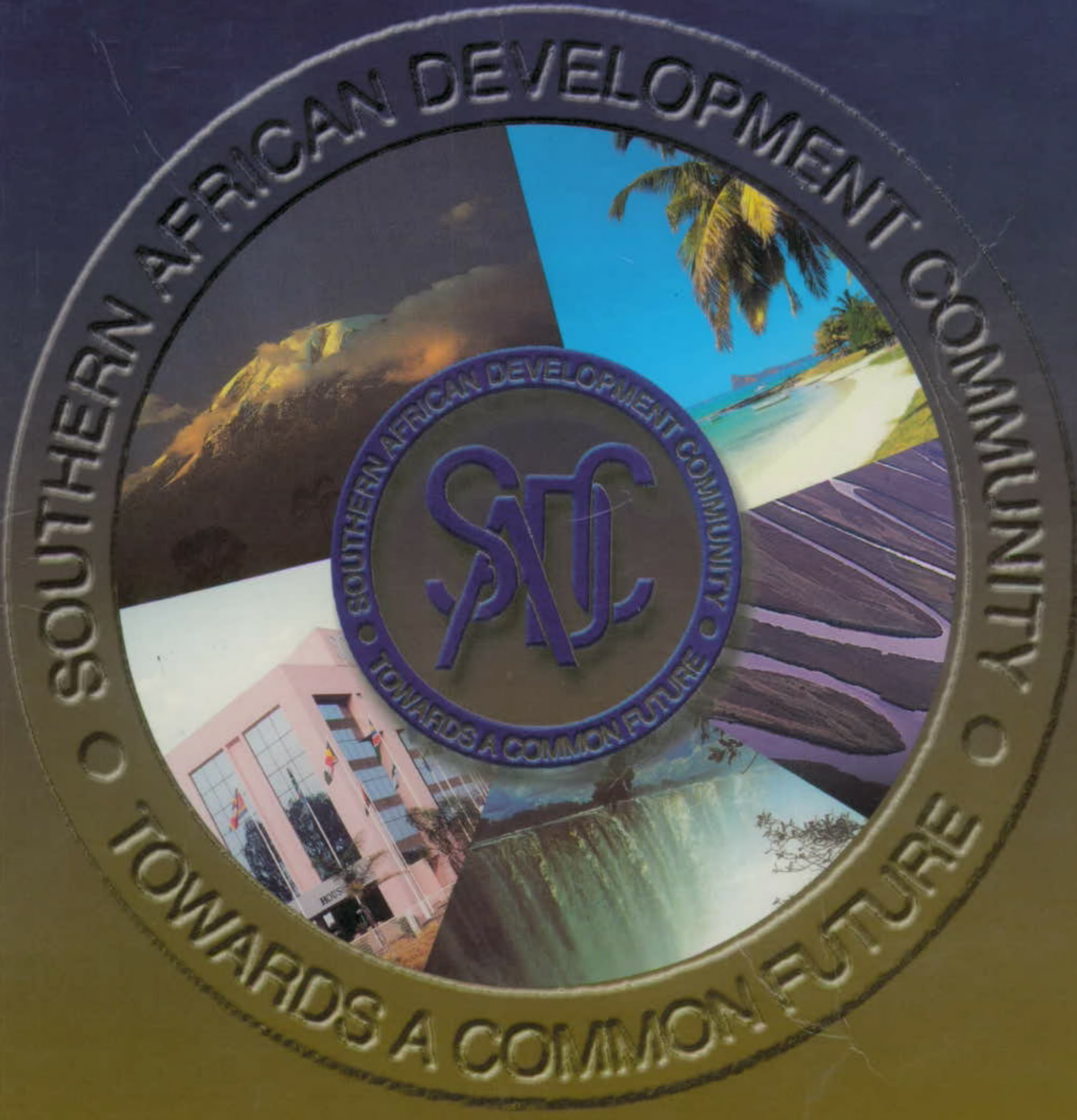
ANNUAL REPORT



2000 - 2001

Dr. Mtei

Livestock

Contents

Foreword

The 2000/2001 SADC Annual Report has been prepared by the Secretariat with contributions from Member States and other relevant institutions. It covers the period from July 2000 to June 2001.

The Report is presented in four parts. The first part is an overview of the World economy, the African economy in general and economic developments in Southern Africa. Main and sectoral developments are presented in the second part. The third part briefly outlines one of the landmark decisions taken by Summit in March 2001 in Windhoek, Namibia on the restructuring of SADC Institutions and operations. This restructuring exercise is expected to be completed within a period of less than two years. The fourth part provides relevant statistical data and charts on the performance of the SADC Member States.

The Annual Report this year covers the challenges of poverty, HIV/AIDS and debt. It also outlines what the region is doing to deal with the critical social issues of the control of illicit drug trafficking and abuse, demining activities in the landmine infected areas of the region and the control of trade in small arms and light weapons.

The launching of the implementation of the SADC Protocol on Trade on 1st September 2000 represents a pivotal step towards deeper integration in Southern Africa and a move towards the establishment of a Free Trade Area by 2008. This will obviously change the business climate in the region for the better as new opportunities are created. I believe that the reduction of tariffs and elimination of non-tariff barriers, coupled with other multilateral initiatives such as the Cotonou Agreement;

The US-Africa Growth and Opportunity Act (AGOA) and the European Union's Everything But Arms Initiative will propel our export sectors to increased growth and export product diversification.

This report will inevitably provide valuable information to all stakeholders and cooperating partners.

Prega Ramsamy
Executive Secretary

Executive Summary

The launching of the implementation of the SADC Protocol on Trade on 1st September 2001, which envisages the establishment of a SADC Free Trade Area by 2008, represents a pivotal step towards the shared vision of creating a single economic space in Southern Africa. The implementation of the Protocol on trade is catalytic to deeper economic integration as it promotes free movement of factors of production and will encourage increased investment and higher economic growth.

In 2000, the region realized an aggregate GDP growth rate of 3.4 percent, an increase from the 1.8 percent achieved in 1999. This performance continued to be below the world average of 4.8 percent and equal to that for Africa of 3.4 percent.

SADC Heads of State and Government take a break for a group photo from their hectic Summit schedule during the Blantyre Summit in August 2001.

SADC Member States, as part of the African Union, have pledged their support for the New Partnership for African Development (NEPAD) as an African blue print for African economic recovery and development.

Executive Summary

NEPAD emphasizes the importance of macro-economic stability, good governance and maintenance of the rule of law as preconditions for creating an investor friendly environment. This initiative should give more impetus to SADC countries to persevere in introducing positive economic reforms to enhance growth and reduce poverty in the region.

The region continues to be under a serious threat from the HIV/AIDS pandemic. Infection rates are estimated to be as high as 36 percent in the most affected Member States. Unfortunately, the most affected age group is the active working age, which will inevitably affect productivity levels and overall economic growth, as valuable skills are lost to this scourge.

The external debt question has continued to affect most of the region's Heavily Indebted Poor Countries (HIPC).

However, the World Bank/IMF HIPC Initiative appears to be providing some relief. Mozambique has received some debt relief and is set to receive further assistance due to its consistency on policy reforms. Malawi, Zambia and Tanzania are also set to benefit from this initiative soon.

The issue of poverty is one of SADC's main challenges and most Member States' policies and, indeed, regional policies are designed to address poverty. The level of poverty in the region appears to be on the increase as is the level of unemployment. Great strides are being made to address this problem by making it a sectoral priority and through appropriate policies in health care, education and training, and economic empowerment particularly of women.

Executive Summary

There have been significant developments in most of the economic sectors such as trade; finance and investment, agriculture, telecommunications, tourism, mining and energy. The manufacturing industry sector has had mixed developments as the sector expanded in some countries and contracted in others. Manufacturing expansion was mostly in those countries that were set to qualify under the US-Africa Growth and Opportunity Act (AGOA). It is expected that there will be significant expansion in response to the AGOA and the implementation of the SADC Protocol on Trade as more opportunities open up.

There is optimism for increased growth in the region as countries continue to pursue macro-economic policies that are conducive to business development and are investor friendly.

One of the milestones set by the SADC Heads of State and Government is the adoption of the Report on the Restructuring of SADC institutions in March 2001, in Windhoek, Namibia.

It has been agreed that SADC's operations be centralized at the Secretariat in Gaborone with all Sector Coordinating Units and Commissions clustered into four Directorates. This represents a major transformation of the organization, which will change the way SADC operates. Within a period of two years, the whole restructuring exercise is expected to be completed. The new institutional framework will result in a strengthened SADC Secretariat which will provide the Community with significant capacity to deliver on the goals and aspirations of Member States.

PART I

Overview

1.1 World Economy

Global output in 2000 grew at an estimated 4.8 per cent, however, this is projected to slow down considerably during 2001 to 3.2 per cent. The rapid growth rates during the final quarter of 1999 and the first half of 2000 was spearheaded by the United States economy, which towards the end of 2000 was showing signs of over heating. This was expected to lead to a slowdown, although the magnitude of the downturn has been larger than was originally expected. The first half of 2001 has witnessed a series of shocks to the American economy that have resulted in a considerable slowdown in domestic demand growth and an erosion of consumer and business confidence.

The high levels of both household and company debt in conjunction with a large current account deficit would signal caution in assessing the prospects for future growth in the US economy. The reduction in demand is already having an impact on major exporting nations, including some African economies, which are experiencing a downturn in orders.

The UK economy is much more open than the large Euro economies and will be more vulnerable to major changes in world demand. The Japanese economy has yet to witness an upswing in growth with both business and consumer confidence remaining fragile. The new monetary framework is expected to have a positive impact, however, many observers believe further restructuring will be required in the financial sector in order to increase the trend rate of growth.

As a consequence of the downturn in the more developed economies the outlook for emerging markets has deteriorated. The decline in stock market valuations in developed economies has been paralleled by a sharp fall in emerging equity markets. Financial conditions have tightened considerably as relatively large developing economies have experienced currency crises.

Overview

These include Argentina and Turkey and in the case of the former there have been some adverse spillover effects to neighbouring economies.

At this relatively early stage of the downturn the most seriously affected economies are those with close ties to the United States. This includes Canada, Mexico and the other members of NAFTA and some of the large Asian economies that are major exporters to the US.

Developing countries and emerging economies are cautious since the recent downturn in stock values in the major developed economies may have an adverse impact on demand for their products as consumer spending declines. The relationship between stock market valuations and the real economy in countries with diversified stock ownership indicates a link between consumption and investment. Indeed, there is some evidence that declines in the stock valuations trigger even larger declines in the real economy. At the time of writing there is considerable volatility in international stock markets as investors try to digest differing signals.

There is a possibility that the slowdown may be close to bottoming-up and could be short-lived for three key reasons. Firstly, after several years of robust growth, many economies are in a better position to implement the necessary adjustment policies without a serious risk of inflation. Secondly, the short sharp crisis in emerging markets in 1997-98 resulted in most economies liberalizing their exchange rates, which was a key element in the earlier crisis. Economies are generally in better shape with current account surpluses and larger foreign exchange reserves. Thirdly, the United States has shown that it is prepared to engage in the aggressive reduction of interest rates in order to support economic recovery. The substantial reduction in interest rates is expected to exert a positive impact on economic activity in the second half of 2001.

PART I

Overview

1.2 African Economies

The second half of the 1990s saw a substantial increase in GDP growth in Africa as more countries implemented economic policies aimed at restoring macroeconomic stability. The politically stable countries that pursued stable macroeconomic policies substantially outperformed those countries affected by war or civil disturbances. Towards the end of the millennium the rate of growth declined as a number of economies experienced declining commodity prices and increasing oil prices, war and civil conflicts.

The IMF is projecting an increase in the growth rate in Africa to 4.2 per cent in 2001 with a further increase in 2002. The improvement is predicated on the continued implementation of structural reforms and sound macroeconomic policies along with an improvement in the security situation. There is some evidence that the enhanced HIPC (Heavily Indebted Poor Countries) initiative and the IMF's Poverty Reduction and Growth Facility are having a positive impact on economic growth.

Dr. Ramsamy consulting with the then Secretary General of the Organisation of African Unity (OAU), Dr. Salim Ahmed Salim during the former's visit to Addis Ababa, Ethiopia in June 2001

PART I

Overview

The New African Initiative (NAI) – a merger of MAP and OMEGA, adopted at the OAU Summit in Lusaka in July 2001, represents a very positive development for the continent. The NAI, which has now been renamed the New Partnership for African Development (NEPAD), has been conceptualised by Africans and recognizes that the key to the continents' future development lies with the African governments. NEPAD emphasizes the importance of macroeconomic stability, good governance and maintenance of the rule of law as preconditions for creating an investor friendly environment. It stresses the importance of investing in infrastructure, information and communication technology and education in order to enhance growth rates.

Sub Saharan African economies continue to face serious challenges including, inter alia, devastating floods, declining prices for major commodity exports, civil strife, and the impact of AIDS. The oil exporting countries of North and West Africa have seen a major improvement in their terms of trade.

However, structural weaknesses in the non-oil sectors have constrained this from translating into increased growth rates and poverty alleviation.

It is a source of concern that Africa appears to be falling behind in the increasing trend towards global integration. The introduction last year of the Africa Growth and Opportunity Act (AGOA) has resulted in an increase in exports of garments from a number of qualifying economies. The adoption of the Everything But Arms (EBA) Initiative by the EU provides for improved market access to the least developed countries.

PART I

Overview

The lowering of barriers to trade has been linked to increased domestic competition and investment that in turn augments economic growth.

Although it is difficult to provide conclusive cross-country evidence, there is now growing recognition that reducing trade taxes and removing non-tariff measures as part of a broad sound macroeconomic strategy will assist with the reduction of poverty by creating new employment opportunities.

Following the IMF's assessment of trade regimes, Sub-Saharan Africa has the most restrictive tariff regime, with the highest average level of tariffs and tariff revenue as a ratio of GDP. When non-tariff barriers are considered Sub-Saharan Africa ranks third from the bottom, just above the Middle East and North Africa.

1.3 Southern African Economy

The SADC Free Trade Area was launched officially in September 2000. This represents a pivotal step towards the shared vision of creating a single economic space, through deeper economic integration that provides for the free movement of factors of production, and will assist with the augmentation of economic growth and the reduction of poverty.

SADC economies continued to implement fundamental economic reforms aimed at enhancing macroeconomic stability. The region realized an aggregate GDP growth rate of 3.4 per cent in 2000, this was a significant increase from the 1.8 per cent in 1999, and is significantly below the growth target of 6 per cent defined in the United Nations New Agenda for Development in Africa as the minimum growth rate required for sustainable economic development. This is a challenging task with only two countries within SADC achieving growth rates of more than 6 per cent in 2000. To halve poverty by 2015 a regional average growth rate of almost 6.5 per cent is required.

The Task Force of SADC and COMESA (the Common Market for Eastern and Southern Africa) held its second meeting in Gaborone, Botswana in October 2001. The Task Force, which is headed by the chief executives of the two organisations - Dr. Ramsamy (third from right) and Mr Erastus Mwencha (second from left) of COMESA - is charged with harmonising the activities of the two regional organisations.

PART I

Overview

The AIDS pandemic represents a serious threat to the SADC region with surveys of pregnant women showing between 20 and 36 per cent to be HIV positive. It is expected that deaths from AIDS will increase mortality rates and this will result in a decline in aggregate life expectancy. AIDS will have a profound impact on SADC economies. Specifically it will, inter alia, reduce GDP growth, exacerbate the fight to reduce poverty (as dependency ratios increase), worsen economic inequality and reduce the available labour supply. Significant additional external assistance will be required to prevent the situation from deteriorating further.

The diversity between the 14 SADC Member States makes generalization on economic performance extremely difficult. SADC includes least developed, developing and relatively more developed economies. Significant variation in economic growth, which has been a characteristic of the SADC region through the 1990's, continued through 2000. The major factors influencing economic performance within SADC include the overall international economy, domestic economic policies, the quality of governance, and the level of political stability.

SADC Council of Ministers are here joined by other Ministers for a group photo during the Council Meeting held in Blantrye, Malawi in August 2001.

PART I

Overview

The continued conflagration within the Democratic Republic of the Congo involving several SADC Member States, the continued military campaign of UNITA in Angola, and the worsening economic and political situation in Zimbabwe contribute to the need for a sober assessment of future growth prospects.

The region experienced heavy rains in February/March 2001 with flooding in Mozambique. Although less severe than the rains associated with Cyclone Eline in 2000, it exerted an adverse effect on economic performance in Mozambique. In Swaziland, heavy rains in the south of the country reduced sugar production. The restructuring of the commercial agriculture sector in Zimbabwe is expected to result in a reduction in the production of cash crops for export. The shortfall in foreign exchange earnings in conjunction with an expected food deficit is anticipated for Zimbabwe towards the end of 2001.

Inflation in SADC has continued its downward trend as more countries have continued with their policies of increased monetary discipline through the reduction of the size of government budget deficits.

In eight of the SADC countries the budget deficit as a percentage of GDP was below five per cent. In South Africa, the largest economy, accounting for 75 per cent of total SADC GDP, the budget deficit was 1.2 per cent. Inflation is less that 10 per cent amongst the five Southern African Customs Union Members (South Africa, Botswana, Lesotho, Namibia and Swaziland), as well as in Mauritius, Seychelles and Tanzania. Mozambique experienced an increase in inflation as a consequence of the difficulties caused by the floods. In Malawi and Zambia inflation exceeds 10 per cent.

PART I

Overview

The level of inflation remains very high in the countries affected by civil strife, namely Angola and DRC and is increasing due to severe macroeconomic imbalances.

In 2000 inflation exceeded 500 per cent in DRC, it was 325 per cent in Angola and during the same period inflation increased to 55 per cent in Zimbabwe.

The existence of a group of SADC economies with low inflation rates and low government deficits is positive since these characteristics have been identified as major determinants of the attractiveness of an economy for foreign investment.

A net inflow of foreign capital is essential if the region is to achieve higher growth rates. In all, SADC economies' domestic savings are not sufficient to sustain higher growth rates.

A SADC Committee of Investment Promotion Agencies was established in 1998 with the aim of bringing the region in line with global provisions for investment agencies and to facilitate cross-border investment.

A recent survey reported in the World Investment Report 2000, indicated that transnational corporations (TNCs) identified the following industries as having the most potential for increased investment over the next three years: tourism, transport and storage, telecommunications, mining and quarrying, metals and metal products, motor vehicles, food and beverages, pharmaceutical and chemical products and agriculture.

PART I

Overview

Poverty continued to be a major economic and social problem in the region. The incidence of poverty, measured as a minimum level of consumption expenditure per head remained unacceptably high. In last years' Annual Report it was noted that poverty in Mozambique was estimated at 69 per cent, while in Zambia it was estimated to exceed 70 per cent.

In Malawi, the figure is 60 per cent, in Lesotho and Botswana it is estimated at almost half the population. In 1996, it was estimated that 56 per cent of the population lived in poverty in South Africa.

Official South African statistics estimate that 36.2 per cent of the working-age population is either unemployed or not actively seeking work.

The commitment to improved governance and democratic accountability continued in the sub-region with multi-party elections being held in Mauritius and Tanzania during the period under review.

PART I

Overview

1.4 Policy Focus and Issues in 2000/2001

During 2000/2001, the SADC economies continued to consolidate their responses to the increasing globalization of the world economy through initiatives aimed at augmenting their attractiveness to international investment. Macroeconomic stability was deepened throughout the majority of SADC economies as countries targeted lower public sector deficits and continued with supply side reforms. Initiatives are also underway in many countries to strengthen expenditure control and revenue collection procedures. While the supply side measures are aimed at deregulating product and factor markets, commercializing and privatizing state-owned assets and reducing anti-export bias.

The skills-gap within SADC economies is a constraint to implementing many of the proposed reforms. The commitment to establishing contestable markets has resulted in more emphasis being placed on the establishment of efficient and effective regulatory frameworks.

SADC Summits and Council of Ministers Meetings provide an ideal opportunity for the region's diverse media to interact with regional leaders, as was the case in Blantrye, Malawi in August 2001.

Overview

Mauritius is focusing on improving regulation through the creation of a Financial Services Commission (FSC), which will regulate all non-banking financial bodies to promote fairness, efficiency, transparency, and the protection of investors. The FSC is intended to act as a one-stop regulatory shop for the Stock Exchange, Offshore Businesses, and Insurance and Pension schemes.

In Mozambique the Government has continued with its policy of liberalizing the transport and communications sectors, and has taken action to improve the effectiveness of the public prosecutors office with the aim of improving confidence in the rule of law. A fundamental review of the legal system will commence in 2002.

In Malawi, economic policy aimed at increasing macroeconomic stability is taking place within the framework of the interim poverty reduction strategy paper (I-PSRP). The I-PSRP focuses on three specific goals: raising the productivity and income of the rural poor with an emphasis on smallholder agriculture, promoting private-sector growth to expand non-farm employment; and expanding social services. The government will continue with plans to privatize state assets.

In Zambia, the government's economic policy priorities were guided by the July 2000 I-PSRP, which is aimed at ensuring that Zambia qualifies for large amounts of debt relief under the HIPC initiative.

Macroeconomic stability lies at the core of the programme with a strong commitment to continued privatization. During 2001 the government has committed to selling its shares in the National Commercial Bank, the Indeni Oil Refinery and the Tanzania-Zambia pipeline.

In 2000, the Namibian cabinet approved a paper to divest and reduce state-owned equity in parastatals. Consultants are undertaking a review of parastatal's operations and the first divestments are only expected in 2002. Any privatization is likely to be preceded by the establishment of an empowerment trust that will buy up a proportion of the issue to sell to the public at a later date, with the aim of broadening the ownership of state assets.

PART I

Overview

In Swaziland, the government finalized a paper on the reform of public enterprises and is still working on a divestment policy.

In South Africa, the government's strong commitment to fiscal and monetary discipline is a necessary condition for growth. However, it is also apparent that it is not sufficient. The inability of the economy to achieve higher growth rates encouraged the government to introduce a series of supply side measures (announced in the 2001 Budget). To the extent that these directly address the supply side constraints confronting investors, they will provide a basis for augmenting growth. There is a continued commitment to privatization although it remains a sensitive issue.

In Lesotho, the IMF approved a Poverty Reduction and Growth Facility (PRGF), in March 2001, and provided a loan of \$19 million. The key priority is to attract foreign investment with the programme emphasizing macroeconomic stability, labour market flexibility and public-sector efficiency.

The government will open all areas of the economy to foreign investment. Lesotho has witnessed a major increase in investment from firms producing for the US market under the AGOA preferences.

During the year under review, Botswana was awarded a credit rating of A2 for long-term foreign-currency debt by Moody's. This places Botswana as the highest of three African countries that merit a rating. The others are South Africa and Mauritius. Botswana, with strong macroeconomic fundamentals, was able to announce increased budgetary allocations to education and for HIV/AIDS programmes. Investment policy has been influenced by a series of high profile failures of foreign owned companies. This has resulted in a mix bag of measures aimed at continuing to maintain Botswana as an attractive location for foreign investment while also introducing schemes aimed at citizen empowerment. The regulatory framework will be improved when the new Companies Act is introduced, as expected, in 2002.

Tanzania has achieved a major improvement in macroeconomic fundamentals and remains committed to further structural reforms.

Overview

Zimbabwe is facing a severe economic crisis as the government's fiscal deficit has increased to 22.7 per cent of GDP in 2000. The deficit has now been brought under control, although this is not sustainable since it is based on a fixed exchange rate policy with significantly negative real interest rates and limits on public sector wage increases (which result in sharp declines in real incomes for government salaried personnel). The absence of foreign inflows has resulted in the government financing the deficit domestically, which will be a burden on the economy in the future.

The Seychelles introduced strict foreign exchange regulations during the course of the year in order to increase foreign-exchange levels. The Seychelles remains a highly regulated economy and additional controls will impact on private sector confidence and further investment in the tourism sector. The high profitability of the Seychelles Marketing Board (SMB), which has a monopoly on essential items (such as basic foodstuffs) is linked to an overvalued rupee and on preferential access to foreign exchange at the official rate.

Angola has continued to implement a Staff-Monitored Programme (SMP) with the IMF aimed at promoting macroeconomic stabilization and fiscal transparency. The government is introducing new measures aimed at improving co-ordination and financial disclosure between the Treasury, the Ministry of Finance and the state oil company. Similarly the government is committed to tightening its monetary policy.

The situation in the DRC has improved with the new government of President Joseph Kabila committing to economic liberalization and macroeconomic stabilization as well as rewriting the mining and investment regulations to encourage increased investment. The diamond sector was liberalized in April 2001. In February 2001, the government partially liberalized the current account and allowed the use of foreign currency in export transactions. This is expected to result in a significant increase in foreign exchange earnings.

PART II

Developments in the Main Areas

2.1 Trade, Industry, Finance and Investment

2.1.1 Trade and Industry

The countries of the region continue to pursue macro-economic and trade policies that are gradually opening up the regional market to international competition. Trade and investment issues are intrinsically interrelated such that it is important that they are treated and addressed together to ensure that there is adequate synergy.

Foreign direct investment is crucial for regional economic growth. There are numerous opportunities within the region, in all sectors of the economy, from mining to manufacturing and from financial services to tourism. There are even more opportunities emerging from the Cotonou Agreement, and the Africa Growth and Opportunity Act for increasing the region's share of world trade and for investment. As SADC looks to the future, it is important that the global trends in multilateral trade and investment are taken on board as the process of liberalization gathers momentum at regional level.

As part of the on-going restructuring of SADC institutions, the Trade, Industry, Finance and Investment (TIFI) Directorate was launched in August 2001 in Gaborone. The new directorate centralised the former sectors of Industry and Trade (then coordinated by Tanzania), Finance and Investment (South Africa), and Mining (Zambia). At the launching ceremony are from right, John Chanda (Mining), Dr. Prega Ramsamy (SADC Executive Secretary), Hon. Baledzi Gaolatlhe (Botswana's Minister of Finance and Development Planning), and Dr. Moeketsi Senaoana (Finance and Investment).

Developments in the Main Areas

In the area of Trade, the implementation of the SADC Protocol on Trade was launched on 1st September 2000, following the adoption by Summit of an Amendment Protocol on Trade.

The Amendment Protocol overhauled the rules of origin from the 35% value added which was originally agreed by Member States to product specific rules of origin. The key objective of the product specific rules of origin is to ensure optimum utilization of the region's resources and take advantage of comparative advantages that exist amongst the Member states. It is envisaged that this strategy would encourage and promote industrialization in the region.

The implementation of the Protocol on Trade was launched when there were only a few areas where there was no agreement. These areas include textiles and clothing; electrical; optical; automobile and wheat flour products. The critical issue was on rules of origin and, in some cases, market access. There has been remarkable progress since September 2000. Agreement has been reached on trade in textiles and clothing. The main feature is that the principle of asymmetry has been taken on board in order to reduce the negative trade balance other countries have against South Africa.

A special trade arrangement has been agreed upon which allows Malawi, Mozambique, Tanzania and Zambia to export textiles and clothing products meeting a "single stage transformation" rule of origin into the Southern African Customs Union market duty free but subject to quota limits. The special arrangement expires after 5 years and all countries will be expected to trade on the basis of "double stage transformation" rule of origin.

However, all other trade outside the special agreement will take place under the double stage transformation rule of origin. Mauritius and Zimbabwe exports of textiles and clothing meeting the double stage transformation into SACU will be treated under accelerated tariff reduction preferences. All SADC Member States have an interest in this sector and the break through will have a positive impact on the overall intra-SADC trade levels.

PART II

Developments in the Main Areas

To facilitate negotiations on outstanding issues, the Secretariat has been organizing Round Table Meetings, which have proved to be useful as they involve all stakeholders and technical persons from the respective industries. It is expected that all the outstanding issues on trade in goods will be agreed upon by the end of 2001. The aim is to ensure that substantially all trade will be liberalized which would be in conformity with the World Trade Organization obligations for regional free trade areas.

A lot of work has already been undertaken to address the issues of non-tariff barriers and technical barriers to trade. This work is ongoing as it is difficult to completely eliminate non-tariff barriers. The harmonisation of sanitary and phytosanitary measures, standards, quality assurance and metrology is already at advanced levels. The aim is to come up with the basic minimum standards that should be attained while subscribing to international best practices.

The SADC Protocol on Trade also provides for the liberalization of trade in services in the region. The negotiating arm of SADC on trade, the Trade Negotiating Forum (TNF) has started examining strategies of negotiating preferences in trade in services at regional level. Sector specific assessments on the existing regulations have been carried out in each country identifying the level of liberalisation as well as commitments made under the General Agreement on Trade in Services (GATS). Priority sectors have been identified as Transport and Communications, Tourism, Construction, Finance and Investment. Substantial groundwork is being carried out to facilitate the actual negotiations.

The regional liberalization of trade in services, will take full cognisance of the World Trade Organization negotiations in trade in services currently underway.

Developments in the Main Areas

The SADC Member States are cognizant of the fact that the liberalization of trade in the region is only a step towards liberalizing trade to the World. The regional market is viewed as a stepping-stone to increasing the region's exports to the World market. In this context, careful consideration is given to multilateral preferences provided under the Cotonou Agreement, the South Africa/EU Trade and Development Agreement and the US Africa Growth and Opportunity Act as well as the EU's Everything But Arms initiative for least developed countries on how the Member States can better benefit from these initiatives.

2.1.2 Finance and Investment

The macro-economic policy environment in the region has improved tremendously as a result of the policy reforms being implemented by most countries. Due to these stabilization policy reforms, economic growth rates are already accelerating in many SADC Member States. Botswana, Mozambique, Mauritius and Tanzania, to name a few, continue to achieve high economic growth while the South African economy is experiencing renewed growth rates. Budget deficits are now under control at less than 5% of gross domestic product for many countries with some recording substantial surpluses. Overall, the economic policy thrust in the region is moving towards considerable convergence although the macro-economic variables remain slightly divergent.

The macro-economic stability the region is experiencing has improved the investment climate considerably. However, the flow of foreign direct investment into the region has not matched the improvement in the investment climate.

The region is only receiving about 1% of total world foreign direct investment capital despite the enormous investment opportunities and natural resources the region has and its high return on investment.

PART II

Developments in the Main Areas

One of the key challenges the region is addressing is the development of the financial sector in order to build business confidence in the financial system. This entails the liberalization of the financial sector particularly with respect to opening up to foreign ownership of banks, market determined interest rates, allocating credit on a commercial basis, flexible exchange rate policy, complete liberalization of the current account and strengthening of regulations and supervision in the banking sector. As a result of these reforms, a gradual deepening of the financial system in the region is now being experienced. Controls remain on the capital account in the majority of SADC countries except in Botswana, Mauritius and Zambia.

Botswana and Mauritius have diversified their financial services such that Botswana is now an International Financial Services Centre while Mauritius has an offshore banking sector. The aim is for these financial centres to act as conduits for international funds coming into the region and indeed the rest of Africa for investment.

To complement the activities of the banking sector, the region has experienced a relative growth in the development of its capital markets. SADC currently has 10 stock exchanges, which play a crucial role in the mobilization of investment capital by listed companies. The stock exchanges are very active and four of them, namely South Africa, Mauritius, Botswana and Zimbabwe are in the top ten most active stock exchanges in Africa.

Individual share ownership is being encouraged in the region in order to broaden the role of capital markets in economic development. More domestic participation on the local stock markets does lend greater stability to the market, as local shareowners tend to hold on even during uneasy periods of the market. This is unlike foreign portfolio investors who have a short-term view on their investments.

Developments in the Main Areas

One of the key challenges the region is facing which the new directorate on Trade, Industry, Finance and Investment is grappling with is the question of external debt. According to the African Development Indicators for 2001, the total debt of SADC stood at US$80,295 million at the end of 1999. The countries that recorded the highest debt levels in nominal terms were South Africa, the DRC, Angola, Mozambique, Tanzania, and Zambia.

Six countries in the region namely Angola, the DRC, Malawi, Mozambique, Tanzania and Zambia are classified as severely indebted low-income countries.

This makes them eligible for assistance under the Highly Indebted Poor Countries (HIPC) Initiative. However, Angola's debt is also considered sustainable while that for the DRC will not be considered due to the political situation in that country. Malawi, Mozambique, Tanzania and Zambia are or will soon be benefiting from the HIPC Initiative.

Despite these positive initiatives, the consequent debt overhang is having an adverse impact on investment and economic growth in Southern Africa. Since the external debt is mainly owed by the state, debt service payments limit the ability of government to invest in physical and human infrastructure as well as to increase growth enhancing expenditure in education and health. External debt overhang invariably creates a policy credibility problem and undermines investor confidence.

It would be important for Member States to improve their debt management as the very first element. Government could then seek relief on a clear footing with defined optimum levels of borrowing. External borrowing should be for development projects not consumption. There is need to effectively control the level of Government borrowing.

PART II

Developments in the Main Areas

2.1.3 Mining

Performance of the Mining Industry

The SADC mining sector is a major contributor to the socio-economic development of the region. The sector contributes 60% of foreign exchange earnings, 10-11% of regional GDP and about 5% of formal employment (much greater if informal mining were included).

Due to the Region's enormous mineral endowment, SADC governments have recognized that mining has the potential to be a major contributor to the socio-economic development of the region. In view of this, SADC Member States have made some significant strides to create a competitive business environment and have moved towards regional harmonisation in both fiscal and legislative arenas.

During the period under review, metal prices on the international markets exhibited signs of recovery, mainly on account of sustained demand in Asia, Europe and North America. The price of copper increased from an average of US$1,550.0 per tonne in 1999 to US$1,834.4 per tonne in 2000.

Investments into mine developments were on the increase. Similarly, exploration expenditure in the region increased from US$60 million to just over US$82 million. This figure takes into account expenditures in Angola, Lesotho, Mozambique, Namibia, Tanzania and Zimbabwe only. The number of persons employed in the mining industry increased from 1,5 million in 1999 to 1,9 million in 2000. This increase is attributed to the opening up of new gold mines in Tanzania and the resuscitation of activities of the old Tsumeb Corporation Mines in Namibia.

Technical barriers to trade with respect to mineral products are on the increase. Currently, the major ones are threats to the diamond market by the conflict diamond campaign and attempts by the developed countries to ban nickel products such as coins and batteries.

Developments in the Main Areas

The position of the SADC region on the issue of conflict diamonds has been reflected in the ministerial recommendations which were adopted as a United Nations General Assembly (UNGA) Resolution of 1 December, 2000. The process to implement the resolution has started and recommendations on the international certification scheme for rough diamonds will be made to the 56th session of UNGA. The mining sector considers the nickel issue as a non-tariff trade barrier (NTB) and is in the process of appropriately addressing the issue in liaison with the Trade and Industry Sector.

Mining Sector Programme of Action

The primary goal of the sector's programme of action is to increase investment in the mining sector. This is being achieved through packaging regional data on the region's resource potential, prospecting for new discoveries and hosting and participating in various promotional fora.

Member States have improved their mining legislation, regulation and incentives through exchange of information and the implementation of recommendations from various studies conducted by the SADC Mining Coordinating Unit. The latest information on the region's prospecting, country profiles (infrastructure, mineral policies and incentives) and investment projects is available within the SADC mining sector networks.

Programme implementation has recorded considerable achievements which can be attributed to an effective programme implementation mechanism. This mechanism is based on mobilization and utilisation of local (SADC) experts to implement projects. The programme is being implemented by six specialized subcommittees; Information, Geology, Mining and Marketing, Mineral Processing, Environment and Human Resources Development

PART II

Developments in the Main Areas

At regional level, efforts have been made at promoting investment into the minerals industry of Southern Africa. A successful SADC-EU Mining Investment Forum (Mines 2000) was held in Lusaka in October 2000. The event brought together project promoters from the SADC region and investors and potential investors from Europe and North America and other third countries. The Mines 2000 Forum follow-up programme has been developed and it is intended that this programme will culminate into the hosting of the 3rd SADC-EU mining investment forum.

These products can be obtained from the SADC mining sector network through the Mining Sector Co-ordinating Unit.

2.2 Food, Agriculture and Natural Resources

2.2.1 Food Resources

The food situation in the region is greatly influenced by weather, civil strife and national policies. In 1999/2000 growing season, the region experienced an erratic and delayed onset of the rains during the October-November period in Lesotho, parts of South Africa, Botswana and Zimbabwe. Although the rainfall situation improved in December 2000, long dry spells set in in the mid-January/early February 2001 period. This led to withered crops particularly in northern Swaziland, parts of South Africa, Lesotho, southern Mozambique and southern Zimbabwe.

Current projections show a combined all-cereals deficit of 3.67 million tonnes for the 2001/2002 marketing year against a small surplus of 583,000 tonnes assessed for 2000/2001 marketing year. Total domestic cereal availability is estimated at 25.28 million tonnes and this is insufficient to meet total requirements estimated at 28.94 million tonnes including 2.27 million tonnes needed for replenishing SGR stocks.

On an individual country basis, all-cereals surpluses are assessed for South Africa only. Domestic cereal shortfalls persist and bring about significant food security problems in Angola due to internal strife. Cereal deficits are also anticipated in Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe.

Developments in the Main Areas

It should be noted however, that cereal deficits in some countries do not necessarily mean food insecurity exists, as some countries have deliberate policies to use available financial resources to import cereals.

Individual cereal production forecasts indicate a regional deficit of 2.10 million tonnes for maize with South Africa being the only country projected to realize a small maize surplus of 180,000 tonnes. All other SADC countries are assessed to face maize deficits or import requirements of varying magnitude, which, however, cannot be satisfied from the available surpluses in South Africa. The region is in the process of establishing short-term and long-term strategies to alleviate the frequent food shortages.

2.2.2 Agriculture

Agriculture continued to be the mainstay of economic activity in nearly all the SADC Member States despite its small share of the GDP. In the year under review, agriculture employed 70-80 per cent of the region's population; provided raw materials to the industry sector, remained a major source of foreign earnings for most Member States; and above all, it supplied food which reduces food deprivation and ensures social and political stability in the region. Most economies in the region tend to be driven by agricultural conditions for stability and the control of inflation, in particular, on food prices.

A review of the agricultural sector in the last decade shows that the region has been facing perpetual staple cereal deficits and that most Member States are net food importers of the staple cereals. A similar picture is emerging on livestock production, particularly regarding beef in the last few years. This adversely affects the trade balance and the overall balance of payments of most Member States as only few countries have adequate foreign reserves to import food on a substantial basis. It also deprives most of them from using the scarce foreign exchange on essential services such as health and education.

PART II

Developments in the Main Areas

2.2.3 Forestry

The total forest area of the 14 SADC Member States is estimated at 262,818,000 hectares. This represents a forest cover for the SADC region of about 29% in relation to its total land area. Annual rates of deforestation in the Member States range from 0.75% to 2.2% with Angola and Malawi having the lowest and highest rates of deforestation, respectively.

Current statistics highlight the serious threat looming over the region's forest resources through deforestation, forest degradation and desertification, with the resultant negative implications to the environment in general. This degradation is contributing to pervasive poverty within rural communities, who in turn depend so much on the environment.

Regarding the potential of the forest industry in the region, this has not been fully tapped. Wood processing mills continue to operate at below their capacities while a larger part of the local and national demand for sawn timber and processed timber products remains largely unmet. Intra-regional trade in forest products seems to be fraught with competition between the forest industries themselves and high tariff barriers, which needs to be addressed in the context of the SADC Trade Protocol.

The institutionalisation of a SADC Timber Association and the production of the "Guide to Doing Business in the Forestry Sector" are expected to address some of these deficiencies and in particular, promote the harmonisation of standards, certification of wood products, development of criteria and indicators for sustainable forest management, apprenticeship training and development of timber/forest products export markets.

Developments in the Main Areas

2.2.4 Livestock Situation

Livestock sub-sector offers the region an opportunity for accelerated growth and diversification. Livestock products such as dairy products, skins and hides are of high value and have great potential for growth.

In the past two decades, for instance, FAO estimates the Developing Countries' share in the global value of exports of skins and hides to have doubled.

Despite this potential, productivity of the livestock sub-sector in the region improved slightly in the period under review. Estimated livestock population figures show a mixed picture. Cattle and goats increased slightly to 45.49 million and 30.50 million respectively (from 44 million and 26 million) while pigs and sheep dropped to 3.53 million and 29.92 million respectively (from 4.41 million and 39 million). Poultry experienced a sharp drop from 250 million in 1999 to 189.58 million.

The region continued to face problems of managerial skills, low productivity of local breeds, shortage of grazing land and poor nutritive value of the region's natural pastures. The communal grazing system, which is closely associated with overstocking, poor breeding practices and poor control of trans-boundary animal diseases, remained predominant.

Recognising the need to control livestock diseases and improve production, the region has developed a regional strategy and a number of programmes to address these constraints, particularly, the control of epidemic diseases such as foot and mouth, contagious bovine pleuropneumonia (CBPP), new castle, African swine fever and lumpy skin. Emphasis is also being placed on diversification from the predominantly cattle based production system to other livestock resources such as poultry, piggery, small ruminants and dairy.

2.2.5 Inland Fisheries

The Inland Fisheries fish production is estimated at a little over 500,000 tonnes per year, while fish production potential is at about 810, 000 metric tonnes. Considerable potential exists to increase fish production through aquaculture and cage culture in the region.

About 250 million hectares of land has been identified as potentially ideal for aquaculture, which could increase production, by more than 250,000 tonnes per year. Similarly, cage culture on Lake Kariba using the Nile tilapia has demonstrated that this fish production can increase substantially. Currently, Lake Kariba operation is producing 3,500 tonnes per year and the target is to reach 7,000 tonnes annually. The large deep waters of the rift valley in Malawi and Tanganyika and the relatively shallow lakes of Malombe, Chilwa and various dams and water bodies could be utilised to produce relatively large amounts of fish using cages. The region has developed policies and strategies to address these concerns.

From time to time the Executive Secretary of SADC (right) briefs senior government officials in different member states on the organisation's activities. Dr. Ramsamy is seen here briefing Botswana Permanent Secretaries and other top government officials in Gaborone.

Developments in the Main Areas

2.2.7 Marine Fisheries and Resources

The estimated catch of all SADC coastal Member States increased from about 1.4 million tonnes for the industrial fisheries and 0.15 million tonnes for artisanal fisheries in 1998 to 1.5 million tonnes in 1999 for the industrial fisheries. Artisanal fisheries catch remained almost constant in 1999 the latest year that data is available. This compares with a theoretical potential total production of 3 million tonnes assuming favourable environmental conditions and responsible management. Total production of SADC is currently about 25% of the total sub Saharan Africa and about 1% of world production.

The marine fisheries is predominantly industrial on the West Coast and up to 90% of the total catches of SADC coastal States are landed in Angola, Namibia and South Africa. Artisanal and recreational fisheries are more common on the East Coast where they are of high social and economic importance. The main resources are small pelagic fishes (60 to 70%) while hake on the Atlantic side dominates demersal resources.

Tuna and shrimps are the most valuable resources on the Eastern side of the region. Most of the valuable demersal resources are already fully or over exploited and some major resources such as pilchard are not recovering from past over exploitation due to the heavy pressure still put on them.

The region recognises the need for these and other shared resources to be managed on a regional scale, hence a number of programmes have been developed for this purpose.

2.2.8 Wildlife

The region has an estimated 1,200.000 square kilometres of land comprising wildlife-rich protected areas and communal lands, which in many cases straddle national borders. This land provides large blocks of habitat where elephants, large predators and a plethora of birds, endemic plants and other biodiversity thrive. Of the 615, 269 elephants *(Loxodonta africana)* in Africa, 242,469 elephants (39%) reside in the SADC region with 106,000 and 80,000 elephant populations in Botswana and Zimbabwe respectively.

PART II

Developments in the Main Areas

The region's priority is on the conservation and sustainable management of these transboundary resources. To this effect, the SADC Heads of State signed a Protocol on Wildlife Conservation and Law Enforcement in 1999, which aims at establishing common approaches to the conservation and sustainable use of wildlife resources. The Protocol is currently being ratified by Member States and efforts are underway to put in place mechanisms for its effective implementation. In the year under review, a new regional programme known as the Gaza-Kruger-Gonarehzoe Transfrontier Conservation Areas (GKG) was approved on transboundary natural resources management. This programme involves a network of government, community, and private sector leaders.

2.3 Infrastructure, Water and Services

2.3.1 Transport and Communications

The Transport and Communications Sector forms the backbone for socio-economic development in SADC. A substantial amount of resources has been invested in infrastructure development but even more

As part of Community Building exercise, the Chairperson of SADC, President Bakili Muluzi of Malawi and the out-going Chairperson, President Sam Nujoma of Namibia are seen here signing some of the protocols at the 2001 Blantyre Summit.

investment is required as transport and communications costs remain relatively high in the region. The investment needs of the sector cannot be met by Governments alone, the private sector has to chip in.

In order to bring private sector participation In order to bring private sector participation on board a SADC Transport Investment Forum was held in Windhoek, Namibia on 24-26 April, 2001. The Forum was a logical progression of the developments that took place in the transport sector in Southern Africa over the past two decades. Some of the developments that facilitated the holding of the Forum include the adoption of macro-economic reforms which led to overall liberalisation of the market and economic management in the region. The divestiture by governments from public monopolies in transport and communication paved the way for private sector participation through privatisation and commercialisation leading to competitive operations.

The implementation of the Protocol on Transport, Communications and Meteorology (PTCM) which provided a legally binding regional framework for reforms and development of a regionally integrated and efficient transport system has added impetus on the competitiveness of the system. The SADC Transport Investment Forum, therefore, sought to present investment opportunities available in the region across the various transport sub-sectors to potential investors and to market the region as an attractive destination for investment.

PART II

Developments in the Main Areas

Sub-Sector Highlights

Road Infrastructure

As the region has many land-locked countries, the restructuring of the road sector is important for enhancing efficiency in road service provisions. Road maintenance was seen as a key missing element. To address this, countries have carried out legal and institutional reforms as prescribed by the protocol, to establish road funds and road boards. So far eight countries have met the protocol provisions.

The Association of Southern African National Road Agencies (ASANRA) was established in March, 2001 to foster development, operation and maintenance of a region-wide integrated transportation system. The ASANRA is also expected to develop and improve methods of administration, planning, research, design, construction, maintenance and operation of facilities that would provide an efficient, safe and effective transportation system in an environmentally sustainable and economical manner.

The ASANRA is also expected to study all problems connected with the region's highway network and develop technical, administrative and operational standards that the region should adhere to.

As already alluded to, the involvement of the private sector in financing road infrastructure has started paying dividends as demonstrated in the construction of the Maputo Corridor N4 toll road between Maputo in Mozambique and Witbank in South Africa.

SADC has embarked on a study on the harmonisation of planning design standards and maintenance of low volume sealed roads. The study is expected to develop guidelines on appropriate designs and materials for use in the SADC region. The project is scheduled for completion by May 2002.

Developments in the Main Areas

Meteorological Services

In order to improve the operations of meteorological services in SADC, the national institutions have been undergoing a process of restructuring. This process progressed steadily in Mozambique, South Africa and Tanzania where the agencies have been transformed into autonomous entities. A similar process is in progress in Botswana, Malawi, Swaziland, Zambia and Zimbabwe where policies have been adopted and relevant legislation is being processed. A notable development was the creation of fully-fledged Meteorological Department in Lesotho in August 2000, which is expected to improve service delivery.

A regional strategy aimed at strengthening the Early Warning Capabilities of National Meteorological Services of the region is under development. This strategy is intended to complement other initiatives in the region that have a-role in providing early warning signals to Member States.

Seaports

The SADC system of regional ports is adequate for handling the region's intra-regional and external trade. The dredging works at the port of Walvis Bay to deepen it to 12.8m opened another direct call shipping route to Western Europe and the Americas for SADC. The use of the Walvis Bay Corridor, which includes the Trans-Kalahari and Trans-Caprivi highways provides alternative routes to land-locked countries in SADC at relatively cheaper costs.

The restructuring of the port industry has continued in most Member States. In South Africa, the splitting of PORTNET into a Port Authority Division and a Port Operations Division was completed. The Port Authority Division acts as a landlord port authority while the Port Operations is responsible for the cargo handling business. In Mozambique, all operations at the port of Nacala and the container terminal in the port of Beira were privatized.

PART II

Developments in the Main Areas

In Tanzania, the container terminal in the port of Dar es Salaam was leased out to private operations as well as the inland port of Kigoma on Lake Tanganyika. In Zambia, the inland port of Mpulungu also on Lake Tanganyika was leased out. In Malawi, tenders were floated for the operation of both the Malawi Lake Services and the lake ports. All these activities are meant to increase efficiency in service provision at the ports as well as reducing costs of transactions.

Railways

The railway network in the SADC comprises of 14 railways, 12 of which are government-owned and two are concessioned. The key problem with the government-owned railways is one of inadequate or deferred maintenance, particularly the northern tier railway system. To deal with this problem, Member States are undertaking reforms to put the railway system back on a business-oriented footing as well as to improve efficiency and reliability in service delivery. In most cases, the railways are being commercialised and privatised and given some degree of autonomy to make business decisions.

This is expected to improve railway maintenance and overall service delivery. Eleven of the region's railways form the Interconnected Regional Rail Network (IRRN), which has a trail of nearly 34,000 route kilometres of standard gauge track. South Africa's SPOORNET accounts for 61.8 percent of this network. Other IRRN railways are National Railways of Zimbabwe, two railways of Mozambique, the Tanzania-Zambia Railway, Zambia Railways, Trans-Namib Rail, Botswana Railways, Swaziland Railways and the DRC Railways.

All the railways in the region are primarily freight railway but in recent years they have been losing traffic because of their failure to provide a seamless, efficient, cost-effective, predictable rail service. The privatisation on concessioning process is meant to address these issues of competitiveness.

Developments in the Main Areas

The US$12.1 million SADC Railway Rolling Stock Information System (RSIS) project has gone a long way to improve the operational efficiency of the SADC Railway network. The system enables the railways to know the location of their rolling stock as well as where customers' consignments are and in order to advise the customers accordingly.

The process of restructuring the railways operations in SADC is in progress. The competition from the road transport, makes it imperative that the restructuring addresses issues of efficiency and cost-effectiveness.

Telecommunications

Substantial progress continues to be made in the adoption of new telecommunications and legislation reforms on the basis of the SADC Telecommunication Policies and Model Telecommunication Bill, which respectively provide guidelines on how to develop the national telecommunication networks for the provision of reliable and affordable telecommunications services supported by a sound and conducive legislative framework in the region.

Remarkable progress was made in Lesotho where in addition to the new policy and law, a regulator namely the Lesotho Telecommunications Authority was established. Further, the Lesotho Telecommunications Corporation secured a strategic partner, a consortium comprising ECONET, ESKOM and Mauritius Telecom. It is hoped that this partnership will develop the telecommunications network and provide efficient and affordable service to the public. The Malawi Telecommunications Ltd also secured a Strategic Equity Partner and it is expected to see more investment in the expansion of the telecommunications network and the associated services. Zimbabwe is in the process of adopting a new telecommunications policy as well as separating the Posts and Telecommunications Corporation.

PART II

Developments in the Main Areas

Information Communications Technology

In November 2001, a SADC Policy Guidelines on Making ICT a priority in turning SADC into an Information-Based Economy was adopted together with the SADC Regional Frequency Band Plan in the range of 20MHz to 3GHz for use by Member States as a guide for allocation and Management of the Frequency Spectrum. Policy Guidelines and Model Regulation on Interconnection to enable development of telecommunications systems which are interconnected to facilitate integration of the SADC market was also adopted.

Furthermore, Policy Guidelines and Model Regulation on Tariffs for Telecommunications Services was adopted which among other things, should be cost-based, accurate and unbundled so that customers do not pay for other things which are not part of the service they are receiving.

2.3.2 **Water**

The regional water resources situation as depicted in reports from some Member States, indicated some variances, with some depicting above normal flows while others have had normal flows to below normal flows.

In general for the year 2000, the western part of the SADC region was less wet than the northern and the eastern parts which experienced floods that affected a number of Member States. During 2001, the soils in some of these areas were still wet from the previous year's rains and resultant floods, and most of the flood plains were still very highly saturated especially in the Limpopo catchment.

The Member States that were affected by the 2000 floods, and are undertaking reconstruction of the damaged infrastructure, especially Malawi, Mozambique, Zimbabwe, and Zambia, have experienced above normal rains, particularly in the Zambezi Basin. This has resulted in serious flooding in the lower reaches of the Zambezi in Mozambique and the Shire River in Malawi, and resulted in loss of property and further damage to infrastructure.

In the Zambezi basin, cooperation between the Kariba Dam operators (Zambezi River Authority) and Cahora Bassa Dam operators played an important role in reducing the extent of the impact of the floods and assisted to bring about control in the flooding. Some of the run-off figures recorded at different places on the Zambezi during the floods were as high as 11 000m^3/s (inflow into Cahora Bassa) and 4 450 m^3/s (as outflow from Kariba Dam). Besides these recorded flows, it has to be noted that there was a high flow between the two reservoirs which forced Cahora Bassa to open more gates which resulted in the total discharge from the dam of 7 500 m^3/s.

The Water Sector has commissioned a study that will give a comprehensive overview of the regional water supply and sanitation situation. This will assist in determining the existing situation in the various countries in detail and help in the planning of appropriate regional interventions in this sub-sector.

From the reports of a few Member States, (Botswana, Lesotho, Namibia, Malawi and Zambia) it was evident that water supply coverage was on average around 50% in rural areas and 65% in urban areas. Efforts are ongoing in Member States to increase the water supply coverage to cope with the ever increasing demand due to high rates of population growth.

Sanitation was depicted as lagging behind in these countries, especially in the rural areas. The average coverage was around 35% in rural areas and 60% in urban areas. Most Member States are reviewing their Water and Sanitation Acts and policies with the ultimate objective of improving on the provision of these services.

PART II

Developments in the Main Areas

The regional situation with regards to water quality is still not well documented and understood. However, according to information obtained from Botswana, Lesotho, Namibia, South Africa, Tanzania, and Zambia the situation was not encouraging. Indications are that problems of water pollution from mostly anthropogenic sources that include point and non-point still prevail. High levels of nitrates are still recorded in most of the boreholes in the region. Landfill sites, wet industries such as textiles, leather tanning, food processing including water borne sewage still pose serious problems of water pollution. The advent of floods as experienced in the Zambezi Basin this year (2001) also aggravated the situation, as damaged sewerage infrastructure worsened the pollution problem.

With regards to aquatic weeds, biological control was still encouraged (e.g. in Lesotho the biological control agent that was introduced to control the spread of Myriophylum Aquaticum has currently established itself). However, an integrated approach, where awareness, vigilance, use of physical and chemical control of the weeds is employed to deal with the problem, is still emphasized. Lack of an all encompassing and enforceable legal instrument is still a problem. Once the Aquatic Weeds Control Programme has been implemented, some of these problems will be addressed.

Institutional frameworks for water quality and aquatic weeds monitoring in the region are inadequate. The level of development in terms of water quality monitoring as well as management varies throughout the region with some countries being in the process of establishing them, while others are still relying on inadequate facilities. Some of these countries are currently involved in developing water quality standards as part of their environmental protection legislations (e.g. Botswana, and Lesotho). There are plans to develop regional water quality guidelines to try to have common water quality minimum standards.

Based on six country situation reports submitted by Lesotho, Mauritius, Namibia, South Africa, Zambia and Zimbabwe, groundwater levels in most Member States

Developments in the Main Areas

were reported to be normal to above normal due to some rainfall from the previous year (2000) which continued into the present year. Groundwater activities being implemented by Member States, include the monitoring of boreholes and in some cases, springs on a regular basis. Planned groundwater programmes include increased water supply mostly to the rural population and the review and updating of monitoring networks.

2.3.3 Energy

The SADC Region is endowed with large reserves of energy resources, the principal ones being coal, hydro, natural gas and petroleum. However, while these reserves are large enough to meet regional needs and exports, they remain largely untapped. It is in this regard that Member States are in the process of implementing various policy, legal, regulatory and institutional reforms aimed at attracting private sector investment into the SADC Energy Sector.

Electricity is generated through thermal and hydro resources and one nuclear facility located in South Africa. The single most important development in the electricity sub-sector was the creation of the Southern African Power Pool (SAPP) in 1995. The SAPP, whose primary objective is to provide reliable and economic electricity supply to the consumers of each member, is now progressing from a cooperative to a competitive pool. The energy trade continues to increase steadily annually at an average of 20%. For instance, regional electricity trade increased from about 4,500 GWh in 1994 to more than 14,000 GWh in 1999. The value of the electricity traded in 1999 was over US$ 150 million.

An important development in the electricity sub-sector has been the introduction of a short-term energy market (STEM), which started live trading from the 23rd of April 2001, with a spot market of non-firm electricity contracts, using the Internet.

The introduction of STEM trade is expected to increase. Independent Power Producers (Hidro Electrica de Cahora Bassa, Kariba North Bank Company, and Zimbabwe Power Company) will participate in the STEM, subject to clarification of their status.

PART II

Developments in the Main Areas

The Region has massive hydropower resources, with an identified potential of 100,000 MW in DRC alone, of which about 50,000 MW is at the Inga site. Other countries with major hydropower resources include Angola, Mozambique, Tanzania and Zambia. The installed regional electricity production capacity exceeds 49,000 MW, and its regional peak demand was over 35,000 MW in 2000. The region's electricity consumption for the year 2000 was estimated at 215 TWh. Most of the generating capacity (about 85%) and electricity demand (about 83%) is located in South Africa, the largest electricity market in the region.

Oil producing countries in the Region are Angola, the DRC and South Africa. In the last few years, Angola has occupied a top position in the world for petroleum exploration, due to several major discoveries in the Congo Basin Deep Waters which have contributed to an increase in crude oil reserves by over 7 billion barrels. Crude oil production in Angola exceeds 740.000 b/d, while South African crude production is quite limited to about 25.000 b/d from the Oryx and Sable fields near Mosselbay. Its refineries have a total refined capacity of about 650.000 b/d. Expansion projects are being considered for several of the existing facilities. The refining capacity of the Congo (DRC) is 16.500 b/d.

Gas is expected to play a major role in the future. Rich fields have been confirmed in addition to proven reserves in Angola, Mozambique, Namibia, South Africa and Tanzania. Gas production is presently limited to South Africa, where natural gas from the Mossel Bay area is used to supply the synthetic fuel plants at Mossgas, at a rate of about 180 mmscf/d.

The DRC also has reserves of methane gas estimated at 50 billion m^3. Smaller-scale production is also taking place in Angola (associated gas) and is being used for local power generation, particularly in the Cabinda area. Gas from the Pande field in Mozambique is used for supplying a few local villages and tourism installations close to the field. Mozambique and South Africa are working together for the coordinated development of Temane/Pande gas fields and construction and operation of a transmission pipeline from Temane in Mozambique to Secunda in South Africa. Tanzania also has gas reserves at Songo Songo Island near Kilwa and Muazi Bay near Mtwara. These resources in Tanzania are now being considered for power generation and other industrial issues. A new source of gas in the region is the coal-bed methane. Zimbabwe and South Africa are actively investigating its potential and, if successful, other countries in the Region with coal resources may follow. Most of the region's coal reserves are located in South Africa, accounting for as much as 90% of the regional reserves estimated at about 58 billion tones.

Other countries with major coal reserves include Botswana, Mozambique, Swaziland, Tanzania and Zimbabwe. Coal is mainly exported and used for power generation as feedstock in the South African synthetic fuels industry and for general industrial applications. An important point to note, is that in the majority of Member States, access to commercial energy sources continues to be limited to urban areas. As a consequence, the majority of the Region's population still relies on woodfuel, which contributes to environmental degradation.

Due to financial resource constraints, the Region is not able to exploit its immense natural resources in a more efficient and economic manner to reduce poverty and increase access to energy sources by its people. The SADC Energy Sector is aware and conscious of the challenges that it faces. These include, the need for: know-how, innovative and clean technologies; attracting investment; and uplifting economically and socially disadvantaged communities by giving them access to clean forms of energy.

In order to promote the sustainable development of the Energy Sector, the newly established SADC Energy Commission will also engage in initiatives aimed at encouraging the adoption of cost-reflective and market-based energy prices. Given the fact that energy prices have strong linkages to investment, industrial and social development, appropriate pricing policies will, therefore, contribute to foreign direct investment, economic growth and the overall socio-economic development of the regional economy.

PART II

Developments in the Main Areas

2.3.4 **Tourism**

Tourism clearly counts as one of the most remarkable economic and social phenomena of the last century. Every year a bigger portion of the world population takes part in tourism activity and for the majority of countries, tourism has developed as one of the most dynamic and fastest growing sectors of the economy.

Europe and the Americas are still the main tourist-receiving regions. But since other regions are growing at a faster pace, their respective shares in the world total show a declining tendency. In 1999, Europe accounted for 59 per cent and the Americas for 19 per cent. East Asia and the Pacific are the regions which have benefited most from this transformation of the market. As regards Africa's share in total world arrivals, it stood around 4% in 1999.

INTERNATIONAL TOURIST RECEIPTS

Region	Market Share (%) - 1998
Europe	52.7
America	26.8
East Asia and the Pacific	15.4
Middle East	2.0
Africa	2.2
South Asia	1.0

According to latest figures, international tourist arrivals reached 664 million in 1999, an increase of 4.4 per cent over the previous year. Receipts from international tourism rose by an estimated 3.1 per cent in 1999 to reach US $455 billion, following two straight years of growth.

Developments in the Main Areas

SADC Executive Secretary, Dr. Prega Ramsamy briefing the Mauritian Regional Cooperation Council in Port Louis, Mauritius in August 2001.

TOURISM ARRIVALS – REGIONAL TRENDS (% change)

Region	1998/1997	1999/1998
World	**+3.8**	**+4.4**
Middle East	+7.2	+16.2
East Asia/Pacific	-0.9	+11.1
South Asia	+8.0	+8.3
Africa	**+7.5**	**+7.8**
Europe	+3.4	+2.7
Americas	+2.9	+2.4

The Africa region showed a growth rate of 7.8 per cent in arrivals, nearly twice the world average. The polarization of international tourism in this region, towards destinations in the north and south of the continent, has been maintained. The best performing countries included Morocco (18%), Zimbabwe (11%) and Zambia (26%), while the important tourism destinations are Tunisia (3.4%) and South Africa (6%) continued to show steady gains.

PART II

Developments in the Main Areas

Given its immense potential to boost economic expansion; job creation; export expansion; investment; and the involvement of key stakeholders such as the private sector and local communities, tourism remains one of the key prime movers for socio-economic development and integration in Southern Africa.

Comparative figures indicate that the SADC region received some 13.4 million tourists in the year 2000, accounting for more than 46% of the total arrivals in Africa. With regard to growth in tourist arrivals, Southern Africa recorded an 8.3% growth rate compared to Africa's 7.6% and the world's 4.5%. These figures amply demonstrate the region's potential of becoming a key player in the African as well as the world's tourism market.

Tourism receipts in SADC countries have increased from US$ 3.6 billion in 1995 to US$ 5 billion in 1999. In 1999, Southern Africa's tourist market share reached 1.88% compared with 0.86% in 1990.

The challenge for Africa and the SADC region is to put in place a conducive environment for the growth of the tourism industry through a well thought out policy mix that will focus on, amongst other things, the promotion of investment into tourism facilities; the removal of barriers to tourism; and the competitive marketing of the industry.

The implementation of the UNIVISA system will be a two-step process towards a common visa system (UNIVISA) to promote tourism in the SADC region:

(i) Outright visa exemption for international tourists for major source markets common to all SADC members;

(ii) Setting up of a Monitoring and Implementation Committee (MIC) to work on the complex system of a common visa.

Inter-Ministerial/Department consultations on the UNIVISA issue have already started and are on-going in Member States.

Developments in the Main Areas

2.4 Gender and Development

During the past year, a number of developments have taken place in SADC Member States, and at the regional level, with a view to moving the region towards greater equality between women and men.

Gender Policies and institutional Frameworks

In the area of gender policy and institutional frameworks, most SADC Member States have adopted explicit gender policies. Zambia and Zimbabwe which last year were holding consultations on their national gender policies, finalised and launched them. A few countries are in the advanced stages of consultations to finalise their policies. Most countries have national plans and programmes of action for gender, and a few countries are in the process of developing them.

National machineries to co-ordinate gender issues have been further strengthened and in some cases upgraded. Most countries have established some form of national consultative mechanism consisting of stakeholders in gender to improve coordination and monitoring. However, these mechanisms need further strengthening and consolidation.

Delegates in serious discussion during the training workshop on Additional Empowerment Strategies for Women Members of Parliament from SADC countries held in Lusaka, Zambia in October 2001.

PART II

Developments in the Main Areas

Power-sharing in politics and Decision making

With respect to power sharing at all levels of decision-making, out of the three countries that held elections in 2000, only Tanzania increased the proportion of women in parliament from 16.3 to 21.2 percent, and local government councillors from 25 to 33.3 percent. The increase was due to the constitutional amendments to increase the constitutional quota in favour of women from 15 percent to 20 percent in national parliament and from 25 per cent to 33.3 percent at local government level.

Mauritius and Zimbabwe experienced a drop in the proportion of women in parliament where the percentage of women MPs dropped from 7.6% and 14% to 5.9% and 10% respectively.

At the regional level, implementation of the Programme of Action for Women in Politics and Decision-making which commenced in March 2000, has continued according to plan. Activities under the programme include training and capacity building for women MPs, and research on the participation of women and men in politics and decision making in SADC Member states.

A preliminary analysis of the data reveals that in most SADC countries, women remain under-represented in politics and other decision- making levels. In some countries, the numbers of women in decision-making positions are reducing rather than increasing as the target of 30% by 2005 advances.

A few countries have recorded significant increases of women in decision-making positions. Even then, these have not been across the board, and in most cases there has not been a deliberate policy across sectors to ensure a uniform and consistent movement towards the achievement of the 30% goal by the set target date. Progress has largely been attributed to constitutional and legal provisions, which clearly promote and protect gender equality. Countries that have clearly articulated measures for the promotion of gender equality have had deliberate and planned increases in the numbers of women in the last few years.

Developments in the Main Areas

Mainstreaming Gender into the SADC Programme of Action

A Gender Audit Study of some aspects of the SADC Programme of Action was finalised, and a stakeholders workshop was held to discuss the research findings and the recommendations of the study. The outcome of this workshop was a document with recommended sector-specific interventions in order to mainstream gender into the specific sectors. These recommendations will be used to design gender mainstreaming programmes, which will include gender training and capacity building in the relevant sectors. These will be implemented when the new directorates are set up at the Secretariat, beginning with Trade, Industry, Finance and Investment.

Monitoring Implementation of the 1997 SADC Declaration on Gender and Development

With the coordination of the Secretariat, SADC Member States held national consultations to review the implementation of the Addendum on the Prevention and Eradication of Violence Against Women and Children.

A regional conference to review the implementation of the Addendum was held in Maseru, Lesotho, on 11-16 December 2000.

The conference noted a number of achievements that have been recorded in the area of legal measures and awareness raising on the issue of violence against women and children. Limited achievements were recorded in the areas of the social, economic, cultural and political measures, services and structures, integrated approaches and budgetary allocations.

It was concluded that more needs to be done to address the gaps and constraints identified. Member States agreed to draw up national action plans which are aimed at accelerating implementation of the Addendum.

PART II

Developments in the Main Areas

Networking and Information Dissemination

The Gender Unit continued to collect, produce and disseminate information on gender issues in SADC. It also facilitated linkages and information exchange among Member States, as well as between SADC and other regions. These reports and publications are available on request from the Secretariat.

2.5 Human and Social Development and Special Programmes

In pursuance of its developmental approach to regional integration, SADC continued to make concerted efforts during 2001 to address its social and human development challenges. Accordingly, most Member States increased the allocation of resources to sectors that ensure that its population has access to essential social services such as education, health and productive employment opportunities.

Consequently, the region as a whole has been able to attain the level of human development of a medium category. This was according to the 2000 SADC Regional Human Development Report 2000, which used a composite human development index (HDI) by incorporating life expectancy at birth, combined gross enrolment rations at all levels of education, and real per capita income.

SADC Day (17 August) is commemorated annually in all Member States. Botswana Prisons Band is leading a procession of marchers from the SADC Secretariat to the city centre of Gaborone, Botswana during celebrations marking the SADC Day in 2001.

Developments in the Main Areas

The same Report also showed that the SADC region's level of human development is higher than that of sub-Saharan Africa, ECOWAS and COMESA.

However, a lot more still needs to be done in order to maintain and improve upon the HDI levels recorded in the early 90s. The past two years has experienced a decline in key social indicators such as life expectancy, gross enrolment ratios, adult literacy rates and real per capita income in the majority of our Member States. Only Lesotho, Mauritius, Mozambique, Seychelles, Swaziland and Tanzania registered an increase in HDI during the period under review.

2.5.1 Education

In the area of human resources development, especially education and training, the region continued to face numerous challenges such as low enrolment rates especially at the secondary and higher education levels, inequitable access especially by disadvantaged groups such as women and disabled people and people from rural areas, mismatch between supply and demand for vocational education and training, and higher education and training as well as the devastating impact of the HIV/AIDS pandemic.

In order to address these challenges, Member States continued to undertake reforms in the various sub-sectors of education and training. Some of the notable reforms include improvement of basic education, vocational education and technical training, gender equity and enhancement of girls and women, higher education and training and dealing with the HIV/AIDS pandemic.

Basic Education continues to be a priority for most countries and remarkable results are being experienced. At least two-thirds of SADC Member States have universal primary education and gender parity at the primary level. Countries in Africa including those from the region are putting efforts towards the implementation of the Dakar Framework of Action.

PART II

Developments in the Main Areas

The targets for the Education For All (EFA) framework for action includes, amongst others, expansion of quality early childhood education and development, increasing universal access to, and completion of, primary (basic) education, promoting gender equity and enhancement of the education of girls and women, reducing adult literacy, expanding basic education and skills training for out of school children; developing HIV/AIDS education programmes and response mechanisms, and improving management and governance.

In the areas of vocational education and technical training, efforts in recent years have been directed towards improving the status, quality and relevance of VETT. Initiatives being undertaken include review and development of VETT policies; establishment of vocational education and training authorities or sector education and training authorities; development of occupational standards and quality assurance mechanisms; integration of VETT with formal education and introduction of training levies.

The issue of HIV/AIDS has been taken seriously by the education sector in the region. Member States are at different levels of development in the fight against HIV/

Winners of the 2001 Regional Secondary Schools Essay Competition travelled to the Blantrye Summit of Heads of State and Government in August 2001 to receive their prizes. The competition, whose theme was "Poverty Alleviation in the SADC Region: What is the Role of Regional Integration and Cooperation", was won by Lucinda Heyns of Namibia (middle in stripped blazer), Sibanesezwe Malunga of Zimbabwe (second right) got the second prize while Rushika Seeras of Mauritius (second left) got the third prize. SADC Public Relations Officer, Esther Kanaimba (right) and Information Officer Petronilla Ndebele (left) flank the winners.

AIDS in the education and training sector. Interventions being undertaken tend to focus on preventive measures, the main strategy being integration of HIV/AIDS into the curricula. A few countries have undertaken impact assessments and have adopted mitigation strategies to stabilise education provision and quality.

2.5.2 Health

With regard to the provision of health services, the region continued to face serious health problems as reflected in high infant and maternal mortality rates, a high burden of transmissible diseases such as HIV/AIDS, TB and cholera. Although reliable figures are difficult to come by, the prevalence rate of HIV/AIDS in the region is estimated to be as high as one in five people, or 20 per cent, in some countries. This makes the pandemic the single largest threat to development in the region.

Food and nutrition availability in the region continued to be constrained by the high population growth rates. Despite overall improvement in food production in the region, availability of food has shown a steady decline in recent years, with food shortages, high rates of child and maternal malnutrition, vitamin A deficiency, nutrition anaemia and iodine deficiency disorders.

The region, through the Health Sector, continued to address these and other issues related to the poor status of health of its population through the implementation of the Biennial Priorities Programme, which covers five priority concerns, namely HIV/AIDS, Communicable diseases, especially TB and malaria, standardization of health information system, resource mobilization and reproductive health.

2.5.3 Labour and Employment

The region also continued to place equal emphasis on the utilisation of its human resources through the creation of productive employment opportunities. However, employment levels have continued to fall in all Member States and the region as a whole. This has been attributed to changing socio-economic patterns obtaining in Member States.

One of the factors contributing to the fall in employment levels is the restructuring of the economies by Member States, which has had short-term negative impact on employment creation. Unemployment levels in the region have also been increasing rapidly with the growth of the population and large number of youth entering the labour force bracket.

Member States have continued to face difficulties in their effort to improve the conditions of the working environment and the well being of the workers in terms of finance, human resource, training and transport to support their national occupational health and safety programmes. However, most Member States have realized that low standards of occupational health and safety at places of work have a negative impact on the growth of the economy as a result of loss of lives, human resource, hours worked and above all damage to property (capital).

As regards, Social Security, although Member States have different systems in existence, they have social security programmes aimed at cushioning citizens from the impact of economic restructuring. In addition, Member States are reforming their systems to suit the economic restructuring. The Employment and Labour

Various interest groups pay visits to the SADC Secretariat throughout the year. Here the SADC Public Relations Officer, Ms. Esther Kanaimba is seen briefing Fullbright Scholars from the United States of America in July 2001.

Sector is in the process of harmonising or converging the social security systems in the region.

2.5.4 Poverty Reduction

The unsatisfactory human development situation in the region is further reflected in continued high levels of poverty and inequality. About 60 million people or 30 percent of our population still subsist below the internationally recognised poverty line of US$1 a day. Closely linked to this pervasive poverty is the skewed distribution of income as indicated by a high Gini coefficient, which measures disparity in income distribution. On average, the region has a Gini-coefficient of over 0.5, with some countries such as Namibia scoring as high as 0.7, nearer the upper limit of 1 of this index.

Having put in place macro-economic fundamentals, and on the basis of the region's rich natural and mineral resources, there is need for targeting and sustaining growth rates of at least 7 percent annually in order to meet the internationally agreed benchmarks of reducing poverty by half by the year 2015.

An explicit regional poverty reduction strategy should be developed and accorded top priority within the overall regional macro-economic framework. In recognition of the fact that sustained economic growth alone does not always lead to poverty reduction, a deliberate strategy, with time-bound targets, focussing on pro-poor assets such as land, food security, human resources development and health, should be put in place. Poverty reduction strategies should also pay special attention to the economic empowerment of women, who are worst affected by abject poverty and have limited access to productive assets.

PART III

Special Programmes

Over the past decade, SADC has signed several protocols, declarations and other legal provisions to address specific problem areas which has a direct influence on human development and security in the region. These special programmes harmonise the legal and administrative frameworks at both the regional and national levels with regard to the following: clearing of anti-personnel landmines, combating of illicit drug trafficking and abuse, combating and control of the proliferation and illicit trafficking in small arms and light weapons, and reducing the vulnerability and risk to natural and human induced disasters.

During the year under review a number of activities were undertaken. The following highlight major activities in the Special Programmes Section:

3.1 Anti-Personnel Landmines

It is estimated that the region houses more than 15 million landmines and more than 20 million Unexploded Ordinances (UXO) spread mainly in Angola, Mozambique, Namibia and Zimbabwe. These deadly devices have claimed over 250 thousand lives over the last decade. Today there is a sad scenario in the streets of Mozambique, Angola, Zimbabwe and Namibia where victims of landmines struggle with self-made walking sticks or adapted limbs begging for food before perplexed bystanders. Conservative figures estimate that there are half a million landmine-survivors in the region, of whom most are women and children, with the former being the main breadwinners in the majority of rural homes.

It is also a cause of concern that rural community-based development programmes are hampered by the presence of landmines. This has diverted most investors and aid providers to safer areas, which leads to the exclusion of those surrounded by anti-personnel landmines. Therefore, landmines result in impediments with regard to integrated and inclusive development efforts.

Landmine Victims Assistance

The SADC Mine Action committee is of the opinion that there has recently been a worrying decline in resources for mine action, particularly for landmine survivors' assistance in Southern Africa. Major

Special Programmes

demining operations tend to be linked to economies of scale. While this trend is positive, it falls short of addressing landmine victims. Therefore, SADC has continued to urge its Member States and the international community to realise the plight of landmine survivors.

Capacity Building & Technology Innovation

With the assistance of the European Commission (EC), SADC facilitated the training of Senior Managers in Information Technology available in mine action and intends to continue with this exercise.

To minimise the decline in resources available for landmine clearance, SADC has engaged in mine action technology innovation. This has focused on landmine detonation and a technological device known as FLIP HAMMER has been developed by Zimbabwean Sand Companies.

With assistance from the EC, SADC is in the process of setting up a Regional Mine Action Database, which will provide crucial information for both current and future demining operators. The mentioned database will also assist SADC and the donor community in accessing information on ongoing projects, without having to spend resources travelling to each of the affected Member States.

The majority of SADC Member States are parties to the Ottawa Convention and Treaty to Ban Anti-Personnel Landmines concluded in 1997and have complied with the Treaty's provisions on stockpiles and destruction of the surplus landmines. Others have concluded national legislation that makes the Treaty's provisions national law. Zimbabwe has taken the lead in this process.

Forthcoming events include a Conference of the Demining Operators in the SADC Region and the meeting of the SADC Mine Action Committee. The SADC Secretariat, with assistance from the EC, will continue to implement outstanding activities of the SADC Demining Project, specifically regarding the establishment of the database and technology testing.

PART III

Special Programmes

3.2 Small Arms and Light Weapons

Illegal proliferation of and trafficking in small arms and light weapons continues to represent a serious concern to SADC.

In March 2001, the SADC Extra-ordinary Summit adopted a Declaration on Small Arms which demonstrates the commitment of Member States to the prevention, combating, and control of the proliferation of and illicit trafficking in small arms and light weapons. SADC has also developed and signed a Protocol on Firearms, Ammunition and Other Related Materials. This legal instrument will facilitate not only inter-SADC state collaboration, but international partnerships as well.

Currently SADC Member States are in the process of ratifying the Firearms Protocol. The Southern African Regional Police Chiefs Cooperation Organisation (SARPCCO) will be responsible for the implementation of the SADC policies on small arms and light weapons and SADC will continue to participate in the Negotiations of the Convention on Transnational Crime - the Vienna Process. The SADC Secretariat will continue to work with civil society

Delegates to the 6th Annual General Meeting of the Southern African Regional Police Chiefs Cooperation Organisation (SARPCCO) held end of August 2001 in Mauritius.

Special Programmes

organisations in the field of research to identify early warning signals that will lead to preventative measures against the proliferation and illicit trafficking in small arms and light weapons.

3.3 Disaster Management

The SADC region is prone to both natural and human induced disasters. In the period under review there has been two devastating floods that affected more than one and a half million people, 1,500 of whom lost their lives. The total loss in the most affected countries, of Mozambique, Zimbabwe, Botswana, Malawi and Swaziland in terms of infrastructure, commodities and livestock is estimated at more than one billion dollars.

Since 1999, SADC has been engaged in the process of developing a consolidated multi-Sectoral policy framework, strategies and action plans for collective disaster management. The SADC Council of Ministers at its meeting held in August 2001 in Blantyre, Malawi approved the SADC Multi-Sectoral Disaster management Strategy.

The forthcoming key events include a workshop to develop project documents with detailed budgets and specific activities for possible donor funding. The workshop shall focus on two priorities, namely; training and early warning information. This activity is undertaken with UNDP assistance. Also in the pipeline, is the dissemination of the disaster management strategy and special training seminars. These activities will be conducted in the period between October 2001 and October 2002.

Special Programmes

3.4 Control of Illicit Drug Trafficking and Abuse: The SADC Regional Drug Control Programme.

Over the past two years, the SADC Region, like everywhere in the world, has seen an increase in the production, trafficking and abuse of illicit drugs. Apart from destroying young lives and delaying the development of young people, the drug problem has broader implications such as the spread of infectious diseases, violent crime, and criminal economic activities such as corruption and money laundering. The drug trade is also associated with the smuggling of stolen cars, small arms, animal and mineral products, and human trafficking (especially females for prostitution purposes.)

Positive growth in a number of economic sectors in the SADC region, as well as the rapid expansion in information technology, and of the entertainment industry, have attracted drug syndicates. On the other hand, growing stressors such as poverty, unemployment, migration, HIV/AIDS and weakened family support offer opportunities for illicit drug production, trafficking and abuse.

Delegates from all the SADC Member States attended a regional seminar on Anti-corruption Investigating Strategies with Particular Regard to Drug Control for SADC that was held in Gaborone, Botswana in October 2001. It was jointly funded by the European Union and the UN Drug Control Programme.

Special Programmes

The Region has seen a dramatic increase in the production of cannabis herb, also for export purposes. The production of Indian hemp and khat has taken off, and so has the manufacturing of Mandrax and ecstasy in some Member States. Despite laudable law enforcement efforts, substances such as heroin and cocaine are still being trafficked through the Region, destined for other parts of the world. However, the demand for the mentioned illicit substances has also increased in major economic centres in the Region. Among the more affluent youngsters, the demand for amphetamine-type stimulants has reached alarming proportions, especially in big cities.

The Southern African Development Community's Regional Drug Control Programme, which is executed from the SADC Secretariat in close collaboration with the SADC Drug Control Committee, with representatives from all Member States, has the following objectives, as identified in the SADC Protocol on Combating Illicit Drugs:

- To reduce and eventually eliminate drug trafficking, money laundering, corruption and the illicit use and abuse of drugs through co-operation among enforcement agencies and demand reduction through co-ordinated programmes in the Region;
- To eliminate the production of illicit drugs; and
- To protect the Region from being used as a conduit for drugs destined for international markets.

PART III

Special Programmes

The coordinated programmes in drug control at the regional level during 2000/1, funded by the European Union, concentrated on the following:

1. *Regional capacity building and co-ordination:* Bi-annual meetings of the SADC Drug Control Committee were held where drug related information was exchanged, and activities in drug control planned and galvanised at the regional level.

2. *National capacity building and co-ordination:* Two regional workshops for national drug control co-ordinating bodies were conducted involving 3-4 representatives from each Member State. The terms of reference for these bodies were elaborated upon, and their functions and activities reviewed. In May 2001, 5-year Drug Control Master Plans were drafted by the Member States that did not have them, and those Member States with completed Master Plans reviewed the implementation of theirs.

3. *Legal development:* An assessment was carried out on the status of drug control legislation in Member States, to be reviewed with technical assistance from the United Nations International Drug Control Programme.

4. *Supply reduction:* Consultant missions were undertaken to all Member States to investigate the capacity of their forensic laboratories for testing and analysis of illicit drugs, for the strengthening of judicial procedures in bringing traffickers to justice.

5. *Demand reduction:* The SADC Epidemiological Network on Drug Use (SENDU) was established in October 2000. Four Member States have been enrolled into the network thus far, and the rest will be trained over the next two years to gather drug-related data in a systematic way and at six-months intervals.

Special Programmes

The SADC Drug Control Office also conducted illicit drugs awareness training for 50 media representatives from Member States. Fourteen NGO's in the Region were supported with grants for conducting drug education and awareness programmes, and approximately 23 900 young people were directly reached with anti-drug abuse messages and 2781 received training as trainers in drug awareness and education.

6. *Illicit drugs and HIV/AIDS:* The first of five studies was commissioned in 2001 on the association between illicit drugs and HIV/AIDS in the SADC context.

THE WAY FORWARD

In 2001/2, the expansion of the SENDU epidemiological network to five more SADC Member States, the finalisation of National Drug Control Master Plans in all Member States, as well as legal development (updating of drug control legislation and a workshop on corruption) will receive top priority for SADC. As from 2002, forensic laboratory capacity for drug-testing will be improved, as well as communication among different role players in the drug control field. This will be done alongside training of law enforcement officials. All along, demand reduction activities will be supported, such as interventions targeting vulnerable groups, and training of prevention, treatment and rehabilitation professionals.

PART IV

Restructuring of SADC Institutions

Restructuring of SADC Institutions was undoubtedly the most important activity of SADC in the period 2000/2001. Given the importance of this activity to the whole process of integration, this section presents a summary of the main features of the Restructuring Exercise and its implementation calendar.

4.1 Background and Rationale

Since its creation in 1980 (as SADCC) SADC has evolved significantly over the years, its membership, the areas of cooperation and the SADC Programme of Action (SPA) expanded considerably.

Fourteen countries are now members of SADC, 21 sectors of cooperation and coordination have been established and the SADC Programme of Action represents about 500 projects valued at US$8.5 billion.

In August 1992, SADC Heads of State and Governments, signed a Treaty, in Windhoek, Namibia transforming SADCC into the Southern African Development Community (SADC).

The Treaty, based on the lessons and experiences learnt in the first decade of regional cooperation, redefined the objectives, the strategies and refined the integration approach of the organisation.

Following a decision by the SADC Council of Ministers for SADC to have an Anthem, the Secretariat got together composers from the region to produce it in July, 2001 in Mmabatho, South Africa.

PART IV

Restructuring of SADC Institutions

Following his appointment as the SADC Executive Secretary, Dr. Prega Ramsamy (right) was sworn-in in Windhoek, Namibia in March 2001. He is being congratulated by the Speaker of the Namibian National Assembly, Dr. Mose Tjitendero (right). Looking on is President Sam Nujoma of Namibia, the then Chairperson of SADC.

The first decade of regional cooperation provided SADC with valuable lessons on which to draw as it intensified its integration efforts. One such lesson has clearly been the need to realign the Institutions inherited from the Coordination Conference (SADCC) to be consistent with the new integration approach and mandate of the Community.

Against this background and rationale, the SADC Heads of State and Government, at their Extra-ordinary Summit in March 2001 in Windhoek, Namibia, approved the Restructuring of SADC Institutions to be implemented over a period not exceeding 2 years.

The objective of the Restructuring of the SADC Institutions is to increase the efficiency and effectiveness of SADC policies and programmes and to implement a more coherent, and better coordinated strategy to eliminate poverty in the region.

PART IV

Restructuring of SADC Institutions

4.2 The New Structure: A Summary of Main Features

The Clustering Approach

In contrast to the country – based coordination of sectoral activities and programmes SADC has now adopted a more centralised approach through which the 21 Coordinating Units will be grouped into four clusters which will operate as directorates. These are:

- Trade, Industry, Finance and Investment
- Infrastructure and Services
- Food, Agriculture, and Natural Resources
- Social and Human Development and Special Programmes

In light of the 1992 Treaty, the New Structure emphasises the role of the Secretariat, particularly in matters of strategic planning, gender mainstreaming, and policy formulation and harmonisation as well as monitoring the implementation of Protocols.

In view of the above the Secretariat will now have the following core organisational structure:

- Executive Secretary's Office
- A Department of Strategic Planning, Gender and Development and Policy Harmonisation under which the four directorates will fall.

Restructuring of SADC Institutions

Troika

The new structure formalises the Troika System consisting of the Chairperson, the incoming Chairperson and the outgoing Chairperson of SADC. The Troika has, inter alia, the responsibility of acting as a Steering Committee to ensure speedy decision-making and to facilitate timely implementation of decisions as well as provide policy direction to SADC Institutions in between regular SADC meetings.

Organ on Politics, Defence and Security

The Organ is coordinated at the level of the Summit, operates on a Troika and rotation basis for a period of one year.

Integrated Committee of Ministers (ICM)

ICM is meant to ensure policy guidance, coordination and harmonisation of cross-sectoral activities. The ICM shall comprise at least two Ministers from each Member State and is responsible to Council. The ICM shall approve the Regional Strategic Indicative Development Plan of the Organisation.

SADC National Committees

These Committees will be established in each SADC Member State and their main function will be to provide inputs at the national level into the formulation of Regional policies, strategies, the SPA as well as to coordinate and oversee the implementation of these programmes at the national level.

PART IV

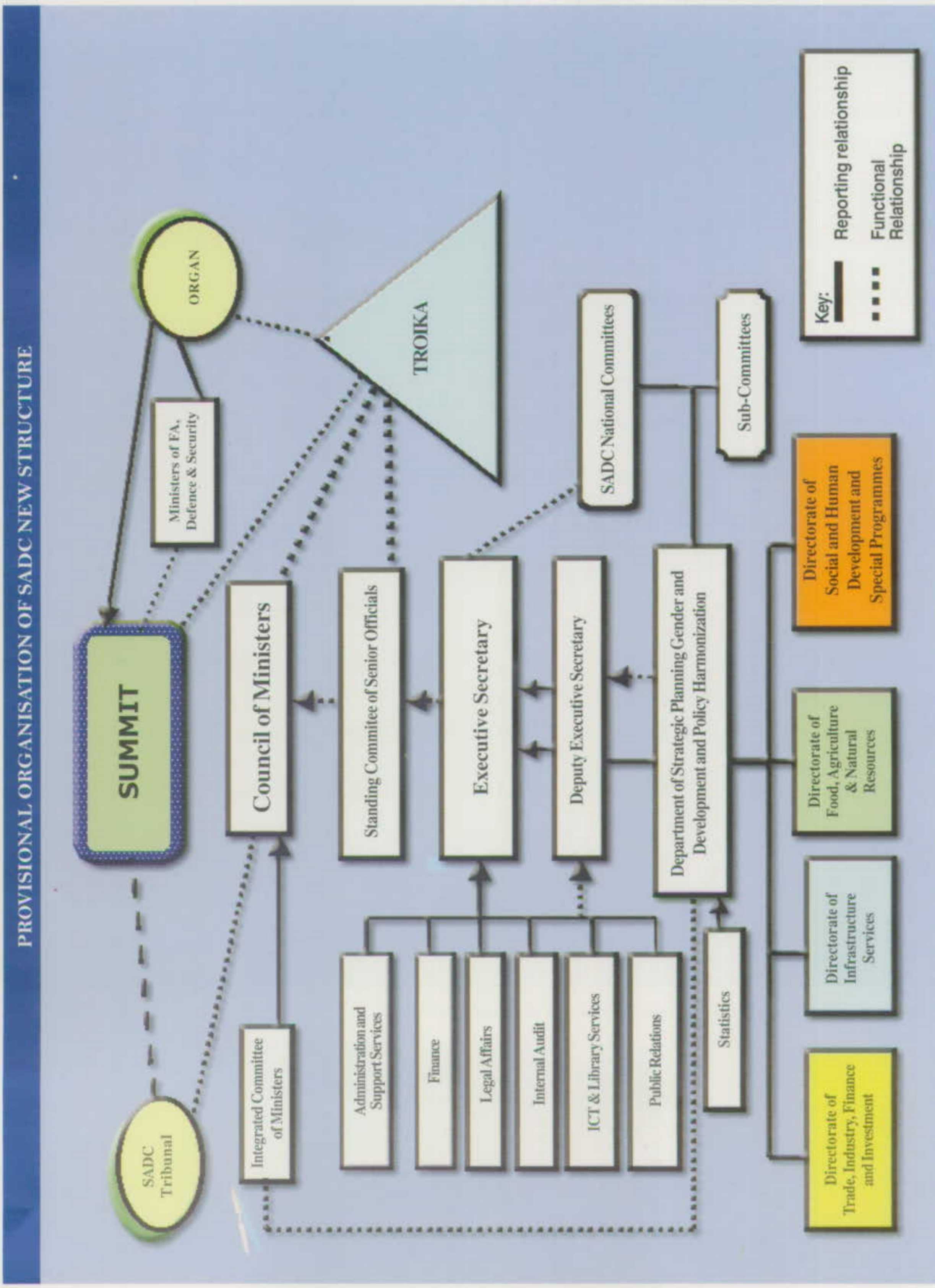
Restructuring of SADC Institutions

Implementation of the New Structure

The new structure is expected to be in place within two years from its approval date. So far, two directorates have been established. The Directorate of Trade, Industry, Finance and Investment was launched in August 2001, while that of Food, Agriculture and Natural Resources was launched in December 2001. The remaining two directorates are expected to be in place by December 2002.

In most Member States SADC National Committees have already been formed.

PROVISIONAL ORGANISATION OF SADC NEW STRUCTURE



PART V

Statistical Tables

POPULATION IN SADC - MID YEAR ('000)								
	% share in 1990	1990	1995	1996	1997	1998	1999	2000
ANGOLA	6.6	10020	11558	11904	12252	12590	12940	13300
BOTSWANA	0.9	1301	1459	1496	1533	1572	1611	1651
D.R.C	24.5	37440	43900	45280	46600	47900	49300	50498
LESOTHO	1.1	1720	1930	1970	2010	2060	2100	2150
MALAWI	6.0	9139	9374	9505	9675	9934	10134	10335
MAURITIUS	0.7	1059	1122	1143	1156	1167	1161	1175
MOZAMBIQUE	9.7	14796	15400	15750	16076	16452	16841	17200
NAMIBIA	0.9	1409	1590	1635	1678	1723	1769	1816
SEYCHELLES	0.0	70	75	76	77	79	80	81
SOUTH AFRICA	21.8	33268	39477	40342	41227	42131	43054	43800
SWAZILAND	0.5	769	908	938	970	995	1020	1031
TANZANIA	15.9	24300	28400	29200	30000	30800	31600	32557
ZAMBIA	5.1	7800	9100	9500	9800	10100	10423	10724
ZIMBABWE	6.4	9789	11526	11908	12294	12685	13079	13476
SADC	100.0	152880	175820	180646	185348	190188	195112	199794

Sources : SADC Member States and SADC Secretariat estimates

PART V

Statistical Tables

ANNUAL CONSUMER PRICE INDEX GROWTH (%)

	1990	1995	1996	1997	1998	1999	2000
ANGOLA	1.8	3783.3	1649.5	64.0	134.8	329.0	268.0
BOTSWANA	10.6	10.2	10.4	9.0	6.1	7.2	8.9
D.R.C	...	541.8	659.0	176.0	147.0	243.0	394.0
LESOTHO	11.5	9.3	8.9	7.7	9.3	12.3	8.6
MALAWI	11.4	83.3	37.6	9.2	29.8	44.9	25.0
MAURITIUS	13.5	6.0	6.6	6.6	6.8	6.9	4.2
MOZAMBIQUE	58.8	55.8	26.6	6.6	-0.4	6.2	11.0
NAMIBIA	12.0	10.0	8.0	8.8	6.2	8.6	9.2
SEYCHELLES	3.9	-0.3	-0.9	0.7	2.6	6.3	6.3
SOUTH AFRICA	14.4	8.7	7.4	8.6	6.9	5.2	5.3
SWAZILAND	11.0	6.5	7.2	8.0	5.9	7.0	7.3
TANZANIA	35.7	27.4	21.0	16.1	12.9	7.8	5.1
ZAMBIA	109.6	46.0	35.2	18.6	30.6	20.6	20.2
ZIMBABWE	15.5	22.6	21.4	18.8	31.7	58.5	56.0
SADC (average)	16.1	291.3	158.9	24.0	26.3	45.1	59.2
SADC (median)	12.0	16.4	15.7	8.9	8.1	8.2	9.1
Sub-Saharan Africa	16.8	39.5	32.3	13.7	10.0	13.0	N/A
Africa	15.6	35.5	30.0	13.6	9.1	11.8	N/A
Advanced Countries	4.3	2.6	2.4	2.1	1.5	1.4	N/A

sources : SADC Member States, SADC Secretariat, IMF World Economic Outlook

PART V

Statistical Tables

GDP ANNUAL GROWTH RATES (%) IN SADC (Revised on 20 July 2001)						
	1995	1996	1997	1998	1999	2000*
ANGOLA	11.5	14.2	3.6	4.0	2.7	3.6
BOTSWANA	3.2	5.5	5.6	8.1	4.1	7.7
D.R.C	1.6	0.9	(6.4)	(3.5)	(5.0)	5.0
LESOTHO	4.3	10.0	8.1	(4.6)	2.0	4.0
MALAWI	13.5	10.5	6.6	3.3	4.2	2.3
MAURITIUS	5.6	5.8	5.8	5.8	3.4	4.0
MOZAMBIQUE	3.3	6.8	11.3	12.1	7.3	8.0
NAMIBIA	4.1	3.2	4.5	3.3	4.3	3.1
SEYCHELLES	1.0	4.9	11.7	5.5	2.9	2.5
SOUTH AFRICA	2.9	4.2	2.5	0.7	1.9	3.1
SWAZILAND	2.7	3.6	4.0	2.7	2.0	2.5
TANZANIA	3.6	4.5	3.5	3.7	4.8	5.1
ZAMBIA	(2.3)	6.6	3.3	(1.9)	2.4	3.5
ZIMBABWE	(0.6)	8.7	3.7	2.5	0.5	(5.5)
SADC	***3.3***	***5.0***	***2.5***	***1.2***	***1.8***	***3.2***
Sub Saharan Africa	4.0	5.1	3.5	2.5	2.2	3.3
Africa	3.2	5.6	2.9	3.1	2.3	3.4
Advanced Countries	2.7	3.2	3.3	2.4	3.1	4.2
* : Estimates/Forecasts						

Sources : SADC Member States, SADC Secretariat, IMF World Economic Outlook

Statistical Tables

CURRENT ACCOUNT AND BUDGET DEFICIT AS % OF GDP AND DEBT SERVICE AS % OF GNP			
Country	Current Account % of GDP 1999	Debt Service to GNP (%) 1998	Budget Deficit as % GDP 2000
Angola	(3.2)	279.0	(30.0)
Botswana	3.7	10.0	4.0
DRC	n/a	195.0	n/a
Lesotho	(30.7)	46.0	(8.0)
Malawi	(13.5)	77.0	(4.3)
Mauritius	0.1	60.0	(3.1)
Mozambique	(11.3)	74.0	(5.9)
Namibia	2.6	n/a	(3.5)
Seychelles	(21.4)	33.0	(11.0)
South Africa	(0.4)	19.0	(1.9)
Swaziland	0.4	15.0	(3.9)
Tanzania	(12.3)	70.0	(4.3)
Zambia	(12.8)	174.0	(5.7)
Zimbabwe	(5.0)	69.0	(22.7)

Sources

EIU, Various Reports; Regional Economic Review, Southern African Economic Summit 2001, FISCU

PART V

Statistical Tables

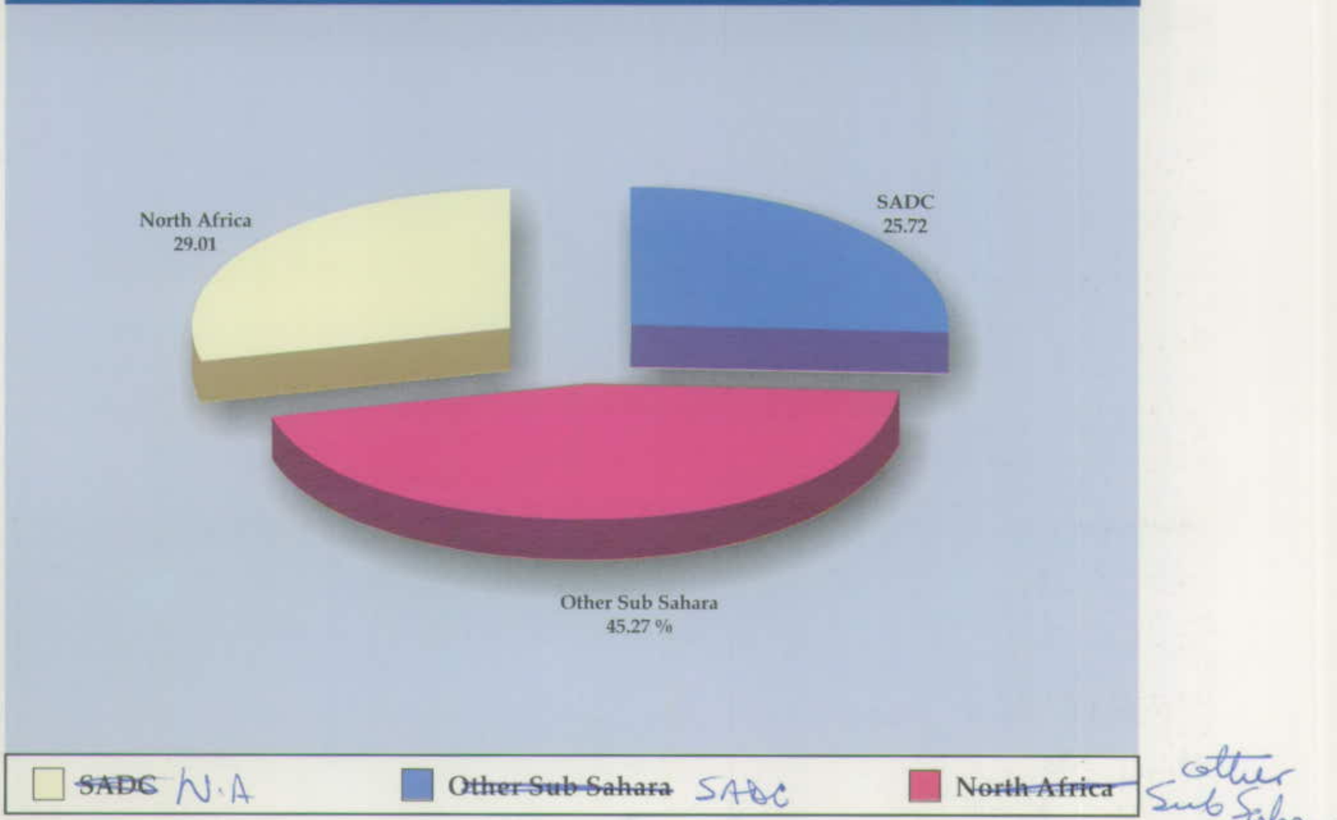
TOTAL EXTERNAL DEBT					
end of year (In Million US $)	1997	1998	1999	% Changes 1998 to 1999	Absolute Changes 1998 to 1999
ANGOLA	9,838	11,223	10,915	-2.74	-308
BOTSWANA	562	516	**649**	25.78	133
D.R.C	12,341	13,187	13,358	1.30	171
LESOTHO	660	692	712	2.89	20
MALAWI	2,228	2,444	2,594	6.14	150
MAURITIUS	2,472	2,482	2,392	-3.63	-90
MOZAMBIQUE	7,638	8,315	**6,322**	-23.97	-1993
NAMIBIA	...	123	178	44.72	55
SEYCHELLES	149	187	169	-9.63	-18
SOUTH AFRICA	25,221	24,711	**24,901**	0.77	190
SWAZILAND	368	251	**437**	74.10	186
TANZANIA	7,129	7,633	**6,385**	-16.35	-1248
ZAMBIA	6,654	6,865	**6,717**	-2.16	-148
ZIMBABWE	4,919	4,707	**4,566**	-3.00	-141
SADC	**80,179**	**83,336**	**80,295**	-3.65	-3041
Sub-Saharan Africa *	221,372	229,983	227,558	-1.05	-2425
Sub-Saharan Africa excl. SADC	141,193	146,647	147,263	0.42	616
North Africa	92,131	93,971	91,460	-2.67	-2511
Africa	313,502	323,954	319,017	-1.52	-4937

Sources : African Development Indicators, 2001, The World Bank

PART V

Statistical Tables

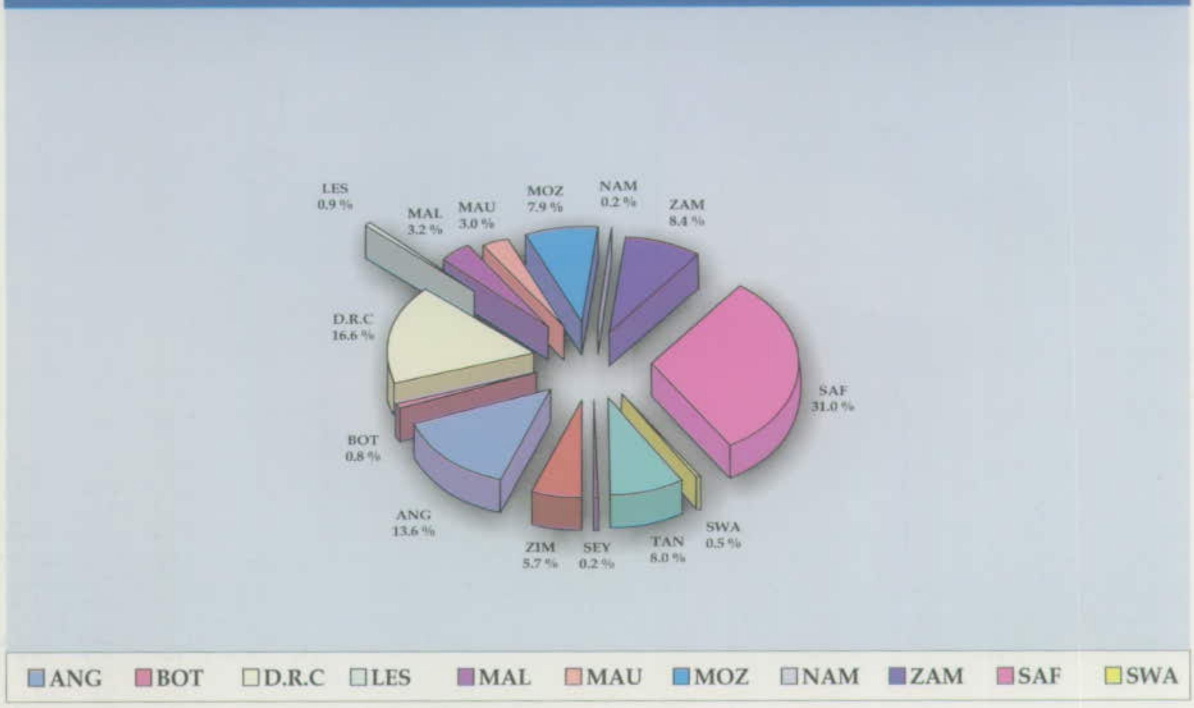
TOTAL DEBT IN AFRICA BY REGIONS, 1999



PART V

Statistical Tables

SHARE OF TOTAL SADC DEBT, 1999



PART V

Statistical Tables

POPULATION IN SADC

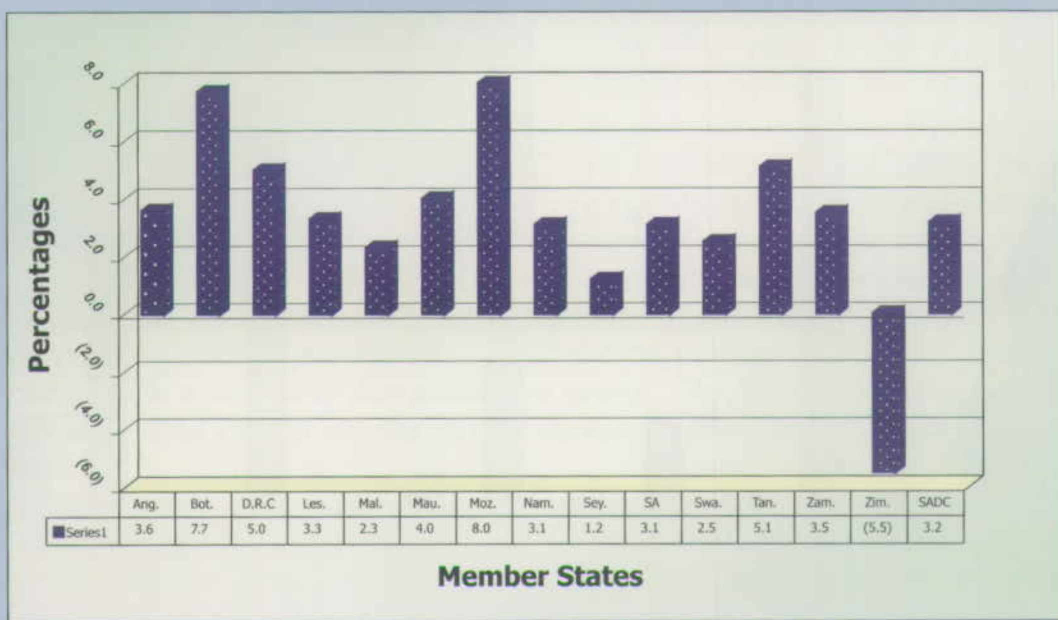
	Ang	Bot	DRC	Les	Mal	Mau	Moz	Nam	Sey	SAf	Swa	Tan	Zam	Zim
Population	13300	1651	50498	2150	10335	1175	17200	1816	81	43800	1031	32557	10724	13476

Member States

PART V

Statistical Tables

GROWTH RATES IN SADC, 2000



SADC Secretariat
Private Bag 0095
Government Enclave
Gaborone
BOTSWANA
Tel : 267-351863
Fax : 267-372848 / 581070
E-mail : registry@sadc.int
Website : www.sadc.int

ISBN No. 99912-80-57-K

Designed and Printed by Cathay Printing Ltd.