1997/98 SADC ANNUAL REPORT

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
SADC
TOWARDS A COMMON FUTURE

1997/98 SADC ANNUAL REPORT

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Foreword

Executive Secretary, Dr. Kaire Mbuende in August 1998.

The SADC Secretariat has prepared this Annual Report with inputs from Member States and other relevant national institutions. It covers the period from July 1997 to June 1998. The Report gives an overview of major economic, political and social developments in the region during the year under review. This is done in the context of developments in the world economy and the process of globalisation and its implications for the regional economy and prospects for integration. In addition, the Report also gives a brief account of the regional food situation and an assessment of the implementation of the SADC Programme of Action in the various Sectors.

The Report points out that the process of globalisation continues to be one of the most important features of the world economy today, resulting in increased trade and high mobility of factors of production. The challenges facing the region are reflected in the low trade volumes between the SADC region and the rest of the world, as well as in the meagre new capital inflows into the region. The recent shocks in the external financial and money markets have also had negative effects on the exchange rate movements and Balance of Payments positions of Member States.

Notwithstanding the foregoing, it is gratifying to note that SADC Member States are implemrnting appropriate policy measures to address both the adverse effects of, and exploit the opportunities presented by, globalisation. For instance, economic reforms are being put in place in almost all the Member States, with trade liberalisation constituting a major component of such reforms. Member States are also vigorously instituting mechanisms for creating a conducive environment to make the region an attractive destination for both domestic and international investment.

At the regional level, SADC Member States have continued to respond collectively to the challenges of globalisation through the development and implementation of common legal and policy frameworks in the form of Protocols. Furthermore, institutional reforms have also been undertaken in the context of the review and rationalisation of the SADC Programme of Action (SPA). The ultimate objective is to make the SPA sustainable, relevant and responsive to the changing social, economic and political environment in the region and globally.

It is hoped that this Report will not only give an update on the economic, political and social developments over the past year, but will also enhance the appreciation of issues of common concern in the region, as well as provide valuable information to stakeholders and other interested parties.

KMbuende

Kaire M. Mbuende (Dr)
Executive Secretary

Executive Summary

SADC Heads of State and Government, First Ladies, the Executive Secretary and his spouse join former president, Sir Ketumile Masire for a group photograph during a ceremony marking his retirement from Botswana's presidency. The farewell dinner was held in his honour on 18 March 1998 in Gaborone, Botswana.

This Report gives a review of the major economic, political and social developments in the SADC region during the period July 1997 and June 1998. This is done in the context of developments in the world economy and, in particular the process of globalisation, and its implications for the regional economy as well as integration prospects. The Report also gives a brief account of the political and economic situation, including the regional food situation. An assessment of the implementation of the SADC Programme of Action in the various Sectors is also reflected, including a section on cross-sectoral issues. The conclusion summarises the trends in the region, and offers some reflections on the future prospects for the region.

THE WORLD ECONOMY

World output grew by 4.1 percent in 1997, continuing the moderate expansion in the world economy that commenced three years earlier. Although this trend is expected to continue, the growth of the world economy slowed down in the second half of 1997 despite increased growth in industrialised countries of 3 percent.

Economic growth in developing countries slowed down in 1997 to 5.9 percent from 6.4 percent in 1996. The SADC region also experienced a slowdown in economic growth, registering an average of 2.2 percent growth down from 4.1 percent in 1996. The adverse effects of the Asian financial crisis on output and the El Nino effects on Africa contributed to the economic decline. Despite the slowdown in economic growth in developing countries, the volume of their exports and imports increased substantially from 7.5 percent and 7.3 percent in 1996 to 9.6 percent and 9.1 percent, respectively.

The last quarter of 1997 was characterised by profound volatility in the world financial markets especially the rapidly growing economies of South-East Asia where there was general rapid exchange rate depreciation coupled with turmoil emanating from the Japanese banking crisis.

Special provisions on non-reciprocal market access for least developed countries have been agreed to under the WTO and seven SADC countries are expected to benefit. However, the negotiation of the Successor Agreement to the Lome Convention is likely to have a profound impact on the growth of world trade as it aims to address non-reciprocal trade preferences currently enjoyed by the African, Caribbean and Pacific (ACP) States. SADC is aware that in time these preferences will disappear and there is, therefore, need to restructure industry and diversify output, increase productivity and enhance competitiveness to be an effective player in the fast liberalising global market.

It is in the context of preparing regional economies for effective participation in global trade that SADC Member States agreed to the creation of a free trade area in the region. The creation of a single large regional market will generate opportunities for private business to improve productivity and enhance competitiveness of their output. The regional market therefore, acts as a launch pad for penetrating the international markets by the individual countries.

THE REGIONAL SITUATION

POLITICAL SITUATION

Over the past year, the region continued to enjoy an overall atmosphere of relative peace and political stability and witnessed the consolidation of a democratic culture, good governance, the rule of law and respect for human rights. This is reflected in a number of positive developments, such as the holding of the first municipal elections in Mozambique in June

1998, the holding of general elections in Lesotho in May 1998, the change of leadership in Botswana and the holding of elections in Swaziland in October 1998. In South Africa, President Nelson Mandela, retired as President of the ruling African National Congress Party on 31st March, 1998. These smooth transfers of power reflect a step forward in the maturation of democracy in the region.

Notwithstanding these positive developments, the situation in Angola and the DRC is a source of great concern to the region. The military situation in Angola has been deteriorating since March 1998, due to UNITA's non compliance with the provisions set forth in the Lusaka Protocol. These include UNITA's refusal to extend government administration throughout the country, and its failure to decommission its forces.

In the DRC, measures to consolidate peace and stability were marred by the 2 August 1998 uprising, led by rebel forces fighting to overthrow the government of President Laurent Kabila. Although some SADC Member States have provided troops and other military assistance to the DRC Government, initiatives are under way to find a diplomatic solution to the conflict. A Summit of SADC Heads of State or Government was held in Pretoria on August 23 1998, which called for an immediate ceasefire, and troop standstill. It is hoped that these complementary initiatives will assist in the restoration of peace, security and stability in the DRC.

ECONOMIC SITUATION

SADC Member States have continued to implement sound economic reform programmes, which are achieving varying degrees of success, and are likely to result in long-term sustainable development of the region's economies.

The economic performance of the SADC economies has improved quite significantly. In 1997, the average growth rate of all SADC economies was estimated at 2.2. However, since this growth rate will not be enough to make a dent in poverty, SADC's objective is to reach a higher sustainable growth rate by the turn of the century. It is for this reason that SADC countries have embarked on implementing reforms aimed at improving the overall economic situation of the region.

Results from implementing tighter monetary and fiscal policies in the SADC region have borne fruit, as reflected in the 1997 annual inflation rates and government budget deficits, as percentages of GDP. In 1997, only one country, (Angola) recorded an annual inflation rate above 25 percent.

The declining levels of SADC government deficit which accompany the falling inflation rates, bear testimony to this commitment. In 1997, six SADC economies reflected government surpluses, with Botswana and Mauritius recording government surpluses of 8 percent and 4.5 percent respectively. Lesotho, Swaziland, Tanzania and Zambia also recorded government surpluses, while Malawi, Mozambique, Namibia, South Africa and Zimbabwe reflected government deficits.

SADC countries continue to experience the constraints in the balance of payments. Only five SADC economies (Lesotho, Namibia, South Africa, Swaziland and Zimbabwe), had current account surpluses in 1997. While most SADC economies are experiencing current account deficits, on average, foreign exchange reserves continued to strengthen for most SADC Member States. The improved macro-economic management, in conjunction with the opening up of markets, has created new opportunities for traders and investors. SADC has a population of 190 million people and a combined GDP of more than US$160 Billion. Intra-SADC Trade, as a percentage of total SADC trade, is estimated above 20%; quite a high figure for any regional grouping.

SOCIAL DEVELOPMENT

The range of indices for SADC reflects diversity in the level of social development. According to the UNDP, Mozambique's HDI is as low as 0.281, while Mauritius is high at 0.831. Seven SADC Member States fall in the category of low human development, but only four rank lower than the average for Sub Saharan Africa. However, comparing the HDI in 1994 with 1990, each one of the SADC countries has shown improvement.

The report focuses on the two social indicators of education and HIV/AIDS, because the development of human resources is important in creating the right environment for growth. Moreover, HIV/AIDS is one of the greatest social problems facing Africa, with Southern Africa being the worst hit by the epidemic. In 1997, it was estimated that one in ten adults in Southern Africa were living with HIV, reflecting an increase of one third in a 12-month period. Available data indicate that the percentage of infected adults in SADC countries ranges from 2% to 25%.

THE FOOD SITUATION

Overall, the 1997/98 crop season has been characterised by the prevalence of erratic and below normal rainfall in the southern countries as well as excessive rains and flooding in Tanzania; both factors have led to reduced crop yields. Reduced maize harvests compared to last year are forecast in all countries except in Malawi, Mozambique, Angola, Swaziland and Tanzania.

The production forecasts indicate an overall SADC maize harvest of 16.10 million tonnes, equivalent to almost 6 per cent decline compared to last years revised maize output of 17.05 million tonnes and also compares unfavourably with the 1995/96 output of 20.34 million tonnes.

Production of the 1998 winter wheat crop is projected to fall by 20 per cent to 2.20 million tonnes compared to 1997 output of 2.77 million tonnes. The production is expected to fall in South Africa (30%), Zimbabwe (17%) and Lesotho (70%) due to shortage of water for irrigation. However, increased production is expected in Tanzania, Zambia and Malawi.

Rice is the only crop for which regional production is expected to increase over last year. The forecast indicate a 44 per cent increase to 770,000 tonnes compared to 534,000 tonnes last season. Production went up in Mozambique (62%), Tanzania(47%) and Malawi (5%) while the harvest in Zambia is down by 68 per cent. However, the overall situation indicate a shortfall of 107,000 tonnes of rice for the region.

The output of sorghum and millet has also dropped to 1.92 million tonnes from 2.03 million tonnes in 1996/97. Production increases are only expected in Angola (43%), Malawi (9%), Mozambique (17%) and Tanzania (4%). Overall, the assessment indicates a shortfall of 2.42 million tonnes for sorghum and millet.

Total cereal production stands at 25.71 million tonnes which is insufficient to meet total requirements of 26.22 million tonnes leaving an overall cereal deficit of 510 000 tonnes. Large deficits in wheat, sorghum and millet account for the overall regional deficit.

The region has put in place a mechanism for generating and exchanging information relating to all aspects of food security. This is done through the Regional Information System for Food Security Programme (RIS).

THE SADC PROGRAMME OF ACTION

The SADC Programme of Action is an amalgam of the various sectoral programmes in the agreed areas of co-operation. Except for the two newest members of SADC, namely, the Democratic Republic of Congo and Seychelles, each Member State co-ordinates at least one Sector, using its own resources. This ensures that Member States play an active role in the day-to-day co-ordination and management of the SPA. It also gives Member States a sense of ownership over the SADC Programme of Action.

An analysis of the SPA as at July 1998 shows that, there were 404 projects valued at US$ 8.05 billion as compared to 407 projects and US$ 8.09 billion recorded in the previous year. The whole regional programme continues to be dominated by the Transport and Communications Sector which has 174 projects (43.07%) at an estimated cost of USD$ 6.47 billion, or 80.39 per cent of the total programme.

CROSS-SECTORAL ISSUES

Gender

At the regional level, 1997 marked the turning point in the recognition of the importance of gender as a key development issue, and gender equality as essential for the attainment of democracy and human rights in SADC. At their meeting held in Windhoek in February 1997, the SADC Council of Ministers approved the establishment of a policy framework for mainstreaming gender in all SADC activities, and for strengthening the efforts by Member States countries to achieve gender equality. In September 1997, SADC Heads of State or Government signed a Declaration on Gender and Development, in which they commit themselves and their respective countries to take steps towards the achievement of gender equality.

Furthermore, a Gender Unit has been

Officials of the Botswana delegation taking time off for a cup of tea during the Mauritius Council of Ministers meeting in September 1998.

set up at the Secretariat to play an advisory, co-ordinating and monitoring role in gender issues.

Statistics

Experience has shown that sound polices are as a result of good information systems. Regional initiatives include capacity building and the development of both national and regional statistical systems to enable them to meet the challenges brought about by the integration process. SADC has made very little progress on the development of statistics and it is important that the momentum gained so far is not lost. Progress has been observed in the area of national accounts and macroeconomic statistics, which has been attained through the implementation of the United Nations System of National Accounts Manual. More work will be undertaken towards the harmonisation of other official statistics.

MANAGEMENT INFORMATION SYSTEM

Management Information System (MIS) and Information Technology (IT) comprises a number of aspects of information management and communication, where the ultimate objective is to efficiently gather, store, distribute and use information. Vital requirements include the establishment of databases, electronic mail links (E-mail), Internet access providers, computer networks etc.

Drug Control

The drug control situation in the SADC region continues to be of serious concern. The alarming trends regarding production, trafficking and abuse of illicit drugs in 1996 prompted SADC Member States to develop the SADC Protocol on Combating Illicit Drug Trafficking in the SADC Region.

THE WAY FORWARD

SADC is presented with a number of challenges and opportunities, one of the most important of which is globalisation. The task is two fold: to create an investor friendly economic environment, but also to implement social policies to counter the adverse effects on the vulnerable sections of the population. SADC Member States must implement a carefully managed and monitored liberalisation strategy ensuring that globalisation, in the name of economic efficiency, does not result in the political destabilisation of the region.

The World Economy

The Broad Picture of the World Economy In 1997

World output grew by 4.1 percent in 1997 as the moderate expansion in the world economy that commenced three years earlier continued. Current estimates indicate that the expansion of the world economy is expected to continue in 1998, albeit at a reduced rate of 3.5 percent.

World trade increased by 8.9 percent in 1997 compared to 5.9 percent in 1996. Export volumes from advanced economies increased by 9.3 percent while those from developing countries went up by 9.6 percent. Commodity prices fluctuated sharply and some mineral and agricultural commodity prices were put under severe pressure, while the price of some agricultural products such as cocoa, coffee and tea improved slightly. In a parallel development, the gold price fell to its lowest in eighteen years, while copper prices declined as global demand subsided.

Consumer inflation in advanced economies continued to decline, falling to 2.2 percent from 2.4 percent in 1996, while in developing economies inflation rates fell to 9 percent from 13.3 percent in 1996. In consonance with this general trend, SADC countries are also experiencing declining rates of inflation with nine Member States recording inflation rates of below 10 percent.

Economic Growth in Industrialised Countries

Industrialised countries recorded 3 percent economic growth in 1997, up from 2.7 percent in 1996. This was largely due to significant growth in the US and the European Union (EU) economies, which achieved 3.8 and 2.6 percent growth rates, respectively. In spite of the favourable growth rates achieved, the level of unemployment continued to rise in most countries, including the UK, France and Germany. The Japanese economy grew by barely one percent, mainly as a result of the crisis in the banking system, which impacted negatively on the economic performance of many industries

The consumer price index in the advanced economies declined further from 2.4 percent in 1996 to 2.2 percent in 1997. Industrialised countries' exports increased substantially from 5.6 percent in 1996 to 9.3 percent in 1997, while imports increased from 5.5 percent in 1996 to 8.6 percent in 1997.

Economic Growth in Developing Countries

Developing countries experienced a slow-down in economic growth in 1997 to 5.9 percent from 6.4 percent in 1996. This decline mainly reflects low growth in Asia and Africa, where growth rates declined from 8.1 percent in 1996 to 6.8 percent in 1997 and from 5 percent in 1996 to 3.7 percent in 1997, respectively. Only the Latin American and the Caribbean countries recorded increased growth in 1997 of 5.2 percent, up from 3.5 percent in1996.

In Africa, the SADC region experienced a lower average economic growth rate of 2.2 percent, down from 4.1 percent in 1996. The adverse effects of the Asian financial crisis on output and the El Nino affected countries such as Tanzania, Malawi and Mozambique, where floods destroyed crops and infrastructure, while Namibia, Botswana and Zimbabwe experienced droughts that resulted in reduced agricultural production.

Despite the slowdown in economic growth, developing countries' export and import volumes increased substantially from 7.5 percent and 7.3 percent in 1996 to 9.6 percent and 9.1 percent, respectively. It would appear, however, that the increase in trade mainly emanated from the Latin American and the Caribbean regions.

Africa's exports on the other hand decreased to 6.7 percent down from 8.9 percent recorded in 1996. However, Africa's imports increased from 5.1 percent in 1996 to 7.4 percent in 1997. Africa's export performance suffered mainly from lower agricultural production emanating from the mixed effects of the El Nino, which caused floods and droughts in many parts of Africa, leading to increased imports of basic foodstuffs. Low world prices for minerals, especially for gold and copper, and for such important cash crops as cotton, contributed to the overall decline in Africa's exports. As to be expected, this had a serious impact on the export earnings of many

SADC Member States, which are dependent on the export of raw materials.

The low prices of gold, which declined to its lowest level in eighteen years, copper and agricultural raw materials had a serious impact on the Southern African region's export earnings and particularly on the balance of payments position. The low level of export earnings put pressure on the exchange rates of the region and more so for those countries that export large volumes of gold and copper.

Inflation in developing countries declined from 13.3 percent in 1996 to 9 percent in 1997. Over the same period, Asia's inflation declined from 6.8 percent to 4.1 percent, in Latin America and the Caribbean, it fell from 20.7 percent to 13.7 percent and in Africa it fell from 24.4 percent to 17.6 percent. Following the same trend, ten SADC Member States recorded inflation rates of below 10 percent, while three had rates below 25 percent.

President Robert Mugabe of Zimbabwe paid a brief visit to the SADC Secretariat in November 1997 in Gaborone. He is seen here, with former Deputy Executive Secretary Lengolo Monyake, exchanging niceties with the Secretariat staff.

Opportunities and Challenges of Globalisation

The growing interdependence of the world economy has created both opportunities and challenges for the developing countries and, indeed, for SADC. Globalisation results from the internationalisation of production and enhanced movement of capital and labour across borders. Equally, the rapid advancement in information and communications technology is a major tool for globalisation, providing for increased global capital flows and trade in goods and services. The economies are becoming more liberalised and competition for investment more intense, implying that capital moves to where it generates the highest returns.

Globalisation and its attendant economic liberalisation thrust create fundamental problems for economies which cannot cushion themselves from external shocks affecting the balance of payments. Large and reversible short-term portfolio investment flows have left many emerging markets exposed to exchange rate fluctuations. Economic and financial crises within and across regions are likely to become a common feature of the global economy, with investors perceptions playing a crucial role. Volatile swings of capital flows need to be cushioned by policies geared towards sustained increases in domestic production and exports which can induce inflows of long-term investment capital.

The impact of the most recent financial crises of South-East Asia was felt in both developed and developing countries. During the last quarter of 1997, world financial markets experienced profound volatility, especially in the rapidly growing economies of South-East Asia. The resulting widespread, rapid currency depreciations, coupled with rapidly falling asset prices, were further intensified by the turmoil emanating from the Japanese banking crisis. Initially, the effects were confined to South-East Asia, but later spread to the world's biggest stock exchange markets, including the Johannesburg Stock Exchange in South Africa. International "bail outs" channelled to South East Asia were engineered to assist in resolving the crisis, but problems still persist.

Russia's financial crisis has equally serious repercussions on international financial markets as the country fails to service its debt obligations. It is likely to affect social and political stability in Eastern Europe as much as it caused social unrest in Asia. The crises in both, South-East Asia and Russia, represent a major challenge to globalisation.

The Impact of Globalisation on SADC

The improvement in information and communications technology, together with the liberal market based economic policies pursued in virtually all SADC countries have led to productivity increases, resulting in cheaper goods and services for consumers. Competitive financial markets are benefiting from large inflows of investment capital, which are channelled into manufacturing, value-adding ventures and service sub-sectors such as tourism and professional services, thus helping to diversify the output of the economies. Globalisation has also created more employment opportunities in Sub-Saharan Africa, especially for women in unskilled and semi-skilled areas such as textile and clothing manufacture, craft and embroidery. The demand for women's labour is increasing. As a result, one third of all industrial workers in developing countries are now women. This has brought about more economic independence for some, especially young women. Notwithstanding this positive trend, the challenges posed by globalisation are real and far reaching, particularly for the vulnerable sections of society, especially women.

SADC Vice-Chairman and President of Mozambique, Joachim Chissano being presented with a bouquet of flowers during his visit to the SADC Secretariat in August 1997.

Asia's and Russia's crises impacted on South African in the first six months of 1998, when the Rand came under pressure and depreciated rapidly against the major currencies, and about 20 percent against the US dollar. As South Africa is a major trading partner and investor for all Member States, the Rand crisis has important implications for the rest of SADC. The tendency is for the other SADC Member States' currencies to depreciate in order to maintain export competitiveness in the regional market, control the level of imports, keep the balance of payments sustainable and avoid currency speculation.

Asian currencies have now depreciated by significant amounts, giving these countries a boost to their competitiveness. Asian exports are typically in the areas of textiles, manufactures and electronic goods, and not primary commodities that form the bulk of SADC exports. Therefore, the immediate implications for SADC competitiveness may be fairly limited.

SADC exports very little to the Asian region, so the slowdown in Asian growth as a result of the crisis should not have a marked impact on SADC's total exports. However, to the extent that the crisis causes a slowdown in world demand, SADC's trade may suffer, as this can result in falling prices for primary commodities, which will affect export revenues in SADC Member States.

The longer-term effects of the Asia crisis will be on trade and investment. The Asian crisis enhances the need for SADC to diversify its export base to strengthen competitiveness in those markets where SADC competes with Asia. More importantly still, globalisation makes research in and development of new products, as well as investment in human capital through education and training aimed at strengthening the economies' capacity to absorb new technology, absolute priorities for SADC. Failure to respond to these challenges implies unavoidable condemnation of SADC to remain at the bottom of the value-added chain of production. This will result in low incomes per capita, exposure to the vagaries of fluctuating world commodity prices and high sensitivity to the effects of world-wide environmental degradation (e.g. El Nino effect).

The Asian crisis will undoubtedly have an adverse impact on foreign direct investment in SADC. Flows of investment from Asia into Africa are likely to decrease considerably as companies in the crisis countries scale back foreign investment in the face of domestic difficulties. Malaysian and South Korean companies have increased their investment in the region over the last few years. In South Africa, Malaysian investment has taken place in tourism, natural resources and banking, and has included high-profile investment in Telkom (a telecommunications parastatal) and Engen (an oil company). In Zimbabwe, Malaysia has invested in Hwange Power Station. Recent investments from South Korea have included a car assembly plant in Botswana and a joint venture in the production of television sets in South Africa. Very little, if any new investment into SADC can be expected from South-East Asia over the coming years.

The globalisation process is real and involves harsh challenges. The region, as part of the world economy, has no choice but to persevere and rededicate itself to regional integration, as it is the first step to its effective participation in the global economy.

SADC in the Multilateral Trading System

The massive increase in trade and investment around the globe has greatly expanded the frontiers of the multilateral trading system, and tested its ability to manage an economy of global dimensions. Trade, investment, technology and communications increasingly link nations of very different levels of development into a single market. The multilateral trading system with its provision for producers of low-cost imported supplies and the chance to sell in foreign markets without policy-imposed disadvantages relative to national suppliers, has contributed to an extraordinary period of economic growth and prosperity.

The reduction in tariffs on imports has led to increased consumption of imported products. This puts pressure on small producers and has caused losses of jobs and income, particularly in many developing countries. Over the last five decades, world trade has expanded faster than output, but this has failed to reduce poverty in the world. Instead, an increase in the population living in abject poverty, in the majority women and children, was experienced.

SADC's exhibition stand at the Botswana International Trade Fair in August 1998 in Gaborone. The stand won a third prize in the Non-Governmental Organisations category.

Since the establishment of the WTO, trade liberalisation efforts have extended to trade in services, covering both cross-border transactions and the rights of enterprises to establish a commercial presence through direct investments in foreign markets. This has opened opportunities for prospective investors. The ultimate objective of the WTO is to create global free trade; however, there are still major areas for negotiations, particularly trade in agricultural products, the main exports of developing countries. Special provisions for non-reciprocal market access for least developed countries have been agreed upon under the WTO, and seven SADC countries benefit from these preferences.

The liberalisation of world trade, formally agreed upon in the Final Act of Marrakech and the establishment of the World Trade Organisation (WTO), has been accompanied by the return of regionalism as an instrument of trade expansion. The US, which for long championed the multilateral trading system approach, concluded a free trade agreement with Canada and Mexico. The US is currently piloting a bill on trade policy on Africa with the aim of establishing a free trade area in future. New regional organisations are being created the world over to foster regional economic integration. Regionalism is viewed as an answer for weak or small national economies to diversify exports and enhance their competitiveness, in preparation for their integration into the global economy. All these developments point to the fact that, in coming years, international economic relations will be strongly influenced by and within regional groupings. The WTO recognises the existence of free trade areas and customs unions as instruments contributing to the increase and liberalisation of world trade.

The negotiation of the Lome non-reciprocal trade preferences currently enjoyed by the African, Caribbean and Pacific (APC) States is likely to have a major impact on world trade. The Lome preferences are contributing substantially to world trade expansion as ACP States enjoy guaranteed market access to the European Union (EU). Fundamental changes of the preferences in the context of a post-Lome agreement would have important implications on the ACP Group's exports. SADC is aware that in the medium to long term, the Lome preferences will cease to exist and there is, therefore, need to restructure industry and diversify output, increase productivity and enhance competitiveness.

In preparation of the SADC Member States' effective participation in world trade, the creation of a SADC free trade area has been agreed. The establishment of a single large regional market will generate opportunities for private business to realise economies of scale, improve productivity and enhance competitiveness. The regional market acts as a launch pad for the national SADC economies to penetrating the world market.

The Regional Situation

SADC Chairman and President of South Africa, Nelson Mandela posing with the SADC Secretariat staff during his visit to Secretariat in August 1997.

Political Situation

Over the past year, the region continued to enjoy an overall atmosphere of relative peace and political stability that has characterised Southern Africa since the demise of apartheid in South Africa in April 1994. The region has witnessed the consolidation of a democratic culture, good governance and respect for human rights. This created a conducive environment for both domestic, regional and foreign investment.

A few examples attest to the current peace and political stability obtaining in the region. Mozambique, Lesotho and Swaziland continued to consolidate their new democracies. In Mozambique, the first municipal elections were held in June 1998, thereby concluding the first democratic elections in that country.

In Lesotho, a new Prime Minister, the Right Honourable Prof. Pakalitha Mosisili, was sworn-in in May 1998, taking over from the Right Honourable Ntsu Mokhehle, who retired from active politics after ruling Lesotho since the first democratic elections in 1993. Professor Mosisili assumed the post of Prime Minister in May 1998, following his election to the position of leader of the Lesotho Congress for Democracy in February 1998 and the subsequent landslide victory of his Party in the May 1998 general election.

However, the results of the Lesotho May 1998 elections have been challenged by the opposition Lesotho Congress Party, the Basotho National Party and the Marematlou Freedom Party. A SADC Committee of Experts comprising South Africa (Chair), Botswana and Zimbabwe has been set-up to probe the allegations of election rigging by the ruling party. The Commission, which was led by Mr Justice Pius Langa, has presented a report to the South African Deputy President, Mr Thabo Mbeki. It is hoped that the outcome and recommendations of the investigation will be accepted by all the parties concerned, which would further consolidate democracy and openness in Lesotho.

In Swaziland, broad consultations on the constitutional reform process are continuing. A 30 member Constitutional Review Committee is in place to review and draft the country's constitution. Submissions from the 55 constituencies (Tinkhundla) are being reviewed, and the Constitutional Review Committee is expected to complete its work in the year 2000. Swaziland is scheduled to hold its national political elections on October 9 1998, with a new government expected to be in place in October/ November, 1998.

There have been other welcome developments which auger well for the region's commitment to democratic principles and respect for the rule of law. In Zambia, the former President, Dr Kenneth Kaunda, was released from house arrest, following a court ruling.

Botswana's former Head of State and Government, His Excellency, Sir Ketumile Masire, retired as the country's President on 31st March 1998. He was succeeded by His Excellency, Mr Festus Mogae, the former Vice-President, who was sworn in as President on 1st April, 1998.

In South Africa, His Excellency, Mr Nelson Mandela, retired as President of the ruling African National Congress Party on 31st March, 1998. The Deputy President, Mr Thabo Mbeki, assumed the Presidency of the Party from that date. His Excellency Mr Nelson Mandela continues to be the Head of State and Government of South Africa.

These smooth transfers of power reflect a step forward in the maturation of democracy in the region.

Notwithstanding these positive developments, the situation in Angola and the DRC are a source of great concern to the region. In Angola, the Lusaka Peace Protocol, the legalisation of UNITA as a political party, and the granting by the government of special status to its leader, Dr Savimbi, have not led to the cessation of military activities. Recent government and media reports indicate that UNITA has carried out attacks in some parts of the country and re-occupied certain areas.

The military situation in Angola has been deteriorating since March 1998, due mainly to UNITA's non compliance with the provisions set forth in the Lusaka Protocol. These include UNITA's refusal to extend government administration throughout the country, and its failure to deccommission its forces.

The military activities carried out by UNITA increased over July and August, and were characterised by the massive killing of at least 300 innocent people, including Angolans and foreigners of Congolese (DRC), Portuguese and South African origin.

These activities have led to a massive displacement of people from their places of origin and residence into urban centres and neighbouring countries seeking refuge. This has resulted in an increase in the number of displaced people and refugees in the region, now estimated at between 350 and 500 thousand.

Some key elements of the Lusaka Peace Protocol remain unresolved, posing a major obstacle to the peace process. The UN has had no choice but to impose additional sanctions on UNITA for failing to comply and implement fully, the provisions of the Lusaka Peace Protocol by the end of June 1998. Thus UNSC Resolution 1173 (1998) came into effect in June, 1998. This Resolution calls for the implementation of the financial and commercial sanctions against UNITA and senior UNITA members and their families, as well as termination of all UNITA diamond trading.

The Angola peace process was also dealt a blow when the UN Special Representative to Angola, Mr Alouyine Blondin Beye died in a place crash. However, the UN has announced the appointment of his replacement.

It is therefore imperative that the UN, the OAU and the International Community generally, continue to exert pressure on UNITA to fulfil all its obligations under the Lusaka Peace Protocol in order to expedite the realisation of peace and stability in Angola. SADC Heads of State and/or Government have therefore condemned the military behaviour of UNITA, urged it to strictly abide by the relevant UN Security Council Resolutions and appealed to neighbouring countries of the Republic of Angola and the region not to facilitate the transit of logistical and lethal consignments, so as to create an environment that is conducive to the full realisation of the provisions established in the Lusaka Protocol and the dawning of a new era of understanding and peace in Angola.

In the DRC, measures taken to consolidate peace and stability including the announcement that democratic elections will be held in 1999. Preliminary work has started for the setting-up of a transitional Consultative Assembly.

However, all these positive developments have been marred by the August 2 uprising, led by rebel forces fighting to overthrow President Laurent Kabila. Some SADC Member States have provided troops and other military assistance to President Kabila. In addition, a Summit of SADC Heads of State was held in Pretoria on August 23 1998, which called for an immediate ceasefire, and troop standstill. The Heads of State have encouraged the initiation of a peaceful process of political dialogue aimed at finding a solution to the problems in the DRC. It is hoped that these complementary initiatives will assist in the restoration of peace, security and stability in the DRC.

These developments demonstrate that SADC is increasingly responding to regional problems collectively, rather than as individual countries. Another positive sign of collective action in this regard is the establishment of the SADC Electoral Commissions Forum. The Forum, which will work in collaboration with SADC, is an independent entity whose objective is, among others, the promotion of free, fair and transparent elections in the SADC region.

Economic Development

Regarding general economic development in the region, Member States have continued to implement sound economic reform programmes. These programmes are achieving varying degrees of success and are likely to result in long term sustainable development of the region's economies.

Since the post-1995 period, the economic performance of most SADC economies improved quite significantly. In 1996, the average growth rate of all SADC economies was estimated at 4.1 percent – six countries (DRC, Namibia, Seychelles, South-Africa, Swaziland and Tanzania) recorded growth rates of less than five percent. Five countries (Mauritius, Mozambique, Botswana, Zambia and Zimbabwe), achieved between

5 percent and 8 percent. The best achievers were Angola, Lesotho and Malawi, who recorded growth rates of approximately 12 percent. These growth rates declined in 1997, bringing the SADC average growth rate to 2.2 percent. However, since this growth rate remains far below the population growth rate, it implies that the welfare of the people was eroded. SADC objective is to attain a higher sustainable growth rate by the turn of the century that would improve the standard of living of the people. It is for this reason that SADC countries are implementing reforms aimed at improving the overall economic development of the region.

The implementation of tighter monetary and prudent. fiscal policies in the SADC region are bearing fruit as reflected in the decline of the 1997 annual inflation rates and government budget deficits, as percentages of GDP. In 1997, only two countries, (Angola and DRC) recorded an annual inflation rates above 25 percent. Even for Angola, prudent macro-economic policies have brought down the inflation level from a hyperinflation of 1650 percent at the end of December 1996. Only three SADC countries (Tanzania, Zambia and Zimbabwe) recorded inflation of between 10 and 25 percent. Nine of the SADC economies recorded annual inflation rates of one digit. The decline in inflation rates mirrors efforts to improve economic management, hence achieving macro-economic stability in the face of the challenges of globalisation.

Executive members of the SADC Parliamentary Forum and high-ranking officials of the United States government posing for a snapshot, during discussions on co-operation between the US government and the Forum. Seated (third from left) is the chairman of the Forum, Dr. Mose Tjitendero, the Speaker of the Namibian Parliament.

The declining levels of SADC budget deficits, which accompany the falling inflation rates, are a positive indicator to macro-economic stability. In 1997, six SADC economies reflected budget surpluses, with Botswana and Mauritius recording budget surpluses of 8 percent and 4.5 percent respectively. Lesotho, Swaziland, Tanzania and Zambia also recorded budget surpluses, while Malawi, Mozambique, Namibia, South Africa and Zimbabwe reflected budget deficits.

SADC countries continue to experience constraints in the balance of payments. Only five SADC economies (Lesotho, Namibia, South Africa, Swaziland and Zimbabwe), had current account surpluses in 1997. While most SADC economies are experiencing current account deficits, on average, foreign exchange reserves continued to strengthen for most SADC Member States. The import cover varied from as high as over two years to as low as 2.4 weeks.

Over the medium and long term, the debt burden will remain a source of serious concern in most SADC economies. The major hurdle for growth and development in the developing world emanates from debt servicing problems. Four of the SADC economies are extremely debt stressed and their economies will continue to be highly vulnerable. Further, it is encouraging to note that Mozambique, due to its exceptional good performance in stabilising its economy has qualified for a HIPC (Highly Indebted Poor Countries) Initiative. However, even after taking into account possible debt relief available under HIPC, the debt service ratio remains high for a country undergoing major socio-economic transformation. The granting of debt relief to Mozambique should stir the economy onto a high and sustainable growth path.

The improved macro-economic management, in conjunction with the opening up of markets, has created new opportunities for traders and investors. SADC has a population of 199 million people and a combined GDP of over US$176 billion. Intra-SADC Trade, as a percentage of total SADC trade, is estimated at over 20 percent, quite a high level for any regional grouping.

190.5m

22

Social Development

The Human Development Index is a composite measure of the level of development, and is based on three fundamental dimensions: a long and healthy life; knowledge and standard of living. The range of indices for SADC reflects diversity in the level of social development: Mozambique's HDI is as low as 0.281, while Mauritius is high at 0.831. Seven SADC Member States fall in the category of low human development, but only four rank lower than the average for Sub Saharan Africa. However, comparing the HDI in 1994 with 1990, each one of the SADC countries has shown improvement.

This section focuses on the two social indicators of education and HIV/AIDS for two reasons. First, it is well known that the development of human resources is important in creating the right environment for growth. Studies have found a positive relationship between expenditure on basic education (literacy and numeracy) and the growth of non-traditional manufactured exports in developing countries, and that primary schooling has large social returns relative to other levels of education. Secondly, HIV/ AIDS is one of the greatest social problems facing Africa, with Southern Africa being the worst hit by the epidemic. Thus both these indicators have a major impact on the social and economic well being of the region.

Regarding education within SADC, there is significant variation in primary school enrolments, from 60 percent in Mozambique to 135 percent in Malawi. Malawi appears to have experienced a huge improvement in enrolments since 1980, with the rate more than doubling in recent years. Other improvements are apparent – in 1980, only four SADC Member States had rates in excess of the average for low and middle income economies; in 1995, seven (Botswana, Malawi, Mauritius, Namibia, South Africa, Swaziland and Zimbabwe) had achieved higher rates.

Simple enrolment rates do not tell anything about the quality of education. One measure of the success of education is the illiteracy rate. Illiteracy in sub-Saharan Africa is more than twice the average in the East Asia/Pacific and Latin America/ Caribbean regions but is lower than the average for South Asia. Despite the average performance of Africa however, some countries in SADC have had success in achieving relatively high levels of literacy. Indeed, some countries have lower illiteracy rates than the average for East Asia and the Pacific.

With respect to HIV, the data tends to be uneven and unreliable due to the different reporting periods and procedures by different countries. It is with this caveat in mind that the following estimates by UNAIDS (1998) should be understood. In 1997, it was estimated that one in ten adults in Southern Africa were living with HIV, reflecting an increase of one third in a 12 month period. Available data indicates that the percentage of infected adults in SADC countries ranges from 2 percent to 25 percent.

Estimates of the incidence of HIV and its likely impact on life expectancy in the region vary significantly across different sources. Clearly, these indicators are very difficult to measure, but life expectancy is being dramatically reduced in many countries, reversing the improvements seen in recent years in this key indicator of well-being. The combined number of HIV-related deaths in 1997 was estimated as exceeding 800,000, nearly the same as the total population of Swaziland.

There can be no doubt that the impact of the disease on the social and economic well-being the region will be huge. According to the African Development Bank, it is projected to cause a slowdown in per capita income growth of 0,3 percentage points annually to 2025 in the ten Sub-Saharan African countries with the most advanced epidemics. There is some evidence that the disease has spread fastest amongst more educated or higher-paid individuals. The loss of human capital is expected to cause significant problems for industries in the region as there are no current plans to train replacements for skilled worker who will be lost to AIDS.

Finding a solution to the enormous problem presented by HIV/AIDS will not be easy, and the spread of the disease is now putting much greater strains on health care systems in the region. There are some promising lessons – in Uganda, the rate of growth of HIV infection is beginning to decrease following aggressive information campaigns.

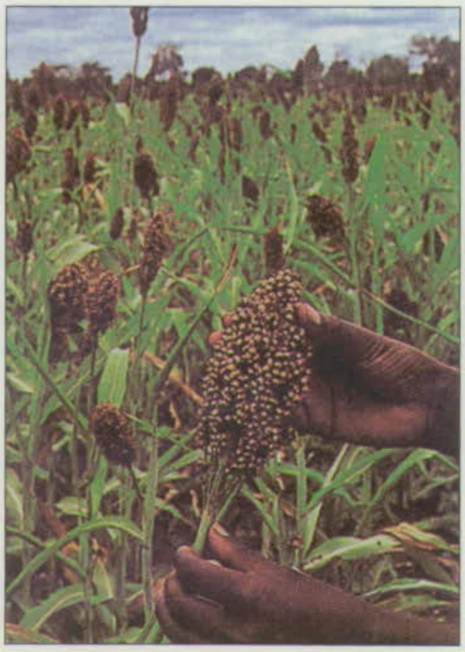
It seems likely that any attempt to stem the spread of the disease will require significant funding. This is an area where there may be considerable scope for regional cooperation in developing effective preventative initiatives for SADC and the wider African continent.

The Regional Food Situation

SADC has undertaken a final review of the food situation which assesses the availability and requirements of maize, wheat, rice and sorghum and millet as the major staples in the region. Overall, the 1997/98 cropping season has been characterised by the prevalence of erratic and below normal rainfall in the southern countries as well as excessive rains and flooding in Tanzania; both factors have led to reduced crop yields. Reduced maize harvests compared to last year are forecast in all countries except in Malawi, Mozambique, Angola, Swaziland and Tanzania.

The production forecasts indicate an overall SADC maize harvest of 16.10 million tonnes, equivalent to almost 6 per cent decline compared to last years revised maize output of 17.05 million tonnes and also compares unfavourably with the 1995/96 output of 20.34 million tonnes.

Current projections of the maize availability and requirement position for the 1998/99 marketing year indicate a regional surplus of 1.22 million tonnes due to large carry-over stocks in South Africa. Total domestic maize availability (forecast opening stocks + production) for the 1998/99 marketing year is projected at 19.70 million tonnes, which is sufficient to cover regional maize requirements projected at 18.48 million tonnes including projected SGR stocks of 1.40 million tonnes.



Food production suffered a setback during the 1997/98 period due to unfavourable climatic conditions.

Only South Africa, Tanzania, Mozambique and Swaziland are likely to have small maize surpluses at the national level while all other countries face maize deficits of varying magnitude. Significant maize shortfalls are expected in Zimbabwe, Zambia and Angola.

Production of the 1998 winter wheat crop is projected to fall by 20 per cent to 2.20 million tonnes compared to 1997 output of 2.77 million tonnes. The production is expected to fall in South Africa (30%), Zimbabwe (17%) and Lesotho (70 %) due to shortage of water for irrigation. However, increased production is expected in Tanzania, Zambia and Malawi.

Rice is the only crop for which regional production is expected to increase over last year. The forecast indicate a 44 per cent increase to 770,000 tonnes compared to 534,000 tonnes last season. Production went up in Mozambique (62%), Tanzania(47%) and Malawi (5%) while the harvest in Zambia is down by 68 per cent. However, the overall situation indicate a shortfall of 107,000 tonnes of rice for the region.

The output of sorghum and millet has also dropped to 1.92 million tonnes from 2.03 million tonnes in 1996/97. Production increases are only expected in Angola (43%), Malawi (9%), Mozambique (17%) and Tanzania (4%). Overall, the assessment indicates a shortfall of 2.42 million tonnes for sorghum and millet.

Total cereal availability (production stands at 25.71 million tonnes which is insufficient to meet total requirements of 26.22 million tonnes leaving an overall cereal deficit of 510 000 tonnes. Large deficits in wheat, sorghum and millet account for the overall regional deficit.

Regarding import requirements, indications are that South Africa's maize surplus of 2.06 million tonnes (white) and 1.15 million tonnes (yellow) may be adequate to cover the combined maize shortfall of 2.22 million tonnes for the maize deficit SADC countries. Current assessments depict a maize shortfall of 646,000 tonnes for Zimbabwe, 573,000 for Zambia, 322,000 tonnes for Angola, 189,000 tonnes for Lesotho, 182,000 tonnes for Malawi, 154,000 tonnes for Botswana, 120,000 tonnes for Namibia and 35,000 tonnes for Mauritius.

A wheat deficit of 1.35 million tonnes has been assessed which has to be met through imports from outside the region since wheat is not easily substituted by other grains.

The region has put in place a mechanism for generating and exchanging information relating to all aspects of food security. This is done through the Regional Information System for Food Security Programme (RIS) which comprises seven inter-linked projects. These projects together provide information on climate, crop production, food requirements, prices and trade flows. The Regional Early Warning System (REWS) which is one of the key projects under RIS, provides the region with the capacity to generate and disseminate information and analyses relating to food production and availability; nutrition; and markets in form of forecasts which are progressively updated over the seasons. In the event of drought, REWS in collaboration with the Regional Drought Task Force, provides essential data on needs and availability. REWS also assesses the region's capacity to meet potential shortfall in staple foods.

Country Profile – Angola

HEAD OF STATE
President José Eduardo dos Santos

CAPITAL CITY
Luanda

NATIONAL DAY
11 November (1975)

LANGUAGES
Portuguese and various local languages

CURRENCY
Kwanza (Kzr) = 100 lewi

AREA
1 247 000 kmn

POPULATION
12,6 million

LITERACY
40%

URBANISATION
26%

LIFE EXPECTANCY
42 years

NATURAL RESOURCES
Diamonds, oil products, gas, fish, wildlife, agricultural products, sea and marine resources

Overview

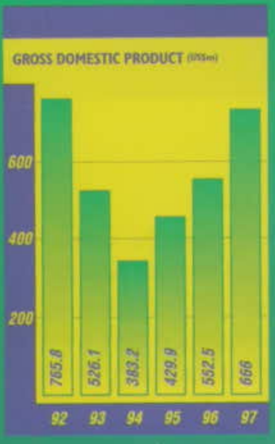
Angola's macroeconomic situation is unsustainable. Recently, high rates of growth of both GDP and investment have been attained, but these are largely explained by offshore oil production by foreign companies and a rapid increase in the production of diamonds. GDP per capita has been falling steadily, and the revitalisation of agriculture is hampered by continuing insecurity. As a percentage of GDP, the fiscal deficit is huge. Defence remains the largest component of government spending, contributing to underspending on education and health. Monetary policy is largely inactive, completely swamped by the need to finance the budget deficit. Monetisation of the deficit is generating hyperinflation in a situation of acute shortages. As some stability has returned and a measure of liberalisation has been introduced, the extension of credit to the private sector has grown rapidly.

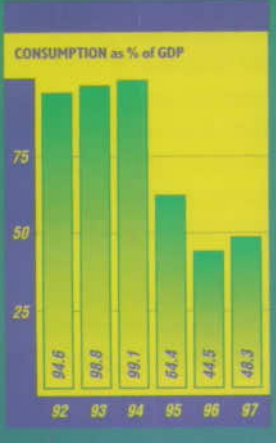
External debt is around double annual GDP, which makes it critical that the domestic savings rate rise from its current very low level, and that the country run a current-account surplus. Angola has no aid-financed structural adjustment programme; although the country receives some aid, most external finance is acquired using oil as collateral, which means that above-market interest rates are paid on debt. Large annual nominal depreciations are insufficient to support an export drive, given the very high rate of price inflation which causes the real exchange rate to appreciate. The absorption of domestic resources to finance the deficit and service the external debt is equally inconsistent with the needed investment in export capacity. Until a greater degree of economic stability is achieved, trade policy will remain subordinate to macroeconomic imperatives. Under these conditions, trade liberalisation – even if limited to the region – will simply not produce the desired growth and diversification response, although it may help to alleviate the shortages of many consumer commodities.

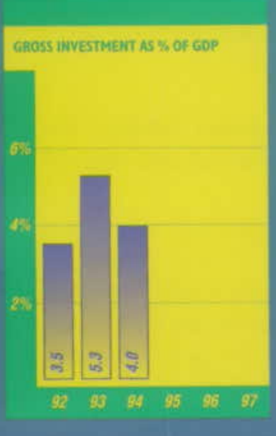
The regulatory framework for investment

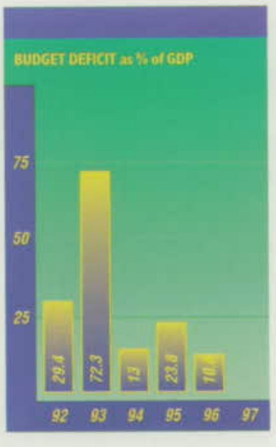
1. Angola has an abundance of natural resources which are not currently fully exploited. Opportunities exist for the expansion of diamond mining, oil and gas exploitation, and large scale commercial fishing.
2. A new Foreign Investment Law was passed in 1994. Nearly all sectors of the economy are now open to foreign investment, including infrastructural development such as roads and railways. Investments less than US$5 million no longer need prior Government approval. Foreign companies wishing to invest in Angola are given equal treatment to that given to local firms. Profits, dividends and the proceeds from the sale of investments, may be transferred abroad by foreign investors.
3. Special fiscal incentives are offered to foreign investors who employ a high proportion of Angolans and provide them with professional training.
4. For mining companies, a surface tax is levied on the size of the surface area mined. There is a royalty of 3 to 10 percent on the gross value of the minerals produced.
5. There is a 15 percent withholding tax on dividends.
6. For the oil industry, there is an oil production tax and an oil income tax; there is an additional oil transaction tax at the Cabinda enclave.
7. Tax rates are 20 percent for income from agriculture (including forestry and cattle raising), and 40 percent for other industries. The Angolan authorities reserve the right to estimate company income, in certain circumstances. There are no double taxation agreements.
8. All imports are subject to licensing requirements, based on a positive list and the foreign exchange budget. Except for exports of foreign oil companies, all exports of goods and services are subject to licensing. Some exports are taxed.
9. Property law is unclear. However, the difficulties faced by foreign investors with respect to the acquisition of property, have been recognised and are being addressed.
10. Further information may be obtained from the Institute for Foreign Investment, both for further details about investment regulations and for lists of current investment opportunities. The Government plans to privatise its state-owned shipping companies.

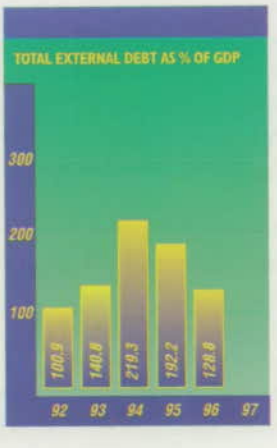
11. At the beginning of 1998, the World Economic Forum produced a comparative analysis of the competitiveness of a sample of 23 African countries. Angola was the least competitive of the countries studied.
12. From time to time, Angola may have both private and official payments arrears.
13. Both residents and non-residents may obtain permission to maintain foreign currency bank accounts.
14. Angola has Article XIV status at the IMF.

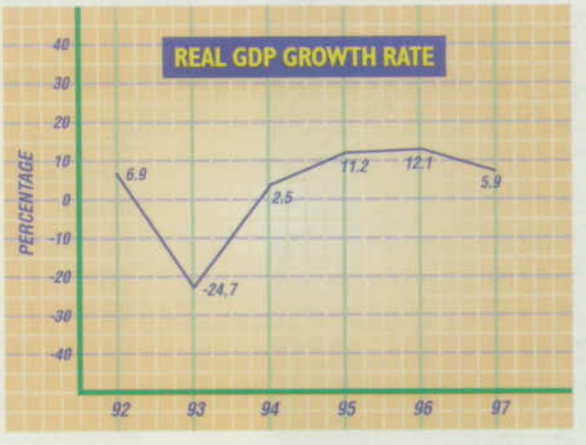


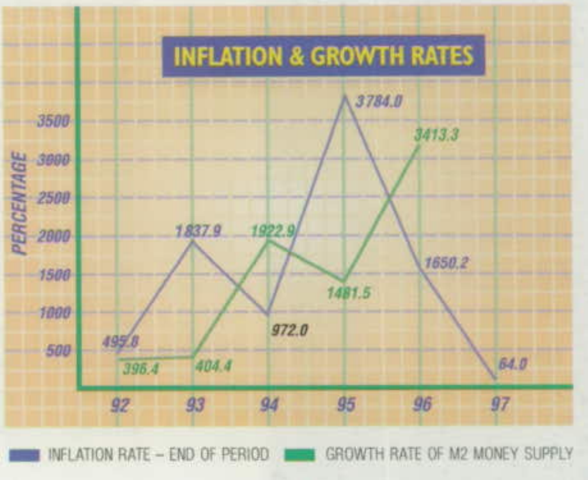












Country Profile – Botswana

HEAD OF STATE
President Festus Mogae

CAPITAL CITY
Gaborone

NATIONAL DAY
30 September (1966)

LANGUAGES
English and Setswana

CURRENCY
Pula (P) = 100 thebe

AREA
582 000 km²

POPULATION
1,6 million

LITERACY
66%

URBANISATION
46%

LIFE EXPECTANCY
67 years

NATURAL RESOURCES
Diamonds, copper, nickel, cattle, wildlife

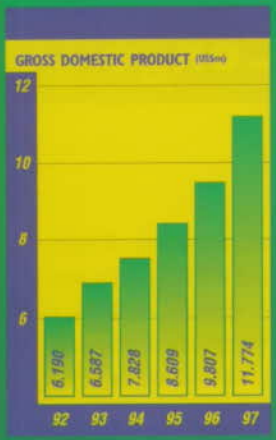
Overview

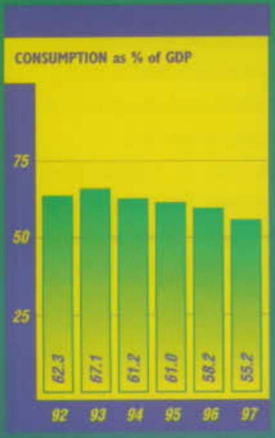
After some 25 years of exceptionally rapid growth, during which Botswana was the world's fastest growing economy (with average annual growth rate of between 8% and 9%), the country experienced a mild recession in 1992/93 when output actually fell, but the decrease was minimal at 0.1 percent. Since then, the economy has recovered rapidly. In 1995/96, output grew in real terms by 7 percent and non-traditional exports recovered to levels exceeding their previous peak, primarily because of a large increase in exports to South Africa. According to the latest estimates from National Development Plan 8 (NDP 8), Botswana's economy is poised for a healthy growth, with the annual average growth rate estimated at 5.2 percent over the six-year period. These estimates are based on the on-going expansion at Orapa (which will eventually increase total diamond exports quite substantially) as well as on the expected significant growth in non-mining sectors of the economy such as manufacturing, tourism and financial services. Growth, therefore, seems relatively certain in the short to medium term, at least because of know mineral expansion. Given current difficulties in the world diamond market, it is critical that Botswana diversify its export base if it is to maintain its historically rapid economic growth. The longer term will, therefore, depend on the further development of manufacturing, particularly for export markets, tourism and financial services. The ongoing establishment of an International Financial Services Centre is a gallant move in this direction.

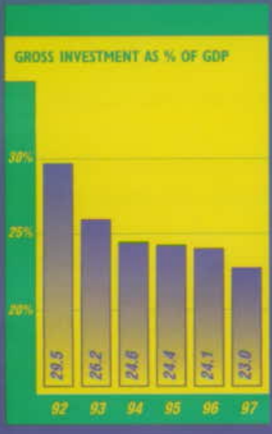
Botswana's macroeconomic situation is clearly sustainable, an average of over two years' worth of import-cover in foreign exchange reserves over most of the decade, large budget and current account surpluses, a small external debt, high economic growth and restrained growth in money supply. The economy is already very open, as membership of the SACU gives reciprocal free access to a regional market almost 32 times the size of its own. Its exchange control regime is very liberal. The country is in a good position to exploit the opportunities presented by trade liberalisation.

The regulatory framework for investment

1. Opportunities for investment in Botswana are present in the tourism industry, the manufacturing sector, water conservation, mining projects, and financial and regional services.
2. Legislation governing investment is included in the Companies Act, the Factories Act, the Employment Act and the Income Tax Act.
3. Businesses engaged in import substitution, export promotion and tourism may be eligible for the government's Financial Assistance Policy (FAP). The latter provides tax-free capital, training and labour grants over a five year period. The focus of the FAP is on employment creation, so labour-intensive enterprises are favoured. A secondary objective of the policy is economic diversification to reduce the dependency on minerals, particularly diamonds. Some of the Sectors targeted as alternatives engine of growth include manufacturing, tourism and financial services.
4. There is a low tax jurisdiction: the tax rate for recognised manufacturing companies is 15 percent. The basic rate for non manufacturing companies is 15 percent, while the 10 percent additional company tax may be offset against withholding tax charged on dividends to shareholders. There are generous allowances on capital, machinery and buildings. Capital gains and benefits are taxed and there is a low capital transfer tax. The top marginal rate for individuals is 25 percent.
5. The withholding tax on dividends is 15 percent, and 15 percent is paid on interest payable to non-residents. Double taxation agreements are in operation with the United Kingdom, South Africa, Sweden and Mauritius.
6. There has been a broad liberalisation of exchange controls since 1995. Non-resident controlled companies are allowed to borrow large amounts of local currency at the local banks. Non-residents may now trade in and issue bonds denominated in local currency. The offshore investment limit for individuals and companies is BWP 1M (US$0,274m) and BWP

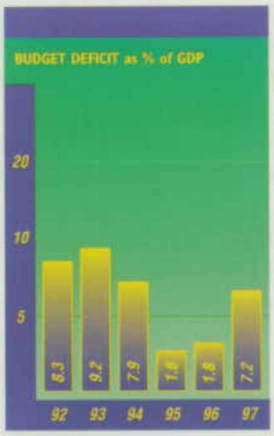


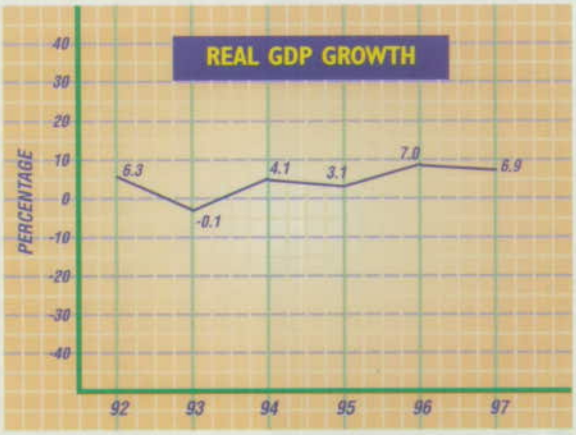


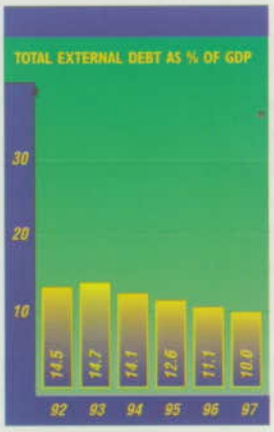


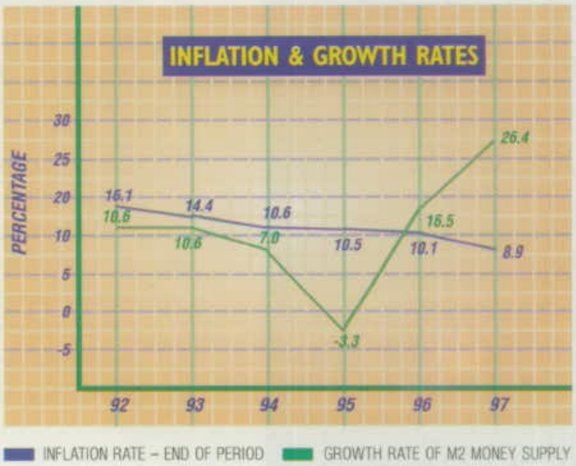
30M (US$8,220M) respectively per year. Non-resident investors are free to repatriate their dividends and profits. Investors may immediately remit up to BWP 100M (US$27,4 M) on the sale of any assets (larger amounts may be remitted over a period of 3 years). Pension and life insurance funds may hold up to 70 percent of their assets outside Botswana.

7. Trade regulations have been liberalised: documentation is needed only for import shipments exceeding BWP 10,000 (US$2,74M). Permits are required for selected imports and exports. As a member of the Southern Africa Customs Union (SACU), Botswana applies a common external tariff on imports from outside the SACU.
8. Total foreign holding of shares in any company listed on the Botswana Stock Exchange is limited to 55 percent.
9. A Bureau of Standards has been established to monitor that goods manufactured in Botswana are of sufficient quality to compete in international markets. The Industrial Property Act allows for the patenting of foreign and local innovations, trademarks, and industrial designs.
10. The Botswana Export Development and Investment Authority (BEDIA) disseminates information and offers advice on the investment climate, and on current and future investment opportunities. The Botswana Development Corporation (BDC) conducts project feasibility studies. The Botswana Export Credit Insurance Company (BECI) provides both commercial and political risk coverage for exporters.
11. In the World Economic Forum's 1998 Competitiveness Report, Botswana was the third most competitive of the 23 African countries studied.
12. The newly constructed Trans Kalahari Highway links the Gauteng region of South Africa to Windhoek in Namibia through southern Botswana.
13. Botswana has accepted Article VIII obligations at the IMF.









Country Profile – Democratic Rep of Congo

Head of State
President Laurent Kabila

Capital City
Kinshasa

National Day
30 June (1960)

Languages
French and various local languages

Currency
Congo Franc

Area
2 435 409 km²

Population
49 million (1998 estimate)

Literacy
66%

Urbanisation
60%

Life Expectancy
53 years

Natural Resources
Gold, diamonds, base metals, coal, oil and gas, wildlife, water, uranium, coffee, sugar, rubber, cotton, fish

Overview

Apart from a brief period of monetary and fiscal discipline from 1983-85 when the rate of inflation was halved and the economy grew in real terms at 4.7 percent a year, the DRCongo's economic recent history has been characterised by hyperinflation, large government deficits, a growing external debt, demonetisation and dollarisation. Financial aid programmes were abandoned by donors in the early 1990s, and Zaire stopped servicing its foreign debt. Between 1990-96 the economy contracted by an annual average of over 7 percent, and (recorded) GNP per head has fallen dramatically. The informalisation of the economy over this period means that most economic activity is unrecorded, so that trade and production figures need to be viewed with even more than usual caution.

It is not yet clear what policy package will be followed by the new government, although the country's application to join SADC may signal some opening up of the economy – and a recognition that unrecorded trade with neighbouring countries needs to be legalised and recorded. A programme of privatisation has been approved, and transport links are being upgraded.

The DR Congo's macroeconomic position is even more extreme than that of Angola and Mozambique: a large external debt; minimal foreign exchange reserves; severe hyperinflation; runaway money supply growth; and sharp and sustained economic contraction. The economy is tightly closed, but, until the macroeconomy is stabilised, adjustment initiatives are likely to have little impact on growth and development.

The regulatory framework for investment

1. The Economic Stabilisation and Reconstruction Programme (ESRP) put forth the government's view that economic policies should be of "social market" inspiration, and act as a "means of ensuring the judicious distribution of roles among the state and other players in society: business, associations, NGOs and local authorities."
2. The ESRP identifies infrastructure, agriculture and mining as the main pillars of future economic growth.
3. The new government has inherited a macroeconomic situation of high external indebtedness and a high inflation rate. It remains to be seen how these two financial burdens will be handled.
4. There remains concern among some foreign investors over the approach that the government has adopted when dealing with contractual commitments and new negotiations.
5. Provisions for 100 percent tax exemptions (granted by the previous government) have been suspended until a thorough review of the taxation system has been conducted. It is expected that a value-added tax will be introduced, along with a new tariff structure.
6. Investors must make initial cash deposits at the new Banque de Commerce et de Developpement as a precondition for investment agreements. Both residents and non-residents may obtain permission to hold foreign currency accounts at the local banks.
7. It is projected that much of the funds for the transportation network will be drawn from the private sector: the construction of roads will be subcontracted to private companies, who will recover their investment by levying user tolls.
8. There is enormous potential for the expansion of the mining industry in the DRC. Copper production is projected to increase significantly.
9. The Societe Nationale d'Electricite (SNEL) has drafted a rehabilitation programme, to be financed by private investment. Similarly, it is hoped that projects in health, education, and civil service training will attract private funding.
10. All importers are required to first obtain an Import License and Authorisation to purchase foreign currency. All goods shipped by sea must be transported on bonded ships. With only a few exceptions, both imports and exports are subject to pre-shipment inspection.
11. From time to time, there may be payments arrears for both private and official payments.
12. The DRC has Article XIV status at the IMF.

Country Profile – Lesotho

Head of State
King Letsie III

Head of Govt
Prime Minister Prof Pakalitha Mosisili

Capital City
Maseru

National Day
4 October (1966)

Languages
English and Sesotho

Currency
Maloti (M) = 100 lisente

Area
30 355 km^2

Population
2.1 million

Literacy
71%

Urbanisation
17%

Life Expectancy
56 years

Natural Resources
Diamonds, wildlife, mohair, wool, water

Overview

Preliminary estimates indicate that the economic activity, which was fuelled primarily by the Lesotho Highlands Water Project (LHWP) activity, has finally returned to its long-run rate of growth following three years of economic boom. Real GDP slowed down to 3.5 percent in 1997 as opposed to a 12.7 percent growth in 1996.

Employment

By the end of 1997 the number of mineworkers employed in South Africa was 93 243, a decline 7.9 percent compared to the figure of the previous year. The deadline was due to:
* increased mechanisation of mines (coal mines in particular);
* closing down of some mines due to escalating costs; and
* relatively high wages that now attract black South Africans in larger numbers than before.

Inflation

The average annual rate of inflation, measured by changes in the consumer price index (CPI) declined by 1.5 percentage points from the previous level of 8.8 to the present level of 7.3. The main contributors to this change was the fall in price indices of food. On the other hand, the price of alcohol, beverages and tobacco went up by a relatively small amount.

Budgetary Operations

In order to achieve its medium and long term development goals, as outlined in the Sixth National Development Plan, Government's fiscal policies during 1997/78 fiscal year continued to maintain a close balance of revenue and expenditure, which resulted in budget surpluses since 1992/93 fiscal year.

The 1997/98 government budgetary operations show an overall budget surplus of M88.8 million in contrast to overall budget deficit of M65.2 million (US$14.15 million) envisaged in the 1997/98 budget. This surplus represented 1.5 percent of GNP.

Monetary Sector

During the year which ended in December 1997, there were notable changes in the major monetary aggregates. Foreign exchange reserves of the entire banking system continued to show an upward trend albeit at a slower rate than in the previous year while domestic credit continued to drop steadily. Although the money supply increased in line with other monetary aggregates, it showed a slower increase than the previous year.

The Central Bank interest rates dropped during the review period. Even though all the deposit rates were positive during the review period, the call deposit rate dropped by 1.83 percentage points to the level of 13.17 in December 1997. The prime lending rate declined by a percentage point from 18.10 to 7.10.

Balance of Payments

The overall balance of payments position, with a build-up in official reserves to about 7 months of regular imports, increased by 19.6 percent in 1997, thereby registering a surplus of M616.4 million (US$133,80 million). Imports increased by 32.2 percent, widening the current account deficit by 53,8 percent to M1303.5 million. Exports rose by 9.1 percent to the level of M904 million (US$196, 22 million). The growth was driven by a high increase in exports of television sets. Long-term net capital inflows, boosted by the increase in official loan disbursements, appreciated by 18.1 percent. Labour income, which financed about 34.0

percent of total imports during the review period, grew by 5.6 percent. Unrequited transfers, which continued to be the second largest source of financing after labour income, rose by 21.0 percent in 1997.

Developments in the Real Sector

Preliminary estimates indicate that the economic activity, which was fuelled primarily by the LHWP activity, has finally returned to its long-run rate of growth following three years of economic boom. Real GDP, which grew by 12.7 percent in 1996, has slowed down to 3.5 percent reflecting a deceleration in LHWP related activities. Tables 1.1, 1.2 and 1.3 illustrate the performance of the real sector during 1997 compared with the previous years.

The primary sector slowed down by 0.3 percentage points to the level of 12.7 percent reflecting last year's crop production which can be described as fair to poor. The share of agriculture in this sector was almost the same as that of last year at around 12 percent.

In terms of major sectors, GDP at factor cost was dominated by the secondary sector in 1996 which accounted for 44.1 percent. The current share of the secondary sector declined by 0.9 percentage points to the level of 43.2 percent. The decline resulted from a modest growth in government construction following last year's boom in construction of office buildings.

The tertiary sector reflected a modest performance by a rise from 42.8 percent to 44.1 percent. Indications are that the wholesale and retail trade is experiencing economic hardships which resulted in decline in sales turnover. Also, the real decline in labour income from abroad coupled with LHWP activity are probably responsible for this slowdown.

Employment and Wages

Comprehensive data on employment which was last collected in 1985/86 through a Labour Force Survey and 1986 Population Census continue to be the basis for estimates of the current labour market statistics. A recent population census was conducted in 1996 but the results are yet to be published. Available data on the employment situation in Lesotho is mainly for the formal sector and this makes it impossible to estimate the rate of unemployment or under employment.

The employment of mineworkers has been declining in recent years following a peak of 126 733 in 1989 as evidenced by Table 2. A t the end of 1996, migrant mine labour was recorded at 101 237. At this level it was 2.4 percent lower than its level in 1995. By the end of 1997 the number of mineworkers employed in South Africa was 93 243, a decline 7.9 percent compared to the figure of the previous year. The decline is due to increased mechanisation of mines (coal mines in particular); (ii) closing down of some mines due to escalating costs; and (iii) relatively high wages that now attract black South Africans in larger numbers than before. The Government remains the largest employer in the formal sector in Lesotho.

At the end of 1997, the number of people employed by the government was 34 880. This was an increase of 3.9 percent compared to the 1996 figure of 33 485. This comprise the civil servants, teachers, daily paid workers and armed forces. Government individual salaries and wages increased by 10 percent in the 1997/98 fiscal year following a 12 percent increase offered in 1996/97.

The Lesotho National Development Corporation (LNDC) assisted forms was estimated at 17 023. At this level, the number employed had increased by 2.5 percent over the previous year's figure. The total number of firms was recorded at 50 in 1996 compared to 53 the previous year.

Insurance industry also created some employment during the review period. Total number of people employed by insurance companies, brokers and agents increased by 26.7 percent over the previous year's of 300.

Developments in the Fiscal Sector

Projections of the 1997/98 government budgetary operations show an overall budget surplus of M88.8 million (US$14.8 million) which is 1.5 percent of GNP. This is in contrast with the overall budget deficit of M65.2 million (US$10,87 million) which was envisaged. Without grants, the projected outturn represents a deficit of M89.9 million.

As a percentage of GNP, total receipts are projected to increase from 39.7 percent in the previous fiscal year to 42.2 percent during the review period. This trend emanates from the Government's on-going policy of improving revenue collection. Customs revenue is projected to grow by 16.6 percent to stand at (M1172.8 million (US$195,47 million). This represents 49.8 percent of total revenue, 0.4 percentage points above its position a year earlier. Sales tax collections are expected to grow by 15.2 percent, thereby falling short of the target of M244.6 million (US$40,77 million) by 8.6 percent. This may be ascribed to a general slackening of economic activity in the wholesale and retail sub-sector. Income tax revenues are projected to rise by 16.4 percent, which is higher than the 8.6 percent increase recorded last year.

Prices

Price movements in Lesotho are greatly influenced by price developments in South Africa. Annual inflation rate in South Africa ended the year at 6.1 percent and given the almost parallel movement of prices in the two countries, Lesotho's inflation rate is expected to remain in the single digit in 1998. Also, if the good rains experienced during early January and mid-February continue in subsequent months, then the inflation rate is expected to decline even further as food prices are expected to drop.

The average annual rate of inflation, measured by changes in the consumer price index (CPI) declined by 1.5 percentage points from the previous level of 8.8 to the present level of 7.3. The main contributors to this change was the fall on price indices of food, alcohol, beverage and tobacco as well as clothing and footwear.

Food indices were affected by the rise in prices of staple food such as maize meal, sorghum meal, ready made meals and jungle oats. The fall in indices of vegetables were mainly due to the fall in prices of cabbage, spinach and potatoes. Regarding alcohol, beverage and tobacco, the change in prices was largely on account of the rise in prices of beer, distilled drinks and cigarettes respectively.

Developments in the Monetary Sector

During the year which ended in December 1997, there were notable changes in the major monetary aggregates. Foreign exchange reserves of the entire banking system continued to whom an upward trend albeit at a slower rate than in the previous year while domestic credit continued to drop steadily. Although the money supply increased in line with other monetary aggregates, it showed a slower increase than the previous year.

The broad measure of money supply (M2), rose by 4.1 percent to M1475.2 (US$255,09) during the year which ended in December 1997. This increase followed a 17.5 percent rise in the previous year and was mainly a reflection of a growth in net foreign assets coupled with a decline in other items net.

Domestic credit continued to fall as a result of the improvement in the net creditor position of Government with the banking system. At negative M1119.2 million, (US$242,93) it was M520.5 million (US$103,57) lower than its position in the previous year.

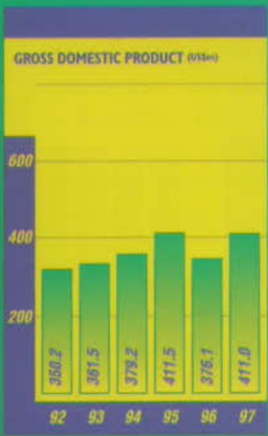
Government continued to improve its status as a net creditor to the banking system to the tune of M1965.2 (US$426,57) over the year to December 1997. This represented an improvement of 28.9 percent from its position in the preceding year. While Government was the net borrower of M26.1 million from the (US$5,77m) commercial banks, its net creditor position of the Government with the banking system improved by 28.3 percent to M1991.3 million (US$432,23).

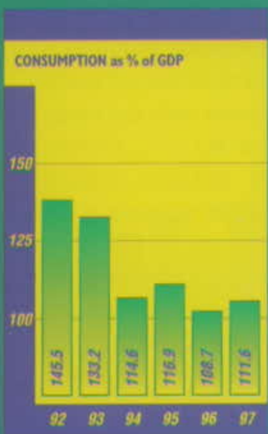
The banking system's net foreign exchange reserves rose by 20.5 percent to M2994.6 million (US$650,01) over the review year. Official reserves rose by 22.5 percent while those of the commercial banks decreased by 4.3 percent to M220,2 million (US$47,80).

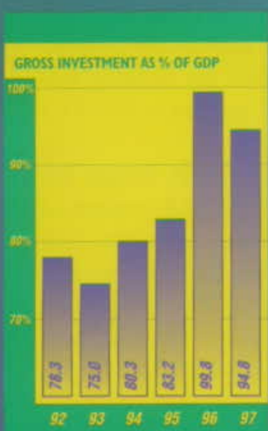
Money Market Rates

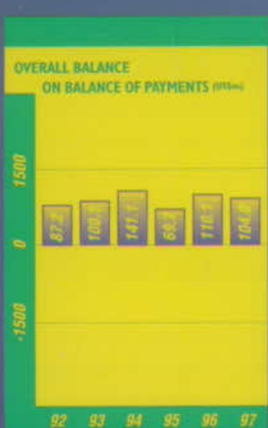
Money market interest rates continue to develop in line with those of the Common Monetary Area (CMA) member states. Interest rates are not controlled in Lesotho. The Central Bank sets the prime lending rate and maintains various deposit interest rates which reflects the situation in financial markets of the sub-region. On the basis of this, the commercial banks adjust both their deposit and lending rates.

The Central Bank interest rates dropped during the review period. The call deposit rate fell by 0.4 percent during the second half of 1997. From December 1996 to end of









last year it fell by 1.83 percentage points to the level of 13.2 percent. All the deposit rates of the Central Bank were positive in real terms during the review period.

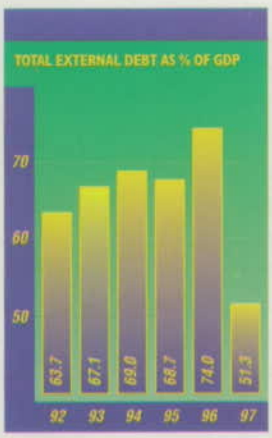
At 17.50 percent, the prime lending rate declined from the level of 18.10 percent prevailing in 1996. As already indicated, the prime lending rate provides a target or a benchmark for commercial banks lending rates, which are normally set at four or more percentage points above the prime rate.

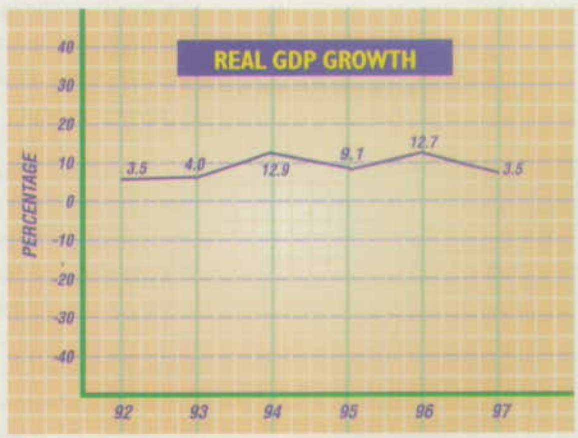
Developments in the External Sector

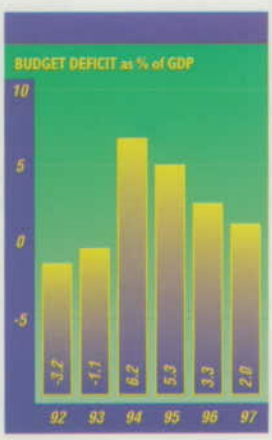
The overall balance of payments position, with a build-up in official reserves to about 7 months of regular imports, continued to be favourable in 1997. This overall balance increased by 19.6 percent in 1997, compared to a substantial increase of 102.7 percent recorded the previous year, thereby resulting in a surplus of M616.4 million (US$133.8).

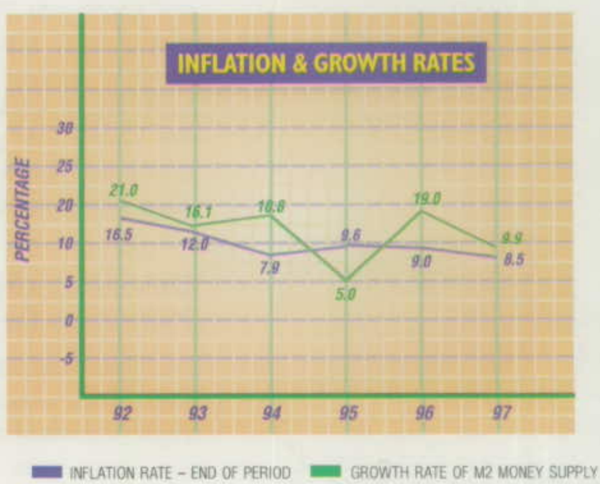
The current account deficit widened by 53.8 percent to M1303.5 million (US $282.93). This was mainly a result of 32.2 percent increase in the level of imports. Exports were recorded at the value of M904 million (US$196,22) during the review period. This was 9.1 percent higher than the level recorded a year earlier. Attributable to this growth is machinery and transport equipment, which more than doubled, as well as manufactured goods which grew by 65.8 percent. The growth in machinery and transport equipment category was driven by a high increase in exports of television sets.

Long-term net capital inflows rose steadily during the year under consideration. They appreciated by 18.1 percent. The large increase in net capital inflows was largely boosted by the increase in official loan disbursements.









Country Profile – Malawi

Head of State
President Bakili Muluzi

Capital City
Lilongwe

National Day
6 July (1964)

Languages
English and Chichewa

Currency
Malawi Kwacha (MK) = 100 tambala

Area
118 484 km²

Population
11 million

Literacy
40%

Urbanisation
13%

Life Expectancy
52 years

Natural Resources
Tobacco, tea, sugar, fish, wildlife

Overview

Malawi's central economic problem for many years has been twofold: the need to reduce the budget deficit and the level of absolute poverty. In 1997 the economy grew by 5.2 percent, which was above average GDP growth for African countries. Inflation rate for 1997 was at 9.2 percent, the lowest for he past five years and comes as a direct result of tight monetary and fiscal policies. In the past inflation has been high due to large government deficits, which were accommodated by a rapid growth in the money supply; effects of drought and depreciation of the Kwacha. The economy suffers from persistent and unsustainable current-account deficit. Nearly 80 percent of imports have been financed by aid during the 1990s. Even so, the currency is depreciating against the US Dollar in line with trends of other regional currencies.

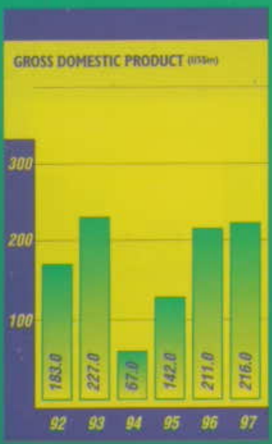
The economic base of Malawi is narrow and highly dependent of agriculture which is susceptible to drought and deteriorating terms of trade. Economic management has therefore been a delicate balance to the success of which depends on the condition of weather and a range of external shocks, including fluctuations in aid flows and the influx of refugees from the war in Mozambique. The legacy social development is one of widespread poverty, with GNP per capita (of US$180 in 1996). Malawi has one of the lowest in the world and which has decline overtime, 27 percent lower in real terms than it was in 1979. Agriculture continues to be the dominant sector in economy and tobacco alone accounts for 60 percent of export earnings. This makes the economy particularly vulnerable to weather conditions and external turbulence. Moreover, infrastructure and communications are underdeveloped and require huge injections of capital.

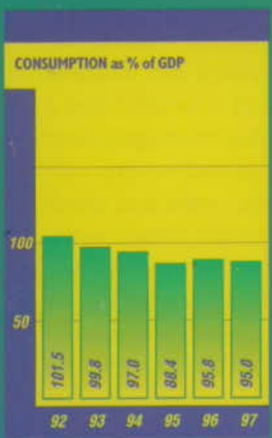
The economic situation is improving as reforms implemented from 1994 have raised the rate of growth of the economy. Foreign exchange reserves rose in 1996 and 1997 and the external debt-to-GDP ratio has fallen, although is still around 100 percent. Structural reforms include the removal of some barriers to international trade. Further fiscal tightening is necessary, and more progress with privatisation is important. Given continuing economic instability, trade policy is likely to be dictated by macroeconomic considerations, which will make changes in trade policy incredible to private investors. Foreign direct investment remains low.

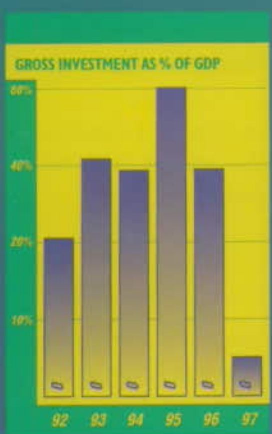
The economy is expected to continue to grow strongly in the medium term as a result of continued structural reforms. The economy is projected to grow by 4.1 percent in 1998 accompanied by a substantial improvement in the foreign reserve position.

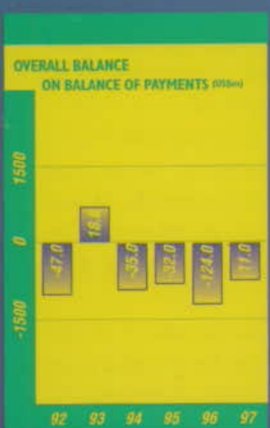
The regulatory framework for investment

1. The Malawian Government is in the process of formulating an integrated Trade and Industry Policy which will provide a wide range of incentives for investors in the manufacturing sector. Special emphasis will be placed on agro-processing, the textile and clothing industries, light manufacturing activities, and light engineering and assembly.
2. The Investment Promotion Act of 1991 confirms Malawi's commitment to attracting foreign investment. Most import and export restrictions have been lifted, there are no restrictions on ownership, and profits, dividends and capital may be repatriated freely. Investors have free access to foreign exchange in Malawi. However, capital account controls still exist: inward and outward direct and portfolio investments require prior approval.
3. The corporate tax rate is 38 percent, and the withholding tax rate is 20 percent.
4. Fiscal incentives for investment include generous tax allowances: a 40 percent allowance on new buildings and machinery, and an additional 15 percent on investments in designated areas of the country. There is an allowance of up to 20 percent for used buildings and machinery, and up to 50 percent for personnel training costs. Raw materials for manufacturing are not subject to duty.
5. New investments of between USD 5m and USD 10m face a corporate tax rate of 15 percent or a tax holiday of 5 years. Investments of over USD 10m may be granted a tax holiday of up to 10 years. Tax losses may be carried forward, enabling companies to take full advantage of tax allowances.

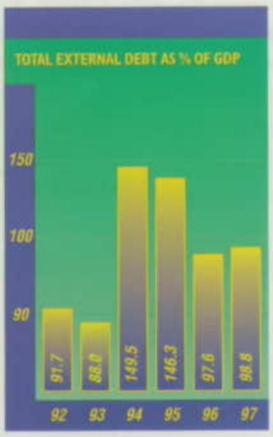


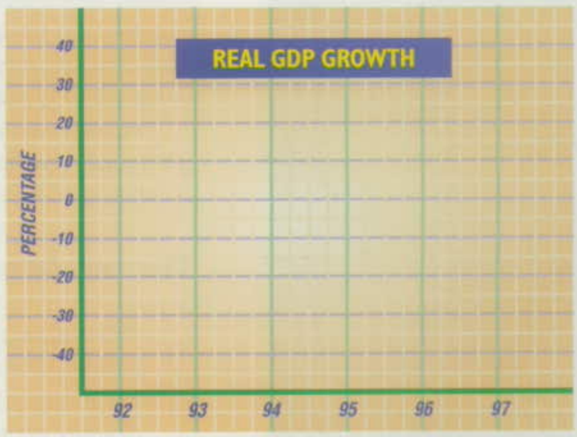


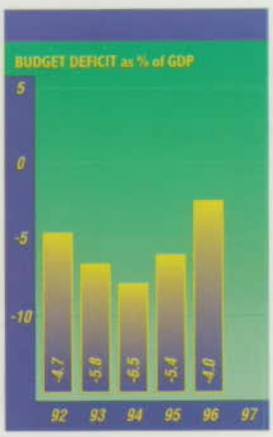


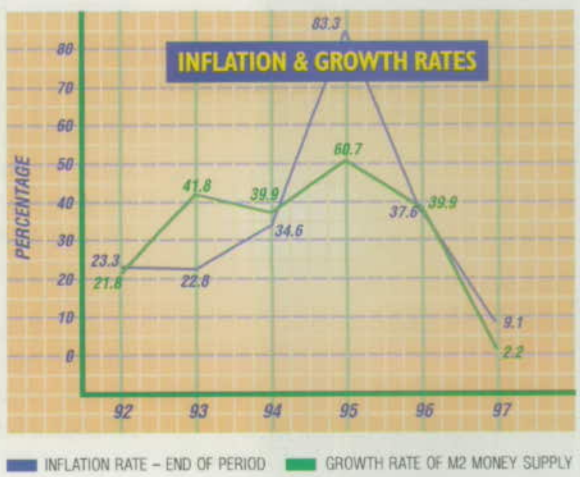


6. Local and foreign investors have unrestricted access to local financing facilities. Interest rates are market based and there are no direct government controls on credit.
7. There are double taxation agreements with South Africa, Kenya, the UK, the Netherlands, Denmark, Norway, Switzerland and France.
8. Special Export Processing zones were established in 1995. Production within these zones is exempted from corporate tax and withholding tax on dividends. Additionally, there is a 25 percent allowance for international transport, and a 12 percent allowance for non-traditional exports.
9. Fax, electronic mail and data can be transmitted from Malawi to practically any place in the world.
10. Malawi is a signatory of the ICSID, of MIGA and of Bilateral Investment Guarantee and Protection agreements. Domestic and foreign investment is protected by the Malawi Constitution.
11. The Malawi Investment Promotion Agency (MIPA) works to promote foreign investment in Malawi. MIPA facilitates the investment process, provides investment-related information and advises the government on the investment environment.
12. The government is committed to a privatisation policy that aims at reducing state ownership in enterprises with a view to improving economic efficiency, fostering competition, and reducing monopoly in the economy.
13. In terms of Competitiveness, Malawi was ranked 21st out of the 23 African countries sampled recently by the World Economic Forum.
14. Malawi has accepted Article VIII obligations at the IMF.









Country Profile – Mauritius

HEAD OF STATE
President Cassam Uteem

HEAD OF GOVT
Prime Minister Dr Navinchandra Ramgoolam

CAPITAL CITY
Port Louis

NATIONAL DAY
12 March (1968)

LANGUAGES
English and French

CURRENCY
Mauritian Rupee (Rs) = 100 cents

AREA
1 968 km^2

POPULATION
1.15 million

LITERACY
81%

URBANISATION
43%

LIFE EXPECTANCY
79 years

NATURAL RESOURCES
Sugar cane, beaches, sea, flora, fauna, fish and other marine resources

Overview

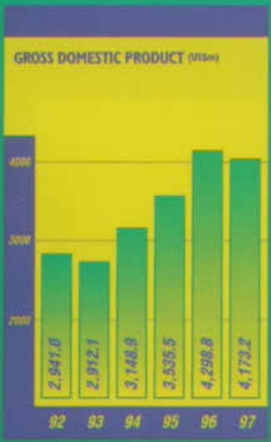
Economic indicators suggest that the macroeconomic package adopted by Mauritius is consistent and sustainable. In spite of a tightening of fiscal policy and higher real interest rates in the 1990s, economic growth has accelerated. Inflation has fallen. Marginally higher money supply growth in the 1990s is not fuelling inflation, but accommodating an average annual economic growth rate in excess of 5 percent. As a proportion of GNP, total external debt has fallen significantly. Mauritius has pursued export promotion since 1971, although import liberalisation commenced only in 1994. Vigorous promotion of exports, particularly in export-processing zones, has been very successful, and two-way trade, as a proportion of (substantially increased) income, has grown. The exchange control regime was liberalised in 1992. The entire policy package is highly supportive of increasing external trade globally. This will therefore enable Mauritius to take advantage of the opportunities created by globalisation generally and a SADC free trade area in particular.

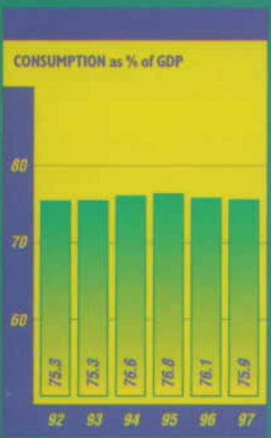
Mauritius ranks highly in most factors associated with high rates of economic growth: an educated labour force; well-developed infrastructural and institutional capacity; an economy open to international trade; democratic processes; and cautious macroeconomic policy. Currently the government's main priority is tax reform – the tax structure requires simplification, and a flat-rate value-added tax is to be introduced. The budget deficit, though moderate by African standards, has increased, and this trend must be reversed.

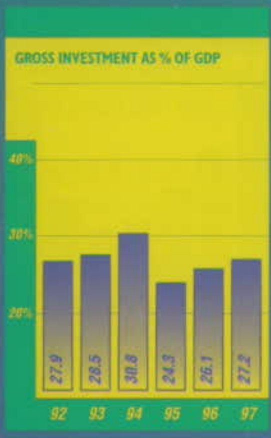
The export-processing zones and outward-oriented trade strategy have enabled Mauritius to diversify out of sugar exports into tea, horticulture and flowers, and into labour-intensive manufactures, especially clothing. Further trade liberalisation will occur under a WTO agreement.

The regulatory framework for investment

1. The government of Mauritius has identified Information Technology, and Printing and Publishing as priority areas for investment. The government is also looking for a foreign equity partner for the privatisation of the Telecommunications industry, and has plans to build a new airport terminal.
2. Legislation governing investment is contained in a number of different Acts. Foreign investors in Mauritius may obtain citizenship under a new permanent residence scheme. Foreigners may invest on the stock exchange and are subject to the same tax laws as locals. Non-residents may not have a controlling interest in a company and may not hold more than 15 percent of the voting rights in a sugar company. Investors are free to repatriate capital, profits and dividends. There are no restrictions on capital and current account transactions.
3. Fiscal incentives are offered for companies listed on the Official Stock Exchange. A company must be public, have a minimum capitalisation of MUR 20m, have been in operation for at least 5 years, and have a minimum of 200 shareholders in order to obtain a listing on the Official Market.
4. Companies that do not qualify for any of the numerous investment incentive schemes are subject to a corporate tax rate of 35 percent, except for companies that are listed on the Stock Exchange, and manufacturing companies; the latter are taxed at 25 percent and 15 percent respectively. There is no separate withholding tax on payments to non-residents. There is a general sales tax of 8 percent, soon to be replaced by a value-added tax.
5. Mauritius has an extensive network of double taxation agreements. If no tax treaty exists, the government provides unilateral credit relief for the burden of the tax imposed as a consequence of the lack of an agreement.
6. Mauritius maintains quotas on exports of textiles and clothing to the USA and Canada. Certain quotas apply to sugar exported to the EU and to the USA.
7. Non-citizens must obtain permission from Internal Affairs to own real estate.
8. Enterprises that are involved in the production for export of manufactured goods, deep sea fishing, printing and publishing, and information technology are eligible for incentives

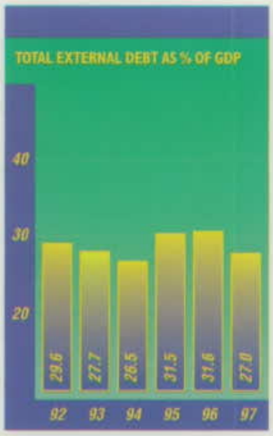


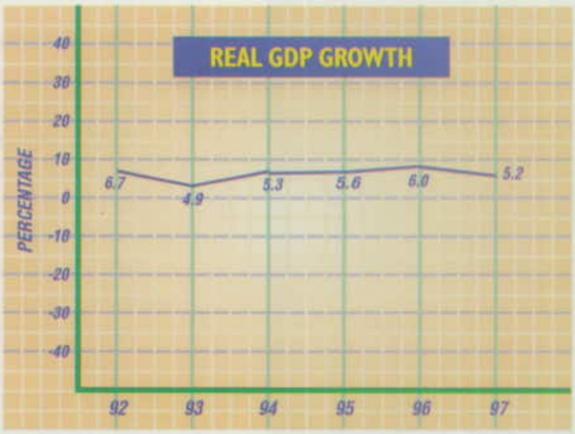


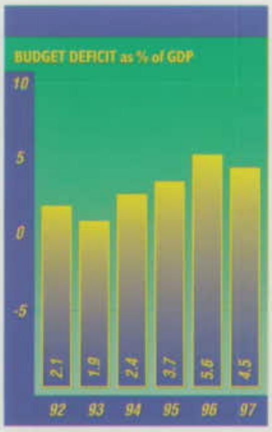


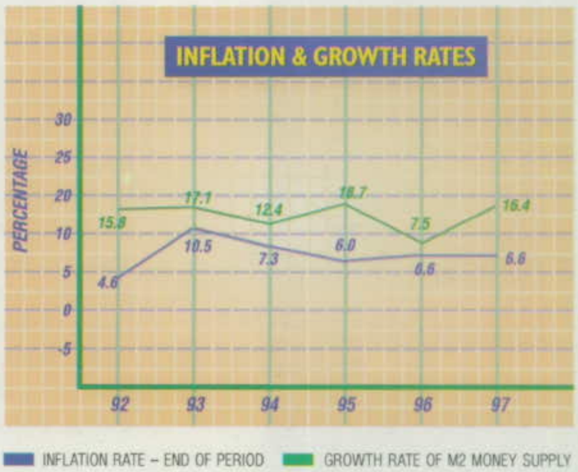
offered within the Export Processing Zone. There is no corporate tax in the EPZ, and dividends are tax-free for 20 years. Customs duties and sales taxes are not imposed on raw materials, machinery and equipment (except for motor vehicles). Commercial banks offer finance at preferential rates.

9. Companies conducting business with non-residents in currencies other than the Mauritian rupee qualify for Offshore Business status. Offshore businesses are free from exchange control, and are exempt from tax on capital gains and profits. There is no withholding tax on dividends, interest and royalties. As from July 1998, the offshore corporate tax rate is 15 percent.
10. Companies engaged in transshipment and the re-export trade are regulated by the Freeport Act (1992). Corporate profits and dividends are not taxed. Machinery, equipment and materials imported into the Freeport zone are exempt from duty and tax. Customs duties and sales tax are not levied on goods destined for re-export. 100 percent foreign ownership is permitted.
11. Special fiscal incentive programmes apply to Strategic Local Enterprises, Modernisation and Expansion Enterprises, Industrial Building Enterprises, Small and Medium Enterprises, Pioneer Status Enterprises, and to companies providing services to new hotels.
12. Mauritius is a member of MIGA and the ICSID, and a signatory to UNCTAD, WTO, the Lome Convention and the SADC Trade Protocol. Products manufactured in Mauritius with a value added component of at least 45 percent have preferential access to COMESA (Common Market for Eastern and Southern Africa) countries.
13. Mauritius was ranked first in the 1998 Africa Competitiveness Report.
14. Mauritius has accepted Article VIII obligations at the IMF.









Country Profile – Mozambique

Head of State
President Joaquim Chissano

Capital City
Maputo

National Day
25 June (1975)

Languages
Portuguese and various local languages

Currency
Metical (MT)

Area
799 380 km²

Population
16,5 million

Literacy
28%

Urbanisation
23%

Life Expectancy
46 years

Natural Resources
Prawns, fish, sea and marine resources, coconut, coal, gems, wildlife

Overview

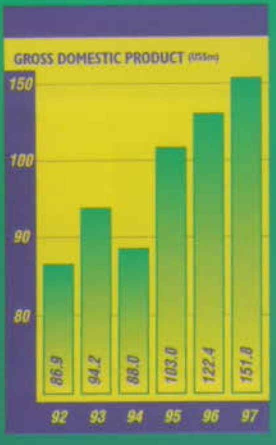
Mozambique is one of the world's poorest countries. Health care is minimal and illiteracy is ubiquitous; yet, even so, there are huge discrepancies between urban and rural areas. In spite of this, there is currently considerable optimism about Mozambique's economic prospects. Since the end of the civil war in the early 1990s, and with the adoption of a rolling structural adjustment programme from 1987, the country has grown each year by an average rate of nearly 5 percent (albeit with significant variation in growth rates, year-on-year). The growth in manufacturing value added has been most significant in cement and beverages. Export growth is small (in cotton, cashew nuts, sugar, timber and citrus), but growing.

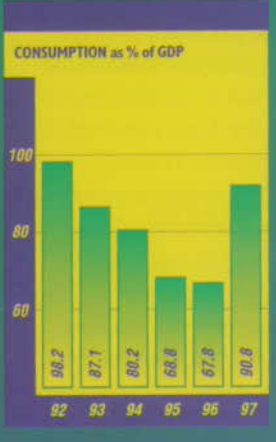
In 1994 a programme to privatise 700 state companies was launched. Improvement in transport links with South Africa and Zimbabwe and harbour upgrading are also priorities. Transport is likely to become as large foreign-exchange earner, as Mozambique is the shortest route to the sea for many of the landlocked countries in Southern Africa. Foreign capital is contributing to these projects, and, in the form of joint ventures, to the development of the huge potential in farming and tourism. This includes the clearing of landmines which still litter the country.

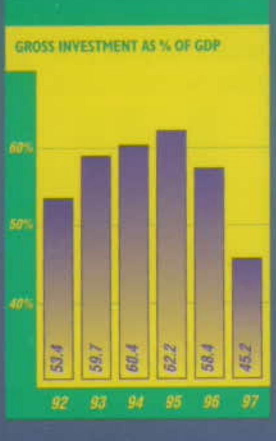
In spite of considerable improvements, the macroeconomic package remains unsustainable without huge injections of foreign aid. About 60 percent of the budget shortfall, which averages one quarter of GDP, is financed by foreign aid; as a percentage of total imports, foreign aid has, on average, exceeded 140 percent (although this ratio fell sharply in 1996). Consequently, the external debt-to-GDP ratio is rising very rapidly. There is some monetisation of the deficit; monetary policy is described as 'lax'; the official exchange rate has been depreciating at a rate in excess of 30 percent per annum (but appears to have stabilised in 1997). The cumulative rate of inflation up to end of December 1997 declined sharply to 5.8 percent from a level of 16.6 percent in 1996. The trade regime is being liberalised. Participation in a SADC free trade area will reinforce this process, but continuing injections of foreign aid and foreign direct investment (especially from South Africa) will be needed to support the balance of payments. Slippages in meeting macroeconomic policy targets will jeopardise both of these sources of foreign capital, and undermine the entire structural adjustment process, including trade liberalisation.

The regulatory framework for investment

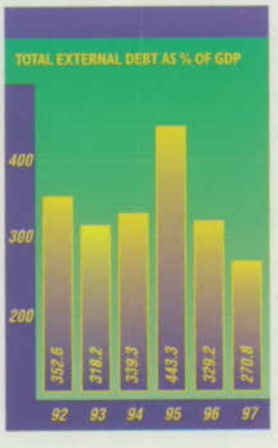
1. There is vast potential for investment in the development and rehabilitation of infrastructure in Mozambique. Opportunities have been identified in agriculture, forestry, fishing, tourism, mining and manufacturing.
2. The 1993 Investment Law regulates foreign and domestic investment and includes legislation on guarantees and incentives. It secures the legal protection of property connected with investment, and permits the repatriation of capital invested upon divestment. Investors will be accorded a just and equitable compensation in the event of expropriation necessitated by the cases of public or national interest, health, or public order. The bureaucracy surrounding investment is still high.
3. Foreign investors may operate both local and foreign currency accounts. The availability of foreign exchange is guaranteed for foreign currency accounts that are denominated as retention accounts. Foreign investors are permitted to repatriate capital, dividends and other distributions of profit. All commercial imports of goods or money must be registered with the Central Bank; future repatriation of nonregistered investment is not guaranteed.
4. Firms face differential tax rates, depending upon the sector in which they are located. Industrial enterprises are taxed at 40 percent, agricultural companies are taxed at 35 percent, and commerce and service enterprises face a 45 percent tax rate. There is an additional 10 percent circulation tax on all invoices.
5. Most imports and all exports need to be registered with the Ministry of Commerce. Foreign currency must be secured through negotiation with the commercial banks.

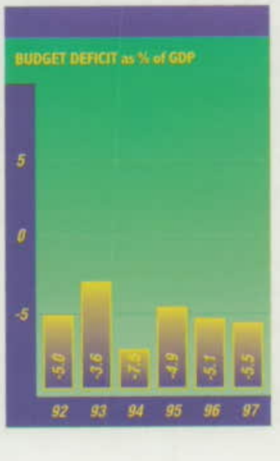


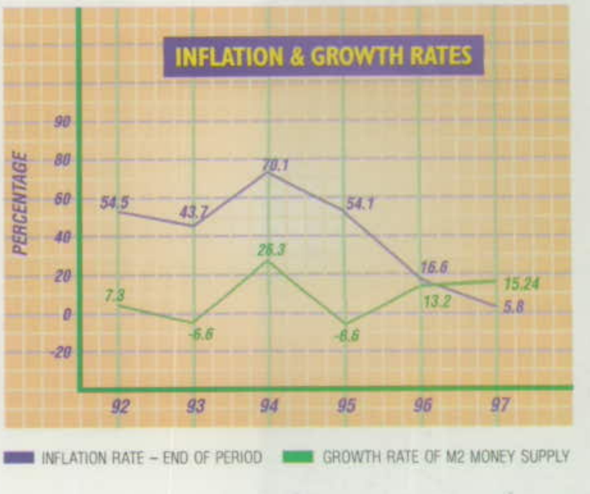




6. Tax incentives are offered for new or paralysed undertakings. During the period of recovery of investment (up to 10 years) corporate and supplementary tax rates are reduced by 65 to 80 percent. Additional incentives are available for investments in the less developed provinces, through the reduction of the Industrial Contribution (corporate) tax. Operating ventures are allowed 100 percent deductions for up to 5 years from taxable income of investments in new equipment, plant and infrastructure, and construction.
7. Investors making a minimum investment of USD5m are invited to develop or administer an Industrial Free Zone (IFZ). Companies must export at least 85 percent of total production, and must show a minimum investment of USD 50 000 to qualify for IFZ status. IFZ enterprises are granted exemption from all taxes and customs duties. Proposed sites include the Maputo and Berea areas, the Nampula Province, and the port of Nacala.
8. Goods produced in Mozambique are eligible for duty-free export quotas to the EU and other industrialised countries, under the Lome Convention and GSP respectively. Mozambique has a special trade agreement with South Africa.
9. The Investment Promotion Centre assists in the business application procedure. Suitable local partners are identified for foreign investors who are interested in joint ventures.
10. The Mozambique Stock Exchange is expected to be in operation before the end of 1998.
11. Mozambique's competitiveness was ranked 18th out of the 23 African countries studied recently by the World Economic Forum.
12. Mozambique has Article XIV status at the IMF.







Country Profile – Namibia

Head of State
President Sam Nujoma

Capital City
Windhoek

National Day
21 March (1990)

Languages
English and various local languages

Currency
Namibia Dollar (N$) = 100 cents

Area
824 268 km²

Population
1,62 million (1996 estimate)

Literacy
76%

Urbanisation
27%

Life Expectancy
61 years

Natural Resources
Diamonds, uranium, cattle, fish, wildlife, sea and marine resources

Overview

After independence in 1990 Namibia's government committed itself to a tight fiscal regime and to strict control over foreign borrowing. This commitment has wavered, and the deficit has grown as a proportion of GDP. An increase in government services, whose share in GDP more than doubled from 11 percent in 1980 to about 26 percent in 1994, was inevitable after independence, and was responsible for the widening deficit. After contracting by an annual average of 2.5 percent during the 1980s, Namibian GDP grew by an average of 4.5 percent per year from 1990 to 1996. At least in part, this was fuelled by average real annual growth in gross domestic fixed investment of 7 percent. Although still the most important sector in the economy, mining's share in GDP has fallen from 41 percent in 1980 to 16 percent in 1995, reflecting both a fall in mining output and an expansion in manufacturing and services (including government).

Namibia is a member of the Common Monetary Area, and monetary (and exchange-rate) policy, which is relatively tight, is controlled by the South African Reserve Bank. However, the new, independent, central bank has been instrumental in developing an independent money market which guides domestic interest rates. That the current-account balance is in surplus in spite of average fiscal deficits of almost 7 percent of GDP suggests that the private sector is being squeezed by the high real interest rates (averaging 6.9 percent between 1990 and 1995, and reaching 10.3 percent in 1996). Trade liberalisation is proceeding under SACU's WTO commitments, and Namibia is pursuing export promotion and the creation of an export-processing zone. If Namibia's private sector is to take advantage of new opportunities in the SADC free trade area – or existing ones in SACU and further afield – the government will need to ensure that its spending does not continue to crowd out private investment.

The regulatory framework for investment

1. Opportunities for investment in Namibia are available in energy and infra-structure projects, and in the production for domestic markets. Namibia is also focussing on its gateway position, targeting markets in southern and West Africa.
2. The 1990 Foreign Investment Act mandates the equal treatment of foreign and domestic companies in matters of taxation, regulation and location. The only exception is in the case of companies granted rights to exploration of natural resources; in the case of mineral exploitation, government may reserve a stake in the operation.
3. The general taxation rate is 35 percent. Diamond mining is taxed at 55 percent, oil and gas extraction faces a 42 percent tax rate (and an additional tax on profits), and other mining is taxed between 25 and 55 percent, depending on profitability. The maximum marginal individual income tax rate is 35 percent.
4. There is no capital gains tax or marketable securities tax on shares transactions on the Namibian Stock Exchange. Dividends for NSE listed companies are tax-free for Namibian residents, but there is a 10 percent tax levied on non-resident shareholders. An Unlisted Securities market is being established to provide a trading system for shares in companies that do not qualify for NSE listing. An improved computerised trading and depository system is to be introduced to facilitate and simplify market regulation.
5. Companies with foreign ownership of over 75 percent which wish to borrow in the domestic market are subject to exchange controls.
6. Namibia is part of the CMA. Payments within the CMA are unrestricted. Transfers of capital to and from non-CMA countries are subject to approval by the Bank of Namibia. The proceeds from the sale of CMA securities, real estate and other equity investments are freely transferable by non-residents.
7. There are plans to promote Namibia as a leading offshore finance centre, along the lines of Mauritius. Investors will be freed from existing foreign exchange transactions imposed by the South African Reserve Bank (as a result of membership in the CMA). In addition, investors will be able to secure foreign exchange offshore at more competitive rates.
8. Import licenses are issued in accordance with South Africa's import regulations. There are

no customs duties on imports originating in the SACU countries. Many exports do not require licenses.

9. Special foreign exchange concessions are allowed to companies involved in activities that are deemed particularly beneficial to the country, through the issue of a Certificate of Status Investment. Local and foreign manufacturing companies may be accorded fiscal concessions, and may apply for subsidised loans.

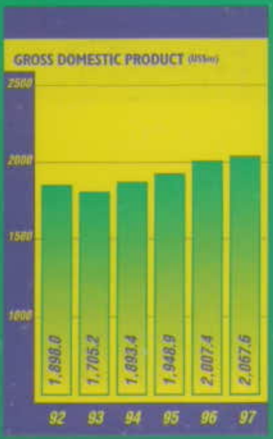
10. A series of programmes has been launched to promote export production. The Export Processing Zones in Arandis and Walvis Bay grant tax exemption, guarantee currency conversion, provide liberal labour and customs regulation, and offer conditional reimbursement of up to 75 percent of EPZ personnel training costs. An 80 percent tax exemption on profits on exports of manufactured goods (except for fish and meat products) is available.

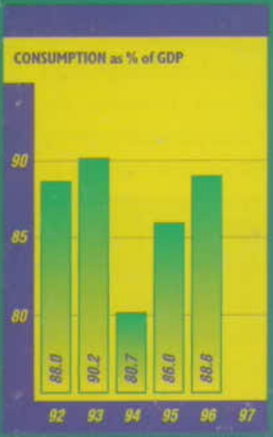
11. Namibia is a signatory to the Lome Convention, and the GSP. Double taxation agreements operate with South Africa and the UK, and negotiations with other countries are in progress. Foreign investments are protected by MIGA and bilateral agreements provide guarantees for American, German and Swiss investors.

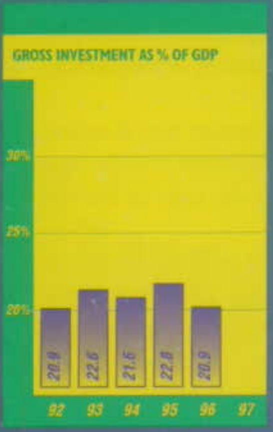
12. The Investment Centre targets the promotion of domestic investment, and provides advisory and informational services for all potential and actual investors.

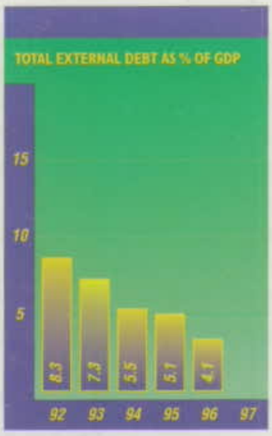
13. Namibia's competitiveness was ranked 4th in a sample of 23 African countries studied recently by the World Economic Forum.

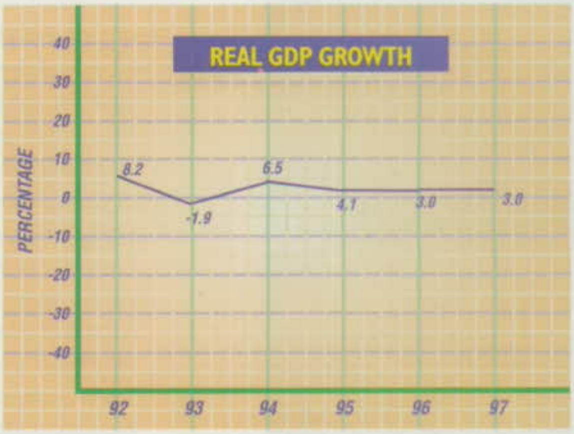
14. Namibia has accepted the Article VIII obligations of the IMF.

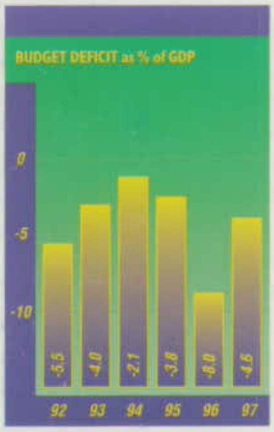


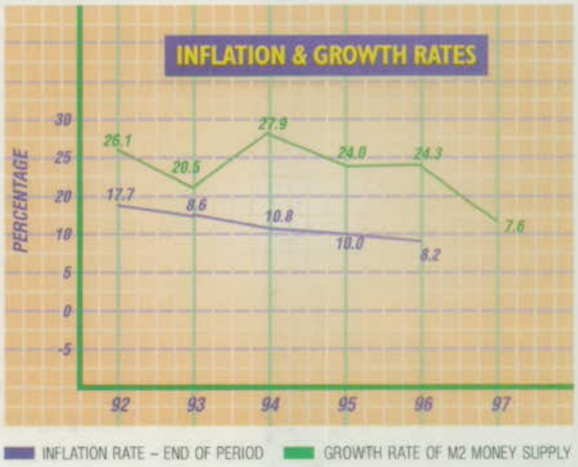












Country Profile – South Africa

Head of State
President Nelson Mandela

Capital City
Cape Town (legislative) and Pretoria (executive)

National Day
27 April (1994)

Languages
Afrikaans, English, Ndebele, Sotho (South), Pedi (North Sotho), Swati, Tsonga, Tswana, Venda, Xhosa and Zulu

Currency
Rand (R) = 100 cents

Area
1 221 000 km²

Population
43 million (1997 estimate)

Literacy
61%

Urbanisation
56%

Life Expectancy
63 years

Natural Resources
Gold, coal, platinum, iron ore, copper, timber, sugar, fish, sea and marine resources, wildlife

Overview

Very tight monetary policy has reduced inflation, but this has inevitably reduced domestic investment. The external debt-to-GNP ratio has fallen considerably, but limited foreign-exchange reserves give little scope for a loosening of monetary policy. The government recognises the need to reduce the fiscal deficit, introducing specific targets in June 1996, when it committed itself to fiscal discipline and anti-inflationary monetary policy. This is crucial for enabling the private sector to appropriate its own surpluses for investment. The commitment to market-friendly policies is also evidenced by the recently announced privatisation programme, the abolition of almost all agricultural marketing boards, and the phasing out of exchange controls. The economy remains relatively closed, although reintegration in the world economy is being accelerated under the 1994 WTO agreement. The private sector is struggling against the high costs of borrowing, uncertainty, lack of information about export markets, and foreign competition.

Renewed access to international capital markets has allowed greater flexibility in managing the country's external debt, currently around 24 percent of GDP. In just over two years the government has considerably extended the maturity profile of the public debt out to ten years. In 1996 and 1997, in spite of net short-term outflows, foreign direct investment and long-term portfolio inflows grew steadily, and domestic investment increased by nearly 7 percent.

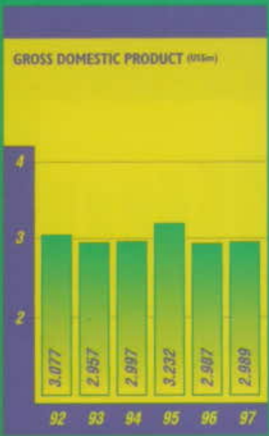
Because inflation has not eroded the real depreciation of the rand, there has been a surge in non-agricultural exports, contributing, together with agricultural recovery, to moderate economic growth. While some industries, like textiles, footwear and clothing, are struggling to adjust to accelerated tariff reduction, the response of other sectors, like motor vehicles, basic metals and tourism, is very good. Reform in Southern Africa is opening up other opportunities: South African mining companies are investigating projects in Namibia, Angola, Zambia, Mozambique and the Democratic Republic of Congo; and financial services, sugar, beer, clothing and large-scale engineering interests are expanding rapidly in the region. Further exchange control liberalisation in South Africa in 1997 and 1998 has made it possible for South African investors to increase outward investment in the region.

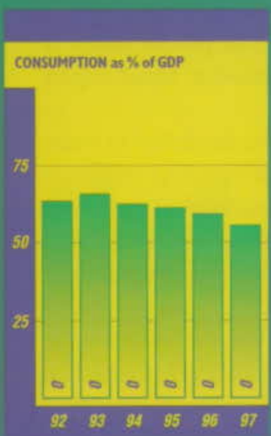
The regulatory framework for investment

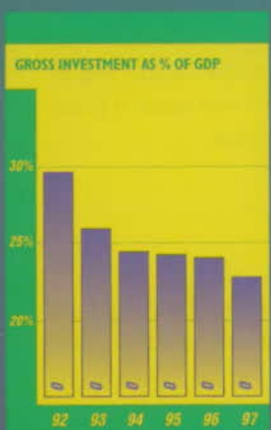
1. South Africa's recent emergence from economic isolation and re-entry into the global market has opened up a vast array of opportunities for foreign and South African investors alike.
2. An export insurance scheme provides exporters with facilities for insurance against commercial insolvency and political or transfer risks. Negotiations are underway for the establishment of bilateral agreements with nine countries, for the promotion and protection of investment.
3. A 14 percent value-added tax is levied on all goods, with the exception of some basic foodstuffs and exports. Income is taxed at source in South Africa. In addition to normal income tax, a secondary tax is levied on companies (12.5 percent on dividends declared). Partnerships/Joint Ventures are not treated as separate entities. Mining, agriculture and long-term insurance companies face specific tax legislation.
4. There are no capital gains taxes. Profits may be repatriated and are not subject to a withholding tax. Tax losses incurred by businesses may be carried forward and set off against future profits as long as the business is in operation. Double taxation agreements exist with numerous countries.
5. Trade with foreign countries outside the Southern Africa Customs Union is heavily regulated, but is in the process of liberalisation. Import quotas have been replaced by tariffs, which are being steadily reduced. Most goods from Botswana, Lesotho, Malawi, Namibia, Swaziland and Zimbabwe do not require import permits. Export licenses must

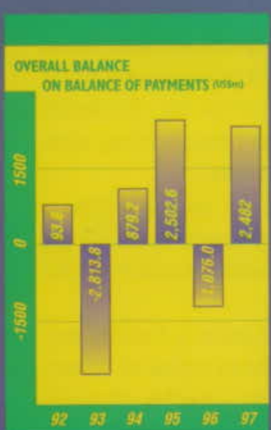
be procured for goods that are deemed to be strategic or in short supply.

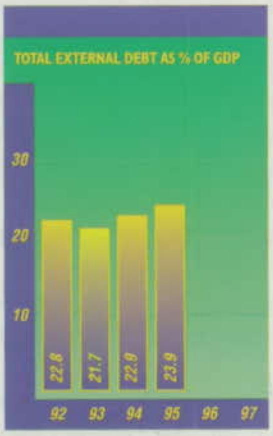
6. The equity, bond and futures markets each has its own stock exchange. The Johannesburg Stock Exchange (equities) is governed externally by the Stock Exchanges Act (1985), and internally by its own regulations. A Development Capital Market for small to medium enterprises, and a Venture Capital Market have been established.
7. Firms may list on the JSE to raise capital for ventures in other SADC countries. Dual listings on the JSE and other SADC stock exchanges, and the issue of depository receipts for firms listed in the SADC region, are permitted.
8. Prior approval is required from the South African Reserve Bank for residents to borrow from non-residents. Companies with more than 75 percent non-resident ownership or control are limited in their local borrowing.
9. Foreign exchange may be provided for the payment of imports. Profits and dividends may be transferred freely. The transfer of director's fees in excess of ZAR 4 000 per annum, management fees and royalties must be approved by the South African Reserve Bank.
10. The Spatial Development Initiative programme aims to involve the private sector in the provision of infrastructure in areas with untapped potential. The Industrial Development Zones will focus on creating a competitive and efficient environment for export production.
11. There are a variety of investment incentive schemes. Tax concessions are accorded to Research & Development firms, and for employees' housing and depreciation. Financing incentives are provided for industrial development. The Department of Trade and Industry operates an Export Marketing Assistance programme.
12. Investment South Africa (ISA) aims to promote foreign direct investment in South Africa and to provide investor facilitation services. An investment agency operates in each of the 9 provinces; they are all coordinated by Investment South Africa.
13. South Africa's competitiveness was ranked 7th in a sample of 23 African countries studied recently by the World Economic Forum.
14. South Africa has accepted Article VIII obligations at the IMF.

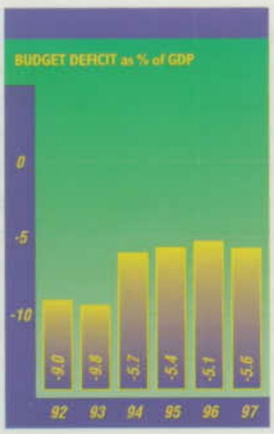


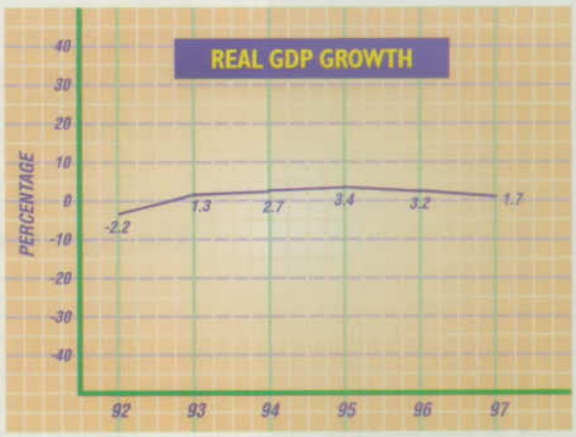


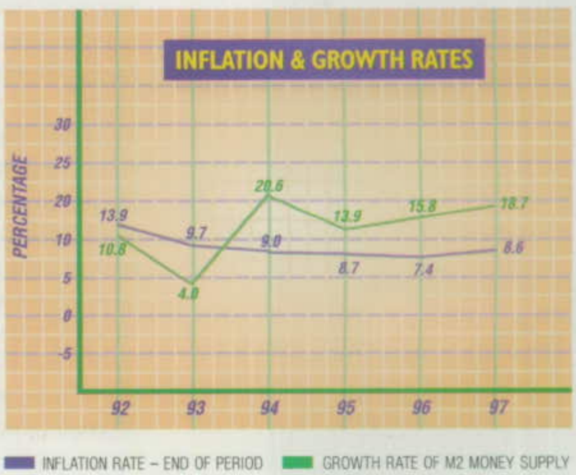












Country Profile – Swaziland

Head of State
King Mswati III

Capital City
Mbabane

National Day
6 September (1968)

Languages
English and SiSwati

Currency
Lilangeni (E) = 100 cents

Area
17 364 km^2

Population
970 thousand

Literacy
79%

Urbanisation
24%

Life Expectancy
56 years

Natural Resources
Sugar, food products, wood pulp, wildlife

Overview

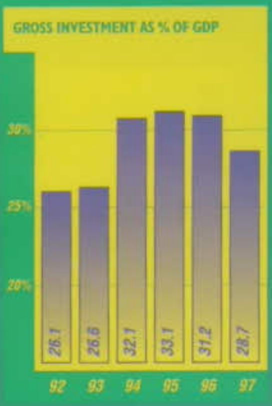
During the 1990s Swaziland's budget has been close to balanced. Growth is modest: Swaziland's growth has slowed in the 1990s to an average of 2.5 percent a year, mainly because of lower than average rainfall and depressed world demand for its primary exports. Inflation is higher than in South Africa, one of the main suppliers of imports. External debt is low. Aid inflows are small, and Swaziland has no IMF-funded structural adjustment programme.

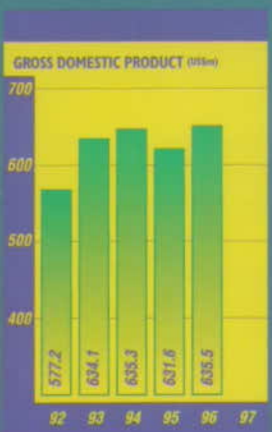
Like Lesotho and Namibia, Swaziland's membership of SACU and the Common Monetary Area (CMA) restricts its ability to make economic policy independently. Like these countries, therefore, monetary policy is tight, and the trade and foreign exchange regimes are being liberalised. The macroeconomic regime is broadly supportive of investment, although Swaziland has suffered some disinvestment as companies relocated to South Africa in the post-sanctions period. The government needs to focus on microeconomic interventions and labour policies to foster diversification into non-traditional exports. There has already been some success, notably in electronic appliances, textiles and processed food. At the same time, it is important to develop the country's comparative advantage, particularly in fruit and sugar production, in order to attract Swaziland-specific investment.

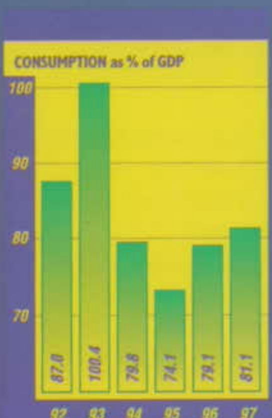
The regulatory framework for investment

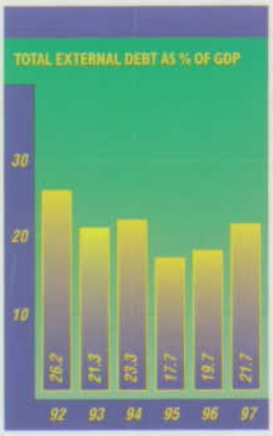
1. The Governments of Swaziland, South Africa and Mozambique have entered into a joint partnership called the Lubombo Spatial Development Initiative (SDI), in conjunction with the development of the Maputo Corridor. The SDI is projected to offer an exceptional investment climate in terms of opportunities, and streamlined investment procedures. Potential projects for investment in Swaziland exist in the agriculture, construction, manufacturing and tourism industries.
2. The newly revised Investment Promotion Bill incorporates the investment incentives that were developed during 1997, and lays down the regulations governing investment in Swaziland. In conjunction with the Swaziland Investment Promotion Authority, it aims to reduce the bureaucratic obstacles confronting investors.
3. Tax reforms are aimed at reducing the corporate tax rate to 30 percent, leading to 25 percent in the medium term. Further tax incentives are being considered. The maximum individual tax rate is 39 percent. Double taxation agreements are in operation with South Africa, Mauritius and the UK.
4. Tax deductions may be made for personnel training and employee housing, and there is an initial depreciation tax allowance of up to 50 percent. Tax losses may be carried forward and set off against future profits. There is a 10 percent local preference tax allowance on public tenders.
5. Imports from outside the SACU must be licensed according to import regulations. License-holders are entitled to purchase foreign exchange to make import payments. The Central Bank operates an Export Credit Guarantee Scheme.
6. Payments within the CMA are unrestricted. Dividends and profits may be repatriated, subject to a 15 percent withholding tax (12.5 percent for SACU destinations). Outward transfers of capital must obtain Central Bank approval. Inward transfers of capital should be registered with the Central Bank to guarantee future repatriation.
7. Companies outside the CMA with foreign ownership of more than 25 percent may be limited in their access to local borrowing facilities.
8. Swazi goods have preferential access to the European market under the Lome Convention, and to the USA and other industrialised countries through the GSP.
9. As a signatory of MIGA, Swaziland guarantees against the nationalisation and expropriation of private enterprise.

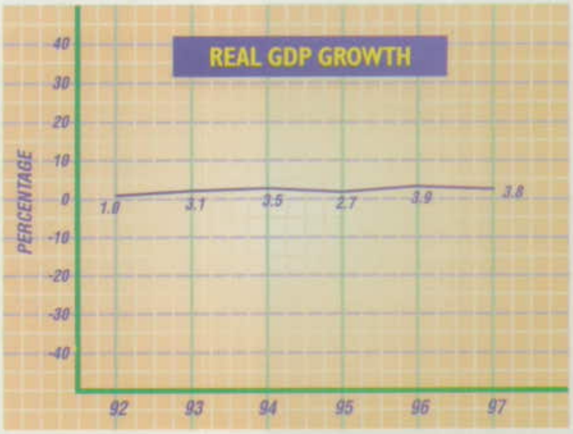
10. The Swaziland Investment Promotion Authority (SIPA) focuses on the promotion of investments in the tourism and mining sectors, and export-oriented, labour-intensive and resource-base sectors.
11. Applications by residents for outward investment are considered on their merits. Residents are generally not allowed to borrow abroad or in foreign currency.
12. Swaziland has accepted Article VIII obligations at the IMF.
13. Swaziland was recently ranked 8th in competitiveness in the sample of 23 African countries studied recently by the World Economic Forum.

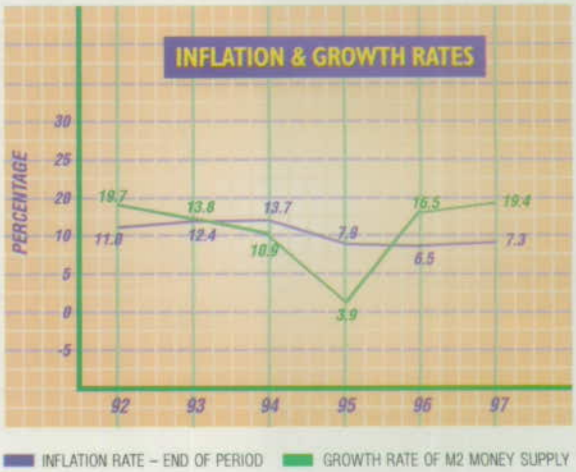












Country Profile – Tanzania

Head of State
President Benjamin Mkapa

Capital City
Dodoma (political) and Dar es Salaam (administrative, commercial)

National Day
9 December (1961)

Languages
KiSwahili, English and various local languages

Currency
Tanzanian Shilling (TZS) = 100 cents

Area
945 200 km²

Population
32 million

Literacy
84%

Urbanisation
30%

Life Expectancy
50 years

Natural Resources
Cotton, coffee, cloves, sisal, cashew nuts, tea, tobacco, minerals, wildlife

Overview

Tanzania introduced multi-party democracy in 1990, but the revival of the economy started in 1986, in favour of structural adjustment policies and liberalisation, including privatisation, the liberalisation of domestic markets and public sector reforms. These reforms have shifted resources away from the public sector towards the private sector. The volume of trade in both domestic and external sectors has increased with more participation by private agents. Shortages of most imports have been eliminated; and exports have grown strongly; while traditional exports increased by 17 percent in 1996, non-traditional exports increased by 13 percent).

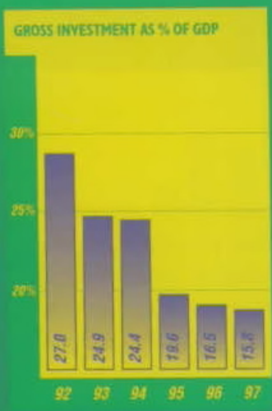
Tanzania's economy still displays evidence of macroeconomic imbalance, in spite of improvements in the overall policy regime. Budget deficits remain high (and have increased in recent years), as it still depends on aid. The external debt ratio is growing, and, on average, over two thirds of imports have been financed by aid (although notably this ratio fell to around 33 percent in 1996). Money supply growth has generally accelerated, and price inflation has averaged 24 percent for almost two decades. This rate reached 154 in 1997 as the effects of raising real interest rates from being highly negative to significantly positive were felt. High inflation in the past has been due to monetisation of at least part of the deficit. While both the deficit and interest rates are high, signaling high views to private investors but efforts are being worked out to avoid effects to economic growth through a free trade area.

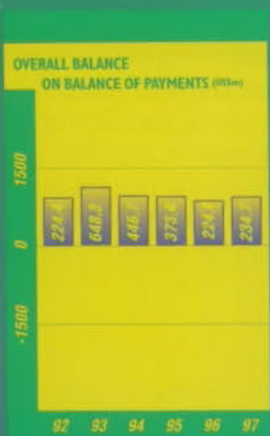
The regulatory framework for investment

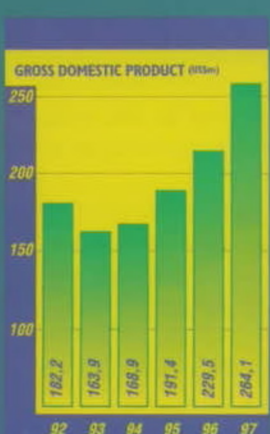
1. Private investment is considered to be the driving force of economic growth in Tanzania. Priority areas for investment have been identified as exploration of petroleum and mining resources, agriculture and livestock development, construction, manufacturing, high technology businesses, tourism and transport.
2. An Act establishing Tanzania Investment Centre in 1997, outlines areas of national priority for investment, and states investment incentives and extensive guarantees and Private sector associations are given on evenue to discuss with the government about policy matters affecting the business environment.
3. The corporate tax rate is 30 percent, and the maximum individual income tax rate is 35 percent. There is a withholding tax on dividends and profit-sharing tax for non-residents of 10 percent. Value Added tax is 20 percent.
4. There are numerous tax incentive schemes, from a full write-off for clearing and planting agricultural land in the year of investment, to generous depreciation allowances. Some mining ventures are granted a 20 year tax holiday. Tax losses may be carried over and offset against future profits. All Tanzanian exports will be exempted from the projected 20 percent value added tax.
5. First time investors benefit from a five-year tax holiday and reductions in the standard rate thereafter. Imported capital equipment and raw materials are exempt from duty and sales taxes. There is a five-year tax exemption of withholding tax on dividends, royalties and in investment payment.
6. There are special incentives for investing in oil exploration, including long exploration periods and large areas of exploration. In addition, corporate taxes and royalties are settled by the Tanzania Petroleum Development Corporation. TPDC participation is limited to a maximum of 20 percent.
7. Internal and external trade has been liberalised. Most import restrictions have been removed, and export and import procedures have been simplified. Imports of goods exceeding $ 5 000 require a preshipment inspection document. Price controls have been abolished. There is an EPZ in Zanzibar, governed by the Economic Zones Act (1992). More EPZs are to be established in Tanzania.
8. The Foreign Exchange Act (1992) eliminated foreign exchange controls. Investors are permitted to retain 100 percent of their net foreign exchange earnings for the remittance of dividends, profits, and the settlement of external obligations. Residents and non-residents are permitted to hold foreign currency accounts.
9. Capital transfers are subject to the approval of the Bank of Tanzania. All inward investments should be registered with Tanzania Investment Centre to facilitate future repatriation

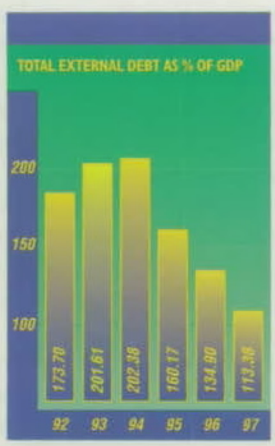
of capital. Non-residents may borrow locally.

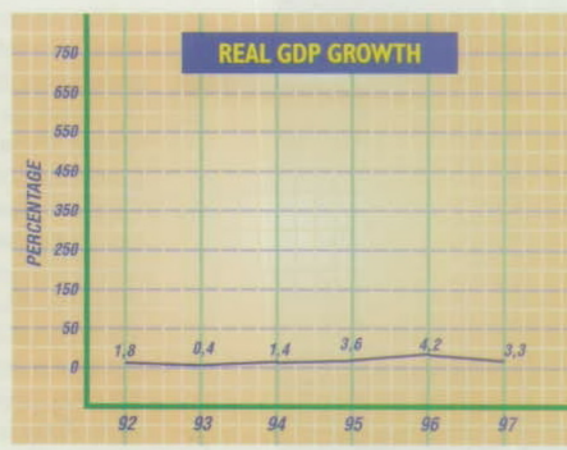
10. The Dar-es-Salaam Stock Exchange is regulated by the Capital Markets and Securities Authority. It operates on a three-tier system; each tier has different qualifying requirements.
11. The Tanzania Investment Centre is responsible for the promotion, co ordination, regulation, and monitoring of local and foreign investments. There is a separate Investment Protection Authority in Zanzibar (ZIPA) which provides information and advice to potential investors in Zanzibar. Tanzania is a member of MIGA and a signatory to the ICSID.
12. Tanzania's competitiveness was ranked 16th in a recent study of 23 African countries by the World Economic Forum.
13. Tanzania has accepted Article VIII obligations of the IMF.

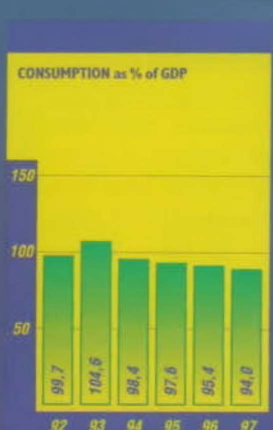


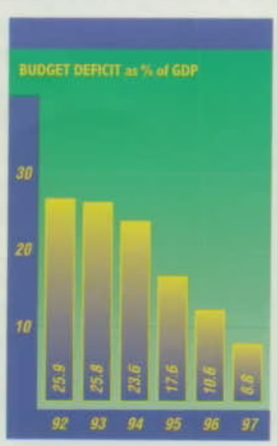


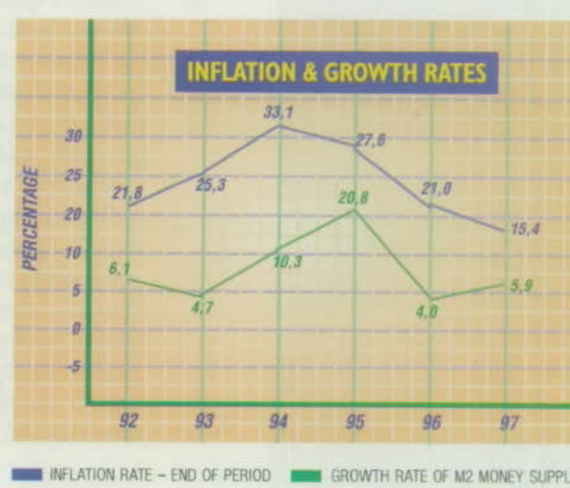












Country Profile – Zambia

Head of State
President Frederick Chiluba

Capital City
Lusaka

National Day
24 October (1964)

Languages
English and various local languages

Currency
Zambian Kwacha (ZK) = 100 ngwee

Area
752 612 km²

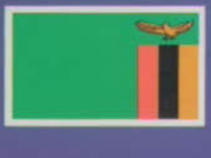
Population
10 million (1998 estimate)

Literacy
79%

Urbanisation
38%

Life Expectancy
46 years

Natural Resources
Copper, zinc, cobalt, electricity, lead, wildlife, agricultural products



Overview

In the 1990s Zambia introduced a 'cash budget' in an attempt to control unsustainable government expenditure and to bring down inflation which was in excess of 100 percent per annum. Deficit reduction has been achieved at the cost of a serious deterioration of public service delivery; a rapid build up in arrears; and an extremely tight domestic credit squeeze. As inflation fell dramatically in the mid-1990s, real interest rates soared equally dramatically setting off a series of liquidations. The economy is still precariously unstable, critically dependent on aid to service its impossibly high debt: almost all imports are financed by aid inflows, which creates considerable difficulties when disbursements of aid are withheld. Considerable progress has been made with the privatisation programme: significantly more than half of the portfolio of 280 enterprises have already been privatised, and the Zambia Consolidated Copper Mines privatisation is central to Zambia's success in the coming years.

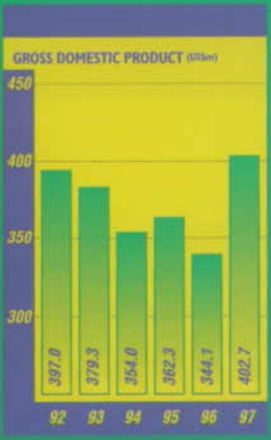
The combination of an extremely tight monetary policy and rapid progress with privatisation has contributed to a "new dualism" in the Zambian economy. Sectors where foreign direct investment and access to foreign working capital is relatively easy have recorded high rates of growth. On the other hand, firms which are unable to access offshore credit are faced with extremely tight conditions in the domestic (Kwacha) credit market, which has been exacerbated by the adverse effect of the accumulation of arrears by the government.

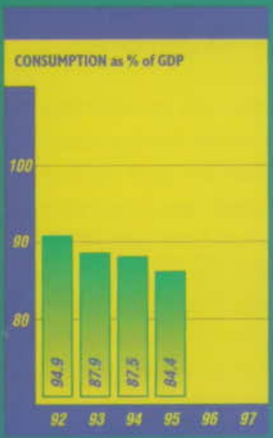
For the first time in many years prospects for Zambia look relatively bright if seriously imbalanced. Growth in 1996 was mainly a result of a recovery in agriculture, but other sectors are beginning to show a turn-around. The decline in mining output (which fell almost 25 percent after 1993) has been halted, and prospects for that sector are now better than they have been since the early 1970s. Non-traditional exports continue to grow rapidly with 1997 seeing the fourth successive year of growth in excess of 20 percent in real terms. The trade agreement signed with SACU in 1997/98 should be a further stimulus to exports. However, as the productive base of the economy has contracted, two-way trade has also fallen as a proportion of GDP. Even though trade and foreign-exchange markets are fully liberalised, investors will be hesitant about making large irreversible investments for a while, because of current instability, extremely tight domestic money market conditions and past policy reversals.

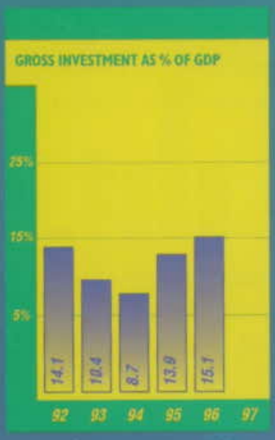
The regulatory framework for investment

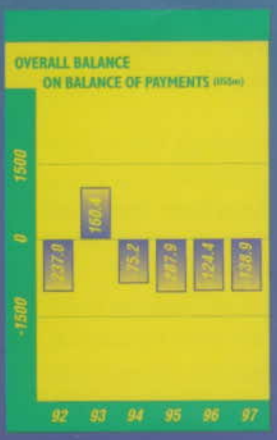
1. The main sectors of interest for investors in Zambia have been identified as agriculture, tourism, mining, utilities and services such as transportation. Opportunities for foreign partnerships with local investors exist in manufacturing, basic metal engineering, and tourism.
2. The Investment Act of 1993 regulates investment policies. Investments are guaranteed against expropriation in the Investment Act and by the Securities Act.
3. Companies are taxed according to the nature of their activities. Manufacturing companies face a 35 percent corporate tax rate, nontraditional export companies are taxed at 15 percent, Companies that are listed on the Lusaka Stock Exchange at 30 percent and farming at 15 percent. The personal income tax rate is between 10 to 30 percent. There is a 15 percent withholding tax. Value-added tax is 17.5 percent.
4. Capital gains are not taxable, and resident contractors and suppliers do not face a withholding tax. There is a property transfer tax on immovable property, and stock and shares in companies incorporated in Zambia. Double taxation agreements have been concluded with approximately 17 countries. A tax credit may be obtained for payments that result from the non-existence of such a treaty.
5. Mining operations benefit from special fiscal incentives. Tax allowances are made for buildings used by manufacturing, mining and hotel companies. Deductions apply to research, technical education or other personnel training. Small scale enterprises are excused from certain licensing procedures and are granted tax allowances.

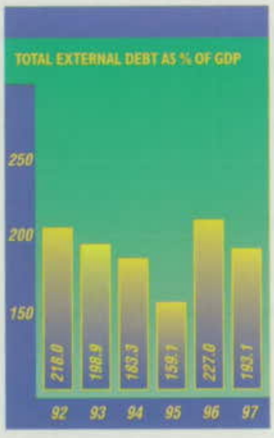
6. There is no restriction on foreign ownership or shareholding on the Lusaka Stock Exchange (LuSE). Dual listings are permitted. Special tax incentives are offered to companies listed on the LuSE. The LuSE is regulated by the Securities and Exchange Commission, which is an independent body.
7. Foreign trade has been fully liberalised, and import and export procedures and documentation have been liberalised. Imports are however subject to pre-shipment inspection for consignments in excess of $10,000.
8. The government has plans to establish Export Processing Zones (EPZs), some of which will be located in areas that at present have low levels of industrial activity.
9. A large number of formerly Government owned smaller corporations have already been privatised. The commitment to privatisation remains strong, and there are plans to privatise transportation, energy and utility services, property, finance and telecommunications in the next 24 months. Most Government companies are sold on a competitive tender basis, and are open to foreign bids.
10. The Zambia Investment Centre promotes, implements and facilitates investment policy and projects. The Centre assists in licensing, offers advisory service, and facilitates Joint Venture arrangements between foreign and local investors.
11. Zambia has Article XIV status at the IMF. Virtually all exchange controls have been abolished.
12. The various exchange rates, for Government transactions, the commercial banks' corporate rates, the commercial banks' retail rates, and the inter bank rate are closely linked and are mainly market determined.
13. Zambia's competiveness was ranked 12th in a recent study of 23 African countries.
14. Zambia has (conditionally) accepted the obligations of Article VIII at the IMF.

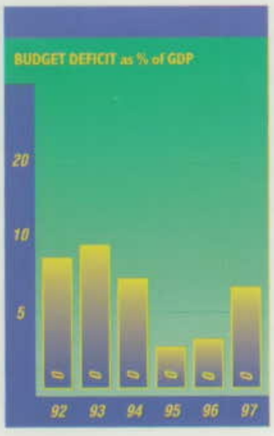


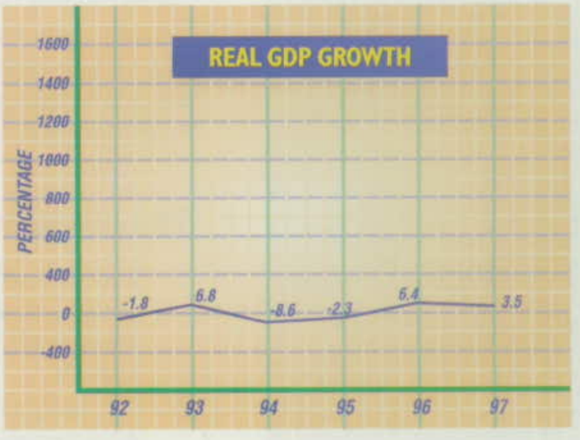


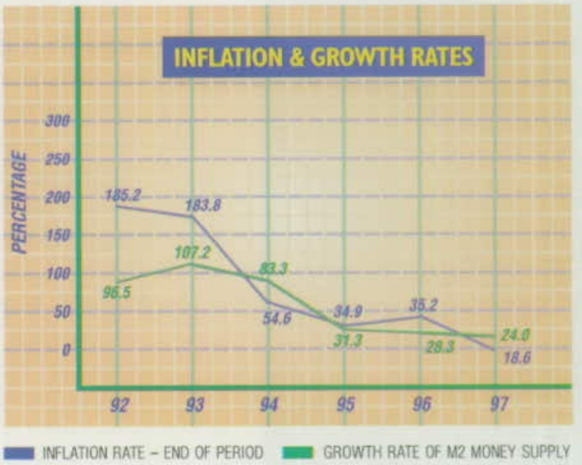












Country Profile – Zimbabwe

HEAD OF STATE
President Robert Mugabe

CAPITAL CITY
Harare

NATIONAL DAY
18 April (1980)

LANGUAGES
English, ChiShona, SiNdebele and Kalanga

CURRENCY
Zimbabwe Dollar (Z$) = 100 cents

AREA
390 757 km^2

POPULATION
11.9 million

LITERACY
80%

URBANISATION
31%

LIFE EXPECTANCY
61 years

NATURAL RESOURCES
Asbestos, gold, copper, nickel, tobacco, agricultural products, wildlife

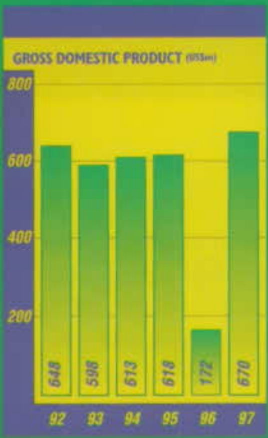
Overview

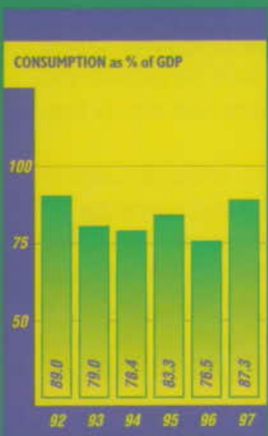
The effectiveness of Zimbabwe's structural adjustment programme has been undermined by the inability of the government to reduce the fiscal deficit, which has averaged ten percent of GDP during the 1990s and shows little sign of being reduced substantially. In the 1980s the authorities managed to finance this in a non-inflationary way by borrowing from the domestic private sector. In the 1990s, however, a greater proportion of the deficit has been financed by money creation and by foreign borrowing. Attempts by the Reserve Bank of Zimbabwe to restrain the growth of the money supply have therefore been undermined. The currency depreciated against the US dollar by an annual average of almost 20 percent in the 1990s. Although some exporters have been able to take advantage of the opportunities presented by trade liberalisation, the credit squeeze has made it difficult to expand export capacity. The unsustainability of the macroeconomic policy regime will limit the gains to the economy of regional trade liberalisation, even though Zimbabwe's relative size means that two-way trade with its neighbours will probably increase.

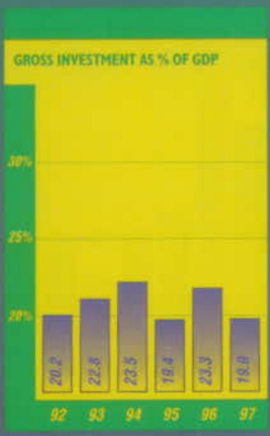
On the negative side, real incomes have fallen 16 percent since 1991; unemployment is rising; and there is popular dissatisfaction expressed in the worst industrial unrest for 17 years: a wave of strikes and go-slows, some marked by violence, across the country. Inflation had taken a downward trend from 1996 up to the third quarter of 1997 when it began to increase. It is expected to decline in 1999 as the Zimbabwe Government implements a recently launched reform programme, termed Zimbabwe Programme for Economic and Social Transformation (ZIMPREST). On the positive side, the economy grew by 7.0 percent in 1996 and 20.0 percent in 1997. Zimbabwe is more diversified than any other economy in the region, and exports tobacco, gold, ferrochrome, horticulture, cotton, and manufactured goods. Tourism is also growing. There has been liberalisation of foreign trade and payments, extensive deregulation of money, capital, labour and foreign-exchange markets, and the partial freeing of the foreign investment regime, although the government still insists that it will continue to play a role in the choice of foreign partners. It also wishes to use the privatisation process to benefit local black entrepreneurs.

The regulatory framework for investment

1. Opportunities for investment exist in the manufacturing and agro-industries, in mining, tourism and agriculture.
2. Investment is regulated by the Zimbabwe Investment Centre (ZIC) Act, the Export Processing Zones Act and the Stock Exchange Act. All foreign investments must be submitted to the Zimbabwean Investment Centre for approval. The ZIC is run by a government appointed board, drawn largely from the private sector.
3. Direct foreign investments up to US$40 million in the preferred areas (mining, agro-industry, manufacturing, tourism and high technology services) are approved by ZIC. In the non-preferred areas, foreigners may only 35% of the shares. Previously blocked funds can qualify as new venture capital if they are invested in approved projects and if they are matched by incoming new funds. Foreigners desiring to purchase equity in existing companies must first secure Reserve bank approval.
4. There are detailed controls over the export of funds arising from the liquidation of direct investments previously made by non-residents.
5. The corporate tax rate is 37.5 percent, but is scheduled to be reduced to 35 percent in 1999. There is a 20 percent withholding tax (15 percent for companies that are listed on the Stock Exchange). The maximum individual tax rate is 45 percent. There is a surtax of 10 percent. Double taxation agreements have been concluded with 11 countries. Agreement with Malaysia has been ratified, while an agreement with France is still being discussed.
6. Tax allowances are granted for industrial and commercial construction, employee housing, and training buildings and equipment. Equipment and machinery for business pur-

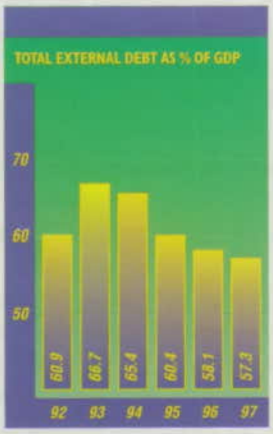


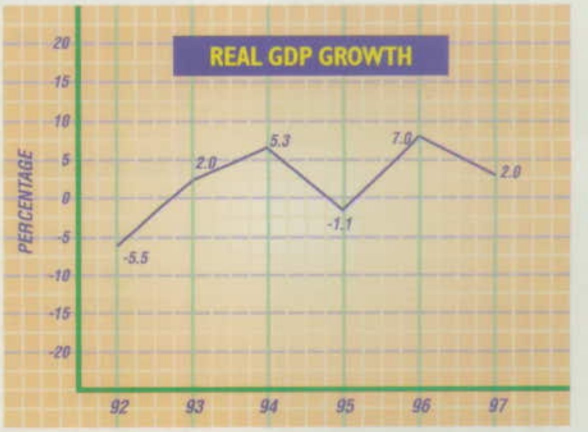


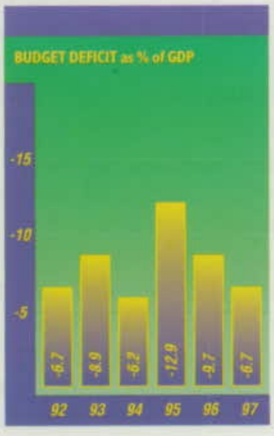


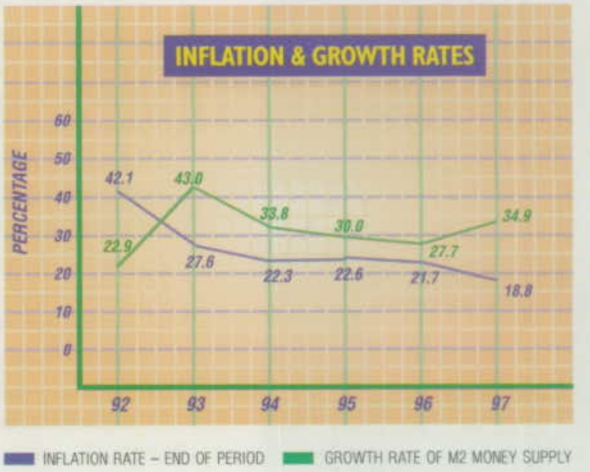
poses are exempt from sales tax and customs duty.

7. Special incentive packages are offered for companies undertaking mining operations. New manufacturing companies in Growth Point Areas are also offered fiscal incentives.
8. Import and export procedures have been relaxed. Export licences are required for strategic goods. There remain some import restrictions, mainly for health and security reasons. The export of gold in unmanufactured form is licensed by the Department of Mines.
9. Companies operating within Export Processing Zones qualify for numerous tax exemptions. There is a duty drawback system which reimburses import duties when the qualifying goods are exported in an unused state or as components of export goods.
10. Exchange controls have been liberalised. Profits and dividends may be repatriated by foreigners. Original capital investments may be repatriated in the case of divestment. Investment inflows and transfers may be held in foreign currency accounts. Foreign companies are permitted access to local borrowing facilities. Both residents and non-residents may apply to hold foreign currency bank accounts.
11. Foreigners are eligible to participate in the Zimbabwe Stock Exchange (ZSE). Foreign investors are permitted 10 percent ownership of a listed company. Foreign ownership of any one company is limited to 40 percent. Foreign investors may participate in the primary markets for bonds and stocks, up to 15% of their funds brought into Zimbabwe.
12. Foreigners making large investments may qualify for permanent residency.
13. Zim Trade promotes the national trade policy. Zimbabwe is a signatory of several bilateral and multilateral trade and investment agreements, guaranteeing security for the property of investors.
14. Zimbabwe's competitiveness was recently ranked 20th out of a sample of 23 African countries.
15. Zimbabwe has accepted the Article VIII obligations at the IMF.









Review of the SADC Programme of Action

Performing during the commemoration of SADC Day (17 August), are the back-up singers and lead vocalist Lesotho's Tshepo Tshola, all of "Our Story" – the SADC Cultural Ensemble. The musical show was staged in Gaborone, Botswana to commemorate SADC Day in 1998.

Overview

The SADC Programme of Action (SPA) is an amalgam of the various sectoral programmes in the agreed areas of co-operation. Currently, there are 20 such programmes co-ordinated by Member States, as follows:

Angola:	Energy
Botswana:	Agricultural Research; and Livestock Production & Animal Disease Control
Lesotho:	Environment & Land Management; and Water
Malawi:	Inland Fisheries, Forestry & Wildlife
Mauritius:	Tourism
Mozambique:	Culture, Information and Sports; and Transport, Communications & Meteorology
Namibia:	Marine Fisheries & Resources
South Africa:	Finance & Investment; and Health
Swaziland:	Human Resources Development
Tanzania:	Industry & Trade
Zambia:	Mining; and Employment & Labour
Zimbabwe:	Food Security; Crops; and overall FANR co-ordinator.

With the exception of the Transport, Communications and Meteorology Sector, which is institutionally co-ordinated at the regional level through the Southern African Transport and Communications Commission (SATCC), all the other Sectors and Sub-Sectors are co-ordinated at the Member State level through technical units, commonly referred to as Sector Co-ordinating Units located within the relevant Ministries of Member States. Except for the two newest members of SADC, namely, the Democratic Republic of Congo and Seychelles, each Member State co-ordinates at least one Sector, using its own resources. This ensures that Member States play an active role in the day-to-day co-ordination and management of the SPA. It also gives Member States a sense of ownership over the SADC Programme of Action.

Over the years the SPA has been implemented through the execution of a portfolio of projects which are aimed at SADC'S stated objectives in the various spheres of co-operation. The policy position of SADC has been, and still remains that the SPA should be funded primarily by the Member States from own resources. However, this policy goal has not been easy to attain in the past. A review of the SPA conducted between 1996 and 1997 revealed 12 % → $B16^2$ that only about 22 per cent by number and 12 per cent in value terms met the criteria of regional projects. Consequently, it has been recommended to reduce and rationalise the current portfolio of projects in the SPA and make them more relevant to present-day regional demands.

An analysis of the SPA as at July 1998 shows that, altogether, there were 389 projects valued at US$7,77 billion as compared to 407 projects and US$ 8.09 billion recorded in the previous year. The whole regional programme continues to be dominated by the Transport and Communications Sector which has 174 projects (44,73%) at an estimated cost of US$6.47 billion, or 80.27 percent of the total programme. The SPA has continued to depend largely on external sources for funding. This is estimated at US$ 6.74billion, or 86.65 per cent of the total programme requirement. However, since the end of the Cold War and the collapse of the Soviet Union, there has been a notable decline in development assistance from International Co-operating Partners (ICPs) and this trend is expected to continue. This means that a huge proportion of the SPA will remain unfunded. There is therefore an urgent need for SADC to re-orient its resource mobilisation strategy to emphasise more on the promotion of foreign direct investment in production and to make greater use of its own

1997/98 SADC PROJECT FINANCING STATUS BY SECTOR – (US$ MILLION)

AREAS OF COOPERATION	NO	TOTAL	FOREIGN	%	LOCAL	%	FUNDING SECURED
Food, Agriculture & Natural Resources	86	618.44	540.25	87.36	78.19	12.64	311.56
Agricultural Research & Training	14	120.44	94.62	78.56	25.82	21.44	77.16
Inland fisheries	8	63.26	61.49	97.20	1.77	2.80	26.17
Forestry	15	125.94	115.7	91.87	10.24	8.13	46.71
Wildlife	11	94.30	93.30	98.94	1.00	1.06	81.99
Food Security	11	71.21	66.17	92.92	5.04	7.08	22.35
Livestock Production & Animal Disease Control	13	96.27	93.00	96.60	3.27	3.40	54.44
Environment & Land Management	6	7.80	6.55	83.97	1.25	16.03	2.03
Marine Fisheries & Resources	8	39.22	9.42	24.02	29.80	75.98	0.71
Mining	36	18.51	12.48	67.42	6.03	32.58	10.15
Water	3	11.55	9.24	80.00	2.31	20.00	9.75
Industry and Trade	19	20.01	15.33	76.60	4.68	23.40	10.45
Energy	42	843.60	806.20	95.57	37.40	4.43	625.97
Tourism	11	4.96	4.21	84.88	0.75	15.1	2.95
Transport & Communications	174	6474.4	5528.1	85.30	946.30	14.62	2991.7
Finance and Investment	10	1.92	1.54	80.21	0.38	19.79	0.38
Human Resources Development	16	44.76	44.76	100.00	-	-	16.27
Culture and Information	7	15.90	15.90	100.00	-	-	4.95
GRAND TOTAL	404	8054.05	6978.01	68.64	1076.04	13.36	3984.1

1997/98 SADC PROJECT FINANCING STATUS BY SECTOR – (PERCENTAGES)

AREAS OF COOPERATION	NO	TOTAL	FOREIGN	%	LOCAL	%	FUNDING SECURED
Food, Agriculture & Natural Resources	21.29	7.68	7.74		7.27		7.82
Agricultural Research & Training	3.47	1.50	1.36		2.40		1.94
Inland fisheries	1.98	0.79	0.88		0.16		0.66
Forestry	3.71	1.56	1.66		0.95		1.17
Wildlife	2.72	1.17	1.34		0.09		2.06
Food Security	2.72	0.88	0.95		0.47		0.56
Livestock Production & Animal Disease Control	3.22	1.20	1.33		0.30		1.37
Environment & Land Management	1.49	0.10	0.09		0,12		0.05
Marine Fisheries & Resources	1.98	0.49	0.13		-		-
Mining	8.91	0.23	0.18		0.56		0.25
Water	0.74	0.14	0.13		0.21		0.24
Industry and Trade	4.70	0.25	0.22		0.44		0.26
Energy	10.40	10.47	11.55		3.48		15.71
Tourism	2.72	0.06	0.06		0.07		0.07
Transport & Communications	43.07	80.39	79.22		87.94		75.09
Finance and Investment	2.48	-	-		0.04		0.01
Human Resources Development	3.96	0.56	0.64		-		0.41
Culture and Information	1.73	0.20	0.23		-		0.12
GRAND TOTAL	100.00	100.00	100.00		100.00		100.00

Notes:
1 The column isecuredî foreign resources includes both local and foreign resources
2 The column inegotiation i which there is a refers to resources for clearly identified funding source of concluding a an high probability funding agreement within a specified period

resources. It will also become increasingly necessary to involve the region's private sector in the financing and management of the SPA. Direct investment by and active participation of the private sector will stimulate the economic integration process in SADC, and will lead to more employment creation and income generation.

SECTORAL PROGRESS

Culture, Information and Sport

The region continued to accord special attention to support of culture, information and sports. This was reflected not only in the number of events that have been organised by Member States, but also by the consultations on and adoption of policies in these areas at both the regional and national levels. A policy document for the sector was approved in 1998. Apart from providing an overall policy framework for the operations and programmes of the sector, the document will also serve as a basis for the subsequent development of a Protocol for the sector.

The region also continued to show great concern for the problem of piracy on cultural and artistic works. To sensitise Member States on the damaging effects of piracy on creativity and the need for State intervention in the protection of Copyright and Neighbouring Rights at national and community levels, the Sector organised a symposium on Copyright as part of its programme. However, it was noted that lack of awareness on Copyright issues continues to be a problem and the Sector will therefore be organising annual training programmes on Copyright and Neighbouring Rights at both national and regional levels.

Special attention was also given to participation in regional and international fora where policy and topical issues in the areas of culture, information and sports were discussed. Of particular importance were the UNESCO General Assembly, the World Intellectual Property Organisation (WIPO) and the Inter-Governmental Conference on Cultural Policies.

At the regional level a number of cultural and sports events were held where the participation of artists and sports persons lent the region wider recognition. Such participation has shown that there is great potential in the region which can be exploited for the benefit of the region and world at large.

ENERGY

The Energy Sector has 41 projects in its portfolio valued at USS$608,8 million. Of this amount, around US$383,16 million or 62,94 percent has been secured; US$32,68 million is under negotiation, leaving a funding gap of some US$192,97 million.

The region is well endowed with various energy resources. The entry of the Democratic Republic of Congo has increased the region's energy potential, in particular with respect to hydro-power. The fourteen SADC Member States have different economic structures and are at different stages of development. The respective Member States' energy systems, tend to reflect these structural differences in the economy, through disparities in the levels of demand and consumption of the various energy commodities.

The SADC Energy Protocol which was signed by the Summit in August 1996 has now received the required number of ratifications and has therefore entered into force. Article 4 of the Protocol, provides for the establishment of a "Commission to be responsible for the implementation of this protocol".

A budget, timetable and transitional arrangements for the transformation of the TAU into a Technical Unit of the Energy Commission will be formulated in due course.

Following the approval in August 1997, of the Energy Sector Cooperation Policy and Strategy, and the Action Plan, the SADC Energy TAU will prepare an Activity Plan for the implementation of the main action areas described in the Action Plan.

FINANCE AND INVESTMENT

The Finance and Investment Sector is one of the key sectors which are catalytic to regional economic growth and development.

The sector plays a major role in facilitating the movement of goods and services in the region, thus contributing to regional integration in SADC. The key objectives of the sector include:

- To provide a framework for regional co-operation in the area of finance through collaboration with central banks, other regulatory and supervisory authorities, commercial banks and other financial intermediaries in order to mobilise resources for investment;

- To promote the development of sound investment policies of Member States in order to establish an enabling environment in the region;
- To encourage movement towards regional macro-economic stability by promoting prudent fiscal and monetary policies.

In pursuit of these objectives, the sector carried out analytical work on macro-economic policy stability and convergence, investment and financial resource mobilisation policies. Extensive consultations have been undertaken with all stakeholders on these issues.

Progress has been made in improving macro-economic management in the region as is evidenced by declining budget deficits and falling rates of inflation. The Sector has adopted the principle of macro-economic convergence as the route to achieving regional integration in finance and investment and facilitating the same in other sectors. In this respect, exchange controls have been liberalised and the payments, clearance and settlements systems are being improved, initially at national level and then at regional level to facilitate trade and cross-border investment in the region.

Regional co-operation amongst the stakeholders involved in resource mobilisation is being managed through sub-committees on commercial banking, stock exchange markets, non-banking financial institutions, development finance institutions and accounting and auditing professions. The Sector is on course to creating an environment in the region, that is conducive to attracting foreign direct investment and putting the region on a sustained economic growth path.

FOOD, AGRICULTURE AND NATURAL RESOURCES

Role of Agriculture

Agriculture continues to play an important socio-economic role in most economies of this region. It employs between 70-80 percent of the labour force and contributes over 12 percent of the region's Gross Domestic product (GDP). At national level, however, the share of agriculture to the GDP, varies a lot, with some economies such as Tanzania getting as much as 50%, while others like South Africa, as little as 5%. The general trend however, reflects a declining share of agriculture, as other sectors such as manufacturing are picking up.

Policy Objectives

The sector of agriculture faces many challenges such as the declining per capita food production; food insecurity at household, national and regional level; the imbalance between agricultural exports and imports; and the unsustainable utilisation, management and conservation of the natural resources. In the light of these challenges, the region has developed an integrated policy and strategy for agriculture which has the following objectives:

- to increase agricultural production and productivity and ensure food security at household, national and regional level;
- to ensure the efficient and sustainable utilisation, effective management and conservation of natural resources;
- to incorporate environmental considerations in all policies and programmes and to integrate the sustainable utilisation of natural resources with development needs;
- to generate domestic savings and foreign exchange to finance a gradual, structural transformation of the region's agriculture-dependent economies;
- to improve the living conditions of rural populations in Member States through increased income and employment derived from the efficient and sustainable utilisation of agricultural and natural resources; and
- to ensure the recognition of the value of natural resources so that they can contribute optimally to the welfare and development of all people of the region.

The policy objectives of agriculture are achieved through the implementation of an overall Food Agriculture and Natural Resources (FANR) programme by nine interrelated FANR sectors, namely, Agriculture and Natural Resources Research and Training, Food Security, Crop, Livestock Production and Animal Disease Control, Environmental and Land Management, Inland Fisheries, Forestry, Wildlife and Marine Fisheries.

Each sector uses the above objectives as a framework in the design, establishment and refinement of its own sectoral policies and programme. Furthermore, each sector remains responsible for the coordination and implementation of its programmes and projects. The responsibility for the overall co-ordination of FANR sectors lies with the Government of Zimbabwe. A highlight of the sectoral policies and programmes is given below:

AGRICULTURAL AND NATURAL RESOURCES RESEARCH AND TRAINING:

The overall objective of this sector is to co-ordinate agricultural and natural resources research and training activities, and to promote cooperation between Member States in these fields. This is done through a commission of SADC known as Southern Africa Centre for Cooperation in Agricultural and Natural Resources Research and Training (SACCAR) which was established in 1984 and is located in Gaborone, Botswana.

Main activities of SACCAR were the development of information services, in particular the acquisition and dissemination of scientific literature; coordination of training; and development of research and training projects. The overall programme of action for this sector comprises 15 approved projects with a total estimated cost of US$124.08 million.

During the period under review, consultations on Phase III of the SADC Plant Genetic Resources Centre (SPGRC) were held with Nordic donors in Sweden, in June 1998, to negotiate its work plan and budget.

A no-cost extension was granted by USAID (up to 30th November, 1998) for the Sorghum and Millet Improvement Project (SMIP). Meanwhile, Phase IV of the project has been reformulated and submitted to SACCAR for consideration.

SACCAR, as a Commission, has phased out into a Sector Coordinating Unit under Botswana at the end of 1998. By June 1998, 12 members of staff had left the services of SACCAR at the completion of their contracts, and the Government of Botswana has deployed three officers to SACCAR. Coopers and Lybrand were engaged to perform the finance and administrative functions of SACCAR until January 1999 to close the accounts of SACCAR.

CROPS

This is a new sector which has been allocated to the Government of Zimbabwe for coordination at its meeting in Blantyre, in September 1997. The Terms of Reference for this sector were considered and approved by Council in Mauritius, in September, 1998.

ENVIRONMENT AND LAND MANAGEMENT

The Sector has seven projects in its portfolio valued at US$7.8 million. Of this amount, US$2.03 million has been secured, while US$3,7 million is under negotiation, leaving a financing gap of US$2,70 million. The Government of Lesotho has made available to the Coordination Unit some US$320,000.00 for the financial year 1998/99. This amount excludes the office space, furniture, as well as equipment being used (computers, photocopiers etc.).

All SADC Member States have ratified the Convention to Combat Desertification and attended the first Conference in Rome in October, 1997. SADC-ELMS has developed the Sub-regional Action Programme to Combat Desertification (SRAP) with several priority programmes.

The Sector has developed a first draft Brown Environment Strategy. This document will be further fine tuned and subjected to a meeting of SADC experts for finalisation. The Sector has also developed a SADC/ELMS Gender Strategy. This strategy is calling upon Member States to ratify international conventions as well as implement the agreed and adopted programmes and action plans. The strategy will be subjected to a meeting of experts for discussion and finalisation. A proposal for the development of a SADC Charter/ Protocol on the Environment has also been formulated. The major thrust of the Charter/Protocol will be to ensure that the regions' natural resources are exploited and utilised in a sustainable manner.

SADC-ELMS has identified the Early Warning System for Desertification as a priority area to be addressed. As there are two existing SADC institutions involved in Early Warning Systems in the region i.e. Regional Early Warning Systems (REWS) and Drought Monitoring Centre (DMC), it is critical that the Early Warning Systems Programme for CCD should reinforce the work already being done but focusing on changes caused by desertification.

FOOD SECURITY

The main objective of this sector is to enhance food security at household, the European Union due to shortage of slaughter cattle.

However, plans are underway to launch a regional study on livestock markets, marketing infrastructure and marketing information to facilitate proper planning of the regional livestock industry.

In animal health, outbreaks of Foot and Mouth disease, Contagious Bovine Pleuropneumonia (CBPP), and Rinderpest which are major transboundary diseases were experienced. Other diseases of economic and public health significance which occurred in the region were Rabies, Newcastle and Lumpy Skin disease. A lot of effort and resources were devoted to combating and controlling these diseases.

INLAND FISHERIES

The Inland Fisheries Sector policy focuses on optimal and sustainable exploitation of the fish resources. This is achieved through improvements in resource management and control mechanisms; improvements in knowledge of the resource base; applied research; efficient resource utilisation and marketing; training and education; environmental protection; aquaculture development, and improvements in fisheries information among others.

In developing the policies and strategies, the sector has taken into consideration the threat surrounding fish resources, most of which are man-made environmental manipulations such as agricultural and industrial pollution, and siltage of fish habitats.

The sector has developed a programme of action in the areas of information dissemination and coordination; training; aquaculture development; and capture fisheries with eight approved projects with a total estimated cost of US$54,41 million. During the year under review, the sector revised its policies and strategies in 1997 and is in the process of translating these into an operational plan. In addition, the sector, in collaboration with the Marine Fisheries and Resources, is developing the Terms of Reference for Protocol development following a Community Building workshop held in 1997.

A directory of 300 Fisheries and Aquaculture professionals in the region was published. In addition, funding was secured for two projects, namely, project AAA.4.10 (3) Support to IFSTCU Information and Aquaculture sections from SIDA, and In-depth Training Study from the Commonwealth Secretariat.

FORESTRY

The main goal of this sector is to conserve, sustain, manage, utilise and enhance the region's forest resources. This would safeguard the productive value, biological diversity, water catchment production potential, environmental amelioration capabilities, habitat value for fauna and for social and recreation activities. Additional policy objectives include the promotion of trade in forest products, public awareness of forestry, and enhancement of forest research, extension, education and training.

The sector has concentrated on training and education, adaptive research, improved resource management and utilisation, and environmental management in its programme of action. Currently, the sector has 13 approved projects with a total estimated cost of US$101,94 million.

During the period under review, the sector established the SADC Technical Sub-Committee for Forestry Research following Council Decision of September 1997. The first meeting of this Sub-committee was held in April 1998, in Windhoek, Namibia, where it reviewed the SADC Forestry Research Project, AAA 5.23, in collaboration with SACCAR.

The SADC Forestry Sector Technical Co-ordination Unit commenced discharging its additional responsibilities as a SADC Biodiversity Focal Point following Council Decision of September 1997. A total amount of US$4.482 million was secured from the Global Environmental Facility (GEF) for the Southern African Biodiversity Conservation Programme. Currently, implementation modalities are being drawn up, and to this effect, a regional meeting involving all stakeholders was held in September 1998.

Additional activities in the sector were the translation of the Policy and Strategy approved in September,1997, into an operational plan and projects; and the development of the Protocol. At present, the Terms of Reference have been finalised and the sector will be working on the draft Protocol document.

WILDLIFE

The thrust of SADC wildlife strategy is to develop long-term approaches to communinational and regional levels. This is achieved through a strategy that focuses on improving food availability, access, and nutrition.

The sector has developed programmes that promote smallholder competitiveness and trade in order to contribute to food output and reduce poverty; that create employment in order to enhance access to food; and that improve the nutritional value of food consumed.

Main components of the Food Security programme include the regional information system; FANR policy analysis network; food security training; seed and inputs; migratory pest and phytosanitary control; drought mitigation; and food security coordination and cooperation. Under this programme, there are 11 approved projects with a total estimated cost of US$67 million.

A Swedish delegation led by the Minister of Agriculture, Mrs. Margareta Winburg (second from right) held talks with the SADC Executive Secretary, Dr Kaire Mbuende in November 1998 in Gaborone, Botswana.

During the period under review, the sector developed a new food security programme following approval of the Food Security Strategy Framework in September, 1997.

Other activities undertaken were the development of Phase II of the Project AAA 1.14 Regional Food Security Training. This project has a number of innovative features directed towards improving the quality of food security training.

Two workshops were convened during the year to discuss the proposed modalities of operation of Policy Analysis Network (PAN) in conjunction with proposals by the Global Coalition for Africa and to review themes to be addressed by PAN and the operational framework. The overall objective of this network will be to build a sustainable capacity within the Member States to undertake policy analysis and research that can be utilised for planning, and priority setting and also to promote informed and effective policy making in the field of food agriculture and natural resources.

LIVESTOCK PRODUCTION AND ANIMAL DISEASE CONTROL

The overall goal of this sector is to promote a common regional approach to livestock production, animal disease control, livestock and livestock products utilisation, and manpower development. which would create employment, improve the living standard of the people and meet the food security objectives of the region.

The sector recognises the main constraints to livestock production and productivity which include the various animal diseases in the region; inadequate and poor nutritive value of the region's natural pastures; low productivity of the local breeds; low investment into the sector; and poorly developed markets and market infrastructure.

In the light of these constraints, the sector has developed policies which aim at improving the control of livestock diseases, livestock and poultry production, and stock breeds and breeding methods. This policy also aim at increasing the utilisation of SADC's livestock and livestock products, and developing a regional capacity to produce veterinary products, stock feeds and to sustain livestock services.

The sector has also developed a regional strategy and programmes in animal disease control, livestock improvement and genetic resource conservation, rangeland management and rehabilitation, animal health and production information system, and manpower development among others. In total the sector has 12 approved projects with a total estimated cost of US$98,77 million in its programme of action.

During the year under review, SADC had a total livestock population composed of 43 million cattle, 46 million sheep, 26 million goats, 3.6 million pigs, 1.4 million equines, and 150 million poultry. Despite these large livestock resources, SADC was unable to meet its regional demand for several livestock commodities, and actually, was a net importer of many animal products. Botswana and Zimbabwe failed to meet their beef quotas to ty-oriented wildlife management that are socially and politically acceptable, ecologically viable, profitable and sustainable. This implies sustainable yields in the form of herd culling, game ranching, hunting, crocodile farming, and other wildlife products.

The sector's specific objectives include the conservation of the regional ecosystems and landscapes; the prevention of man-induced extinction of indigenous wild plants and animal species; combating illegal trade in wildlife and wildlife products; conservation of populations of endangered, endemic and cross-border migratory species; and management of water catchment and aquatic ecosystems among others.

The sector lays emphasis on training and education; improving knowledge of the resource base; focused research; improving resource management and control mechanisms; and integration of environmental protection with development. The sector has 10 approved projects at an estimated total cost of US$92,23 million.

Host of the September 1998 Summit, Prime Minister of Mauritius, Dr. Navinchandra Ramgoolam (right) welcoming Presidents Laurent Kabila of the Democratic Republic of Congo and Benjamin Mkapa of Tanzania to the Summit.

During the year under review, a draft Implementation Schedule for the SADC Wildlife Policy and Strategies was developed and circulated to all Member States for further verification following approval by Council in Blantyre, in September 1997.

Another achievement was the finalisation of a draft Protocol on Wildlife which has been circulated to all Member States for comments.

Other activities included the adoption of a new name for one of its key programmes: the Southern African Convention for Wildlife Management (SACWM). This was intended to establish a regional framework for conservation of wildlife and allow for monitoring, marketing of a broader range of wildlife and wildlife products, and in so doing ally the perverse thinking by some preservationists who believe that this project was established specifically for marketing ivory.

The SACWM Draft Treaty was also circulated to Member States for comments.

Finally, the transferring of the elephant populations of Botswana, Namibia and Zimbabwe from CITES Appendix I to II following the 10th Conference of Parties in Harare, in June 1997, where a consensus was reached to down-list these.

MARINE FISHERIES AND RESOURCES

The main thrust of this sector is to strengthen the role of artisan and industrial fisheries as a source of food, income, and employment. Specific objectives include the development of marine resource research and stock assessment systems; the establishment of regional standards in the management and surveillance of SADC Exclusive Economic Zones (EEZ); the establishment of an effective market intelligence, market targeting and quality assurance services; training and education; the establishment of a co-ordinated approach to industrial development, and the development of an integrated artisan fisheries.

In accomplishing the above objectives, the sector has developed a programme of action which contains projects on a regional fisheries information system; assessment of the marine fisheries resources; marine fisheries training; policy analysis and review; and SADC monitoring, control, and surveillance of fishing activities.

During the period under review, the Sector convened a Project Review and Formulation Workshop in Cape Town, in April, 1998 and the recommendations of this workshop were accepted by the FANR Ministers. The two new projects are being developed further after Council meeting in September1998.

In addition, the sector, in collaboration with the Inland Fisheries, is developing the Terms of Reference for Protocol development following a joint Inland and Marine Fisheries Community Building workshop held in 1997.

HEALTH

SADC Member States decided in August

1997 to include health in their Programme of Action by creating a Health Sector. The rationale for this was the realisation that close cooperation in this sector is becoming increasingly essential in order to address the health problems of the 190 million people of the region efficiently and effectively. A healthy population is a pre-requisite for significant economic development. Economic integration can bring many benefits, but the greater mobility of different groups of people can also contribute to the spread of infectious diseases such as malaria, cholera, tuberculosis and HIV. Close cooperation between Member States is essential to control these diseases and ensure that they do not undermine the beneficial effects of economic integration.

Priority attention during the period under review was given to the development of a Health Sector Policy Framework and co-ordinating mechanisms. To this end, Terms of Reference (TOR) and the Policy Document for the Sector were formulated. The Sector has also began the development of a SADC Protocol on Health. A Zero Draft has been produced and submitted to Member States for internal consultations with key stakeholders. In addition, measures were taken to create the Sector Co-ordinating Unit. The TOR contains the broad guidelines for the aims, priorities and operations of the Sector. The main aim of the Sector is to reach the objective of "Health for all" in the 21st Century in all Member States as adopted by the World Health Organisation (WHO), with priority being given to the delivery of primary health care.

The Policy Framework acknowledges the importance of good health in ensuring sustainable economic integration. Given the greater mobility of persons within the region, the Framework underscores the need for close co-operation among Member States to control the spread of infectious diseases such as malaria, cholera, tuberculosis and HIV/AIDS. It is further recognised greater co-operation between Member States will enable them to take advantage of economies of scale in areas such as the bulk purchase of medicines and the sharing of expensive facilities and equipment. Close collaboration will also enable Member States to ensure that SADC health interests are well represented in world fora, and to share expertise and to work together to combat common diseases and other problems including: diabetes; cancers and other non-communicable diseases, and problems such as violence (especially against women and children) and drug abuse.

Furthermore, the Policy Framework places the Health Sector within the overall developmental context and also identifies the major challenges facing the region. These challenges include combating the HIV/AIDS pandemic and STD'S, preventing and controlling major diseases such as tuberculosis, cholera and malaria. The Framework also recognises the role various key stakeholders including the private sector, civil society and International Cooperating Partners, will play in the activities of the Sector.

The Sector has established a Working Group to develop a Biennial Plan for 1999-2000 on the identified priority areas. Eight broad priority areas have been identified. These are health human resources development, communicable diseases control, HIV/AIDS and STD's, women's health, child and youth health, environmental and occupational health, disaster management and emergency medical services and resource mobilisation.

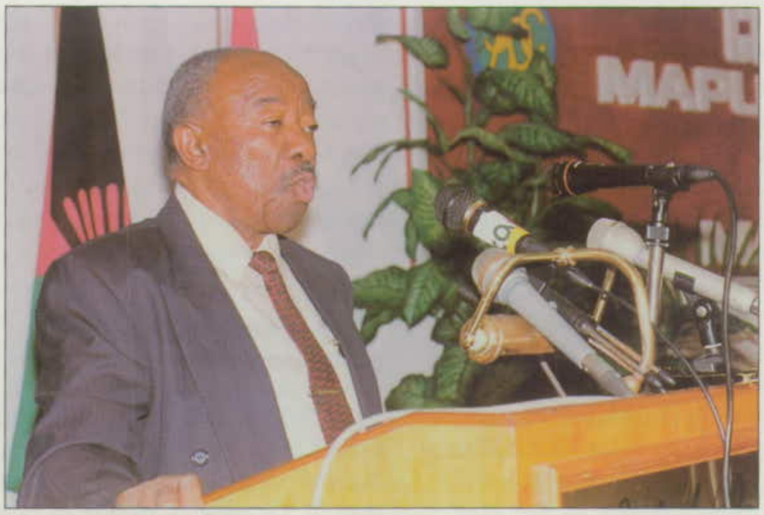
HUMAN RESOURCES DEVELOPMENT

The Human Resources Development (HRD) Sector continued to implement its Sectoral Programme of Action that consists of 16 projects valued at US$44,76 million. Of this amount, US$16,27 million or 36,35 percent has been secured, while 3,35 percent is under negotiation and there is a financing gap of US$26,99 million or 60,30 per cent. The implementation of the Sectoral Programme of Action is generally constrained by the lack of mobilisation of regional resources and involvement of all stakeholders especially the private sector. The Sectoral Programme is almost entirely dependant on funding from Co-operating Partners and thereby compromising its self sustenance.

Whilst taking cognisant of the need for a holistic approach to human resources development, the work of the Sector continued to place emphasis on education and training interventions. In this regard, one of the main priorities was the creation of a regional framework for the integration of the educational and training systems in the region.

It has been noted that education systems of Member States are essentially similar in terms of the number of years for schooling before university level although the entry requirements into university are different. There is therefore need to compare and harmonise entry requirements. Hence, the development of the Protocol on Education and Training that was signed by Heads of State or Government in Blantyre, in 1997. So far Botswana and Swaziland have ratified the Protocol and deposited the instrument of ratification with the SADC Secretariat, while the ratification process in the other Member States is at various stages.

Member States generally face common challenges that are dissimilar only in degree. All countries are faced with issues of access, quality, relevance, equity and financing of education and training. It has further been recognised that the integration agenda in the SADC region will not be realised if management issues are not accorded the priority they deserve.



Chairman of the SADC Council of Ministers and South African Foreign Minister Alfred Nzo addressing Council in Maputo, Mozambique in 1998.

Currently the situation in terms of management in the region leaves much to be desired. Major management issues both at national and regional level include inadequate planning, delegation, consultation, motivation, communication and resistance to change between and among stakeholders. With respect to the private sector, most managers in the region do not have the zeal, skill and experience to meet the challenges of globalisation. Appropriate strategies are being developed to address these concerns.

Although the creation of new HRD related sectors, sub-sectors and desks, has provided a comprehensive framework for SADC HRD interventions, there are difficulties in ensuring effective co-ordination of activities in the SADC HRD portfolios. In addition, the Long-Term HRD strategy has continued to be narrowly focused on education and training and lacks a mechanism for continuous review and evaluation that takes into account the changing socio-economic environment in the region. A task force has been established to examine the institutional and operational issues impending the effectiveness of HRD.

EMPLOYMENT AND LABOUR

The region continued to accord high priority to issues of employment and labour through the effective participation of the tripartite social partners during the year under review. Being in operation for almost three years now, the sub-sector continued to consolidate its institutional capacity for the development of its policies and programme of action through resource mobilisation to implement the seven priority projects on the programme. Most of these projects are slowly being implemented through activities undertaken by individual Member States and co-ordinated by the ELS Co-ordinating Unit.

The employment situation continued to be a source of major concern in the region. With the population growing at about 3 percent in most Member States, the labour force is also growing at a rapid rate. Given the slow growth rate in the regional economy, unemployment figures continued to rise.

However, some aspects of the Structural Adjustment Programmes (SAPs) being put in place by most Member States have improved economic efficiency and helped to achieve higher rates of economic growth. These positive indicators are likely to create more job opportunities in the medium and long term.

Most Member States have intensified social security programmes to cushion hardships brought about due to loss of employment through the economic restructuring processes. Occupational Health and Safety Activities have equally been intensified to improve the working environment. However, these efforts are being hampered by lack of resources in most Member States.

The Sector has acknowledged that the problem of Child Labour is becoming a topical one not only in the region but also worldwide. The Sector is therefore addressing this issue initially through ratification of Convention 138 minimum age and the Africa Charter on the child.

The Sector has further acknowledged that HIV/AIDS has far reaching economic, social, legal and commercial impact, especially at workplaces. Strategies for preventing and managing the employment and production consequences of HIV/AIDS and Employ-ment in the SADC has to be put in place. In this respect, the Sector has scored some success in that a code on HIV/AIDS and Employment has been prepared and is now on circulation to stakeholders for implementation.

INDUSTRY AND TRADE

The Industry and Trade Sector is co-ordinated by Tanzania. Its mandate is twofold:

- the creation of an enabling and attractive business environment for the promotion of a viable industrial sector; and
- the facilitation of the removal of tariff and non-tariff barriers to intra-regional trade.

The Sector is also charged with the establishment of an information resource centre on regional trade and industrial development. Other significant components of the sectoral programme include the Standardisation, Quality Assurance and Metrology Programme; the Small and Medium Enterprise Development Programme (SMEs); and the Industrial Research and development Programme (IR&D). The Sector is also engaged in the ongoing debate on the Successor Agreement to the Lome Convention and the issues relating to the world trading system.

The Industry and Trade Sector consists of seven projects. The total cost of the programme is US$9,97 million out of which US$0,98 million has been secured and US$4,13 million is or 41,42 percent under negotiation. The funding gap is US$4.86 million. However, one of the critical problems affecting the implementation of the programmes remains the inadequacy of financial resources available to the Sector.

During the period under review, SADC Member States continued to implement macro-economic policy measures aimed at creating an enabling industrial and trade environment in the region. As a result, the macro-economic environment in the region has continued to improve with the adoption of new investment-friendly laws and regulations in most SADC countries. However, there are still a number of factors which continue to impact negatively on the region's economic growth and investment in the Sector. These include high inflation and interest rates for borrowers in some SADC countries.

The performance of the manufacturing sector in 1996 for most countries did not change much as compared to 1995. For instance, the manufacturing value added for Lesotho, Mauritius, Mozambique and Tanzania was 14.1%, 6.3%, 13.56% and 4.8%, respectively. The performance of the sector is still determined by the performance of the agricultural sector and an increase in incentives towards a positive business environment for the SADC countries. Similarly, the contribution of the manufacturing sector in 1996 to GDP for most SADC countries has not changed compared to that of 1995. It was 15.3% for Lesotho, 14.0% for Malawi, 24.2% for Mauritius, 14.2% for Mozambique, 23.7% for South Africa and 25.5% for Zambia.

Available data indicate that total intra-SADC trade stood at US$ 8.76 billion in 1996. This represents substantial increase in the share of the total intra-SADC trade as compared to total world trade. In fact, it is estimated that in 1996, intra-SADC trade was about 20% of total world trade. Almost all countries expanded their exports, but the greatest performers were South Africa, Zimbabwe, Botswana, Swaziland, Namibia and Zambia who jointly accounted for 95 percent of total intra-SADC trade.

The SADC Trade Protocol, which was signed in August 1996 by the Heads of State and Government, except for Angola, has so far been ratified by Mauritius, Botswana, Tanzania, Zimbabwe and Namibia. Other Member States are at various stages of ratifying the Trade Protocol. The Protocol requires to be ratified by two thirds of the Member States for it to enter into force. The ultimate objective of the trade Protocol is the establishment of a SADC Free Trade Area. Progress has also been made towards the submission of lists of sensitive products by Member States and it is expected that detailed negotiations on the implementation of the Trade Protocol will commence soon. Already, substantial progress has been made towards the harmonisation of customs and trade documentation.

In the light of the evolving and unfolding scenario relating, particularly, to the implementation of the Trade Protocol, there is need to carefully re-assess the role of the Sector. In this respect, the SADC Industry and Trade Ministers have set up a small Committee to consider and propose an effective and efficient institutional mechanism for the implementation of the Protocol. The report is expected to be submitted to the next meeting of Sector Ministers.

MINING

The Sector has 36 projects in its portfolio valued at US$18,39 million of which US$10,05 million or 54,65 percent has been secured (mainly through commitments by member States), leaving a funding gap of US$8,38 million or 45,35 percent.

The SADC Mining Sector Programme of Action is now totally being implemented by the sub-committees and their working groups. Encouraging progress has been achieved in the Geology, Mining and Marketing, and Environmental sub-committees. Ten projects have been completed during the year using the region's human and financial resources. The following new projects have been added to the SADC Mining Sector Programme of Action:

- Analysis of opportunities for value addition to minerals;
- Promotion of private sector participation in mineral development; and
- Occupational Health and Mine Safety in the SADC region.

The SADC Mining Sector continues to be the backbone of the economies of most Member States. While most of the region's major mines are slowly approaching their end of life, not as many new ones are opening up, leading to declines in production output. Asbestos, chromite, coal, cobalt, copper, diamonds, gold, nickel, zinc and the platinum group of metals continue to be major minerals SADC supplies to the world's minerals markets.

Although SADC supplies some of the major minerals on the world market, prices of primary commodities such as gold, copper, and asbestos continues to fall. For instance, gold prices fell by 18% reaching the lowest level of US$310 per ounce in twelve years, while copper prices were still relatively high but declined due to global demand fears and prospects of increased supply from sources other than SADC.

The protocol on co-operation in the Mining Sector was signed by the Summit at its meeting held in Blantyre, Malawi in September, 1997. So far only Botswana has ratified the Protocol and the ratification process is at various stages in other Member States.

The SADC Mining Sector Promotional and Publications Fund Constitution was approved by Council at its meeting held in Blantyre, Malawi in September, 1997. In accordance with Article 3.3(1) of the Constitution, Mining Ministers approved the appointment of Angola, Botswana and Lesotho to the Board of Directors of the Mining Sector Promotional and Publications Funds for a period of two years.

The private sector in the Mining Industry have established the Mining Industry Association of Southern Africa (MIASA) which will represent the private sector in the implementation of the SADC Mining Sector Programme of Action and in the activities of the SADC Mining Sector.

TOURISM

The most significant development is the finalisation of the draft Tourism Protocol. A Workshop was held in Namibia, from 17-19 June, 1998, to finalise the draft Tourism Protocol. An Extra Ordinary Meeting of Tourism Ministers was held in September, 1998 to approve the Protocol for onward transmission to Council and Summit for final approval and signature.

The RETOSA Charter was signed by nine SADC Member States at the SADC Summit held in Malawi in 1997. The Government of the Kingdom of Swaziland, became the tenth Member State to sign the Charter in Mauritius in April, 1998. The Charter is already in force and does not need to be ratified.

RETOSA have produced a draft marketing plan and strategy document. The document is being reviewed by the RETOSA Marketing Committee and will soon become operational, after approval by the Ministers of Tourism.

The Tourism Sector is also in the process of reviewing the 5-year Tourism Policy and Development Strategy (1995-1999), which was approved by the Council in 1995. The strategy will be reviewed, taking into account the admission of new Member States and other developments in the Tourism Sector.

The Tourism Sector has 11 projects, valued at US$4.96 million, out of which US$2,95 million, or 59 percent, has been secured The Tourism projects will be reviewed in June 1999 in the new Tourism Strategies for the next millennium

TRANSPORT

To achieve the economic and trade objectives of the Southern Africa Development Community (SADC), the Community requires transport and communications systems, which are pervasive and adequate in terms of capacity, condition, service standards and efficiency. The systems that exist now do not satisfy this requirement.

The telecommunications system of the region is inadequate in every respect. It requires to be made more extensive; there is a large unmet demand for telephones; maintenance of the existing system is inadequate; unit costs are high; and service standards are low. Foreign investors generally consider adequacy of communications as one criterion when assessing investment possibilities. Expansion and improvement of the telecommunications industry is essential if the region's economic objectives are to be met.

SADC Executive Secretary, Dr. Kaire Mbuende (left) jointly signing an agreement with the U.S. Secretary for Transportation, Mr. Rodney Slater (right) in Gaborone (Botswana) in March 1998.

The road and railway networks are sufficiently extensive, but large portions of these networks are in unsatisfactory condition, costs of construction and maintenance are high, and service standards are low. The inter-city passenger service industry and the road vehicle workshop industry are not well developed, and the trucking industry is not well structured to ensure competitiveness.

The region is geographically well placed for shipping services, and there are good shipping connections to all areas of the world. Principal ports of the region are well spaced, and several of them are natural harbours, with good water depth. This subsector is nearly adequate for the region's immediate and medium term needs, but port efficiency requires improvement and increased attention to maritime safety is necessary.

There is an extensive network of airports in the region, but the air cargo market is inadequately served. The airline industry is also not fully responsive to the air passenger market, and a number of regional links are poorly served or not served at all.

The region's postal services subsector is in the process of enlarging, as courier services enter the marketplace. The telecommunications industry and the information industry are also making inroads into what once was the postal services market, as faxes and electronic mail are being substituted for letter delivery, and it becomes possible to "download" vast amounts of information available on the "world wide web". The users are well served by this proliferation of services, but the public sector postal services entities need to change from their traditional approach to the market if they are to retain sizable market shares in the long run.

The SADC Protocol on Transport, Communications and Meteorology was developed through an extensive consultative process during 1995 and early 1996, which entailed the holding of three major regional workshops and eleven national workshops (Mauritius was not yet a Member State when the national workshops were being held). The Protocol was signed by eleven SADC Heads-of-State in August 1996, and by Angola the following year. In June 1998, the Protocol was ratified by nine Member States, but two of those States have yet to deposit the instrument of ratification with the SADC Secretariat. Thirty days after one more State has deposited its instrument of ratification with the Secretariat (that is, whenever eight Member States have done this), the Protocol will come into force for the entire region.

The Regional Transport and Communications Integration Study for Southern Africa has been completed. The principal outputs of the study are the proposed ten-year Policy Action and Investment Programmes. These proposed programmes are aimed at replacing the current SADC Programme of Action (SPA) on surface transport (road, railway and water transport) and telecommunications. The proposed programmes have been endorsed by the Committee of Ministers and are being submitted to Council for approval.

WATER

The Sector has three projects in its portfolio valued at US$11.55 million of which US$9.75 million, or 84 percent, has been secured and US$1.30 million is under negotiation, leaving a funding gap of some US$0.50 million, or 4,33 percent

The regional water resources situation has been seriously affected by the El Nino phenomenon, which has resulted in below average rainfall figures and in some member States, led to a state of emergency being declared. The underground water in some member States was adversely affected with some areas experiencing drying of boreholes.

SADC Executive Secretary, Dr. kaire Mbuende with the Prime Minister of Mauritius, Dr. Navinchandra Ramgoolam and the Mauritian Minister for Economic Development and Regional Co-operation, Rhundeersingh Bheenick at the September 1998 SADC Summit in Grand Baie, Mauritius.

In order to enhance operational efficiency and to accommodate activities previously under the Southern African Regional Commission for the Conservation and Utilisation of the Soil (SARCCUS), the Sector has established four Sub-Committees to assist in its activities. These are the Sub-committee for Hydrogeology, Sub-committee for Hydrology, Sub-committee for Water Quality and Control of Aquatic Weeds, and Sub-committee for Water Supply and Sanitation.

The Water Sector Co-ordination Unit (WSCU), in collaboration with the SADC Secretariat and with financial and technical assistance of UNDP, held the first water round table conference in November, 1998. In this regard, two documents were prepared. These are, the Regional Strategic Action Plan for Integrated Water Resources Development and Management in SADC countries, and the Round Table Document.

The Water Sector Co-ordination Unit has also been charged with the responsibility of co-ordinating the contribution of SADC countries at the Exposition 2000, organised by the Government of the Federal Republic of Germany, and scheduled for June to October 2000, in Hanover, Germany. SADC has chosen the theme, "WATER" for the joint SADC presentation at the Exposition. A draft theme statement and a draft presentation concept for the joint presentation have already been prepared and submitted to the organisers of the EXPO for consideration.

The Protocol and Shared Watercourse Systems in the SADC region was entered into force on 28 September, 1998, after ratification by the required two-thirds of the Member States.

CROSS-SECTORAL ISSUES

Gender And Development

In many SADC countries, there has been growing awareness of the inequalities between men and women in many aspects of public and private life. These include women's limited access to positions of power and decision making, control of resources, legal rights, education, and health, to mention a few.

However, there has also been an increasing recognition that gender equality is a basic human right, and a pre-requisite for the attainment of full democracy. Moreover, the mainstreaming of gender into all policies, programmes and activities has come to be seen by many countries as an important development variable. Gender is a key cross-cutting developmental issue which, if taken into account, would lead to a more cost-effective use of human and financial resources.

At the regional level, 1997 marked a watershed year in the recognition of the importance of gender as a key development issue, and gender equality as essential for the attainment of democracy and human rights in SADC. As a result of collaboration between government officials, NGOs and other stakeholders in gender in SADC Member States, a policy and institutional framework for gender in SADC was introduced.

At their meeting held in Windhoek in February 1997, the SADC Council of Ministers approved the establishment of a policy framework for mainstreaming gender in all SADC activities, and for strengthening the efforts by member countries to achieve gender equality.

In addition, Council approved an institutional framework for advancing gender equality consistent with that established for other areas of co-operation, but which ensures that gender is routinely taken into account in all Sectors. The institutional framework has four components.

First, a Standing Committee of Ministers responsible for Gender Affairs in the region is established. Secondly, it adopts the existing Advisory Committee, which consists of one government and one NGO representative from each SADC Member State, whose task is to advise the Standing Committee of Ministers, and other Sectoral Committees of Ministers on gender issues.

Thirdly, Gender Focal Points at the sectoral level are established, whose task would be to ensure that gender is taken into account in all sectoral initiatives, and is placed on the agenda of all ministerial meetings. Finally the framework establishes a Gender Unit in the SADC Secretariat consisting of at least two officers at a senior level.

Significant progress has been made since the decision of Council. The inaugural meeting of Ministers responsible for Gender Affairs was held in Gaborone, Botswana, on 12 August 1997. This meeting considered and recommended, among others, a Declaration on Gender and Development to Council for submission to the Summit of Heads of State and Government.

SADC Heads of State or Government approved and signed this declaration at their Summit in Blantyre, Malawi, on 8th September 1997. The declaration makes the following commitments, among others:

- The achievement of at least 30% target of women in political and decision making structures by 2005;
- Promoting women's full access to, and control over productive resources to reduce the level of poverty among women;
- Repealing and reforming all laws, amending constitutions and changing social practices which still subject women to discrimination;
- Taking urgent measures to prevent and deal with the increasing levels of violence against women and children.

Another important development is the setting up of the Gender Unit at the SADC Secretariat, where two officers have been recruited, and reported for duty in June 1998. The overall function of the Gender Unit is to advise the Executive Secretary on gender issues, and work with other officers in the SADC Secretariat to ensure that a gender perspective permeates the entire SADC Programme of Action and Community Building Initiative. The Unit is also responsible for coordinating all gender structures in SADC.

Finally, a Draft Plan of Action for Gender in SADC has been prepared, whose overall goal is to provide the tools for the achievement of gender equality through the empowerment of women in the SADC region, and the mainstreaming of gender into all SADC policies, programmes and activities.

The Development of Statistics in SADC

Experience has shown that sound policies are as a result of good information systems. Therefore the process of community building will require some restructuring at the national institutions to take on board some of the regional initiatives. Among these initiatives is the capacity building and development of both national and regional statistical systems to enable them to meet the challenges brought about by the integration process. Progress has been observed in the area of national accounts as macro-economic statistics, which has been attained through the implementation of the 193 United Nations System of National Accounts Manual. There is more work to be done on the harmonisation of other official statistics.

The Secretariat, in consultation with the SADC Statistics Committee (SSC) initiated discussions on potential areas of support and the possibility for a programme of technical co-operation in statistical development between SADC and Swedish International Development Agency (SIDA) and European Union (EU). This has resulted in proposals on an SADC/SIDA long-term statistical co-operation programme and the SADC /EU Statistical Training and Prices Programmes.

During the period under review, the SADC Statistics Committee finally prepared a strategy document on the implementation of its Terms of Reference. The strategy defines the regional statistical system, the statistical programme and sets priorities for statistical development in SADC.

Implementation of SNA93

A working group constituted by the United Nations and the other organisations behind SNA93 has formulated six milestones or phases for the implementation of SNA93. They are intended to provide general guidelines for the implementation of the 1993 SNA as well as a way of monitoring worldwide national accounts developments. The milestones provided a useful framework for the discussion of the implementation of SNA93 in the SADC countries.

The informal sector

The informal sector makes an important contribution to the economy of many African countries but it is difficult to measure and, hence, its practical inclusion in the national accounts of most SADC countries is inadequate. However, some member states have carried out comprehensive surveys of the informal sector.

Pretoria-based (South Africa) MERCOSUR ambassadors paid a visit to the SADC Secretariat for consultations with the SADC.

The informal sector is here viewed as unremunerated economic activity in agriculture, small businesses, the household sector, etc. Global initiatives such as the Beijing Conference have all pointed to the need for gender issues to be incorporated in the development of informal Sector strategies. Even though countries have attempted, albeit at different paces, to address gender and women concerns in their development strategies, there is still a long way to go towards attaining the full empowerment of the women.

The importance of small businesses to the economies of most of the Member States of SADC cannot be over emphasised. In each of the Member States, a significantly high percentage of the businesses are classified as small. It is also estimated that a high percentage of the employment is created by the small businesses. The significance of these small enterprises is that women mostly run them and they also create employment and valuable alternative source of income and personal development to women. Since many of the activities of the informal sector are conducted from home, the responsibilities of motherhood can be combined with business ownership.

A case study was undertaken in February 1998 on the informal sector in SADC. The main objective of the study was to develop a strategy for the measurement and mainstreaming of the informal sector into the official statistics in SADC. The methodologies for the incorporation were discussed at the National Accounts Training of Trainers workshop held on 28 February to 6 March 1998, in Maputo, Mozambique.

Gender issues and Statistics

There seems to be a close correlation between gender and informal sector. As indicated under the topic on informal sector, most of the activities are gender related. Gender will generally be mainstreamed in both the programme (SSP) and the related statistical projects. The outputs from SSP will mainly be databases with core statistics. All relevant data will be collected and stored by sex. The general way for dissemination will be by Internet. A special home page will be designed for dissemination of statistics focusing on gender.

The establishment of a Gender Unit at the Secretariat has added impetus to the process of mainstreaming gender on all official statistics.

The main gender objective for the statistical programme is to collect and disseminate statistics on the women-dominated informal and domestic/household sectors.

Regional Statistical System and Policies

The design, development, implementation and maintenance of an integrated regional statistical system continued to be a priority for the Secretariat. The Unit responsible for statistics at the Secretariat with financial assistance from SIDA conducted several activities intended to assist with the development of a regional statistical system. The unit developed a WebPage for SADC Statistics, which can be accessed through the Web on http\\www.sadc.int\stats\index.htm.

The page provides basic regional macroeconomic and social data and statistics. It also provides country profiles.

The unit continued to update the database for statisticians in SADC. With this information, the region will be able to estimate its human capacity. There is also a database on most of the official macroeconomic and social statistics.

Population and Housing Censuses

There are many advantages that the region can reap from adopting a common census year for SADC, common census procedures and techniques, and the possibility of sharing from a common pool of expertise from within the region. A working group on Population and Housing Censuses was held in March 1998, to map out mechanisms, a regional strategy on population and housing censuses in SADC. The following major conclusions were reached at the workshop:

- SADC should move towards a common census year in the next decade;
- SADC should endeavour to work towards: the harmonisation of classifications, terms, concepts and definitions; development of core questionnaires for use in the Community; better data collection methodologies; improved methodology for cartography and digitising maps; better enumeration procedures (type, method, duration...); improved coding and data processing procedures; developing data- bases for automatic coding; storage of field documents and their disposal process after processing;
- Through the medium of workshops and seminars, SADC subject matter specialists would look into issues concerning concepts and definitions as well as data collection methodologies and adapt UN recommendations to community situations as well as the design of a core questionnaire.

Management and Information System

Management Information System (MIS) and Information Technology (IT) comprises a number of aspects of information management and communication, where the ultimate objective is to efficiently gather, store, distribute and use information. Vital requirements include the establishment of databases, electronic mail links (E-mail), Internet access providers, computer networks etc.

The interdependence of economies due to the development of IT requires active participation of all concerned national and regional organisations. Negotiations to that effect have already taken place within the framework of the World Trade Organisation and an agreement to liberalise it is in place. Most developing countries have, however, not signed the agreement.

Southern Africa can, however, not afford to be marginalized and the ability of the region to effectively integrate itself into the global economy depends on how well it develops its capacity to handle, absorb and utilise IT. It has become the basis for effective communication and building strategic business alliances, partnerships, sharing of information and exchange of ideas, marketing products, effecting international financial transaction and improved transparency in business activities.

There is, therefore, in an increasingly competitive global economy, a need to be in the forefront of IT developments. Most countries and regions are trying to come to terms with the implications of a rapidly changing world economy and the eminent role that IT and MIS plays in the process. It is widely accepted that IT plays a central role in determining the movement of capital between countries, markets and companies. Investment decisions are now often taken on the basis of information communicated through various forms of electronic media and investment decisions are dependent on easy access to information through, inter alia, the Internet.

The impact of IT goes beyond the financial and economic spheres. Improved access to information also impact on the awareness, education, and social and cultural development and awareness of the general public. The capacity to collect and disseminate information also plays a critical role in the regions effort to improve the availability of statistics, using it own sources. In the current situation, up-to-date information and harmonised data on issues of great importance such as national accounts, food security, health, education, the HIV/AIDS pandemic are all scarce and would benefit from improved information technology structures.

SADC is no exception and the region has also realised that there is more to IT than just technology, i.e. the challenge will not be met if we only look at technical aspects. There is also a need for well defined IT policies allowing standardisation, better inter-systems interfacing, mobility of resources, cost effective purchasing and standardisation of information gathering techniques. Likewise, the human resources aspect can not be ignored, and the need for training cannot be overemphasised.

In order to address and tackle the challenges, SADC has engaged in a number of initiatives. Firstly, the SADC Management Information System project is under development. The objective of the MIS project is to:

- Provide the necessary information for planning, policy formulation, implementation and monitoring;
- Increase efficiency in the management of the SPA;
- Reduce regional communication costs;

Delegates to the September 1998 SADC Summit in Mauritius.

- Increase information flows and data exchanges
- Enhance collaborative research;
- Empower citizens with adequate information about the region;
- Support democratic reform through transparent data and information availability without jeopardising privacy and confidentiality.

Secondly, and in line with the importance of the subject, IT and its central role in promoting increased productivity, was one of the main issues considered at the 1997 Consultative Conference. The focus of the 1999 Consultative Conference will be entirely on IT, namely: SADC in the Next Millennium: the Challenges and Oppor-tunities of Information Technology. The objective of the Conference is to share information and exchange ideas on the important and critical role played by IT. The Conference will discuss challenges and opportunities posed by IT with the Co-operating Partners, most of which have considerable experience of the impact and use of IT. It is expected that it will help raise awareness in the region and make specific recommendations on suitable strategies for the region to keep pace with IT developments.

Drug Control

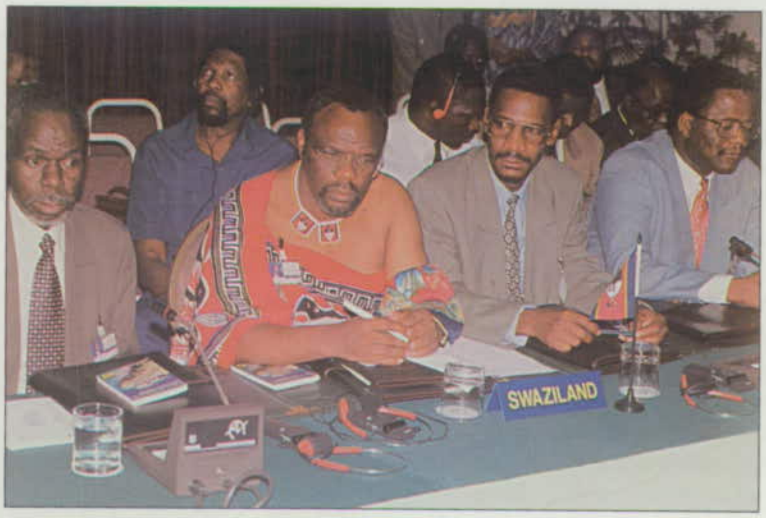
The drug control situation in the SADC region continues to be of serious concern. The alarming trends regarding production, trafficking and abuse of illicit drugs that prompted the SADC Member States to elaborate the SADC Protocol on Combating Illicit Drug Trafficking in the SADC region, are even more alarming today than 1996 when the protocol was signed by eleven Heads of State or Government.

Although the available statistics are not conclusive there are clear indications that more and more illicit drugs are not only being trafficked through the SADC region but also being abused locally. An increased abuse of both heroin and cocaine, including crack cocaine, has been noticed in several Member States. The current trend in Western Europe and the US of increased abuse of psychotropic substances, such as ecstasy, has also been noticed in our region. The more traditional production and abuse of cannabis, continues and the trend is that younger and younger persons are abusing the drug.

In addition to the elaboration of a Protocol, the responses by the individual SADC Member States as well as collectively through the SADC Secretariat have been manifold. Several Member States have or are in the process of establishing national inter-ministerial/departmental bodies to effectively co-ordinate, initiate, implement and monitor all national drug control related activities. Many Member States are also, for the same reasons, elaborating comprehensive, multi-sectoral national master plans for drug control that will ensure that the scourge of illicit drugs does not continue to hamper the social and economic development of their nations.

The fight to combat the production and trafficking of illicit drugs, i.e. reducing the supply of illicit drugs, has continued with varying levels of success on the national, regional and global level. Police and customs authorities continue their difficult task of intercepting illicit drugs both at and within the national borders. Successful cross-border operations, within the SARPCCO framework, have been carried out in the region and more are planned. Closely linked to these endeavours is the elaboration of efficient and adequate legal frameworks which is currently given a high priority by most Member States. The abovementioned increased flow of illicit drugs on to the local drug scene has been countered by prevention campaigns in the Member States. In view of the demographic situation, one of the most commonly targeted groups is the youth. Not only because it is prone to experiment with drugs, but also because it is often targeted by the drug dealers. Anti drug abuse campaigns in many Member States have therefore focused on school-going children as well as on those who for various reasons are out of school.

On the regional level, a comprehensive, multi-sectoral, five-year drug control programme has been developed by the SADC Secretariat and approved by technical experts from the Member States. It is based on the recommendations made in the Protocol as well as on extensive consultations with regional and international experts. The programme, SADC Regional Drug Control Programme (SRDCP), covers six main areas of intervention: Regional Capacity Building and Co-ordination, National Capacity Building and Co-ordination, Legal Development, Supply Reduction, Demand Reduction and Illicit Drugs and HIV/AIDS. In each of these main areas, several projects and programmes have been proposed and will be implemented during 1998 – 2002.



Members of the Swazi delegation at the SADC Council of Ministers meeting in Maputo, Mozambique in January 1998.

Although experiences from other parts of the world have shown that the problem is difficult to eradicate completely, the main objective of the SRDCP is to contain the situation and provide the foundations for long term measures that will eventually contribute to making SADC a drug free region. The region can ill afford the many negative consequences illicit drugs have on its social and economic development including, inter alia, corruption, money laundering, organised crime, unemployment, low productivity, poverty, violence against women and children, and political instability.

Future Outlook

Summit Heads of State and Government and leaders of regional and continental organisations posing for a group photograph at the 1998 SADC Summit in Mauritius.

SADC is characterised by wide economic and social diversity, in terms of growth and development. The region has tended to perform better than Sub-Saharan Africa as a whole and there is scope for improvement vis-a-vis the performance of the rest of the developing world. Optimism for the future is based on relatively high growth in several countries over the last few years.

The African Development Report categorises African economies into three groups according to recent (1997) growth: high (5.0 percent or more), moderate (3.0 to 4.9 percent) and weak performers (less than 3 percent growth). Five SADC economies are high growth (Angola, Lesotho, Malawi, Mauritius and Mozambique), another five moderate (Botswana, Namibia, Tanzania, Zambia and Zimbabwe) and three weak performers (South Africa, Swaziland and Democratic Republic of Congo).

Probably even more importantly than growth to assess the economic potential is competitiveness. In 1997, the World Economic Forum compiled the Africa Competitiveness Report, covering 24 African countries and evaluating their competitiveness in terms of openness, government, finance, infrastructure and institutions. Among the 24 African countries, SADC Member States hold the following ranks : 1 : Mauritius, 3 : Botswana, 4 : Namibia, 7 : South Africa, 8 : Swaziland, 10 : Lesotho, 12 : Zambia, 16 : Tanzania, 18 : Mozambique, 20 : Zimbabwe, 21 : Malawi, 23 : Angola.

The same report ranks Tanzania and Mozambique as those countries in which the business environment has improved the most.

The good performance of some SADC economies, in combination with the high ranking of more than half of the SADC Member States in terms of competitiveness, represents the basis for optimism regarding the region's potential to become an attractive area for investment in the years ahead. Tanzania and Mozambique's markedly improved business climate provides evidence of the gains from economic adjustment through market-based economic policies and institutional reform.

The growth and competitiveness assessment of SADC must be interpreted as encouragement to Member States to continue their efforts of economic stabilisation in order to meet the challenges and take advantage of the opportunities arising from globalisation. The task is twofold: to create an investor-friendly economic environment, but also to implement social policies to counter adverse effects on the vulnerable strata of the population which often accompany processes of increasing openness of economies. SADC Member States must implement a carefully managed and monitored liberalisation strategy ensuring that globalisation, in the name of economic efficiency, does not result in political destabilisation of the region.

To make a dent in poverty and address the problem of unemployment, SADC needs sustained growth of at least 5-6 percent over the next decade. With its abundance of resources, the SADC region can achieve this, provided an unequivocal move towards deep integration, complemented by sector strategies coherent with the targeted growth rate of 5-6 percent are put in place. In terms of a multi-speed approach, this means that some Sectors will have to develop faster than others, as more investment will be channelled to growth-oriented Sectors.

One of the major challenges facing SADC in respect of the high growth target is increasing investment, and the concomitant increase in savings. The level of investment and savings in SADC is low, compared to the rest of the developing world. To meet the challenges of the next millennium, investment in SADC needs to rise. SADC has taken measures to create an investor-friendly environment. They are mirrored in the decline in inflation, market determined exchange rates and enhanced macroeconomic stability. Countries like Botswana and Mauritius have high credit ratings which compare favourably with other developing countries. Following the example of Botswana and Mauritius, other SADC countries are also improving their credit/risk ratings through prudent fiscal and monetary policies. SADC must aim at a savings and investment ratio of no less than 20 percent of GDP, with foreign direct investment attracted by high national investment and a free flow of investment capital across intra-regional borders.

However, achievements in terms of economic stabilisation can only bear the fruits of sustained development if they go hand in hand with political stability in the Region. Investors – local, regional and international – are known to rate peace, political stability and a stable, transparent legal system highest among their decision-making parameters. Political stability in SADC has been cast in doubt in the recent past, jeopardising what had been achieved in economic stabilisation.

SADC has taken decisive steps to address gender issues, especially the empowerment of women in the region. This includes the adoption for institutional framework for gender and the establishment of the Gender Unit at the SADC Secretariat. Through the mainstreaming of gender into its Programme of Action, SADC seeks to encourage policies and actions, which support and encourage partnerships and participation, subsidiarity and the redistribution of income and opportunities to include those socially and historically 'disadvantaged' in the region. To this end, SADC will revisit its mission statements, objectives and organisational culture to become more gender sensitive and support the process of transforming SADC to become accountable to all the people of the region.

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