recorded a negative GDP growth rate, for the second consecutive year, estimated at 6 per cent.

Prospects for the subregion in 2002 presents mixed signals and average GDP growth rate seems unlikely to change for the better in 2002 as compared to 2001. Adverse weather conditions registered at the beginning of the year in some parts of the subregion, coupled with the likely lower GDP growth rates to be recorded in Zambia and Zimbabwe, would offset the subregional average growth rate in 2002.

II. INTRODUCTION

The systematic slowdown of the world's major economies of United States of America (USA) and the European Union (EU) during 2001 and particularly during the last quarter of the year, dragged down growth of the world economy, which suffered its fastest slowdown since the oil shock of 1974. According to the United Nations Department of Economic and Social Affairs (DESA)[2], growth of the world output is estimated at 1.3 per cent in 2001, compared to 2.7 per cent in 2000. This depressing picture was the result of the virtual stagnation in international trade, which was the engine of growth in the preceding years. Although the slowdown was widespread, Latin America and East Asia were among the most affected, while most African countries continued to be vulnerable to downturns in commodity prices.

Africa's economic performance improved only marginally in 2001. Nearly all the subregions recorded a similar GDP growth rate in 2001 with respect to 2000 (Table 1). According to United Nations Economic Commission for Africa (ECA), regional output as measured by GDP growth rate is estimated at 4.3 per cent, compared to 3.3 per cent in 2000. This low performance is mostly attributed to the collapsing global demand, which dropped international oil and base metal prices and the subsequent drop in the value of African exports. The price of Brent crude, for example, dropped from an average of US$28.00 per barrel (p/b) in 2000 to US$25.00 p/b in 2001, while gold prices dropped from US$280 per troy ounce in 2000 to US$260 per troy ounce in 2001.

Table 1: GDP Growth Rates by Subregion, 1998-2002

SUBREGION	1998	1999	2000	2001	2002E
North Africa	5.3	4.1	4.3	3.6	2.8
East Africa	2.7	4.2	3.6	5.1	4.4
Southern Africa	1.4	2.1	2.9	3.3	4.2
Central Africa	3.0	4.2	(2.4)	4.9	5.4
West Africa	3.4	3.1	3.0	2.9	3.8
Africa	**3.5**	**3.0**	**3.3**	**4.3**	**4.2**

Source: OECD/ADB Economic Perspectives on Africa 2002 and ECA database.
E = Preliminary Estimates

In addition to specific measures that member States designed to encourage economic growth in their respective countries, macroeconomic policy in Africa as a region centred on three major policy-oriented issues: first, the debate on the need to eradicate poverty and to place African countries on a path of sustainable growth and development; secondly, the commitment to intensify the fight against HIV/AIDS and thirdly, the entry into force of the Constitutive Act of the African Union in July 2001.

[2] DESA/UNCTAD, World Economic Situation and Prospects 2002.

The debate on the need to eradicate poverty called for a new relationship of partnership between Africa and the international community, especially the highly industrialised countries, to overcome the difference in development that has widened over centuries of unequal relations. Consequently, African leaders worked on a set of new continent-wide development strategies known as the New Partnership for Africa's Development (NEPAD). The NEPAD is a firm commitment by African leaders to take ownership and primary responsibility for the sustainable economic development of the continent. It argues that Africa needs to involve itself much more closely in the global economy. To that end, a set of measures was highlighted, including external debt relief measures and improved trade access to the developed world. While none of the above is a new idea or concept, the central idea of NEPAD is that African governments would not think of these measures as having been imposed on them by donor institutions and governments, but instead would think of them as the basic rules of the new global economy.

The fight against HIV/AIDS and other infectious diseases was a major concern for Africa's economic and social development, both internal and internationally, in the year 2001. On the international front, the UN Secretary-General proposed the launching of a Global Trust Fund to secure funds to fight the disease, while on the internal front African leaders vowed to place the struggle against HIV/AIDS in the forefront and as the highest priority. More specifically, African leaders pledged to allocate at least 15 per cent of their national budgets to the improvement of the health sector.[3]

In addition to economic ties, the creation of the African Union (AU) was a firm resolution of African leaders to materialize the dream of the Founding Fathers in creating a "United States of Africa." The AU would lead to the formation of an African central bank, an African monetary fund, an African investment bank, an African parliament, and an African court of justice.

3 Abuja Declaration on HIV/AIDS, adopted by the African leaders on 24-27 April 2001.

III. SOUTHERN AFRICAN ECONOMY IN 2001

Overview

Economic performance in Southern Africa continued to improve in 2001 as compared to 2000. However, good performance in some countries was eroded by negative growth rate recorded in Zimbabwe estimated at 6 per cent, which greatly affected average gross domestic product (GDP) growth rate of the subregion. Preliminary data for the11 Southern African countries served by the Centre indicate that aggregate output grew by 3.3 per cent in 2001, compared to 2.9 per cent in 2000. Nevertheless, considering the overall goal of reducing poverty by half in the year 2015, the average GDP growth rate for Southern Africa still falls short of what is required to improve the living conditions of Southern African people and to sustain the subregion's structural transformation. Only two countries, Mauritius and Mozambique, succeeded in surpassing the GDP growth requirement of 6 per cent for reducing poverty by half in 2015, the target which was agreed to in 1995 at the World Summit for Social Development. Table 2 below gives GDP growth rates by countries for the period 1998-2001 and estimates for 2002.

Economic performance as measured by per capita income was diverse across the countries. Some countries, such as Botswana, Malawi, Mauritius, Mozambique, Namibia and Zambia, managed to achieve, for the second year in a row, good economic performance, giving hope in some cases, to real economic recovery, with GDP per capita at current prices increasing significantly in some of them. In Mauritius, for example, GDP per capita at current prices increased from US$3,917 in 2000 to US$4,265 in 2001. The corresponding figures for Malawi are US$196 and US$201, respectively.

Table 2: GDP Growth Rates by Countries, 1998-2002

COUNTRY	1998	1999	2000	2001	2002E
Angola	6.9	3.4	2.1	3.3	5.0
Botswana	4.1	7.7	5.8	4.7	5.5
Lesotho	(4.6)	2.5	2.5	2.8	3.0
Malawi	2.0	4.0	2.6	3.2	4.2
Mauritius	5.6	3.4	8.9	6.1	6.6
Mozambique	9.9	10.0	7.5	9.20	9.50
Namibia	3.3	3.4	3.3	3.0	3.5
South Africa	0.7	1.9	3.1	2.6	3.2
Swaziland	3.7	3.7	2.5	1.2	2.5
Zambia	(1.9)	2.2	3.6	5.2	4.3
Zimbabwe	3.7	0.1	(5.5)	(7..5)	(5.0)

Source: EIU Country Reports and country sources.
E = Estimates.

Policy Developments

Economic growth is the result of complex interactions of resources, policies and institutions. In Southern Africa, some of the constraints that have dragged effective implementation of sound macroeconomic policies, limited the extent of economic reforms and deterred the pace of economic growth are those embedded within the structure and functioning of the macroeconomic institutional frameworks. Nevertheless, macroeconomic policies in most countries in 2001 continued to emphasise structural, institutional and governance reforms in order to provide a conducive environment for private sector-led growth, and restricted monetary and fiscal policies to achieve internal and external balances.

In addition, governments in the subregion were mindful of the need to maintain realistic exchange rates, giving the inflation differential with major trading partners and the need to enhance their international competitive position. In most countries, tight monetary policies played a key role in helping curb and mitigate inflationary expectations. However, in Zimbabwe, despite government exchange rate policy, based on inflation differentials between the country and its major trading partners, inflation rate surged from 55.7 per cent in 2000 to more than 100 per cent in 2001. This was attributed mainly to acute shortage of foreign exchange and inadequate supplies of essential inputs needed in the productive sector and the subsequent increase in prices for basic goods (Table 3).

In countries such as Angola, Botswana, Malawi, Mozambique, and Zambia, there were significant reductions in inflationary pressures between 2000 and 2001. In Angola, for example, although inflation rate is estimated at 128 per cent in 2001, this marked a major improvement on the 2000 figure of 325 per cent. In Mozambique, tight monetary policy reduced broad money growth from 35 per cent in 2000 to 16 per cent in 2001, thereby curbing inflation rate from 11.4 per cent in 2000 to 8 per cent in 2001.

Table 3: Consumption Price Index, 1998-2001

COUNTRY	1997	1998	1999	2000	2001
Angola	219.2	197.3	248.2	325.0	128.0
Botswana	8.8	6.5	7.8	8.5	7.0
Lesotho	8.5	7.8	8.7	7.6	7.0
Malawi	9.2	29.8	44.8	29.6	24.5
Mauritius	6.8	6.8	6.9	4.2	4.8
Mozambique	5.8	1.3	3.1	11.4	8.0
Namibia	8.8	6.2	8.6	9.3	9.3
South Africa	8.6	6.9	5.2	5.3	5.8
Swaziland	7.2	8.0	5.9	7.0	6.7
Zambia	24.8	24.5	26.9	21.7	18.3
Zimbabwe	18.8	31.8	58.1	55.7	102.8

Source: EIU Country reports and Country sources.

Increasing government revenues remained a major policy issue in most countries. As in many developing economies, most Southern African countries continued to experience low levels of revenues due to weak tax collection systems, low compliance levels and widespread tax exemption. Most governments, however, have tackled these problems through the establishment of autonomous national revenue authorities, simplifying tax systems and reducing exemptions.

The issues of good governance, conflict management and corruption continued to be viewed as interrelated with each other as well as with the issues of development and poverty reduction. In this context, member States continued to emphasize the fact that socio-economic development cannot take place without stable political and civil conditions and institutions that would secure private property rights, ensure personal liberty, enforce laws, and provide responsive transparent and accountable governments.

Although there were few general elections in 2001, the subregion has demonstrated over time its capacity to operate within democratic norms. The political debate on the third term issue and the tripartite elections in Zambia as well as the parliamentary elections in Zimbabwe were the only electoral events throughout the subregion.

Country Highlights

Angola: During the reporting period, the government continued its wide-ranging reform program under the staff-monitored program (SMP), which aims to promote macroeconomic stability and fiscal transparency, reduce poverty and put to an end the state-control distortions that have enabled corruption and inefficiency to flourish. Fiscal policy continued to focus on increasing budgetary transparency and reducing the fiscal deficit. Overall economic growth continued to have a strong correlation with the changes in the volume and prices of crude oil. In 2001, GDP growth rate is estimated at 3.3 per cent compared with 2.1 per cent in 2000, reflecting increase in oil production, particularly from smaller producers such as TotalFinaElf's Girasol fields and the North Nemba platform in Cabinda. The rate of inflation continued its downward trend throughout 2001, though was still well above the target of 75 per cent, it was considerably reduced dropping from 325 per cent in 2000 to 128 per cent in 2001.

Botswana: The government continued to pursue prudent economic policy during the year. Particular attention was given to the curbing of HIV/AIDS pandemic, lowering unemployment, reducing poverty, economic diversification, public sector reform, improving government expenditure control, economic empowerment of citizens and environmental conservation. Conditions in the world diamond market were central to determining Botswana's economic development in 2001. Lower diamond exports, resulting from the imposition of quotas by the De-Beers Trading Company (DTC), resulted in a drop of GDP growth rate from 5.8 per cent in 2000 to 4.7 per cent in 2001. Inflation continued on a downward trend during 2001, falling from an annual average of 8.5 per cent in 2000 to 7 per cent in 2001. This was a clear reflection of lower food prices.

Lesotho: Economic policy continued to be anchored on the three-year reform program agreed with the IMF and supported by funds from a poverty reduction and growth facility (PRGF). In 2001, the program achieved some success with the start of Treasury-bill auction in August 2001 (for monetary control) and the passage of the legislation for the establishment of an autonomous Lesotho Revenue Authority (LRA). GDP growth rate is estimated at 2.8 per cent up from 2.5 per cent in 2000. Average inflation rate increased slightly from 6.1 per cent in 2000 to 6.9 per cent in 2001, reflecting price increase of food, beverages and tobacco, items which represent 43.5 per cent weight in the consumer price index. Increase in the price of fuel and consequently transport, also contributed to increase the inflation rate during the year.

Malawi: The Interim Poverty Reduction Strategy Paper (IPRSP), which was published in August 2000, continued to be the basis of government policies in 2001. Agriculture remained the main economic sector of the country, and in spite of the increase in tobacco production, GDP growth rate slowed to 2.2 per cent in 2001 from 2.5 per cent in 2000. This reduction in GDP was mainly attributed to lower tobacco prices. The situation in the tobacco sector was further affected by a lack of inputs due to the poor prices farmers received in 2000, in addition to the scaling down of the targeted input program under which farmers received inputs such as fertilisers from the government.

Mauritius: After the successful passage of the financial bill, which aims to develop the country into the leading regional hub for business and financial services, the government launched a set of economic policies designed at moving the economy increasingly into the high-value services. Though the rate of GDP growth declined slightly in 2001 as compared to 2000, growth across all the sectors of the economy remained positive. Preliminary figures indicate a growth rate of 6.1 per cent in 2001 as compared to 8.9 per cent in 2000. The global economic slowdown is estimated to have had an impact on tourism activities in the country, foreign investment and financial services.

Mozambique: Economic performance remained favourable in 2001. GDP growth is estimated at 9.2 per cent compared to the downturn of 7.5 per cent in 2000 caused by the severe flooding early in the year. GDP growth was underpinned by high level of foreign direct investment (FDI) including two large-scale projects: the expansion of the Mozal aluminium smelter and the construction of a gas export pipeline to South Africa. Economic policy continued to be anchored on poverty reduction and the strengthening of the banking sector. Structural reforms were also given priority, particularly the liberalisation of the transport and telecommunication sectors. Other policy emphasis was on the reform of customs and tax collection, strengthening budget execution mechanisms and accelerating efforts to strengthen the judiciary.

Namibia: Lower commodity prices, specially for diamond and base metals, coupled with poor performance of the primary sector, reduced Namibia's GDP growth rate in 2001 to 3 per cent compared to 3.3 per cent in 2000. Diamond output in 2001 is estimated to have fallen from 1.6 million carats in 2000 to 1.5 million carats as De Beers' affiliates decided to cut production in line with quotas on purchases imposed by Diamond Trading Company (DTC). In addition, the downward performance was also due to lower outputs in the fishing sector. However, GDP is expected to rise in 2002 by 3.5 per cent, owing to improved fishing and the increase in copper mining output, following the resumption of production by the Tsumeb Corporation. Higher electricity, water and construction output also would contribute to improved economic performance in 2002. Economic policy in 2001 was focussed on accelerating economic growth, reducing poverty and unemployment, empowering those on low incomes, and implementing measures to tackle HIV/AIDS. Central to these goals was the stimulation of activity in the private sector, particularly manufacturing, in order to diversify the economy away from agriculture, mining and fishing.

South Africa: Economic policy in South Africa, the most advanced economy in Southern Africa, continued to be guided by the Growth, Employment and Redistribution (GEAR), the government's macroeconomic strategy. In 2001, economic activity was dragged down and GDP grew at 2.6 per cent against 3.1 per cent recorded in 2000. This was largely due to a fall of 4.2 per cent in agricultural output, coupled with sluggish growth in manufacturing and mining sectors, whose combined growth rate was estimated at only 1 per cent. In addition, the drop in the demand for diamond also contributed to the sluggish growth in 2001. The government maintained strong fiscal discipline in 2001. However, the rand steadily lost value during the year, owing to a series of downturns in investors' sentiments associated with the delays in the privatization program and the large clouds hanging over political situation in Argentina, Turkey and the contagion effects from the deteriorating economic situation in Zimbabwe. This situation is expected to negatively affect the domestic economy as well as that of the countries in the subregion in the early part of the year 2002.

Swaziland: Although the country has not yet joined the free-trade area of the Common Market for Eastern and Southern Africa (COMESA-FTA), the government relaxed import controls as part of its policy of trade liberalisation. Preliminary estimates indicate a GDP growth rate of 1.2 per cent in year 2001, compared to 2.5 in 2000. This reduced output growth was mainly attributed to lower sugar production for the 2001/2002 (April-March) crop, which is estimated to have dropped from 524,000 tonnes to 501,000 tonnes. Production of maize and cotton are also reported to be equally disappointing, due to the drought.

However, manufacturing industry, particularly textile, is expected to grow significantly starting from the year 2002, as new investments are taking place under the AGOA.

Zambia: The interim Poverty Reduction Strategic Paper (PRSP), which was produced in 2000, remained the framework for economic policy in 2001. Economic growth accelerated to 5.2 per cent in 2001 from 3.6 per cent in previous year. The improving trend was mainly as a result of higher mining activity following the privatisation, which brought about fresh investment, new technology and improved management for the copper mines. Copper production is estimated to have increased from 256 thousand tons in 2000 to 353 thousand tons in 2001. Total exports of goods and services is estimated at US$1,050 million in 2001 as compared to US$0.8 million in 2000. However, poor rains in the latter part of the year resulted in a maize deficit estimated at 150,000 tons in 2001. This situation forced the government to declare national food emergency in October 2001, thereby inviting tenders for the import of 150,000 tons of maize. In addition, poor harvest in 2001/2002 and Anglo-American's decision in January 2002 to withdraw its investment in the country's copper sector are likely to become a major blow for the economy in 2002/2003.

Zimbabwe: The country continued to face the worst economic crisis in its history. The economy contracted significantly in 2001 with GDP estimated to have fallen by 7.5 per cent after a fall of 5.5 per cent in 2000. Average inflation stood at 67.8 per cent, reflecting a rise of 55.7 per cent from the previous year. While the nature and causes of the crisis are varied and controversial, most analysts support the view that the deteriorating economic performance is largely caused by the escalating political crisis, which has hampered normal economic activity and resulted in the collapse of business confidence in the country. Indeed, economic performance is adversely affected by lack of international financial support to government's economic programs, coupled with weak tobacco and gold prices as well as the fall in tourist arrivals in the country. To reverse this adverse economic trend, the government adopted the Millennium Economic Recovery Program (MERP), whose major aim is to stabilize the economy by speeding up the land resettlement program, lowering production and capital costs and accelerating privatization.

Regional Co-operation and Integration

Globalisation has been generally perceived as having contributed to uncertainty and setbacks in macroeconomic performance, particularly in less developed African countries. In Southern Africa, governments acknowledged the fact that, for the subregion to successfully integrate into the global economy, meaningful reforms (both political and economic) must be implemented fully. In this regard, most countries heeded the call from continental and multilateral organisations for the pursuit and continuation of regional cooperation and integration programs.

In 2001, economic integration continued to be an imperative for Southern African countries to achieve accelerated development. Two important issues dominated the debate on regional cooperation and integration during the reporting period. The first issue was the operationalization of the Common Market for Eastern and Southern Africa Free Trade Area (COMESA-FTA). The second issue was the entry into force of the SADC Protocol on Trade in January 2000 and the corresponding arrangements made to launch a Free Trade Area (SADC-FTA) by the year 2012.

The declaration of FTA in October 2000 was received with mixed feelings by member States and by different elements within individual States. Some argued that they were not ready for the FTA. Some were optimistic that it would bring about economic growth. Yet others feared that only larger and more advanced economies within the FTA would benefit. While one year after the launching of COMESA-FTA is a relatively short time to do justice to analyze a subject matter as wide-ranging and encompassing as this, there are, however, still clear differing views among countries and among different elements within individual countries. Indeed, the enhanced integration of the subregion would result in some transitional costs on the part of member States, in terms of loss of government revenue, injury to domestic industry, loss of employment and balance of payments. In this respect, the COMESA Council adopted in November 2001 trade remedies, which member States can invoke in the event that they encounter such transitional problems. These trade remedies are: safeguards, anti-dumping and countervailing duties.

The SADC Trade protocol was developed to liberalize intra-regional trade in goods and services within the region on the basis of fair, mutually equitable and beneficial trade arrangements. The Trade protocol was complemented by protocols in other areas. The protocol aims at ensuring efficient production within SADC, reflecting the dynamic comparative advantage of its members. The protocol will significantly contribute towards the improvement of the climate for domestic, cross-border and foreign investment.

Member States of SADC also made considerable progress towards achieving the SADC-FTA in year 2012. Indeed, SADC-FTA is posed to usher in a new dawn for the subregion as new forms of competitive production, trade and marketing are set up. This is expected to significantly improve both formal and non-formal trade activities within the subregion as well as attracting domestic, regional and foreign investment.

Both COMESA and SADC have made significant progress with respect to regional cooperation and integration in Southern Africa, particularly in the area of tariff and non-tariff barriers to trade. However, intra-regional trade continued to be constrained by some non-trade barriers such as inadequate transport and communication infrastructure, official inconvertibility of national currencies, inadequate trade information across countries and visa requirements for travelers.

The removal of all the above obstacles, which constitute an impediment to meaningful regional cooperation, calls for more concerted efforts among subregional stakeholders in order to harmonize policies and programs in support of formal and non-formal trade activities. In addition, this also calls for unbiased policies, laws and regulations against non-formal sector, which not only contribute to poverty alleviation, intra-regional trade and political stability, but also leads to deeper regional integration.

Trade and Investment

In 2001, member States continued to undertake bold steps towards the realization of the market integration in Southern Africa under the two regional economic blocks of COMESA and SADC. In this regard, member States continued to deepen the implementation of trade liberalization programs with a view to reducing and eventually eliminating tariffs and non-tariff barriers to intra-regional trade.

While aggregate intra-regional trade data is not available, there are, however, indications that this trade is taking place and would have increased to high proportion, particularly following the launching of COMESA-FTA and the entry into effect of SADC Protocol on Trade in October and January 2000, respectively. Comparable export figures for Lesotho, for example, indicate that exports in the first nine months of 2001 to Swaziland increased from US$35.6 million (in custom value) in 2000 to US$42.7 million in 2001, while the corresponding export figures to Namibia are US$22.1 million and US$33.4 million, respectively.

Against that background of achievements, the adverse impact of transport costs on trade efficiency and competitiveness continued to affect both operators and investors alike. According to recent studies, 12.7 per cent of the total value of imports in Southern Africa relates to transport costs.[4] On the export side, many countries in Southern Africa spend about 20 per cent of their earnings on transportation related expenses. In Malawi, for example, transportation and related expenses amount to 55.5 per cent of the country's total earnings on exports.[5]

[4] UNCTAD, Policies and actions taken by individual countries and by international organizations to improve transit transport systems, UN, New York, 1999.
[5] Ibid.

It is clear, therefore, that reductions in transport costs can significantly improve the region's competitiveness both international and externally, thereby enhancing the success of economic integration.

The adoption of new measures, including laws and regulations, in most of the countries in Southern Africa over the last few years has continued to improve the investment climate in the subregion. Measures range from reduction in tax rates, controlling inflation, and monetary reforms. Reforms were also made in the areas of infrastructure development, privatization of state enterprises and joint management of natural resources. An example of the latter is the first trans-frontier game park in Africa, which combined Gemsbok National Park in Botswana and the Kalahari Gemsbok National Park in South Africa. There are similar initiatives between Mozambique, South Africa and Zimbabwe.

Notwithstanding this progress, there were still a number of factors, which continued to impact negatively on the subregion's trade and investment sectors. These range from high petroleum prices, which impact on transport and raises the production cost of manufacturing firms, to high cost of capital for investment.
As a consequence, the overall response to government policies to attract investment had not been concomitant to the efforts made. This can also be linked to the perception held outside the subregion that investments are not safe in the subregion, citing conflicts going on in Angola and the land issue in Zimbabwe as examples.

IV. MAIN ECONOMIC SECTORS

Agriculture and Food Security

Over the past few years, agriculture has continued to dominate most Southern African economies (Mauritius and South Africa being the major exceptions), in terms of food security and poverty reduction since the majority of the subregion's poor live in rural areas.

In 2001, agricultural performance in Southern Africa, as in previous years, continued to suffer from a combination of several mitigating factors such as high dependence on rain-fed farming and limited use of fertilizers and modern inputs. Average production index on a year-to-year basis remained stagnant in 2000, the last year of which data is available (Table 4).

In 2000, production varied across countries and by commodities. Cereal production, for example, was normal in a number of countries, notwithstanding the damage caused by floods and cyclones in some others. Countries that recorded significant gains in 2000 as compared to the average of the last five years included Zambia, South Africa, Namibia and Malawi. Those that produced less than the average production included Angola, Botswana, Lesotho, Mozambique, Swaziland and Zimbabwe. In Angola, the food situation of some 2.6 million internally displaced persons was precarious, while in Zimbabwe food production was constrained by political instability. For the year 2001, shortages of maize and wheat where reported in Zambia and Zimbabwe. For the subregion as a whole, the output of 22.8 million tons represented 114 per cent increase over the average production of the last five years.

Table 4: Agricultural Production Index, 1988/9 = 100

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000
Angola	109.6	108.5	123.6	121.8	126.8	127.4	146.1	138.6	122.8
Botswana	103.3	103.4	89.8	105.7	105.5	93.9	95.8	98.3	100.3
Lesotho	96.4	107.4	114.7	97.7	111.8	115.9	95.3	99.9	102.6
Malawi	87.1	114.6	89.9	109.1	117.4	111.8	116.5	125.1	108.6
Mauritius	106.0	104.7	98.4	103.1	104.2	110.6	106.8	80.5	101.7
Mozambique	82.4	94.0	91.8	109.6	123.2	130.9	140.6	142.8	112.3
Namibia	104.9	107.6	114.5	110.1	118.3	85.8	96.3	97.6	104.1
South Africa	84.4	94.4	98.9	85.3	100.6	100.5	95.2	100.4	95.4
Swaziland	93.7	90.7	93.3	84.4	94.8	84.2	83.6	81.1	90.0
Zambia	80.1	118.2	99.5	93.5	111.8	95.9	91.2	100.2	98.6
Zimbabwe	74.4	96.0	101.1	82.8	112.4	116.7	111.9	109.0	100.4
AVERAGE	**93.5**	**101.0**	**102.3**	**99.4**	**105.3**	**103.5**	**104.3**	**104.7**	**103.3**

Source: FAO Yearbook, 1999

The consequences of continued agricultural poor performance, especially with regard to food production, is food insecurity. The proportion of the undernourished in total population is an indicator of food insecurity. These proportions for the period 1997 – 1999 in Southern African countries, according to FAO 2001 State of Food Insecurity in the World, were as follows: Angola 51 per cent; Botswana 23 per cent; Lesotho 25 per cent; Malawi 35 per cent; Mauritius 6 per cent; Mozambique 54 per cent; Namibia 33 per cent; Swaziland 12 per cent; Zambia 47 per cent; and Zimbabwe 39 per cent. Serious cases of undernourishment impacts negatively on the health of the population, especially the young and the elderly.

An assessment by FAO in February 2002 showed that nearly four million people in Southern Africa faced severe food shortages[6]. The most affected countries are Malawi, Zambia and Zimbabwe. FAO indicates that in Malawi, the 2001 maize harvest declined by one-third from the previous year due to excessive rains and floods, coupled with reduced and late delivery of inputs. In Zambia, the 2001 harvest of maize was 24 per cent lower than that of the previous year. Here again, excessive rains and floods affected the yield in some areas while in the South, prolonged dry weather negatively affected the yield. With regard to Zimbabwe, the 2001 maize crop yield was 28 per cent lower than

[3] FAO Special Alert No. 320 "Nearly 4 million people in Southern Africa face severe food shortages, 19 February 2002. See also http://www.fao.org/giews

that of the previous year. The decrease was attributed mainly to reduction of 54 per cent of the area planted on large-scale commercial farms as a result of disruption of land acquisition activities. In the communal areas, planting had been affected by payment delays from the Grain Marketing Board (GMB). Elsewhere, there have been areas of food shortages in Southern Mozambique where harvest was reduced for a second consecutive year; middle and lower *veld* provinces of Swaziland which were affected by drought. In Lesotho and Namibia, FAO indicates that food supply situation was tight as a result of poor cereal harvest and shortfall in commercial imports. In Angola, emergency food aid was needed for the over 1.3 million internally displaced people by the civil war.

Because of serious food shortages, traders were reported to have increased the price of major food commodities in Malawi and Zambia. In Malawi, for example, reports indicated that the price of a 50kg bag of maize increased from US$13.00 to US$20.00 early in January 2002 making staple food out of reach of most people. The price in July 2001 for a 50kg bag of maize was US$5.00. In both Zambia and Malawi, traders were not able to deliver food commodities to rural areas. Consequently, in the case of Malawi, the sale of maize was handed over to the state controlled Agriculture and Development Marketing Corporation (ADMARC). Similarly, the GMB in Zimbabwe restored its monopoly in all trade in maize.

The need to increase productivity in agriculture continued as a matter of concern to all member States in the subregion to provide food to all. Michael Abu Sakara Foster and Abel Lufafa argue that if productivity could be increased substantively among those food crops, which many poor people grow, poverty would diminish and Africa can achieve food security.[7] Agricultural intensification is one of the components for addressing food security. They correctly indicate that measures needed to ensure future food security go beyond issues of agricultural intensification alone. Foster and Lufafa put emphasis on agricultural development to encompass much broader objectives for rural development and address the full scope of rural livelihood opportunities.

There has been some success stories on small-scale agriculture that go unnoticed, but would go a long way to improve food security as well as increase income generation. An example here would be the Machobane Farming System (MFS) in Lesotho. The MFS promotes self-sufficiency and income generation. Through MFS, a farmer can harvest from a small plot, up to 6 crops. MFS also encourages diversification of income generating activities including poultry.

Many countries have come to realize the impact of HIV/AIDS on agriculture and food security. In February 2002, the Minister of Agriculture and Irrigation in Malawi observed that farmers and farm workers were dying and that this reduced crop production and resulted in food shortages. He noted that the

[7] Michael Abu Sakara Foster and Abel Lufafa, "Agriculture Intensification: Feeding Ourselves and Sustaining Africa's Land Resources in the New Millennium", paper presented at the ECA Second Meeting of the Committee on Sustainable Development, Addis Ababa, Ethiopia, 26 – 29 November 2001.

greatest loss was felt amongst agricultural field assistants whose numbers had significantly reduced. Crash courses to train more farm assistants have been introduced. Programs on HIV/AIDS education programs among rural areas are reported to have been intensified. In Zambia, the National Farmers Union (NFU), in collaboration with the Food and Agriculture Organization (FAO) and the National AIDS Council, has embarked on a communication strategy targeting small scale farmers in order to bring about behavioral change regarding HIV/AIDS through workshops and dramas.

Industry

Industrial development is the key to effective utilization of the natural resources. The main thrust of the industry sector is to develop industrial capacity, while fully using local natural resources. Current programs of the industry sector in Southern Africa are focused on the preparation of a regional industrial policy and strategies, which would best promote industrial development in the subregion. Some of the main concerns being addressed by the regional industrial policy framework include those related to the effects of trade liberalization on local industries.

In 2000 and 2001, the manufacturing industry in Southern Africa, like in most other African subregions, continued to be dominated by textile and food and beverages processing industries. These sub-sectors are directly and indirectly dependent on agricultural sector. The direct effect of agriculture on industry is through the availability of agricultural raws material for industrial processing, while the indirect effect is the availability of foreign exchange for the import of inputs as well as new investments. With the agricultural sector performance remaining stagnant in most Southern African countries in 2001, the two sub-sectors reflected this stagnation. In Zimbabwe, for instance, the crisis in the agricultural sector constrained significantly the industrial production, which has been on the decline for the last three years or so. In 2001, industrial production dropped by 10 per cent, after a decline of 6 per cent in year 2000.

In addition, high interest rates for borrowers continued to impact negatively on both working and investment capital, thereby increasing production costs of the manufacturing industry. This situation has rendered local manufacturers in some countries unable to compete effectively with respect to the production of goods and services.

In mineral-rich countries, performance of the mining industry is closely related to international fluctuation of mineral prices. In 2001, the mining industry was hurt by the decline in commodity prices of the country’s exports, which constrained imports of raw material, spare parts and new machinery for investment. In 2000, for example, the auctioning of gold at London Bullion Market and the subsequent drop in the gold prices had a negative impact on the gold producing member States such as South Africa and Zimbabwe. In Botswana, for instance, overall industrial production index was estimated to have fallen from 7.3 per cent in 2000 to 3.1per cent in 2001, largely due to low diamond prices. In South Africa, however, overall industrial production of the country stood at 7 per cent in 2001 from 5 per cent recorded in year 2000. This was clear reflection of the advanced and diversified technology in South African industrial sector, including the mining subsector.

Transport and Communications

Efforts continued to be made in developing the transport, communications and meteorology systems of Southern African member States in order to meet the economic, social and political objectives of the sub-regional groupings. Policy, legislative and institutional reforms under the SADC Protocol on Transport, Communications and Meteorology were far advanced in most member States and in most subsectors. Technical work for harmonization of road traffic signs, for example, has been finalized and will be incorporated into the SADC Protocol on Transport as an annex. Member States are now using the harmonized signs in their road rehabilitation projects as well as for new construction.

For the last few years, Southern Africa has continued to face serious problems on the high incidence of heavy goods vehicle overloading in most areas and high levels of road accidents, however. In an effort to redress the situation, the region agreed in 2000 on an “Enabling Legal Reform for Vehicle Overloading Control.” Three pilot projects were designed for testing the effectiveness of private sector operation of weigh-bridges to be carried out in South Africa’s Kwazulu Natal Province, Botswana and Namibia.

The maritime subsector capacity is nearly adequate to meet the current and immediate future needs of the subregion, although a few ports such as Beira and Nacala continued to require maintenance and dredging of the entrance channels. Shipping services to the region are varied, reliable, and generally adequate. It is mainly in regard to maritime safety and protection of the marine environment where the region is still lagging in the maritime subsector.

Restructuring of the port industry is ongoing in nearly all member States. This entailed creating adequate monitoring and regulatory capability to promote and oversee enhanced private sector financing, management and operation of port terminals and facilities as well as provision of port services. The emerging public/private sector partnership in the port industry means that the region's port authorities will, as landlord port authorities, be now responsible for the promotional, monitoring and aspects of regulatory functions.

The railway network in the southern tier of Southern African countries is generally in fairly good condition, while that in Mozambique and the northern tier nations is in an unsatisfactory condition due to deferred maintenance. The governments of these member States are pursuing programs for private sector involvement in the rehabilitation and operations of these railways.

Corridor Management Groups (CMG) for each railway corridor were formed to monitor the performance. The CMG is coordinated by one of the railways in the corridor. This is in an effort to ensure the achievement of the Protocol provisions on the need for railways to provide a seamless and predictable service.

A significant development in the sector has been the introduction of the Corridor Performance Indicators and Statistics by the Corridor Management Groups (CMGs). 36 indices were selected covering the key areas of Business Performance; Operations Efficiency; Safety of Operations; Infrastructure and Equipment; Finance and Accounting; and Human Resource Development.

In 2001, air transport infrastructure serviceability continued to improve, although some further developments are still needed to cope with the current and expected rapid growth of air traffic within the globalization process. Good progress was made in the legislative and institutional reform towards separation of the government overseer and regulatory role from the role of system development and operation. In addition, efforts were made in promoting private sector participation in air transport infrastructure investment, management and operations. Regarding air traffic safety the region is making satisfactory progress toward reducing air traffic accident risk.

Most of the principal airports in the subregion continued to maintain the standard to handle current levels of passenger traffic and new development programs continued at some airports. The air cargo industry was slow to develop due to a combination of factors, including particularly inadequate airport cargo terminals and general failure to liberalize market entry into the air cargo service industry.

Intra-regional air passenger services did not yet respond to market demand, largely due to restricted market entry but also because some “early entries” into the private airline industry have performed poorly or have even failed to commence operations. In terms of aviation policy liberalization initiatives, there was growing support and requirement from private sector airlines that national airlines wishing to participate in liberalized air transport policies should be privatized.

The telecommunications subsector continued to make good progress. Most importantly was the increased relationship between the information and telecommunications industries. The number of Internet Service Providers (ISPs) continued to increase and the use of electronic mail (e-mail) continued to grow at a fast pace as a direct result. Equally important was the number of mobile telephone providers, which was on the increase, as well as the use of cellular phones. It is worth noting that the private sector was actively involved in the provision of basic telephone services and most member States were privatizing, partially or wholly, some telecommunications entities.

Though data is hard to come by, the impact of the reform efforts in the telecommunications sub-sector can best be seen by comparison of the 1995 and 2000 performance results. Teledensity, for example, has been on the increase between 1995 and 2000 with some countries like Botswana tripling their density, Mauritius doubling and South Africa increasing by 50 per cent. However, during same period, the number of public telephone per 1,000 inhabitants has not shown a significant increase for most of the countries except Namibia, which has increased by a factor of 4 and South Africa and Mauritius by 3 each.

In addition, between 1995 and 2000, significant progress on the number of Mobile subscribers as a percentage of telephone subscribers has been made in the following countries: Malawi from 1.11 to 52.1 per cent; Namibia from 4.5 to 44 per cent; South Africa from 9 to 62.6 per cent; and Angola from 3.8 to 27 per cent

Only Zambia and Zimbabwe increased the ratio of TVs per 100 inhabitants, from 3.9 and 2.9 to 13.4 and 18 per cent, respectively. The progress in the others countries are less than 2 per cent and the rate in Angola has decreased from 5.1 in 1995 to 1.9 in 2000.

South Africa continued to lead the number of internet users per 10,000 inhabitants with 549.38 users followed by Mauritius (728.91). Other countries including Mozambique (15.24), Malawi (14.51) and Lesotho (4.74) are yet to achieve significant proportion of internet users per 10,000 inhabitants.

The Regional Postal network and systems were generally adequate in terms of coverage in rural and urban areas in the majority of member States. However, the unit costs remain high and service delivery standards low throughout the subregion. The postal services continued to face intense competition and the financial viability of the industry, never particularly good, continued to be in jeopardy of worsening, due to competition from other parallel services such as e-mail, internet, etc.

V. SOCIAL SECTOR

Health and HIV/AIDS

Health is one of the priority areas in the NEPAD. African leaders in NEPAD have indicated that they will take joint responsibility for health services, with high priority given to tackling HIV/AIDS, Malaria and other communicable diseases. Infant mortality, life expectancy at birth and the incidence of HIV/AIDS are among the indicators of health.

While complete statistical data are yet to be available for 2001, the 2000 World Population Prospects, the last year for which complete data are available, shows high infant mortality level for Africa at 91 per 1000 births during 1995-2000. The comparable figures for other major world regions are: Asia 59, Europe 10, Latin America and the Caribbean 36, North America 7, and Oceania 26. Thus Africa's infant mortality rate is thirteen times that of North America, and nine times that of Europe. Infant mortality for Southern Africa, from the same source, is 63 per 1000 compared to 103 for Eastern African, 98 for Central Africa, 58 for North Africa and 96 for Western Africa. The corresponding life expectancy at birth for the subregions for 1995-2000 are as follows: Southern Africa 58, Eastern Africa 47, Central Africa 50, North Africa 66, and Western Africa 51. For Africa as a whole, life expectancy is about 52. The corresponding figures for life expectancy for other major areas of the world are: Asia 67, Europe 77, Latin America and the Caribbean 73, North America 77 and Oceania 76. These figures show that life expectancy in Southern Africa is 19 years lower than that in Europe and North Africa.

Infectious and parasitic diseases, malnutrition, HIV/AIDS and poverty all contribute to high mortality and morbidity in African countries. Recent research by Professor Ganapati Bhat at the University Teaching Hospital in Lusaka, Zambia, links high child mortality rates (between 20 – 25 percent) to serious malnutrition due to poverty.[8] Professor Geoffrey Sachs, an economist at Harvard University, while addressing the SADC extraordinary Summit on 14 January 2002 in Blantyre, Malawi, deplored the fact that 25,000 people die every day in Africa due to curable and preventable diseases. The overall impact of high mortality and morbidity is reduced life expectancy at birth and a population that is less productive. The 2000 SADC Regional Human Development Report indicates that the introduction of cost sharing as part of the adjustment efforts has reduced access to public health provision for most of the poor in SADC. Moreover, shortages of drugs, poor management of public health systems, crowding in hospitals, clinics and dispensaries, all contribute to the ineffectiveness of the health systems.

HIV/AIDS continued to be a major development problem to Africa in general and to Southern Africa in particular. According to UNAIDS, some 28.1 million people in Africa have been infected by HIV and that 13 million children have been orphaned because of deaths from AIDS. UNAIDS and WHO data reveal that there were 3.4 million new HIV infections in Africa in 2001, representing about 70 per cent of the global total for the year. In the same year, some 2.3 million Africans were estimated to have died due to AIDS.

[8] The Post, 18 January 2002.

Southern Africa is reported to be the subregion most seriously affected by HIV/AIDS in Africa. Some of the current estimates of the prevalence rates of HIV infections in the subregion are as follows: Botswana: 36 per cent; Zimbabwe: 25 per cent; Swaziland: 22 per cent; South Africa and Zambia: 20 per cent each; and Mozambique: 16 per cent. The impact of HIV/AIDS on the health system is seen from the number of beds occupied by those affected by the pandemic. In Swaziland, for example, it is reported that more than half of the beds in some health centres are occupied by those suffering from HIV/AIDS. Another major impact of HIV/AIDS is the number of children orphaned due to this disease. In Zambia for example, some 520,000 children are estimated to have been orphaned due to AIDS. This number is projected to increase to 895,000 by 2009. In Zimbabwe, there are about 600,000 AIDS orphans.

Mother-to-Child transmission of HIV/AIDS was a major concern. Data at the Queen Elizabeth Central Hospital, the largest referral hospital in Malawi, show that 30 per cent of the women who go for ante-natal services are HIV positive. The Western Cape provincial government in South Africa is working on a program to prevent mother-to-child transmission of HIV, and hopes to achieve a 99 per cent coverage in 2002, and a target of total elimination by 2004. This is a mammoth task. The program involves single doses of an anti-retroviral to an infected mother and child at birth.

Some of the recent developments on the HIV/AIDS in Africa include the adoption by African Heads of State and Government in April 2001, of the Abuja Declaration on HIV/AIDS. In that Declaration, member States declared HIV/AIDS as a state of emergency in the continent and they resolved to place the fight against HIV/AIDS at the forefront and as the highest priority issue in national development plans. The leaders pledged to set a target of allocating at least 15 per cent of their countries' annual budgets to the improvement of the health sector. They also pledged to make available the necessary resources for the improvement of the comprehensive multi-sectrol response.

A major development, globally, was the convening of a special session on HIV/AIDS by the United Nations General Assembly in June 2001. The outcome was the globally agreed goals on HIV/AIDS. The convening of the 12th International Conference on AIDS and STDs in Africa (ICASA) in Burkina Faso, from 9 – 13 December 2001 was another contribution to the fight against HIV/AIDS. That conference underscored the need to involve communities in all HIV/AIDS interventions.

Nearly all countries in Southern Africa are involved in some programs, strategies and institutional frameworks to respond to health and HIV/AIDS problems. These include: (a) the SADC Health Policy Framework and Priority Program approved in September 1998, whose priorities include HIV/AIDS, communicable diseases, especially TB and Malaria; (b) the SADC Health Protocol, signed by the Heads of State Summit in Maputo in 1999; and (c) the

SADC HIV/AIDS Strategic Framework and Program of Action, 2000 – 2004. The case of Ford South Africa which received the 2001 Award for Corporate Excellence for innovative HIV/AIDS program is worth noting. The program, established in 1999, has an extensive education program, voluntary on-site testing and counseling, upgraded treatment and insurance coverage and sponsorship of community outreach programs. The program is reported to have had a dramatic impact on the employees and community. In Lesotho, the UNDP, in collaboration with the media, is supporting national efforts to influence change in behavior among the people in the fight against HIV/AIDS.

Limited financial resources, weak institutional mechanisms and human resource constraints hinder effective implementation of programs in most of the countries. Consequently, partnership between African countries and developed countries need to be strengthened to help reverse deteriorating health situations and to combat HIV/AIDS on the continent.

Education

Member States continued to make efforts to improve the quality and expansion of education at all levels. Lesotho, for instance, introduced free primary education in 2000. This increased enrolment to 118,843 pupils in grade 1 compared to 67,777 pupils in 1999. Since 2000, 69 new schools have been built and additional 351 classrooms have been erected in existing schools. The government and the international community have qualified the increase in numbers of pupils as a big success. However, maintenance of education standards and infrastructure as well as payment of reasonable salaries to education personnel has been hampered by limited budgetary allocation. Consequently, intellectuals often leave the country for better employment opportunities abroad.

Problems of crowding in schools have been reported in a number of countries. In Namibia, for example, most schools experienced problems of increased numbers requiring admission at primary and secondary levels during the 2002 school year. The problem was most serious at schools in the coast and in the capital, Windhoek. This resulted in overstretching the maximum numbers of 35 pupils per class to 40 and over, in order to accommodate more children. However, large classes affect the quality of education. Similar problems were reported in South Africa at the beginning of the 2002 school year.

In order to increase access to education, the new Government of the Republic of Zambia intends to introduce free primary education up to grade 7. In the Copperbelt province of Zambia, a campaign is underway to sensitize parents and traditional rulers on the importance of girl education, particularly in rural areas. Many girls are reported to drop out of schools because of some negative traditional tendencies disadvantaging them, e.g. early marriages.

Considerable efforts were made to improve the quality of education throughout the subregion 2001. In South Africa, for example, a matrix pass rate of 61.7 per cent was achieved in 2001 compared to 57.9 per cent in 2000, 48.9 per cent in 1999 and 49.3 in 1998. Thus the 2001 pass rate was a significant improvement. The improvement was reported to be throughout the education system, particularly among township and rural schools that were historically neglected and apparently condemned to under performance.

In Namibia, the Ministry of Education has indicated that the 2001 results in grade 10 were the best since the introduction Cambridge education system in the country in 1993. However, less than half of those who wrote the examination achieved the required marks to gain admission to grade 11 in 2002.

In Malawi, the 2001 Primary School Leaving Certificate results pass rate at 71.8 per cent was lower than the of 2000 at 78.4 per cent. The pass rates in 2001 regarding the Malawi Junior Certificate of Education results at 51.2 per cent and Malawi School Certificate of Education results at 18 per cent were lower than the pass rates in 2000 by 14.5 per cent and 1.6 per cent, respectively.

One of the major challenges facing education system in southern Africa was the fact that information and communication technology (ICT) is not yet adequately covered in most curricula. With the growing importance of ICT in development, member States should ensure that ICT is adequately reflected in school curricula, from the primary to higher levels.

Employment

Increased employment is one of the strategies toward the attainment of economic growth and sustainable development and hence poverty reduction. It should be recalled here that one of the International Development Goals (IDGs) is to reduce the proportion of people living in extreme poverty by half by the year 2015. Thus employment expansion should be central to poverty reduction programs, which most countries are currently involved in.

Some indication of poverty levels in selected Southern African countries are: Lesotho: 80 per cent; Malawi: about 67 per cent; Mozambique: about 70 per cent; Namibia: 38 per cent; Swaziland: 65.5 per cent; Zambia: about 80 per cent and Zimbabwe over 60 per cent. Complete data on employment levels is not readily available for some countries as shown in Table 4. Moreover, data is not very reliable. Where data exists, it has shown that most countries have experienced marginal increase in employment levels with a lot of fluctuations between years. For the period 1994-1998,Zambia has shown a continuous decline in the levels of employment.

The 2000 SADC Regional Human Development Report observed a generally slow growth in the formal sector wage employment, meaning that a large proportion of the new labor entrants would have to be absorbed in agriculture or informal sector. The informal sector has a tendency to disguise the magnitude of the unemployment levels.

Table 4: Data on Number of those in Employment

COUNTRY	1994	1995	1996	1997	1998	1999	2000
Angola							
Botswana	230,614	233,457	234,116	226,001	391,400	441,187	
Lesotho							
Malawi							
Mauritius	454,800	460,500	466,000	475,200	487,200	495,800	499,800
Mozambique							
Namibia	350,280			356,849			
South Africa	7,971,000	8,063,000	7,590,000	7,548,000	9,390,000	10,369,000	11,712,000
Swaziland	109,624	110,930	111,643	112,744			
Zambia	496,000	485,000	479,400	475,161	467,193	477,508	
Zimbabwe	1,263,300	1,239,600	1,273,700	1,323,700			

Sources: SADC Employment and Labor Sector, ILO and Country sources.

Statistics on unemployment levels also remain scanty and unreliable. There is need to improve data collection and analysis through regular labor force surveys and establishing labor market information system. Available data on unemployment in some countries give the following situation: Botswana – 1999: 20.8 per cent; Lesotho – 1998: 30 – 35 per cent; Mauritius – 1998: 5.9 per cent, 1999: 6.7 per cent, 2000: 8 per cent; Namibia – 1997: 35 per cent; South Africa – 1998: 25.2 per cent, 1999: 23.3, 2000: 25.8 per cent, 2001: 26.4 per cent; Zimbabwe – 1998: over 30 per cent, although currently some estimates indicate unemployment rate of over 50 per cent given the prevailing economic and social situation in the country.

Efforts by member States to address expansion of employment and to reduce unemployment are yet to yield the expected results. This has been compounded by weak economic growth rates, which are much lower than the 7 per cent target for the next 15 years set in NEPAD to generate employment and reduce poverty. Demographic factors of youthful population without adequate preparation for employment further contributed to difficulties of high unemployment levels. Most youths, women and other unemployed continued to face limited and dwindling employment opportunities in the labor market. Programs to improve conditions of informal sector employment continued to lack strong partnership support.

VI. GENDER AND DEVELOPMENT

The UN Fourth Conference on Women in Beijing in 1995, provided the world with a better understanding of the need for women to become equal participants in development and a better appreciation of gender equity and gender equality. This is not just a matter of rights, but of good economic sense and democracy.

In 2001, Southern African governments continued to ensure the mainstreaming of gender in their countries' development programs. The continued implementation of National Action Plans demonstrated, once again, governments commitments towards this endeavor. These Plans indicate that the majority of governments in the subregion placed poverty reduction and the economic empowerment of women among their top priorities for action. In terms of impact, the most pervasive is the increased awareness of gender equity issues, especially the notion of gender mainstreaming in all policies and development programs.

In addition, Southern African countries continued to ensure that regional and international commitments on gender, particularly the SADC Gender Declaration and its Addendum on the Prevention of Violence Against Women and Children; the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) as well as the Beijing Platform for Action, were translated into national policies, laws and legislation.

In the area of policies and institutional mechanisms, for example, many countries including Botswana, Lesotho, Mauritius and Mozambique, have established or strengthen national machineries for the promotion of gender equality. Furthermore, most countries have adopted the principle of gender mainstreaming for all public policies and programs. Nearly all countries have adopted affirmative action laws to facilitate women's entry into decision-making bodies, including parliament.

In 2001, although statistics are yet to be obtained on gender disaggregated data, several countries launched programs and projects designed to contribute to the reduction of poverty and to the economic empowerment of women. These activities included: programs to provide credit to women, job creation activities, participation of women entrepreneurs in trade fairs and study tours; capacity building for women entrepreneurs and campaigns against poverty, improvements in education, health, the environment, and political empowerment.

In Zambia, for example, the Government mobilized resources amounting to K236 million for the development of the Implementation Plan for the National Gender Policy in 2001. In addition, the Government embarked on an extensive program to simplify and translate the Gender policy into seven local languages namely: Nyanja, Bemba, Kaonde, Lunda, Luvale, Lozi, and Tonga. This was aimed at popularizing the policy.

Despite these concerted efforts to bring about gender equity and gender equality, much still remains to be done. Most importantly: (a) policies, plans and laws are yet to be translated into concrete actions to benefit women; and (b) the lack of legally binding instruments to enforce the implementation of the affirmative actions. In addition, a notable gap also exists in the area of monitoring and the development of indicators for measuring progress towards the advancement of women.

VII. PROSPECTS FOR 2002

Growth prospects for the subregion in 2002 present mixed signals and average GDP growth rate for the subregion seems unlikely to change for the better in 2002 as compared to 2001.

On the positive side, performance of the subregion's largest economy, South Africa, is promising, despite concerns over the continued depreciation of its currency, the rand. GDP growth is expected to average 3.5 per cent in 2002. Rebound in investment and increased exports as firms exploit the free trade area with the European Union and the US Africa Growth and Opportunity Act (AGOA) are the major factors to underpin this growth. In addition, expected higher expansion in other strong economies such as Mozambique, Mauritius and Botswana, and the hope for reduction in violence in Angola, with the resources being directed towards productive activities, are some other factors which would help to push significantly the subregional growth rate in 2002.

On the negative side, adverse weather conditions registered at the beginning of the year in some parts of the subregion, coupled with the already anticipated lower performance in some economies such as Zambia and Zimbabwe, are likely to offset growth performance.

Economic growth in Zimbabwe, for example, is poised to be lower in 2002, due to the reduced international financial support to government reform programs. The planned government land reform issue is a major concern that would change drastically the pattern of external trade, as the bulk of export production (tobacco, soybeans, horticulture and beef) is produced on commercial farms, for which capital investments have dwindled due to the current political situation.

The Konkola Copper Mines controversy in Zambia is another major downside risk that also dents the economic outlook in the subregion for the year. Thus, Anglo-American's pulling out from its Zambian copper investment in the

Konkola Copper Mines and its subsidiary operations is likely to have negative consequences on the country's economy for the year 2002.

On the social front, socio-economic development cannot take place without stable political and civil conditions and institutions that would secure private property rights, ensure personal liberty, enforce law, and provide responsive, transparent and accountable governments. Overall growth prospects of the subregion will, therefore, depend largely upon government efforts to ensure broad participation of both civil society and the private sector in economic decision-making.