Southern African Scenarios 2015

Renaissance, Asymmetry or Decline and Decay?

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Preface

The future is already here. It's just unevenly distributed.
Arthur C. Clarke

The scenarios for *Southern Africa 2015* presented here are the outcome of a process funded by the Canadian International Development Agency (CIDA) and undertaken by the South African Institute of International Affairs (SAIIA) during 2001–03. The views expressed, however, are not necessarily those of SAIIA or CIDA.

The task of this report is to identify the proximal and distal macro factors that are most likely to impact on Southern Africa over the next five to 15 years and to sketch the likely scenarios for the region. Three scenarios are suggested: The renaissance scenario, the asymmetrical scenario and the decline and decay scenario.

The approach taken in the study differs markedly from other regional scenario-building processes in that greater stress is placed on the identification and influence of key 'drivers', the performance of which will largely determine the particular future scenario for Southern Africa. The future is not preordained. The manner in which policymakers, the business and trade union communities, as well as civil society address key challenges, tackle growing threats and maximise opportunities will shape the outcome of the region. This report is thus focused not only on assessing the impact of key drivers, but critically on identifying and suggesting policies, programmes and strategies that may enhance regional development in Southern Africa.

Grateful appreciation is expressed to CIDA, the High Commissioner of Canada, HE Lucie Edwards, and the many analysts, businesspeople and media who gave up willingly of their time to be part of this process.

Tim Hughes and Greg Mills
April 2003

Executive summary

The paper develops three scenarios for the region over the next five to 15 years: *The renaissance scenario* in which positive elements come to fruition and are mutually reinforcing; *The asymmetrical scenario*, in which these key drivers unfold in an uneven pattern, or have a differentiated impact on countries within the region; and *The decline and decay scenario* in which the negative regional drivers (such as HIV/AIDS) corrode positive policies and initiatives in a manner which compounds the pre-existing threats to regional development. The paper is divided into three sections.

Section One examines in some detail the prevailing social, economic and political conditions in the Southern African Development Community (SADC) region. Focus is placed on those factors that may be regarded as structural features of the SADC landscape including, for example, low human development indices (HDIs), relatively weak democratic formations and markedly asymmetrical trade, investment and commercial networks.

Section Two examines the key drivers that are likely to jointly and severally determine the trajectory of the region during the period under review. Particular attention is paid to factors such as globalisation, health, trade and investment, the role of SADC and multilateral agencies. Consideration is also given to the design, rollout and likely impact of the New Partnership for Africa's Development (Nepad), formerly the Millennium Partnership for Africa Recovery Programme (MAP)/New Africa Initiative (NAI). For each of these key drivers, the three scenarios, *Renaissance*, *Asymmetrical* and *Decline and Decay* are sketched.

Section Three makes a number of discreet, focused and tightly formulated policy recommendations that have the potential to aid the region in achieving higher levels of socio-economic development and integration.

The three scenarios are summarised below:

THE RENAISSANCE SCENARIO

- **Globalisation drives greater inclusiveness for the SADC region**, boosts trade, improves competitiveness, increases information exchange, enhances governance and accelerates tourism and related infrastructure.
- **HIV/AIDS, malaria and tuberculosis (TB) are treated effectively**, rates of infection are stabilised and then decline, the socio-economic and political impact of these diseases is commensurately diminished.
- **SADC is effectively restructured and plays a central role** in the formulation, coordination and implementation of region-wide policies, from health and poverty

eradication to security and finance. The Free Trade Agreement boosts intraregional trade in a mutually beneficial manner.

- **The Bretton Woods and international aid agencies** play a focused, progressive and supportive role. The Enhanced Heavily Indebted Poor Countries (HIPC) initiative in particular delivers region-wide benefits.
- **The global economy** revives in the short term and the South African economy meets its 6–7% growth target and thus acts as a positive driver for the region as a whole. Sound macroeconomic policies are applied throughout SADC, thereby facilitating sustained economic growth.
- **Trade, investment and infrastructure** in the SADC region grow strongly, boosted by the FTA, the Africa Growth and Opportunity Act (AGOA), Cotonou, the South African–European Union (EU) Trade Agreement and the World Trade Organisation (WTO).
- **Mining grows as a key positive driver in the region**, the considerable planned mining exploration, extraction and infrastructural developments come on stream and the industry continues to attract high levels of foreign direct investment (FDI).
- **Regional security improves** through the ending of civil wars in Angola and the Democratic Republic of Congo (DRC) as well as reduced conflict in Zimbabwe; human security improves *inter alia* through enhanced food security.
- **Crime and organised criminal networks are brought under control and then reduced** through the positive impact of diminished regional conflict, improved regional policing, co-operation and intelligence.
- **Political leaders strengthen and consolidate democracy** in the region; good governance, constitutionalism, political pluralism, the proliferation of civil liberties and the rule of law are entrenched.
- **Tourism becomes a major positive driver in the region** having a significant multiplier effect on infrastructure and job creation.
- **Nepad delivers on its full potential** and thereby fundamentally alters African conditions and international relations in a profound, far-reaching and positive direction.

THE ASYMMETRICAL SCENARIO

- **Globalisation has both inclusive and pernicious effects on the region**, resulting in a boost to trade and commerce in country- and industry-specific areas, but negatively impacting on medium-term employment levels in uncompetitive sectors.
- **HIV/AIDS, malaria and TB are progressively brought under control** and stabilised, but with continuing negative socio-economic impact until this is achieved. The impact of AIDS is more far-reaching due to its pervasiveness and ‘gestation’ period.
- **SADC is restructured but is limited in its effectiveness and impact**. The FTA has a differential impact, strengthening strong economies, but failing to boost the weaker.
- **The Bretton Woods and international aid agencies continue to play an important role** in countries meeting increased conditionalities and the HIPC initiative benefits adherents, but the World Bank/International Monetary Fund (IMF) steadily disengage from deviant states.
- **The global economy avoids recession, but grows slowly over the medium term**, the South African economy fails to achieve its 6–7% target and break out of its 2–3% range-bound growth pattern.
- **Trade, investment and infrastructure grow, but with a differentiated and narrow impact** favouring the stronger and more diversified economies of SADC.
- **Mining is a positive driver for the region, but is sectorally specific**, cyclical and in the

drive for greater efficiencies, continues to shed jobs.

- **Regional wars and conflict persist, but do not spread** and their impact is contained, human security stabilises and food security improves through improved agricultural management and practices.
- **Crime and organised criminal networks persist, but are contained** through regional and national initiatives and particularly in countries where increased policing resources are applied.
- **Political leadership in SADC coalesces into a broadly democratic bloc and an authoritarian bloc**; South Africa shows democratic leadership, thereby strengthening the democratic bloc at the expense of the recalcitrant.
- **Tourism grows in importance, but is only an important driver for those countries and resorts that are price-competitive**, convenient and enjoy world-class standards; other countries and resorts are increasingly bypassed.
- **Nepad has a positive impact on the region as a whole**, but fails to meet its optimistic and demanding 2015 targets.

THE DECLINE AND DECAY SCENARIO

- **Globalisation effectively marginalises most SADC countries**, threatens local industry, draws capital away from the region and accentuates the developmental divide.
- **HIV/AIDS, malaria and TB are not effectively tackled** resulting in millions of needless deaths and a long-term negative impact on social, economic and security levels within the region.
- **SADC fails to develop an effective role**, protocols are ignored and the FTA entrenches South African regional dominance.
- **The Bretton Woods institutions and international aid agencies steadily disengage,** HIPC conditionalities are not met and 'Afro-pessimism' is more deeply entrenched.
- **The global economy enters a period of recession or low growth**, this has a longer-term negative impact on SADC countries across the board, the South African economy fails to successfully negotiate its structural challenges and suffers reversals.
- **Trade, investment and infrastructure fail to grow** due to high investment risk, poor SADC policy delivery, patchy region-wide economic policies and an acute shortage of FDI.
- **Mining investment is delayed and differentiated**; gold proves to be a 'sunset industry', HIV/AIDS forces up productions costs, industry employment levels drop with a negative compounding effect on regional employment and infrastructure.
- **Regional wars and conflict spread** and have an increasingly corrosive effect on security, investment, as well as political and economic development.
- **Crime and organised crime grow, penetrate and undermine** civil society, leading to political and social instability, thus impacting on increased underdevelopment.
- **Political leadership fails key tests of democracy**, constitution tampering persists, corruption deepens, one-party dominance is entrenched and levels of governance fall.
- **Tourism fails to grow in the region**, the international tourist is repelled by regional insecurity, expensive and under-serviced destinations, poor infrastructure, HIV/AIDS and malaria.
- **Nepad fails to deliver on its potential**; African countries fail to deliver on their 'partnership' conditions and Organisation for Economic Co-operation and Development (OECD) countries further disengage from the region, thereby hardening global divisions.

Section One

Introduction and methodology

Process

This report is the product of a number of inputs, discussions, workshops and collaborative research at SAIIA. The original framework for the report was derived from a workshop conducted at SAIIA in 2001, which benefited from the input and expertise of a range of key individuals representing government, business, research, academic, media and the defence fields. A two-day brainstorming and scenario/policy planning session was later held at SAIIA involving the national director, director of studies and a number of other senior researchers, whose task it was to examine potential policy interventions that could make a positive impact on the region over the next five to 15 years. A range of interviews with local and regional experts was undertaken to ensure greater conceptual alignment. Finally, a wide range of local and international secondary resources was interrogated in order to provide core and supportive data.

Key terms

While there are divergent views and methodologies on conducting futures scenarios, a number of elements are common:

Firstly, *environment scanning* entails closely examining the current social, economic and political topography in order to assess whether or not (and the degree to which) the dominant features, factors or forces are of sufficient importance and indeed potency that they are likely to persist and remain important drivers into the future.

There are a range of factors:

- The persistent forces or factors are termed *predetermined elements*, for example, population trends and natural resources. These cannot be taken for granted in Southern Africa, both in terms of reliability and the uncertain impact of diseases such as AIDS.
- The second, *driving forces* such as globalisation, trade and communication networks are highly dynamic.
- The third, *current trends*, are those subject to cyclical change such as currency rates, commodity prices, inflation and interest rates.
- A fourth element is termed *weak signals*. These are elements or factors that act as early warning signals of possible future growing importance at the macro level. These could be factors relating to the environment or signs of growth in narco-trade or organised crime. For example, South Africa attracts $6 billion in

laundered money every year and exports another $4 billion. Given the newness of the South African market, this has the potential to grow significantly.[1]

- A further element of scenario planning is *discontinuity*. Extrapolation of future outcomes from historical and current patterns cannot account for epoch-making events or schisms. An example of such an event is the collapse of communism, or in Southern Africa, the unbanning of the liberation movements in South Africa. A possible future discontinuity would be the discovery and development of an HIV vaccine or AIDS cure. A further example of a discontinuity is the speedy settlement of the Angolan war. As profoundly shocking as the 11 September 2001 New York and Washington terror attacks were, it is still too soon to estimate the long-term impact these events may have on the SADC region. Such events, however, mark the end of a particular era regarding global security and may thus be regarded as a *discontinuity*.

Scenario planning further requires the clustering of linear trends into connected patterns and the anticipation of possible future turning points in these trends. A feature of Southern African countries, however, is the occurrence of non-linear developments such as sudden outbreaks of conflict, climatic disaster and exogenous economic shocks. Furthermore, scenarios demand cross-checking for internal consistency. Scenarios require coherence, structural clarity and ought not to be confused with 'predictions' or 'forecasts'. A further challenge to scenario planning is that they should be neither too complicated, nor too simplistic. In the former instance the key message is often lost in the detail and the latter is marked by an 'optimistic/pessimistic' dichotomy. Scenarios require that the planner take into account *meta* or global factors, but that these should not be so abstruse as to lack relevance or impact.

Scenarios in Southern Africa

Unusual challenges confront scenario planners in the Southern African context. Whereas developed countries exhibit considerable stability and thus predictability in important drivers such as demographics, Southern Africa enjoys few of these constants. As such, few if any variables in scenario planning in Southern Africa can be viewed with a high degree of confidence. This problem is further complicated by the unreliability of statistical analysis in key areas. For example, estimates in the SADC region place the HIV/AIDS infection rate at 12% for the total adult population, but for a host of factors — logistical, technical and cultural — the variance in these figures could be wide. Furthermore, AIDS deaths are likely to be heavily underreported as the final *cause* of death may be a disease such as TB or pneumonia brought about by the HI virus' weakening the immunity system. The task of scenario planning is made more complex by the introduction of new variables, such as Nepad. The success or failure of

Nepad is likely to have a significant impact on the medium- to longer-term progress of the region. Such is the scope of Nepad that it becomes a variable that has the potential to influence developments significantly and positively. Conversely, its failure has the potential to entrench Afro-pessimism, repulse potential investment and to harden North–South disengagement.

Before conducting an environmental scan and examining the major regional drivers, it is important briefly to enunciate some of the global factors that are likely to impact on the Southern African region during the coming five to 15 years. The US Central Intelligence Agency has identified the following seven drivers as key for the period up to 2015:

- demographics;
- natural resources and environment;
- science and technology;
- the global economy and globalisation;
- national and international governance;
- future conflict; and
- the role of the US.

The CIA notes that:

- no single driver or trend will dominate the global future in 2015; and
- each driver will have varying impacts in different regions and countries.

The above list remains valid for the SADC countries, save for the additional variable of South Africa, whose performance is itself contingent on all the other seven factors and will be the key driving force determining the likely outcome for the region in the next five to 15 years. Such is the dominance of the regional leviathan that it is at once the touchstone for future progress while simultaneously a de facto threat to the region's smaller economies due to its centripetal capacity to draw capital and resources. The ambivalent status of South Africa in the region is likely to intensify over the next five to 15 years.

Environmental scan

The SADC region offers a large, if poor, market of 190 million people with an average GNP per capita (PPP) of $2,406. When the GNP figures for South Africa, Mauritius and Botswana are stripped out, the average GNP for the region drops to under $1,000 per capita (PPP), thus highlighting the national inequalities within the region. Between 1995–99, the average annual rate of real economic growth region-wide was 4%, a significant improvement over the 1990–94 period of 1.5%. Demographically the SADC region exhibits the classic developing region 'youth bulge' with 43.1% of the population being under the age of 15. The number of chronically malnourished people in conflict-ridden sub-Saharan Africa will increase by more than 20% over the next 15 years.

Although aid has been falling consistently worldwide (from $61 billion in 1992 to $52 billion in 1998), official development assistance (ODA) income as a proportion of GDP remains high for some SADC states: 8.1% in Angola, 5.7% in Lesotho, 28.2% in Mozambique, 12.5% in Tanzania and 11.4% in Zambia. Six of the most indebted countries worldwide are in Southern Africa, namely: Angola, the DRC, Malawi, Mozambique, Tanzania and Zambia.

SADC countries received less than one half of 1% of the $800 billion in global FDI flows in 1999. South Africa received 30% of the SADC total. Some 14% of African FDI flows between 1990–98 were linked to privatisation. SADC states are highly dependent on international trade. Regional trade amounts to approximately 22% of total trade, well above the African figure of 10% and a four-fold increase since the 1991–92 level of 5%. The proportion of intra-SADC trade could be boosted to some 35% through the implementation of the SADC FTA agreement.

While the economic performance of South Africa will be the key driver of the region, the political role played by the regional hegemon will also be influential.[2] South Africa has, since democratisation, sought to balance finely its position as de facto regional leader with attempts to encourage regional political egalitarianism. This, however, may not be sustainable.

There is likely to be increased pressure on the key drafter of Nepad by the international community to play a more activist and interventionist role in the region, particularly where the principles and ethos enshrined in Nepad are threatened or abrogated. A heavy economic and political weight rests on the leadership of South Africa in particular in the coming five to 15 years. Finally, contrary to Francis Fukuyama's provocative assertion that the predominance of liberal democracy at the end of the 20th century had brought about 'The End of

History', for the SADC region, democracy is a relatively recent, fragile, uncertain and in some instances, tentative phenomenon, the arrival of which has not ended the region's history, but merely opened a new and, in important respects, more challenging chapter of development. Thus the core developmental challenge facing the region in the next five to 15 years is that of meeting the heightened social and economic expectations brought about by democracy and broad political participation.

In this regard, a weak signal that threatens to become a trend is the potential for democratic reversals in countries of the region. This has already manifested itself in the abrogation of the rule of law, constitution tampering including the extension of presidential terms of office, political intimidation, state corruption and poor governance. The failure of the region to strengthen, entrench and develop democratic governance would serve as a brake to efforts at greater regional and indeed international integration and co-operation. This, in turn, would have a deleterious impact on economic development, social welfare and finally, regional security.

Clearly globalisation holds both threats and opportunities for the region. What is fundamental, however, is that the region has entered the global economy with a number of distinct historic and contemporary disadvantages.[3] Cardinal among these are the following:

- Some of the world's lowest HDI ratings. The UN Human Development Programme Report for 2001 notes that of 20 countries that are currently performing worse than they were 20 years ago, nine of these are in SADC. The report also notes that the quality of life in South Africa has declined significantly over the past 10 years.[4]
- A small, fragmented and underdeveloped regional market. The GDP of the SADC countries is, in the aggregate, equivalent to Belgium or Thailand. The lack of individual economies of scale makes the task of accelerated economic integration of the SADC region an urgent priority. However, many of the economies of the SADC region lack complementarity thus making their integration all the more problematic. Furthermore, the region is also characterised by acute inequalities. South Africa accounts for 75% of the region's GNP and 85% of its manufacturing output while occupying 13% of its land and making up 23% of its population. Low levels of intraregional trade (partially as a result of the stance taken against the previous apartheid state) have also retarded efforts and integration. Prior to 1994 most studies put intraregional trade at less than 5%. The trading ratio of exports to imports between South Africa and SADC has grown from 4.2 in 1994 to 7.2 in 1998. This is partially explained by South Africa's taking up the slack of the OECD countries' trade with SADC post-1994.

  In addition, sub-Saharan Africa is characterised by a multiplicity of overlapping regional political and economic structures, including the Common Market for Eastern and Southern Africa (Comesa), SADC, the Indian

Ocean Rim Association for Regional Co-operation (IOR-ARC), the East African Community (EAC) and the Southern African Customs Union (SACU). The challenge for the region is to drive integration, simplify regional structures and rapidly establish an integrated free trade area.

- The legacy of civil war, particularly in two mineral-rich and thus economically important countries, the DRC and Angola. War has the effect of destabilising the region and diverting resources away from their productive use. The escalation of civil strife in Zimbabwe, together with increased tensions in smaller countries such as Swaziland will have a broader negative impact on the region and affect both trade and investment flows. Besides the direct domestic and regional cost of such conflict — particularly where troops from other countries are drawn in as in the DRC — civil war and conflict has and will continue to have a repellent effect on international investment, trade and sentiment. Wars and social conflict in the SADC region have also spawned some 345,000 refugees. 2001 saw an increase of 9.6% in the number of refugees reported in the region.[5] The human cost of war in the region is immeasurable but its legacy is profound. In Angola, for example, the government is setting about attempting to link the names of five million children and teenagers that have been separated from their families by the civil war. Almost a quarter of Angolans have been displaced from their homes over the past two decades of the civil war.
- Decimated and poorly serviced regional infrastructures including roads, railways, harbours and telecommunications networks. In addition, tele-densities are both low and expensive in Southern Africa.
- Weak, immature and undeveloped democratic governance structures. The entrenchment and re-emergence of authoritarian political patterns in Zimbabwe, Zambia, Namibia, Swaziland and *weak signals* of authoritarianism are emerging in Malawi. These serve to undermine a region already blighted by decades of civil war. This is also a major contributing factor to low investor confidence in the region and resultant capital scarcity.
- A further negative factor that shows signs of becoming stronger is that of increasing rates of crime and organised crime. Besides the direct human and economic cost of high crime rates, this ranks as a major cause of negative investor sentiment and the primary determining factor for skills emigration in South Africa.
- Acute skills shortages continue to plague the region, a phenomenon that will be exacerbated by the impact of HIV/AIDS. The International Organisation for Migration (IOM) has reported that 23,000 graduates leave Africa annually. Emigration from South Africa is estimated to have cost R67.8 billion in lost human capital since 1997. Although official statistics show 10,000 people emigrated from South Africa in 2000, unofficial estimates put this figure at three times higher. The Paris-based Institute for Development Research estimates that 233,609 people left South Africa for the five major immigrant

destinations during the period 1987 to 1997. Of this, some 41,000 were professionals. Besides the direct economic cost of the loss of skills, the IOM points out that the absence of a highly qualified middle-class encourages poor governance, rights abuses, corruption and undemocratic political systems.[6] A further acute example of skills loss is to be found in Zambia where the number of qualified doctors in practice has reduced to 400 from 1,600 a few years ago. This phenomenon will deepen the problem of effective disease treatment and thus poverty eradication in the region. South Africa, however, has been a beneficiary of doctor immigration from other countries in the region.[7] The major reasons given by emigrants are consistently high crime rates, low salaries, limited prospects for advancement and a deteriorating medical infrastructure. There is therefore a self-fulfilling spiral of cause and effect. The magnitude of the challenge facing South Africa in particular has been acknowledged by the announcement in February 2001 of a human resources development strategy that will, *inter alia*, seek to recruit people with 'approved skills'. A strong argument can be made that restricting the active recruitment of only 'approved skills' is short-sighted and fails to recognise the entrepreneurial, job creation and thus capital formation potential of the recruitment of a broad cohort of skilled personnel into South and Southern Africa. The South African Immigration Bill, brought before the South African parliament, failed to ensure that it created an attractive enabling environment for the recruitment of skilled personnel and to stem the flow of lost skills. Unemployment is another crucial challenge. Unofficial figures place the South African unemployment rate at 43% with 52% of black women being unemployed. The figure for white South Africans is 4.6% and 5% respectively.

On the other side of the coin, South Africa houses some 750,000 illegal immigrants.[8] Immigration from countries to the north of South Africa has led to local resentment and outbreaks of violent xenophobia. One survey reported that 23% of migrants had been robbed and some 42% assaulted.[9] While the potential for mediation of such conflict exists, as long as the underlying patterns of jobs and housing and land scarcity obtain, the potential for such conflict will persist.

- Unfavourable terms of trade and dependence on primary products for export. This has translated into acute foreign exchange shortages in countries such as Malawi, but more acutely in Zimbabwe where the government has had to take extraordinary measures to counter the acute shortage of foreign exchange available for the purchase of, for example, crude oil.
- High levels of debt and an unsustainable debt-servicing burden. Thirty-five of the 47 Most Indebted Nations are African. Of those, Angola, the DRC, Malawi, Mozambique, Tanzania and Zambia are in Southern Africa. In a positive development, a number of SADC countries will benefit from debt relief through the HIPC initiative upon meeting stringent conditionalities including a comprehensive and integrated Poverty Reduction Strategy Programme.

- Endemic corruption has had the most corrosive effect on local and investor confidence. Many countries in the region score badly on the Transparency International Corruption Index and, in some cases, the trend is deteriorating. In the 2001 Corruption Index, of all SADC countries only Botswana (6.0/10) and Namibia (5.4/10) score higher than five out of a maximum score of 10. Other ratings include Malawi (3.2), Zimbabwe (2.9), Zambia (2.6) and Tanzania (2.2). South Africa ranks joint 38th on a score of 4.8. The depth and impact of corruption in the region was recently brought into sharp relief by warnings issued by the World Bank to Malawi that corruption could derail the continued application and benefits derived from the HIPC programme of debt relief. Malawi received $58.7 million in debt relief in 2001 but failed to account adequately for the $14.7 million it had received since December 2000. The suspension of HIPC debt relief would be a crippling blow to Malawi and the warning sends out a clear message to the political leadership regarding the seriousness with which the international donor community views corruption. The warning also serves as a portent to SADC countries hoping to benefit from Nepad that a 'non-negotiable' for the international community is a demonstrable improvement in and sustained commitment to good governance rather than an expedient rhetorical genuflection.
- Acute and structural poverty exacerbated by cyclical food insecurity. Poverty is a complex phenomenon with numerous dimensions. *Income poverty* refers to the lack of income to purchase basic food and non-food needs (often called extreme poverty and overall poverty respectively) and *human poverty* denotes the absence of basic human capabilities such as health, energy, sanitation, clean water and education. Poverty in the region is also organic as it is contingent on and feeds into a host of economic, social and political forces. The region has the world's highest proportion of people subsisting on less than $1 a day. Approximately 76 million or 40% of SADC citizens live in conditions of extreme poverty. This condition is characterised by declining life expectancy, malnutrition, illiteracy, unemployment and underemployment.

Demographics

With a population of some 190 million people, the SADC region is one of three regions in the world where population is expected to show the highest rate of growth over the next five to 15 years. Population growth will intensify the strain on natural and human resources as well as place further stress on the already inadequate regional infrastructure.

The impact of HIV/AIDS is discussed later in the paper. Suffice to say that, while the impact of the pandemic will be profound during the period under review, it will not reverse population growth, but rather curb its rate of increase in the region. The compounding effect of population growth on resource scarcity (including fresh water, agricultural land, protein supply and wood fuel) is a *weak signal* that threatens to become a major challenge for the region in the medium term.

Average population growth (%) of select African countries[10]

Country	*1980–90*	*1990–99*
Angola	2.7	3.2
Botswana	3.4	2.4
DRC	3.2	3.2
Ghana	3.3	2.7
Lesotho	2.5	2.2
Mozambique	1.6	2.2
Tanzania	3.2	2.9
Uganda	2.4	3.0
Zambia	3.0	2.7
Zimbabwe	3.3	2.2

Education[11]

The region also exhibits some of the lowest literacy rates in the world. Poverty, illiteracy and education are closely linked. Similarly, these factors, economic productivity and economic wealth are directly correlated. For as long as the region exhibits low HDI ratings, economic growth will remain restricted and unsustainable. A number of countries in the region have embarked on ambitious

Key education and literacy indicators

Country	*Illiteracy rate (1998) %*	*Primary school enrolment (1997) %*	*Secondary enrolments (1997) %*	*Tertiary enrolments (1997) %*
Angola	–	34.7	31.2	–
Botswana	24.4	80.1	80.8	–
DRC	41.1	58.2	37.1	–
Lesotho	17.6	68.6	72.9	28.7
Malawi	41.8	98.5	72.6	20.5
Mauritius	16.2	96.5	68.0	24.7
Mozambique	57.7	39.6	22.4	–
Namibia	19.2	91.4	80.7	13.1
Seychelles	–	–	–	16.2
South Africa	15.4	99.9	94.9	14.3
Swaziland	21.7	94.6	81.5	26.6
Tanzania	26.4	47.4	–	–
Zambia	23.7	72.4	42.2	23.2
Zimbabwe	12.8	93.1	59.2	17.3
Sub-Saharan Africa	40.6	5.2	41.4	–

primary education enrolment campaigns and, while laudable in their aims, failure to match these policies with a commensurate investment in teachers and infrastructure will merely serve to increase the production of functionally illiterate learners at considerable expense. Such policies also have the potential to create a burgeoning cohort of semi-educated, yet unemployed youth in the short-to medium-term. This phenomenon has the potential to be a destabilising factor particularly in urban areas. A summary of key education and literacy indicators is provided in the table opposite.

Health[12]

A fuller discussion of the threat of HIV/AIDS and malaria is provided later in the paper. However, the table below highlights three key phenomena. First, that eight of the 14 SADC countries exhibit adult infection rates of the HI virus of over 10% of the population. Of these, five countries have infection rates exceeding or close to 20%. The average life expectancy for a citizen of the SADC region is less than 50 years, but as a consequence of HIV/AIDS, life expectancy is likely to drop even further to an average of 45 years by 2010. This is only marginally higher than life expectancy in the region during the 1950s. Third, with the exception of Seychelles, South Africa and Tanzania, doctor and nurse ratios are wholly inadequate.[13]

Country	*HIV/AIDS adult rate (1997) %*	*Life expectancy at birth (1998)*	*Doctors per 100,000 of population (1992–95)*	*Nurses per 100,000 of population (1992–95)*
Angola	2.12	47.0 years	–	–
Botswana	36 (1999)	46.2 years	–	–
DRC	4.35	51.2 years	–	–
Lesotho	8.35	55.2 years	5	33
Malawi	14.92	39.5 years	2	6
Mauritius	0.08	71.6 years	11	27
Mozambique	14.17	43.8 years	–	–
Namibia	19.94	50.1 years	23	81
Seychelles	–	71.0 years	104	417
South Africa	20 (1999)	53.2 years	56	175
Swaziland	18.50	60.7 years	–	–
Tanzania	9.42	47.9 years	210	738
Zambia	19.07	40.5 years	–	–
Zimbabwe	25 (1999)	43.5 years	14	164
Sub-Saharan Africa	7.58	48.9 years	32	135

Section Two

Driving forces over the next five to 15 years

This section outlines a number of the key drivers in the SADC region over the next five to 15 years. It will be argued that these drivers are organic in that they impact on, and are impacted on, each other in what is perhaps best understood as a complex web or matrix of forces. Progress will thus be dependent on the degree to which the positive drivers are aligned in a manner that is mutually re-enforcing. Conversely, the failure of any key driver to deliver its potential benefits will have a broader 'knock on' effect on the trajectory of the region.

Globalisation[14]

The key features of globalisation are:

- Rapid movement (inflows and outflows) of financial capital, together with the internationalisation of financial and currency markets (24-hour trading); electronic transactions were recorded with a value of $1 trillion in 2002.
- Improved information and communications systems.
- The progressive removal of tariffs, protectionism and barriers to trade, driven principally through the WTO agreements.
- The internationalisation of labour, skills consumption and production markets.
- The proliferation of FTAs and the growth of intraregional trading.
- The consequential erosion of the economic and political significance of state borders.
- The internationalisation of culture and language.
- The internationalisation of acceptable political, ethical and corporate standards, most notably, improved governance.
- The internationalisation of organised crime, including narco-trade.
- The internationalisation of media including satellite and real time broadcasts.
- The proliferation of international treaties. International treaties registered with the UN more than tripled between 1970 and 1997. In addition, there are growing numbers of agreements on standards and practices initiated by self-selected private networks.
- An increase in the scope, power and operations of multinational corporations (MNCs). MNCs now account for 25% of global production and one-third of world exports. There are some 60,000 MNCs operating with 500,000 subsidiaries globally. Globalisation brought about a flurry of merger and acquisition activity as global competition intensified during the 1990s. In 1997

MNCs conducted $9.5 trillion of business through their international affiliates.

- The broad adoption of neo-liberal macroeconomic policies and frameworks, including the reduction in the size of the state sector, the promotion of public–private partnerships and programmes of privatisation of state and parastatal assets reinforced by prescriptions of the Bretton Woods institutions.
- An increase in the number of international institutions. The number of international institutions increased by two-thirds from 1985 until 1999, while at the same time becoming more complex, more interrelated with often overlapping areas of responsibility, and more closely linked to transactional networks and private groups.

The form, pace and impact of globalisation will not be constant over the next five to 15 years. Globalisation will take on different and varied forms that will have a differential impact on the region during the period under review. In addition, these shifts will impact on the role, function and relationship of the four key institutional pillars of globalisation: the UN, the IMF, the World Bank and the WTO. In turn, the relationship between Southern African states and the four pillars will shift in hitherto unforeseen ways during the next five to 15 years.

Southern Africa has been relatively slow to react to globalisation and remains ambivalent in its stance towards this phenomenon. Broadly, globalisation will have a dual impact on the region. The dark side of globalisation is most likely to be felt on employment levels in uncompetitive, protected and state-owned enterprises. Increased competition and the opening up of domestic markets to foreign competition through the lowering of tariff barriers has had, and will continue to have, a marked impact on formal employment levels in uncompetitive sectors. An important structural factor of globalisation is that the historic relationship between economic growth and job creation broke down in the 1990s, giving rise to the phenomenon of 'jobless growth'.

This phenomenon is graphically illustrated by the case of South Africa which had, at the time of writing, enjoyed 11 successive quarters of economic growth, yet has seen a continued drop in the numbers of formal employment. This is explained by South African companies investing heavily in new plants and technology in order to attain and maintain competitiveness, but with a commensurate trade-off via the shedding of jobs.

In the SADC countries — excluding Angola, the DRC and the Seychelles — the economically active population stands at approximately 50 million, but only 11 million have formal employment. This translates into an effective unemployment or underemployment rate of up to 80% for the region. This figure is far higher than the official statistic of between 30-40% unemployment. A recent Afrobarometer employment survey produced interesting results (see table opposite).

In South African alone, formal employment has dropped by an estimated 600,000 since 1994. Given the region's low levels of productivity and relatively high costs of doing business, the direct impact of globalisation will be to threaten

Employment, Southern Africa, 1999–2000 (%)

	Botswana	*Lesotho*	*Malawi*	*Namibia*	*Zambia*	*Zimb'we*	*SA*
Unemployed (not looking)	29	30	65	36	43	42	26
Unemployed (looking)	32	53	15	30	21	19	27
Employed, part-time (not looking)	2	1	2	2	2	6	4
Employed, part-time (looking)	7	4	2	5	5	7	10
Employed, full-time (not looking)	18	7	12	19	17	18	22
Employed, part-time (looking)	11	4	4	7	10	7	10
Don't know, refused etc.	1	1	0	1	2	1	1
Unemployment rate	**45**	**76**	**42**	**47**	**38**	**33**	**36**

the continued operation of local businesses that fail to adapt to competition or take advantage of the opportunities offered by the opening up of global export markets. In turn, the impact on unemployment has led groups such as the Southern African People's Solidarity Network and trade union movements to launch campaigns to 'halt globalisation' or roll back its effects. Resistance to (globalisation-driven) privatisation programmes is being witnessed in Southern Africa and has, for example, resulted in Malawi temporarily suspending its privatisation programme.

The opposition to privatisation and support for the re-introduction of protectionist policies will grow in direct proportion to the pernicious impact globalisation brings to employment in the region. This resistance has the potential to translate into political protest and indeed to the cessation of such programmes and the removal of elected governments. The Southern African region is entering a critical and uncertain period in which the pernicious impact of globalisation is manifesting itself in reduced protection and resultant job losses. The critical challenge is for governments and economies to begin demonstrating the positive impact of globalisation via the development and growth of more efficient local industry and commerce.

The positive aspects to globalisation need to be anticipated,[15] recognised and grasped by countries of the region. The opening of markets is a two-way process and with all SADC countries suffering from relative currency weakness, the opportunities for export into the global economy have never been greater. In the case of South Africa, exports now account for 24% of GDP against 16% in 1990. This pattern of growth of exports (particularly manufactured goods) has resulted in the trade surplus reaching R23.7 billion in June 2001.[16] These opportunities have been reinforced by the passage of the American AGOA, which provides for the preferential importation of 1,800 products into the US for a period of eight years. Under the provisions of AGOA, South Africa exported goods worth R1 billion for the first six months of 2001. AGOA concessions have resulted in 'significant investment interest' being expressed by the US, China, Sri Lanka and Malaysia. An important caveat here, however, is that the degree to which SADC countries can take advantage of AGOA is directly linked to domestic productive capacity. Simply put, currently many SADC countries lack sufficient domestic productive capacity to maximise the potential benefits offered by AGOA.

Another significant opportunity provided by globalisation is that of tourism and this will be discussed more fully later in the paper. A further opportunity provided by globalisation is that brought about by information technology (IT) and its applications. Appropriately harnessed, IT could have a major positive impact on banking, commerce and education throughout the region. Furthermore, globalisation provides opportunities for the exporting of African culture, be this in music, art, film, television or literature. Once again, however, the prospects for these opportunities will depend on the extent to which regional countries act in concert to maximise their competitive advantages.

THE RENAISSANCE SCENARIO

- The region is successfully incorporated into global capital and financial markets.
- New markets are opened, exports are boosted.
- Technology transfer enhances local capacity and aids regional and global integration.
- Greater regional efficiencies are forged.
- Regional and international communication links are improved.
- Regional culture, literature and music is exported.
- Tourism is boosted.
- Compliance with higher levels of governance is achieved, thereby creating a more attractive environment for investors.

THE ASYMMETRICAL SCENARIO

- Advanced local economies open their markets, reduce tariff barriers and encourage investment; others re-impose tariffs and protectionist policies.
- The more developed and efficient economies are drawn into global capital and financial markets; the rest of the region is largely by-passed.
- Efficient and cost-effective exporters prosper, together with the mineral-rich countries; the rest remain dependent on the vagaries of primary product pricing and the limited benefits of AGOA, Lomé and Cotonou.

THE ASYMMETRICAL SCENARIO *(cont.)*

- Technology aids the more industrialised and commercially advanced countries, but the less developed countries (LDCs) in SADC remain on the wrong side of the 'digital divide'.
- South Africa, SACU and Mauritius increase their productive efficiencies, but this further marginalises the regional and international competitiveness of the remaining SADC countries.
- Tourism is attracted to SADC countries with world class facilities and infrastructure, but excludes those off the 'main tourist track'.
- Governance improves as a condition for trade and investment with open and advanced economies, but fails to penetrate the closed polities of the region.

THE DECLINE AND DECAY SCENARIO

- The region's historical disadvantages entrench its global marginalisation.
- Capital and financial markets bypass the region for 'safer' lower risk/higher return markets.
- Regional economies fail to diversify.
- Regional industries fail to tool up for export.
- Regional economies re-impose tariff barriers and protectionist policies.
- The digital divide widens.
- Regional tourism is marginalised against increasing international competition.
- Governance remains poor and entrenches Afro-pessimism.

HIV/AIDS, malaria and TB

Demographic impact

AIDS is more than a health issue. The scale of the pandemic means that it has become one of the central developmental and security challenges facing the region. AIDS, other diseases and health problems will also hamper the prospects for the consolidation of democracy in the region as its socio-economic effects have the potential to erode civil society, hamper the evolution of sound political and economic institutions, and intensify the struggle for power and resources.

Since the epidemic began, the disease has claimed over 15 million sub-Saharan African lives. The AIDS death toll will double over the next decade. Some estimates put the projected death toll in sub-Saharan Africa at 40 million by 2010.[17] The majority of AIDS victims contract the HI virus through sexual intercourse during their 20s and 30s and die within a decade. Thus the worst impact of the AIDS pandemic is yet to be felt and will intensify markedly in the next five years, but may only be at its most acute 15 years hence. These premature deaths are radically altering the structure of the population of the region. AIDS will kill between one-third and two-thirds of young men and women respectively in which the disease is prevalent. The HIV prevalence rate among 15- to 49-year-olds has now reached or exceeded 10% in 16 countries, all of them located in sub-Saharan Africa.

Such is the broad impact of AIDS in the SADC region that it is set to reverse 50 years of development gains as measured by life expectancy at birth. From 44 years in the early 1950s, life expectancy rose to 59 in the early 1990s. Now, a child born between 2005 and 2010 can once again expect to die before his or her 45th birthday. Conservative World Health Organisation (WHO) figures suggest that in countries where 15% of adults are currently infected, around a third of today's 15-year-olds will die of AIDS.

In South Africa and Zimbabwe, where an estimated 20 to 25% of the adult population is infected, AIDS will claim the lives of around half of all 15-year-olds. The crisis is even more severe in Botswana, which has the world's highest HIV infection rate, where one in three people is infected. This will result in the deaths of two-thirds of today's 15-year-olds.

The demographic impact of AIDS is the production of the so-called 'population chimney'. Pre-AIDS, the standard profile of Southern African population was that of a broad-based pyramid. The base was populated by large numbers of babies, children and relatively healthy under-19-year-olds. The pyramid typically tapered narrowly among the older population decimated by illness and early death. In countries such as Botswana the base of the population pyramid is now narrower with many women becoming infected and infertile before reaching their baby-bearing years. In addition to the lower birth rate, up to a third of the offspring of HIV infected women are born HIV positive or are infected through breast milk. This has the longer-term impact of creating higher mortality rates among children and adolescents. The most marked effect on the population pyramid is among young women in their mid-20s and males in their mid-30s. This phenomenon is most dramatically illustrated by the estimation that by 2020 Botswana will have more women in their 60s and 70s than in their 40s and 50s. SADC notes that the AIDS crisis has resulted in the health care system becoming overwhelmed and the treatment of other diseases is being 'crowded out'.

Socio-economic impact of HIV/AIDS

The impact of HIV/AIDS is organic, complex and due to its lengthy 'gestation' period, long term. Firstly, the highest rates of infection are among the most economically productive in society, namely the 16- to 35-year-olds. This has an immediate impact on productivity in a region already characterised by relatively low levels of productivity and efficiency. The impact will be made more acute by the mounting pressure of competition from globalisation. Secondly, HIV rates are up to two to three times higher among women than men, thus impacting not only on the productive capacity of the family unit, but also magnifying the spread of the virus through in vitro transmission. In addition, there is the economic opportunity cost of lost productivity from those affected. Furthermore, the early death of parents results in a rapidly growing new class of AIDS orphans. Besides the psychological and health[18] trauma caused to the children, the socially disruptive effects cannot yet be calculated. They can, however, be anticipated. Not only do orphans place a strain on the extended family and indeed state facilities, but they serve to disrupt socialisation patterns with the resultant potential for high levels of social instability and crime.

Economically, AIDS is expected to reduce economic growth by up to 1% of GDP a year and consume more than half of the health budgets in the hardest-hit countries. In South Africa, researchers forecast that GDP will be 17% lower by 2010 than it would have been without an epidemic. Individual families will also find their incomes reduced.[19]

The impact of AIDS on markets in the region is already being felt. The most graphic development in this regard is the cancellation of Phase ll of the Lesotho Highlands Water Scheme on account of reduced population growth brought about by the forecast AIDS mortality rates. Retailers have also been forced to change their sales and marketing strategies in anticipation of the AIDS crisis. Retailers targeting the lower-income group, those unable to afford anti-retroviral drugs, will be hardest hit. For example, leading South African retailer JD Group plans to close 5% of its stores, but will seek to compensate for this loss by expansion into Eastern Europe. Profitability has also been struck hard by increased payroll costs due to AIDS. Overall the group anticipates:

- a decreasing customer base;
- a significant shift in customer age profile; and
- a 21% reduction in market share by 2015.

In a further study, South African Breweries has estimated that AIDS will cost the company one million hectolitres of sales over the next 10 years and a potential drop of 1% in earnings. Lifeworks, an HIV/AIDS management company, has put the crisis for commerce and industry more bluntly:

> [T]he private sector is finally facing up to the big unspoken truth; the only thing worse than a cheap customer is a dead customer.

In the vital mining industry, estimates place the HIV infection rate among miners at 30%. Three dollars of the price of an ounce of gold is now accounted for as an HIV/AIDS cost. The future impact of this level of infection must be placed in the context that in South Africa alone, the country's 200,000 miners have as many as five million dependants. The situation is more acute in the transport industry, where there are estimates of up to 70% infection among long-distance drivers based in South Africa.[20]

At the macroeconomic level, leading South African banking group Nedcor has warned: [21]

> Should the developing [AIDS] crisis impact severely on foreign investor sentiment, necessary capital flows would not materialise, constraining growth and putting upward pressure on inflation and consequently interest rates.

The internal cost of AIDS to companies is also increasing sharply. The direct costs of health insurance and training are calculable, but lower productivity and disruption are less easy to measure.

The effective treatment of HIV/AIDS is made more difficult by a number of factors. First, the failure or tardiness of Southern African leaders to take the lead in prioritising the fight against HIV/AIDS. A similar charge can be made regarding some churches' rejection of the use of condoms to prevent the spread of HIV. Second, cultural practices, prejudices, mores and patterns of patriarchy within Southern African states inhibit open discussion and thus HIV/AIDS education. Third, failure to make HIV/AIDS a notifiable disease hobbles attempts to manage the condition at the workplace effectively. Fourth, ongoing wars and civil strife amplify the spreading effect of the virus via high risk, mobile soldiers. This osmotic effect has been aggravated by the involvement of troops from seven SADC countries engaged in the war in the DRC. Fifth, the region is characterised by fluid patterns of labour migration, which, in turn, add to the mobility of the virus.

The response to the crisis

The SADC HIV/AIDS strategic framework falls under the SADC Health Protocol and has set itself the target:

> To decrease the number of HIV/AIDS infected and affected individuals and families in the SADC region so that HIV/AIDS is no longer a threat to public health and to the socio-economic development of members states.[22]

The organ seeks to achieve this by harnessing regional and international resources through mobilising, co-ordinating and harmonising regional and international resources. The total spent on HIV prevention in sub-Saharan Africa (excluding South Africa) in 2000 was $165 million from all sources. Current estimates now suggest that sums in the order of $2.5 billion are needed for prevention alone. Add the costs of care, and the figure rises dramatically.

To date, the regional response has been unimpressive and ineffectual. For example, in 1990, Thailand and South Africa exhibited the same HIV infection rates of 0.76% of the population. Due, *inter alia*, to Thailand's AIDS awareness campaign, it now has an infection rate of 2% compared to South Africa's 22.4%. There are, however, a number of regional success stories that require emulation. For example, Mauritius where only 225 cases and 65 deaths have been reported, Uganda where HIV prevalence is decreasing and condom usage has almost doubled and Tanzania where HIV prevalence among young women has reportedly dropped by 60% in some areas. Thus, while the medium-term outlook is bleak for the region, success stories indicate that HIV/AIDS education and awareness campaigns can have a positive impact.

Malaria and TB

Malaria kills over one million people worldwide each year, which translates into two deaths every minute. Young children under five and pregnant women are its main victims. Every year, there are over 300 million new cases of clinical malaria.

Africa's GDP would be up to $100 billion greater if malaria had been eliminated years ago. Malaria is a particularly difficult condition to treat. There is currently no vaccine, nor any in sight. To compound matters the malaria parasite is building resistance to the current drug regime. The development of new drugs in high malaria density areas is a critical requirement, but the prevalence of malaria is coincident with areas of greatest poverty and thus least drug affordability. The structural problem is that as the cost of the development of a new drug is some $500 million, there is little prospect of a developer seeing a financial return on investment from users in these impoverished areas. It is estimated that $1 billion a year is required to make a real difference, but the pay-off could be as much as $3 to $12 billion a year in terms of a boost to the combined GDP of countries in sub-Saharan Africa. The prevention and treatment of malaria are both ineffective and likely to remain so if left purely to commercial forces. An integrated response at state level is required.

In the case of TB, $1 billion spent on drugs could mean that 70% of new cases could be treated, resulting in a 50% reduction in mortality over the next five years. The WHO is proposing a new framework for concerted action — a massive effort to tackle the infectious diseases, which, in turn, sustain poverty.

The WHO estimates that each of these three diseases can be prevented or treated for between $.05 and $10 per capita. It reasons that many low-income countries have shown that, by using available tools both widely and wisely, TB deaths can be reduced five-fold, HIV infection rates can also be reduced by 80% and malaria death rates can be halved. However, when a country has a healthcare budget of less than $50 per capita, for example, the costs of the tools needed to fight TB, malaria and HIV are prohibitive. In addition to causing suffering and death, these diseases penalise poor communities, as they perpetuate poverty through work loss, school drop-outs, decreased financial investment and increased social instability — creating sizeable social and economic costs.

THE RENAISSANCE SCENARIO

- Socio-economic conditions are created that reduce the likelihood of infectious and opportunistic diseases.
- An HIV vaccine is developed and widely distributed in the region.
- An AIDS cure is discovered.
- Affordable anti-retroviral drugs are made widely available.
- Region-wide HIV/AIDS programmes are developed and implemented, markedly reducing the rate of infection.
- Regional governments successfully manage the social and economic impact of HIV/AIDS.
- Economies rapidly adapt and adjust to the impact of AIDS.
- New affordable anti–malaria drugs are developed and widely distributed in the region.
- TB infections are rolled back.

THE ASYMMETRICAL SCENARIO

- ❑ Anti-retroviral drugs usage is expanded, but still limited due to problems of affordability.
- ❑ Condom usage and safe sex practices increase due to successful education and awareness campaigns.
- ❑ Infection rates are first stabilised and then decline.
- ❑ Growth in regional economies is negatively impacted by AIDS, but not de-railed.
- ❑ Malaria rates are stabilised.
- ❑ TB rates are stabilised.

THE DECLINE AND DECAY SCENARIO

- HIV/AIDS awareness campaigns fail to stem infection rates.
- Hospital services and health budgets collapse under the strain.
- AIDS kills one in five to one in three economically active Southern Africans.
- Millions of AIDS orphans are created.
- Poverty and social unrest rise sharply.
- Malaria and TB infection rates increase compounding the collapse of health services.
- The macro-economic progress of the most affected countries is set back by a generation.
- The scale of the crisis further alienates international commerce, trade and investment.

The role of SADC

Were SADC to continue its track record of under-achievement over the next five to 15 years it would be safe to assume it will either wither away or play no meaningful role in the development and integration of the region. Hitherto the institution has earned an unenviable reputation for poor strategic planning, poor communication, slow decision making and disparate commitment and implementation of protocols. The nub of the problem was captured by Mozambican Foreign Minister Leonardo Sim:[23]

> One of the main problems, which impedes the organisation from moving at the pace that member-states would like to see, is the fact that there is no definition of a common agenda, goals, priorities, deadlines as well as a regional development plan.

The institution is beset by a number of difficulties that require remedial attention before it can begin to realise its considerable potential. First, the organisation is underfunded; a condition which is aggravated by defaulting countries' failure to pay their membership fees and SADC's refusal to name these countries publicly. The Gabarone Secretariat is too small and lacks sufficient resources to conduct its work efficiently and effectively. Second, the management of SADC has been too fragmented historically. Before its restructuring the devolution of responsibility for its 21 sectors, while holding political and symbolic benefits, has resulted in organisational inertia. This devolved responsibility approach has been characterised by divided loyalty on the part of seconded functionaries, resulting in a failure to deliver on multilateral policies and undertakings. Relatedly, the disparity in resources available to the countries responsible for the respective sectors has produced a wide variance in quality and delivery. Third, the organisation has been divided on important issues such as the leadership of the Organ on Politics, Defence and Security (OPDS) and more recently the intervention and mediation of the war in the DRC.[24] The wars in Angola and the DRC have also meant the failure of both of these countries to participate fully in the activities of SADC. Finally, the acute structural inequalities between SADC member states have retarded attempts at greater financial, trade and economic integration.

Improved prospects

There are a number of recent positive developments that, should they prove successful, could propel the organisation into a more constructive leadership role over the next five to 15 years. In addition to the removal of President Mugabe as head of the OPDS and the appointment of a task team to co-ordinate the SADC response to the Zimbabwean crisis,[25] the establishment of a troika of leadership to co-ordinate Nepad in the SADC region are all positive developments emerging from the Blantyre Heads of State Summit in 2001. Additionally, the following developments hold considerable potential:

First, SADC is to address its unworkable managerial structure by moving the responsibility for sectors from individual countries and locating this in an enlarged secretariat. (*For a diagrammatic depiction of this see Appendix 1.*) In addition, the existing 21 sectors will be collapsed into five core clusters:

- Trade, industry, finance and investment;
- Infrastructure and services;
- Food, agriculture and natural resources;
- Social and human development; and
- Special projects such as small arms, drug trafficking and natural disasters.

Dedicated directors will manage each of the sectors. While this restructuring is expected to bring considerable medium- to long-term benefits, the cost of physically expanding the secretariat and its facilities will run into millions of dollars, the funding of which still has to be agreed.

Second, some (rhetorical) progress has recently been made on providing leadership and co-ordination for a region-wide AIDS awareness campaign. And the issue was given high priority at the August SADC summit in Blantyre. Encouragingly, agreement has been reached on a joint approach to dealing with pharmaceutical companies in the treatment of HIV/AIDS. Emphasising the need for a concerted approach, former Zambian President Kenneth Kaunda has reminded SADC leaders:[26]

> There will be no easy solutions, no short-cuts … We have to move together. Reducing the prevalence of HIV/AIDS in one or two countries will not solve this problem, because of our geographical proximity.

Third, there are encouraging indications of the drive for accelerated integration emerging from SADC parliamentarians. In addition to the desire for greater regional integration, the 2000 SADC Parliamentary Forum also prioritised conflict resolution, democracy and gender as issues to be tackled on a regional basis.

The greatest opportunity for integration and development in the SADC region, however, promises to come from the signing and implementation of the trade agreement. Although the agreement was signed as far back as 1996, the implementation of the protocol commenced only in September 2000. The driver of the protocol is the liberalisation of intraregional trade through the formation of a SADC FTA to be fully implemented by 2008. The agreement provides for a progressive and phased approach to transformation with liberalisation taking place in three categories: products for immediate liberalisation; gradual liberalisation; and sensitive products, which will only be liberalised towards the end of the period. Liberalisation will be implemented on an asymmetrical basis with the more advanced states liberalising at a faster pace than the less developed, with special account being taken of issues surrounding clothing and textiles as well as issues of origin in the electronics field.

In addition to the above there are other areas of SADC activity that hold considerable potential benefits for the region over the next five to 15 years.

The Finance and Investment Protocol seeks to co-ordinate and harmonise financial and economic sector policies in the region with a view to:

- establishing macroeconomic stability;
- improving co-operation between central, commercial and investment banks;
- developing a sound investment-enabling environment;
- facilitating deeper economic integration with equity;
- enhancing efforts at achieving sustainable development and poverty alleviation;
- establishing tax harmonisation; and
- integrating the region's stock exchanges.

Variable geometry?

Such are the differences among member states (political, economic, geographic and social), that for SADC to move forward will require it to accept the principle of flexibility or differentiation known in EU parlance as variable geometry. This is the principle that some member states agree to move ahead together on some common policy of their choosing, without being obliged to wait for the rest.[27] It is likely that progressive, democratic, stable and outward-looking countries in the SADC region will tend to gravitate towards each other, politically, economically and socially. It is therefore also likely that there will be an increasing recognition that for SADC to move forward, it cannot do so at the pace of the lowest common denominator.

THE RENAISSANCE SCENARIO

- SADC is streamlined, well-funded and functions efficiently.
- SADC plays a central role in co-ordinating trade, development, safety and security.
- SADC effectively drives and co-ordinates Nepad in Southern Africa.
- SADC protocols come into full force and effect.
- The free trade agreement creates enhanced and seamless intraregional trade.
- Significant and material steps towards policy harmonisation on currency, taxation and banking.

THE ASYMMETRICAL SCENARIO

- SADC reforms and streamlines at a slow pace and its effectiveness is correspondingly limited.
- The free trade area operates unevenly and strengthens the South African trade balance at the expense of weaker, less efficient economies.
- There is uneven implementation and adherence to SADC protocols.
- South Africa intensifies its dominance of regional affairs, smaller states are increasingly marginalised within SADC structures.
- Regional conflicts and inequalities continue to challenge the cohesion of SADC.
- Progress is characterised by variable geometry.

THE DECLINE AND DECAY SCENARIO

- SADC remains under-funded and the Gabarone Head Office lacks the capacity to carry out its (expanded) centralised role.
- Protocols are neither fully ratified nor implemented.
- The free trade agreement fails to produce the expected benefits.
- Political and economic divisions between member states intensify.
- Members states revert to contiguous, bilateral relations or simply 'go it alone' at the expense of SADC-wide integration (with the likely exception of continued SACU co-operation).
- Regional conflicts in Angola, DRC and Zimbabwe persist with the attendant corrosive effect regionally and internationally.

The Bretton Woods institutions, aid and development agencies[28]

The role of the IMF and World Bank in Africa in general is controversial and no less so in Southern Africa. Both the positive and dislocative effects of structural adjustment programmes (SAPs) in Southern Africa have been thoroughly documented and do not require further elaboration here.[29] The track record of both institutions is mixed, leading one of the Bank's most respected economists to acknowledge that in 36 poor countries that have received 10 or more loans from the IMF and World Bank:[30]

> The growth rate of income per person of the typical member of this group during the past two decades was zero.

The World Bank in particular faces a number of future challenges from contending constituencies. The most profound structural challenge to the Bank is derived from the high levels of private capital flowing to developing countries that serves to dilute the historic role played by the Bank. The contemporary role of the Bretton Woods institutions has also come under further scrutiny most forcefully through the actions of anti-globalisation protestors. The holding of a public debate between the IMF/World Bank and protest lobby groups Global Exchange, Jobs With Justice, Essential Action and 50 Years is Enough is a weak signal that a new form of interaction between peoples and countries perceived as 'victims' of globalisation on the one hand, and lending institutions on the other, is being demanded.

From the opposite end of the ideological spectrum, the very existence of the World Bank has been called into question, not from non-governmental organisations (NGOs) and borrowers, but rather from lenders dissatisfied with the direction the Bank is currently taking. These critics have panned the Bank due to a perceived 'capitulation' to outside constituencies and NGOs in particular.

Thus the Bank's 1999 Comprehensive Development Framework has been praised by some for its progressive, country-owned and NGO-friendly approach, yet has generated unprecedented criticism from those charging the institution with lack of focus. The challenges facing the bank have led one observer to remark:[31]

> [T]he World Bank has found itself in crisis, its power severely diminished and its global role under attack. Critics now speak freely of closing the institution altogether or at least of radically shrinking it. Poised for spectacular growth 10 years ago, the World Bank is now groping for relevance precisely when profound changes in the global economy should have placed it centre stage.

The HIPC initiative

Despite the contested and sometimes controversial role of the Bretton Woods institutions, their activities are likely to remain a vital ingredient in the development of SADC's least developed countries in the medium term. For Southern African countries the most significant policy to emerge from the Bretton Woods institutions in recent times, and that which holds most potential in the future, is the 1996 HIPC and more recent Enhanced HIPC initiative of 1999.[32] The SADC countries eligible for HIPC debt relief are: Angola, the DRC, Madagascar, Malawi, Mozambique, Tanzania and Zambia. HIPC debt relief and forgiveness has the potential to play a profoundly important role in the medium-term future of those SADC countries that stand to benefit from its provisions. The HIPC initiative is predicated on an acknowledgement of the debilitating effect of debt in the growth and sustained development of heavily indebted countries. Furthermore, debt servicing effectively negates the likelihood of developing countries freeing themselves from the shackles of poverty and of achieving the International Development Goal (IDG) of halving poverty by 2015. Financially, a high level of national debt reduces creditworthiness, thereby restricting flows of much needed investment. Consequently, the initiative recognises that there is an urgent imperative for developing countries to begin benefiting from the globalised economy and for the creation of a 'virtuous circle' of poverty reduction and economic development. Significantly, the HIPC initiative also recognises the need for greater social equity, rather than the historical assumption of a linear relationship between growth and poverty reduction. The integrated approach adopted by the HIPC initiative is characterised by a form of international economic and social contract of conditionality requiring qualifying countries to develop their own poverty reduction strategy papers (PRSPs) that demonstrate a readiness for debt relief. In summary, the conditionality set by the Bretton Woods organisations relate to macroeconomic stability, private sector development, good governance, investment in social development, acceleration of trade liberalisation and the strengthening of financial sectors. The PRSPs are required to demonstrate transparency, accountability, elimination of wasteful expenditure and good governance. As demanding as these requirements are, the financial benefits of the HIPC initiative are, however, considerable. In the case of Mozambique, that country qualified for $3.7 billion in debt relief in 1999 and a further $600 million in terms of Enhanced HIPC in 2000. Malawi has qualified for some $1.5 billion in debt relief. Thus, given the generally integrative trajectory the region is likely to take in the next five to 15 years, the HIPC benefits are likely to have a broader positive spin-off for the region.

Despite the vital benefits afforded by HIPC, the threshold for qualification is proving rather high for a number of SADC countries. Lack of transparency and financial accountability, combined with widespread allegations of corruption, has put continued HIPC relief to Malawi in question. In another instance,

Debt service relief committed to sub-Saharan countries ($ million)

Zambia	3,820
Uganda	1,950
Tanzania	3,000
Senegal	850
Rwanda	810
Mozambique	4,300
Malawi	1,500

Tanzania has been warned that its continued qualification is in danger due to its wasteful proposal to upgrade its air traffic control system, as well as continuing to maintain an 'unnecessarily high' military capability. More broadly, there is a concern that HIPC debt forgiveness may, in future, be offset by lower levels of international ODA.

In summary, the HIPC initiative holds considerable potential benefits for SADC countries over the next five to 15 years. Its success, however, will hinge both on the policy consistency of the Bretton Woods institutions and the degree to which poor countries meet and maintain their debt forgiveness conditionalities. The likely pattern is that countries such as Mozambique will experience the tangible benefits of debt forgiveness, which, in turn, will serve to reinforce that country's continued commitment to sound economic strategies and good governance. Other countries will be faced with a stark choice: persist with sound economic and political policies, or risk losing a potential developmental lifeline and descend into a deeper morass of debt, exclusion, continued poverty and underdevelopment.

Aid and development agencies

The overall regional picture of debt and aid dependency is provided below:

Debt and aid dependency

Country	*Debt as % of GDP 1998*	*ODA as % of GDP 1990*	*ODA as % of GDP 1998*
Angola	279	3.3	8.1
Botswana	10	4.0	2.3
DRC	196	10.5	2.0
Ghana	55	9.7	9.6
Lesotho	42	13.8	5.7
Mozambique	74	42.4	28.2
Tanzania	71	29.3	12.5
Uganda	35	15.8	7.0
Zambia	181	16.0	11.4
Zimbabwe	69	4.0	4.7

It can be seen from the table that the two countries in the region that have been ravaged by wars, the DRC and Angola, have the highest debt/GDP ratios, but that all countries, with the exception of mineral-rich Botswana, suffer from high levels of debt. Aid dependency has dropped, but this is also as a result of a downturn in international aid flows and disbursements. Between 1992 and 1997 aid from the world's wealthiest countries dropped by 29%.

Aid and development agencies have played a vital role in the development of countries in the region. Aid dependency varies from country to country, but all SADC countries have benefited through a broad spectrum of initiatives. The most important agencies including the UN Development Programme (UNDP), US Agency for International Development (USAID), the Department for International Development (DFID), the Canadian International Development Agency (CIDA) and SIDA have played an exemplary and consistent role that has perhaps been generally under-recognised. Development agencies have played an increasingly important role in 'mediating' local development programmes with the major donor agencies in order to make them both 'user friendly' and sustainable. The agencies have also built up a valuable repertoire of local knowledge and experience that allows them to remain sensitive to local political conditions, vital for programmes to be sustained and owned by governments and NGOs. The range of programme support is extremely broad, however, and this has been both a strength and weakness of some agencies in the region. There has recently been a shift to fewer, more focused programmes, tailored to meet the specific developmental priorities in given countries. CIDA's role in assisting with de-mining initiatives in Mozambique is a case in point. Perhaps the most important recent development has been the acknowledgement by agencies of the need to integrate and focus their own programmes into the broader national poverty reduction and developmental programmes of the region. This shift holds considerable future potential for the eradication of poverty in SADC countries.

In terms of emergency relief, in a region characterised by exogenous shocks, harsh climatic patterns, food shortages and chronic poverty, the need for deeply engaged aid and development agencies will remain acute in the medium term. Nevertheless, the effectiveness of development and aid agencies is hampered both by budgetary limitations and indeed lack of local capacity to engage with and carry out developmental programmes. Thus the future role of agencies has to be seen within the broader context of international sentiment, political will and local capacity building.

THE RENAISSANCE SCENARIO

- The Bretton Woods institutions play a committed, engaged and progressive role within the region.
- Developed countries meet their 0.7% (of GDP) aid commitments.

- HIPC debt relief provides the fillip required by LDCs to escape the debt trap.
- LDCs meet all the requirements of HIPC and, in so doing, structure sound economies with acceptable levels of governance.
- The benefits of the HIPC initiative place LDCs and the region more broadly on a sustained growth path.
- Aid and development agencies continue to play a fully engaged role and one tailored increasingly towards 'sustainable development'.

THE ASYMMETRICAL SCENARIO

- There is a differentiated adherence to HIPC conditionalities from regional countries.
- World Bank/IMF engagement in the region is concomitantly differentiated.
- The HIPC adherent countries prosper; those unable or lacking the political will to adhere to HIPC requirements regress developmentally.
- The failure of all qualifying countries to adhere to HIPC conditionalities and thus benefit from debt relief retards broader development within the region.
- Aid and development agencies increase local conditionalities and maintain current aid levels.

THE DECLINE AND DECAY SCENARIO

- The Bretton Woods institutions scale back their role and commitment in the region.
- Qualifying countries fail to adhere to HIPC conditionalities.
- HIPC debt relief fails to have the expected positive impact on economic growth and development.
- Alienation from the IMF/World Bank translates into the region's further marginalisation from international capital and aid.
- The cycle of debt and poverty intensifies, thereby compounding regional underdevelopment.
- Funding to and by aid and development agencies is impacted by 'donor fatigue' and levels of international aid continue to drop.

Economic prospects

Global terrorism: a discontinuity

The selection of the World Trade Centre as the target for a catastrophic terrorist attack on 11 September 2001, as well as the scale of the destruction, shook global financial markets, resulting in an unprecedented (in modern times) lengthy closure of the New York Stock Exchange, a flight of capital from equities to safer financial instruments such as bonds and commodities, as well as marked swings in financial markets globally.[33] Arguably no other target held as much symbolic and infrastructural importance to the operation of the globalised economy. It is unclear, however, whether this event will still tilt the US economy into recession. The military response by the US in both Afghanistan and more importantly Iraq, has added to a global downturn in short-term economic growth. The depth and duration of this downturn will be a key global driver.

The terrorist attacks on New York and Washington herald a more profound long-term shift in US global engagement that is manifest in the formulation of President Bush's National Security Programme (the so-called Bush Doctrine). While the US National Security Programme highlights the importance of partnership with five key African states — South Africa, Nigeria, Kenya, Ethiopia and Sudan — it is still unclear what impact the doctrine will have on both the SADC region and indeed Nepad. The two polarised viewpoints, that of increased isolationism juxtaposed with that of deeper engagement in US foreign policy, have been posited. There is, however, a third approach which would see the US increasing its national defence profile, but doing so merely as one important element of a deeper engagement both with its allies and marginalised and ambivalent or even antagonistic nations that may provide succour or a fertile breeding ground for violent fanatics opposed to globalisation, capitalism and indeed liberal democracy.

It is reasonable to conclude, however, that even if the US were to adopt a retrenched or isolationist global position, it would remain in its national interests (strategically and economically) to cultivate and strengthen relations with nations broadly well disposed to it and its core values including those within the SADC region. Although South Africa unequivocally condemned the terrorist attacks following 11 September, the criticism levelled by President Mbeki and former President Mandela on the US over Iraq may dampen relations, placing some doubt over the reliability of South Africa as a partner of both the US and the UK in particular. Although 9/11 caused the world to focus on the root conditions of terrorism including poverty, alienation and the failure of regimes to modernise which may, by implication, increase the attention on African countries, the war in Afghanistan and the Iraqi crisis may also serve to deflect valuable resources and time from Nepad and African recovery.

Global trends

The greater the future level of integration of the SADC economy with that of the global economy, the higher the correlation between their two fortunes. Despite the Asian financial and economic crises of 1997 and 1998, overall global growth for the decade of 1990s was exceptionally high. The turn of the century, however, has seen the crash of the 'dot com' economy and the marked downturn in economic indicators of the OECD countries. Should the US and Europe move into a period of recession, this will have a marked negative impact on the economies of the SADC region in the short- to medium-term. *The Economist* reports that the world may already be in a period of recession and that this is likely to be deeper than the 1991 reversal due to the fact that the American, European and Japanese markets are more closely correlated than in 1991.[34]

Global economic forecasts for the medium term are mixed, with a number of analysts forecasting a protracted 'bear' market and the August 2001 Merrill Lynch Fund Managers Survey establishing that 56% of 268 fund managers surveyed expected the global economy to develop positively in the short- to medium-term. This was up from only 40% earlier in the year. Conversely, the IMF in its latest report on the Japanese economy expected the country to enter a

GDP annual growth rates (%) in SADC[35]

Country	*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
DRC	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

recession later in 2001. Growth in the Japanese economy was expected to contract by a further 0.6% by year-end. As a significant trading partner and consumer of Southern African commodities, the short-term impact of the Japanese economic downturn on the SADC region will thus be negative.[36] Furthermore, economic prospects for both Argentina and Brazil are poor in the short term.

The World Bank has also forecast a lower overall performance for the economies of the sub-Saharan African region, believing that GDP growth rates will settle at approximately 3% for the next eight years. This is half the growth rate required by Nepad and that regarded as necessary to make a sustained impact on poverty reduction and development in the region.

The South African economy as a regional driver

It is not the aim of these scenarios to engage in economic forecasting, but as has been stated, the prospects for the region are umbilically tied to those of South Africa. South Africa accounts for 75% of the SADC GDP and some 45% of sub-Saharan GDP, thus analysts' views on the South African economy are significant for the region as a whole. The South African Reserve Bank forecasts the growth rate for the country at some 3% in the next two to three years. This view is endorsed by a number of the leading economists in South Africa. At the lowest end of the spectrum ABSA forecasts a short-term growth rate of 2.5%, SG Securities has similarly revised its forecasts downward to between 2.6% and 2.8%. Economics think tank Econometrix also recently released its medium-term forecast for the South African economy. In summary, Econometrix forecasts the following growth for the South African economy: 2003 — 3.7% and 2004 — 3.8%. This more positive outlook is predicated on the prospect of lower inflation and decreasing interests rates acting as a fillip to local commerce and industry. Even this most optimistic of forecasts still places the South African economy on a growth path that is less than half that required by Nepad. Indeed South Africa is incapable of internally generating 7% growth and would require considerable FDI to fulfil this goal.

The Econometrix forecast takes into account the potential impact on the marked slow down in the global economy, particularly as this will affect the US and Europe. The report warns, however, that the South African economy needs to diversify away from a reliance on its commodity base and increase its exposure to the service industry. Encouragingly, the Econometrix analysts reiterate the commonly held view that the macroeconomic management of both the Treasury and Reserve Bank is fundamentally sound.

Black economic empowerment and SMME development

One variable that will be an increasingly important dimension in the South

African economy in the next five to 15 years will be the success or otherwise of black economic empowerment (BEE). The significance of this challenge lies in the extent to which South Africa can create a broad, educated, prosperous and entrepreneurial middle class, thereby avoiding the social conflict derived from conditions of absolute and relative deprivation. The structural challenge is for South Africa to develop policies and practices that shift the country from one of the highest gini co-efficients globally (second only to Brazil) to a more egalitarian society in which class and indeed racial divisions are far less acute. To date the results of BEE have been disappointing. From a highest level of over 6% ownership of the Johannesburg Stock Exchange by market capitalisation, black companies now control less than 5%.

Despite these early disappointments, the Minerals and Energy Act, the Mining Charter and the Black Economic Empowerment Charter all hold the potential to significantly boost efforts to ensure a more egalitarian distribution of wealth in South Africa. More important to the South African economy, however, will be the success or otherwise of creating an enabling environment for stimulating small, micro and medium-sized enterprise (SMME) in the next five to 15 years.

To date, government-backed initiatives have had mixed success and some notable failures. For example, since 1997 Khula Enterprise Finance Limited has assisted some 91,000 SMME operators, but showed a loss of R25 million for the year 2000. The private sector–driven initiative Business Partners has shown steady success over a number of years, but not on a scale that has significantly impacted on black economic upliftment. International agencies such as USAID and DFID have also implemented creative programmes for supporting SMMEs and it would be important for these programmes to be sustained and indeed expanded.

To compound this (at best) mixed picture, a recent World Bank report has noted that a significant blockage to small business development is the high financial and time cost of registering a business in South Africa.[37] The slow pace of black empowerment in South Africa has prompted the Black Economic Empowerment Commission to recommend the introduction of legislation to accelerate and broaden this imperative. The merits of legislated BEE are currently intensively debated, but it is clear that considerable focus and attention has to be given to this area of economic development in order for the South African economy to attain sustained growth and to advance broad wealth creation in the country in the medium term. Relatedly, the urgency of accelerated land reform and housing construction has been brought into sharp relief by events in Zimbabwe and the fear of a widespread contagion effect. In the case of housing, despite the construction of some one million new houses since 1994, the backlog of houses in the country is 2.8 million,[38] the same figure as at the time of the drafting of the Reconstruction and Development Programme in 1994.

Privatisation

The rate and success of privatisation in South Africa will be a further determining factor in the economic fortunes of the country in the next five to 15 years. Although the South African treasury received a fillip through the demutualisation of Old Mutual and Sanlam, benefited from the estimated $3.5 billion windfall from the purchase and de-listing of De Beers (with a consequent positive impact on the government's forward open book position) and from the listing of Telkom, the state privatisation programme is key to the treasury's management of macroeconomic strategy going forward. The track record of privatisation in South Africa has been poor. The process has been high on promise and low on delivery. The delay in the Telkom Initial Public Offering (IPO), which was postponed for two years until 2003, cost the fiscus and thus the country billions, due to the depressed state of the information communication and technology (ICT) sector after the bursting of the hi-tech bubble in 2000. The South African Post Office has seen subsidies re-introduced and reported a loss of some R80 million for the year 2001, thus removing any possibility of partial privatisation in the short term. Apart from the tardiness and inconsistency of the programme, which has left some potential international investors disillusioned,[39] popular resistance to the government's Growth Employment and Redistribution (GEAR) policy in general, and privatisation in particular, has grown, hardening divisions between labour unions, civic groups and the government. This resistance to privatisation will manifest in increased labour unrest with the concomitant negative effect of strike action on the South African economy. Were the government to yield to the demands of the labour federations, the further postponement or dilution of the privatisation programme would send out a sharply negative signal to the international investment community, which, in turn, could damage the prospects for growth both in South Africa and regionally in the next five years. Thus the success or failure of the privatisation of state assets in South Africa will be a key determinant of the country's economic fortunes in the medium term. This issue will be the South African government's sternest test of domestic political will and economic management.

Information technology and software development

A key driver of globalisation is information technology (IT). Indeed, IT is the global industry *par excellence*. A recent e-commerce B2B report indicated that 50% of all companies surveyed reported that between 5% and 100% of their business would come from outside of their own country. It is difficult to compute the total size of the global IT market, but the size of the world's software market alone grew to some $222 billion by 2002. It is estimated that in 2004 e-commerce revenues will reach $2.7 trillion, with Asia alone accounting for $300 billion of this total. Today, some 400 million people surf the worldwide web's 4 billion pages and spend half a trillion dollars on goods and services via this medium. So fundamental has IT become to modern business that, despite the global slowdown, an international survey conducted by Morgan Stanley reported that 74% of large companies maintained their IT spend in 2001.

Global IT development has, however, given rise to the pervasive phenomenon known as the so-called 'digital divide'. Although both globalisation in general, and the IT revolution in particular, present challenges to South Africa, it also constitutes one of South Africa's greatest opportunities. Bridging the 'digital divide' has become a major theme of President Mbeki's development initiatives and key to Nepad, discussed later in this volume.

The success of India in grasping the opportunities presented by the IT revolution are well documented, but are worth summarising as they point to the opportunities open to Southern Africa in general and South Africa in particular. After growing its software development industry at an annual rate of 50% a year in recent years, 30% of all Internet software is now written in India. India's software exports reached $9.5 billion in 2002. The Indian National Association of Software and Service Companies has set a target of $50 billion in exports for 2008. India currently employs 90,000 people directly in the IT field and this figure is expected to balloon to 340,000 by 2007, in a country where the illiteracy rate is over 35%.

Despite the phenomenal success of the Indian experience, South Africa enjoys concrete advantages over the Asian country, all of which can be fully exploited. The first key advantage is that of location. South Africa is on the same time horizon as Europe and within one to two hours of the UK. This time difference can also work in favour of local companies as Southern Africa precedes the UK on the international time line, thus it is 'open for business' in preparation for the opening of UK businesses. Second, South Africa's business language is the international language of English. Third, South Africa enjoys excellent business-to-business relations with the EU and the EU is by far the largest trading bloc of this country. Fourth, South Africa enjoys a small, but highly skilled and innovative IT sector and, despite its size, has already achieved considerable success in the global market. Fifth, South Africa boasts a number of world-class tertiary institutions that both contribute to and benefit from the IT industry in South Africa. Finally, one of the key opportunities presented by dollar/sterling strength and rand weakness is the cost competitiveness of South African products and services particularly in the field of IT. Thus, if properly resourced and prioritised, the IT and software industry in South Africa has the potential to be an important economic driver.

SADC economic prospects

For SADC more generally, the economic indicators are mixed. For the period 1990 to 1998 sub-Saharan Africa achieved growth rates of less than 3%, although growth was higher in the latter years. The World Bank has also forecast growth rates of up to 4.2% for the period 2000–2007. These globular growth figures mask marked country-specific differences. There is a cohort of economically stable and progressive SADC countries that have shown and continue to show, encouraging economic growth. This includes Botswana, Mozambique, Mauritius and to a lesser extent South Africa. Despite the ravages of the civil war Angola still exhibited some economic growth principally due to considerable investment into its oil industry. With the ending of the civil war, brought about principally through the death of Dr Jonas Savimbi, the Angolan economy, and in particular the petroleum sector, is set for major growth and expansion. The 'weakness' of this investment is that it is, to all intents and purposes, 'offshore' investment rather than conventional infrastructural FDI. The achievement of economic growth in Angola despite conditions of war suggests the potential of this mineral-rich country under conditions of peace, stability and reconstruction. Other national economies that have shown encouraging, if inconsistent, economic growth in 2000 are: Tanzania (4.8%), Malawi (3.4%) and Swaziland (3.1%).

Most SADC countries show some signs of macroeconomic stability, save for Zimbabwe, the DRC and perhaps Malawi. Inflation rates, while persistently higher than those of the region's major trading partners, have shown steady if erratic signs of decline, which if maintained point to healthier economic outlooks for the medium term. Eight of 14 countries registered single-digit inflation by September 2000.[40]

Annual consumer price index growth (%)[41]

Country	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*
Angola	3783.3	1649.5	64.0	134.8	329.0	268.0
Botswana	10.2	10.4	9.0	6.1	7.2	8.9
DRC	541.8	659.0	176.0	147.0	243.0	394.0
Lesotho	9.3	8.9	7.7	9.3	12.3	8.6
Malawi	83.3	37.6	9.2	29.8	44.9	25.0
Mauritius	6.0	6.6	6.6	6.8	6.9	4.2
Mozambique	55.8	26.6	6.6	-0.4	6.2	11.0
Namibia	10.0	8.0	8.8	6.2	8.6	9.2
Seychelles	-0.3	-0.9	0.7	2.6	6.3	6.3
South Africa	8.7	7.4	8.6	6.9	5.2	5.3
Swaziland	6.5	7.2	8.0	5.9	7.0	7.3
Tanzania	27.4	21.0	16.1	12.9	7.8	5.1
Zambia	46.0	35.2	18.6	30.6	20.6	20.2
Zimbabwe	22.6	21.4	18.8	31.7	58.5	56.0
SADC (average)	291.3	158.9	24.0	26.3	45.1	59.2
Sub-Saharan Africa	39.5	32.3	13.7	10.0	13.0	n/a
Africa	35.5	30.0	13.6	9.1	11.8	n/a
Advanced countries	2.6	2.4	2.1	1.5	1.4	n/a

Less encouraging, however, is the region-wide shortage of capital and liquidity as well as relatively high rates of inflation. These are reflected in high prime lending rates during the 1990s and are demonstrated in the table below. The high cost of capital is clearly an inhibitor of economic growth and business development.

Prime lending rates—average for year (%)[42]

Country	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
Angola	–	–	–	–	–	–
Botswana	14.50	15.00	14.50	14.50	14.50	14.00
DRC	–	–	–	–	–	–
Lesotho	16.00	14.00	15.00	15.00	18.25	17.10
Malawi	22.00	29.50	31.00	47.00	27.50	22.00
Mauritius	10.00	10.00	10.00	10.00	10.00	10.00
Mozambique	–	–	–	–	–	–
Namibia	17.50	15.50	16.50	19.00	19.90	20.20
Seychelles	–	–	–	–	–	–
South Africa	18.80	16.70	15.60	17.90	19.30	20.10
Swaziland	15.00	14.00	15.00	18.00	19.80	18.80
Tanzania	31.00	39.00	39.00	48.00	32.00	21.00
Zambia	54.60	113.30	70.60	–	39.40	39.00
Zimbabwe	34.60	37.90	36.40	35.00	33.50	34.70

The persistently high cost of borrowing has translated into little progress being made in the growth of manufacturing as a percentage of GDP in the region, as is demonstrated in the table below. Mauritius, South Africa, Mozambique and Zimbabwe remain the regional leaders in manufacturing, but encouraging progress has also been made by Lesotho. This country has been particularly successful in its

Share of manufacturing sector to GDP (%)[43]

Country	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*
Angola	12.80	12.50	5.70	4.90	4.00	3.40	4.40	6.50
Botswana	4.00	4.00	4.90	4.50	4.90	5.00	4.90	4.80
Lesotho	12.80	12.50	14.60	13.80	15.20	15.30	15.70	17.00
Malawi	13.00	15.00	11.80	17.40	16.10	14.20	13.60	13.20
Mauritius	23.10	12.50	23.20	23.30	23.70	24.20	24.40	24.70
Mozambique	–	11.30	15.50	11.20	13.20	14.50	15.40	14.70
Namibia	–	7.40	13.20	12.50	12.40	10.10	14.20	–
South Africa	25.00	25.00	23.50	23.40	24.30	23.70	23.90	23.70
Swaziland	–	–	27.40	27.60	27.80	25.80	25.90	–
Tanzania	8.20	8.10	7.50	7.40	7.20	7.40	6.90	–
Zambia	36.00	36.00	26.40	24.70	9.90	11.80	11.80	12.00
Zimbabwe	20.00	20.10	21.00	19.10	19.20	15.70	15.40	15.20

clothing and textiles sector and is set to enjoy enhanced benefits (as are Mauritius, Malawi, South Africa and Namibia) due to the provisions of AGOA. South Africa's Motor Industries Development Programme has also been a notable success and the potential for this model to be replicated is being investigated.

The growth in regional manufacturing value added (MVA) also remains at best patchy and in some cases negative. Thus, much future progress in this sector rides on AGOA and the ability of national economies to maintain macro-economic stability, reduce levels of debt and create investor-friendly environments (including attractive tax incentives) in order to attract much needed scarce FDI.

Growth of manufacturing value added (MVA)[44]

	Annual growth rates %							
Country	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*
Angola	4.80	1.20	–5.80	–10.10	–11.40	2.60	9.30	5.0
Botswana	6.60	6.40	–1.00	–1.30	4.30	6.50	5.20	4.70
Lesotho	4.80	1.20	8.60	8.60	20.40	14.10	–	–
Malawi	3.00	3.50	–6.40	–4.00	1.30	3.50	–9.80	–2.90
Mauritius	4.60	6.60	4.80	4.60	–5.90	6.20	5.70	6.10
Mozambique	–	–	–6.70	–6.00	13.30	13.56	–	–
Namibia	5.20	9.10	11.50	11.60	7.20	0.10	–	–
South Africa	–4.60	–3.30	1.00	2.70	6.30	0.90	3.20	–2.70
Swaziland	1.90	2.40	0.70	5.90	4.60	1.80	5.40	–
Tanzania	4.30	1.90	15.20	30.90	27.40	26.80	16.10	–
Zambia	–7.60	–4.20	–8.30	–12.30	–6.60	3.90	11.40	–
Zimbabwe	2.90	–8.50	–7.80	10.00	–11.50	4.60	2.50	–

There is evidence of a strong correlation between exporting countries and improved productivity and greater efficiency. This is born out regionally where, in keeping with its growing export market, South African productivity has been growing at an annual rate of 4.9%, but at the cost of large-scale retrenchments.[45] Tariff protection in Southern Africa has been steadily dropping. In the 1980s the drop was between 30% and 50% and in 1995 effective tariffs fell from 19.62% to 16.98%. Despite this, trade restrictions in Africa have been consistently the highest in the world.

As in the South African case, an important economic driver within the SADC region will be the degree of success of national privatisation programmes. Privatisation holds the potential to unlock latent economic and financial potential, generate greater efficiency, relieve debt-ridden parastatals, attract new capital and empower local private investors including the previously disadvantaged sectors of society. The process of privatisation also encourages increased competition and a sounder regulatory and governance environment.[46] Privatisation is, however, a double-edged sword. State enterprises and parastatals are a locus of economic and political patronage not easily yielded by governments in power. Economic and political patronage has also resulted in some of the most attractive targets being 'asset stripped' and 'cherry picked' by private investors. There is also the problem of right-sizing parastatals to prepare them for privatisation with all its attendant problems of retrenchment and unemployment. Furthermore, some countries' privatisation programmes have been driven more by the pressure to meet the prescriptions demanded of the IMF, World Bank and donor community, which, in some cases, have had the result of undermining the domestic government's strategic objectives. As analysts have noted, however, many of the trade liberalisation programmes in Southern African countries have been incompatible with fiscal and balance-of-payment realities, leading to programme suspensions and reversals. The oft-repeated argument is that the removal of tariffs has the effect of hampering the growth of the domestic industrial base as well as removing a valuable source of development revenue. The unpopular consequences of parastatal privatisations in the form of 'right-sizing' and 'down-sizing' have also created highly ambivalent responses among states within SADC. This lack of synchronicity is, however, being addressed through the production of PRSP, but the problems of privatisation for domestic governments have been thrown into stark relief by the example of Malawi, which announced the suspension of its privatisation programme in July 2001. Clearly, whereas the continued privatisation of inefficient and debt-ridden state assets holds considerable potential for the economies of the SADC region, for programmes to deliver long-term success will require the development of consistent, well researched and integrated policies that balance both economic and political imperatives.

Structural adjustment, together with inconsistent and sometimes ineffectual economic policies in certain countries of the region, have given rise to high levels of economic dissatisfaction among the citizenry of SADC. Unless effectively addressed, these levels of dissatisfaction hold potentially acute negative implications for social and political instability in the medium term. An analysis of economic (dis)satisfaction within the region is provided below:

Satisfaction with current national economic conditions, Southern Africa, 1999–2000[47] (%)

	Botswana	*Lesotho*	*Malawi*	*Namibia*	*Zambia*	*Zim'we*	*SA*
Very dissatisfied/ dissatisfied	55	77	69	30	74	94	68
Neither dissatisfied nor satisfied	9	4	4	16	6	3	16
Satisfied/ very satisfied	32	12	26	41	19	3	15
Don't know	4	8	1	14	2	1	2

With the exception of Botswana and Namibia the picture is not encouraging. Again the data emerging from Zimbabwe is of concern, but neither Lesotho nor South Africa provide cause for over-optimism in the short term with satisfaction levels of 12% and 15% respectively. The picture for Zambia is also far from satisfactory.

Expectations of future national economic conditions, Southern Africa, 1999–2000[48] (%)

	Botswana	*Lesotho*	*Malawi*	*Namibia*	*Zambia*	*Zim'we*	*SA*
Worse/Much worse	25	31	48	16	54	84	45
About the same	26	14	17	18	14	7	21
Better/Much better	31	26	25	44	16	6	28
Don't know	17	30	10	22	16	4	6

In terms of future expectations, again Namibia and Botswana exhibit the most sanguine outlook, but over 90% of Zimbabweans expect matters to deteriorate or remain the same. Almost one in two South Africans expect economic conditions to deteriorate, as indeed do slightly more Zambians.

Public evaluations of government management of the economy, Southern Africa, 1999–2000[49] (%)

	Botswana	*Lesotho*	*Malawi*	*Namibia*	*Zambia*	*Zim'we*	*SA*
Creating jobs	52	20	26	32	38	47	10
Ensuring that prices remain stable	41	14	28	8	20	38	17
Improving health services	69	35	37	46	50	62	43
Addressing the educational needs of all	71	46	43	62	57	62	49
Managing the economy	60	16	33	25	36	45	28
Delivering basic services like water and electricity	69	36	40	65	35	55	61
Average	**60**	**28**	**35**	**40**	**39**	**52**	**35**

There are four key requirements for progress:

- Improved governance and control measures at the governmental (meta) level. This should also serve to advance social transformation and would also serve to strengthen weak domestic markets.
- Macroeconomic stability is required, with competitive exchange rates and trade policies that stimulate the local economy.
- Development of policies at the meso level that shape and promote industrial and technological clustering and business associations.
- Small companies need to be encouraged to make use of the above policies and network opportunities.

THE RENAISSANCE SCENARIO

- Sound, disciplined, investor-friendly macroeconomic policies are implemented and maintained by regional governments.
- Private saving and investment levels are boosted.
- The South African economy acts as a catalyst for sustainable regional growth.
- BEE programmes in South Africa achieve considerable success, thereby boosting wealth and job creation.
- Privatisation programmes are successfully carried out, generating much capital investment.
- Privatisation produces greater commercial and industrial efficiencies.
- Comparative advantages are seized to develop new age industries such as IT and software development.
- Regional economies diversify and optimise the opportunities generated by regional integration and globalisation.
- The region achieves 7% economic growth.
- Regional employment levels are boosted.

THE ASYMMETRICAL SCENARIO

- South Africa fails to break out of its 2–3% range-bound growth rate.
- BEE in South Africa expands, but relatively slowly and inconsistently.
- SMME business grows, but fails to make a significant impact on unemployment rates.
- Regional governments apply macroeconomic policies inconsistently.
- Countries with low inflation, fiscal discipline, and narrowing budget deficits are positively differentiated from those lacking sound financial and economic management.
- Investor-friendly (including those with attractive tax regimes) countries continue on their successful trajectory; those with high barriers to investment (eg. high tax rates) stagnate.
- Privatisation is piecemeal and is managed inconsistently.
- Progress is made in 'new industry' development, but is hampered by skills and capital shortage.
- Overall economic growth rates in the region hover between 3–4%.

THE DECLINE AND DECAY SCENARIO

- Regional conflict and civil war persists, resulting in low or negative economic growth rates in affected countries.
- Conflict over South Africa's macroeconomic policies results in strikes, protest and disinvestment.
- Popular pressure and lack of political will results in a watering down of privatisation leading to lower investor confidence and capital scarcity.
- Economic growth in South Africa fails to keep pace with population growth.
- A shortage of skills and capital hampers South African BEE and SMME growth.
- New age industry bypasses the region and local IT skills are exported.
- Domestic savings and investment rates remain low, or decline further.
- Political and social pressures in the region lead to short-term, populist and less disciplined macroeconomic policies.
- Inflation creeps back into regional economies.
- Continued currency depreciation serves to repel new FDI.
- HIV/AIDS erodes economic growth on a region-wide basis.
- Poor levels of governance continue to repulse international investor confidence in the region.

Trade, investment and infrastructure

Globally, intraregional trade as a percentage of total trade has been steadily increasing. Between 1980–89 it increased from 51% to 59% in Europe, from 33% to 37% in East Asia and from 32% to 36% in North America. Today 60% of world trade takes place in regional trade blocs. The growth of intraregional trade in Africa has been a great deal smaller, however. In 1990 intraregional trade accounted for only 6% of total African trade. There has been a marginal increase to 10% in 1999.

Countries that trade more, grow faster. Developing countries with open economies grew by 4.5% annually in the 1970s and 1980s and those with closed economies expanded by only 0.7%. This has also been the case with developed economies. Developed open economies grew by 2.3% annually versus closed economies, which grew by only 0.7% in the same period.

Intra-SADC trade, as well as trade between the countries of the region and the rest of the world is increasingly framed by the broad WTO, Lomé/Cotonou and South African–EU trade agreements. Consequently, the future trajectory of trade in the region by definition will be increasingly linked to developments among world trading blocs.

While SADC trade with the rest of the world has shown a steady increase, the surplus in the balance of trade has been decreasing. The pattern and quantum of SADC–world trade is illustrated in the table below:

SADC (excl. SACU) top traded products with the rest of the world, 1997

Top 10 exports	*Exports (US$'000)*		*% of total exports*
	1990	*1997*	*(1997)*
Petroleum, petroleum products & related materials	4,753,878	5,410,082	13.1
Non-ferrous metals	5,101,484	3,508,272	8.5
Non-metallic mineral manufactures, n.e.s.	1,291,677	2,829,469	6.9
Gold, non-monetary	2,129,227	2,826.903	6.9
Coal, coke and briquettes	1,652,889	2.945,812	4.7
Metaliferous ores and metal scrap	1,524,128	1,844,299	4.5
Iron and steel	1,344,816	1,577,641	3.8
Vegetables and fruit	1,081,541	1,350.913	3.3
Articles of apparel and clothing accessories	801,239	1,255,262	3.0
Tobacco	617,185	1,137,151	2.8

SADC (excl. SACU) top traded products with the rest of the world, 1997 *cont.*

Top 10 imports	*Imports (US$'000)*		*% of total imports*
	1990	*1997*	*(1997)*
Road vehicles (inc. air cushion vehicles)	2,635,746	3,230,001	12.9
General industrial machinery & equipment, and parts	1,308,672	1,728,760	6.9
Telecommunications & sound recording apparatus	540,429	1,558,918	6.2
Textile yarn, fabrics, made-up art, related products	917,172	1,244,971	5.0
Machinery specialised for particular industries	968,852	1,237,506	4.9
Miscellaneous manufactured articles, n.e.s.	604,291	1,107,613	4.4
Electrical machinery, apparatus & appliances n.e.s.	597,444	894,307	3.6
Cereals and cereal preparations	655,480	839,927	3.4
Medicinal and pharmaceutical products	437,097	785,372	3.1
Professional, scientific & controlling instruments	494,963	731,096	2.9

The clearest pattern is the dominance of raw material and primary product exports from SADC countries and conversely, the importation of value-added motor and manufactured goods and manufacturing machinery in particular.

For SACU countries, however, an encouraging trend is the steady increase in the value-added, beneficiated and manufactured products as a percentage of total exports as illustrated below:

SACU exports by stage of manufacturing (% of total exports)

Category	*1990*	*1993*	*1996*	*1999*
Primary products	24.7	25.4	21.5	20.4
Beneficiated primary products	26.2	23.4	28.0	31.8
Material intensive products	6.1	5.7	7.1	7.9
Manufactured products	9.2	14.4	19.9	23.6
Gold	33.7	31.2	23.5	16.3

The broad composition of SACU-SADC trade is demonstrated below:

Composition of SACU exports to the rest of SADC, 1990–99 (% share)

Broad economic classification	*1990*	*1994*	*1999*
Consumer goods	28.2	28.2	28.6
Intermediate goods	49.3	49.3	45.0
Capital goods	22.5	22.5	26.4

Composition of SACU imports from the rest of SADC, 1990–99 (% share)

Broad economic classification	*1990*	*1994*	*1999*
Consumer goods	28.2	27.0	31.2
Intermediate goods	66.0	67.8	56.1
Capital goods	5.8	5.2	12.7

The key driver within the SADC region over the next five to 15 years will be intraregional trade. While the development of a comprehensive regional trade and industry development strategy is still in the planning stage, the keystone of the SADC programme is the SADC Trade Protocol. The policy framework is likely, *inter alia*, to deal with the impact on local industry of increased trade liberalisation in terms of the WTO provisions. SADC has also recently announced that it will adopt a united position in the next round of WTO negotiations. In general the trend has been towards the creation of a more positive investment enabling environment focusing on reduced tax rates, monetary control, reduced domestic credit extension, some removal or relaxation of exchange control restrictions, and interest rate flexibility. Still, the region remains dogged by vulnerability to high fuel prices, which in turn impacts on the already high rates of regional transport.

South Africa's trade with Africa and the region

South Africa's overall trade with Africa increased by 130% from R10.9 billion in 1994 to R25.3 billion in 1998 (totalling R22.7 billion in South African exports and R4.3 billion in imports in 1999). The current pattern of South African exports to SADC countries is depicted below:

South African exports to SADC (R million)

Country	*2001*	*2000*	*1999*	*1998*	*% increase (1998-2001)*
Mozambique	5,756.50	4,996.90	4,073.60	2,656.2	116.7
Zimbabwe	5,428.00	4,859.40	5,174.20	5,311.00	2.0
Zambia	4,955.00	4,562.50	2,425.80	2,137.00	131.8
Mauritius	2,090.40	2,006.60	1,240.60	1,030.00	103.0
Malawi	1,930.50	1,669.00	1,452.70	1,224.00	57.7
Angola	2,616.50	1,375.90	1,280.00	1,097.00	138.5
DRC	928.50	889.00	807.40	1,048.00	–11.4
Seychelles	221.20	214.10	214.80	180.40	22.6
Tanzania	1,524.60	1,326.80	1,049.00	1,035.10	47.0

South African imports from SADC

The table below indicates that, with the exception of war-ravaged DRC and

Angola and increasingly unstable Zimbabwe, trade imports from SADC countries to South Africa have also shown a healthy increase over recent years. The drop in imports to South Africa from Malawi can be largely attributed to that country's lower production of tobacco and tea.

South African imports from SADC (R million)

Country	*2001*	*2000*	*1999*	*1998*	*% increase (1998-2001)*
Zimbabwe	1,469.6	1,299.8	1,210.9	1,123.7	30.7
Mozambique	320.5	362.9	321.7	213.0	50.5
Malawi	341.2	285.7	467.2	462.2	–26.0
Zambia	404.4	302.3	221.8	233.8	73.0
Mauritius	151.1	46.5	52.1	29.7	408.7
Seychelles	35.2	21.7	9.4	8.9	295.5
DRC	21.4	9.5	17.9	25.0	–14.4
Angola	12.5	67.9	196.8	9.3	34.4
Tanzania	38.6	24.7	25.8	26.8	44.0

Investment trends

It has been estimated that for the SADC region to achieve its desired 6–8% growth rate (against a growth rate of less than 3% for the 1990s) will require investment rates of between 25–30%, from the current 18%.[50] Yet the SADC region has not generally created an investment-welcoming environment. FDI in Africa is dropping. The UN Conference on Trade and Development (UNCTAD) reported that in 2000, there was a 50% drop in investment in South Africa and Angola. This — together with a drop in investment to Morocco — has resulted in an overall drop of 13% in FDI into Africa for the year. Overall the continent accounts for less than 1% of global FDI. FDI into sub-Saharan Africa dropped to $6.4 billion from $7 billion in 1999. Within the region SADC remains the most important bloc, yet receipts of FDI into SADC dropped to $3.9 billion from $5.3 billion in 1999. Africa's share of total global FDI inflows in 1999 was 1.2%. In 1998 it was 1.2%, while in 1997 it was 2.3%. This should be seen against a backdrop of dramatic increases in FDI flows to developed countries in 1998–99. The overall recent investment climate into Africa is depicted in the table opposite.

Sectoral distribution of FDI into Africa

- US — mainly petroleum and other natural resources.
- France — natural resources.
- Germany, Switzerland and the Netherlands — mainly manufacturing.
- UK — service industries.

Top eight recipients of investment in Africa (1999)

	$ millions	*% of total investment into Africa*
Angola	1,814	17.6
Egypt	1,500	14.5
Nigeria	1,400	13.6
South Africa	1,376	13.3
Morocco	847	8.2
Mozambique	384	3.7
Sudan	371	3.6
Tunisia	368	3.5

Investment into Angola is principally into the petroleum industry and in Egypt is largely driven by deregulation and privatisation.

About 14% of FDI flows to Africa between 1990–98 have been linked to privatisation. During the same period, in sub-Saharan Africa the following countries were the most important recipients of privatisation-related FDI:

- South Africa, $1.4 billion;
- Ghana, $769 million;
- Nigeria, $500 million;
- Zambia, $420 million; and
- Côte d'Ivoire, $373 million.

The bulk of privatisation — projects with domestic as well as foreign participation — was in the telecommunications sector ($2.5 billion) and mining ($1.4 billion).

In a survey conducted by UNCTAD and the ICC in 2000, South Africa topped the list of the most attractive countries for FDI in Africa, followed by Egypt, Morocco and Nigeria. Countries with a high level of development or relatively large domestic markets dominate the list of most attractive countries. Transnational corporations see the greatest potential for FDI in 2000–03 in the following industries in the SADC region:

Tourism and transport and storage, followed by telecoms, mining and quarrying, metals and metal products, motor vehicles, food and beverages, pharmaceutical and chemical products and agriculture.

The greatest inhibitor to FDI in the region is currency risk. The historic and forecast weakening of local currencies against the world's major currencies places manufacturing FDI in particular at risk. In addition, throughout the SADC region the cost of capital for investment particularly into the manufacturing sector is high. The high cost and relative scarcity of capital has been cited as a major reason for large South Africa corporations such as Billiton, Anglo American, South African Breweries and Old Mutual shifting their primary listings from Johannesburg to London. The less publicly stated reasons have to do with the perceived risk associated with doing business in South Africa and the attendant 'local discount' share price. The response of the treasury to further listings is uncertain, but unless the underlying causes propelling the desire to shift principal listings are addressed, capital will continue to seek cheaper, more expansive and lower-risk financial markets. The August 2001 meeting of African Central Bankers pointed out the anomaly that although recently the risk-adjusted return for investment in Africa was among the world's highest at 29%, this had failed to attract more than a 'miniscule' share of the world's capital flow. Tanzanian economist Benno Ndulu noted at the meeting that the major reasons for the region failing to attract capital was due to a '[p]oor collective reputation including risks of confiscation, expropriation and deal repudiation'.[51] Erratic power and water supplies together with the high costs of utility services further hamper industrial development in the region. The exception is the provision of electricity by Eskom, which is calculated to be among the cheapest globally. The aforementioned shortage of skilled and professional human resources further exacerbates the uncompetitive cost of manufacturing in the region.

Despite this downbeat picture, FDI into SADC is still considerably higher than in the early 1990s and continues to enjoy an increasing share of foreign African FDI.[52] This is demonstrated in the table below:

	1994	*1995*	*1996*	*1997*	*1998*	*1999*
Total investment into Africa $ billion (incl. SA)	6,012	5,940	6,340	10,713	8,080	10,325
SA as % of total investment in Africa	6.3	20.9	12.9	35.6	6.9	13.3
SADC as % of total	19.3	46.1	30.9	49.8	41.0	43.7

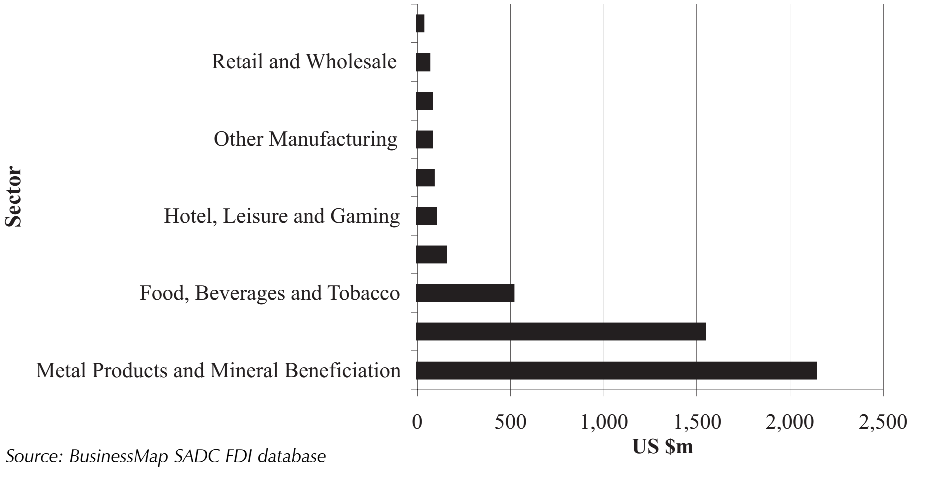
There is evidence that the provision of an integrated package of investor-friendly measures holds the potential to attract large-scale investment. Just one example is that of the Malaysian Ramatex (yarn, textile and fabric manufacturing) investment in Namibia. When completed, this R1 billion plant will be the second largest integrated textile and garment mill after one in China. Ramatex will source its raw product from SADC countries and will export to US and European markets. Ramatex reportedly chose Namibia due to competitive state financial incentives as well as assurances of electricity supply, land and water provision.

SADC investment trends

The table opposite depicts the extent of South Africa's dominance of total investment in the SADC regions since its admission to the organisation. There are encouraging signs of investment in countries such as Angola (petroleum), Lesotho (textile manufacturing), Mozambique (the Mozal smelter), Zambia (mining) and Tanzania. For the DRC the investment picture has and is likely to remain bleak for as long as the civil war continues. Low levels of investment in Swaziland are also unlikely to show any improvement under conditions threatening social instability. From a high point in 1998, Zimbabwe began to show a decline in investment in 1999, a trend that has been acutely exacerbated by the intensification of social unrest and economic decline.

SADC country	*1988-93 annual average*	*1994 ($m)*	*1995 ($m)*	*1996 ($m)*	*1997 ($m)*	*1998 ($m)*	*1999 ($m)*
SAfrica	22	380	1,241	818	3,817	561	1,376
Angola	208	170	472	181	412	1,114	1,814
Botswana	(20)	(14)	70	71	100	90	112
DRC	(3)	1	1	2	1	0	1
Lesotho	127	273	275	286	269	262	136
Malawi	13	9	25	44	22	70	60
Mauritius	25	20	19	37	55	12	49
Mozambique	16	35	45	73	64	213	384
Namibia	54	98	153	129	84	77	114
Seychelles	19	30	40	30	54	55	60
Swaziland	55	25	33	(62)	(48)	51	(4)
Tanzania	7	50	150	149	158	172	183
Zambia	99	40	97	117	207	198	163
Zimbabwe	3	41	118	81	135	444	59
Total	625	1,158	2,739	1,956	5,330	3,319	4,507
% total SADC invest't to SA	3.5	32.8	45.3	41.8	71.6	16.9	30.5

South African investment into SADC by sector (1997–2000)



Source: BusinessMap SADC FDI database

The bulk of the investment in metal products and mineral beneficiation is accounted for by the Billiton and IDC investment in the Mozambican Mozal smelter.

South African investment into SADC by sector (1997–2000)[53]

Sector	*$m*
Metal Products and Mineral Beneficiation	2,140
Mining and Quarrying	1,544
Food, Beverages and Tobacco	513
Agriculture, Forestry and Fishing	153
Hotel, Leisure and Gaming	99
Energy and Oil	87
Other Manufacturing	78
Financial Services	78
Retail and Wholesale	64
Motor and Components	33

Regional infrastructure

The prospects for trade integration and development in the SADC region over the next five to 15 years will also hinge on the extent to which a trade supportive and seamless transport, telecommunications and banking network can be developed and maintained.

In terms of transport networks, the extent to which the region's railway networks can recover market share is dependent on the rehabilitation and maintenance of key arterial lines. Progress in this regard will hinge on the degree to which railways can be privatised and/or concessioned and run effectively. It should also be noted that concessioning is not an automatic panacea to greater freight mobility.

Concessionaires need to develop a sound business model that is sufficiently attractive to 'win back' customers lost to road transport and to remain price competitive. The danger lies in one form of (state) monopoly being replaced with that of a private monopoly with all its attendant inefficiencies. (A summary of SADC road infrastructure is provided opposite.)

The regional road network comprises nearly 900,000 km of roads. Of this total, the primary, or arterial, road network has a total length of just slightly more than 100,000 km.

Secondary, or collector, roads total slightly less than 300,000 km, and there are approximately 489,000 km of tertiary, or feeder, roads. The region does not require multi-lane roads to any significant extent, and less than 3% of the arterial road network is comprised of such roads. Nearly all of the multi-lane roads are in South Africa.

SADC road infrastructure

Country	*Paved roads % (1998)*	*Normalised roads index (1998)*
Angola	25.0	n/a
Botswana	23.5	260
DRC	n/a	n/a
Lesotho	17.9	118
Malawi	19.0	202
Mauritius	96.0	190
Mozambique	18.7	112
Namibia	8.3	167
Seychelles	n/a	n/a
South Africa	11.8	101
Swaziland	n/a	n/a
Tanzania	4.2	77
Zambia	n/a	235
Zimbabwe	47.4	120

Normalised road index: total length of paved roads in a country compared with the expectation length, where expectation is conditioned on population, population density, per capita income, urbanisation and region-specific dummy variables. Value of 100 is normal, if it is more than 100 the country's stock of paved roads exceeds the average for a country of that level of development.

Railways

The SADC railway industry comprises 14 operating railways, 12 of which are government owned and two concessioned. The two concessioned railways are Beitbridge-Bulawayo Railway (BBR), a 350 km network, and the Central East African Railway (CEAR), which is operating the former Malawi Railways. Eleven of the region's railways form the Interconnected Regional Rail Network (IRRN), which has a total of nearly 34,000 route-km of standard-gauge (1.067 m) track. South Africa's Spoornet accounts for 61.8% of this network.

All the railways are primarily freight railways and have been losing traffic to road transport mainly because of their failure to provide a seamless, efficient, cost effective, predictable railway service, which is responsive to market needs. Almost all the government owned railways are not in a sound financial position and are looking at various options for private sector participation.

Ports and shipping

The SADC regional system of seaports comprises 15 ports, excluding those in the DRC and Seychelles. Of these, 14 serve the continental member states and Port Louis serves the island State of Mauritius and transhipment traffic.

The combined throughput of the 15 SADC regional ports declined from 203.29 million tons in 1998 to 201.32 million tons in 1999.

Over the past year, restructuring of the port industry was ongoing in nearly all the member states. This entails creating adequate monitoring and regulatory capability to promote and oversee enhanced private sector involvement in financing, management and operation of port terminals and facilities, as well as provision of port services. The emerging public–private sector partnership in the port industry means that the region's port authorities will now be responsible for promotional, monitoring and regulatory functions.

The port of Durban, which is the region's major dry cargo port, has handled, on average, more than 50% of the region's total containerised cargo. Although most of the cargo handled by the port is for South Africa, the port of Durban also handles traffic to and from Zimbabwe, Botswana, Swaziland, Zambia, Lesotho, Malawi and Mozambique.

Banking and financial integration

In terms of banking the region exhibits vast inequalities in infrastructure. The South African banking system is broadly regarded as world class and is cutting edge in terms of its electronic, auto teller and IT development. A number of South African banks, most notably Standard Bank and ABSA, have developed into major SADC, and indeed African, players. However, banking in the region's LDCs is primitive. This acts as a considerable break on transfer flows, payments, settlements and indeed commercial trade. In addition, a lack of IT and systems complementarity among regional banks is a further substantial blockage to trade and investment. As the Malawi Reserve Bank governor noted: 'A major issue here is how quickly you can get value when you deposit a cheque. If my bank is in Blantyre and yours is here in Lilongwe, it can take up to a week.'[54]

In order to promote greater integration of financial markets the Johannesburg Securities Exchange has offered to lease its JET automatic trading system and has already linked to the Namibian Stock Exchange. Considerable work is being conducted by SADC Central Bankers as well as the SADC Finance and Investment Sector to address these matters urgently, but success will be dependent on the application of considerable resources and training in order to achieve the desired levels of infrastructural development and harmonisation.

Computer connectivity

From a low base the Internet has shown rapid growth in parts of the region over the past few years. In Africa at the end of 1996 only 11 countries had Internet access, but by September 2000, all 54 countries and territories in Africa had achieved permanent connectivity. With the exception of South Africa, access has been largely confined to the capital cities.

Despite this increase Africa enjoys some 12,000 permanently connected computers outside of South Africa, which equates to a country such as Latvia with a population of 2.5 million as opposed to Africa's 780 million.

There are approximately one million subscribers in Africa. Of these, North Africa is responsible for about 200,000 and South Africa for 650,000, leaving about 150,000 for the remaining 50 African countries. But each computer with an Internet or email connection supports an average of three users, a recent study by the UN Economic Commission for Africa (ECA) has found. This puts current estimates of the number of African Internet users at somewhere around three million in total, with about one million outside of South Africa. This works out at about one Internet user for every 250 people, compared to a world average of about one user for every 35 people, and a North American and European average of about one in every three people.

A summary of IT and communications density in SADC is provided below:

Information and communications basic indicators[55]

	Internet hosts	*Internet users*	*Internet service providers*	*Telephone density (per 100) 1997*	*Personal computers 100 people 1996*
Angola	40	400	5	0.47	
Botswana	578	5,000	5	5.11	0.67
DRC	10	200	1	0.08	
Lesotho	5	100	1 Soon	1.18	
Malawi	15	500	1	0.34	
Mauritius	370	2 100	1	19.00	3.19
Mozambique	83	3 400	6	0.35	
Namibia	665	2,000	5	5.6	1.27
Seychelles	15	500	1	19.56	
South Africa	148,540	900,000	160	11.00	3.77
Swaziland	397	900	3	2.5	
Tanzania	137	2 500	14	0.3	
Zambia	236	2 500	3	0.86	
Zimbabwe	836	10,000	12	1.47	0.67
SADC	151 927	930 100	218	4.8	1.6
Africa	165,000	1,000,000	350	2.0	0.64
World	16,000,000	150,000,000	10,000	13	4.72

Regional infrastructural projects

Fundamental to the SADC region's reaching a higher plateau of intraregional trade, commerce and development in the next five to 15 years will be the success of key infrastructural projects. Over 800 spatial development initiatives (SDIs) have been identified, valued at $32.4 billion with the potential to generate more than 85,000 new jobs. The most important of these SDIs hold great potential for the region and include:

- the Maputo Development Corridor, which links to the Mozal Aluminium Smelter and Iron and Steel Plant in Maputo. This has already attracted over $3 billion in investment;
- the Lubombo SDI, regarded as one of the most important tourism developments in Africa and which is being driven by the governments of South Africa, Swaziland and Mozambique; and
- the Coast 2 Coast SDI which seeks to link the nodes of Walvis Bay and Maputo; while it holds vast potential, it is still some way from implementation.

Other SDIs include the Beira Corridor, the Okavango and Upper Zambezi International Tourism Initiative, the West Coast Development Initiative and the Fish River SDI.

THE RENAISSANCE SCENARIO

- ➢ The SADC Trade Protocol and FTA markedly boost intraregional trade in a mutually beneficial manner.
- ➢ Enhanced intraregional trade promotes national economic diversification.
- ➢ SADC global competitiveness is boosted.
- ➢ Nepad generates conditions of political stability and good governance attractive to new FDI. Previously conflict-ridden countries (Angola, DRC) particularly benefit.
- ➢ New FDI boosts regional infrastructure facilitating greater regional trade efficiencies.
- ➢ New FDI inflows have a positive multiplier effect on regional development.
- ➢ AGOA, Cotonou and the joint SADC approach to the WTO Doha, Qatar round produce sustained trade benefits for the region.

THE ASYMMETRICAL SCENARIO

- ❑ The SADC Trade Protocol and FTA have a differentiated impact on regional trade, strengthening well-structured economies and failing to significantly improve the trade balance of the weaker.
- ❑ Some economic diversification is promoted, but favouring export orientated economies.
- ❑ With the exception of South Africa and Mauritius, the region fails to significantly improve its trade competitiveness.
- ❑ The implementation of Nepad-driven policies attracts FDI to those compliant countries and bypasses the others.
- ❑ Inflows of FDI strengthen national infrastructure, but fail to enhance regional networks.
- ❑ AGOA and Cotonou play an important positive role, but the impact of the new round of WTO is uneven within the region.

THE DECLINE AND DECAY SCENARIO

- The SADC Trade Protocol and FTA reinforce acute national trade imbalances.
- National economies fail to diversify either rapidly or significantly enough to avoid further trade marginalisation.
- SADC countries largely remain 'victims' of pernicious globalised trade patterns.
- SADC countries fall behind in terms of global competitiveness.
- Nepad fails to make any significant impact on political instability or patterns of poor governance, thus hardening cynical attitudes to investment in the region.
- The lack of FDI results in continued infrastructural decay, which acts as a deepening barrier to regional trade.
- AGOA and Cotonou remain important, but the new round of WTO places regional economies at a further structural disadvantage.

Mining

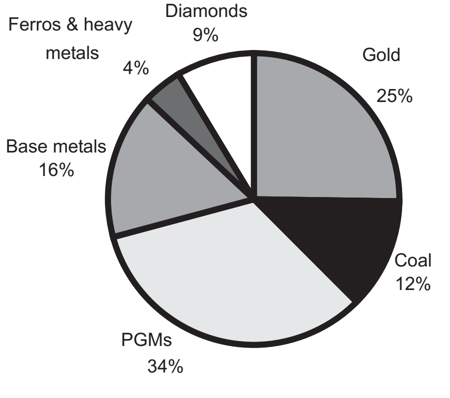
A positive driver

Nine of SADC's 14 countries are mining states. The importance of the industry to the SADC region in general and South Africa is, and will continue to be, highly significant. Mining represents some 60% of the region's foreign earnings and accounts for 10% of its GDP. The industry accounts for about 5% of all employment in the region. The countries of the SADC region account for 11–45% of the world's supply of eight commodities including gold, platinum, diamonds, manganese, uranium, cobalt, chromite and copper. Mining and related beneficiation account for half of South Africa's exports. Mining is particularly significant for a number of other reasons. Arguably the most important of these is the attractiveness of mining to foreign investors given that, unlike manufacturing, mining exports attract negligible foreign exchange risk. Secondly, mining is less competition sensitive to other low-wage manufacturing countries.

The positive outlook for mining in the region is buttressed by the fact that in South Africa alone, some R78 billion is earmarked for investment in the next five years. A breakdown of this expenditure is provided below.

Employment in the non-gold mining sector increased by 10% to 217,000 people between 1990–96. Indeed apart from gold mining, mining has grown faster than the rest of the economy. The production of coal, platinum group

Committed capital projects (includes capital expenditure) by mining companies to South Africa, 2000–04



metals (PMGs) and chrome has doubled since 1980. Indeed the outlook for the mining industry apart from gold is positive. This is borne out by the following:

Platinum and related metals are in a growth phase and substantial new investments are planned, including a new R1.35 billion mine. In the case of zinc, iron ore and nickel, a R4 billion mine concentrator and smelter is being planned in the Northern Cape and some R850 million is being spent on an upgrade for the Sishen mine and railway line. South Africa has two-thirds of the world's chrome reserves and investment is under way to ensure that the country continues to enjoy a significant share of the 5–7% increase in demand experienced and expected in the medium term.

Regionally, the following are noteworthy highlights. The success of the Botswana diamond industry has been the backbone of that country's strong economic performance over the past two decades and the fundamentals remain positive for the foreseeable future. In Zambia, FDI of more than $800 million has served as a much-needed boost to that country's ailing economy. The largest contributor to Zimbabwe's FDI in 1998 was $544 million in the mining industry. The $1 billion Mozal aluminium smelter in Mozambique has been a model of success and has encouraged renewed exploration. Recent FDI investment of $297 million in Tanzania is likely to be followed up with greater levels of investment due to the recent discovery of promising gold ore bodies.

Finally, it must be borne in mind that South and Southern African mining and related companies (such as those engaged in explosives, drilling and engineering) enjoy considerable knowledge-based competitive advantages in the global mining industry. Future opportunities are therefore vast when considering that the value added for the global industry is $1 trillion, which represents some ten times the size of the South African economy.

Challenges

The prospects for the industry are, however, not all positive. Overall SADC mining employment has continued to decline, falling from 1.68 million in 1998 to 1.53 million in 1999 alone. Conflict in the DRC and Angola, as well as fiscal and legal instability in Zimbabwe, have presented major obstacles to new mining opportunities. An environment of uncertain tax regimes and regulation also serves as a disincentive to investment in this highly capital-intensive industry. Although the gold price showed signs of recovery in the run-up to the war in Iraq, prior to this the metal had for years been under sustained pressure. In addition, before the successful implementation of the Kimberley Process and its certification scheme, the fallout over 'conflict diamonds' had posed a threat to growth in the industry. Add to this the ever-increasing human, medical, training and financial cost of HIV/AIDS, and the medium-term picture for the industry faces important challenges.

In the case of the gold mining industry in South Africa, output has dropped from 566 tonnes in 1990 to 420 tonnes in 1998. Employment in the gold industry has also slumped from 474,000 in 1990 to 217,000 in 1998. In 1997 for the first time non-gold exports of R27 billion exceeded gold exports of R24 billion. The chief executive of a leading gold producer has recently argued: 'The gold industry is hurtling towards destruction. It is too fragmented. The gold market is in oversupply. The price is too low.'[56] The cash cost of South African gold producers is among the highest in the world at $221 an ounce, compared to Australia and North America where costs are as low as $180 per ounce. Gold producers have been forced into deeper cost-cutting exercises and greater technological innovation, but prior to the Iraqi conflagration, were doing so against a persistently low gold price and with international central banks selling 400 tonnes of gold a year. The two other major gold-producing countries of the region, Zimbabwe and Tanzania, have also been negatively affected by a disappointing gold price.

Two trends are therefore likely to obtain in the gold industry over the next five years. First, all other things being equal, that marginal mines will continue to close with the attendant negative economic and social impact that this holds. Second, the industry will continue to consolidate as the only rational route to its future survival. With rationalisation will come job losses, again with the damaging 'knock on' effect this will have in the local and regional economy. A continued downturn in the economies of Japan and indeed Europe and the US will have a depressing effect on the gold mining industry in the SADC region.

Although platinum and palladium have continued to be stellar performers in the mining industry during 2002 and into 2003, the drop in the price of both commodities during 2001 below $450 an ounce from a price of $600 and $1000 respectively, cost the South African economy some R300 million a month in lower foreign exchange earnings.[57]

Three factors will be key to the development of mining in the region:

- Political stability is necessary to encourage the long-term investment required by the industry.
- An improvement in geological and survey information is required. A lack of capital inhibits exploration companies from making major geological surveys.
- The region's infrastructure will require upgrading and maintenance in order to attract investment and to facilitate exploration, extraction and export.

THE RENAISSANCE SCENARIO

- Although cyclical, overall global demand for minerals, precious metals, and gem stones strengthens.
- Prices and profits improve accordingly.
- The gold price, and thus industry, shows recovery.
- The considerable regional pipeline of mining investment comes on stream.
- Mining-related infrastructure and investment is strengthened.
- New regional deposits are surveyed and exploited.
- Mining and ancillary employment levels increase.
- The region attracts high levels of international investment into the industry.
- The region earns increasing levels of hard currency through its internationally valued mining engineering and related skills.

THE ASYMMETRICAL SCENARIO

- The demand and price of certain metals and minerals strengthens, others lag.
- Some pipeline investment comes on stream, other projects are shelved or prove uneconomical, depending on cyclical trends.
- Specific infrastructure is developed, but without significant broader regional impact.
- The relative scarcity of capital, unfavourable local investment conditions and cyclical demand inhibits extensive new mining exploitation.
- Mining and ancillary employment levels remain under pressure due to cost cutting and the drive for efficiencies.
- International investment continues to flow into the mining industry.
- HIV/AIDS adds to the costs of mining production, but does not threaten profitability.

THE DECLINE AND DECAY SCENARIO

- The demand and price for metals and minerals softens; gold proves to be a ‘sunset’ industry.
- Legislated security of tenure is uncertain, thus repelling future capital investment.
- International capital seeks safer, more profitable homes for global mining investment.
- Soft prices and lower profitability delay or force the cancellation of pipeline investment.
- Infrastructure lies idle or decays.
- Mining and ancillary employment levels continue to fall regionally.
- HIV/AIDS has a severe impact on the mining labour force, in turn forcing up the re-training, medical and welfare costs of labour, which increase production costs and lower profitability.

Regional security

Military security

The interstate threat to regional security is decreasing, due principally to the ceasefire in the Angolan civil war after the death of Unita leader Dr Jonas Savimbi and the signing of the historic DRC Peace Accord in South Africa in 2003. The legacy of the DRC war is acute, however, with an estimated 2.5 million people having lost their lives as a direct or indirect — through hunger and disease caused by food, aid and supplies being cut off — result of the civil war. Furthermore, within days of the signing of the Peace Accord, fighting in the eastern regions intensified with some 1,000 peasants losing their lives in one incident alone. Although the Angolan peace process has a far greater probability of success due to the death of Savimbi, and indeed the increasing vested interest of success made by western oil interests, the outlook remains fragile. Angola is ranked the world's 13th least developed country. More than four million (one-third) of its population is displaced, and nine million out of 13 million people live on less than a dollar a day. In addition, regional conflict has left eight of 14 SADC countries landmine affected. This problem most acutely impacts the social development of Mozambique[58] and Angola. Estimates of landmine density in the SADC region vary considerably, but figures of between 6–14 million have been quoted. The direct human impact of mines is illustrated by the fact that one in every 415 Angolans has suffered a land mine-related injury.[59] In addition, the military threat to security is exacerbated by the persistent problems posed by sub-state actors, including ethnic and tribal militias and warlords.

Small arms

A further significant and persistent threat to regional security is the abundance of cheap, easily accessible small arms and semi-automatic weaponry. The quantum of this unwanted legacy of decades of civil war in the region is difficult to calculate, but two cases are illustrative. In Mozambique, up to six million arms were imported during the civil war. The UN peacekeeping mission during 1993–95 collected 190,000 weapons. The majority of these weapons were not destroyed and later found their way back on to the streets of Mozambique or were 'exported' to neighbouring states. In recent joint Mozambican–South African recovery operations, a total of 11,891 firearms; 106 pistols; 6,351 anti-personnel mines; 88 landmines; 1,260 hand grenades; 424 hand grenade detonators; 7,015 mortars; 263 launchers; 8,138 projectiles; 1,242 boosters; 33

cannons; 3,192,337 rounds of ammunition; and 5,912 magazines were seized and destroyed.

In Angola the crisis is more acute. Of some 700,000 weapons distributed to civilians in 1992 after the outbreak of renewed fighting, an estimated 34,500 weapons were collected, most of which were old or unserviceable.

As the Institute for Security Studies points out:[60]

> The implementation of transitional processes without accompanying disarmament operations in Angola or Mozambique, has also occurred in Zimbabwe, Namibia and South Africa, although the latter has recently accepted a policy that encourages the destruction of surplus stock of light weapons and small arms rather than their sale. Thus, and despite some progress in the control and reduction of existing stocks in Southern Africa, the prevailing situation means that all countries in the region are threatened by the excessive accumulation of small arms and the increasing availability of illicit stock in circulation.

Two further dimensions will have continued relevance in the next five to 15 years. First, the extent to which effective measures can be taken to prevent the exploitation of mineral and natural resources to fuel conflict in the region. For example, it is estimated that Unita earned up to $2 billion from illicit diamond sales from 1992 to 1998. This only serves to emphasise the importance of fully implementing the Kimberley Process diamond certification scheme, which seeks to halt the trade of all diamonds not carrying an approved certificate of origin. In addition to Unita's illicit diamond sales are the revenues earned from the illicit sale of ivory — and the resultant decimation of wildlife in vast tracts of Angola. Second, the degree to which SADC can work in unison to effect greater regional security. Now that the powers of the Security Organ have been curtailed to remove the possibility of further 'unilateralism', such as led to the involvement of a 'SADC' military contingent in the DRC, the potential for greater harmonisation of action exists.

Human insecurity

Security issues contain military and civil dimensions. Human security refers to the environment necessary for the furtherance of human development including food security and conditions of good governance. Security is a complex matrix of social, economic, political and military dynamics. Instability or disequilibrium in any one of these interconnected dimensions results in a greater propensity for conflict. In turn, conflict and military insecurity lead to displacement and amplify pre-existing conditions of food and human insecurity.

Food security is fundamental to the development and maintenance of human security. But the outlook for food security for the region in the short term is not positive. A range of forces negatively impacts on the prospects. Poverty, population growth, poor land husbandry, over-stocking, deforestation, soil erosion and water stress are all structural factors requiring urgent and sustained attention in order to avert a deepening crisis of food shortages in the region. The environmental threat to the region is also potentially acute. Although rich in overall production potential, vast areas of the SADC region are arid or semi-arid and vulnerable to climatological — both drought and flooding — risk. In addition, although some 40% of the SADC land area is forested, de-forestation occurred at an annual the rate of 0.8% for the decade 1981–90. The rate of cultivatable land loss is as high as 4–11% of yield loss in Malawi, for example. On current projections Zimbabwe, Tanzania and Mozambique will all be 'water stressed' countries by 2025. Malawi will experience absolute water scarcity in the same period.

A combination of these factors has produced a situation in which the region faces a maize shortage of some 2.0 million tonnes and a combined cereal deficit of 3.8 million tonnes for the same period.[61] The social, economic and political dimensions of security are particularly relevant in the SADC region. The case of Zimbabwe is most illustrative of this.

Zimbabwe presents a growing threat to regional security in the form of the deepening economic, political and social crisis. At the most basic level, the effect of rampant inflation of some 200% has meant that in Zimbabwe, the price of a loaf of bread doubled in seven months. The price of basic foodstuffs and fuel has tripled over an 18 month period, this in a country with an unemployment rate of 60%. Repeated state-sponsored human rights violations, the continued erosion of the rule of law, the deeply flawed elections of March 2002 and the inadequate response from South Africa to this threat to regional stability has internationalised the conflict through the passage of the Zimbabwe Democracy Bill in the US. The bill seeks to apply selective sanctions on the Zanu-PF leadership. In addition, the EU has imposed target and smart sanctions against the Mugabe government. In 2003 the Commonwealth extended its year-long suspension of Zimbabwe until the December meeting in Abuja. These measures have led Zimbabwe to respond with threats to declare a state of emergency. This step would have the effect of escalating the domestic, regional and indeed international dimension of the conflict. Zimbabwe is but one clear case in point where poor levels of governance and violations of the rule of law by regional governments still present one of the most significant threats to regional security.

THE RENAISSANCE SCENARIO

- The regional military security threat is brought under control by a SADC-brokered peaceful resolution of the Angolan and Congolese conflicts.
- The Zimbabwean conflict does not escalate and is peacefully resolved by political means.
- Nepad-driven economic and social development reduces the conditions that pre-dispose countries in the region to conflict.
- The cessation of hostilities in the region, combined with co-ordinated action by SADC, dramatically reduces the number of small arms flowing through the region.
- The legacy of land mines is successfully tackled.
- Regional food insecurity is successfully tackled in a co-ordinated and sustained manner.
- Warlords, as well as ethnic and tribal militias, are brought under control by national security forces.

THE ASYMMETRICAL SCENARIO

- One or both of the regional civil wars persist, but do not escalate, nor spread to contiguous countries.
- No other regional or civil wars break out.
- Low-level conflict persists in Zimbabwe, but does not have a marked contagion effect.
- Nepad has a positive political, social and economic impact on the region, but fails to reach its development targets, thereby leaving the region vulnerable to conflict.
- Food security is improved in stable, economically sound countries, but food insecurity persists in import dependent states.
- The continued conflict in Angola and DRC, together with the Mozambican legacy leaves the region flooded with small arms and hampered by landmines.
- The impact of warlords, ethnic and tribal militias is controlled, but not removed.

THE DECLINE AND DECAY SCENARIO

- The two regional civil wars escalate and further destabilise the region.
- Civil conflict in other SADC states, particularly Zimbabwe, escalates.
- Nepad fails to deliver its forecast benefits resulting in the persistence of conflict-inducing conditions in the region.
- Food insecurity persists and is exacerbated by the negative socio-economic impact of AIDS.
- Escalating conflict threatens state cohesion and collapse, thus providing the 'space' for sub-national militias to exploit these weaknesses.
- Escalating security concerns further alienate the region from global investment and development which, in turn, fuels regional conflict and instability.

Crime and organised crime

The regional challenge

An important phenomenon that has the potential to become an increasing threat in the region is that of growing crime and organised crime. Organised crime syndicates in Southern Africa tend to focus on armed robberies, motor vehicle theft, drug trafficking, stock theft, firearms smuggling, illegal immigrants and diamond smuggling. In addition, prostitution and money laundering have strong regional dimensions. Both globalisation and greater regional integration have facilitated the spread and effectiveness of this phenomenon.[62] It is estimated that of the 800 criminal syndicates identified by the South African Police Service, some 200 have a regional network.[63] Furthermore, police estimates suggest that 14% of all crime in South Africa involves illegal aliens. Southern Africa is a new and relatively underdeveloped market for global drug syndicates based in South America, the Far East and West Africa. An Interpol World Cocaine Report has noted: [64]

> The Southern cone of Africa has become one of the hottest spots of cocaine trafficking in the world. Its part in the trafficking equation has developed into a serious issue both in consumption and transit.

Similarly, the lifeblood of the scourge of car hijackings in South Africa is the open regional market for these vehicles in Mozambique, Zimbabwe and Zambia. South Africa loses approximately 100,000 vehicles to theft each year. Further fuel is added to the proliferation of organised crime syndicates by high levels of civil instability and the persistence of war in the region. Beyond this, however, the plentiful supply of rich mineral resources (in particular diamonds) has also provided a ready-made alternative currency for organised crime syndicates. Intelligence sources have identified a vicious circle of stolen cars being traded for illicit diamonds or dollars, which in turn funds small arms smuggling.

The extent of the problem is born out by the statistics of Operation V4 carried out between February and March 1997 and involving Mozambique, South Africa, Zambia and Zimbabwe. In the space of four days, 1,576 stolen vehicles were recovered of which 1,464 were South African vehicles recovered from all the countries.[65] Two weeks after the completion of Operation V4 motor vehicle theft had reduced by the following:

- Zimbabwe – 47%.
- Mozambique – 60%.
- South Africa – 23%.
- Zambia – 75%.

Tackling organised crime in the region is, and will continue to be, a difficult task for a number of reasons. The identification and policing of crime syndicates is made difficult by their operation of parallel 'legitimate' businesses. Additionally, the integration of syndicates into patterns of traditional kinship makes their penetration particularly challenging.

The regional response

To date the regional response against crime syndicates in the region has been driven by the South African Regional Police Chiefs Co-operation Organisation (SARPCCO) formed in 1995, as well as the Interpol Sub-regional Bureau for Southern Africa established in 1997. Twelve of 14 SADC countries are members of the Bureau (the exceptions being the DRC and Seychelles). SARPCCO has enjoyed some success and has largely avoided the fractious political conflicts that have marked many regional bodies. Nine regional operations have been successfully carried out since 1997. However, regional asymmetry, as well as problems of acute skills, resources and infrastructural shortages severely limit the scope and effectiveness of SARPCCO, and without increased resources and funding, organised crime will present an increasing threat to the region, particularly where there is persistent regional conflict. As SAIIA research fellow Dr Mark Shaw has warned:[66]

> The scale of the challenge should not be underestimated. Over the long term the growth of criminal networks in the region may have the capacity to undermine both democratic governance and economic prosperity. The threat is diffuse and its boundaries difficult to identify, but the impact of such activities will be detrimental to all Southern African citizens.

THE RENAISSANCE SCENARIO

- Civil war and violent regional conflict is resolved, thereby reducing the conditions conducive to fuelling violent and organised crime.
- Nepad is successful in generating improved socio-economic conditions within the region, thereby reducing the factors conducive to the growth of crime.
- Local, regional and international co-operation, in particular Interpol and SARPCCO, rolls back the penetration of organised crime in the region.
- International technology transfer and intelligence sharing proves effective in fighting organised crime.
- National police forces are adequately funded and appropriately trained.
- National criminal justice systems operate effectively and efficiently, thus deterring organised crime.

THE ASYMMETRICAL SCENARIO

- ❑ Civil wars and violent regional conflict are brought under control, but combatants dissipate into criminal elements.
- ❑ Nepad brings some socio-economic benefits, but these are regionally and locally uneven in their impact; patterns of crime shift accordingly.
- ❑ Policing co-operation brings levels of violent and organised crime under control.
- ❑ Technology transfer and intelligence sharing benefits those countries with stronger policing infrastructures, but fails to substantially benefit under-resourced forces.
- ❑ Funding of national police forces improves, but remains inadequate to make a substantial impact on crime-fighting and prevention.
- ❑ Police training improves progressively.
- ❑ Criminal justice systems improve, but remain under-resourced.

THE DECLINE AND DECAY SCENARIO

- Civil wars and violent regional conflict persist, thereby fuelling conditions and networks conducive to violent and organised crime.
- Nepad fails to make a significant impact on governance, poverty, inequality, unemployment and underdevelopment in the region, thus conditions remain fertile for violent and organised crime.
- Significant numbers of the millions of HIV/AIDS orphans/youths, lacking family socialisation and support, are drawn into criminal activity.
- Technology transfer and intelligence sharing proves ineffective in reducing crime.
- Police forces continue to be understaffed, under-resourced, inadequately trained and vulnerable to penetration by organised crime syndicates.
- Criminal justice systems continue to operate at levels of near collapse.
- Persistently high rates of crime propel further regional capital disinvestment and repel new investment with a concomitant negative socio-economic impact.

Political leadership

Agency and structure

Arguably the most vexed and profound question taxing political commentators in the final decade of the 20th century was that regarding the role of structural forces on the one hand, and agency on the other, as causes or drivers of democracy. While the debate was vital and lively — like most academic debates — it was never satisfactorily settled. If there was consensus, however, then it coalesced around the synthetic view that structural forces such as demographics, economics and the ubiquitous 'effects of globalisation' create the conditions that are conducive for political actors to make and take previously impossible actions. Conversely, these structural forces tended to make the continued application of certain political policies unacceptable. Political scientist Samuel Huntington has reduced these to a 'causes' (structural forces) and 'causers' (political agency or actors) nexus. Causes create the potential and possibility for certain actions; causers, be they political leaders, parties, organised labour, business, the church or social movements, make choices that determine a particular action or activity and thus outcome. While overly simplistic, this schema provides a useful guideline to examine the relationship between political actors and structural forces that are likely to operate in the SADC region over the coming five to 15 years.

South African domestic political leadership

Just as the South African economy is the major 'structural' driver of SADC, the key political driver is the South African polity. Through its strict adherence to constitutionality, the South African government has pinned its colours to the mast of democracy and has raised the stakes even higher by sponsoring the drafting and political marketing of Nepad. This places an exceptional burden of responsibility on the country to lead by example, as its actions have an amplified effect on the region. Two major challenges face the South African government in this regard. The first is domestic. Despite its currently unassailable majority in parliament and the absence of a credible threat to its political leadership, the governing party has shown increasing discomfort with challenges to its policies and indeed public scrutiny thereof. It has left itself open to charges of nepotism, corruption, lack of delivery and increasing signs of tensions between the ANC/South African Communist Party/Congress of South African Trade Unions alliance, particularly over its macroeconomic GEAR strategy, as well as its policy on AIDS. Since the 1999 election, there have also been tangible signs of centralisation of power in the executive branch at the expense of the legislature. Should these weak signals develop into a clear pattern of poor governance and the government were to fail to live up to the exemplary standards set out in the constitution (and indeed reinforced in Nepad), not only will it send a strong signal to regional countries already suffering from blemishes to their new democracies, but it will also send the clearest possible negative signal to the international community.

Simply put, South Africa is the key litmus test for democracy in the region. Should it be perceived to be failing this test, perforce, the impact on the region as a whole could be politically catastrophic.

South African regional leadership

The second and related challenge facing the South African government over the coming five to 15 years is the degree to which it can positively enhance, encourage and indeed reward patterns of good governance and democracy in the region. Clearly, the latter challenge is contingent on the success of the former, but for scenario purposes we may make this assumption. To date the South African government's track record in this regard is poor. Closest to home, its intervention in Lesotho — although successful in outcome — was a logistical, military and political fiasco. South Africa's policy of quiet diplomacy towards Zimbabwe has, to date, been acknowledged as a failure by President Mbeki. Similarly the South African government has failed to provide effective leadership against President Nujoma's alteration of the Namibian constitution to permit more than two presidential terms. South Africa has also failed to provide leadership in the early resolution of the political and constitutional problems brewing in Swaziland. Two positive developments for democracy and good political governance, however, are the decisions by Presidents Chiluba and Muluzi of Zambia and Malawi respectively not to seek an unconstitutional third term of office, despite an avowed desire to do so.

The adoption of Nepad and the political investment President Mbeki has made in its formulation is likely to impel South Africa to a more active, forthright and robust engagement with its SADC neighbours on matters of democracy and good governance. After all, the *sine qua non* of Nepad's success is that Africa deliver on its promise of good governance. The price of failure is thus too high to ignore.

SADC countries and democracy

This line of argument assumes neither neutrality, nor lack of commitment to democracy and good governance on the part of other SADC leaders. Nor indeed is the political trajectory of the region over the next five to 15 years solely dependent on South Africa's leadership. Rather the argument posited is that South African leadership, acting in unison with other SADC countries, will be a defining factor, particularly in the short term, given the uncertainty and tentativeness of a number of regional 'democracies'. It is far easier to sway the balance of forces under conditions of formal democracy than to reverse the damage of years of creeping dictatorship.

In assessing the likely pattern of democratic development and consolidation in SADC, a number of other key variables require closer examination.

First, the pattern of party systems in the region exhibits a broadly 'institutionalised/weakly institutionalised' dichotomy. Institutionalised party systems are characterised by a stable system, well developed and robust organisational structures with strong roots and high levels of legitimacy in society.

Conversely, weakly institutionalised party systems are denoted by patterns of opportunistic 'election time', 'press conference' or 'brief case parties', whose programmes and policies reflect and are subordinated to, the interests of a few ambitious political leaders.[67]

Most party systems in Southern Africa are both fragile and weak. The exceptions are South Africa and Botswana. Institutionalised party systems enjoy broader legitimacy and will need to be strengthened within the region for democracy to taker firmer root. Broadly, party systems in SADC can be categorised as follows:

Traditional multiparty system	*Formerly one-party, now multiparty*	*Traditional monarchy*	*Formerly military rule*	*Military rule*
Botswana	Malawi	Swaziland	Lesotho	DRC
Namibia	Mozambique			
Mauritius	Tanzania			
Seychelles	Zambia			
South Africa	Angola			
Zimbabwe				

Second, party systems in the region are characterised by patterns of single party dominance and a weak, fragmented and poorly-funded opposition. First-past-the-post (FPTP) or single-member district (SMD) electoral systems also serve to militate against smaller parties or those with a narrow ethnic support base. The pattern of single-party dominance is depicted in the table over page.

The vanguard role played by the party of liberation, or independence, strongly correlates with patterns of single-party dominance (Swapo – Namibia, ANC – South Africa, Tanu now CCM – Tanzania, Zanu-PF – Zimbabwe, BDP – Botswana, MPLA – Angola and to a lesser extend Frelimo – Mozambique). The exception to this pattern is the electoral failure of the MDC in Malawi and the defeat of Unip in Zambia. Furthermore, patterns of single-party dominance are, in some cases, reinforced by state electoral funding formulae, party dominance of media access and indeed historically iniquitous legislation. The advantages of incumbent party patronage and political largesse are also pervasive in the region.

In countries exhibiting single-party dominance, the threat to political pluralism is real, as the tendency towards centralisation of power holds the potential to curb the development of robust democratic political engagement and access. Additionally, the existence of single-party dominance threatens the potential for greater transparency, accountability and good governance in the region. The democratic conundrum was captured by the 1998 SADC Regional Human Development Report:[68]

> In nine SADC countries, the ruling party controls on average 82% of the elected seats in the legislative assembly … Basically these results show the exclusion of many political players from the countries' law-making machinery and thereby jeopardising the chance of consensus. This is a serious problem, especially in what are generally gender, ethnic and racially divided societies in the region. These results further explain the weak characteristics of legislatures in most countries of the region … Without an effective opposition entrenched in parliament, large majority party regimes share some of the weaknesses of one-party state systems.

These problems have not halted the explosion of political parties in the region — 34 in Zambia, 13 in Angola, 18 in Mozambique, 25 in Zimbabwe and 33 in South Africa. Yet an increase in their number has, to date, failed to translate into a marked qualitative improvement in multiparty democracy across the region.

Growing democracy

Nevertheless, there are a number of factors that bode well for democracy in the region in the short- to medium-term. The first is the fact that elections, understood as a formalised expression of political choice, have been entrenched and largely legitimised within the region and all countries (with the possible exception of the DRC) will hold elections over the next five years. Even in Angola and Zimbabwe there is currently little prospect of elections being suspended. Relatedly, there are indications of growing international, regional and local pressures on countries to adhere to constitutionalism. The most encouraging indicator of this has been the pressure successfully applied on (then) President Chiluba of Zambia to back down on his threat to seek an unconstitutional third term of office. Perhaps the most significant element of this pressure was the overwhelming domestic rejection of President Chiluba's efforts at constitution tampering.

After the setback of Namibian President Nujoma's constitutional amendment, a key test for SADC countries will be their response to Malawian President

Muluzi's reported desire to seek a third term of office. The outcome of international pressure — and the role played by the region in this regard — to reinstate the democratic process in Zimbabwe following the 2002 presidential election is, however, arguably the key indicator of regional democratisation, or re-democratisation, going forward.

The elections scheduled for the region in the next five years are tabulated below:

SADC election calendar

Country	*Elections*	*Presidential elections*	*Parliamentary/ legislative elections*	*Local government elections*
Angola	Last election	1992	1992	
	Next election	No date set	No date set	No date set
	Term of office	5 Years	5 Years	
Botswana	Last election	Indirect 1999	1999	1999
	Next election	2004	2004	2004
	Term of office	5 Years	5 Years	5 Years
DRC	Last election	1984	1997	—
	Next election	No date Set	No date set	No date set
	Term of office	5 Years	5 Years	—
Lesotho	Last election	Monarchy	2002	2002
	Next election	No presidential	2007	2007
	Term of office	election	5 Years	5 Years
Malawi	Last election	1999	1999	2000
	Next election	2004	2004	2005
	Term of office	5 Years	5 Years	5 Years
Mauritius	Last election	Indirect 2000	2000	2001
	Next election	2005	2004	—
	Term of office	5 years	4 years	—
Mozambique	Last election	1999	1999	1998
	Next election	2004	2004	2002
	Term of office	5 years	5 years	5 years
Namibia	Last election	1999	1999	1998
	Next election	2004	2004	2002
	Term of office	5 Years	5 Years	4 Years
Seychelles	Last election	2001	1998	
	Next election	2006	2003	—
	Term of office	5 Years	5 Years	

SADC election calendar *cont.*

Country	*Elections*	*Presidential elections*	*Parliamentary/ legislative elections*	*Local government elections*
South Africa	Last election Next election Term of office	Indirect 1999 2004 5 Years	1999 2004 5 Years	2000 2005 5 Years
Swaziland	Last election Next election Term of office	Monarchy No presidential election	1998 2003 5 Years	—
Tanzania	Last election Next election Term of office	2000 2005 5 Years	2000 2005 5 Years	2000 2005 5 Years
Zambia	Last election Next election Term of office	2001 2006 5 Years	2001 2006 5 Years	1998 2006 5 Years
Zanzibar	Last election Next election Term of office	2000 2005 5 Years	2000 2005 5 Years	2000 2005 5 Years
Zimbabwe	Last Election Next Election Term of Office	2002 2008 6 Years	2000 2005 5 Years	2001 2005 —

Perhaps the key factor that provides most optimism for democracy in the region, however, is the degree to which it is valued and preferred to any other political system among the region's citizenry.

The results of a regional 'view from below' survey conducted by Afrobarometer are most instructive. It is clear from the table that democracy has become the primary and indeed only political arrangement acceptable to the overwhelming majority of people in the region. The majority of citizens reject all other options and in particular, military rule. In addition, it is clear that citizens are not uncritical of their governments and exhibit a high degree of political consciousness. The results of the Zimbabwean survey (taken before the elections in 2000) are particularly instructive.

The survey does not depict any linkage between political commitment and political activity (such as resistance/protest to undemocratic practices), but the overall results are encouraging for the broadening and consolidation of democracy in the region.

Clearly South Africa is currently more in harmony with leaders in Mozambique, Botswana, Tanzania and Mauritius and it will be important for

Popular attitudes to democracy, selected African countries, 1999–2001
(Percentages of national samples, including 'don't knows')

	Botswana (n= 1200)	*Lesotho (n= 1177)*	*Malawi (n= 1208)*	*Namibia (n= 1183)*	*SA (n= 2200)*	*Tanzania (n= 2054)*	*Uganda (n= 2271)*	*Zambia (n= 1198)*	*Zimb (n= 1200)*	*Afro. mean*
Knowledge of democracy										
What, if anything, do you understand by the word 'democracy'? *(Percentage of respondents able to supply a meaning)*	74	59	92	67	91	88	70	87	81	78
Support for democracy										
Democracy is preferable to any other kind of government	84	40	65	58	60	83	80	75	71	69
In certain situations, a non-democratic government can be preferable.	7	11	22	12	13	12	8	9	11	12
For someone like me, it doesn't matter what form of government we have. *(Percentage choosing these options)*	6	24	11	12	21	5	8	12	13	13
Rejection of non-democratic alternatives										
Military Rule	85	70	83	59	75	96	89	95	80	82
One Party State	78	51	76	63	56	60	53	80	74	69
Traditional Leaders	74	59	71	55	64	88	80	80	63	69
All alternatives *(Percentage disapproving all these alternatives)*	61	34	53	36	41	53	40	69	49	51
Extent of democracy										
(Our country is) Completely democratic	46	24	34	30	26	19	21	25	9	23
Democratic, but with minor problems	36	13	28	41	34	35	27	38	18	27
Democratic, but with major problems	8	13	23	15	24	28	27	20	17	21
Not a democracy *(Percentage choosing these options)*	5	17	12	3	8	8	5	7	38	10
Satisfaction with democracy										
Overall, how satisfied are you with the way democracy works (in your country)? *(Percentage saying 'fairly' or 'very' satisfied)*	75	38	57	64	52	70	62	59	18	58

this 'democratic bloc' to drive the democratic agenda and forge standards of good governance in the region. The interplay between leaders of the 'democratic bloc' and those of the 'autocratic bloc' will be highly significant in determining the political outcome of the region in the next five to 15 years.

THE RENAISSANCE SCENARIO

- The bloc of committed democratic states exercises clear, unequivocal leadership in the region.
- Effective moral and political pressure is brought to bear on countries at variance with acceptable democratic practices.
- Constitutionality (including adherence to civil and human rights) and political pluralism is fully adhered to in the region.
- Free, fair and uninterrupted elections are held in accordance with constitutional requirements.
- The strong popular affinity for democracy in the region grows and is consolidated, thereby acting as an effective check to centralisation and abuse of power.
- Nepad and HIPC reinforce positive incentives to good governance.
- Civil society is encouraged, strengthened and revitalised in the region.

THE ASYMMETRICAL SCENARIO

- Democratic states coalesce, but are unable (or unwilling) to positively influence deviant regimes and leaders.
- Countries with stronger democratic pedigrees deepen their democracies; conflict-ridden and deviant states suffer reversals.
- The proliferation in the number of political parties translates into fully-fledged multi-party democracies, but in others, single-party dominance persists.
- Protection of civil and human rights becomes the norm in consolidated democracies, but remains under threat in deviant states.
- A new generation of freely elected leaders further strengthens a culture of democracy; in others, old unreconstructed leaders cling to power.
- Nepad and HIPC generate demonstrable benefits to adherent countries, thereby reinforcing good governance.
- Democratic states progress; deviant states regress.

THE DECLINE AND DECAY SCENARIO

- Civil war and internal conflict make free political activity impossible in affected countries.
- Constitution tampering continues throughout countries of the region.
- Elections are marked by conflict and intimidation.
- Civil and human rights abuses persist.
- National one-party dominance persists in the region.
- Popular affinity to democracy fails to translate into effective political pluralism.
- SADC proves ineffectual in forging good governance in the region, with its attendant impact on investor alienation.
- Conditions of underdevelopment are exacerbated by the impact of HIV/AIDS, which further undermines the conditions necessary for stability, governance and democracy in the region.

Tourism

One the most visible dimensions of globalisation is the proliferation of international travel and tourism. There were some 1.6 billion global travel passengers in 1996 and this figure is expected to triple within 20 years. The tourism industry has been increasing at the rate of 8.5% a year with global spending on tourism increasing to $450 billion in 1997. Nevertheless, Africa's share of global tourism is only 4% with receipts at less than 2%. With the exception of the mining industry, the tourist industry offers the brightest prospect for many SADC economies in the next five to 15 years. Tourism is the fastest growing industry in the region. It employs 1.2 million people directly and a further 3.4 million indirectly. This translates into tourism generating some 12.7% of regional GDP. A key advantage of the tourist industry is the strong 'multiplier' effect it has on infrastructure and employment. The World Travel and Tourism Council estimates that the travel and tourism industry has the potential to generate seven million jobs by 2010, five million of which could be in Southern Africa.

The significance of the tourist industry to South Africa alone is demonstrated by the fact that the sector generated R7.1 billion in revenues for the first six months of 2001. The sector contributed 9% of the Western Cape's GDP and 10% of that of KwaZulu-Natal.

The SADC region is endowed with an enviable array of tourist attractions and, due to its rich bio-diversity, is well placed to tap into the burgeoning ecotourism boom. Tourism is a renewable resource and has the crucial benefit of being a considerable generator of foreign currency. Tourism has the added advantage of facilitating local and regional infrastructure and of attracting FDI. In 1998 the SADC region received some 11.5 million tourists with receipts of some $4,448 million. The signing of the Protocol Development of Tourism in SADC in 1998 by all countries, except Angola, has further strengthened the prospects for tourism in the region, but failure to ratify the protocol will hamper the realisation of its potential. Furthermore, the effective exploitation of tourism potential in the region will also hinge on the activities and success of the Regional Tourism Organisation (RETOSA). Before sustained progress can be made a number of structural deficiencies need, however, to be addressed. According to a recent Grant Thornton Kessel Feinstein report, South Africa has recently shown a slight decline in the number of tourists, particularly from other parts of Africa. One of the major causes of this is a reduction in the number of airline seats available to passengers, due to a decline in the number of airlines flying to South Africa.

Furthermore, the Federation of Hospitality Associations of South Africa reports that its costs R3,000 more to fly to South Africa than any other similar destination outside of Europe.[69] Accordingly, the Southern African Tourist Services Association president has stated that 'South Africa has lost its competitive advantage'.

A strong caveat informing the potential for tourist development in the region is that the industry is highly geared to political and social stability. For example, most of the popular tourist destinations in Zimbabwe have been severely affected by the social unrest in that country. Acts of urban terror in Cape Town in recent years also had a direct impact on foreign visitors to South Africa. Expensive and poorly run hotels in the region (particularly those owned by parastatals) also require remedial attention in order to compete for the custom of the fickle and demanding international visitor. In addition, the prevalence of malaria in the sub-tropical countries of the region acts as a brake on potential tourists and is a further imperative for this disease to be tackled with vigour. While the region boasts extensive biodiversity, population pressure, poverty and poor land and environmental management place this resource under increased threat. Already 50% of the wetlands in the region outside of South Africa have been lost due to over-exploitation and agricultural expansion.[70] Thus the challenge is to develop environmental and developmental partnerships between authorities and local communities that protect this renewable resource. Finally, the success of the tourist industry will hinge on the degree to which regional tourist infrastructure is strengthened and brought up to international standards. The opportunities for public–private initiatives in this regard are, however, considerable. The importance of the tourist industry to the region is highlighted in the table below:

Projected tourism gains for selected Southern African nations[71]

Country	*Economic activity generated by tourism (total demand) in 2000 ($ millions)*	*Economic activity generated by tourism (total demand) in 2010 ($ millions)*	*Growth per annum (%)*	*Capital Investment in tourism 2000 ($ millions)*	*Capital Investment in tourism 2010 ($ millions)*	*% growth in total capital invest-ment*
Botswana	830.8	1,823.00	7.5	133.2	309.1	2.1
Lesotho	118.6	295	8.3	52.8	140.3	1.3
Malawi	157.4	400.6	8.2	14	36.5	1.4
Namibia	857.9	1,997.2	6.4	75.9	151	2.3
Tanzania	1,676.2	4,769.7	9.7	237.6	714.3	2.5
South Africa	4,987.3	25,419.7	7.2	2,716.4	3,565.5	n.a.
Zambia	544.9	1,219.6	5.4	75.7	144.9	1.8
Zimbabwe	781.9	3,083.8	8.8	96.9	443.9	2.0

THE RENAISSANCE SCENARIO

- The region improves overall levels of safety and security, thus becoming a more attractive tourist destination.
- RETOSA is successful in its marketing and co-ordinating role.
- Southern Africa becomes a preferred global tourist destination (particularly for eco-tourism).
- Regional facilities and networks are improved to meet world standards.
- An increased number of international flights to the region generates more competitive travel packages.
- The 'multiplier' effect of tourism results in employment growth in the sector, meeting the World Tourism Authority's projected five million new industry jobs.
- Burgeoning tourism produces considerable construction, infrastructural and investment spin-offs.
- Commensurate 'hard currency' foreign exchange earnings are generated.

THE ASYMMETRICAL SCENARIO

- Well-resourced national tourism authorities successfully promote their countries as attractive destinations.
- Poorly-funded, badly run tourist authorities fail to attract regional and international interest.
- Improvements in the quality of hotels, resorts and infrastructure follows this uneven pattern.
- Higher density tourist numbers reduce prices in popular destinations; conversely, destinations off the main tourist footprint become comparatively expensive.
- Employment levels increase in popular destinations, but fail to meet the World Tourism Authority's projections.
- Foreign exchange earnings prove increasingly valuable to tourist friendly countries, but the positive impact is dissipated regionally.

THE DECLINE AND DECAY SCENARIO

- Regional countries fail to establish safe and secure (crime-free) tourist destinations.
- Regional marketing initiatives fail to materialise or make a significant impact.
- Distance, cost of travel and uncompetitive facilities place a brake on tourist numbers.
- Regional natural resources are not adequately protected and ecotourism is negatively impacted.
- Malaria is not tackled and continues to act as a tourist deterrent.
- HIV/AIDS compounds the real and perceived regional health and security risk.
- High tourist employment numbers fail to materialise.
- High foreign exchange earnings fail to materialise.

New Partnership for Africa's Development

Setting the renaissance agenda

One of the most significant, yet incalculable variables in the futures scenario is Nepad. Nepad is arguably the most profound policy formulation to have emerged from African leadership and certainly the most important since the socialist prescriptions of the 1950s and 1960s.

Nepad foresees three broad preconditions for sustainable development:

- peace, security, democracy and political governance;
- economic and corporate governance, with a focus on public finance management; and
- regional co-operation and integration.

The blueprint programme has established the following priority sectors:

- infrastructure;
- information and communications technology;
- human development, with a focus on health, education and skills development;
- agriculture; and
- promoting diversification of production and exports.

The long-term objective of Nepad is stated as follows:

> To eradicate poverty in Africa and to place African countries, both individually and collectively, on a path of sustainable growth and development and thus halt the marginalisation of Africa in the globalisation process.

Nepad has established (and African countries have now adopted) a specific, demanding and ambitious set of developmental goals, namely to:

- achieve and sustain growth rates of 7% and above for the next 15 years;
- reduced the number of those living in poverty by half by 2015;
- enrol all children of school age in primary school by 2015;
- make progress towards eradicating gender disparities in primary and secondary schools;
- reduce infant and child mortality rates by two-thirds by 2015;
- reduce maternal mortality rates by three-quarters by 2015; and
- implement sustainable development strategies by 2005 that will reverse the loss of environmental resources by 2015.

The strategy has the following expected outcomes:

- Economic growth and development and increased employment.
- Reduction in poverty in inequality.
- Diversification of productive activities, enhanced international competitiveness and increased exports.

- Increased African integration.

In order to achieve these profoundly important goals Nepad contains an action plan under eight themes, namely:

- The peace, security and political governance initiatives
- Democracy and Governance Initiative
- The Economic and Corporate Governance Initiative
- The Human Resource Development Initiative
    - Poverty Reduction
    - Health
    - Education
- The Infrastructure Initiative
    - All Infrastructure Initiative
    - Information and Communications Technology
    - Energy
    - Transport
    - Water and Sanitation
    - Science and Technology Platforms
- Diversification of Production and Exports
    - Agriculture
    - Mining
    - Manufacturing
    - Tourism
    - Promoting the Private Sector
    - Diversification of African Exports
- The Market Access Initiative
- The Capital Flows Initiative
    - The Debt Initiative
    - The ODA Reform Initiative
    - The Private Capital Flows Initiative
- The Environment Initiative
    - Sub groups combating desertification, wetland conservation, invasive alien species, coastal management, global warming, transfrontier conservation areas, environmental governance, financing.

While the scope, timing and focus of Nepad hold considerable potential for the continent in general and SADC in particular, there are also considerable attendant risks.

The challenge to Nepad

Nepad makes three critical assumptions, the failure of any one of which will result in the failure to achieve the already ambitious targets.

First, and ironically, one of the strengths of Nepad is also its weakness. Such is the magnitude of the challenge that, in effect, it calls for a restructuring of the power relationship between Africa and the economically advanced OECD countries. The analogy is being drawn of that of the post–Second World War Marshall Plan to reconstruct Europe. While the analogy may have symbolic and emotive merit, it masks significant differences. Africa is marginal to the OECD; Europe was pivotal to world reconstruction. Similarly, Europe provided an attractive return on investment after the war, whereas there is currently no compelling need for OECD countries to risk capital in the SADC region. In addition, with the end of the cold war — a key driver of the Marshall Plan — there is no longer the imperative to invest in Southern Africa for ideological and military/strategic reasons. It is unclear whether industrially advanced countries will follow up their rhetorical stamp of approval with the concrete commitments called for in the plan, nor indeed whether these commitments will come in the form, amount or timing required by the drafters of Nepad. Should the OECD countries fail to become fully-fledged partners in Nepad, the most ambitious programmes will fail to meet their targets.

Second, while the programme reflects a profound mind-shift in questions of governance, economic management and self-reliance, the mechanisms and programmes for translating this into concrete action currently remain vague. There is some discussion about working with the Bretton Woods institutions and integrating PRSP with the HIPC provisions, but this is not new, nor is it a guarantor of success.

Third, there is no overarching political mechanism yet capable in reality — if on paper — for co-ordinating Nepad. The newly constituted African Union is earmarked for such a role, but it is more likely that its time will be taken up in the short term (and possibly medium term) with the design and implementation of its political architecture rather than with the substance of co-ordinating, monitoring and driving Nepad.

Future scenarios exhibit a tension that is seldom satisfactorily balanced. Typically scenario planners focus on structural issues and continuity. While issues such as demographics, economic policy and trade patterns set the macro backdrop for scenario planners, the more difficult task is to evaluate the likely future actions of key actors. These may be political leaders, parties or multilateral organisations. This problem is at the root of evaluating the Nepad proposal. Nepad is new, vague, has not yet been materially 'bought into' by its desired partner, the OECD countries, and is arguably too ambitious in its aims. The fundamental difficulty with evaluating the potential of Nepad is the question of agency. It is impossible to know whether and to what degree political and economic actors will adhere to and develop its prescriptions or indeed whether there will be sufficient continuity and critical mass of political leadership to do so. Nepad presents Africa and its leaders with their greatest opportunity for achieving sustainable development, yet also presents them with their sternest test of political will. The outcome of this challenge will be the key driver of the SADC region in the next 15 years.

THE RENAISSANCE SCENARIO

- Africa and the African Union meets its commitments to create local conditions of peace, security, democracy and political governance.
- Continental standards of economic and corporate governance, as well as public finance management, improve dramatically.
- The African Union takes ownership of Nepad and co-ordinates its implementation and development in individual countries.
- Nepad-driven regional co-operation and integration grows significantly.
- The OECD and G7 in particular follow up their rhetorical support for Nepad with substantially increased levels of direct investment in the continent.
- The continent meets its 7% growth target.
- Nepad's HDI targets are met by 2015.
- The SADC region achieves conditions of 'sustainable development'.

THE ASYMMETRICAL SCENARIO

- Even in the absence of overarching co-ordination, Nepad remains the most important blueprint/framework for African recovery.
- Specific African countries meet their commitments in terms of Nepad and have a positive broader impact on regional development.
- Effective pressure is brought to bear on non-compliant countries.
- Differentiated co-operation and integration grows in regions such as SADC, but is patchy in regions beset by civil war and conflict.
- OECD and G7 commitment is channelled to Nepad-compliant countries and regions.
- Growth is correlated with Nepad-compliant countries and (to a lesser extent) regions.
- HDI targets are met in Nepad-compliant countries and (to a lesser extent) regions.
- Non-compliant countries fail to meet the Nepad-defined HDI targets.

THE DECLINE AND DECAY SCENARIO

- The absence of overarching co-ordinating mechanisms undermines Nepad.
- African countries lack the political will to implement Nepad-compliant policies.
- Despite best efforts, the continent-wide commitments of Nepad prove to be unachievable.
- The OECD and G7 delay material commitment, which undermines the positive incentives of adherence to Nepad.
- The failure of Africa to deliver on its commitments results in a hardening of OECD and G7 attitudes to the continent.
- Aid, trade and investment flows are negatively impacted, with a resultant drop in growth rates.
- Nepad's HDI targets prove unachievable with attendant intensification of poverty and underdevelopment and 'global marginalisation'.

Section Three

Practical policy suggestions

By definition the debilitating problems besetting the region also set the short- to medium-term agenda for regional action. The following are key areas that require attention in order to improve the likelihood of a better outcome for the region in five to 15 years' time. Ten areas for regional action are highlighted below, focusing both on areas of functional competitive advantage and thematic weakness:

Healthcare

AIDS: A crisis of survival

SADC countries suffer from the world's highest incidence of HIV/AIDS infection, malaria, TB and malnutrition. While acknowledging the devastating impact of TB, malaria and malnutrition, all three afflictions are well understood and treatable. HIV/AIDS is not as well understood, is incurable and carries with it a cloak of social, religious and political prejudice that makes its management possibly the greatest single threat to the future of the region. For this reason this proposal focuses on how business and SADC should respond to HIV/AIDS. Based on current statistics and forecasting, the HIV/AIDS pandemic that has gripped Southern Africa is set to decimate the population of the sub-continent over the next 15 to 20 years. Besides the acute physical suffering caused by HIV/AIDS, the economic, social and developmental impact of the pandemic is daunting. Businesses are faced with increasing absenteeism, medical claims, lower productivity, higher personnel turnover, higher training costs, productivity shortfalls, decreased quality, all of which threaten the viability of SADC businesses.

Action steps:

- *Declare a war on HIV/AIDS:* The time has come for a war on HIV/AIDS to be declared. Until a cure is found, the only effective response is aggressive promotion of awareness and protection. The extensive travel and trade within SADC and the disease's spread along transport corridors and through migrant labour means the prevention response must have a regional dimension.
- *Create AIDS prevention ministries:* It is not alarmist to call for the establishment of fully-fledged ministries in each SADC country to co-ordinate the war against AIDS. In addition, for such a war to be won it will have to be fought on a regional basis and via an integrated strategy that is focused and

practically achievable. Business can play a central role in this awareness war, but must be sensitised to the ethical issues involved.

- *Integrate existing national and a new SADC-wide campaign:* As Ugandan President Yoweri Museveni noted, Uganda succeeded in turning the tide against HIV by shouting loudly and forcefully about AIDS at every public opportunity. The SADC awareness war — to be co-ordinated nationally by the AIDS ministries — should include print, billboard, television and radio advertising featuring national and local politicians and respected public and sporting figures. But above all, heads of state must lead the campaign publicly and vigorously. The campaign must centre on collaboration between business, the state (including, most importantly, local and provincial governments), international agencies, religious institutions including churches and mosques, civic bodies, trade unions and NGOs. The media has to commit both time and space to the campaign.
- *Realise economies of scale by pooling advertising funding:* To avoid duplicate spending to create advertisements, SADC should — in consultation with concerned NGOs — create and distribute print, radio and television campaigns that can be run in English and dubbed into Portuguese, French and local languages. Such a campaign would include intensive on-site educational programmes in schools and businesses. National/public and commercial broadcasters would set aside airtime every day to broadcast awareness and educational messages.
- *Tailor messages:* Messages would need to be delivered by a representative cross-section of society in order to help dispel taboos, myths and prejudices. They would also need to be targeted at readership, listenership and viewership peak periods.
- *Use speciality media:* HIV/AIDS education logos and messages could be printed on all official stationery and business should take the initiative to publicise campaign messages on their packaging, letterheads, websites and reports.
- *Bring HIV/AIDS education to schools and business:* HIV/AIDS education should be compulsory for all classes in all schools from a pre-determined age group. In addition, just as trained first aid officers are common in most institutions, every company, office and institution throughout the region ought to have a trained AIDS education officer.
- *Build a network of rural AIDS educators:* To reach rural residents, train health clinic staff to act as AIDS educators.
- *Expand condom distribution:* Distribution of condoms has to be targeted at the most at risk — 15 to 34-year-olds. Thus free condom distribution has to take place at schools, universities, clubs, hospitals and clinics. Companies should provide workers with free condoms as part of their social responsibility and social welfare programmes. All shops and supermarkets should be points for condom distribution. All sports venues and entertainment complexes should also become condom distribution points.

- *Business-government collaboration on anti-retrovirals:* Business and governments should co-operate to source cheap antiretroviral drugs or their generics in bulk. While national hospitals do not have the funds to administer the complex antiretroviral regimes, business and governments could collaborate to provide employees and other patients with advice and follow up on the proper timing and management of retroviral treatments. The use of anti-retrovirals as part of an extended regime is also highly effective in the prevention of mother-to-child HIV infection. Such a campaign would serve to insure against the wholesale illness and premature death of a further generation of SADC citizens. Crucially, antiretrovirals also 'buy time' for those infected to remain productive human beings with all the attendant social, economic and political benefits this brings. Indeed this 'bought time' may be all that is needed before an effective vaccine and possible cure is discovered.
- *Tax breaks:* Offering tax breaks to businesses providing antiretrovirals or funding AIDS-awareness campaigns would encourage education, prevention and treatment.
- *Deal with chronic illnesses:* TB and malaria can be effectively dealt with through a managed, systemic approach to prevention and treatment.

Information, communications and telecommunications

Telecoms in the vanguard of privatisation

All SADC states bar Tanzania have a monopoly on fixed-line telephony but nearly all have fewer than one main telephone line per 100 inhabitants as opposed to 14.6 globally. However, the waiting time for new telephone connections is a significant obstacle to growth. The average waiting time for a new line was 1.4 years in Mauritius, 7.2 years in Zimbabwe, 7.4 years in Swaziland and more than 10 years in Malawi, Tanzania, Mozambique and Lesotho, based on 1996 figures. Chronically short of cash and unwilling to invest in new capacity, state telephone monopolies guarantee that costs will remain high and service severely restricted. Cellular telephony has made great inroads in SADC countries, growing by more than 60% between 1997 and 1998. But six SADC states have a penetration below one per a hundred, including those wracked by war. Internet penetration is also very low, with the exception of South Africa, which has more than 900,000 users. In other SADC countries, with the exception of Zimbabwe (10,000), Internet users are fewer than 5,000. However, the use of e-mail is growing — in 1998 the service grew by 30%. The obstacles to further expansion are the high cost of the service in the region and poor telecommunications infrastructure. Related to this is the high cost of calls in certain countries, which make Internet use prohibitive.

Action steps

- *Focus on both fixed line and cellular expansion:* Telephones and computer communications are crucial business tools, facilitating swift transactions. Without them global, regional or even local trade is immeasurably more difficult. Mobile telephone service is growing rapidly but cannot replace the need for affordable, reliable fixed-line service, which is particularly necessary to business, computer applications, fax and ordinary office work. To lower the cost of business and facilitate greater trade, SADC states should adopt a two-pronged approach to expand and deregulate both traditional fixed-line and mobile telephone services.
- *Separate regulatory powers from the state fixed-line operator:* Creation of a genuinely independent regulatory body is a crucial first step to liberalising telecommunications markets and injecting competition. As a result the regulatory body must be genuinely independent, credible and transparent to prevent perceptions that licensing decisions are based on back-room political or business alliances.
- *Speed up privatisation:* The capital required to modernise SADC fixed-line networks is beyond the means of any of its governments. To delay privatisation is to guarantee that the long wait for new fixed telephone lines continues and that business remains choked off from communication. As the most valuable of state assets, privatisation of telecommunications has traditionally been interpreted by international markets as a powerful signal of government's willingness to reform. It also represents the largest single opportunity for rapid foreign direct investment outside of oil and gas.
- *Encourage experimentation with new technology through deregulation:* Many of the most productive business applications for telecommunications involve computer systems, satellite and other new technology, which in most SADC nations fall under the monopoly enjoyed by the state telephone operator. The lack of capital and the bureaucratic approach common to state phone companies has effectively blocked a wide variety of such innovations. For example, enabling South Africa's Eskom to put fibre optic cables on power-lines has reduced costs and maintenance. Deregulation should immediately allow private operators to offer computer networking services, internet access, VSAT satellite links, payphone services and the provision of remote rural telephone services via new technologies.

Transport and infrastructure

Transport: A key factor in SADC's high business costs

Poor transport infrastructure, especially roads and railways, is a major obstacle to regional competitiveness, integration and foreign investment. At present, in

SADC transport costs amount to 30% of the final price of goods. Roads carry 80–90% of the region's passenger and freight transport, with cross-border freight volume expected to grow by 32% from 2002 to 2007. Chronically poor maintenance has caused a major deterioration in SADC roads and driven up costs of trade. Trucking competes effectively with railways for containerised freight, fast-moving consumables and consumer logistics markets, but freight is worsening already poor roads. Railways have been losing traffic to road transport because of their failure to provide a seamless, cost-effective service that is responsive to market needs. SADC ports are characterised by slow operations, corrupt customs and poor linkages with rail and road networks. None of the region's ports will be able to accommodate the new big container vessels, which require depths of 25 m.

Action steps

- *Privatise port and airport management:* Slow operations, theft and widespread corruption at ports are major obstacles to trade. Partial privatisation of management of sugar, container, cold storage and bulk cargo terminals has significantly improved efficiency and speed of port operations while greatly improving the willingness of private business to use alternative ports.
- *Standardise and computerise port and airport customs clearance under private management contracts:* Corruption is consistently cited by multinational business as the biggest deterrent to African investment. Corruption in customs clearance both delays business and reduces state tax revenues. Turn management of customs clearance over to private firms with state oversight and audit of results.
- *Remove border-crossing bottlenecks:* Road and rail border crossings involve huge delays and extra costs to exporters. Set a SADC-wide target of one-hour clearances and staff customs and border posts with personnel sufficient to the job. Base border-post budgets on the value of revenue declared at each crossing so operations have incentive to move cargo.
- *Utilise management concessions on railway lines and toll roads:* SADC states consistently lack capital to build and manage major transport routes. Solve the capital and maintenance problem by employing management contracts and toll road concessions backed up by independent audits to ensure maintenance is done promptly and profit margins remain at agreed levels to minimise transport costs.
- *Ensure proper repairs with separate, dedicated maintenance budgets:* SADC has grossly failed to maintain the stock of infrastructure left at independence in large part because maintenance was prioritised far behind current consumption. To ensure proper future maintenance where privatisation and toll roads/rails do not apply, break maintenance functions out of the relevant ministries and place it under a separately managed fund, supervised by a

board with industry representatives and funded by fuel, travel and energy taxes. Require private audit firms to conduct physical and financial audits of maintenance work done.

- *Improve the frequency and cost of air links between Southern African states:* Air transport costs within SADC remain far more expensive than much longer routes to Europe. Cutting regional costs would help promote tourism in the region and lower business costs.

Energy

National security, forex and regional rivalry

There is more scope for profitable regional co-operation in energy than nearly any other sector, but SADC is fraught by rivalry in the energy sector. Cheap energy and minerals ought to be the core of SADC's appeal to world investors, but fear and failure to co-operate have sharply curtailed realising this potential in oil, gas and electricity.

Much of the rivalry relates to Eskom's comparative cost advantage and the foreign currency cost of dependence on other nations for power. Genuine co-operation will not take hold in SADC until all nations reach foreign exchange stability and lose their fear of dependence on neighbours. Conversely, nations are using electricity-generating capacity to earn forex, effectively driving up local costs to industry in order to offset macroeconomic mismanagement.

Action steps:

- *Replace import monopolies with market competition:* Government parastatal monopolies on fuel imports — such as in Zambia, Tanzania, South Africa and Zimbabwe — have been plagued by corruption. Several also sell fuel at a loss for political reasons, which drains the national budget and harms government ability to properly manage other sectors. Replace government monopolies with a free-market system.
- *Require full disclosure:* Oil and gas production and development fees are kept secret in some countries, financing massive corruption and tarnishing the region's reputation. Pass laws requiring that any company operating in any SADC state fully disclose all fees and bonuses paid for exploration and development work worldwide. This would put SADC at the forefront in fighting corruption and send a powerful signal to world investors.
- *Boost technical expertise and build regional trust with personnel swaps:* The effective management of power distribution grids, hydroelectric facilities, refineries and power generation is severely effected by a shortage of skilled technical staff. At the same time fear of South African domination is a legitimate concern. Help build trust and skills levels by encouraging the secondment of

specialists between SADC countries, such as has occurred between Eskom and Malawi.

- *Allow free-floating retail fuel and power prices:* Political control of retail pricing has led to periodic public protests and sudden major price adjustments. Allow free-market pricing to ensure continual price adjustment.

Mining

Conflict and missed mining opportunities

Together with cheap energy, mineral resources represent SADC's most strategic development asset. The mining sector is a critical component of the regional economy representing 10% of its GDP and 60% of foreign exchange earnings.

While a large proportion of regional mining production remains confined to South Africa, improved investment codes and prospecting significantly boosted international interest in SADC mining since 1990. However, SADC mining employment has continued to decline, falling from 1.68 million to 1.53 million from 1998 to 1999.

Conflict in the DRC and Angola and fiscal and legal instability in Zimbabwe represent major obstacles to new mining opportunities. Other obstacles include high infrastructure development costs, the predominance of HIV/AIDS in the regional workforce and uncertain tax and regulatory frameworks.

Action steps

- *Deliver monetary and foreign exchange stability:* While mining is the region's most important foreign exchange earner, its high capital costs mean it is inhibited by unstable economic policy and particularly unpredictable or restricted access to foreign exchange.
- *Deliver clear, competitive mining codes:* The high capital costs of mining mean international investors demand unambiguous legal codes for mining and mineral exploration. These must include competitive tax and royalty rates, offer security of tenure, apply objective criteria and minimum discretionary powers, and provide for a clear appeals mechanism against administrative fiat.
- *Deliver independent commercial courts free from political interference:* States ruled by often capricious presidential fiat have failed to realise their mining potential because of the corruption and uncertainty surrounding contracts and licensing. States must combine clear mining laws with strong, independent courts able to arbitrate disputes.
- *Foster local mining support industry through careful tariff and tax reviews:* Mining

can be the engine of growth for a variety of engineering, metal working, construction, electrical, transport and hydrological support industries. However, many of these are hampered by distortions caused by conflicting Comesa–SADC tariff commitments and duty-free tax concessions that disadvantage local support industries in favour of foreign-made goods. Government and industry should work together urgently to review and reform such key details.

Tourism and the environment

Creating jobs through tourism

With the exception of the mining industry, the tourist industry offers the brightest hope for economic development in the region. SADC is endowed with an abundance of tourist attractions and is a relatively cost-effective destination for both local and international travellers. Tourism is a renewable resource, and has the key advantage of being a considerable generator of hard currency. Tourism has the added benefit of serving to facilitate local and regional infrastructure and FDI.

The World Travel and Tourism Council estimated that the travel and tourism industry has the potential to create seven million jobs by 2010, of which some five million could be in Southern Africa. The SADC Protocol on the Development of Tourism, which seeks to market the region as one tourist destination, needs to be energetically implemented.

Action steps

- *Joint marketing and image management:* SADC can promote tourism by pooling advertising and promotional work at several levels.
- *Create a clear and identifiable Southern African tourism brand:* Tourism is mostly promoted by individual resorts through specialist travel agents, but individual marketing is too small to affect a positive overall image for the region. Malawi has successfully created a national brand under the slogan: 'The warm heart of Africa'. With SADC funding, business should design and develop a similar Southern African brand that builds positive images of the whole region. In addition to the branding exercise a Proudly Southern African campaign should promote the region with tour operators, airlines, conference organisers, international institutions, multinational companies, media and film companies as well as international sporting and cultural bodies.
- *Counter the CNN effect by advertising the safety, ease and friendliness of Africa:* CNN footage of mayhem is all that most potential tourists see of Africa. Foreigners commonly assume that they will be beset by bullets and plagues as soon as they step off an airplane in Africa. Yet after a visit they marvel at how easy it is to go

from airplane to beach or game park in a few short hours. SADC should jointly promote Southern Africa through an advertising campaign emphasising the quality of facilities, friendliness of people and affordability of vacations and the ease with which spectacular animals and scenery can be found.
- *Promote repeat and referral business:* Because of fears of Africa, many tourists from developed nations only come after a personal referral from someone else who has visited. SADC can promote referral business and return visits by offering a standard referral or repeat visit discount.
- *Develop inexpensive electronic mail promotions:* Return visits can be encouraged by offering discounts to travellers who leave their email addresses. If gathered at hotels and at airports, emails can be used to inexpensively forward photographs and special offers, such as package deals and off-season specials.
- *Increase tourist spending by promoting key destination clusters:* First-time tourists have no idea what to choose from the many attractions nor do they understand that Victoria Falls is a long way from Cape Town. Promote key multination clusters to get tourists to spend more in the region. For example, jointly market the Chobe, Okavango, Victoria Falls region; Malawi, Tanzania and Mozambique; or combined trips to Kruger Park and Mozambican beaches.
- *Accelerate development of and private participation in transnational parks:* Peace parks linking adjoining nature reserves across national borders are a potential ecological benefit to the region and an opportunity to spread tourist spending. Accelerate the issuing of concessions to build the needed camp/resort facilities.
- *Ease tourist visa requirements:* Make it easier for tourists to visit several countries in the region by eliminating visa requirements for tourists from developed countries, through visas good for all nations in the region or by offering visa-on-entry procedures.
- *Increase the number of international flights per week:* Southern African national airlines do not have enough aircraft to handle the number of travellers wanting to visit but foreign airlines are either blocked or have withdrawn for security or economic reasons. The region must respond by allowing more charter flights, more foreign flights and ensuring that domestic carriers are properly managed to exploit the opportunity.

The banking and financial sectors

Building regional trade requires banking reform

International and intra-SADC investment and trade is critically dependent on an effective, efficient and integrated banking network. The problem confronting the region is that banking and financial services in SADC range from highly sophisticated world-class systems and services to the archaic.

There is an imperative to create and sustain integrated regional banking and financial networks. In order to achieve this attention has to be given to the upgrading and maintenance of IT networks and regional communication.

Action steps

- *Build skills through a regional secondment programme:* A well-managed, skilled financial sector is a key requisite to growth. Help develop experienced bankers and regulators in the central banks and major commercial banks operating in the region to oversee skills training and harmonisation.
- *Establish a regional bank training facility:* International commercial banks are short of skilled staff in Africa and have considered developing specialised training but SADC could realise economies of scale by facilitating a common commercially funded training institute. It could offer short-, medium- and longer-term courses, on-site training, tertiary institutional training, as well as online Internet-based training, tutoring and examination.
- *Establish a regional ethics, standards and corporate governance body:* This would be responsible, *inter alia*, for codes of conduct, adherence to which would be obligatory and a condition of bank licensing, operation and renewal.
- *Harmonise financial regulation:* Create regional banking and financial services standards, and a consistent regional regulatory framework for public disclosure and investigation of all sizeable intra- and inter-state bank transfers to guard against money laundering and illicit transfers of state funds to foreign accounts. Such regulation, including financial authorisation rules, listing and financial disclosure requirements would give comfort to the international investment community, commercial banks and local investors.
- *Regional banking trouble-shooting teams:* These need to have a specific brief of rapid response to blockages in the regional commercial banking system. The teams would build up a pool of knowledge and experience that would then be shared and disseminated through the banking fraternity in the region. This would address the problem of slow money transfers and payment authorisations.
- *Build a regional banking and financial crime unit:* Create a specialised crime unit with seconded personnel to investigate money laundering and cheque fraud by local, regional and international crime syndicates operating in the region.

Agriculture and rural development

Reduce poverty and build local industry through rural development

Roughly two-thirds of SADC citizens live in rural areas and depend on agriculture, either subsistence or commercial. However, government institutions supporting agriculture have largely collapsed across the region because of a series of interrelated failures — to maintain competitive wages, to maintain price and forex stability so that agriculture is profitable, to maintain roads and foster efficient marketing systems.

Improving this sector means taking highly specific, well-executed steps to improve the technology of farming as practised by largely peasant farmers.

Action steps

- *Fix agricultural extension:* Salaries for agriculture extension workers have been allowed to wither. Many extension workers have no vehicles to visit farmers and deliver the education needed. Therefore, boost salaries and provide extension workers with transport and training in the techniques for cultivating high-value crops, such as fruit, vegetables and flowers.
- *Tax credits for agriculture technology sharing:* Commercial farmers are a repository of highly technical farming skills and have valuable marketing relationships with overseas buyers. Tap that skill by promoting co-operation and training between commercial farmers and neighbouring subsistence farmers. Encourage the development of co-operative seed, fertiliser and marketing relationships through tax credits offered to commercial farmers.
- *End communal land ownership:* Communal land ownership, which was adequate under past low population densities, is increasingly leading to soil erosion, the failure to utilise and maintain irrigation systems and it prevents access to bank credit as farmers have no collateral. Begin immediate implementation of a secure title deed system.
- *Disband agricultural parastatals:* Government agricultural marketing boards have largely collapsed into gross inefficiency and practical bankruptcy. Intended to ensure fair prices to farmers and distribution of food to areas in need, parastatal boards have long become bureaucracies concerned with their own survival, paying for patronage board jobs by suppressing the prices given to farmers and often selling grain at a loss to prevent political protest over rising prices. Solutions:
  - Disband the boards or break them up into small, regional member associations in which members have a right to fire the association staff if it fails to provide services such as seed distribution or sourcing of cheap fertiliser.
  - Encourage the creation of industry associations to boost particular products, such as coffee, avocados, mangoes and pineapples. The associations would collaborate across SADC to establish the pest control and quality requirements to get produce into foreign markets. Where special fumigation techniques are needed the association could run them at export ports for all members. Similarly associations could place an agent in key markets such as the EU and US to place fresh produce with grocery store chains.

- *Create African brands:* Just as American growers banded together to create the Chiquita Banana and Sunkist orange brands, SADC could create brands that would help develop new markets for African produce. Mango juice, if branded, could be pushed as a substitute for orange juice, which is the mainstay in the developed world. Hire an international advertising agency to create Southern African brands that would be used to market regionally produced vegetables and juices in international markets. Such an effort will fail if under government management. Put the control and execution of the campaign in the hands of commercial farm associations dedicated to the particular crops. Offer SADC joint funding for launch and perhaps pay the advertising agency with a share of the revenues. Back the scheme with the development of outgrower initiatives in which peasants are given seedlings, taught how to care for them and in exchange the cannery/juice firms buy the output.
- *Hire top irrigation specialists:* Israel has transformed itself into a food exporter through drip irrigation systems. Choose one agricultural university in SADC as a specialist institution in high value crops and irrigation. Jointly fund the hiring of international irrigation specialists to begin intensive training for extension workers throughout SADC.
- *Put agriculture into rural schools:* Develop a revised rural school curriculum focused on delivering useful knowledge to children in agriculturally dependent rural areas. There should be classes in irrigation, the basics of using fertiliser, fruit and vegetable cultivation and courses on ensuring produce meets the quality standards needed to achieve high market prices.
- *Joint action to open world markets:* SADC states should collaborate to win access to world markets and to reduce agricultural subsidies and restrictions against African produce.

Developing and retaining skills

Education and the brain drain

African states made real progress in education through the 1980s, but failure to maintain fiscal discipline and balanced budgets forced significant reversals in enrolment and cut achievement. The erosion of purchasing power and political instability similarly contributed greatly to the brain drain of skilled professionals. At the same time, international aid agencies, the UN and NGOs paying developed-world salaries have been the main agents in a damaging drain of the best brains out of government and local business.

In Mozambique international organisations are paying five times the civil service wage for professional staff and 10 times the civil service wage for technicians. One programme funded by Canada in Kenya trained 13 economists to the master's level. Within a year 10 had found jobs outside government and the other three were looking for non-government jobs.

Action steps

- *Fiscal discipline:* The management of education institutions and the retention of teaching expertise depends on maintaining government budget discipline and macroeconomic stability so that real purchasing power is not eroded. The same applies to qualified professionals in business and the civil service.
- *Restrict aid agency competition:* The UN, international aid agencies and NGOs distort the labour market by paying developed-world salaries, which continually drain away the best and brightest civil servants and business professionals. With business input, develop a code of conduct with which aid agencies would be expected to abide, limiting salary offers to competitive local rates. The code should seek to restrict civil servants trained with government or aid money from leaving the civil service for an agreed period after receiving training.
- *Recruit foreign teachers:* SADC faces a severe shortage of skilled teachers, particularly in technical subjects. Launch a SADC-wide programme to recruit foreign technical teachers to boost the quality of teacher's colleges and secondary schools. Jointly advertise for retired and volunteer teachers. Expedite work permits for this category of visitor.
- *Aggressive curriculum reform:* From primary to tertiary levels, curricula are still largely based on colonial models and are not specifically tailored to the kinds of economic skills SADC citizens can use. For example, rural schools should have a strong education in specific farming skills to improve rural productivity where most SADC citizens live.
- *Expose science and mathematics at an early age:* Many citizens continue to see the world through a spiritual rather than scientific lens, which contributes significantly to problems in dealing with diseases like AIDS and adapting to industrial employment. Beginning with schools surrounding industrial areas and later all schools, SADC states should deploy a science and maths curriculum for all grades in primary and secondary school. It should include access to basic microscopes to assist understanding micro-organisms and disease and science equipment for teaching about the basics of electricity, light, chemistry, etc.
- *Television to improve primary and pre-primary education:* Use national television broadcasting as a concerted adjunct to education. Search the world for the best educational television shows and broadcast them at times when children can watch. For example, South Africa has adapted the American Sesame Street educational show for local languages. Install television sets in classrooms so the programmes can be used as teaching aids. In rural villages where little entertainment is available, install a solar-powered television kiosk that can show educational programming during evening hours.
- *Video-taped lectures to teach science:* Develop a SADC bank of recorded lectures and demonstrations for use in teaching science. Where shortages of technical teachers exist, deploy televisions and video tapes in classrooms and have non-specialist teachers play the programmes in classes.

Attracting investment

Developing an investment reputation

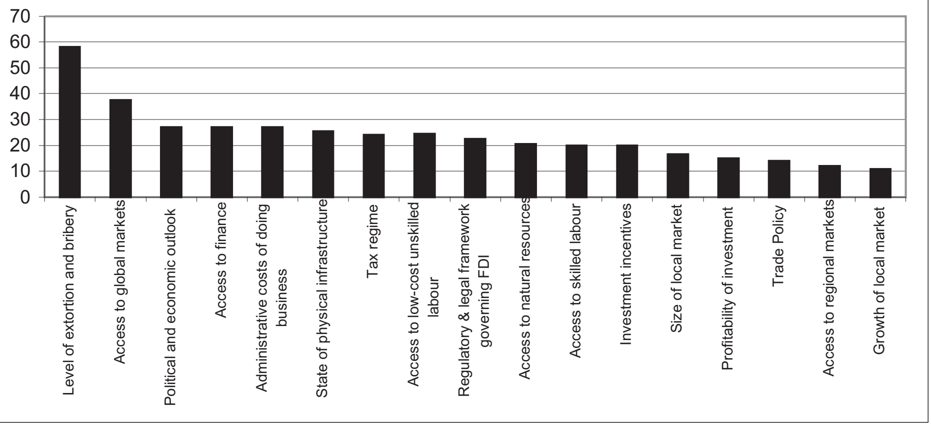
Investment is guided by hard fact and reputation. While Asia has developed a reputation for quality workmanship and low costs, Africa has developed a reputation for corruption, war and high costs. Changing that means building a new reputation based on the hard facts business wants to hear. That means cutting the costs of doing business: high transport costs due to poorly maintained roads, rail and ports; expensive and unreliable telephones; unreliable electricity; and major delays and high costs in licensing and imports due to corruption.

Action steps

- *Standards of behaviour:*
  – Condemn nations that violate the rules: SADC's failure to publicly condemn violations of the rule of law, corruption, economic mismanagement and undemocratic behaviour in member states leads potential investors to conclude that SADC condones such actions and thereby undermines the credibility of SADC as a whole.
  – Adopt SADC-wide macroeconomic and deficit targets: Demonstrate a commitment to fiscal discipline by adopting a pledge to maintain SADC-wide inflation, interest rate and government budget deficit targets.

- *Corruption:*
  – Fight the reputation for corruption with high-level prosecutions: Every SADC nation gives lip service to fighting corruption but almost none have fired or prosecuted guilty ministers. Leave politics aside and prosecute

What multinational companies say dissuades them from investing in Africa



corrupt officials or Africa's reputation for corruption and its actual levels of corruption will never change.
– Commission private auditors to audit government: Rigorously audit government books with private industry audit firms, publish the results and take action against unauthorised spending and tender violations.
– Cut import corruption: Paying bribes to obtain duty-free treatment of finished goods is a severe detriment to SADC manufacturers. Transfer customs clearance functions to private management firms with independent audits.

- *Legal protection and security of tenure:* Install constitutional protections against nationalisation, guarantee freedom to export capital. State ownership of land forces business to obtain myriad national, regional and sectoral approval, which fosters corruption and takes years to complete. Establish a free market in land ownership with a proper land register and security against claims of ancestral ownership.
- *Fix tariff specifics:* Africa has made general reforms, but God is in the details. Many detailed distortions of customs duties and regulations destroy specific African industries. Governments should work with existing industrial operations to specifically eliminate problems confronting business. Heads of state have the habit of referring everything to technical committees where reform drags on and often leaves severe distortions, damaging local industry. Accept that bureaucracies everywhere are slow and unresponsive unless specific top-level pressure is applied to change.
- *Genuine one-stop investment approval:* Many countries have 'one-stop investment centres', but they have not improved the speed of approvals or ease of action for investors. Do not allow them to add another layer to investment approval. Cut the number of approvals required and actually deliver on promises of 30- or 60-day project approvals. Staff them with government along with seconded business-people.
- *Create a regional statistical database:* Lack of reliable, consistent, quality statistical and business information hinders investment. Create and properly fund a regional database with up-to-date information on trade, demographics, customs procedures and duties, and key business indicators.
- *Cut corporate taxes:* SADC states have extremely narrow tax bases, collecting little from informal businesses and those willing to pay bribes while depending heavily on high formal sector taxes. Lighten the load on business by broadening the tax base with a SADC-standard VAT and proper collection of customs duties not paid due to corruption.
- *Stop complaining, promote Africa's advantages:* Governments — in any forum from newspapers to TV to speeches at investment conferences — should only pitch for investment in terms of tangible benefits and cost advantages.
- *Pool information on AGOA:* Help SADC business exploit the US AGOA by sharing information with business on its technical provisions and accelerating

government customs reforms needed to obtain the US duty-free trade access.

- *Encourage multiplier investment activity:* Take a 'regional corporate' view of investments within and without the region, involving finance, insurance, construction and manufacturing in up- and down-stream activities.
- *Work permits:* Build technical capacity and expertise through the easing of restrictions on highly-skilled foreigners. Difficulties in obtaining work permits for requisite skilled staff deter investors and increases transaction costs.

Summary and conclusions

This final section is divided between the character of the general environment necessary in the region and some immediate action steps that can make progress and achieve momentum in this direction. It is important in this regard to measure progress in, and thus the benefits of, the implementation of regional reforms.

Key regional characteristics and reforms

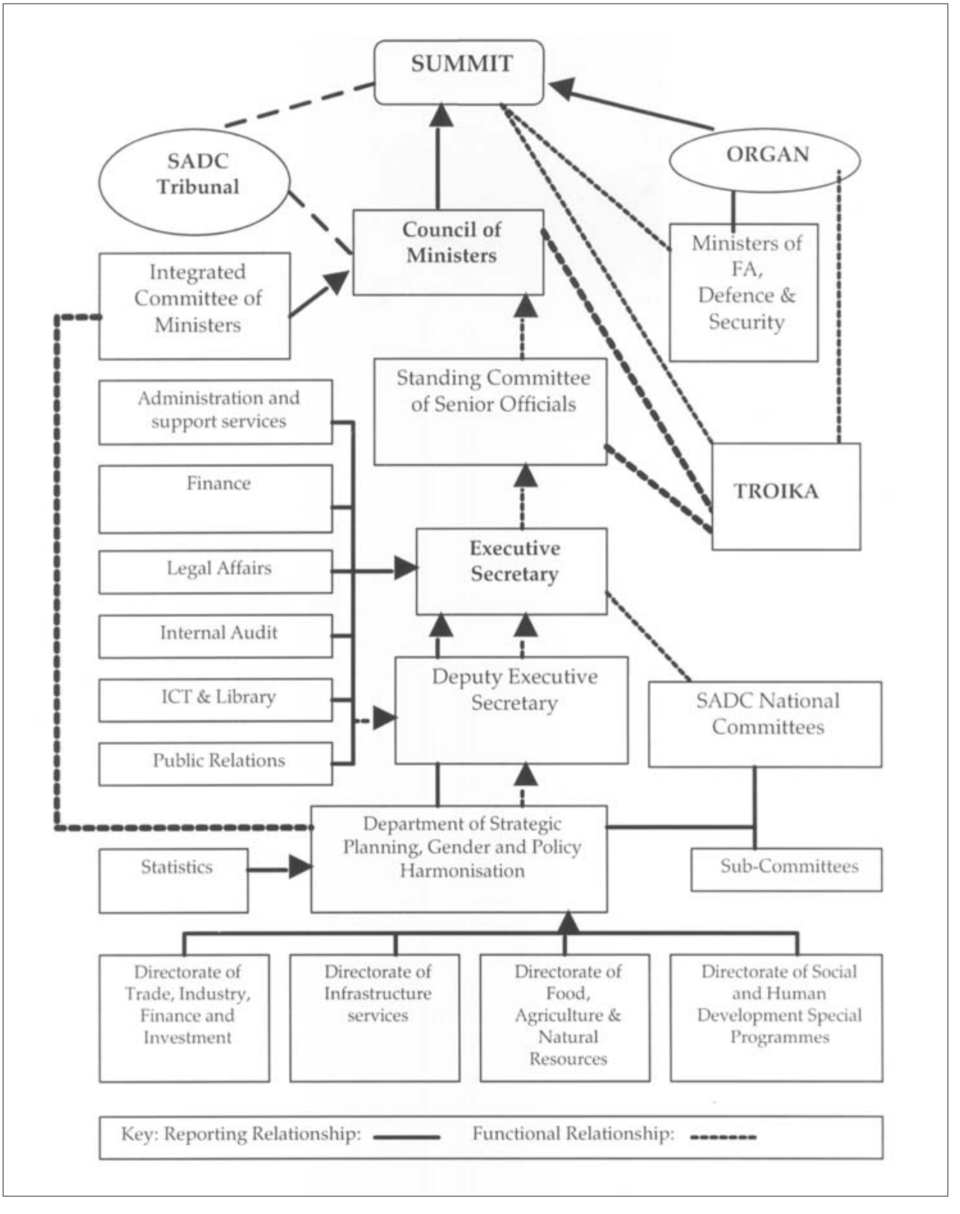
- Financial investments will come principally from the private sector. The role of government is to make it as easy as possible for private companies to realise opportunities.
- Security of tenure of investment and the rule of law are prerequisites for local and foreign investment.
- SADC must address corruption through highly visible prosecutions, transparent tendering procedures, swift customs reform, independent audits of government spending and the adoption of a code of conduct defining abuse of office, conflict of interest, and the fiduciary responsibilities of elected officials and civil servants.
- The costs of doing business are too high in SADC — from telephones to taxes to bad roads to inefficient ports to slow and corruption-plagued customs and government approvals. These must be addressed comprehensively for SADC to compete with Asia and other regions for investment.
- Macroeconomic policy must converge between SADC states in such areas as deregulation, liberalisation and currency exchangeability.
- SADC must accelerate privatisation in all sectors to bring badly needed outside expertise, to provide capital governments cannot afford and to improve service.
- The region needs comprehensive and investor incentive strategies including the simplification of tax regimes, the elimination of red tape and the removal of regulations harming local business growth.
- SADC states must pool their technical resources and exert their international influence to push for improved trade access and concessions in the next round of WTO negotiations.
- SADC states must jointly push for wider and deeper debt relief and new aid resources following the principles of the 'Africa Initiative'.
- SADC must radically improve the effectiveness of its own institutions.

- SADC nations must ensure their diplomatic staff actively support business.
- The region must foster deeper intra-African trade links and more meaningful co-operation blocs — which will also improve the leverage for external negotiation.
- The SADC region must improve levels of knowledge and skills that drive modern economies — to which end a massive investment in education is required. Development is not just about throwing money at problems, but improving the quality of management and skills.
- Southern Africa should brand its produce and penetrate new markets.

Immediate action steps

- *Healthcare:* Leadership to declare a public regional war on HIV/AIDS; offer tax breaks for funding education and treatment.
- *ICT:* Speed up privatisation and deregulation.
- *Infrastructure:* Set and implement SADC targets for reducing cross-border bottlenecks.
- *Energy:* Encourage personnel swaps.
- *Mining:* Deliver clear, competitive region-wide mining code.
- *Tourism:* Encourage charter flights; promote regional destinations; create common regional visa.
- *Financial services:* Draft standards of ethics.
- *Agriculture:* Replace government marketing boards.
- *Education:* Open education to foreign teachers; ease visa restrictions for foreign expertise.
- *Investment:* Improve efficiency of one-stop investment centres. Staff them with government and seconded business-people.

Appendix 1
New organisational structure of SADC



Appendix 2
Key SADC statistical tables

Population in SADC ('000)

Country	*% share in 1990*	*1990*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*
Angola	6.6	10,020	11,558	11,904	12,252	12,590	12,940	13,300
Botswana	0.9	1,301	1,459	1,496	1,533	1,572	1,611	1,651
DRC	24.5	37,440	43,900	45,280	46,600	47,900	49,300	50,498
Lesotho	1.1	1,720	1,930	1,970	2,010	2,060	2,100	2,150
Malawi	6.0	9,139	9,374	9,505	9,675	9,934	10,134	10,335
Mauritius	0.7	1,059	1,122	1,143	1,156	1,167	1,161	1,175
Mozambique	9.7	14,796	15,400	15,750	16,076	16,452	16,841	17,200
Namibia	0.9	1,409	1,590	1,635	1,678	1,723	1,769	1,816
Seychelles	0.0	70	75	76	77	79	80	81
South Africa	21.8	33,268	39,477	40,342	41,227	42,131	43,054	43,800
Swaziland	0.5	769	908	938	970	995	1,020	1,031
Tanzania	15.9	24,300	28,400	29,200	30,000	30,800	31,600	32,557
Zambia	5.1	7,800	9,100	9,500	9,800	10,100	10,423	10,724
Zimbabwe	6.4	9,789	11,526	11,908	12,294	12,685	13,079	13,476
SADC	**100**	**152,880**	**175,820**	**180,646**	**185,348**	**190,188**	**195,112**	**199,794**

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 % of 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)

Total external debt ($ millions)

Country	*1997*	*1998*	*1999*	*% changes 1998–99*	*Absolute changes*
Angola	9,838	11,223	10,915	–2.74	–308
Botswana	562	516	649	25.78	133
DRC	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	7,663	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
North Africa	92,131	93,971	91,460	–2.67	–2511
Africa	313,502	323,954	319,017	–1.52	–4937

Endnotes

1 *Business Day*, 3 August 2001.
2 There is an understandable tendency for SADC-orientated research to be 'southward looking'. For the countries in the northern and eastern regions of the SADC territorial area, linkages with their contiguous neighbours and Comesa in general are important factors. While the Comesa picture is mixed, the dire warnings of economic collapse in Kenya, should they materialise, would be acutely damaging for its SADC neighbours.
3 Cleary S, 'Variable geometry and varying speed: An operational paradigm for SADC' in Clapham, Mills, Morner & Sidiropoulos (eds), *Regional Integration in Southern Africa*. Johannesburg: SAIIA, 2001.
4 http://www.undp.org/hdr2001/
5 *UN Integrated Regional Information Network* (*IRIN*), 7 August 2001.
6 *Business Day*, 3 August 2001.
7 *Population Movements Into South Africa: Trends, Outlooks, Policies*. Johannesburg: Foundation for Global Dialogue, 1995.
8 Illegal immigrant figures are by definition difficult to verify. Most commentators dismiss claims of between 4–11 million illegals, a figure given credence by a 1994–95 HSRC study.
9 'The lives and times of African migrants and immigrants', Southern African Migration Project, *CROSSINGS*, 3, 2, June 1999.
10 *SADC Annual Report 2000*. Gaborone: SADC, 2000.
11 Tabular figures extracted from *SADC Human Resources Development Report 2000*. Mbabane: SADC, February 2000.
12 Tabular figures extracted from the *SADC Human Resources Development Report 2000*. Mbabane: SADC, February 2000.
13 In the case of South Africa, the regional distribution of doctors and nurses is highly uneven with formerly 'white' urban areas enjoying world-class ratios, while rural areas, such as the Eastern Cape, are markedly underserviced.
14 The concept of globalisation is far from uncontested. For an overview of these debates see: Hay C and D Marsh (eds), *Demystifying Globalisation*. London: Macmillan, 2000. Much of the following data is gleaned from the comprehensive account of globalisation and its implications for South and Southern Africa provided by Mills G in, *The Wired Model: South Africa, Foreign Policy and Globalisation*. Cape Town: Tafelberg, 2000.
15 For example, the projected shortage of maize in SADC in the next two years has been exacerbated by the unforeseen increased demand from Japan for South African non-genetically modified yellow maize.

16 'Boom time', *Sunday Times Business Times*, 26 August 2001.

17 USAID figures as reported in the UN General Assembly Special Session on HIV/AIDS, June 2001, on http://www.reliefweb.int/IRIN/webspecials/hiv_aids/sa_communities

18 Health is defined by the WHO as a state of complete physical and mental well-being.

19 www.worldbank.org/aids

20 Based on figures provided by two South African listed companies involved in the transport industry.

21 *Sunday Times Business Times*, 29 July 2001. On investor sentiment see also the Political and Policy Uncertainty in South Africa (PUSA) Project, at www.pusa.org.uk

22 http://www.sadcreview.com

23 Madakufamba M, 'SADC on restructuring mission', *SARDC*, 16 February 2001.

24 There is a widely held view that the inclusion of the DRC into SADC was a (geo-political) strategic mistake.

25 At the time of writing some progress on land reform and the suspension of illegal land invasions had been achieved through the Abuja agreement. Encouragingly SADC, the British government and the UNDP have all offered to play a role in the resolution of the issue.

26 As quoted by Madakufamba M at www.sardc.net/editorial/sanf/2001

27 British Council, Prague Conference, 1998.

28 The exclusion of entities such as the Development Bank of Southern African and the African Development Bank from this discussion is not to diminish the positive role played by these institutions, but they do not carry the weight of importance of the Bretton Woods institutions in the region.

29 See for example, Sahn D, P Dorosh & S Younger, *Structural Adjustment Reconsidered: Economic Policy and Poverty in Africa*. New York: Cambridge University Press, 1997.

30 As quoted by Fidler S, 'Wolfensohn comes under fire', *Financial Times*, 30 August 2001.

31 Ibid.

32 The phrase 'faster, broader, deeper' debt relief characterises the thrust and ethos of the enhanced initiative.

33 For example, the Nikkei Index on the Tokyo Stock Exchange was driven below 10,000 for the first time since 1984.

34 Special Report, 'The world economy', *The Economist*, 25-31 August 2001.

35 SADC Annual Report 2001/02.

36 'Japan surprises market', *Business Day*, 15 August 2001. See also 'Bank of Japan hints at unavoidable recession', *Financial Times*, 15 August 2001.

37 'SA a tough place to get a new business going', *Business Day*, 16 August 2001.

38 Figure provided by South African Housing Minister Mahanyele in response to a question in Parliament, August 2001.

39 The Malaysian investment in Telkom is but one case in point.

40 http://sadcreview.com/sectoral/reports/202001/finance.htm

41 SADC Annual Report 2001/02.

42 Ibid.

43 Ibid, p 6.

44 Ibid.
45 'Boom time', *Sunday Times Business Times*, 26 August 2001.
46 SADC Southern Africa Economic Summit 2000, pp 46-47.
47 Bratton M & Bob Mattes, 'Popular economic values and economic reform in Southern Africa', *Afrobarometer Paper*, 10, 15 August 2001.
48 Ibid.
49 Ibid.
50 *SADC Human Development Report 2000*.
51 'Capital flight worries bankers', *Business Day*, 15 August 2001.
52 'Investment in Africa dips', *Business Day*, 7 August, 2001.
53 *Businessmap SADC FDI database 2000.*
54 Personal interview, May 2001.
55 SADC Consultative Conference, 1999, p.82.
56 Thompson C, Gold Fields CEO cited in *Business Day*, 8 August 2001.
57 'Economy still in line to grow 3 percent ', *Business Day*, August 15, 2001.
58 Exemplary de-mining work is being conducted in Mozambique with the assistance of international development agencies, which has the potential to benefit Angola, should the civil war be brought to a peaceful conclusion.
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60 Gamba V, 'Small arms in Southern Africa: Reflections on the extent of the problem and its management potential', *ISS Monograph Series* 42, Institute for Security Studies, Pretoria, November 1999.
61 'SADC heads admit Zimbabwe worries,' *Business Day*, 15 August 2001.
62 Shaw M, 'Organised crime and state response', in Clapham et al, op cit, 2000, p 115.
63 Ibid, pp 115-116.
64 As quoted in: Msutu F, 'Responses to organised crime in SADC: Interpol and SARPCCO' in, Goredema, C (ed) 'Organised Crime in Southern Africa: Assessing Legislation', *ISS Monograph No. 56*, Pretoria, 2001.
65 Ibid, p 17.
66 Shaw, op cit, p 120.
67 Mainwaring S, 'Party Systems in the Third Wave', *Journal of Democracy*, 9, 3, 1998.
68 As quoted in Schikonye L, *The Functioning and Funding of Political Parties in the SADC Region*. Institute for Democracy and Electoral Assistance, 1999.
69 'Number of tourists to SA has declined', *Business Day*, 3 September 2001.
70 SARDC, 'State of The Environment Zambezi Basin' www.sardc.net/imercsa/zambezi2000/summary/future.htm
71 See http://www.wttc.org

Select glossary of acronyms

AGOA	Africa Growth and Opportunity Act
Comesa	Common Market for Eastern and Southern Africa
DRC	Democratic Republic of Congo
EAC	East African Community
EU	European Union
FDI	Foreign direct investment
FTA	Free trade area
GDP	Gross domestic product
GEAR	Growth Employment and Redistribution
GNP	Gross national product
HDI	Human Development Index
HIPC	Heavily indebted poor countries
IDG	International Development Goal
IMF	International Monetary Fund
IOR-ARC	Indian Ocean Rim Association for Regional Co-operation
IT	Information technology
LDC	Least developed country
MAP	Millennium Partnership for Africa Recovery Programme
NAI	New Africa Initiative
Nepad	New Partnership for Africa's Development
NGO	Non-governmental organisation
ODA	Official development assistance
OPDS	Organ on Politics, Defence and Security
PRSP	Poverty reduction strategy papers
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDI	Spatial development initiative
UK	United Kingdom
UN	United Nations
UNCTAD	UN Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	UN Economic Commission for Africa
US	United States
USAID	US Agency for International Development
WHO	World Health Organisation
WTO	World Trade Organisation