

S A D C

Inter - Regional Comparative Report

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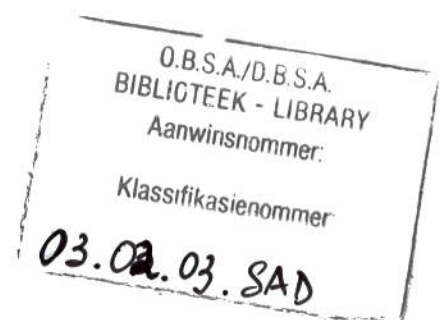
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of Southern Africa

SADC Inter-Regional Comparative Report

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Preface

Relations between the member countries of the South African Development Community (SADC) encompass cooperation and competition. Economic cooperation occurs across the national borders of southern Africa with varying degrees of rigor and intensity. Bilateral treaties and multilateral fora interconnect the economies of the region to varying degrees. Differences in the natural endowments, demographic features and socio-economic conditions influence the willingness and ability of the member countries to cooperate. An understanding of these differences will inform decisions aimed at improving the quality of life in the SADC region.

Broadly speaking, the fourteen member countries of SADC compete with one another in two respects. They compete to attract private sector investment. In addition, competition amongst SADC member states is rife for development interventions in the form of expenditure, investment and development finance by development institutions.

Information highlighting the relative attractiveness of the respective countries' economies is essential to foster competition. Factor endowments, locational factors, infrastructure and economic performance are some of the factors investors take into account in deciding on whether to initiate operations in any foreign country. Development agencies like the World Bank, African Development Bank and the Development Bank of Southern Africa, in contrast, require information reflecting the socio-economic landscape as it encroaches on development in the member countries.

This publication provides information in an attempt to assist readers in determining the relative competitiveness of the member countries in both dimensions. Since the role of the Development Bank of Southern Africa is primarily developmental – its aim being to address the socio-economic imbalances in the southern African region and to improve the quality of life for all – this publication emphasizes information describing conditions stifling development of the economies of SADC member states.

A database of the most recent and accurate information pertinent to development is a useful tool in support of effective marketing and difficult negotiations by respective member countries. This publication examines each of the member countries in terms of selected criteria that determine their relative competitiveness and serve to evaluate any one member state in relation to another. It must be emphasized that the findings are based on specific criteria.

The intention of the authors is not to provide an in-depth analysis of the differences between the countries with regard to the various dimensions identified. Rather, the aim has been to provide the reader with a broad graphical presentation of the relative position of the countries in the region. The accompanying concise text is intended to highlight the salient differences between the countries.

Section 1 compares SADC member states in terms of their main dimensions: demography; labour and employment; infrastructure; economy; public finance; foreign economic relations and prices. The comparisons are made for the most recent year for which analogous data is available. The cross-section analysis of Section 1 shows the relative position of each country in comparison to the other member countries of SADC. Section 2 provides a brief time-series analysis of the same eight major economic indicators for each country. This section provides a concise overview of the economic trends of the respective countries over the past fifteen years.

Reliable socio-economic data for the countries in southern Africa is limited and there are considerable differences between the countries with regard to the availability and quality of data. This publication relied primarily on the data in Ekobest's Country Risk Profiles, which were commissioned by DBSA. An attempt was made to use the most reliable sources of information that were analogous between the member countries. The major source of information was the Live Database of the World Bank, which was supplemented by information from, *inter alia*, the United Nations Development Programme (UNDP), Country Profiles and Country Reports of the Economist Intelligence Unit (EIU), the International Financial Statistics of the International Monetary Fund (IMF) and various country information sources.

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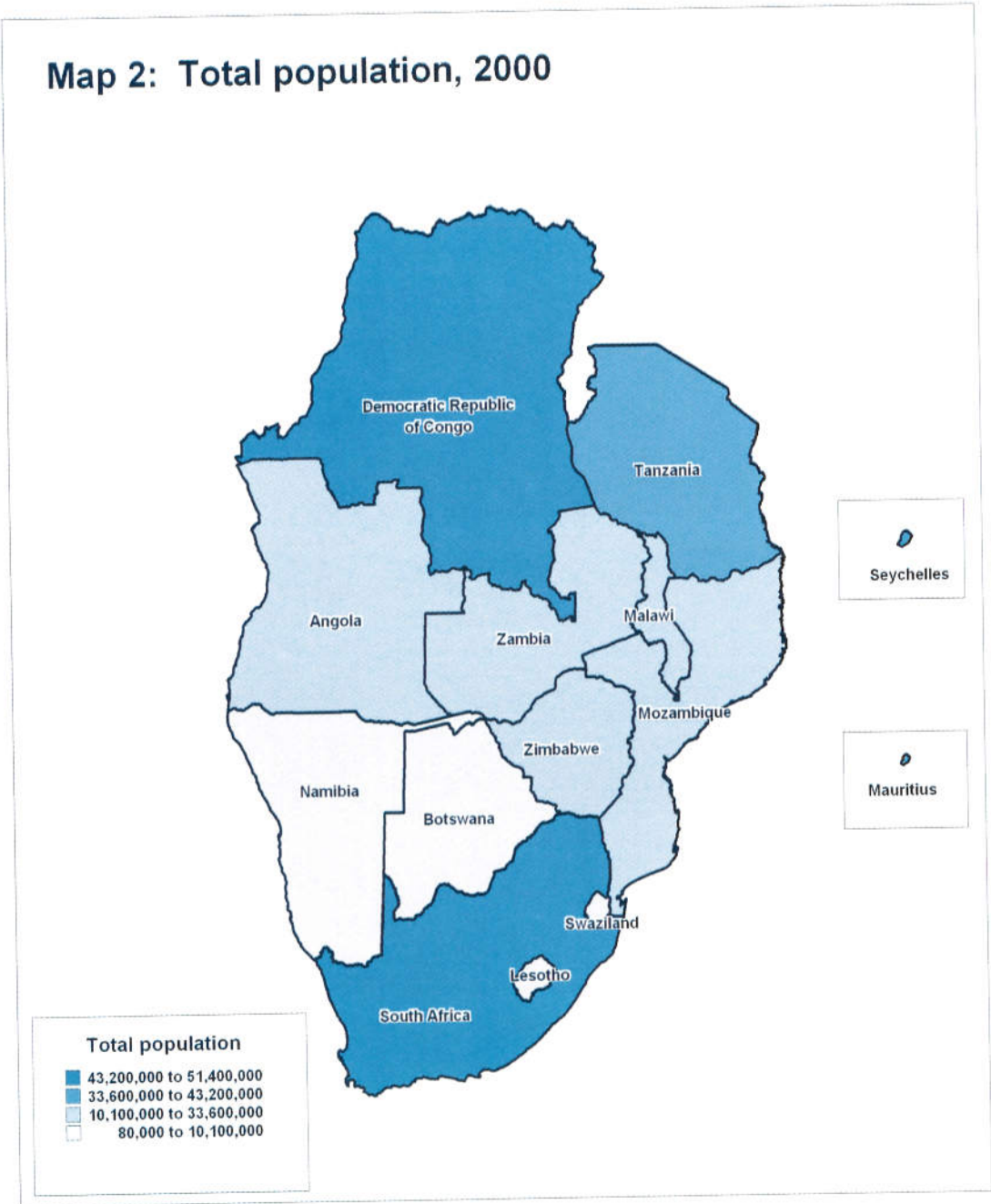
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Map 1: Southern African Development Community (SADC)



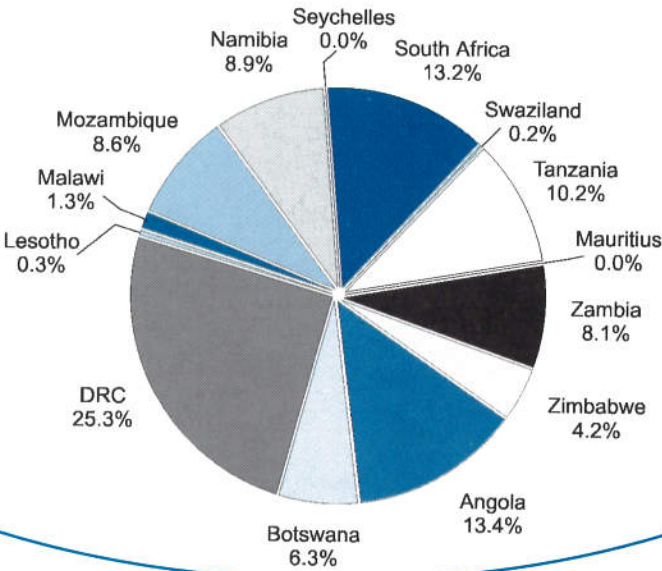


Section I: Inter-country comparisons

Demography

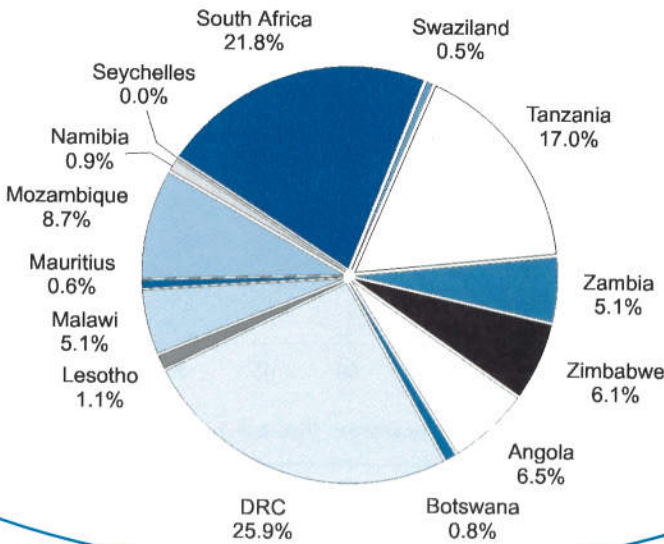
The total area of SADC is 9 277 million km². The large variance in the relative size of the member countries is clearly illustrated by fewer than half of the countries comprising 88 percent of the total surface area. The DRC, Angola and South Africa cover close on 52%.

Figure 1.1: Land area



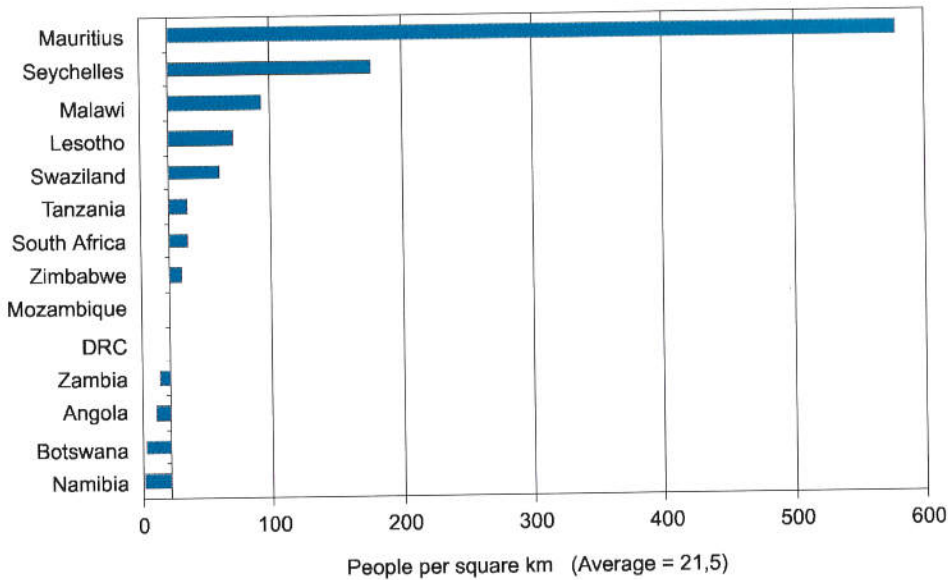
The combined population of the SADC member states in 2000 totalled almost 200 million. Countries with the largest share in the total population are the DRC (25,8%), South Africa (21,5%) and Tanzania (16,9%). Seychelles, Swaziland and Mauritius, on the other hand, have the smallest populations with relative shares of 0,04%, 0,5% and 0,6%, respectively.

Figure 1.2: Total population, 2000



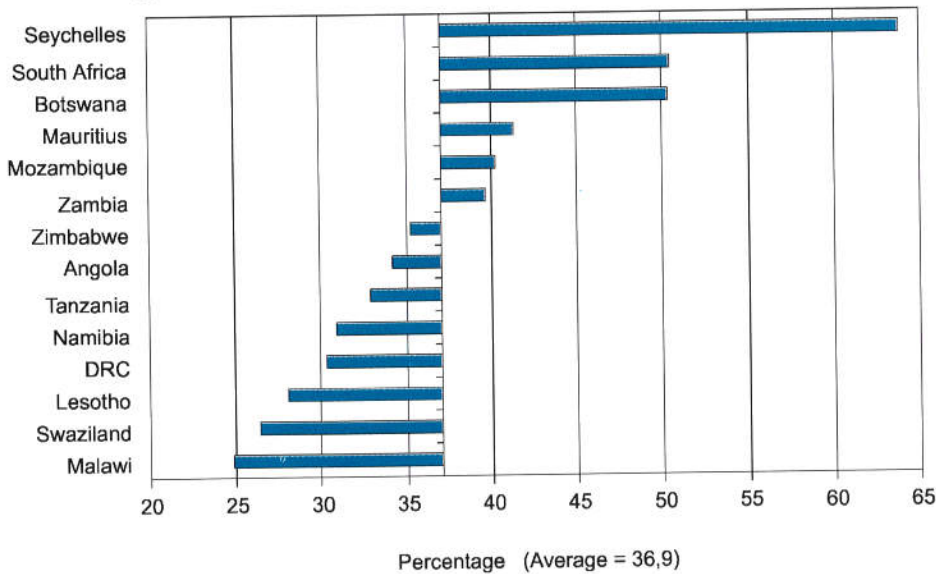
The relatively small geographical surface areas of Mauritius and Seychelles result in them having the highest population density figures of 578 and 177 persons per km², respectively. Botswana and Namibia have by far the lowest population density figures of 2,8 and 2 persons per km² respectively. Compared with other countries in, for instance Europe and Asia, the population density in SADC is relatively low. Average population density figures, however, tend to be misleading since high concentrations of people occur in a few metropolitan and urban areas.

Figure 1.3: Population density, 2000



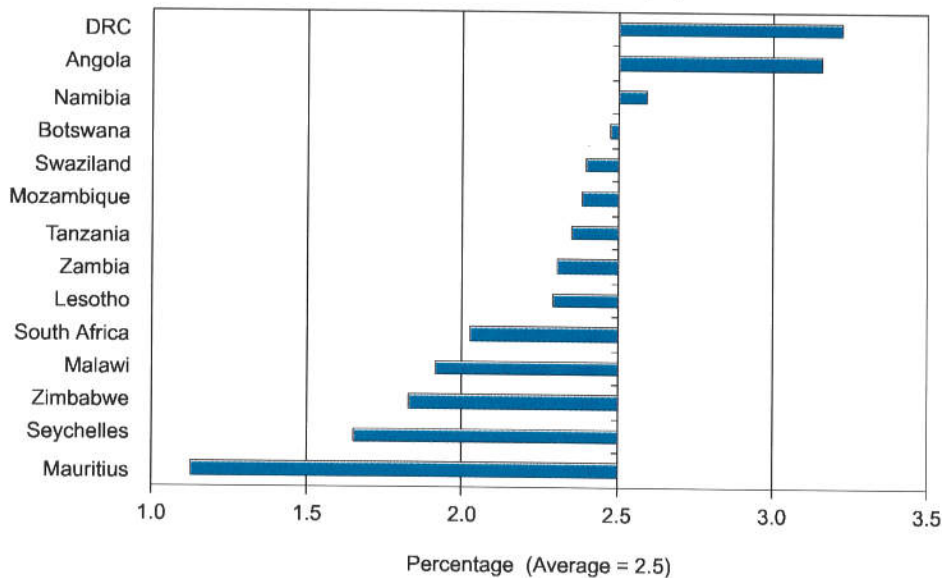
The level of urbanisation in SADC is on average relatively low (36,9%). A large variance in this rate occurs between the different SADC countries, varying between a low of 24,9% in Malawi to a high of 63,8% in Seychelles. Other countries that have levels of urbanisation significantly higher than the average are South Africa and Botswana.

Figure 1.4: Urban population as % of total, 2000



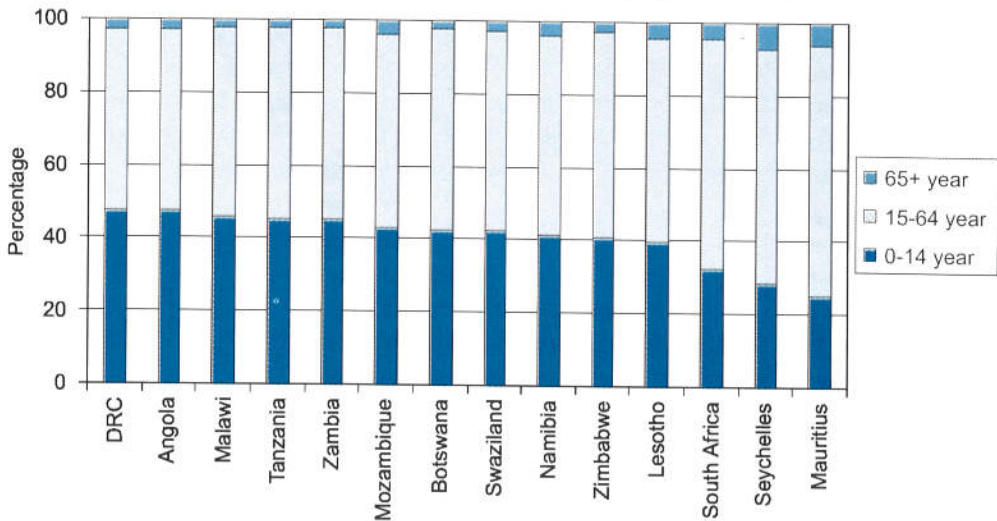
The DRC reveals the highest population growth rate. Given that the country has the largest population of all SADC member countries, the share of the DRC in the region’s total population is set to increase significantly in the foreseeable future, if current trends persist. In contrast, countries with the smallest populations reveal the lowest population growth rates.

Figure 1.5: Population growth (%), 2000



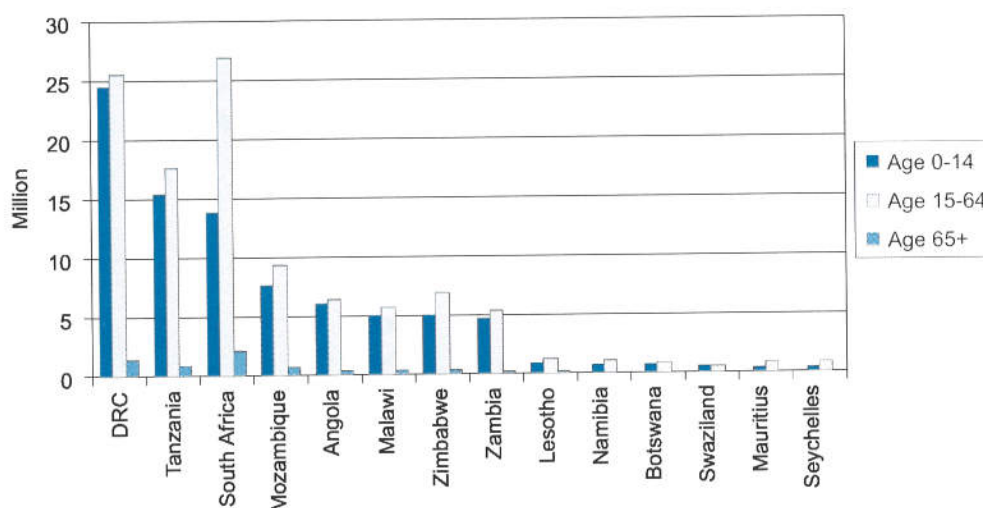
One reason for the above average growth rates in the DRC and Angola is the age structure of the population in these countries. The mentioned populations are relatively young which implies that these populations have a higher potential for natural growth than the rest of the member countries. Countries that revealed the lowest population growth rates, Seychelles and Mauritius, have the lowest proportion of people younger than 15 years of age.

Figure 1.6: Age structure of the population, 2000



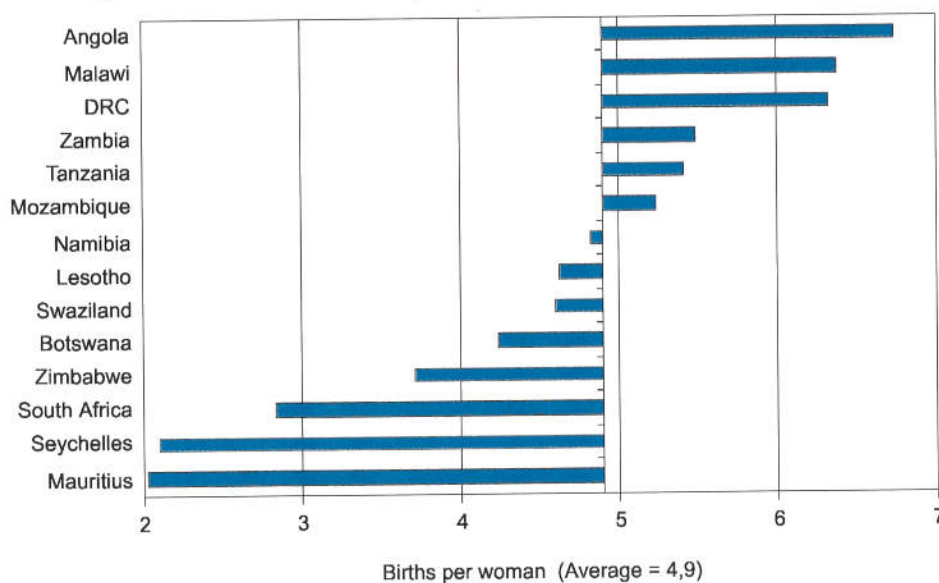
Although the DRC (51 million) has a larger population than South Africa (43 million) the latter has a larger working-age population, which is a reflection of the fact that South Africa has a relatively mature population.

Figure 1.7: Population by age group, 2000



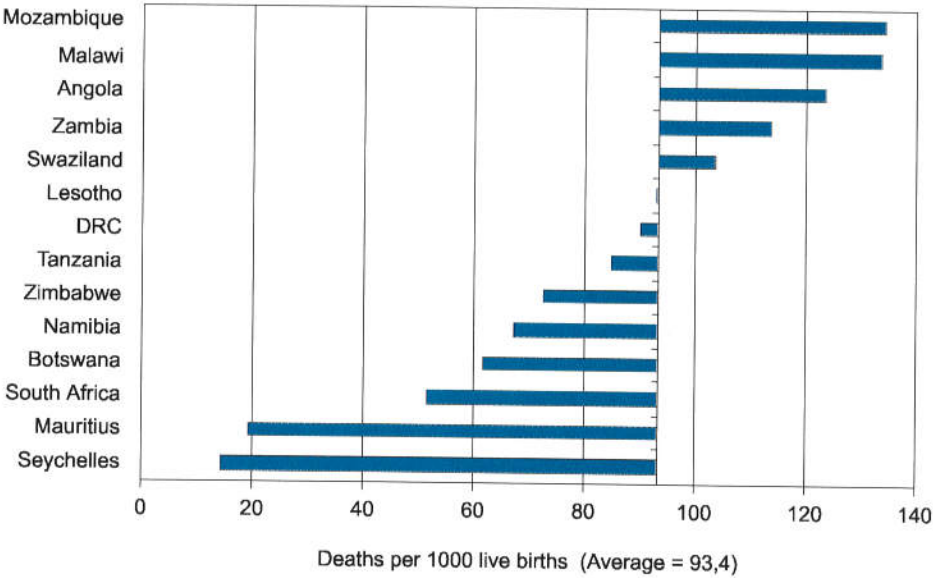
On average, a direct correlation exists between population growth and the fertility rate. Countries such as the DRC and Angola having the highest population growth rates also registered the highest fertility rates. Countries with the lowest growth rates, South Africa, Seychelles and Mauritius, recorded the lowest fertility rates. There are, however, exceptions. Malawi, for instance, recorded the second highest fertility rate but experienced relatively low population growth. This phenomenon is depicted in the following graph.

Figure 1.8: Total fertility rate (births per woman), 1998



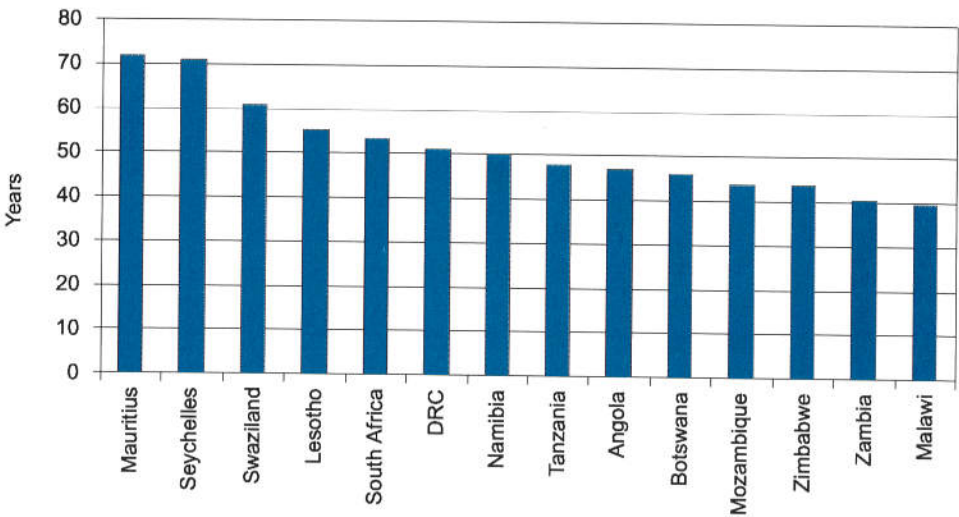
Another important determinant of population growth is the infant mortality rate. In some countries the population growth resulting from a high fertility rate is negated by above average mortality rates. Malawi is a notable example.

Figure 1.9: Infant mortality rate (per 1000 live births), 1998



Life expectancy at birth varies from a high of over 70 years in the Indian Ocean Islands of Seychelles and Mauritius to a low of 42 years in the case of Zambia and Malawi. There is, as can be expected, a strong correlation between the mortality rate as depicted in the previous graph and life expectancy.

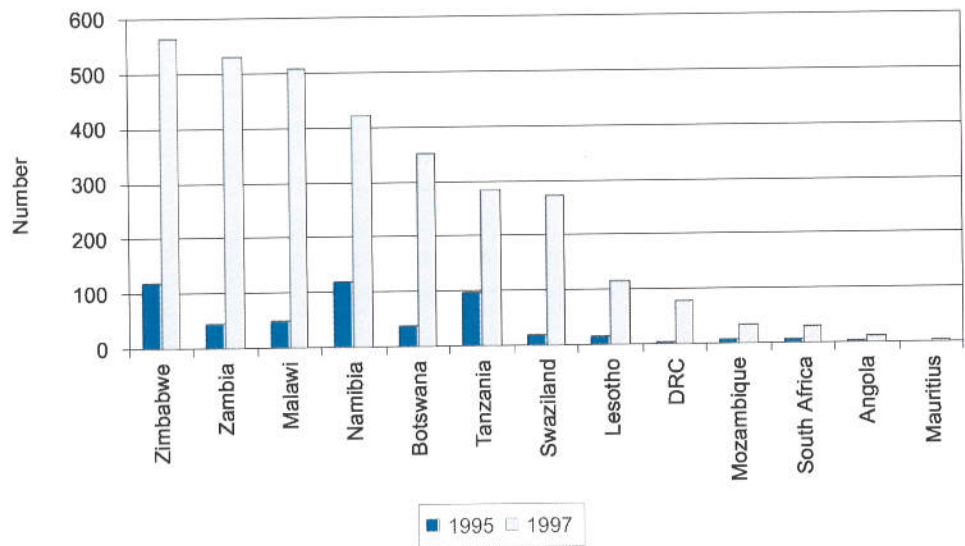
Figure 1.10: Life expectancy at birth, 1998



Health

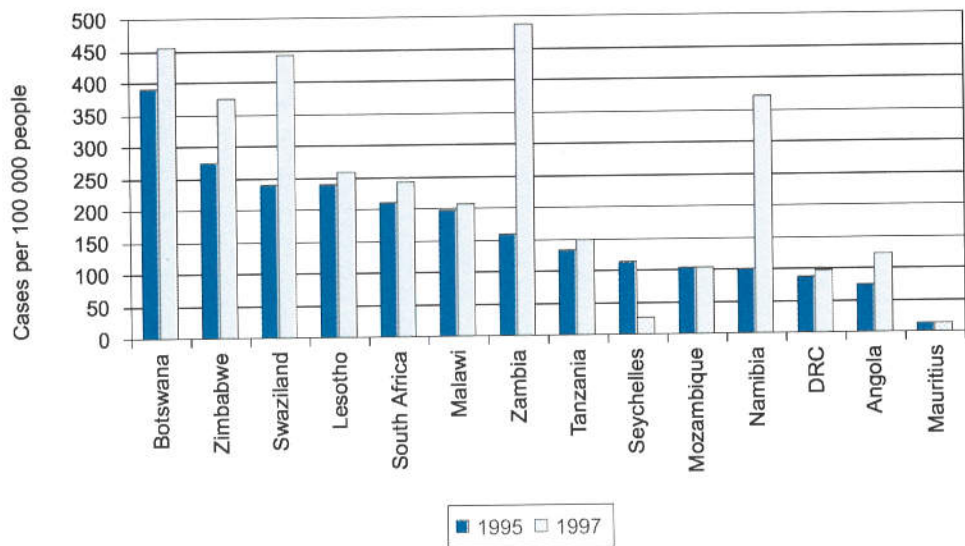
The first observation regarding the prevalence of AIDS in every member country, is the exponential growth of this pandemic during a relatively short period of time. There is a large difference in the incidence of the disease between the member countries, varying between the highest in the case of Zimbabwe, Zambia and Malawi to the lowest in the Indian Ocean Islands. It should, however, be noted that the accuracy of the reported cases is highly questionable.

Figure 1.11: AIDS cases per 100 000 people, 1995 and 1997



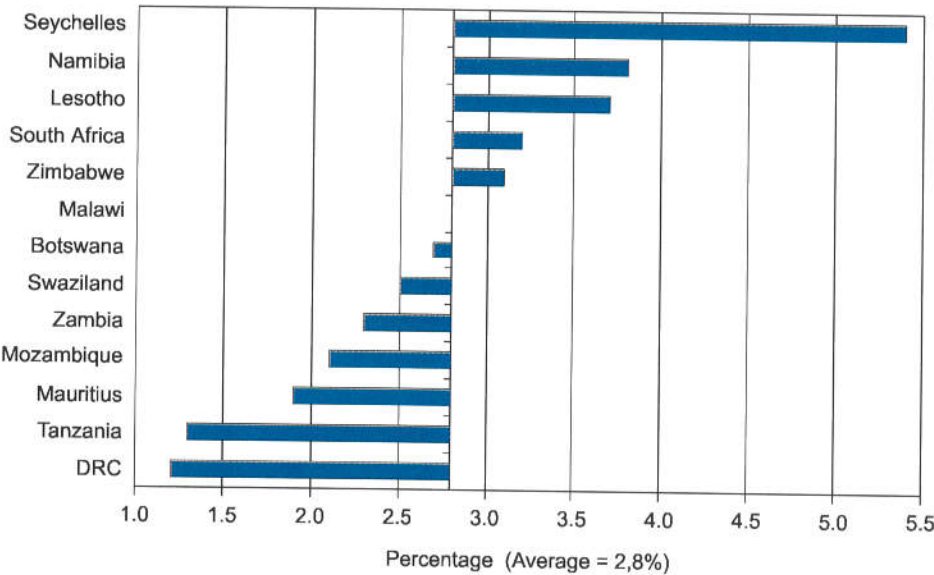
An alarming observation regarding the incidence of tuberculosis is that the number of cases per 100 000 people increased in all the member countries, with the exception of Seychelles. Seychelles experienced a decrease in the incidence of tuberculosis and in Mauritius the incidence of the disease remains unchanged. The three countries experiencing the highest increases are Swaziland, Zambia and Namibia.

Figure 1.12: Tuberculosis cases per 100 000 people, 1995 and 1997



The average public expenditure on health of SADC member countries is on par with low and middle-income countries of 2,8% and exceeds the global average of 2,5%. Seychelles, with an expenditure percentage of 5,4%, heads the list and nears the average for high-income countries of 6,2%. The DRC, on the other hand, is in the bottom position having an average expenditure of 1,2% of GDP.

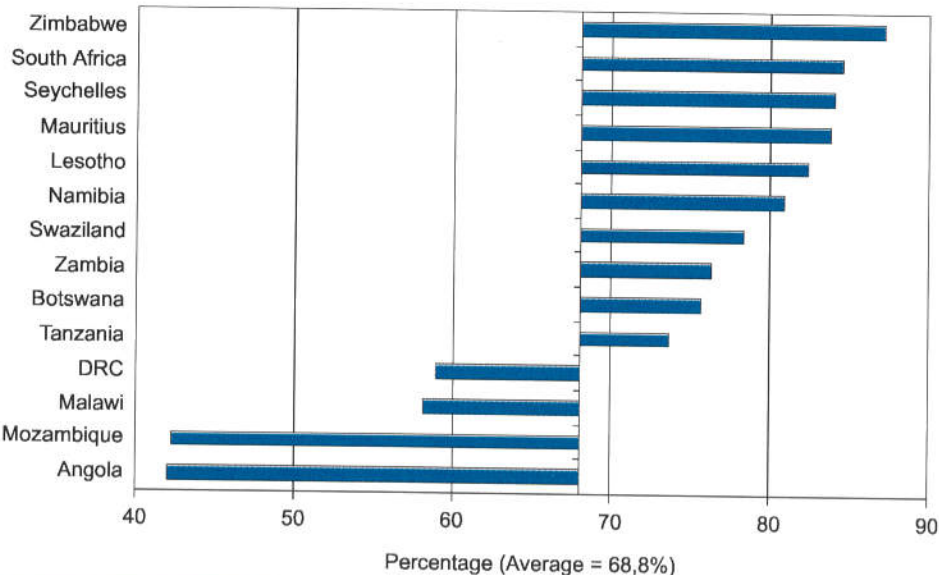
Figure 1.13: Public expenditure on health as % of GDP, 1996-8



Education

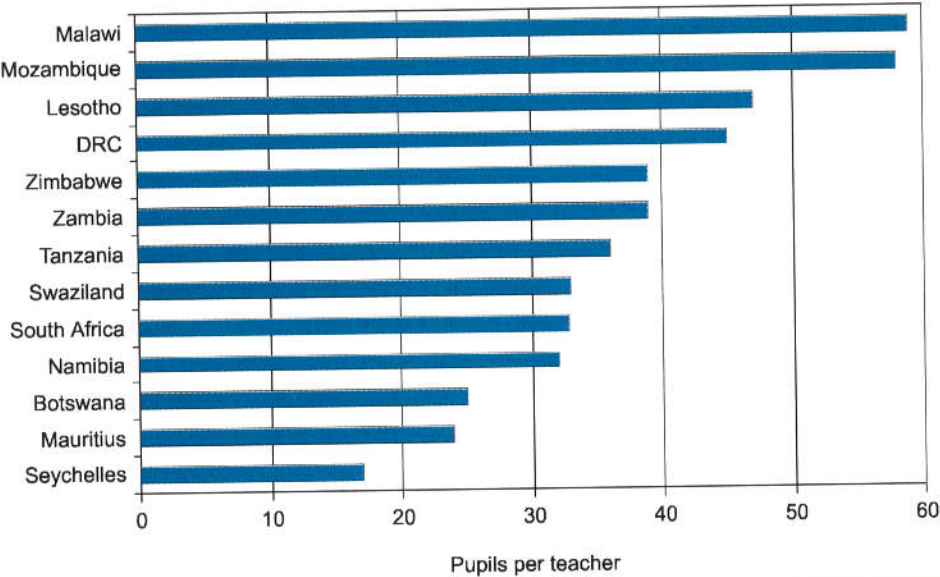
Adult literacy rate, to a large extent, reveals the quality of the labour force as well as quality of life in a country. Zimbabwe has the highest literacy rate (87,2%) followed by South Africa and the Islands of the Indian Ocean. War-torn countries, on the other hand, have the lowest adult literacy rate with Mozambique and Angola at the bottom of the list. This is mainly due to these countries spending a relatively small percentage of public expenditure on education as depicted in Figure 1.16.

Figure 1.14: Adult literacy rate, 1998



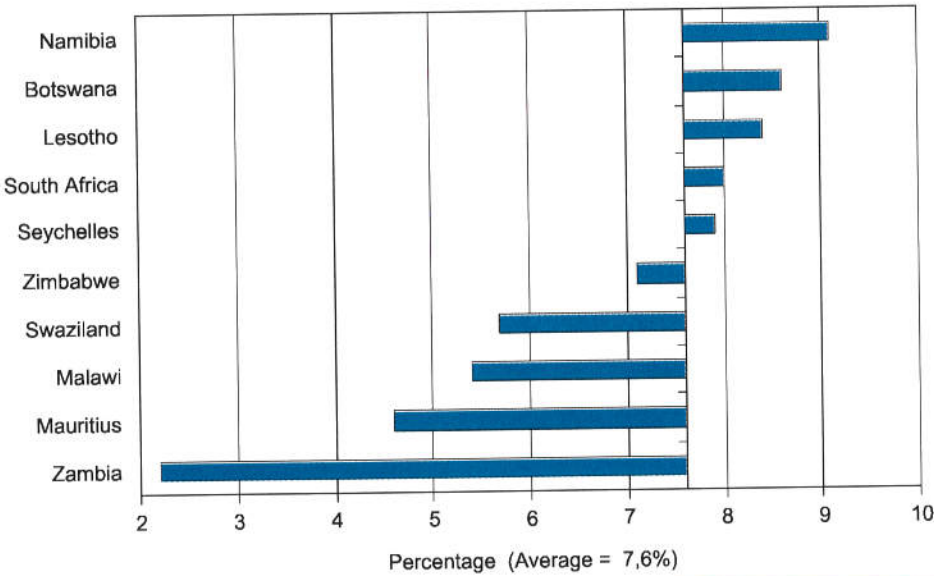
The number of pupils per teacher determines to a large extent the effectiveness and efficiency of the schooling system in a country. There is also a strong correlation between this ratio and the adult literacy rate as depicted in Figure 1.14. Zimbabwe is an exception in this trend.

Figure 1.15: Primary pupil-teacher ratio, 1996



The countries with the lowest pupil-teacher ratios are, in general, also the countries that allocate a relatively large percentage of their public expenditure on education.

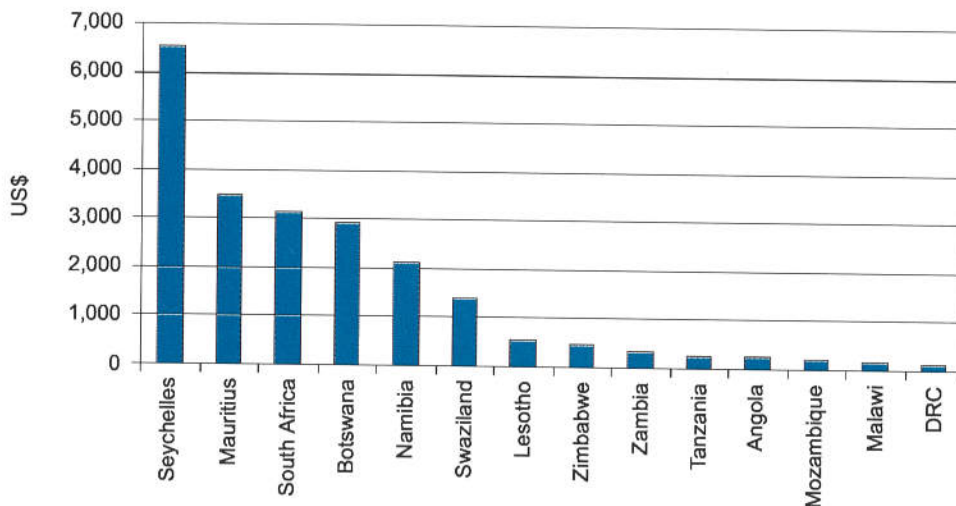
Figure 1.16: Public expenditure on education % of GNP, 1995-7



Poverty

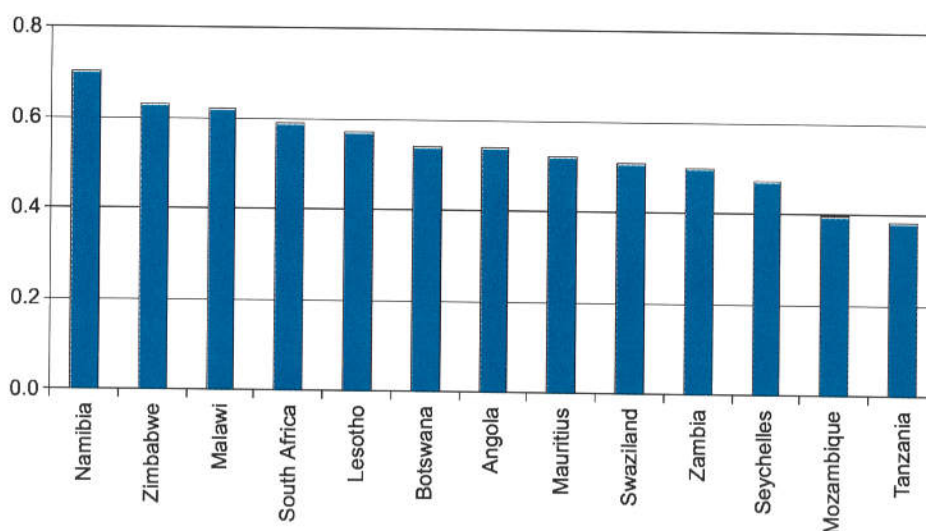
Per capita Gross National Income (GNI) provides an indication of the welfare of citizens in any particular country. There is a marked difference in these figures amongst SADC member countries, ranging from US\$129 to US\$6 527. Six countries, namely Zambia, Tanzania, Angola, Mozambique, Malawi and the DRC fall in the low income group of US\$410 per capita and lower. The average for SADC is US\$933 per capita. The four countries with the highest income per capita are Seychelles, Mauritius, South Africa and Botswana.

Figure 1.17: GNI per capita, 1998 (US\$)



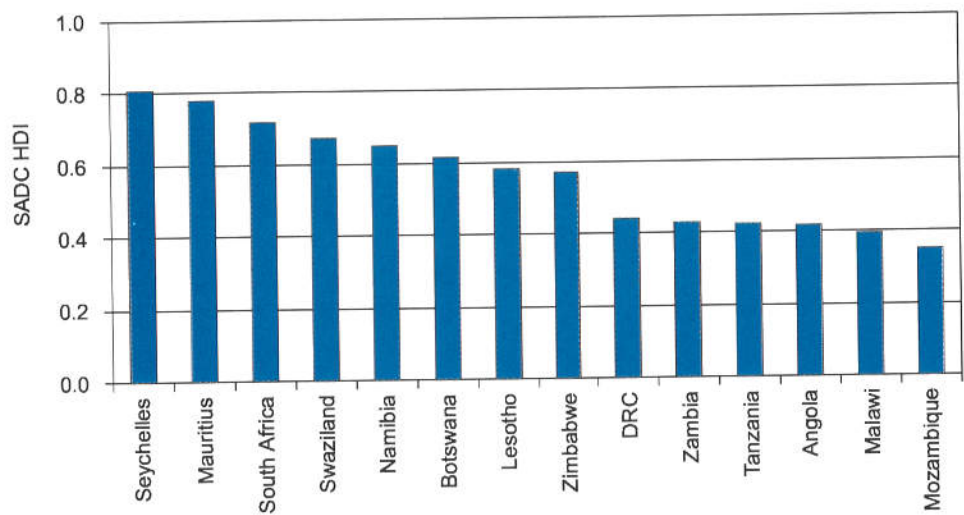
The Gini coefficient is a measure of income inequality. A Gini coefficient of zero represents perfect equality whilst that of 1 implies total inequality. Not only is the distribution of income between the member countries extremely uneven but is uneven amongst citizens residing in each member country. Most of the member countries have a coefficient value higher than 0,5 with Namibia heading the list.

Figure 1.18: Gini coefficients, 1980-98



The human development index is a composite, relative index, which attempts to quantify the extent of human development of a community. It is based on measures of life expectancy, literacy and income. It is thus seen as a measure of people's ability to live a long and healthy life, to communicate, to participate in the life of the community and to generate sufficient resources to make a decent living. There is an obvious distinction between the countries with above-average HDIs and those below.

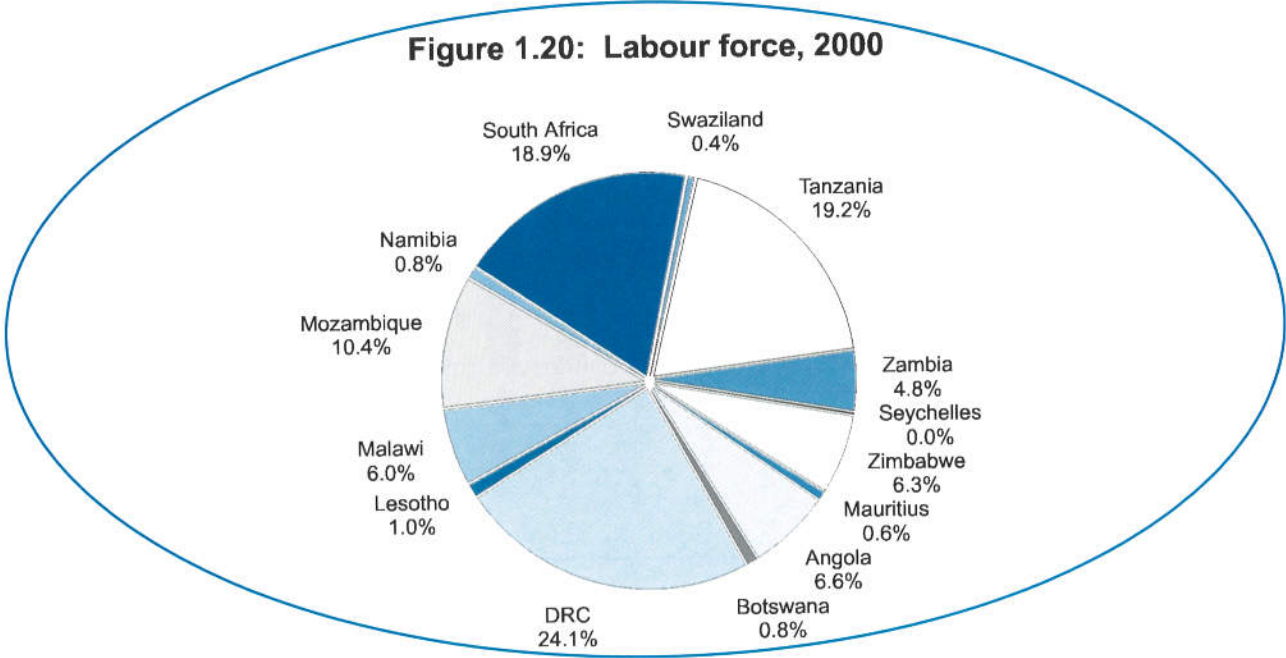
Figure 1.19: SADC-specific Human Development Index, 1998



Labour

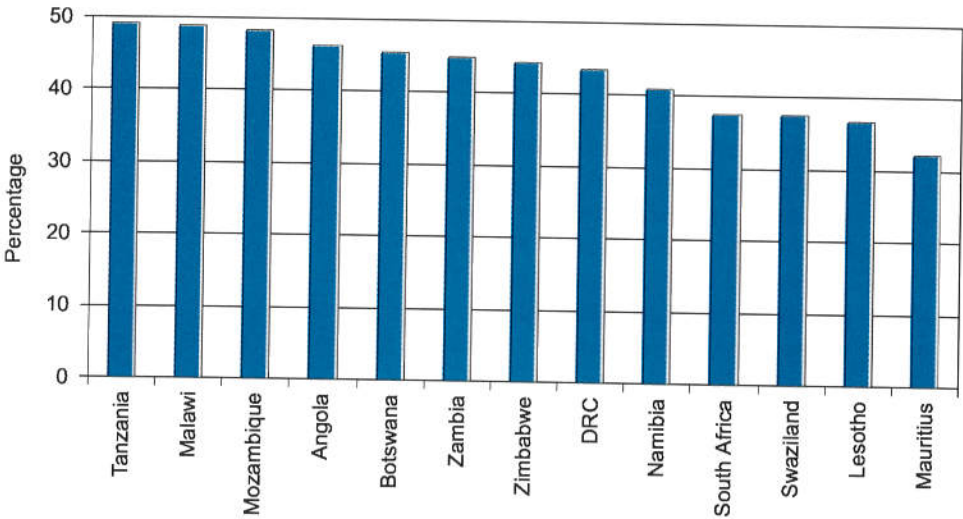
The labour force depicts the supply of labour in a country. The four largest countries in terms of labour force, the DRC, Tanzania, South Africa and Mozambique, contribute 73% to the total labour force of 89,1 million of SADC. The composition of the labour force generally mirrors the distribution of the population, with the exception of Tanzania and Mozambique where their contributions to the labour force exceed the relative share in the total population.

Figure 1.20: Labour force, 2000



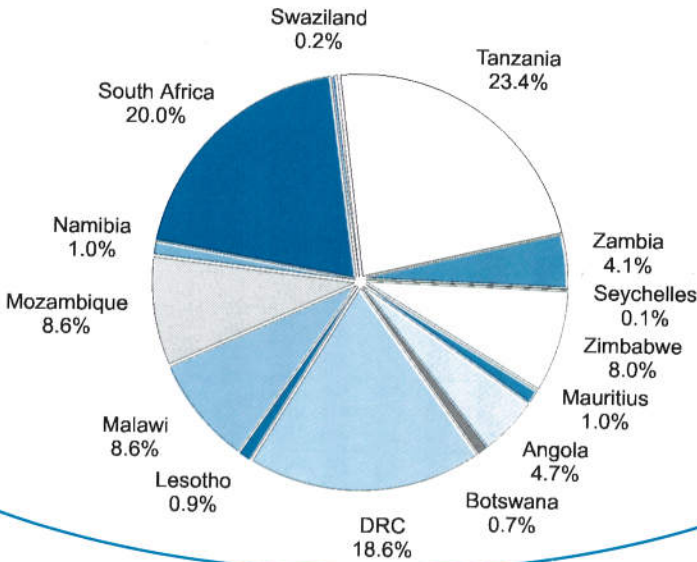
A phenomenon with regard to the gender composition of the labour force that comes to the fore is that the countries with the lowest income per capita are those countries where a relatively large percentage of women are compelled to enter the labour force to contribute to the household income.

Figure 1.21: Females as share of total labour force, 1998



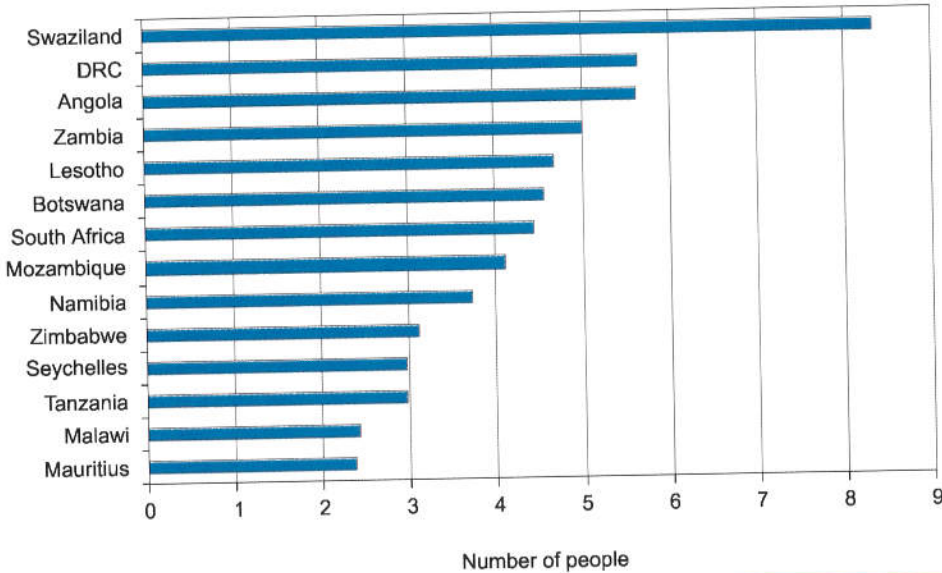
Employment reflects the demand for labour in a given country. The total number of people employed in SADC is 48,8 million. The difference between the labour force and employment roughly reflects the ability of a country to provide formal employment opportunities to its labour force.

Figure 1.22: Employment, 2000



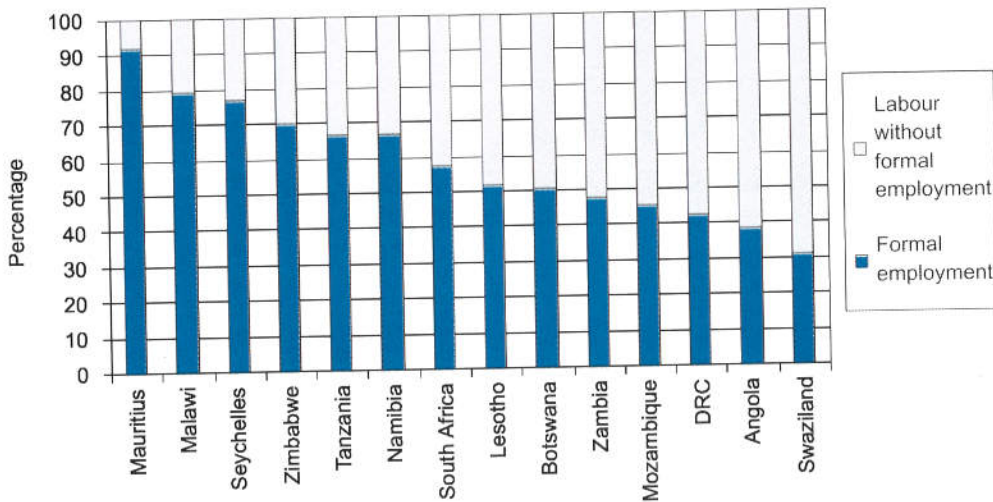
The employment dependency ratio indicates the total number of persons supported by every employed person, including him or herself. With the exception of Swaziland, where a large percentage of the labour force is employed in neighbouring South Africa, the dependency ratio is to a large extent determined by the age composition of the population in a country: the younger the population the higher the dependency ratio.

Figure 1.23: Employment dependency ratio, 2000



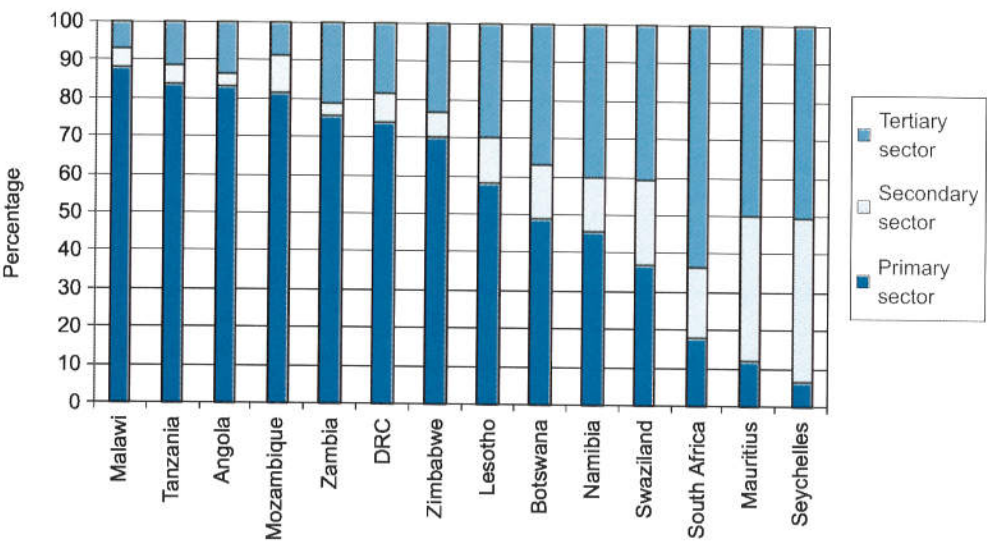
In most member countries a relatively small percentage of people is employed in the formal sector of the economy. On average 45,2% of the labour force is either unemployed or involved in the informal sector. There is a large variance in the ability of the member countries to accommodate workers in the formal sector. With the exception of Swaziland, the countries with the lowest employment absorption capacity are those ravaged by war.

Figure 1.24: Composition of the labour force, 2000



The primary sectors, agriculture and mining, remain the main providers of employment in most of the SADC member countries. The agricultural sector's contribution to employment is in excess of 40% in ten of the member countries. In only two countries does mining still play a significant role – Angola (10,3%) and the DRC (9,1%). The manufacturing sector as provider of employment opportunities is still limited and is in excess of 10% in four member countries – Swaziland (16,2%), South Africa (14,8%), Mauritius (29,6%) and Seychelles (19,7%). It appears that the services sector is emerging as a more dominant provider of employment opportunities as countries develop.

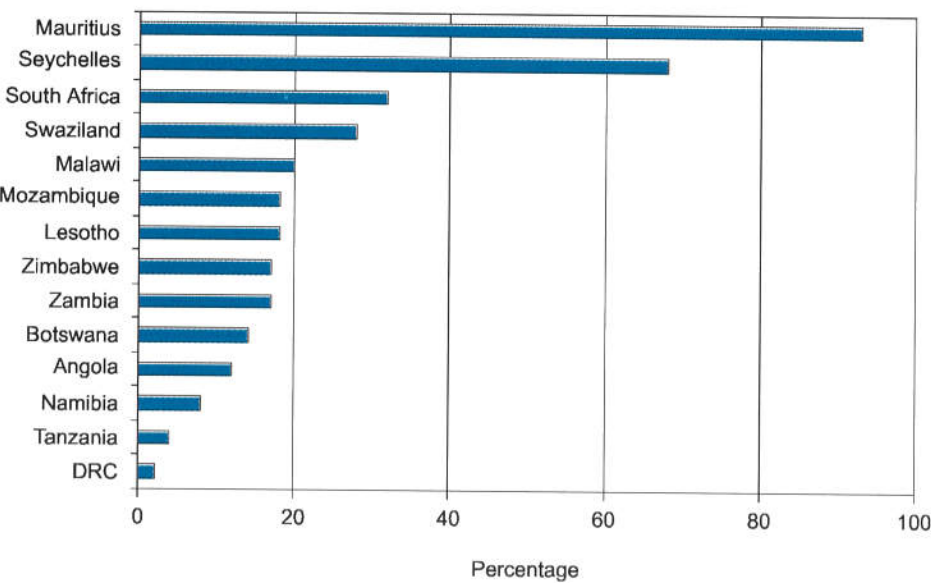
Figure 1.25: Sectoral composition of employment, 1998



Infrastructure

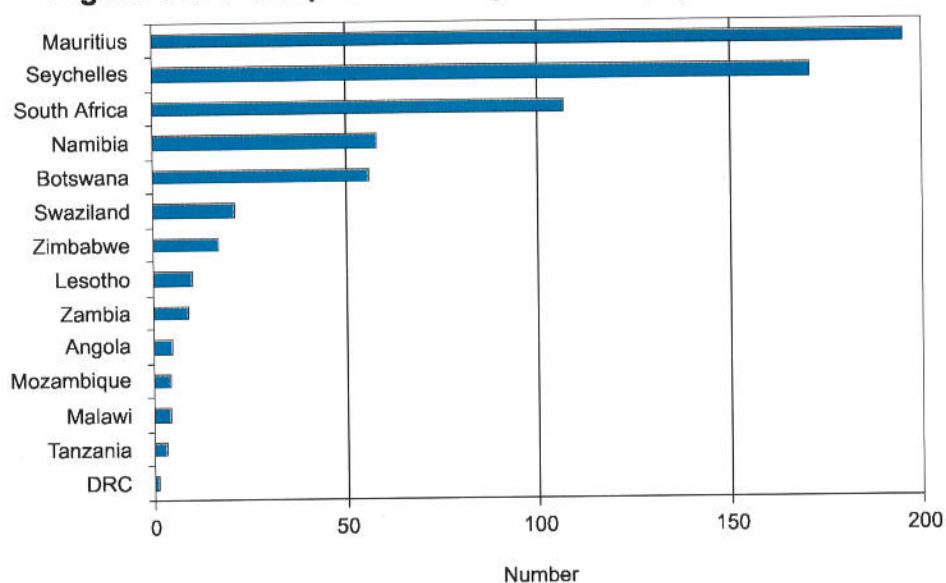
Due to the vastness of most of the member countries, paved roads as percentage of total roads is relatively low. Exceptions are the Islands of the Indian Ocean, South Africa and Swaziland. This phenomenon has a detrimental impact on transport in most of the countries. Goods have to be transported over long distances on unpaved roads having severe cost implications.

Figure 1.26: Paved roads as % of total roads, 1995



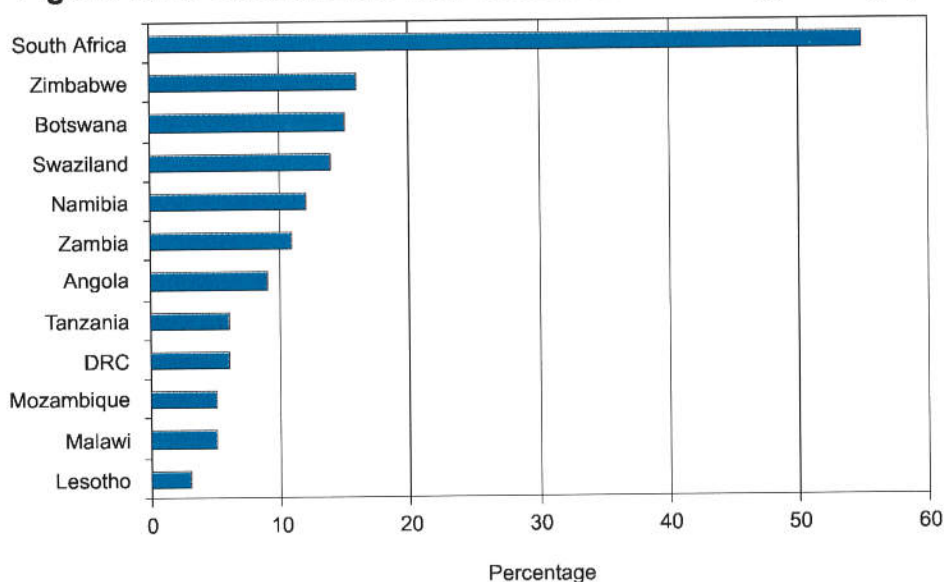
Poor telecommunications infrastructure is another factor hampering economic activity. In most of the member countries telecommunications is limited. Mauritius, Seychelles and South Africa are exceptions.

Figure 1.27: Telephone lines per 1 000 population, 1997

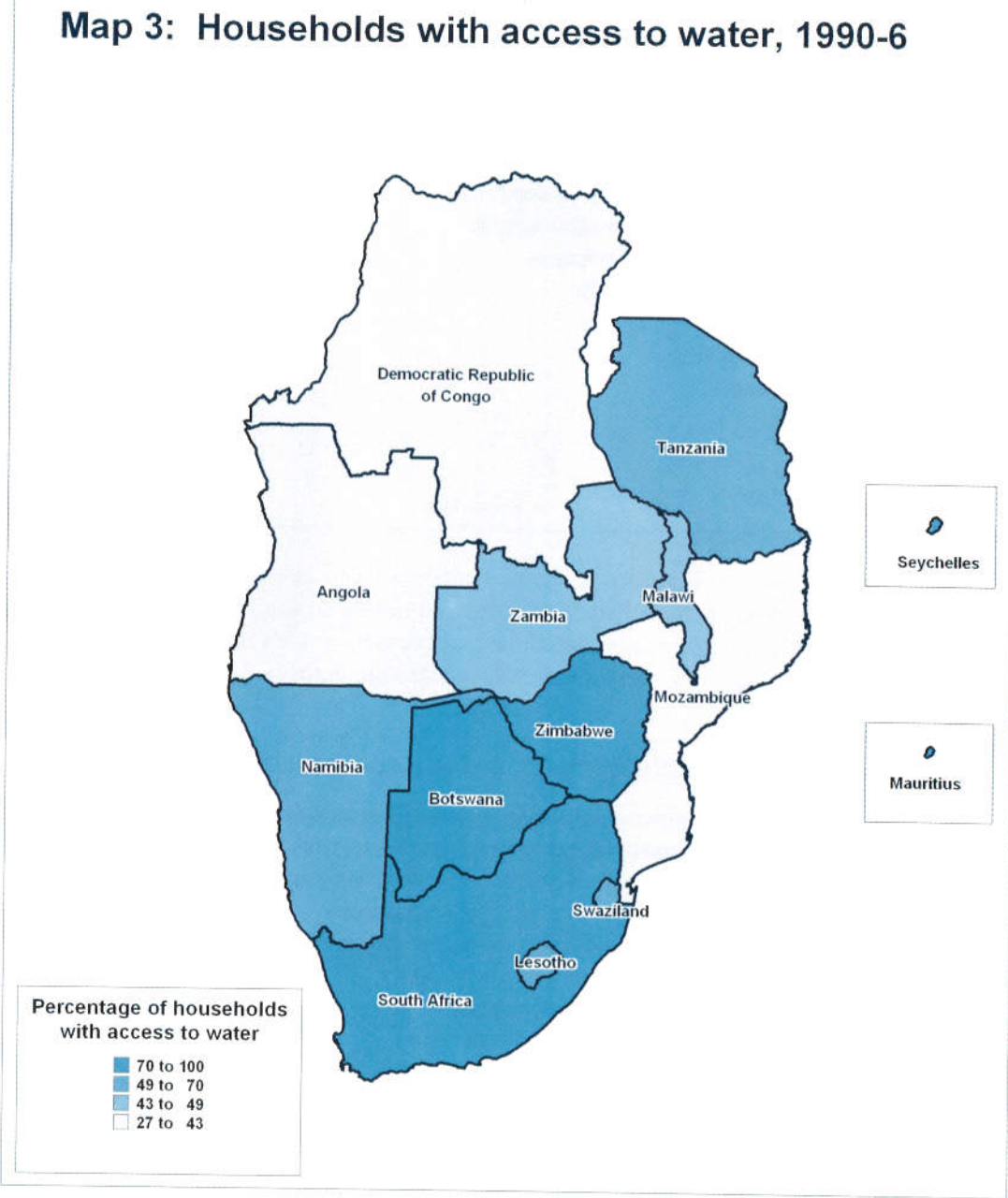


A lack of provision of electricity as a source of energy is evident in all member countries with the exception of South Africa. Although no data is available for Mauritius and Seychelles, indications are that even in these two countries no adequate electricity is supplied.

Figure 1.28: Households with access to electricity, 1996 (%)

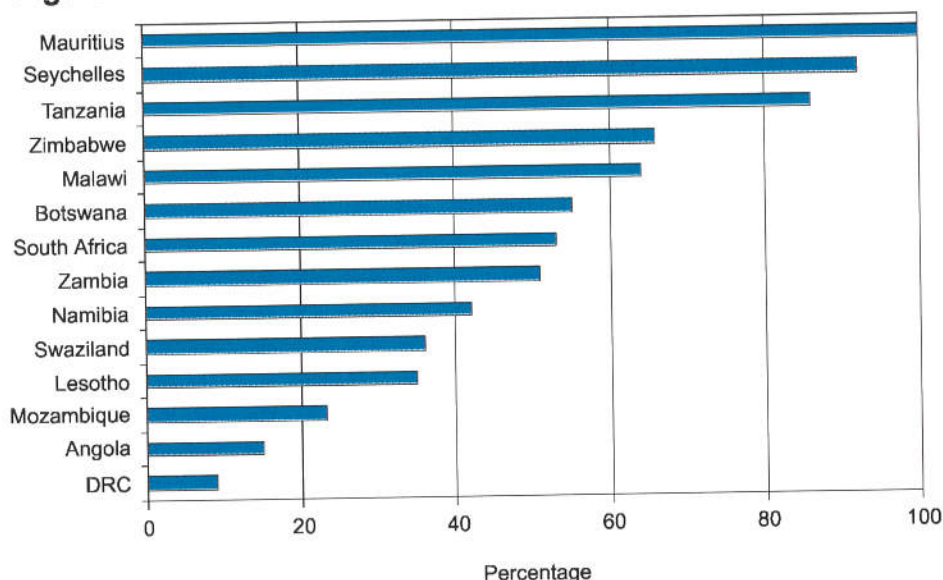


Map 3: Households with access to water, 1990-6



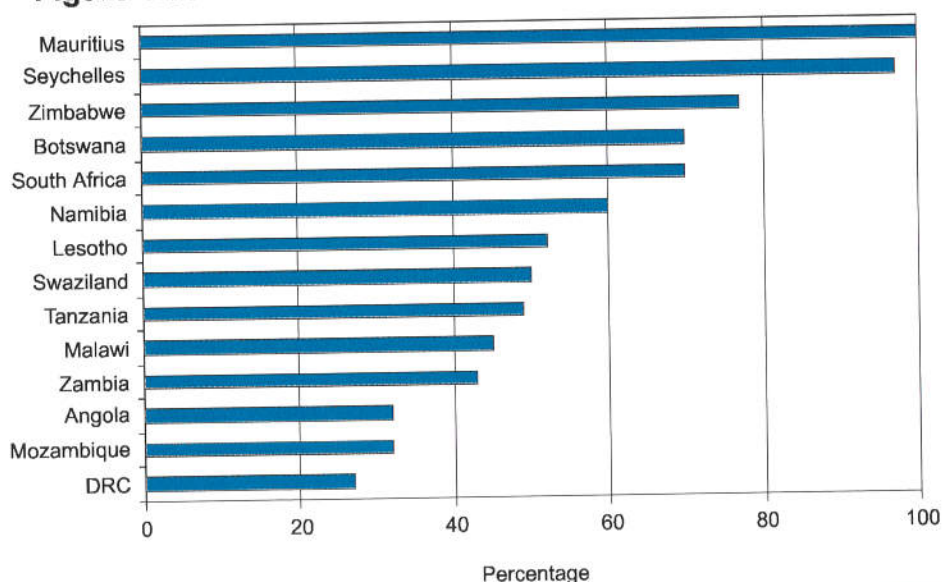
Access to sanitation is defined as the percentage of households with disposable facilities ranging from simple but protected pit latrines to flush toilets connected to a central sewer. Access to sanitation varies from a low 9% in the DRC to universal access of 100% in Mauritius. Proper sanitation plays a vital role in the prevention of illness.

Figure 1.29: Households with access to sanitation, 1995 (%)



Access to improved water resources is defined as the percentage of households with reasonable access to an adequate amount of water (including treated surface water and untreated but uncontaminated water such as that from springs, sanitary wells, and protected boreholes). Access to water varies from a low of 27% in the DRC to a high of 100% in Mauritius. However, these figures are not entirely comparable because they refer to different years.

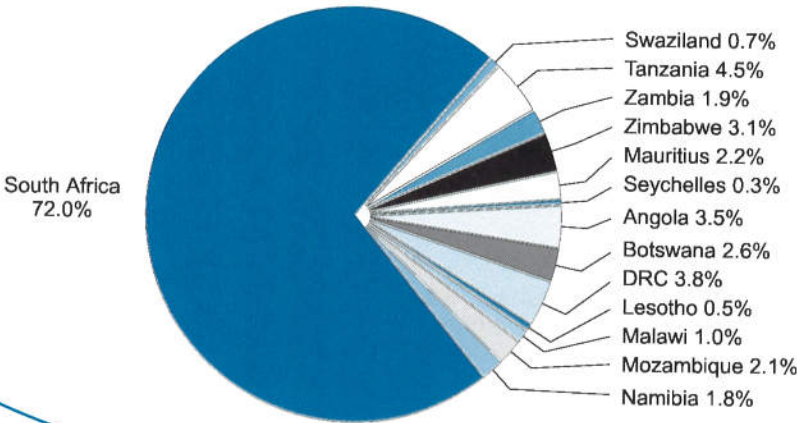
Figure 1.30: Households with access to water, 1990-6 (%)



Economy

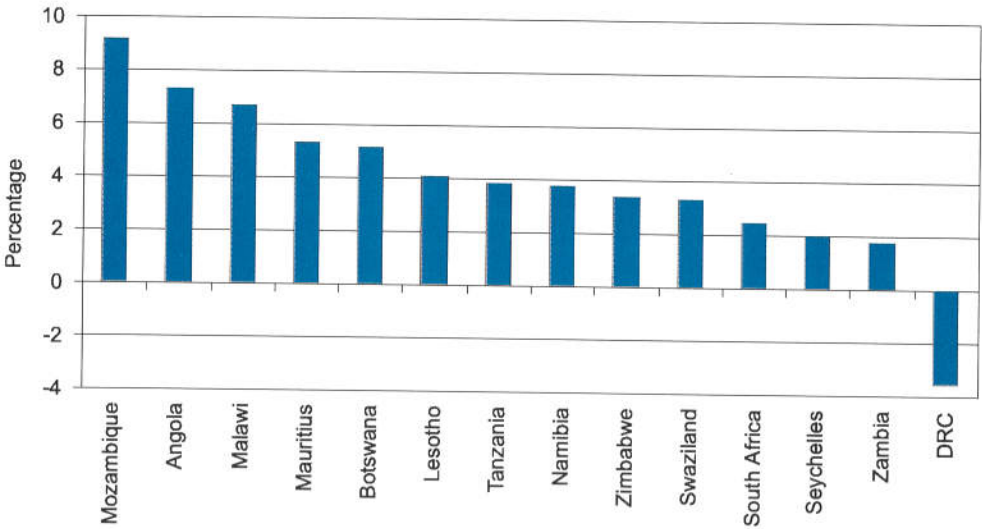
South Africa's contribution to the Gross Regional Product (GRP) of SADC dominates at 72%. The remaining 13 countries contribute an aggregate 28%. The second largest economy is that of Tanzania with a meagre contribution of 4,5%.

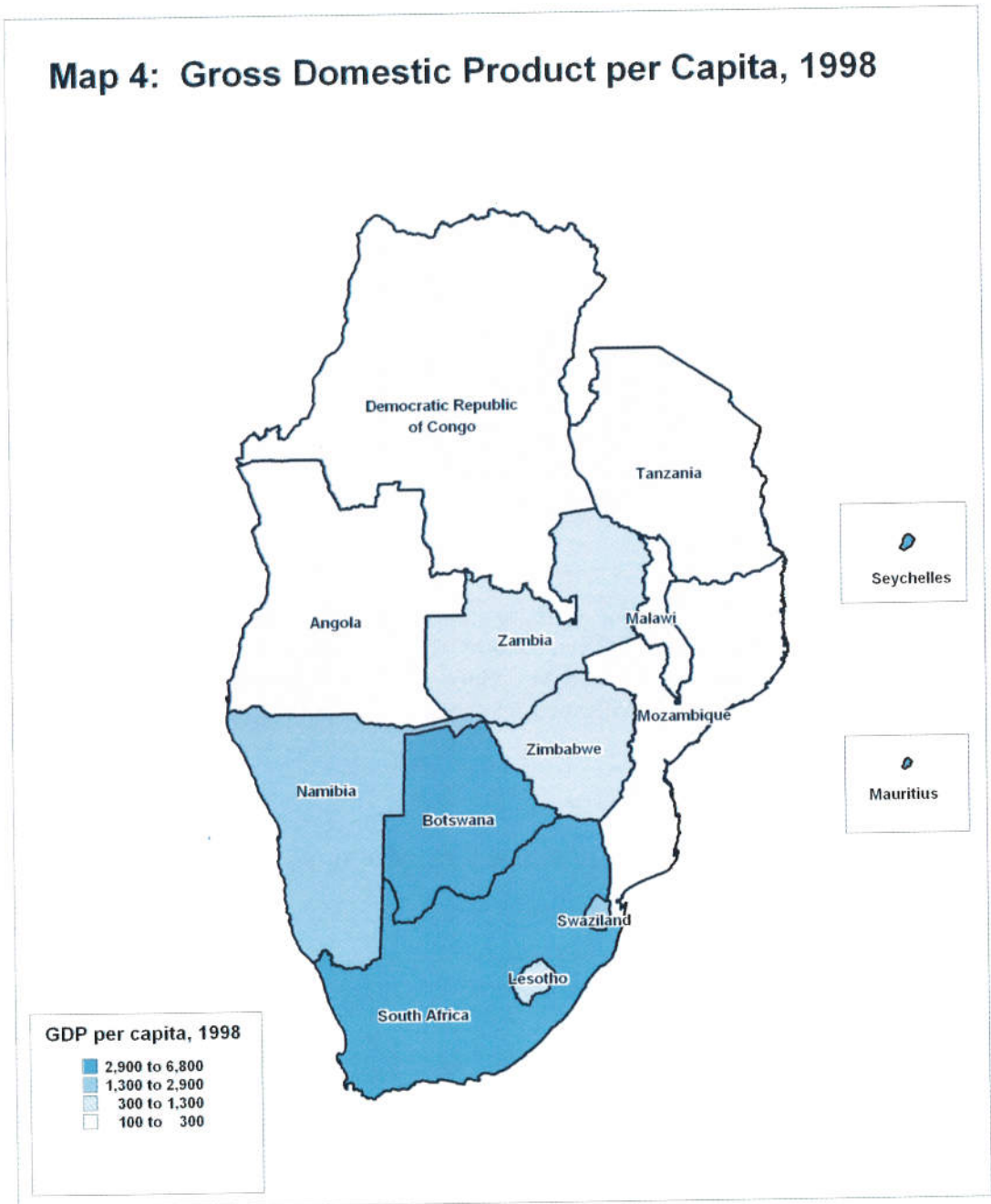
Figure 1.31: Gross Regional Product, 1998



With the exception of the DRC all member countries registered positive growth during the period 1994 to 1999. It should, however, be kept in mind that a country like Mozambique with an average annual growth of 9,1% grew from a relative small economic base. Since all the member countries with the exception of Seychelles, Zambia and the DRC are growing at a rate higher than South Africa's, the relative share of these countries will become larger.

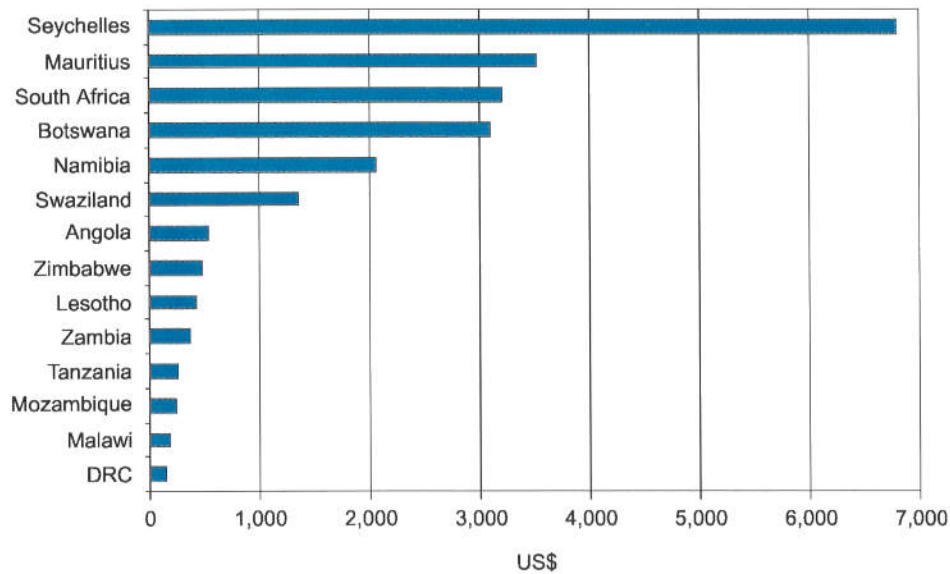
Figure 1.32: Average annual growth in GDP, 1994-99





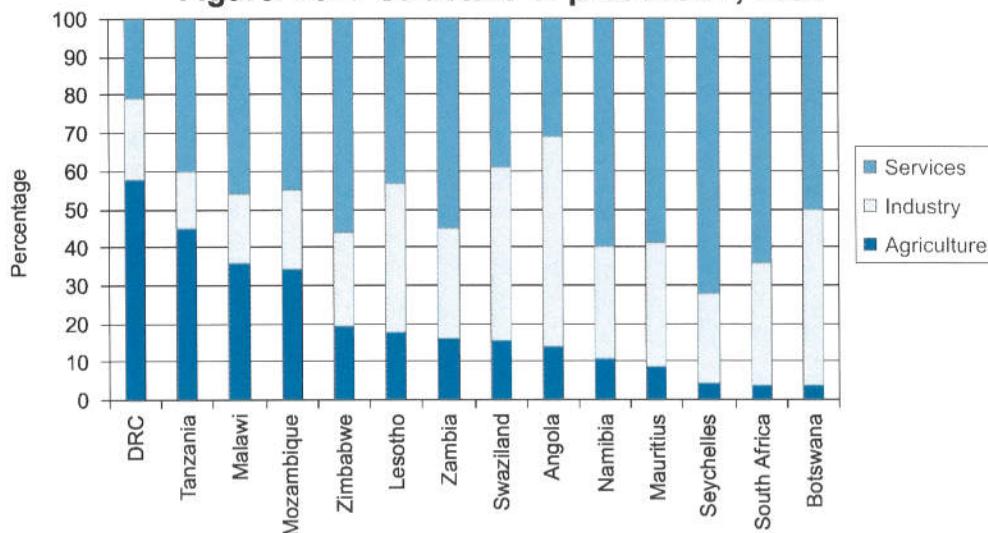
GDP per capita varies considerably between the member countries of SADC, ranging from a low of US\$144 in the DRC to a high of US\$6 789 in Seychelles. The Islands of the Indian Ocean make a small contribution to the Regional Product but are constituted of relatively small populations. For this reason the per capita figures exceed those of South Africa.

Figure 1.33: GDP per capita, 1998 (US\$)



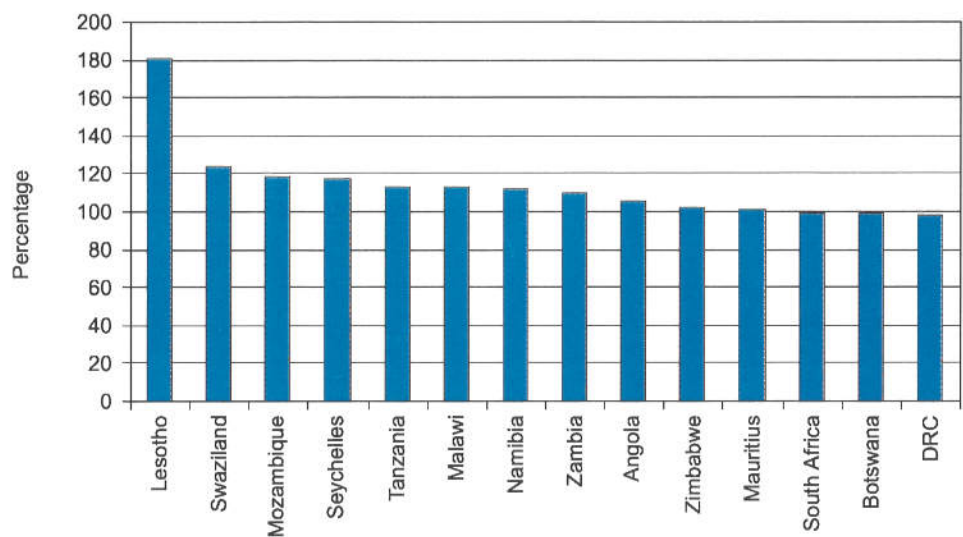
In 1998 the contribution of agriculture, including forestry and fishing varied from 3,6% in Botswana and South Africa to 57,7% in the DRC. The sector contributed 9,9% to the Gross Regional Product (GRP) of SADC. Mining, including oil extraction, makes relatively large contributions in Angola, Botswana, Namibia and the DRC. In 1998 mining contributed 7,7% to SADC's GRP. Apart from mining, industry includes manufacturing, electricity, water and construction. In 1998, 31,8% of SADC's GRP could be attributed to industrial production. The industrial sectors other than mining contributed 24,1%. The services sector includes government and private services.

Figure 1.34: Structure of production, 1998



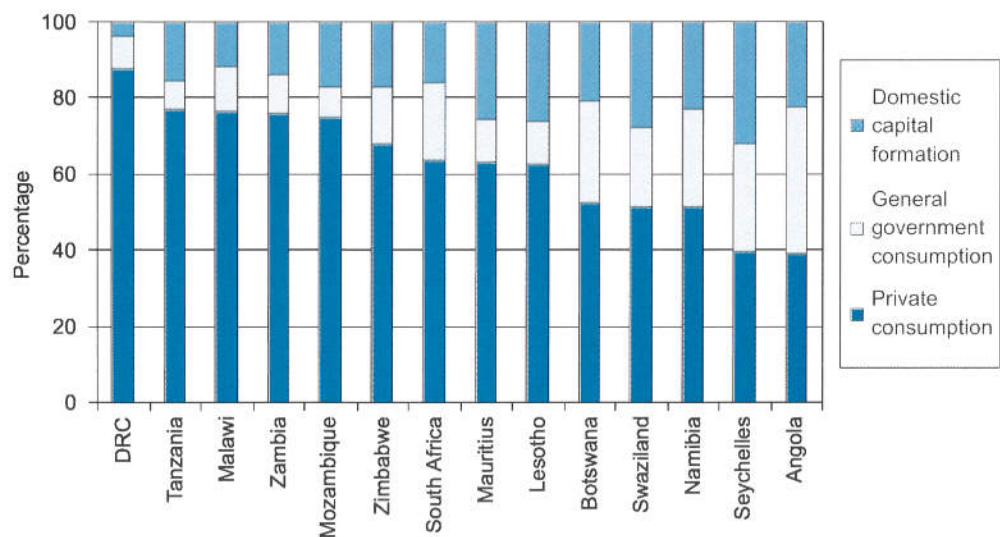
Domestic absorption is composed of private consumption, general government consumption and domestic capital formation. If domestic absorption exceeds GDP, it implies that imports must exceed exports. In 1998 this was indeed the case in 11 of the 14 SADC countries. South Africa, Botswana and the DRC are the only exceptions.

Figure 1.35: Domestic absorption as % of GDP, 1998



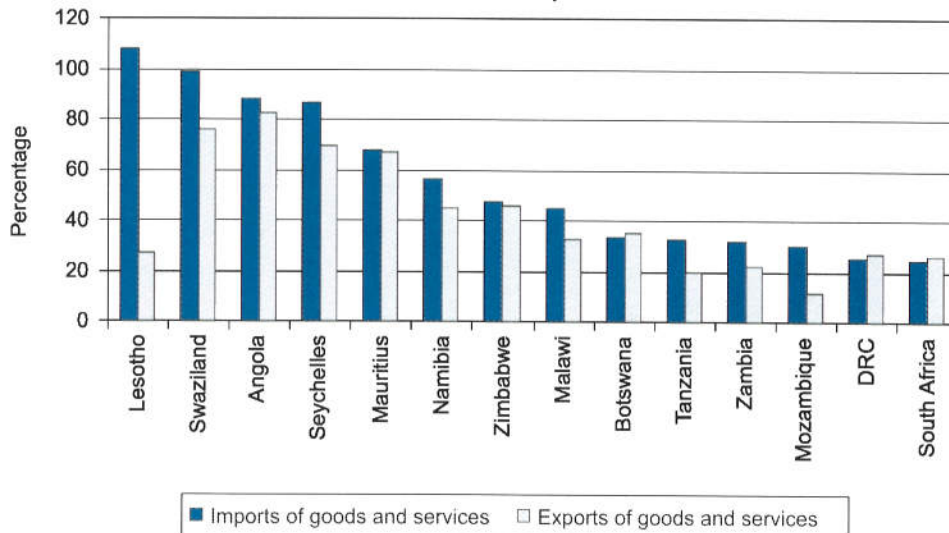
Private consumption represents the goods and services consumed by the households in the country. A low percentage, for example, in Angola and Seychelles, implies that a large proportion of GDP does not directly benefit the ordinary people of the country. A large percentage of GDP might flow to foreigners or might be used for general government consumption and capital formation. Capital formation includes the construction of buildings, roads and other structures, and the production or import of machinery and transport equipment. Capital formation increases the production capacity of the country and is likely to benefit citizens in future.

Figure 1.36: Composition of domestic absorption, 1998



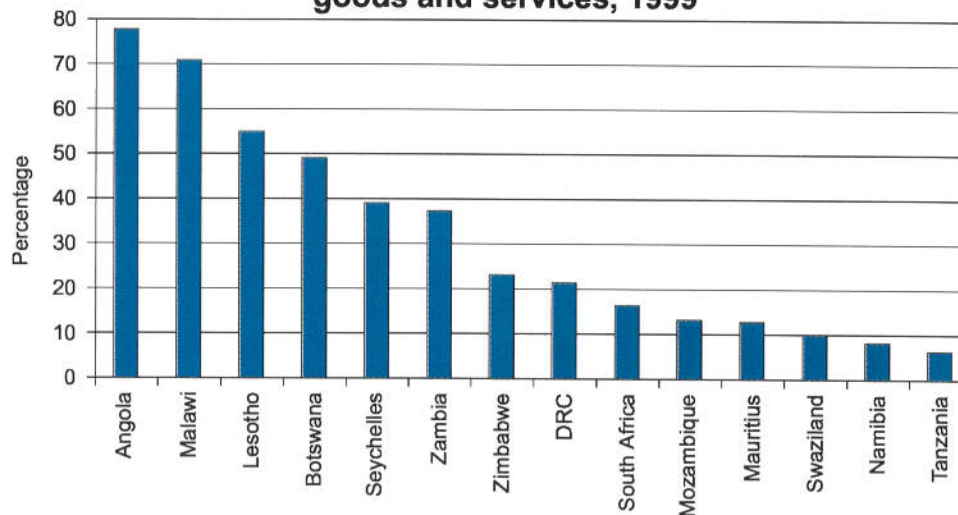
Almost all of the SADC member countries have relatively open economies with exports and imports of goods and services as percentage of GDP ranging from 42,2% in Mozambique to 174,4% in Swaziland. Lesotho, Swaziland, Angola and Seychelles are heavily dependent on imports. Imports expressed as percentage of GDP in the latter countries exceed 80%. Only three countries, Botswana, the DRC and South Africa, experienced positive net exports.

Figure 1.37: Exports and imports of goods and services as % of GDP, 1998



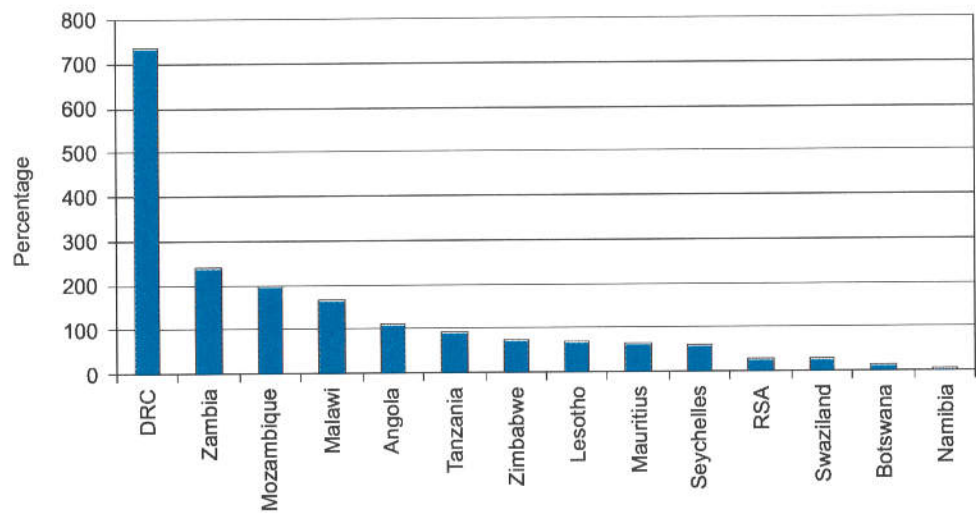
The vulnerability of the economies of a number of SADC member countries is clearly illustrated in considering the top commodity export of each country as a percentage of its total exports. In the case of Angola (oil, 78%), Malawi (tobacco, 71%), Lesotho (manufacturing, 55%) and Botswana (diamonds, 49%), a single commodity represents more than 40% of their total exports. This clearly illustrates the almost complete dependence of these countries on the production of a single commodity.

Figure 1.38: Top commodity exports as % of total exports of goods and services, 1999



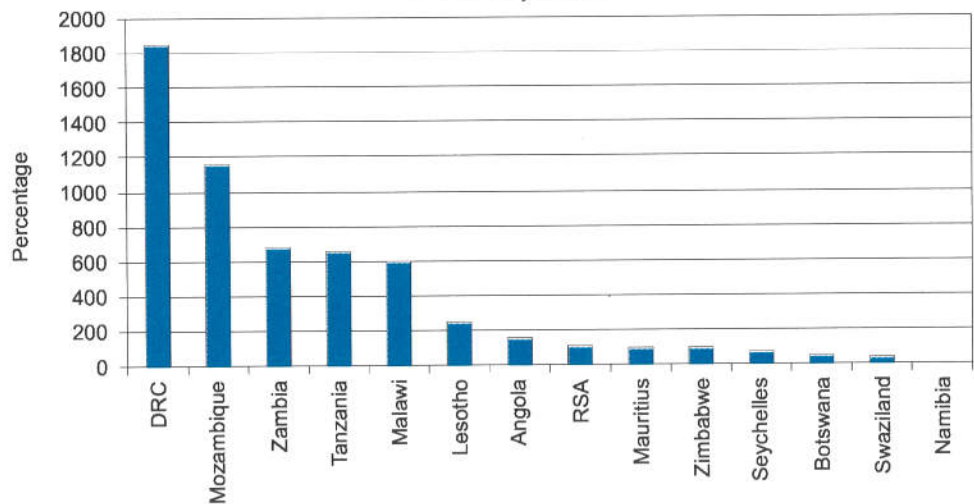
Debt has an adverse impact on investment and economic growth as it limits a country's ability to invest in physical and social infrastructure. Total foreign debt as percentage of GDP provides an indication of the debt burden on the member countries' economies. This ratio is extremely high in the member countries of Zambia, Mozambique, the DRC and Malawi. In the DRC foreign debt is more than seven times as high as their total final output in one year.

Figure 1.39: Total foreign debt as % of GDP, 2000



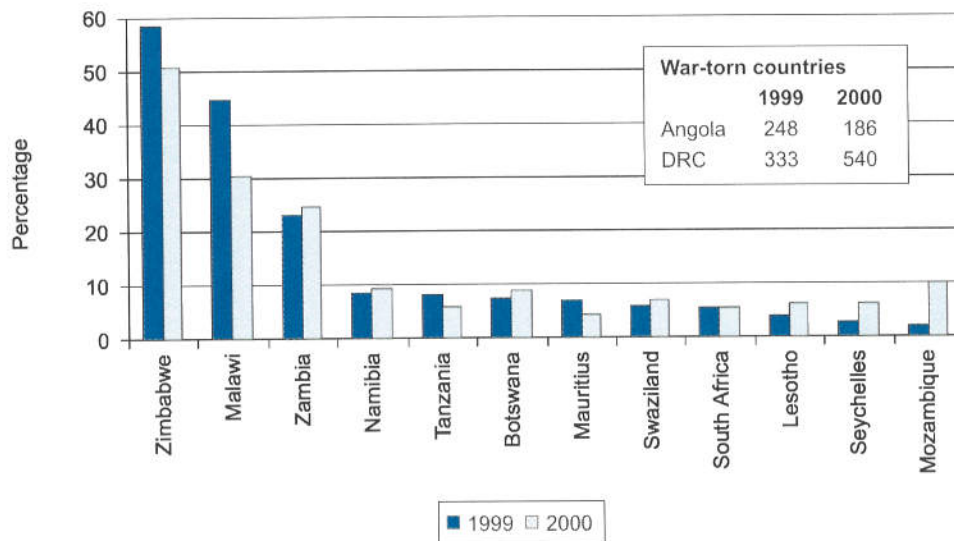
Total foreign debt as a percentage of exports of goods and services amongst SADC member states is extremely high in five of the member countries - the DRC, Mozambique, Zambia, Tanzania and Malawi, ranging from 600% to 1 846% in 2000. All these countries with the exception of the DRC have reached a decision point in July 2001, in order to be considered for the Heavily Indebted Poor Country (HIPC) initiative assistance.

Figure 1.40: Total foreign debt as % of exports of goods and services, 2000



Consumer price inflation varied considerably between SADC countries in 1999 and 2000. The inflation rate in most SADC countries is determined by the high degree of vulnerability of the economies due to their dependence on primary commodity prices and inflation fuelled by imports. Mozambique, for instance, experienced the lowest rate in 1999. Subsequently, as a result of shortages caused by floods, the rate increased considerably in 2000. CPI in the war-torn countries of Angola and the DRC, was in the hundreds in 1999 and 2000. Zimbabwe recorded the next highest rate, caused by the depreciation of the Zimbabwe dollar in response to lower exports and increased concern about the political situation. Malawi and Zambia experienced double-digit inflation in both years.

Figure 1.41: Consumer price inflation, 1999 and 2000

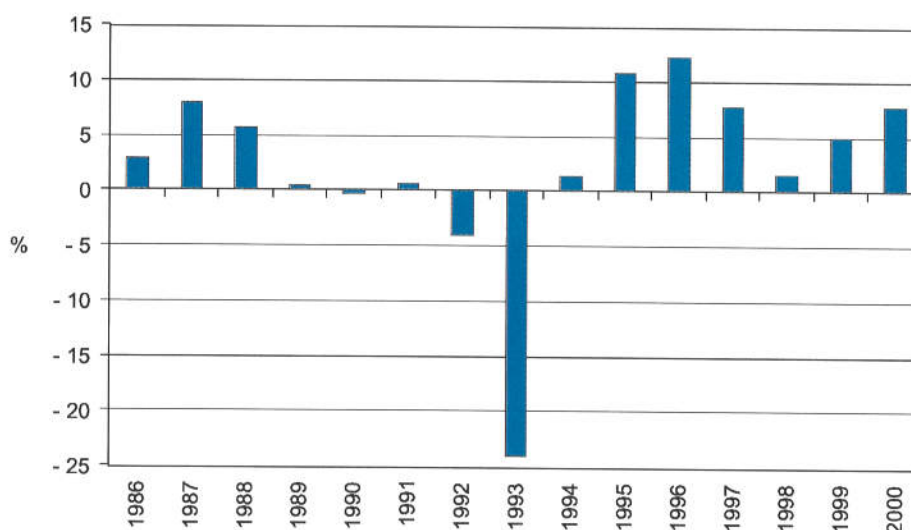


Section II: Country profiles

Angola

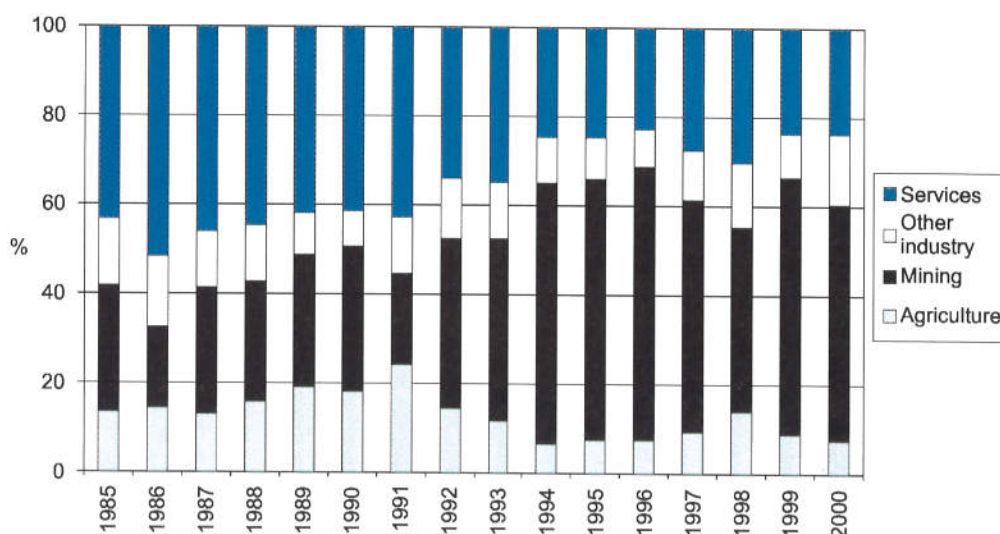
Since the early 1990s the performance of the Angolan economy has largely been influenced by fluctuations in world oil prices, the raging civil war with sporadic peace periods and unexpected economic policy changes. Following the ceasefire in 1991 that led to a slight economic recovery, the country was once again plunged into full-scale civil war that resulted in a drastic decline in oil and diamond production. Oil production increased again in 1994, fuelling economic growth.

Figure 2.1: Growth in GDP, 1986 - 2000



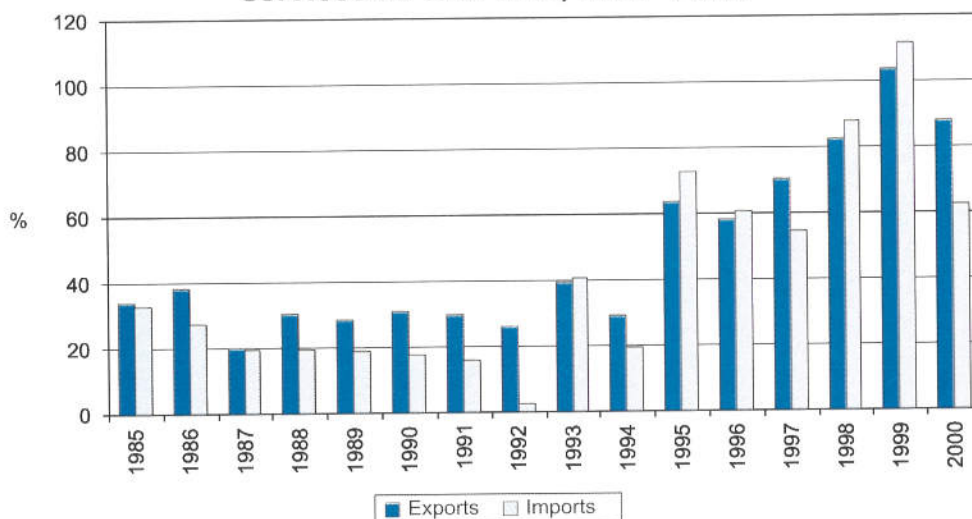
The dominance of agriculture and mining, especially the latter, is a prominent characteristic of the production structure of Angola's economy. Mining contributed more than 50 percent to the GDP since 1994. The dependence on a single sector, and more specifically one commodity, oil, renders the Angolan economy vulnerable to exogenous factors, such as the international oil price.

Figure 2.2: Composition of the GDP, 1985 - 2000



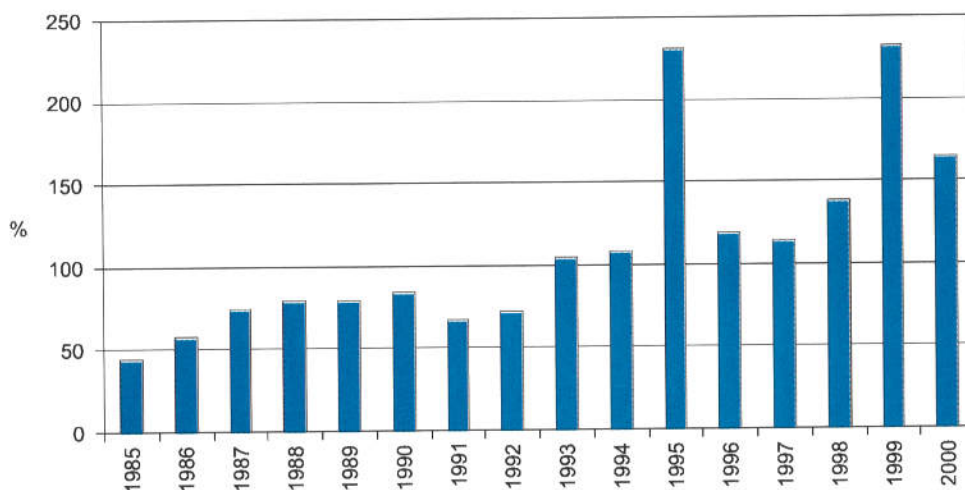
There is a direct correlation between the relative importance of the mining sector and exports of the Angolan economy since 1994. This can be attributed to the growing importance of oil production and the export of this commodity. In 1997, for example, the exports of crude oil accounted for 90 percent of total exports resulting in the Angolan economy becoming extremely dependent on its foreign sector. Growing exports have enabled Angola to finance increasing imports consisting mainly of consumer goods (41% in 1997) and capital goods (22%). The change in the production structure and the resulting growth in exports of primarily oil, enabled Angola to draw foreign investment and financial assistance from abroad based on discounted future oil earnings.

Figure 2.3: Exports and imports of goods and non-factor services as % of GDP, 1985 - 2000



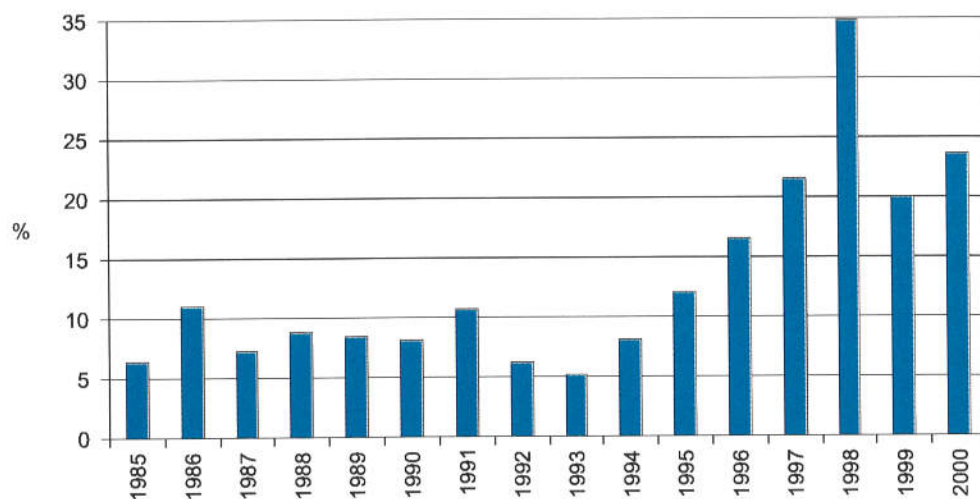
Foreign debt, as percentage of GDP, increased from 44,1% in 1985 to 230,9% in 1995. In 1995 and 1999 it reached levels exceeding 230%. Mounting costs of the civil war and the growing reluctance amongst western leaders to commit funds to Angola have put the country under increasing pressure. Angola subsequently defaulted on its foreign obligations and accumulated payment arrears increased from US\$44 million in 1985 to US\$5 424 million in 1995. Rescheduling of debt by, *inter alia*, Russia reduced the accumulated arrears providing Angola with some reprieve. The situation, however, worsened in 1998 and 1999. Early in 1999 repayment difficulties prompted the World Bank to suspend further lending to Angola. In 2000 the more favourable balance of payments as well as rapid economic growth reduced the total debt/GDP ratio to 164,7%.

Figure 2.4: Total foreign debt as % of GDP, 1985 - 2000



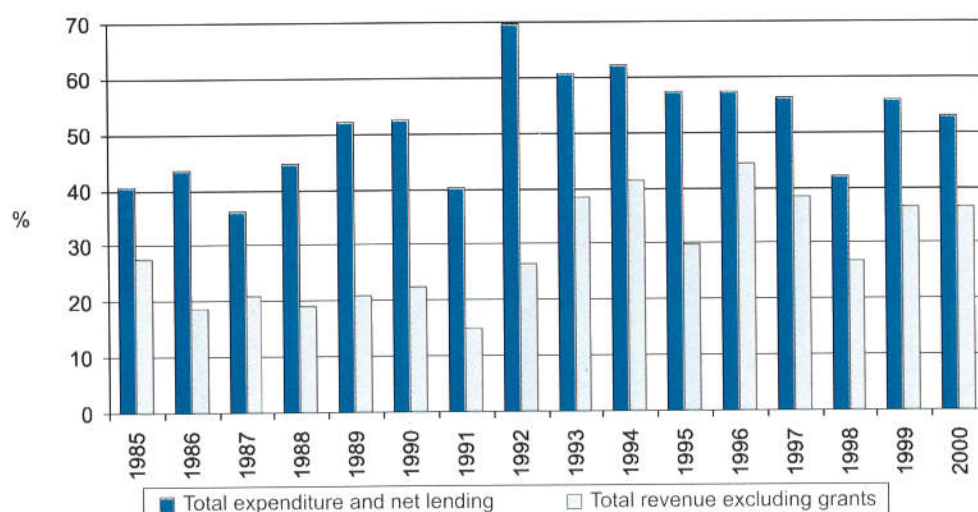
In the five years between 1993 and 1998, the amounts expended in serving foreign debt have increased as percentage of exports of goods and services. The situation improved in 1999 due to debt rescheduling but deteriorated again in 2000 despite positive growth in exports.

Figure 2.5: Foreign debt service as % of exports of goods and services, 1985 - 2000



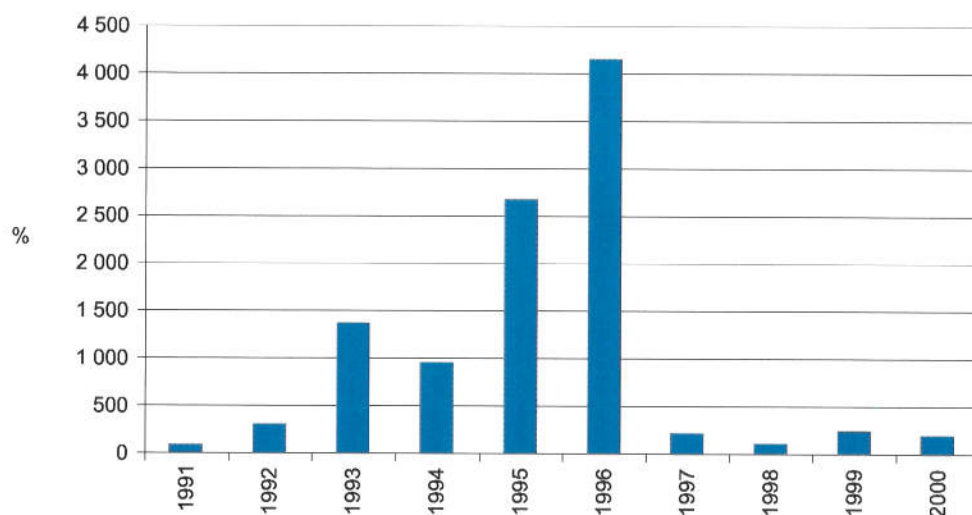
Between 1985 and 2000 central government expenditure and net lending fluctuated between 36,3% of GDP (1987) and 69,6% (1992). Since 1992 there has been a continuous decline in this ratio. The relationships between GDP and current expenditure, GDP and capital expenditure, current and capital expenditure are devoid of any clear patterns. This reflects the *ad hoc* nature of fiscal planning in Angola and the wide swings in nominal aggregates, in a country experiencing high rates of inflation. Total revenue was less variable during this period than total expenditure and net lending resulting in a declining government deficit as a percentage of GDP. Almost 80% of total revenue is derived from the oil industry.

Figure 2.6: Total public expenditure and net lending, and total revenue as % of GDP, 1985 - 2000



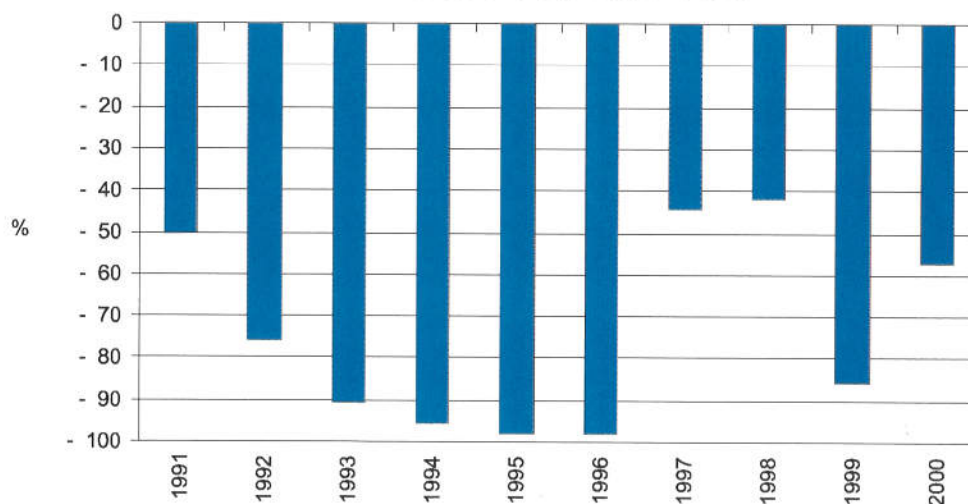
Since 1991, Angola has experienced high levels of inflation. The average rate of change in the consumer price index over 12 months exceeded 1 000 percent in 1993, 1995 and 1996. The lowest figure from 1991 to 2000 was 107,3% in 1998. Three sets of factors contributed to the rapid increase in prices, namely the sustained deterioration of the external value of the kwanza, extensive money creation to finance large budget deficits and the operations of a powerful import cartel. Angola is highly dependent on imports and exchange rate depreciation therefore rapidly translates into higher prices.

Figure 2.7: Consumer price inflation, 1991 - 2000



Several devaluations of the kwanza occurred from 1991 onwards. The readjusted kwanza (Kzr) was introduced in July 1995. However, this did not stop the relentless depreciation of the Angolan currency. In December 1999 the government replaced the readjusted kwanza with the kwanza (Kz) at Kzr 1m : Kz1. The main reason for the deterioration in the value of the currency is extensive money creation to finance government deficits resulting in high inflation in Angola.

Figure 2.8: Rate of depreciation/appreciation of the readjusted Kwanza versus US\$, 1991 - 2000



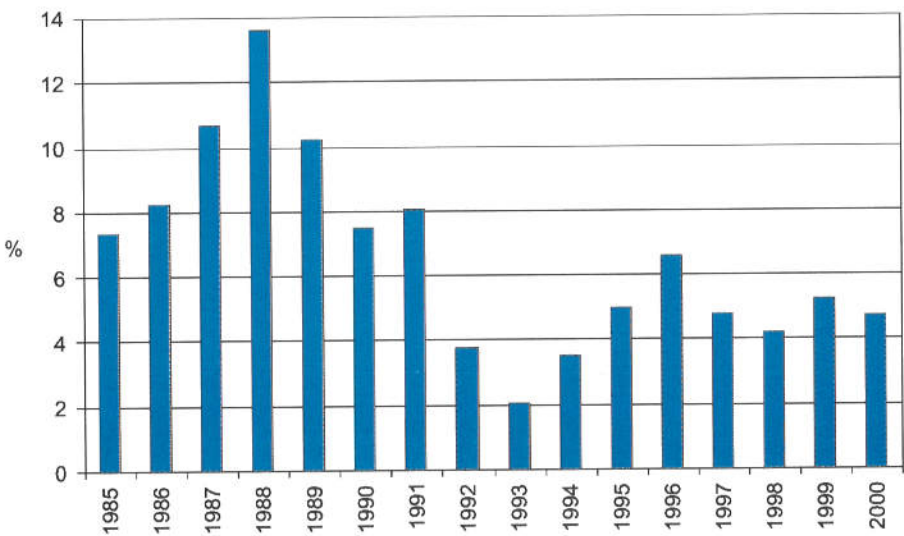
Inferences

Angola's abundant natural resources endow it with the potential to be one of the richest countries in Africa. This country also possesses a considerable agricultural and tourist potential. Unfortunately, political instability in the country as well as poor economic management has prevented the economic exploitation of these resources. Scarce and valuable resources such as the oil reserves and diamond deposits were wasted in the civil war. The ceasefire that occurred after the death of Savimbi, is likely to hold as the UNITA rebel movement appears to be militarily exhausted and thus committed to peace. Previous poor economic management dictates renewed commitment to good governance as a vital prerequisite in attracting much-needed foreign investment to fund post-war reconstruction.

Botswana

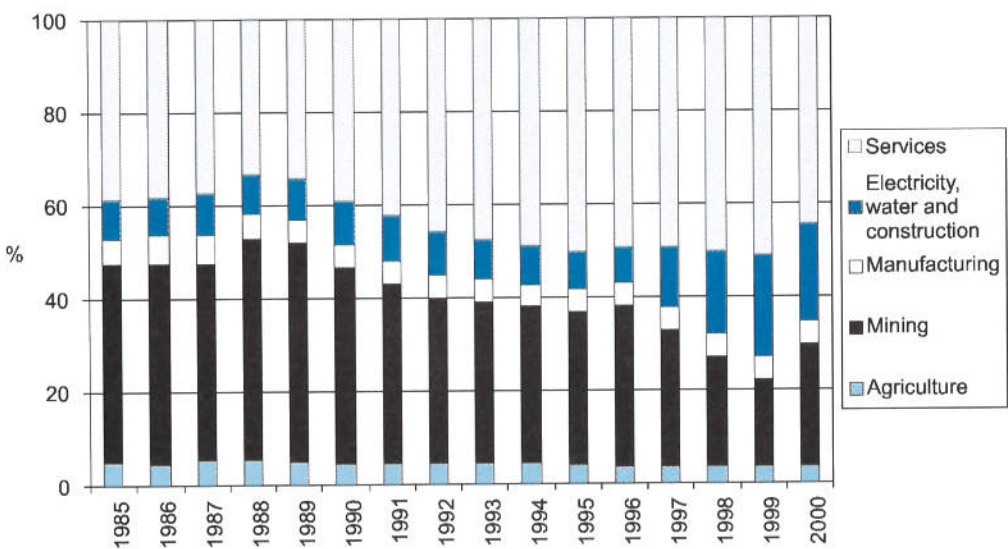
Botswana’s real GDP showed significant positive increases between 1985 and 1991, mainly due to strong growth in the diamond industry. Agricultural output showed negative real growth between 1993 and 1997. This can be attributed to extended periods of severe drought. Mining registered increases in output since 1996, having suffered a slight slump in 1995. Strong growth was driven, as in the past, by the diamond industry.

Figure 2.9: Growth in GDP, 1985 - 2000



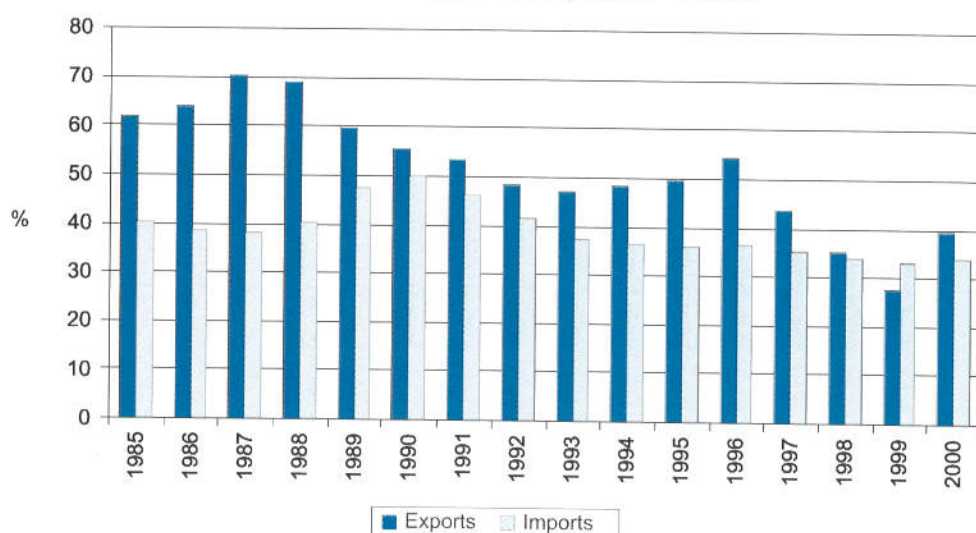
Botswana’s economy is built on the diamond-mining industry but dominance of this sector has retracted somewhat in recent years, from a high of 48% of GDP in 1988 to an estimated 36% in 2000, due to an expansion of the services sector, notably government services. In its drive for economic diversification the government has tried to promote private-sector manufacturing and, more recently, financial services. Agriculture, the mainstay of the economy before the development of the diamond-mining industry, now only contributes about 4% to GDP.

Figure 2.10: Composition of the GDP, 1985 - 2000



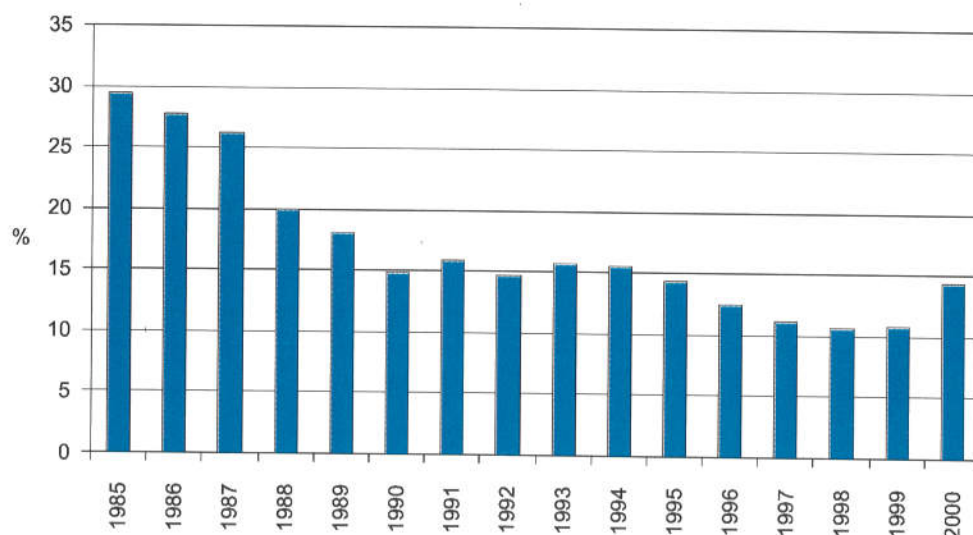
Botswana's economy is very open and it relies on diamond exports for most of its income. It imports almost all of its consumables. With the exception of 1999, when the demand for diamonds in Asia slumped, the country has regularly recorded positive trade balances. Botswana has considerable potential in the field of international tourism. In fact, international receipts for travel services increased from a low of 2,4% of exports in 1988 to 9% in 1998. International tourist arrivals increased from 268 000 in 1988 to 740 000 in 1998. In 1998 foreign tourists spent about US\$126 million in the country.

Figure 2.11: Exports and imports of goods and non-factor services as % of GDP, 1985 - 2000



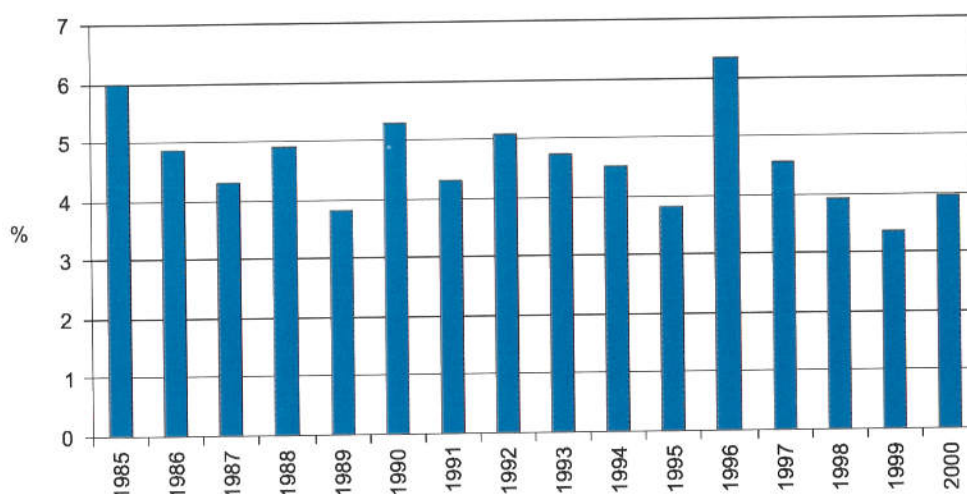
The debt to GDP ratio was the most favourable of all SADC countries in 2000 at 14,4% and is highly favourable, even by international standards. The declining trend in this ratio can mainly be attributed to a relative high growth in GDP rather than declining debt. The government borrows externally on concessional terms to finance mainly infrastructure as this is more efficient than employing its own foreign exchange reserves. Yet, due to the relative affluence of the country, the government is finding it increasingly difficult to borrow on concessional terms.

Figure 2.12: Total foreign debt as % of GDP, 1985 - 2000



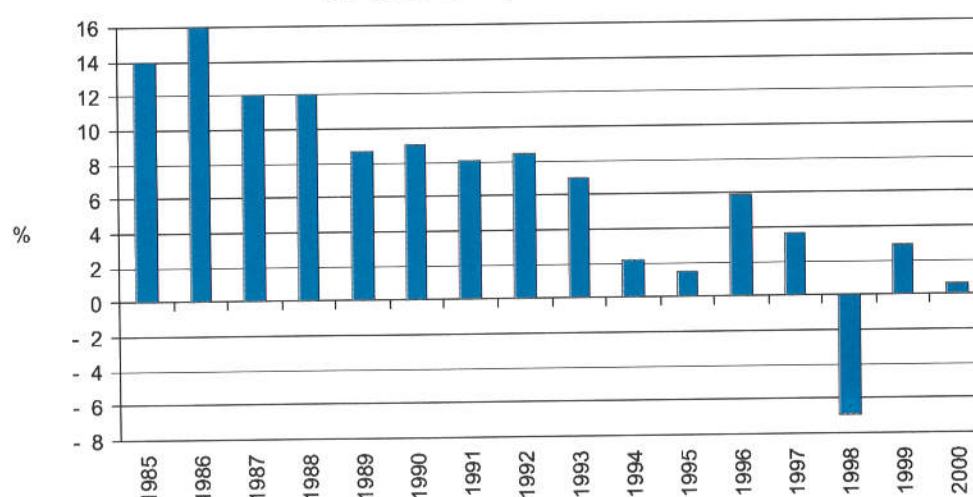
The overall debt burden of Botswana is manageable and can be regarded as favourable. Since 1996 the debt service ratio has declined from 6,3% to 3,3% in 1999 but marginally increased to an estimated 4% in 2000. This is still low when measured on a regional comparative basis.

Figure 2.13: Foreign debt service as % of exports of goods and services, 1985 - 2000



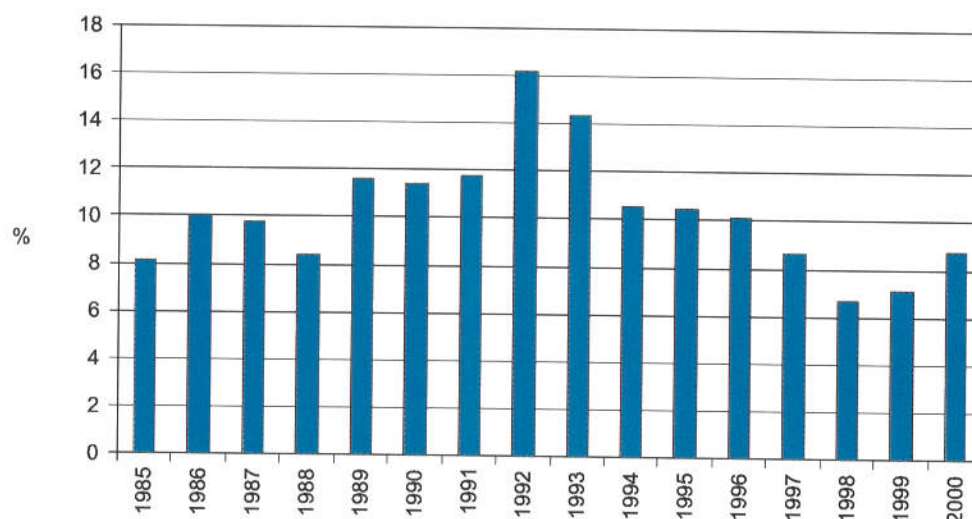
Despite the expansionary fiscal policies of the early 1990s, the fiscal authorities have produced budget surpluses every year since 1983 with the exception of 1998. Recurrent expenditure tended to remain within limits set by revenue from renewable resources, while the substantial revenue from diamonds was reserved for capital and human investment with the aim of developing alternative sources of income when mineral resources are depleted. The main reason for the deficit in 1998 was lower diamond revenue coupled with increased spending to promote economic growth and employment.

Figure 2.14: Overall government balance excluding all grants as % of GDP, 1985 - 2000



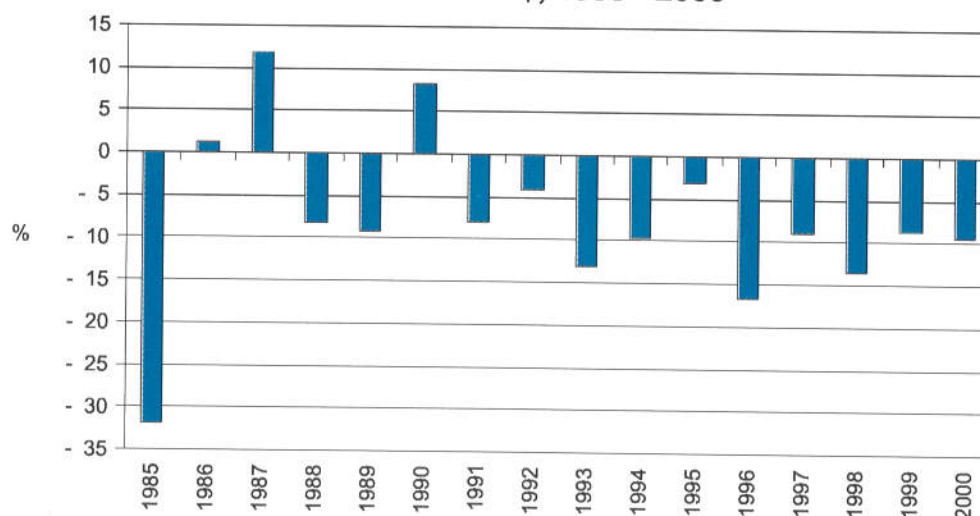
The downward trend in the average rate of inflation since 1992 reflects the continued decline in inflation rates of Botswana's major trading partners which impact strongly on the domestic rate of inflation. About 75% of Botswana's consumer basket consists of tradeable goods, most of which are imported from South Africa. Inflationary pressures should decline even further as a post-election slowdown in government spending is anticipated.

Figure 2.15: Consumer price inflation, 1985 - 2000



Since breaking parity with the South African rand in 1996, the pula, (Botswana's national currency), has been linked to the South African rand (60%) and the Special Drawing Rights (SDR) (40%). The rationale for this basket has been to minimise imported inflation and currency fluctuations associated with tracking the rand, while ensuring that Botswana's manufactured goods remain competitive in South African markets. In the past few years the authorities have devalued the pula against the SDR portion of the currency basket, to follow the rand downwards. Depreciations against other major currencies have sparked renewed debate regarding the pula's association with the rand. However, the government's commitment to promoting diversified exports suggests that there will be no change to current policy.

Figure 2.16: Rate of depreciation/appreciation of the Pula versus the US\$, 1985 - 2000



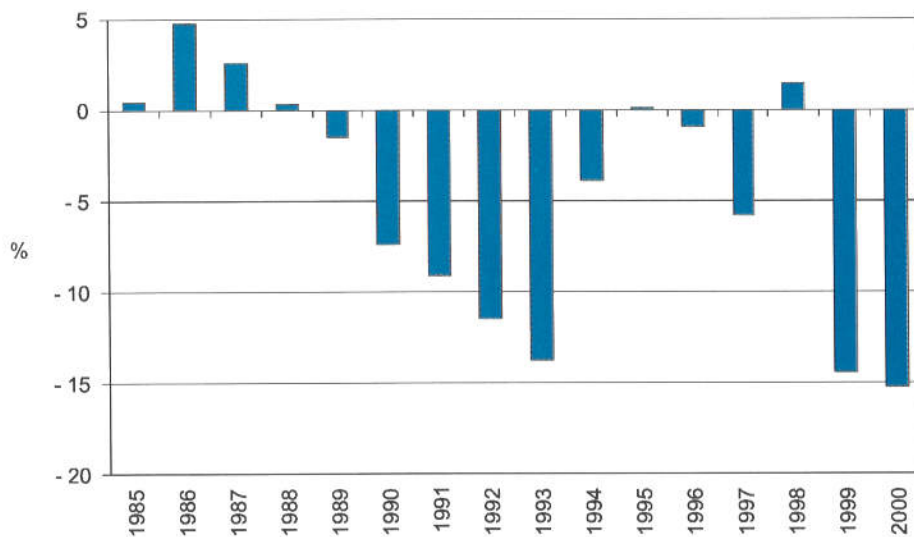
Inferences

Botswana's economy is one of the strongest in Africa and experiences high and consistent growth. It is characterised by favourable conditions such as a healthy balance of payments, well-managed public finance, a relatively low inflation rate and a relative strong currency. The discovery of new diamond pipes contributes to strong growth prospects for the foreseeable future. The Botswana government's efforts at diversifying the economy and a declining reliance on the agricultural sector contribute to a less vulnerable economy.

Democratic Republic of Congo

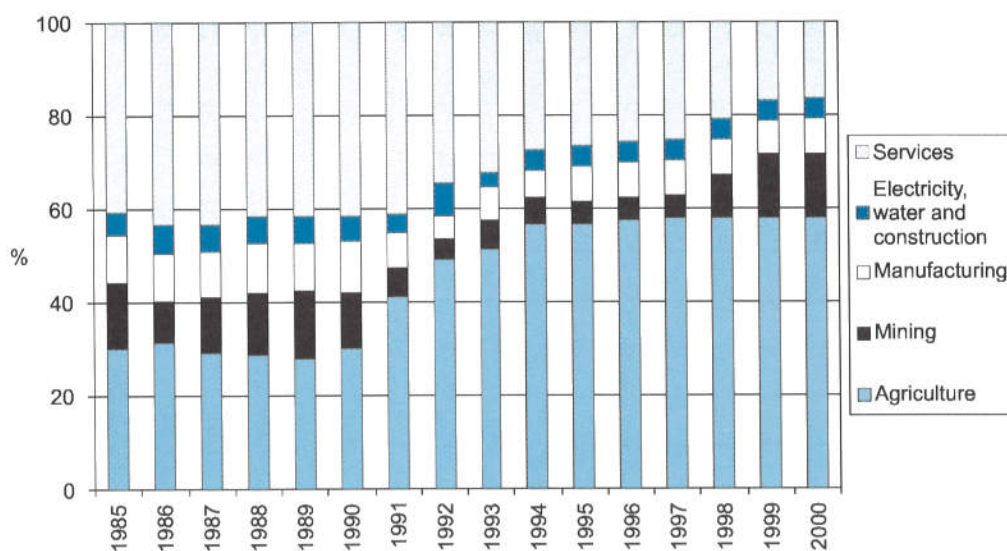
The growth in real GDP of the DRC was negative in 10 of the 15 years from 1985 to 2000. The primary cause of the collapse of the economy in the 1990s was an adverse macroeconomic policy environment and a succession of supply shocks. Riots and looting seriously affected production capacity in 1991 and 1993, as did the internal conflict from 1997. This decline has been compounded by the effects of the war that broke out in 1998.

Figure 2.17: Growth in GDP, 1985 - 2000



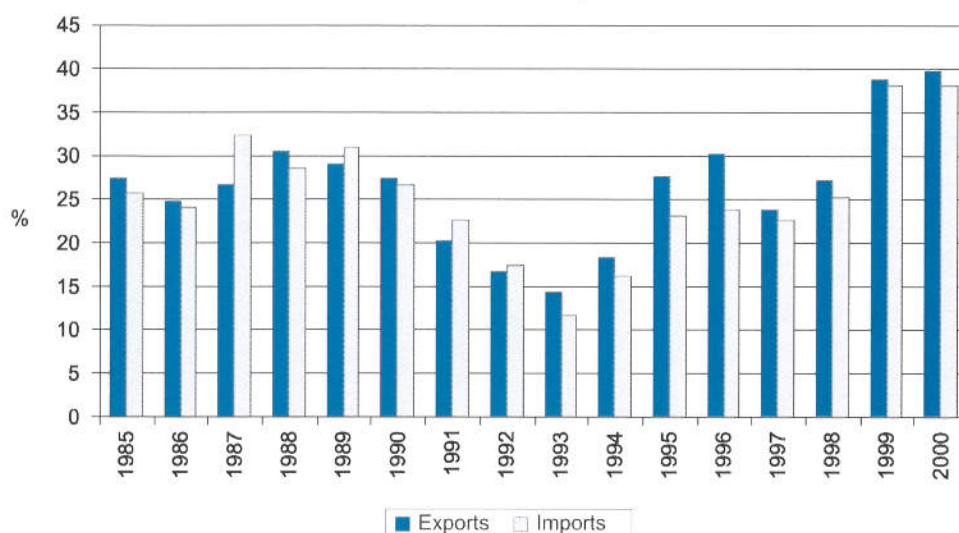
The major economic activity in the DRC is agriculture, which accounts for more than 50% of GDP, followed by the industry sector, mainly copper mining. The share of the tertiary industries in GDP is surprisingly low and declined from 40% in the period from 1980-1991 to approximately 16% in 2000. An important reason for this trend is that the salaries of civil servants and government expenditure could not keep pace with the hyperinflation that occurred since 1991, resulting in a breakdown of government services.

Figure 2.18: Composition of the GDP, 1985 - 2000



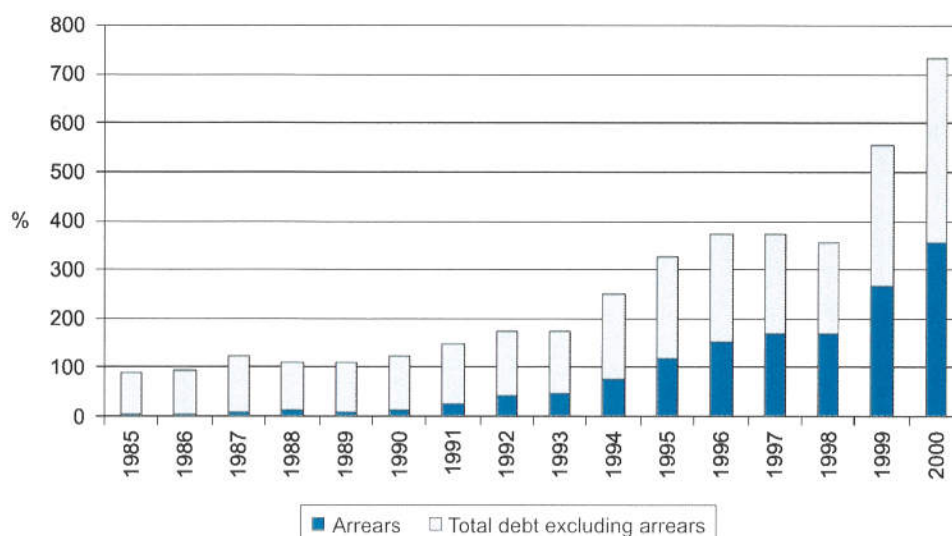
The sheer wealth of its natural resources has guaranteed the DRC a trade surplus since 1993. Even in the 1990s the contraction of exports was accompanied by a similar decline in imports, owing to shrinking national income and foreign-currency shortages. On the export side, copper and cobalt production continued to slide. The decline has been entirely due to domestic factors, principally the political and military crises. The performance of the diamond sector prevented a sharper deterioration. However, the mining of diamonds is also experiencing severe difficulties.

Figure 2.19: Exports and imports of goods and non-factor services as % of GDP, 1985 - 2000



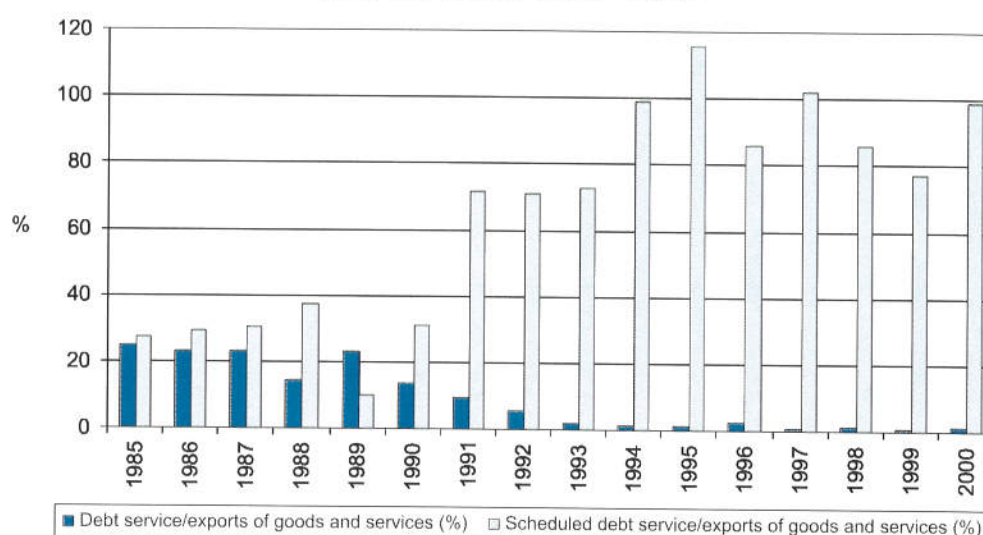
At the end of 2000 the DRC's total external debt (including arrears) amounted to an approximate 800% of GDP and more than 18 times the export of goods and services. The respective figures for 1985 were 90% and 3,2 times. This deterioration should be carefully interpreted since the growth in debt over the period of 10,5% per annum was accompanied by a negative growth in nominal GDP of 3,5% per annum. Almost half of the total external debt is in arrears. Targets and performance criteria were introduced by the government to eventually ensure that the DRC gain access to funds from the IMF under a poverty reduction and growth facility (PRGF), as well as qualifying for debt relief under the heavily indebted poor countries (HIPC) debt-relief initiative.

Figure 2.20: Total foreign debt as % of GDP, 1985 - 2000



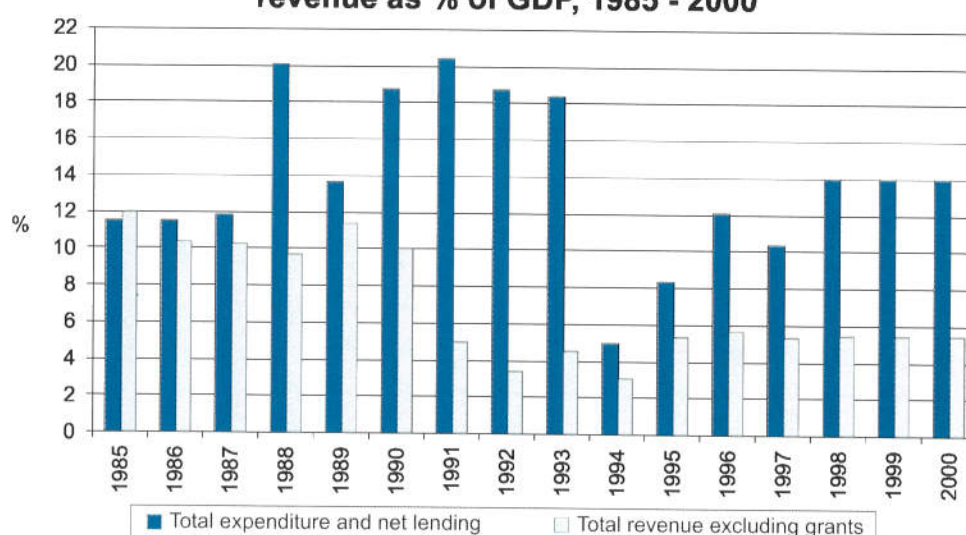
The debt service ratios seem low, simply because debt servicing has been negligible for most of the 1990s. Scheduled debt service was estimated by adding increases in arrears to debt service. This debt service exceeded total export earnings in 1995 and 1997. Indications are that this happened again in 2001, whilst scheduled debt service equalled almost 40% of GDP.

Figure 2.21: Foreign debt service as % of exports of goods and services, 1985 - 2000



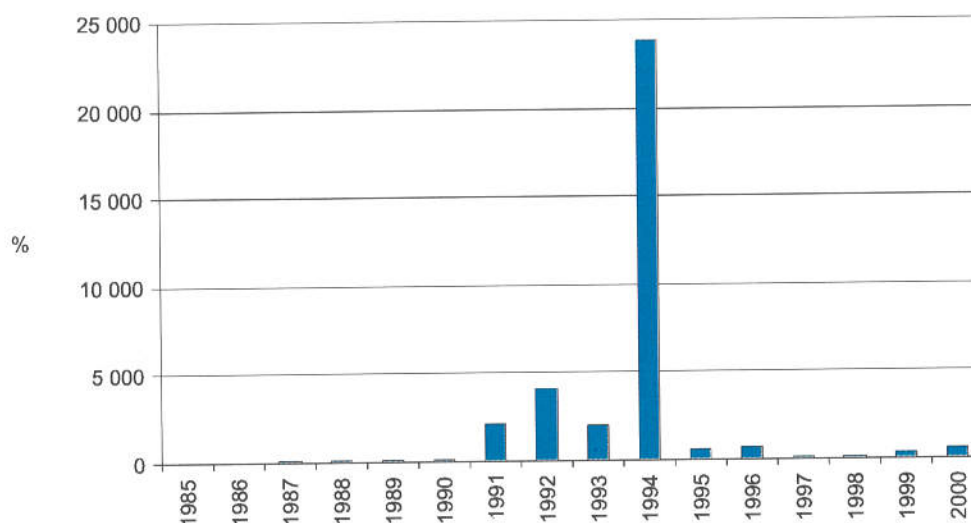
The government sector and the public finances are in serious disorder. Total expenditure and net lending reached a peak of 20,5% of GDP in 1991. In 1994, this ratio declined sharply to 5,0%, mainly because civil service salaries did not keep pace with inflation. Since then the ratio increased steadily to 10,4% in 1997. The overall balance excluding grants was positive in only one year, 1985. The biggest deficit (15% of GDP) was recorded in 1992. From 1994 the deficits have been considerably lower, but reflect neglect of government functions rather than prudent fiscal management. Credit more often than not financed the bulk of the budget deficit and in some years even exceeded the deficit.

Figure 2.22: Total public expenditure and net lending and total revenue as % of GDP, 1985 - 2000



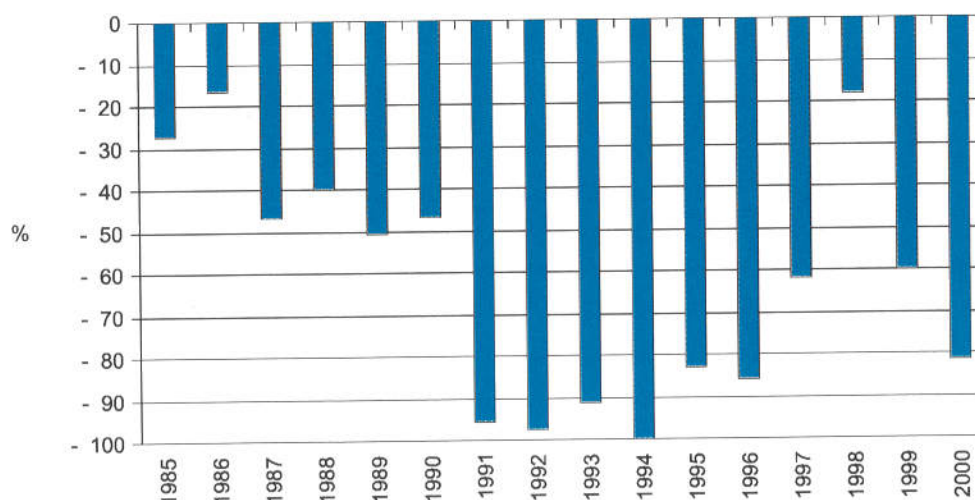
The rate of inflation in the DRC recorded double digits from 1980 to 1988, exceeded 100% in 1989 and subsided a little in 1990. Then it accelerated rapidly, reaching a rate of 23 773% in 1994. It declined to about 540% in 1995, but has remained in triple digits ever since. Since 1998 the rate of inflation increased primarily as a result of two factors. Firstly, the civil war that erupted in August 1998 caused severe disruption of production and distribution. Secondly, the average price of the US\$ in local currency increased by 22%, 150% and 443% respectively in 1998, 1999 and 2000.

Figure 2.23: Consumer price inflation, 1985 - 2000



The national currency weakened substantially against the US\$ each year from 1980 and depreciations in excess of 90% occurred each year from 1991 to 1994. Despite monetary reform, hyperinflation accelerated. Barter and US\$ transactions have become popular alternatives. On May 28, 2001, the Kinshasa government abandoned the fixed exchange rate and adopted a daily floating rate for the Congolese Franc (FC). The measure was implemented in line with an interim adjustment program approved by the International Monetary Fund in a bid to stabilise the economy. On the positive side, the decision is a liberalising economic move by the government, which reflects some promise and may renew investor confidence. The downside to the move is that prices are expected to increase further, as the franc finds its market rate.

Figure 2.24: Rate of depreciation of Franc Congolaise (FC) versus the US\$, 1985 - 2000



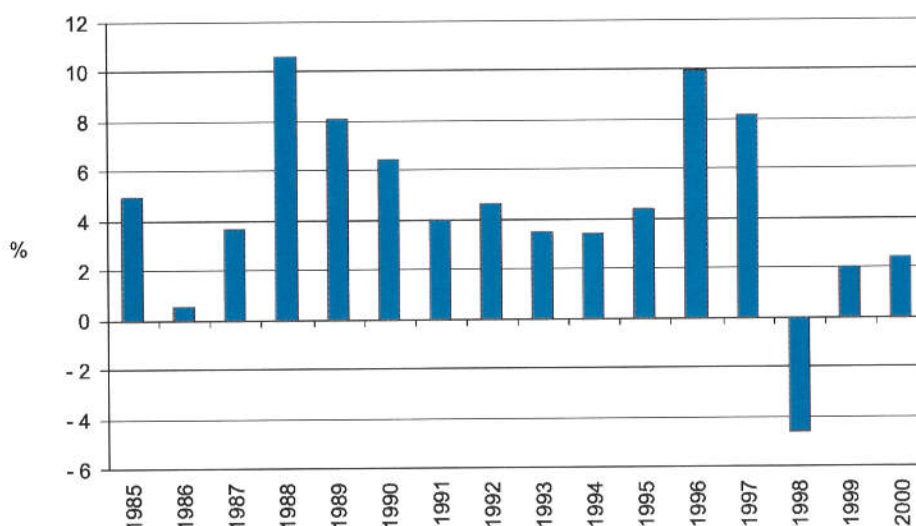
Inferences

The Democratic Republic of Congo possesses vast natural resources with a relative small population resulting in low population pressure. The potential thus exists for the development of a strong and well-diversified economy. Hostilities between the military government and opposing rebel forces has impeded the optimal utilisation of the available resource base. The inter-Congolese dialogue held at the beginning of 2002 failed to realise immediate and lasting peace. The peace agreement that was signed between the DRC and Rwandan leaders at the end of July 2002 is expected to create the necessary political stability that can result in a dramatic improvement in the socio-economic conditions in the country.

Lesotho

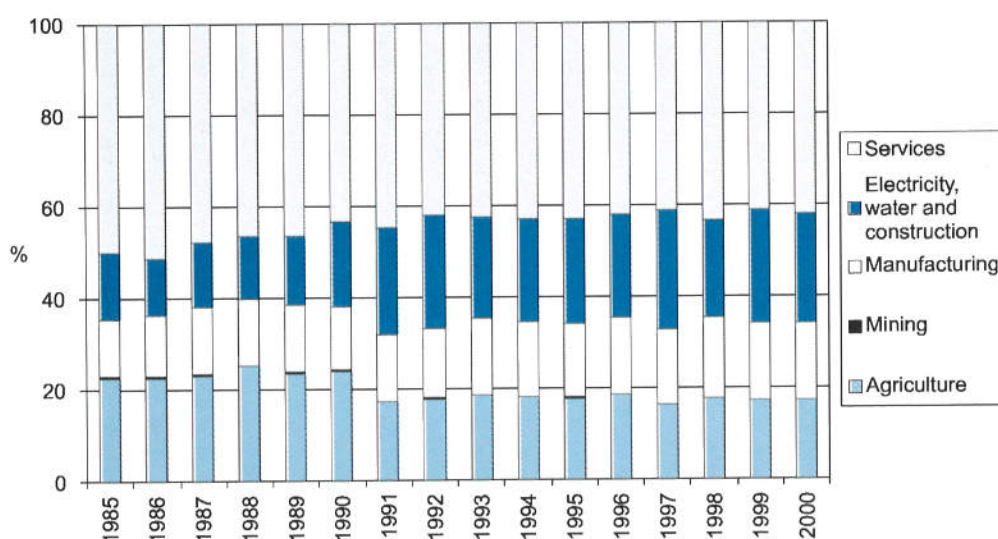
Lesotho's real GDP showed significant positive increases until 1997, particularly the 10% increase in 1996, driven mainly by the construction of the Lesotho Highlands Water Development Project (LHWDP). The initial projected increase in GDP for 1998 was 0,5%, but following the post election political unrest and failed army mutiny the real growth was estimated at -4,6%. Real GDP was estimated to increase by 2,0% in 1999 and 2,4% in 2000.

Figure 2.25: Growth in GDP, 1985 - 2000



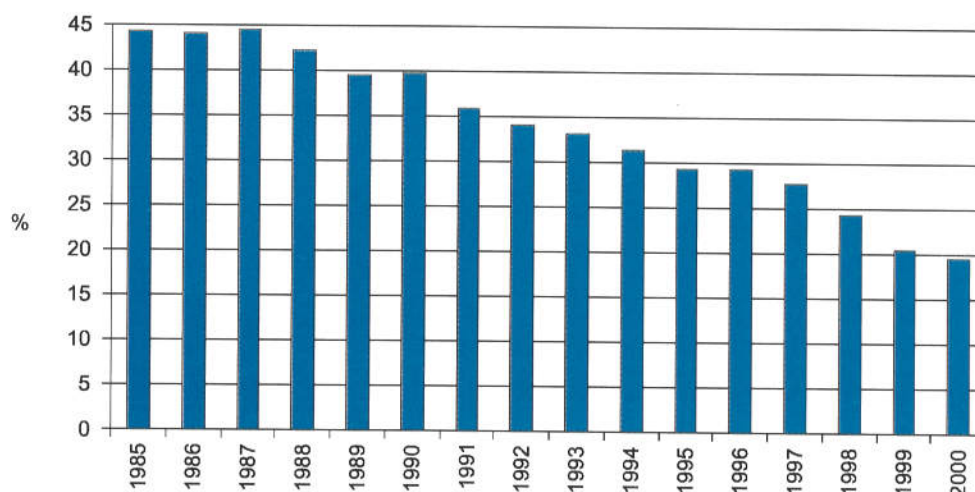
Agricultural production has been erratic because of serious droughts in recent years. Its share of GDP declined from 25% in 1988 to 17% in 2000, mainly because of serious soil erosion caused by population pressure and overgrazing. Other sectors have been growing rapidly in a favourable tax regime and trading arrangements. The most notable development has been the growth of export-orientated manufacturing, led by the clothing and footwear sub sector selling to the South African and US markets, largely on the strength of the US government's Africa Growth and Opportunity Act (AGOA), which gives Lesotho duty-free entry to the US market. Until recently, growth in construction, strongly related to the first phase of the LHWDP has been double that of manufacturing but this has now levelled off. The services sector, especially government, recorded significant real growth up to 1998, and is likely to remain the most dominant sector for the next few years.

Figure 2.26: Composition of the GDP, 1985 - 2000



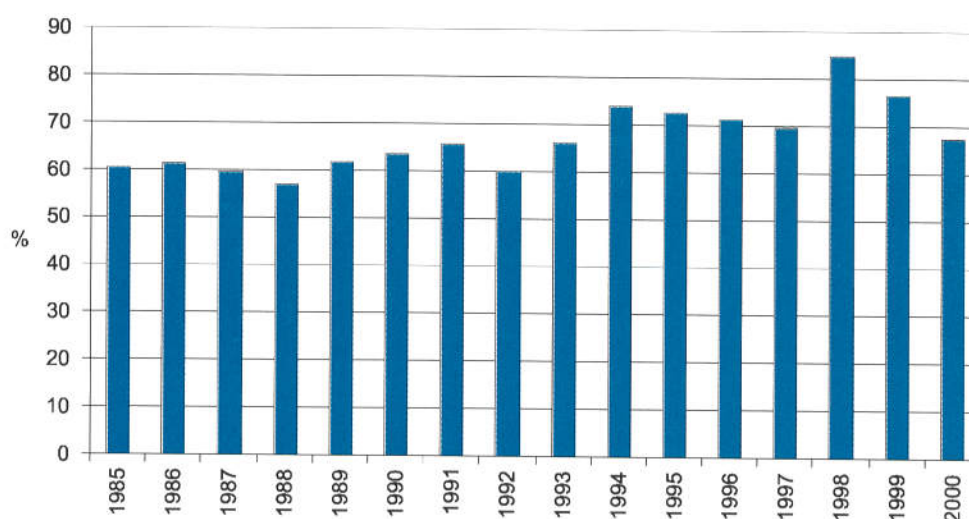
A unique feature of Lesotho's economy is the large contribution of income from international sources to national income. However, this ratio has been declining since 1987 primarily due to large-scale retrenchments in the South African mining sector and the growth in the GNI resulting from growth in the export orientated sectors. The large deficit on merchandise trade is offset to a great extent by workers' remittances from South Africa. This deficit, although still large, is declining due to lower imports as a percentage of GDP and a simultaneous growth in exports of goods and non-factor services.

Figure 2.27: Net income from abroad as % of Gross National Income (GNI), 1985 - 2000



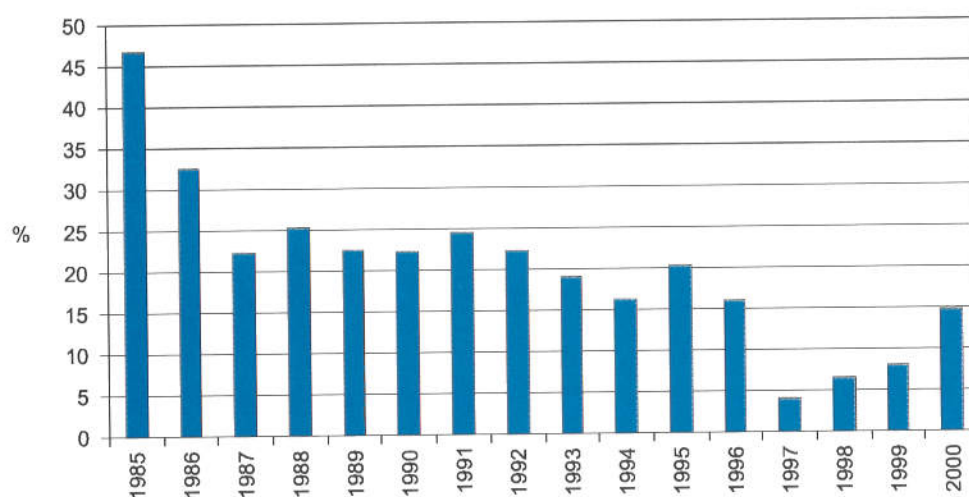
Lesotho's total foreign debt as percentage of GDP increased to a high of almost 85% in 1998 but has been declining in the subsequent two years. This positive movement resulted from foreign debt declining during this period accompanied by a slight positive growth in GDP.

Figure 2.28: Total foreign debt as % of GDP, 1985 - 2000



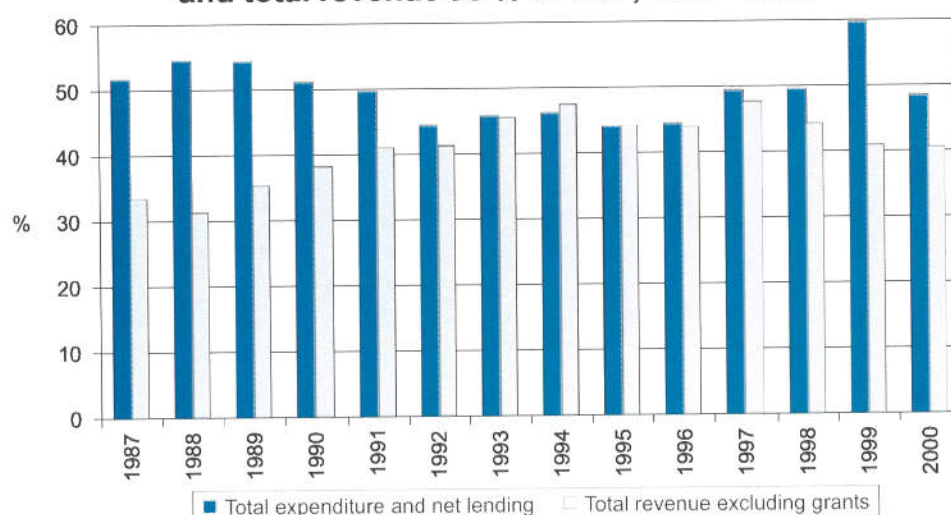
The debt service ratio of Lesotho was 46,8% in 1985. The ratio subsequently declined significantly and reached 4% in 1997. Since then it has increased to an estimated 15% in 2000 due to the maturity profile of debt. It is expected to decline in future. According to accepted international norm, a ratio of 10% or less is very good, while one above 25% indicates high risk. Lesotho thus exhibits low risk according to this measure.

Figure 2.29: Foreign debt service as % of exports of goods and services, 1985 - 2000



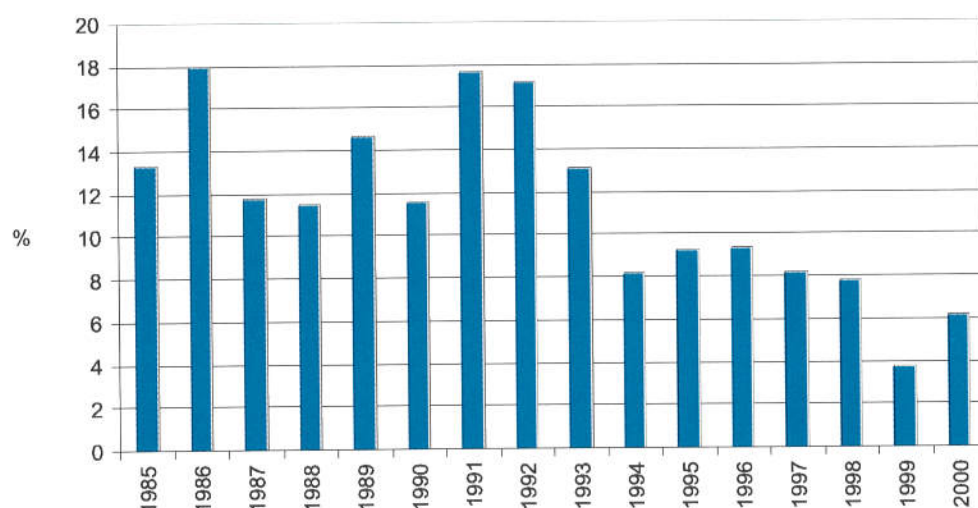
Following the Structural Adjustment Programme agreed with the IMF in 1988 net government borrowing had been eliminated by 1992/93. The fiscal position, however, deteriorated in 1997/98, as a result of an increase in expenditure and a decline in revenue during that year. Declining revenue-to-GDP and once-off expenditures associated with the restructuring of a public enterprise and state banks caused the budget deficit in 1999/2000 to rise to 16% of GDP. The country is heavily dependent on customs revenue as illustrated by the fact that customs receipts have over the past decade on average accounted for 54% of total revenue excluding grants. The need to reconstruct the infrastructure damaged during the 1998 political crisis will further exert pressure on the fiscus.

Figure 2.30: Total public expenditure and net lending and total revenue as % of GDP, 1987 - 2000



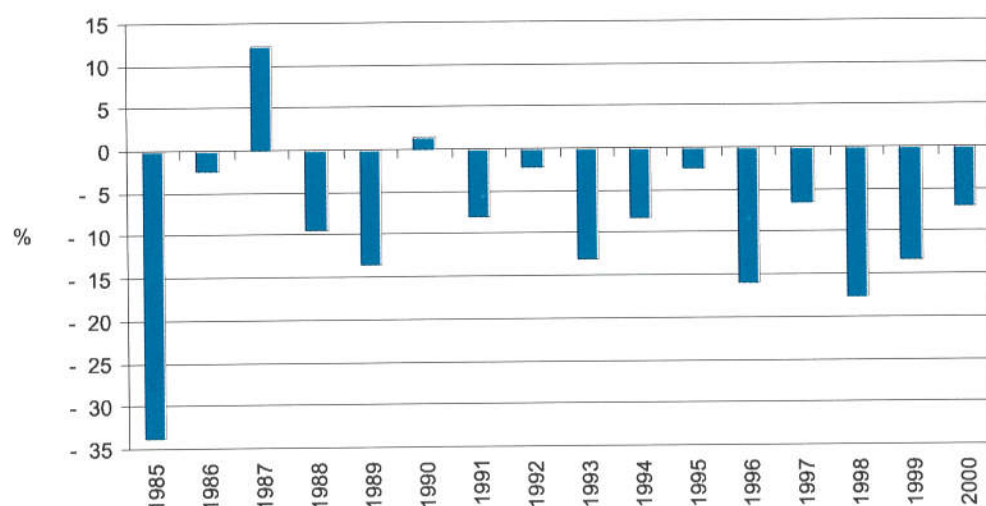
Events in South Africa, in particular the recent decline in the value of the rand against the major currencies, have a strong bearing on price movements in Lesotho, with Lesotho's inflation mirroring that of South Africa. Lesotho achieved a rate of inflation in the region of 6,9% in 2001, but the fall in the rand in late 2001 may impact negatively on prices in 2002 despite the recent downward trend in Lesotho's domestic inflation.

Figure 2.31: Consumer price inflation, 1985 - 2000



Lesotho made use of the South African rand until December 1979. Then a new currency, the loti, (maloti is the plural form) was introduced. The loti is on par with the rand and freely exchangeable with it. The rand and hence the maloti will remain vulnerable to external shocks because of South Africa's well developed financial markets, large portfolio investment flows and the low level of foreign reserves.

Figure 2.32: Rate of depreciation/appreciation of the Lesotho Loti versus the US\$, 1985 - 2000



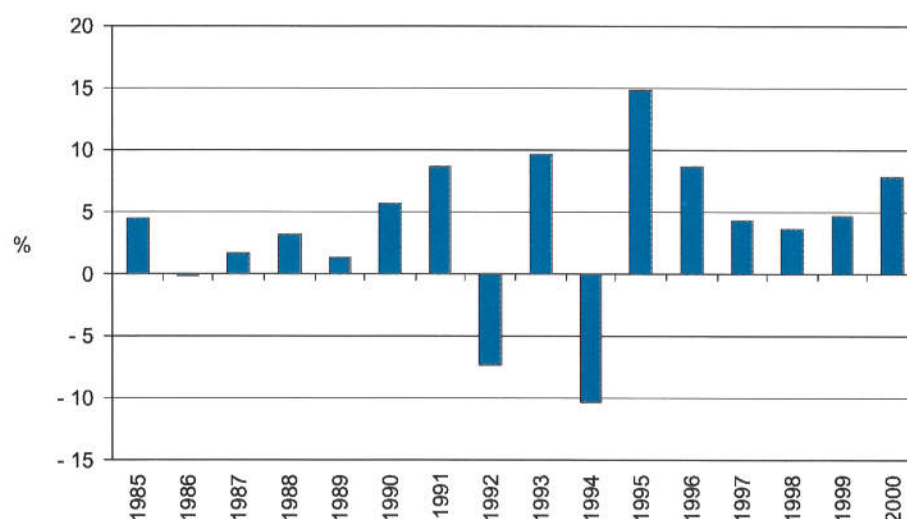
Inferences

Lesotho has a very limited resource base and is to a large extent dependent on the South African economy. This is due to the fact that the largest flow of income into Lesotho consists of remittances from Basotho workers on the South African mines, as well as the water from the Lesotho Highlands Water Scheme being sold to South Africa. Large-scale retrenchments by the South African mining industry will continue to result in decreasing income from migrant workers. The 1998 political unrest hampered economic growth significantly and put severe pressure on the government's budget in rebuilding damaged infrastructure. The restoration of political stability can contribute to a revival of the local economy and attract foreign investment. The recent peaceful election process may add impetus for an economic recovery.

Malawi

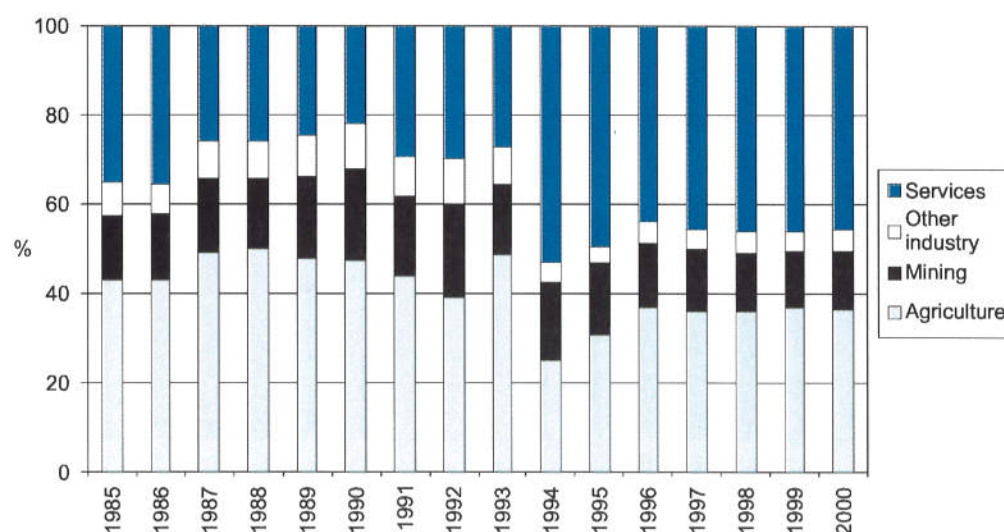
Malawi's real GDP growth varied dramatically from year to year. Negative growth in 1992 and 1994, in particular, was followed by strong rebounds in the subsequent years. The variability of Malawi's growth in real GDP is, to a large extent, the result of the unpredictability in climate and the economy's dependence on agriculture. Agricultural production and GDP declined dramatically in 1992 and 1994 as a result of drought.

Figure 2.33: Growth in GDP, 1985 - 2000



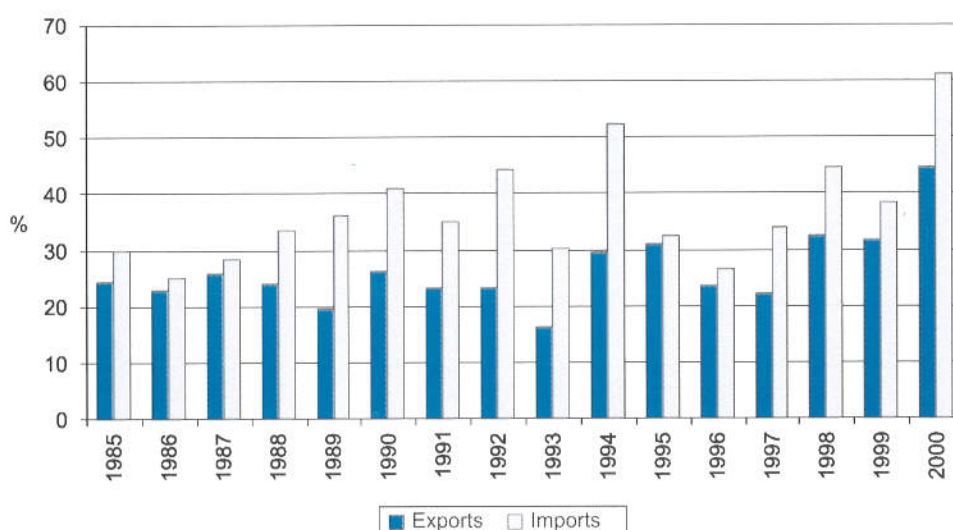
From 1980 to 1993, the agricultural sector almost consistently contributed more than 40% to GDP. Since 1994, this sector's contribution dropped below 40%, due to decreases in production because of drought and floods and a decline in the price of tobacco. Tobacco is Malawi's dominant agricultural crop. The manufacturing sector's contribution to GDP increased steadily from 14% in 1980 to 21% in 1992, but has been declining since then. The services sector's contribution remained between 23% and 35% from 1985 to 1993 and then increased to 53.1% in 1994. This was mainly due to the drop in the contribution of the agricultural sector. However, since 1994 the services sector's contribution to the GDP remained above 40% and has even exceeded the contribution of the agricultural sector.

Figure 2.34: Composition of the GDP, 1985 - 2000



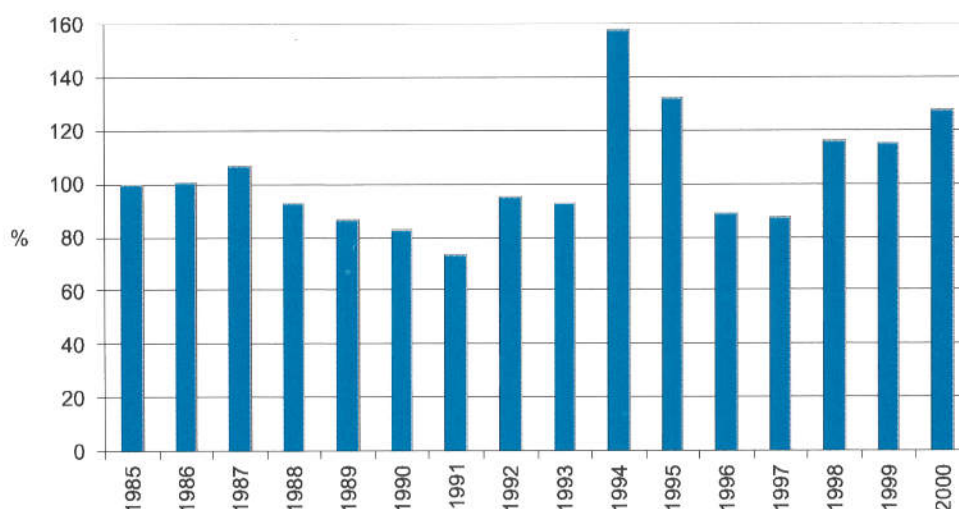
Malawi's income from the export of its principal commodity, tobacco, fluctuated considerably since 1983, but generally exhibited an upward trend. The continued and increasing dependence on export earnings from tobacco is reflected in the percentage contribution from the exports of tobacco in relation to total export earnings. This contribution fluctuated between 39% in 1985 and almost 69% (in 1991, 1992 and 1999). The fluctuations in tobacco production and prices cause considerable instability in exports. The resource balance, that is, exports less imports of goods and non-factor services, has been negative in real terms in each year since 1980, except in 1986 and 1987. Exports as percentage of GDP, having declined from 1995 to 1997, increased fairly strongly in the ensuing years. This rise in goods exports can be attributed to increases in exports of tobacco and tea. Exports of spices, apparel and fabrics also improved substantially.

Figure 2.35: Exports and imports of goods and non-factor services as % of GDP, 1985 - 2000



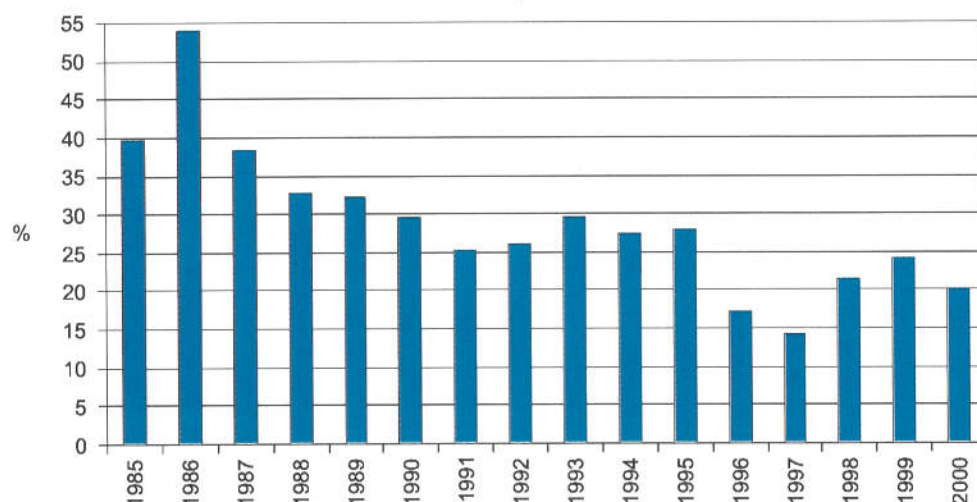
The ratio of total debt to GDP of Malawi has been volatile. This can to a large extent be ascribed to fluctuations in the GDP rather than to fluctuations in the debt. The ratio fluctuated between a low of 74% in 1991 and a high of 158% in 1994 – a year in which Malawi experienced a serious drought and a concomitant decline in its GDP.

Figure 2.36: Total foreign debt as % of GDP, 1985 - 2000



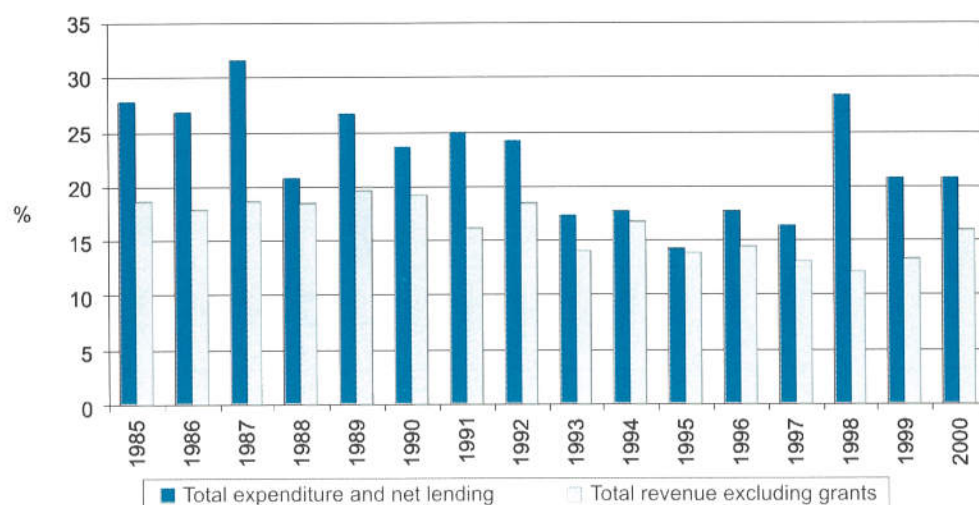
The debt service ratio, that is, debt service to exports of goods and services, reached a high of 53,8% in 1986. Since then it followed a declining trend to reach a low of 14% in 1997. The reason for this decline was the increasingly favourable terms on loans since 1986. The increase in the ratio since 1997 can be ascribed to the increase in the country's foreign debt that had to be serviced. In December 2000, Malawi reached a debt-relief deal under the Heavily Indebted Poor Country (HIPC) initiative, which allows for total relief of US1bn on debt service.

Figure 2.37: Foreign debt service as % of exports of goods and services, 1985 - 2000



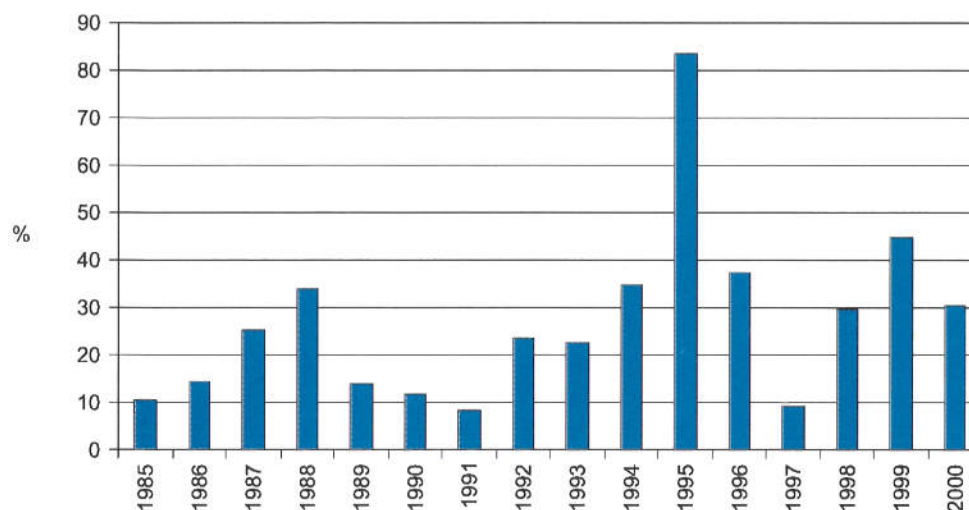
The reported expenditure by the central government of Malawi has fluctuated considerably as a percentage of GDP. In part, this is a reflection of fluctuations of GDP, as depicted earlier, rather than public expenditure. The generally downward trend in this ratio was broken in 1998 when total expenditure and net lending rose steeply to 28,4%. The government provided several explanations for this over-expenditure: the cost of hosting the annual SADC conference; the purchase of maize to mitigate the country's shortage of staple grain; and the depreciation of the kwacha which raised the government import costs. The disbursement of grants from donors was also lower than expected, as a result of the government's failure to meet certain terms and conditions stipulated by development finance agencies. Granted these factors contributed to the financial woes of the country, it is maintained that a relaxation in fiscal discipline occurred during this time.

Figure 2.38: Total public expenditure and net lending, and total revenue as % of GDP, 1985 - 2000



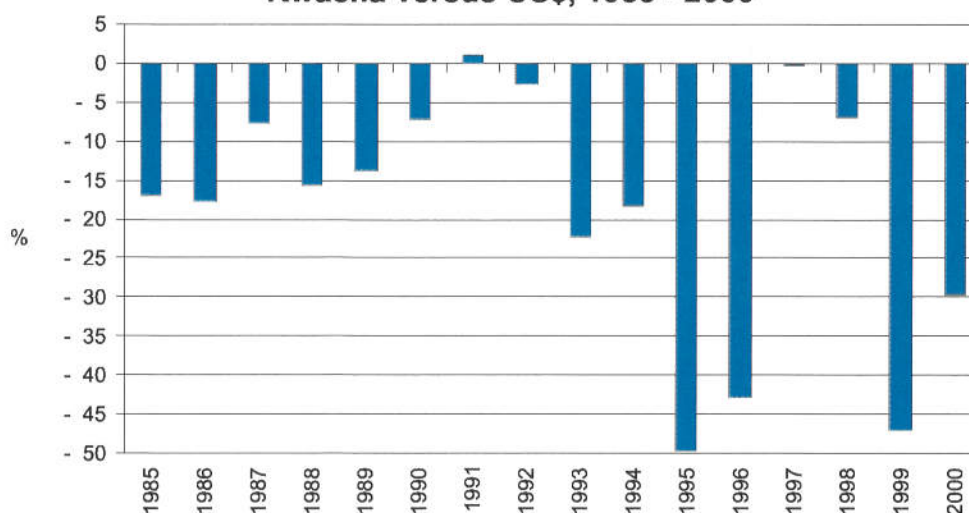
Malawi's annual inflation rate tends to fluctuate significantly from year to year. Inflation reached an exceptionally high level (for Malawi) of 83.3% in 1995 and then declined to below 10% in 1997. Towards the end of 1997, inflationary pressures started to build up again largely due to drought and flood-related shortages of food and other produce as well as a sharp depreciation of the Malawian kwacha. The inflation rate accelerated to almost 45% in 1999, largely for the same reasons.

Figure 2.39: Consumer price inflation, 1985 - 2000



Malawi's currency is prone to sharp depreciations and has lost considerable value, especially since 1995. In 2000 the kwacha fell again by over 40% against the US\$. This was in large part due to the negative terms of trade shock caused by lower revenue from tobacco and higher fuel prices, which are denominated in US dollars. The continuing depreciation is inclined to discourage foreign investment in assets denominated in kwachas and impact negatively on Malawi's ability to consistently meet its debt servicing commitments.

Figure 2.40: Rate of depreciation/appreciation of Malawi Kwacha versus US\$, 1985 - 2000



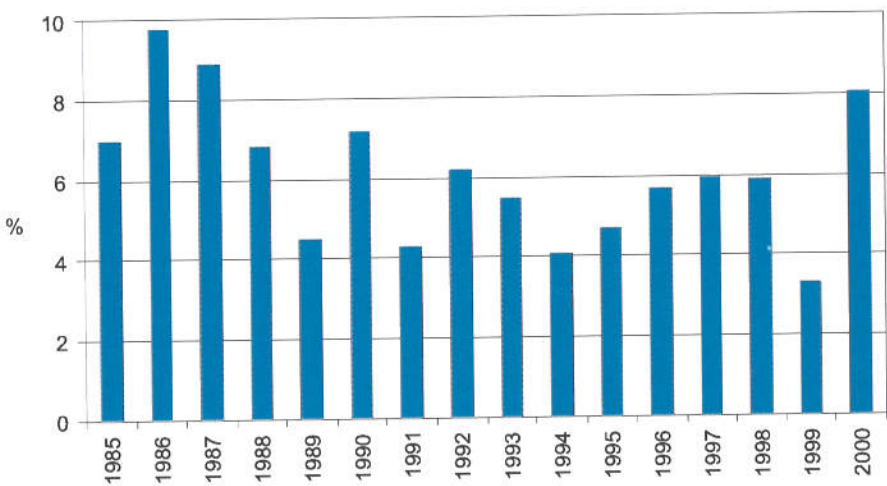
Inferences

The Malawian economy's heavy reliance on agricultural products results in large fluctuations in growth and earnings from exports as it is vulnerable to adverse climatic conditions and commodity prices. Large-scale poverty in the country also has a detrimental effect on domestic production and consumption. A lack of diversification in the economy exacerbates the situation. The government's intentions to improve the situation with the technical assistance of the IMF, the World Bank and other international donors are, however, commendable. A three-year poverty reduction and growth facility (PRGF) was approved by the IMF in December 2000, emphasising poverty reduction, fiscal policy reforms and promoting private sector development and investment. This policy initiative will be supported by a forthcoming poverty reduction strategy paper (PRSP), an essential step for Malawi to receive the granted debt relief under the HIPC initiative.

Mauritius

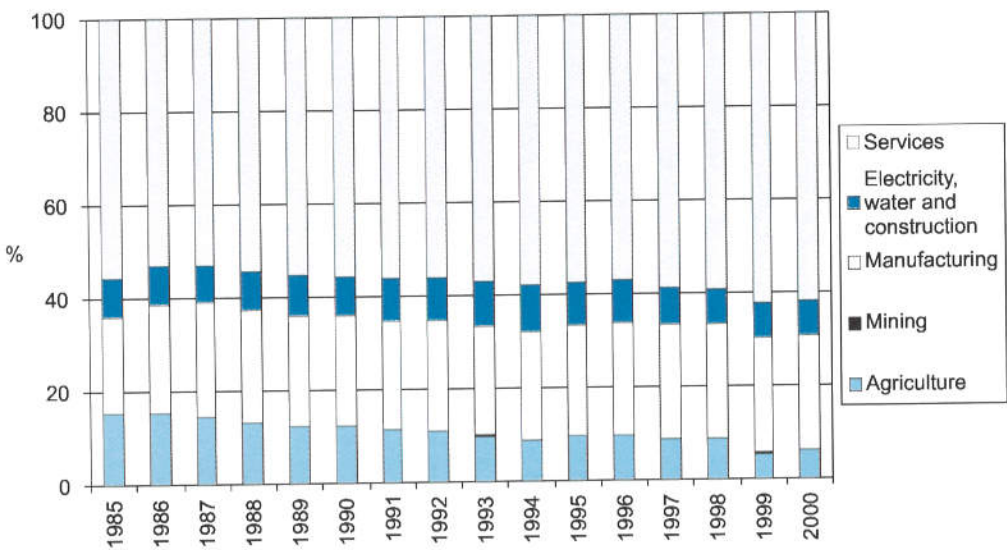
Mauritius has achieved excellent rates of economic growth during the past two decades. Between 1980 and 1999 the average annual growth rate of GDP was 5,6%. This expansion of economic activity was consistent, with the real GDP growth rate dropping below 4% in two years only (1983 and 1999). The drop in the latter year resulted from difficulties being experienced by the agriculture sector. Sustained drought conditions depressed sugar and total agricultural output by 40,6% and 28,1% respectively. The following main sectors registered particularly high average growth rates: manufacturing (7,8%), other industry (6,7%) and services (5,8%).

Figure 2.41: Growth in GDP, 1985 - 2000



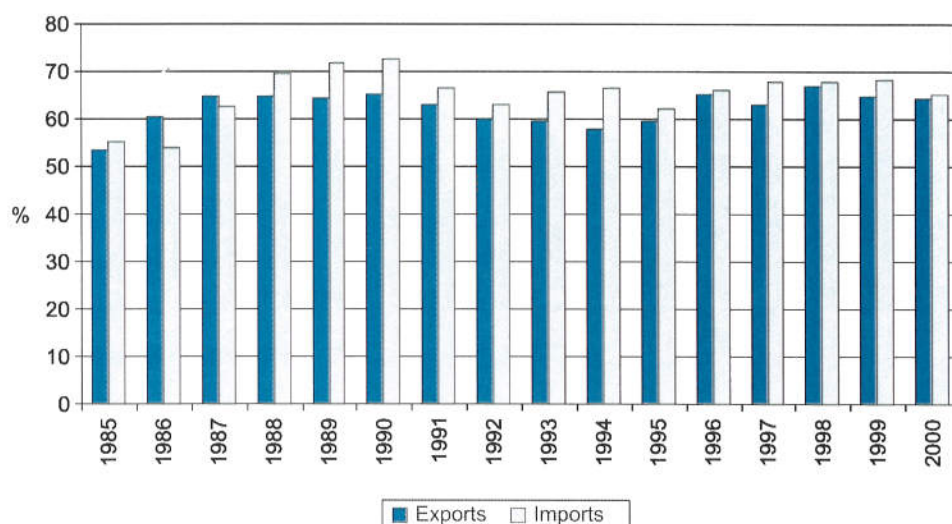
Traditionally, the Mauritian economy was highly dependent on the cultivation of sugar. This rendered it vulnerable to adverse climatic conditions and changes in the international sugar price. However, the economy has diversified considerably in recent years, notably through the expansion of manufacturing, tourism and financial services. The share of total output of agriculture, forestry and fishing decreased from 15% in 1985/86 to an estimated 6% in 2000. On the other hand, manufacturing's share increased from 20% in 1985 to an estimated 25% in 2000.

Figure 2.42: Composition of the GDP, 1985 - 2000



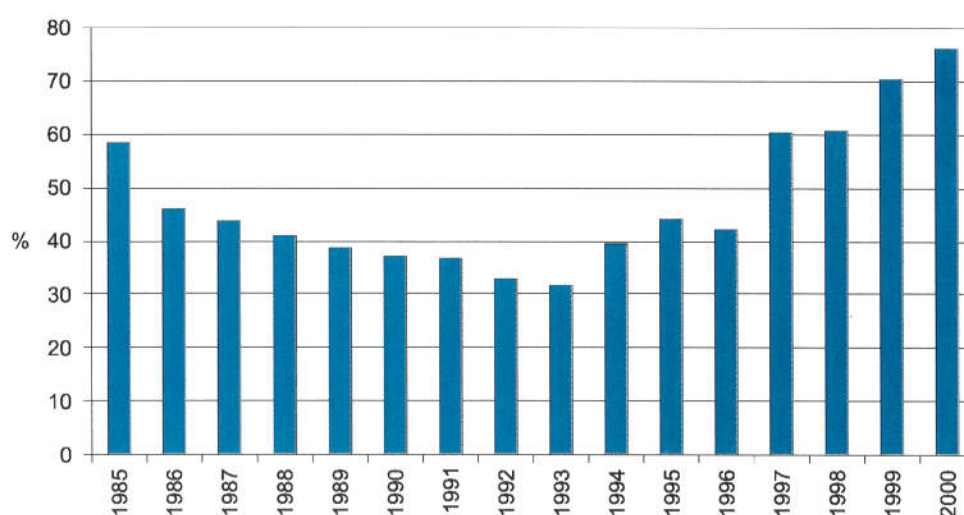
The Mauritian economy is extremely open and both exports and imports of goods and non-factor services have exceeded 60% of GDP in recent years. Mauritius mainly exports clothing and textiles, as well as sugar. In 2000 these goods accounted for 71% and 15% of total exports respectively. It should be noted that although Mauritius experienced a positive growth in exports since 1985 the trade account of the balance of payments has been in deficit in every year except 1986. This is due to a concomitant growth in imports resulting from a demand growth due to wage increases in the household sector, a massive public investment programme and the expansion of economic activity in general. Receipts from services rose sharply as the development of the tourism industry accelerated.

Figure 2.43: Exports and imports of goods and non-factor services as % of GDP, 1985 - 2000



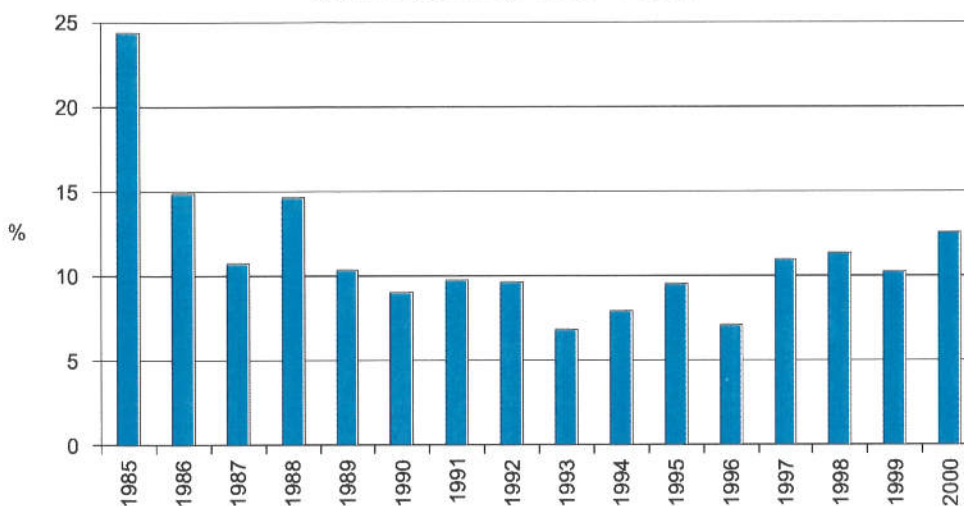
The total external debt of Mauritius rose significantly in the early 1990s to allow for funding of various public-sector projects. It increased from a low of 31,5% of GDP in 1993 to 76% in 2000. While the trend in debt and debt-to-GDP ratios in Mauritius is clearly cause for concern, it should be pointed out that their levels remain moderate by the standards of SADC and many other developing countries.

Figure 2.44: Total foreign debt as % of GDP, 1985 - 2000



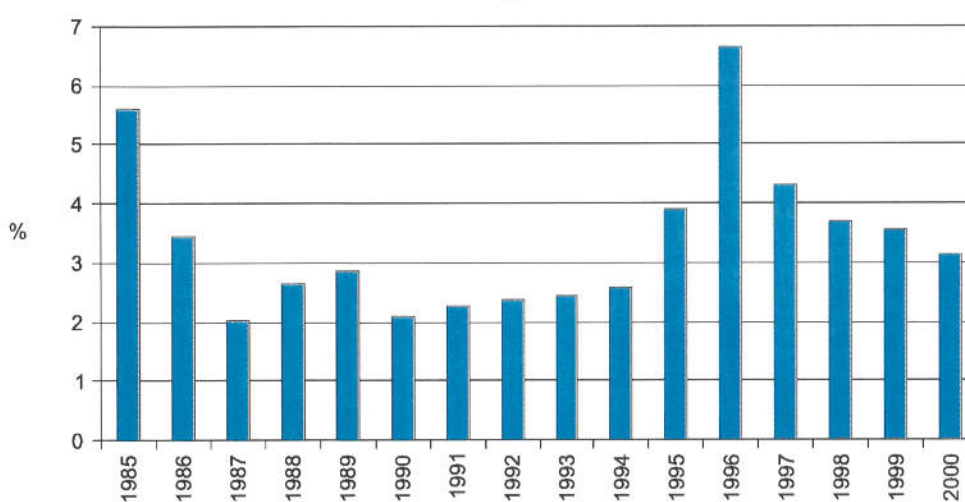
Mauritius' relatively high indebtedness in the early 1980s led the government to take drastic steps to improve the island's creditworthiness. The debt-service ratio improved to 6,5% in 1993, but has worsened again as a result of the increase in indebtedness. A sharp rise in exports of goods and services in 1996 resulted in a temporary decrease in the ratio in that year. This ratio, however, remains at a relative even and low level.

Figure 2.45: Foreign debt service as % of exports of goods and services, 1985 - 2000



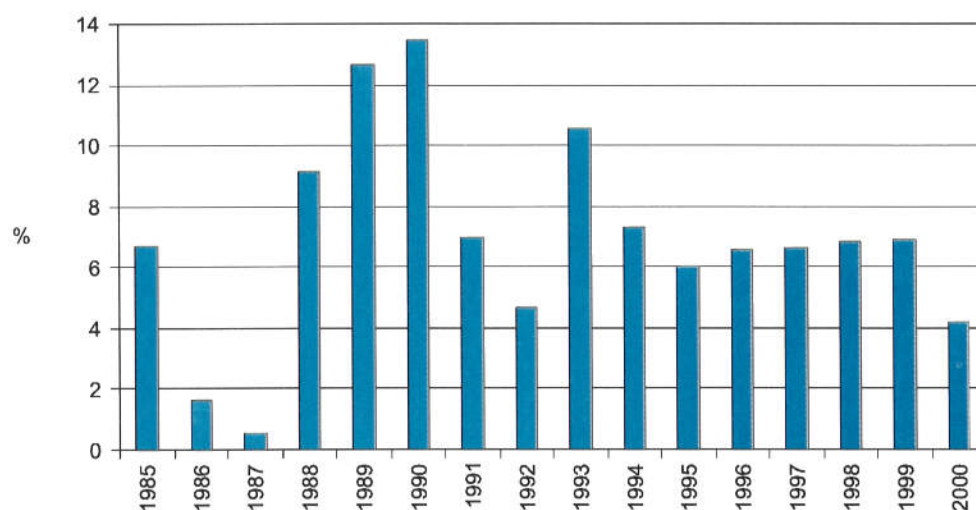
The Mauritian government accomplished the relative stability of its deficit since 1986 until 1994 at a level below 3% by prioritising its outlays towards capital and redistributive expenditures while keeping total outlays almost constant. The fiscal situation deteriorated from 1995 onwards, with the deficit before grants increasing to 6,6% of GDP in 1996. This trend mainly reflected a drop in the overall tax burden resulting from the significant contribution to economic growth of the tax-favoured EPZ and offshore sectors. During the past few years, the authorities have made a determined effort to reduce the fiscal deficit.

Figure 2.46: Overall government deficit excluding all grants as % of GDP, 1985 - 2000



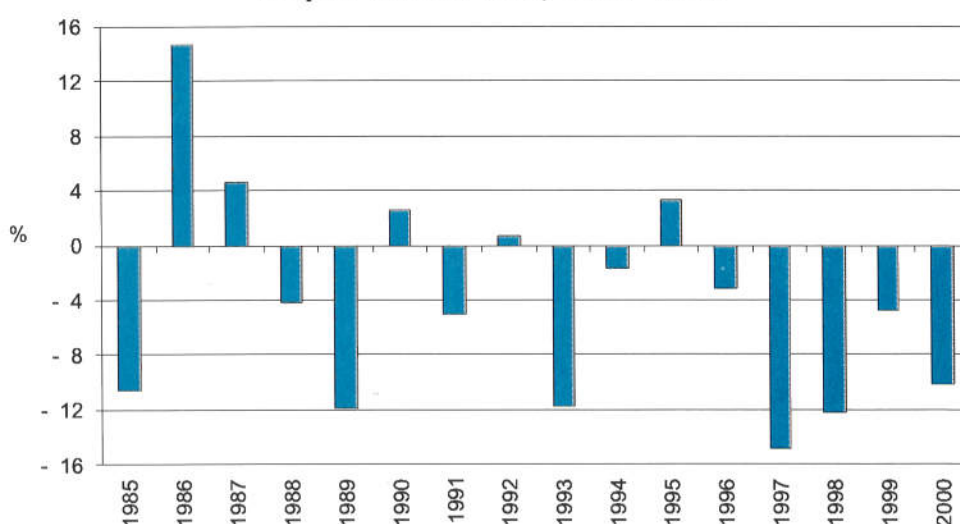
On the whole, price increases in Mauritius were moderate. The openness of the economy makes the country vulnerable to changes in international prices. The downward trend in the inflation rate during the early 1990s was the result of tighter monetary policies, lower international commodity prices and subdued inflation rates in most of the country's trading partners. Inflationary pressures surfaced in late 1997, owing to loose fiscal policy and rising import prices, and gained momentum in 1998 with the introduction of VAT. Lower food prices, after good southern African harvests, caused the inflation rate to decrease to 4.2% in 2000.

Figure 2.47: Consumer price inflation, 1985 - 2000



The Mauritian rupee has depreciated significantly against the US dollar during the past two decades. A substantial portion of this depreciation occurred in 1997 and 1998 due to adverse terms-of-trade movements, a slowdown in the growth of exports and huge balance of payments deficits.

Figure 2.48: Rate of depreciation/appreciation of Mauritius Rupee versus US\$, 1985 - 2000



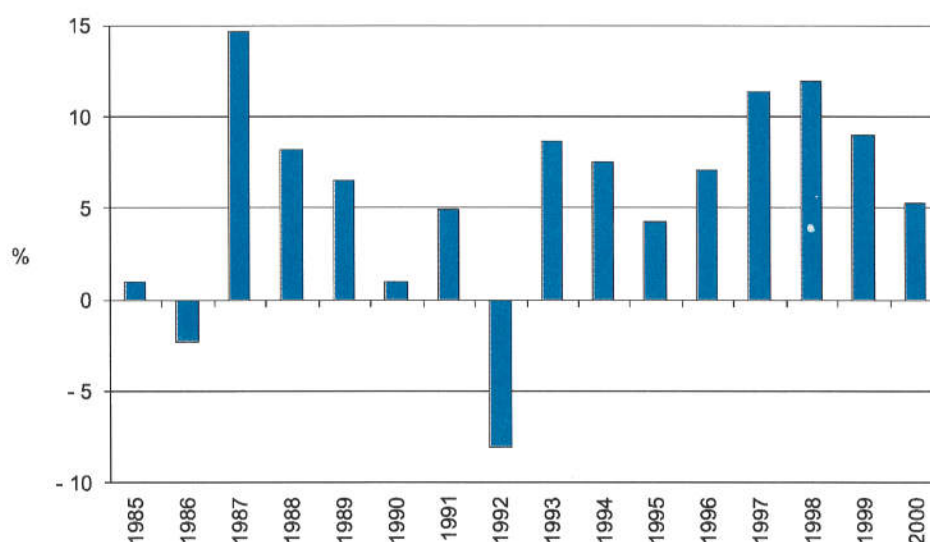
Inferences

The existence of a well-developed physical as well as social infrastructure contributes to a positive investment climate in Mauritius. It is, however, true that its heavy reliance on the clothing and textiles, sugar and tourism industries results in, as is the case in many SADC countries a large degree of instability in economic activity. The government has ambitious plans to strengthen the economic future of the island by investing in the establishment of a regional information and communications technology (ICT) hub, Ebene Cyber-City, to act as one of the five “pillars” of the economy. The Mauritian economy continues to deliver impressive growth rates, not only within the SADC context but internationally.

Mozambique

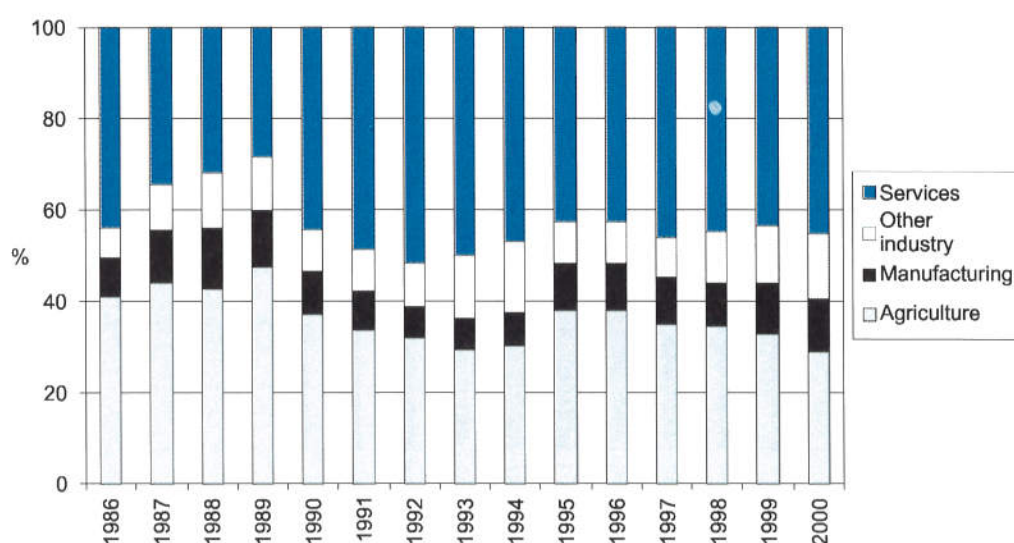
The Mozambican economy is relatively small and vulnerable to factors such as adverse international shocks and unfavourable weather conditions. Large investment projects can also have a significant impact on the economic growth rate in a particular year. During the 1980s and the first half of the 1990s, the growth performance of the Mozambican economy was erratic. On the whole the economy performed poorly during the civil war. From 1993 onwards, the growth in performance of the economy improved substantially as the benefits of economic reforms and political and economic stability began to show. Boosted by favourable weather conditions and substantial foreign aid inflows, GDP expanded uninterrupted between 1993 and 1998. The increase in output was broad based, but the highest growth rates were recorded in manufacturing, construction and some services.

Figure 2.49: Growth in GDP, 1985 - 2000



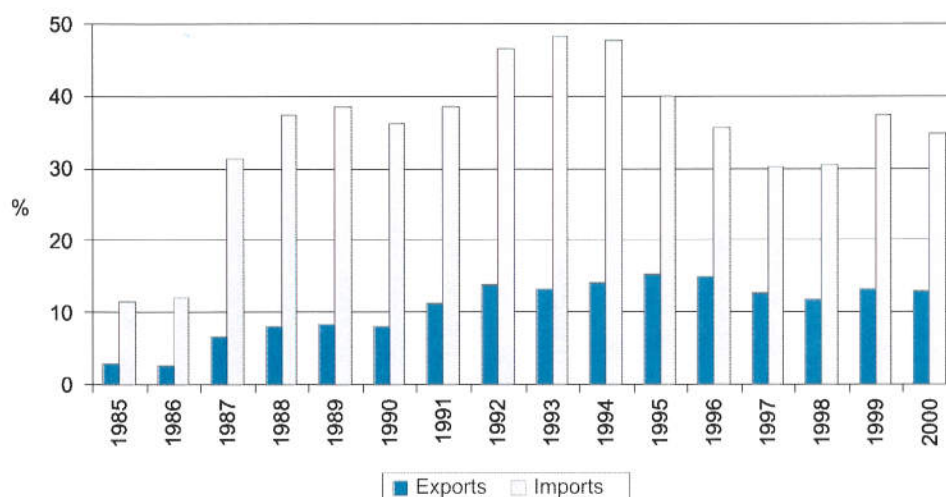
When compared to other sub-Saharan African countries, Mozambique has a relatively diversified production structure. Agriculture, forestry and fishing remain the backbone of the economy. Although the country has a relatively large mining potential, its contribution to GDP is less than 1% of GDP. The country's manufacturing base is relatively diversified. Key components of the services sector are transport and communications activities and tourism related activities such as catering and accommodation and is likely to again become a mainstay of the Mozambican economy.

Figure 2.50: Composition of the GDP, 1986 - 2000



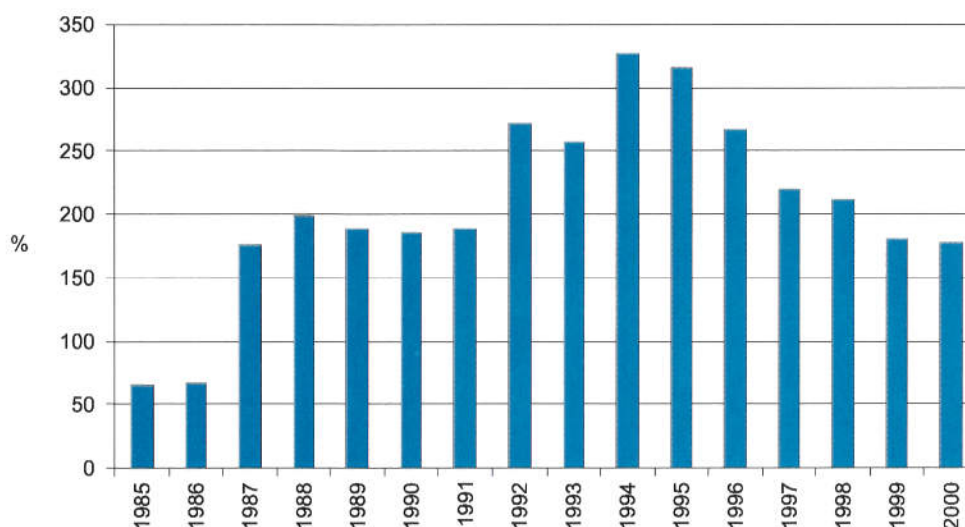
The export sector, which had been performing sluggishly due to poor supply conditions – traceable to the effects of the war and inappropriate government policies – has recovered since the mid-1990s, but export growth has generally lagged GDP growth. The Mozambican economy is highly dependent on imported intermediate and capital goods. Large mega project investments (mainly in the Mozal aluminium smelter), strong consumer demand and import liberalisation have boosted imports. As a result, the trade deficit has widened during the past decade. Despite official transfers and other receipts, such as receipts from railway and harbour services and mineworkers' remittances from South Africa the current account of the balance of payments is invariably in deficit.

Figure 2.51: Exports and imports of goods and non-factor services as % of GDP, 1985 - 2000



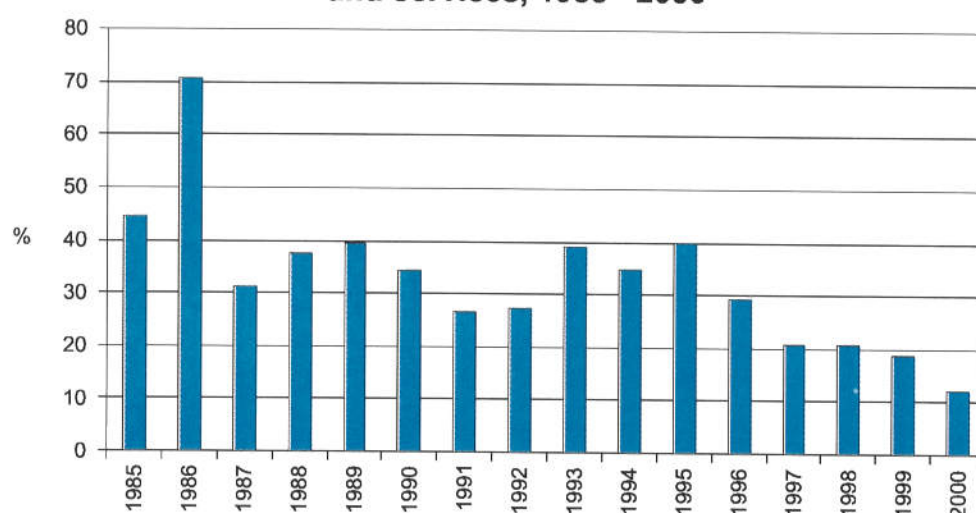
Mozambique's heavy dependence on external financial assistance resulted in a sustained build-up of foreign debt throughout the 1980s and the first half of the 1990s. Since the beginning of economic reforms in 1987, there have been a series of debt negotiations and rescheduling agreements. In April 1998, Mozambique was declared eligible for assistance under the Heavily Indebted Poor Country (HIPC) initiative. In 2000, Mozambique qualified for an additional amount under the Enhanced HIPC initiative, bringing the country's total debt relief under the initiative to US\$4,3 billion. This, in addition to other initiatives, has significantly improved Mozambique's debt position.

Figure 2.52: Total foreign debt as % of GDP, 1985 - 2000



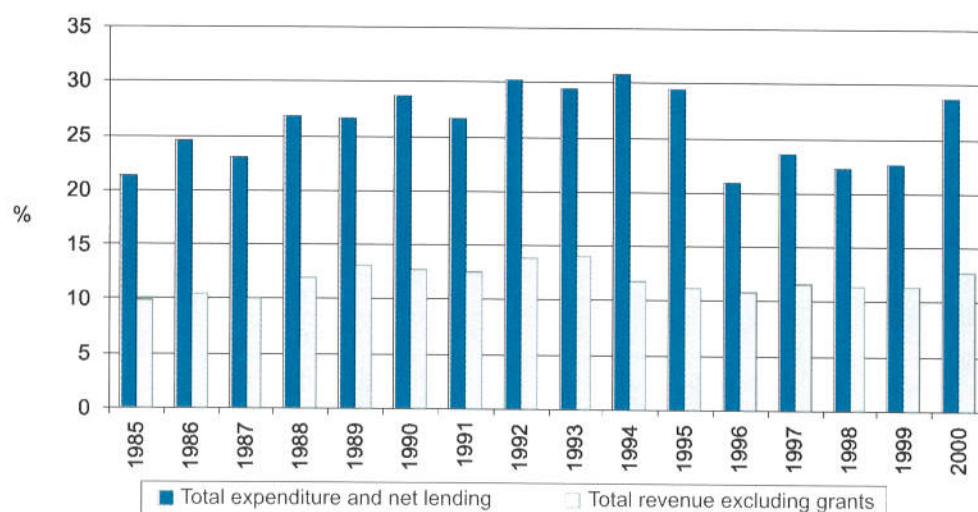
The debt relief that Mozambique received had significantly reduced its debt service obligations. Furthermore, it should be borne in mind that debt service currently constitutes a small part of the large capital flows to Mozambique. Debt service is dwarfed by foreign assistance of almost US\$1bn that the country has been receiving annually. Debt service as percentage of exports of goods and services and as percentage of GDP has decreased between 1995 and 2000 from 39,9% to 12,2% and from 6,9% to 1,7%, respectively.

Figure 2.53: Foreign debt service as % of exports of goods and services, 1985 - 2000



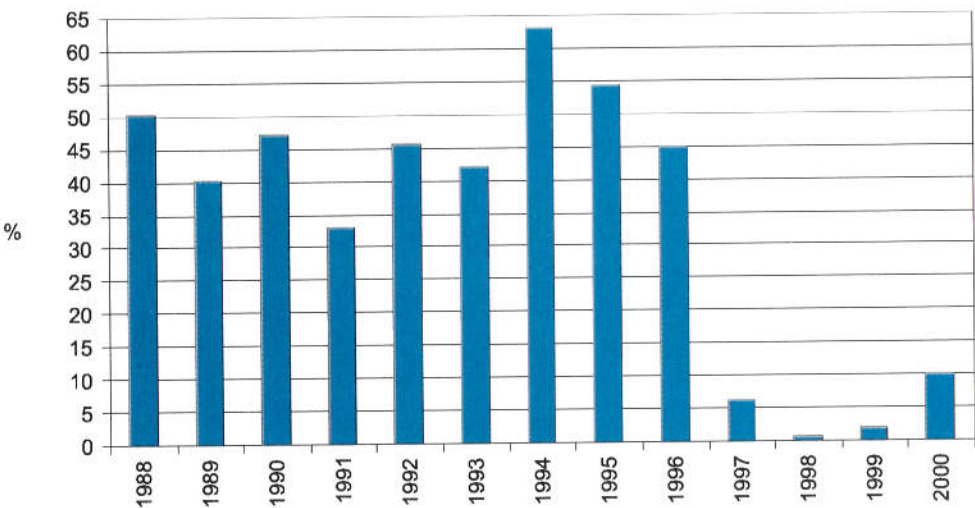
During the 1980s Mozambique recorded relatively high fiscal deficits. After the peace agreement in 1992, the public finances benefited from improved economic performance and the opportunity to reduce defence expenditures. However, serious problems remained or came to the fore, notably the weakness of the tax administration system and the huge challenge of rebuilding the country's physical and social infrastructure. The fiscal authorities succeeded in reducing the deficit by reducing expenditure and net lending as a percentage of GDP. Total revenue excluding grants also decreased but to a lesser degree. The basic fiscal problem in Mozambique is that the small, poorly tapped tax base cannot finance the huge demand for government expenditure. The authorities are therefore excessively dependent on external grants and borrowing.

Figure 2.54: Total public expenditure and net lending and total revenue as % of GDP, 1985 - 2000



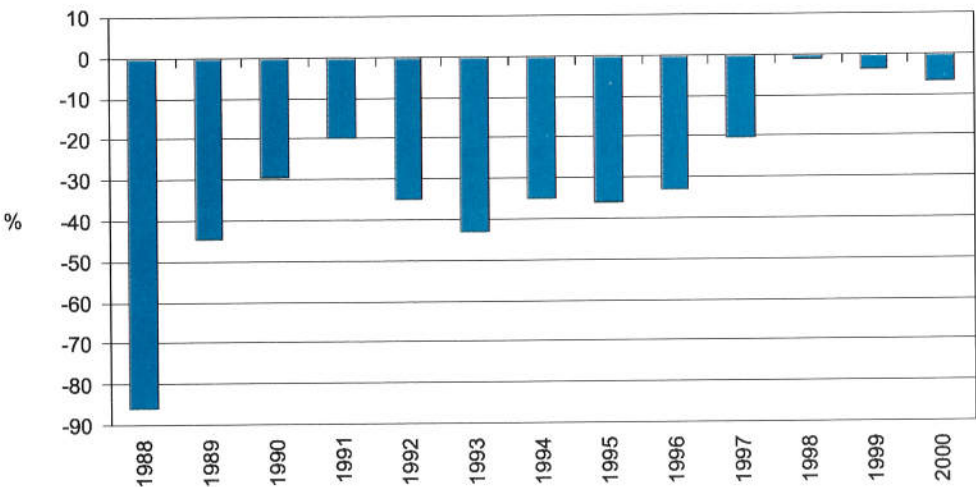
Between 1987 and 1996, annual increases in consumer prices were high and variable due to sharp exchange rate depreciation and uncontrolled money supply growth. Restraint in the growth of the money supply, a decline in food prices due to favourable agricultural conditions and the relative strength of the metical underpinned a significant decrease in inflation in 1997. Flood-related disruption to the marketing of agricultural produce, rising international oil prices and depreciation of the metical again put upward pressure on consumer prices in 2000.

Figure 2.55: Consumer price inflation, 1988 - 2000



After the introduction of economic reforms in 1987, the exchange rate depreciated sharply, and fell between 1988 and 1996 by an average of 51% per year. The government has embarked on a flexible exchange rate policy approach since the 1990s and has endeavoured to curb volatility with the introduction of an interbank market. Depreciation slowed significantly between 1997 and 1999 but as a result of severe floods in 2000, renewed depreciation of the exchange rate was inevitable.

Figure 2.56: Rate of depreciation of the Mozambique Metical versus US\$, 1988 - 2000



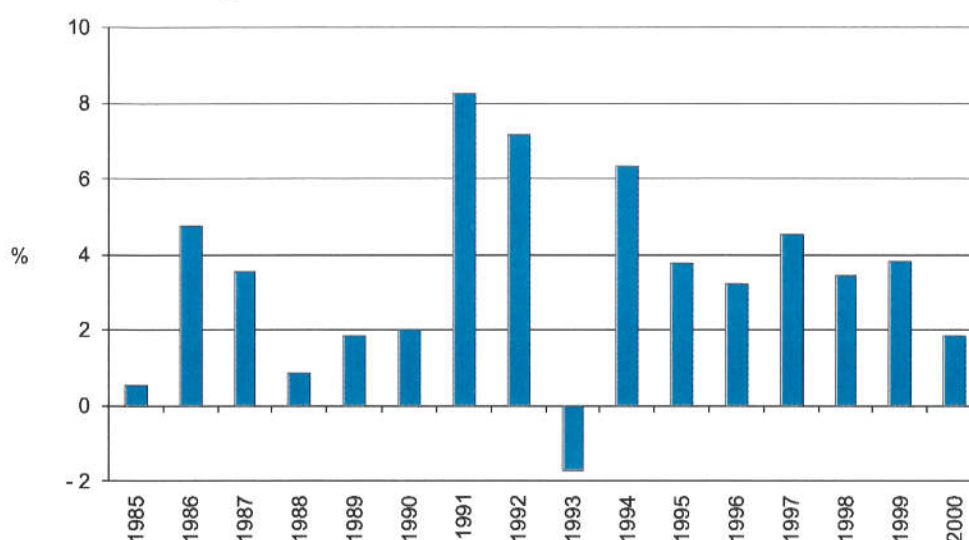
Inferences

Mozambique's abundant and varied natural resource base provides a solid foundation for the economic development of the country and experienced some of the highest growth rates in sub-Saharan Africa, albeit from a very low base. Deficiencies in physical infrastructure and human capital need to be addressed to maintain a high economic growth rate. Areas of major concern are the road network, the telecommunications system, power generation and provision of water. A major upgrading and expansion programme is being embarked on after the cessation of the civil war. The recent floods hampered the rehabilitation of the infrastructure. Periodic droughts and floods result in the costly import of foodstuffs. Notwithstanding, Mozambique remains an attractive venue for foreign direct investment due to government's implementation of economic and structural reforms with privatisation taking off at a more accelerated pace than in many other African states.

Namibia

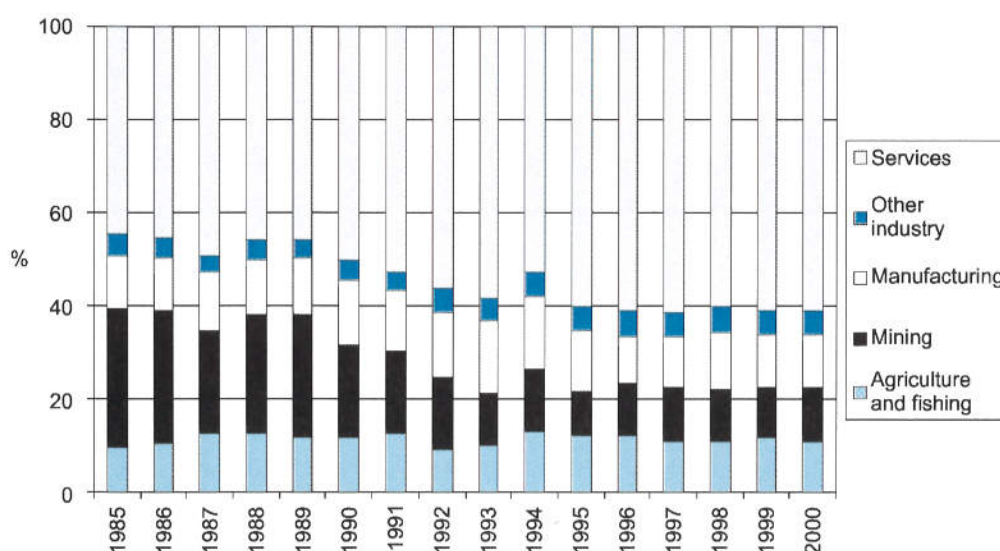
From 1980 to 1989 the Namibian economy grew at an average rate of 1,1% per annum. Real economic growth accelerated considerably after independence in 1990, with the economy expanding at an average annual rate of 4,3% between 1990 and 1999. Average annual real GDP grew at just below 5% between 1991 and 1995. Growth in diamond mining, fishing and fish-processing, construction activities, and financial services compensated for contractions in agriculture caused by two severe droughts, and fluctuating output by the rest of the mining industry. During 1996 and 2000 the average real growth rate decelerated to 3,8%, owing to slower growth in fishing and a decline in mining output, excluding diamonds.

Figure 2.57: Growth in GDP, 1985 - 2000



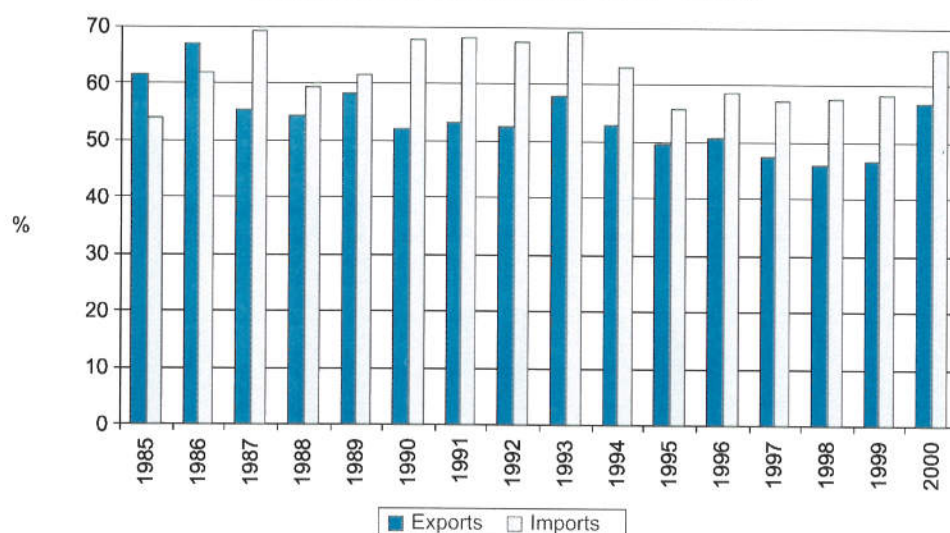
The Namibian economy is dominated by primary sector activities, i.e. mining, large-scale commercial livestock farming and fishing. However, services account for the largest share of GDP. The share of mining in the GDP declined from 30% in 1985 to 11,6% in 2000. The manufacturing base remains small and its share increased by only 0,4% between 1985 and 2000. The tertiary industries have increased their contribution from 44,7% in 1985 to 61% in 2000, with government by far the largest service sector at 22,3% of GDP.

Figure 2.58: Composition of the GDP, 1985 - 2000



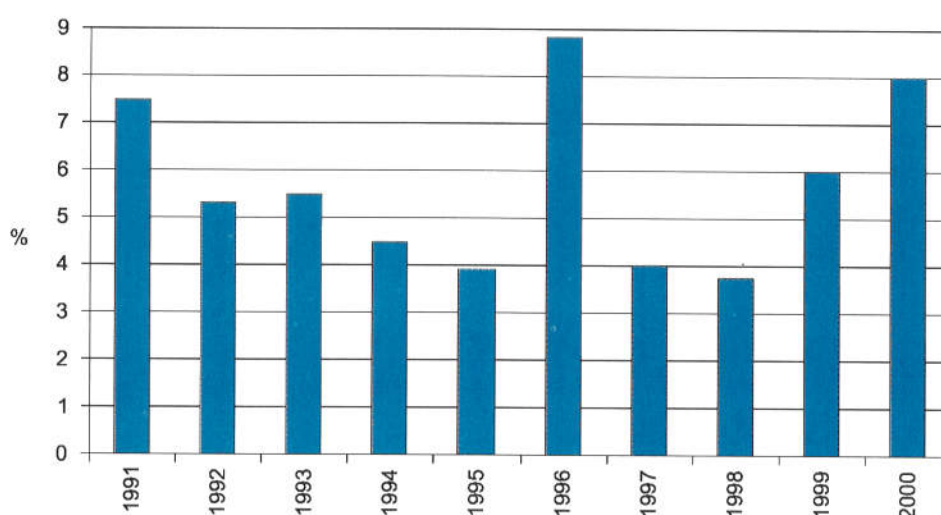
Namibia's economy has always been highly export-oriented. Most raw material commodities are exported in unprocessed or semi-processed form, and the principle exports of rough diamonds, uranium oxide, semi-processed hake and beef, remain highly susceptible to global market prices. Since 1987, domestic absorption exceeded GDP, implying that imports of goods and services exceeded the export of goods and services. From 1997 to 1999 the negative resource balance exceeded 10% of GDP.

Figure 2.59: Exports and imports of goods and non-factor services as % of GDP, 1985 - 2000



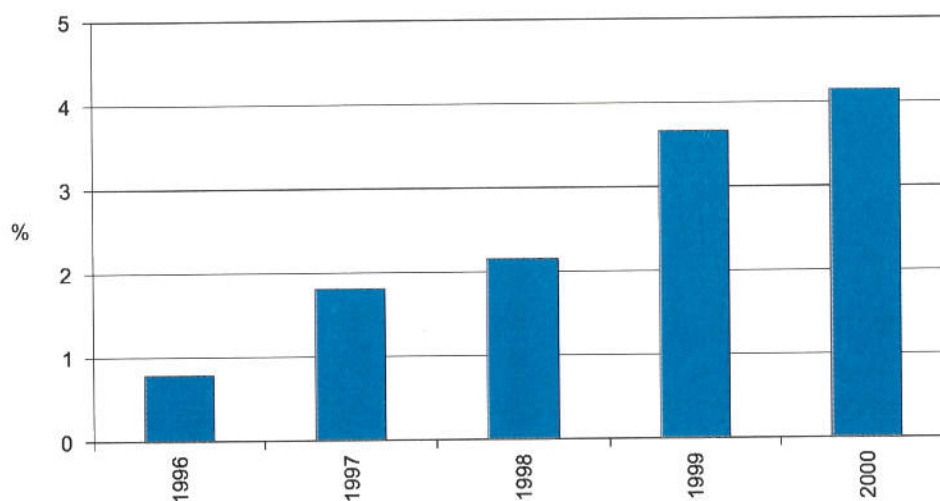
Namibia is a low-debt country by African and global standards with the debt to GDP ratio in 2000 estimated at 8%. The debt burden of Namibia was significantly reduced in 1997 when the former South African government-guaranteed liabilities, which totalled N\$1,4bn (including capitalised interest), were written off completely under a debt-cancellation agreement with South Africa in 1994. This reduced Namibia's outstanding external public debt by 85%. Since then external debt has been rising sharply.

Figure 2.60: Total foreign debt as % of GDP, 1991 - 2000



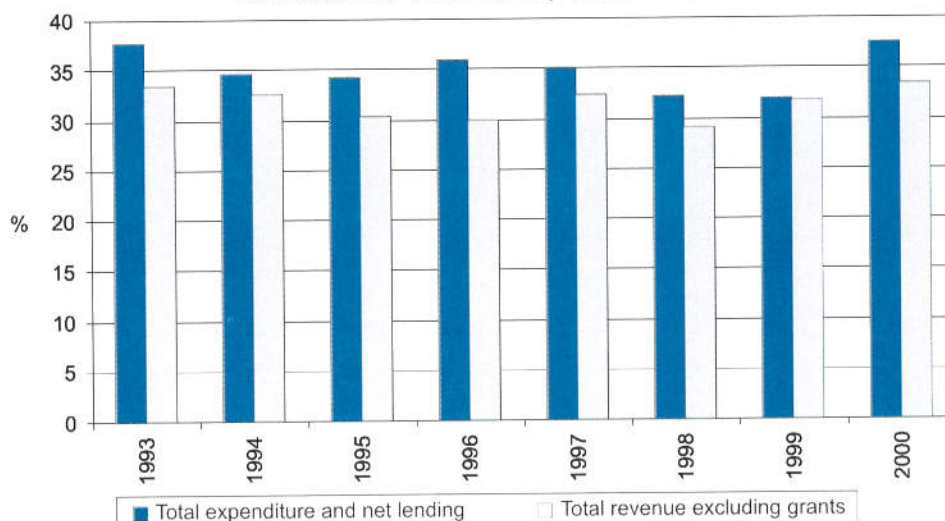
The debt service ratio of Namibia is low by international standards. However, the rate at which it has been increasing over the past few years has raised some concern with the Bank of Namibia. The fact that non-concessional debt, which carries relatively high interest charges accounts for the bulk of the country's total external liabilities and the expiry of grace periods on some concessional debt during the next few years will inevitably result in an increase in the cost of servicing the country's external debt in the medium term.

Figure 2.61: Foreign debt service as % of exports of goods and services, 1996 - 2000



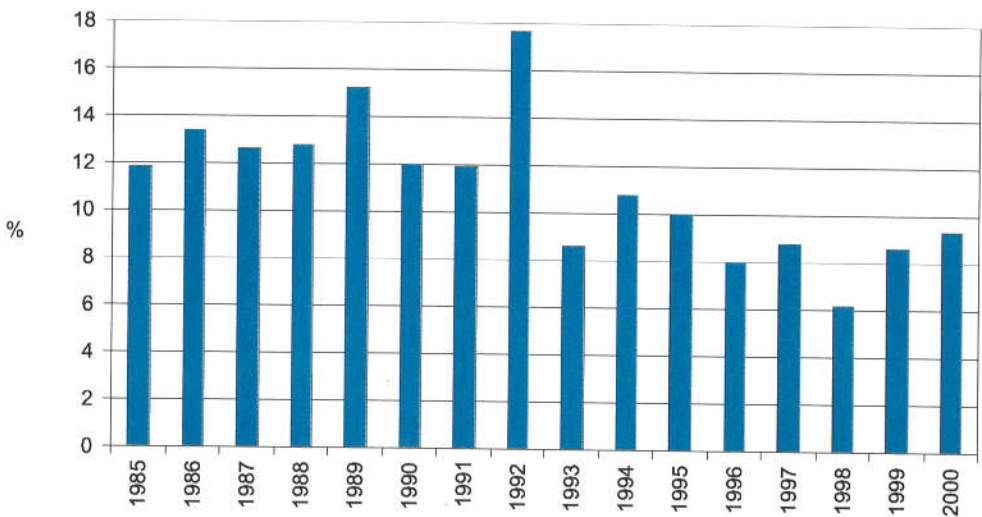
The public finance situation in Namibia has been favourable, with the overall deficit excluding grants as percentage of GDP reaching a low of 0,3% in 1999. After independence, capital expenditure and net lending dropped sharply in relative terms causing total expenditure and net lending as percentage of GDP to decline from 37,7% in 1993 to 32,1% in 1999. The estimated figure for 2000 was 37,5%. The wage bill of the government is a growing problem, accounting for more than 40% of total government expenditure. The country has a narrow tax base, depending heavily on payments from the Southern Africa Customs Union (SACU). The phasing out of external levies by South Africa under World Trade Organisation (WTO) rules will have a dramatic impact on the fiscal position in Namibia.

Figure 2.62: Total public expenditure and net lending and total revenue as % of GDP, 1993 - 2000



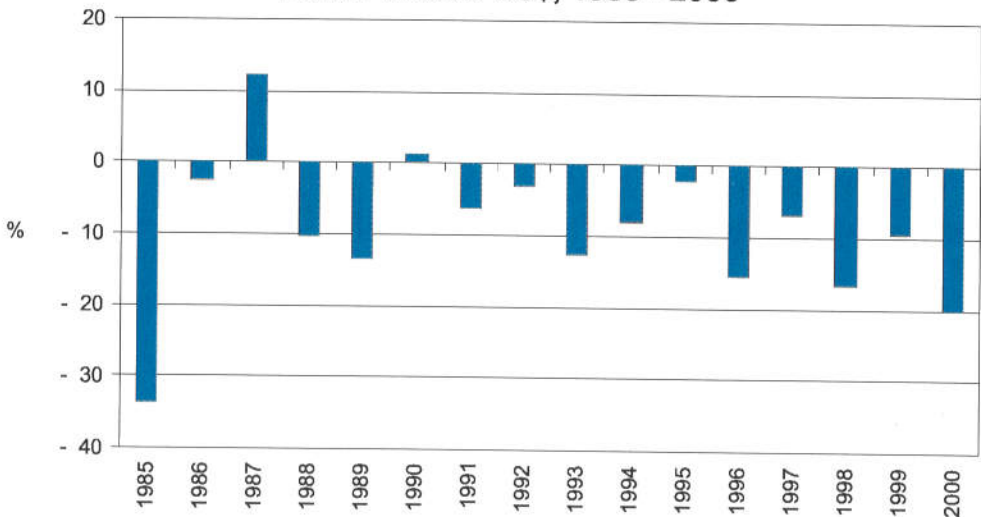
Price movements are largely beyond the control of the Namibian monetary authorities. The large share of south African-produced goods in Namibia's imports and the pegging of the Namibian dollar to the South African rand imply that price inflation is heavily influenced by inflation in South Africa. The downward trend in inflation during the 1990s reflected the impact of South Africa's tight monetary policy, which was replicated in local interest rates. The increase in the inflation rate since 1998 is the result of the sharp depreciation of the rand that increased the cost of non-food items and the increase in domestic fuel prices in response to higher global crude prices.

Figure 2.63: Consumer price inflation, 1985 - 2000



The Namibian dollar was introduced in 1993, replacing the South African rand at par. The fact that it is still pegged to the rand implies that its external value is dependent on South African monetary policy and international influences on the value of the rand.

Figure 2.64: Rate of depreciation/appreciation of the Namibian Dollar versus US\$, 1985 - 2000



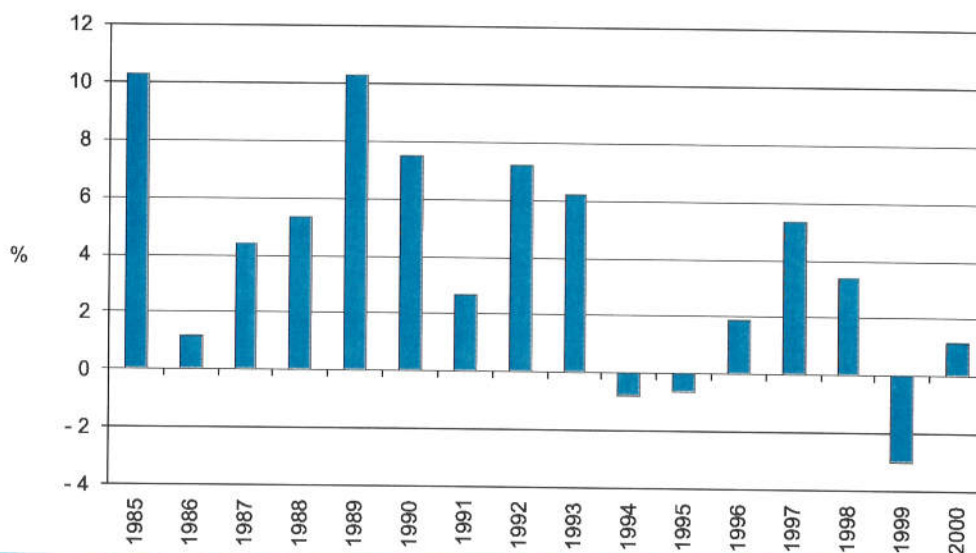
Inferences

The Namibian economy remains heavily dependent on the primary sectors and is therefore still vulnerable to events in external markets such as the EU, Asia and South Africa. Namibia's natural resources provide a good, though narrow, foundation for a potentially sound economy. The scope for diversification into manufacturing is limited due to the size of the domestic market. Relative to the size of the population, Namibia boasts an impressive physical infrastructure, thus limiting the proportion of available funds in the budget needed for upgrading and extension. The existing infrastructural capacity can accommodate an appreciable increase in economic activity.

Seychelles

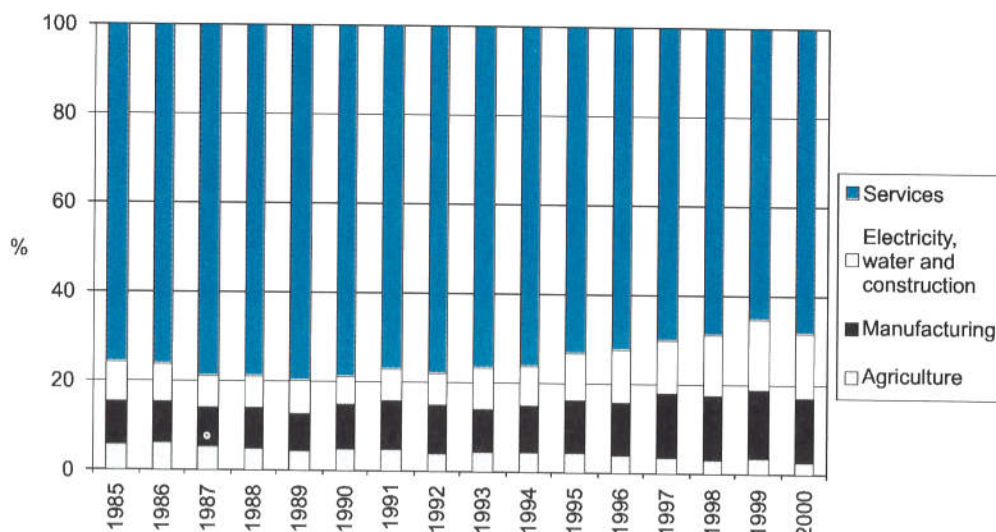
In the late 1980s and the first half of the 1990s, economic growth in Seychelles was driven by manufacturing, other industrial activities and services (mainly the tuna canning plant established in 1987), government-financed construction and the rapid expansion of the tourism industry. Subsequent contractions of the services sector in 1994 and 1995 overshadowed growth in the industrial sector. The turnaround of economic performance in 1996 and 1997 was due to strong industrial growth, mainly on the back of impressive increases in the production of canned tuna. An ambitious government housing and infrastructure programme, investments by public utilities, and private investment in the hotel industry also contributed to this growth. In 1998 and especially 1999, weather-induced problems in agriculture and manufacturing caused a slowdown in economic growth. The negative trend is exacerbated by poor performance in the tourism sector due to loss of competitiveness.

Figure 2.65: Growth in GDP, 1985 - 2000



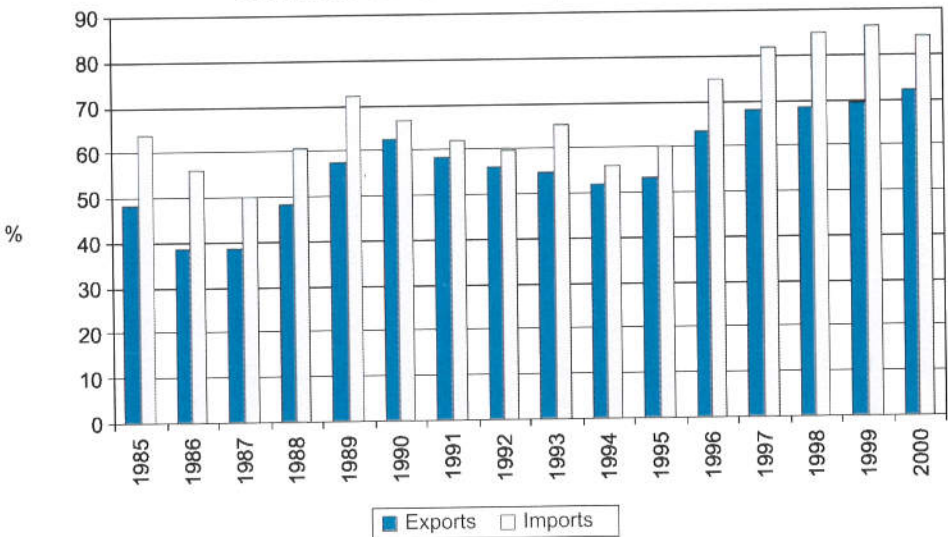
The Seychelles economy is dominated by activities related to the tourism industry and the public sector. The share of primary activities, mainly tuna fishing, decreased from 5,8% in 1985 to an estimated 3% in 2000. Manufacturing, of which the processing of tuna is the most important activity, contributed an estimated 15% to the GDP in 2000, up from 9,7% in 1985. The building and construction sector, which constituted 14% of GDP, is the mainstay of other industrial activities. Loss of price competitiveness because of the government's policy to maintain a strong rupee resulted in a decline in the relative share of the tourism industry.

Figure 2.66: Composition of the GDP, 1985 - 2000



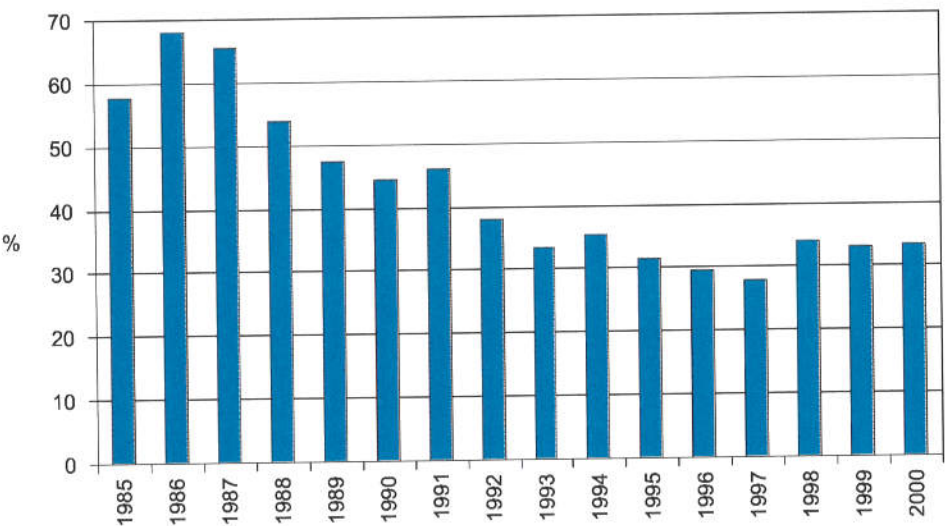
The economy of Seychelles is extremely open – the sum of exports and imports of goods and non-factor services is well above 100% of GDP. The merchandise exports consist mainly of canned tuna, frozen and fresh fish and frozen prawns. The country’s dependence on imported consumer goods, fuel, chemicals and capital goods renders it vulnerable to external price and exchange rate fluctuations. This problem is exacerbated by the high import intensity of the key tourism industry.

Figure 2.67: Exports and imports of goods and non-factor services as % of GDP, 1985 - 2000



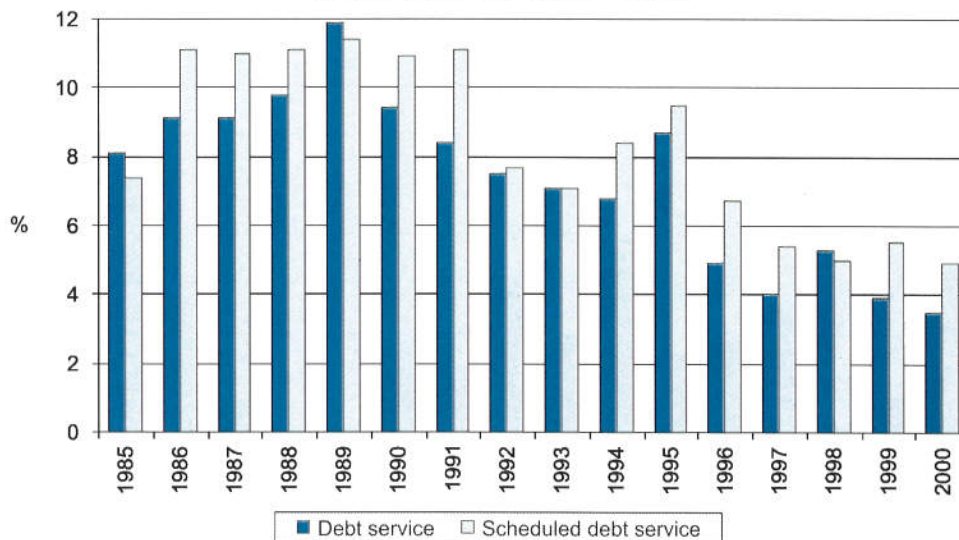
In absolute terms, the debt burden of Seychelles is low. It has declined from a high of 67,9% in 1986 to 27,9% in 1997, but has subsequently slightly increased. A notable feature of the past few years has been a rise in short-term debt, which is a reflection of the country’s difficulty to secure new, long-term, bilateral and multilateral loans, because of the build-up of interest arrears.

Figure 2.68: Total foreign debt as % of GDP, 1985 - 2000



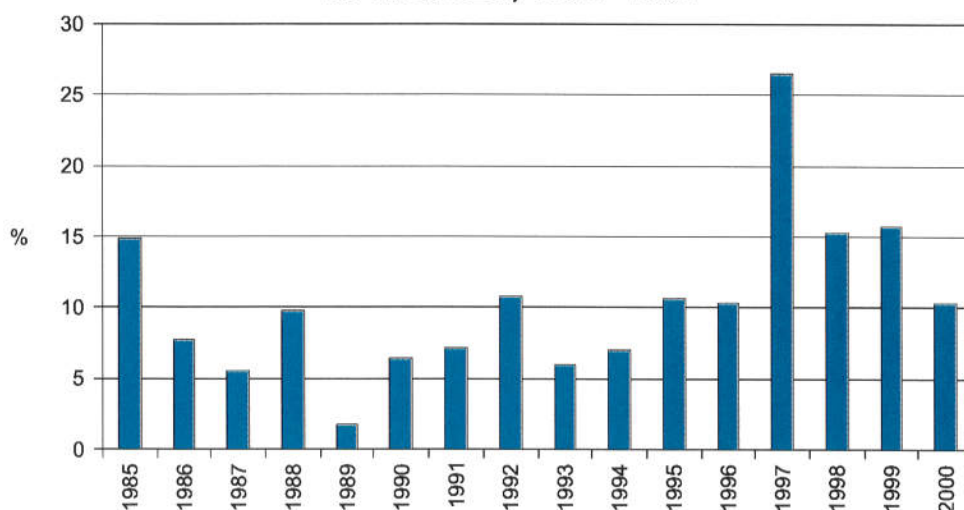
Foreign exchange shortages have made it increasingly difficult for Seychelles to service external debts. The country first failed to meet its external-debt commitments in 1984, and arrears were steadily accumulated from 1996 onwards. By 1998, total arrears (dominated by principle arrears) amounted to 13,7% of total outstanding debt, having peaked at 18,4% in 1997. The situation appears to be stabilising, but the level of foreign reserves remains precariously low.

Figure 2.69: Foreign debt service as % of exports of goods and services, 1985 - 2000



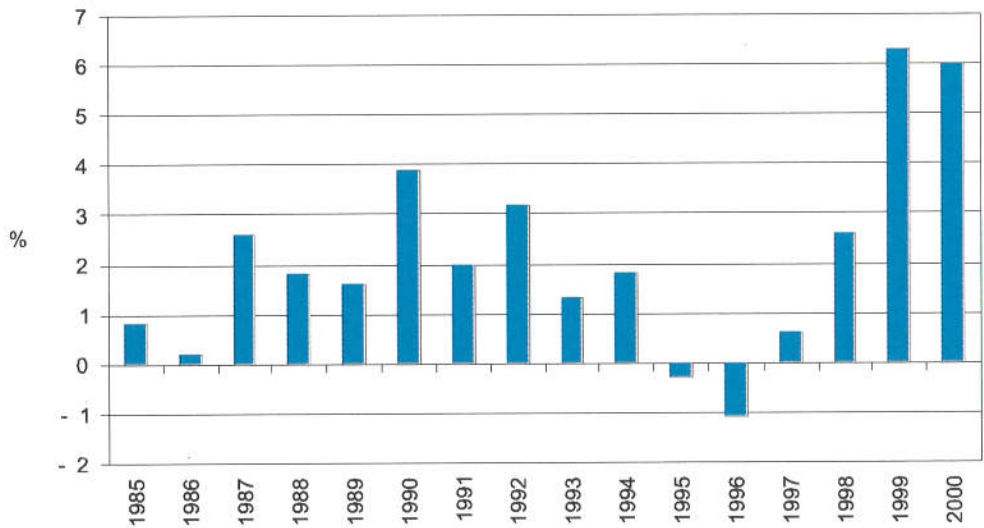
During the past two decades, total public expenditure and net lending exceeded 50% of GDP in all years except 1990. The high level of resource use by the Seychelles government reflects its generous social system, provision of free education and health care and heavy involvement in the provision of housing. The large participatory role of the public sector in the economy on the one hand, with a simultaneous small tax base on the other, resulted in the fiscal deficit as percentage of GDP rising from a low of 1,7% in 1989 to a high of 26,5% in 1997. Since then, the deficit was reduced by a combination of budget cuts and increased revenue from improved tax administration and collection, higher receipts from property income and administrative fees and charges.

Figure 2.70: Overall government deficit excluding all grants as % of GDP, 1985 - 2000



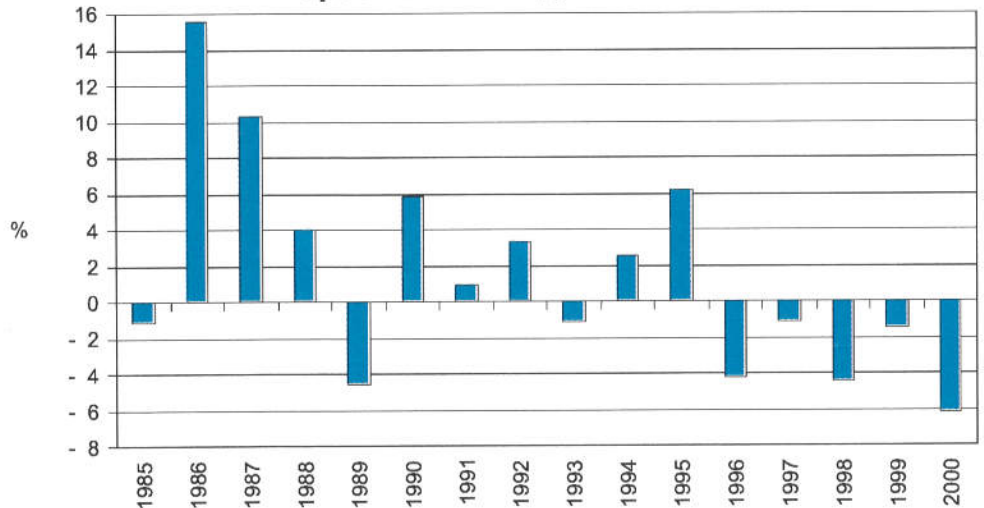
Official inflation rates are low, mainly because of the government’s policy to maintain a strong rupee and substantial degree of price regulation. There is, however, a strong notion that the official retail price index significantly underestimates inflation. Since a large proportion of imports are valued at the parallel-market exchange rate, it has a significant influence on retail prices. A number of factors contributed to higher inflation during 1999 and 2000: money-supply growth to finance the huge fiscal deficit, the sharp depreciation of the parallel-market exchange rate, and an increasing tendency on the part of firms to violate the official mark-up limits.

Figure 2.71: Consumer price inflation, 1985 - 2000



Between 1979 and 1996, the Seychelles rupee (SR) was linked to the IMF Special Drawing Right (SDR). It has since been tied to the Seychelles Trade and Tourism Weighted Basket, which is a better reflection of the country’s trade and tourism profile. Since 1995, the rupee gradually lost ground against the US dollar. The government’s “strong rupee” policy is based on the argument that devaluation would jeopardise price stability and that fiscal and monetary tightening would be more appropriate to improve the adverse situation. The artificially high exchange rate resulted in the development of a parallel market for the rupee that reflects a more realistic value for the currency.

Figure 2.72: Rate of depreciation/appreciation of Seychelles Rupee versus US\$, 1985 - 2000



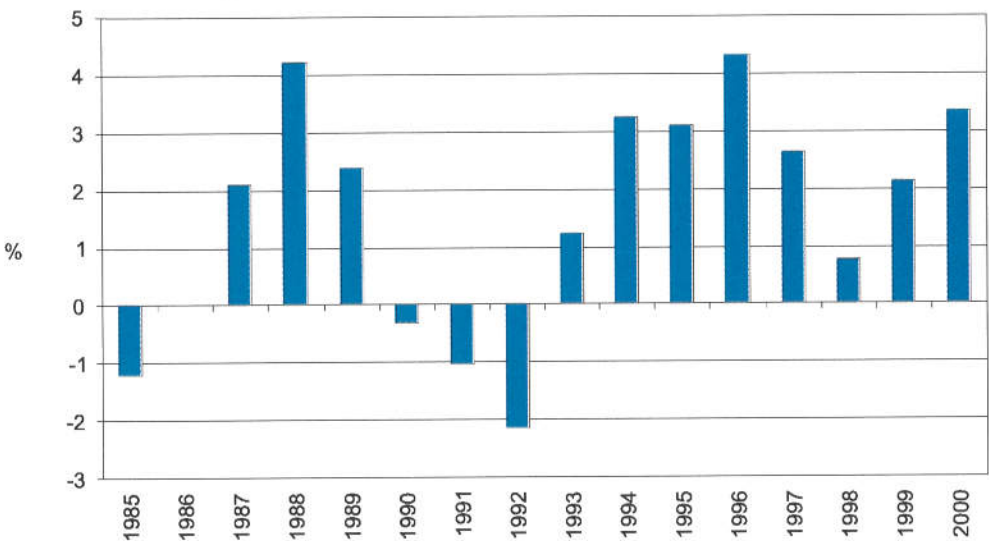
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The fortunes of the tourism and fishing industries are major determinants of economic activity in Seychelles. Any factor impacting negatively on these activities such as increased pollution and environmental degradation will have a detrimental effect on economic development. The government of Seychelles, however, has a firm commitment to protecting the natural resources underpinning the tourism industry, while the marine resources are abundant and secure. The social infrastructure of Seychelles is well developed and the country's social achievements in the provision of education, health and welfare benefits reflect the high priority allocated to it by the government. Attempts by authorities to maintain an artificially strong currency is resulting in the loss of the competitiveness of the local tourism industry. This may have a negative impact on future growth prospects if this policy is continued. The largest capital project undertaken in Seychelles, the East Coast Reclamation Project (ECRP) may essentially ease growth constraints imposed due to a shortage of land.

South Africa

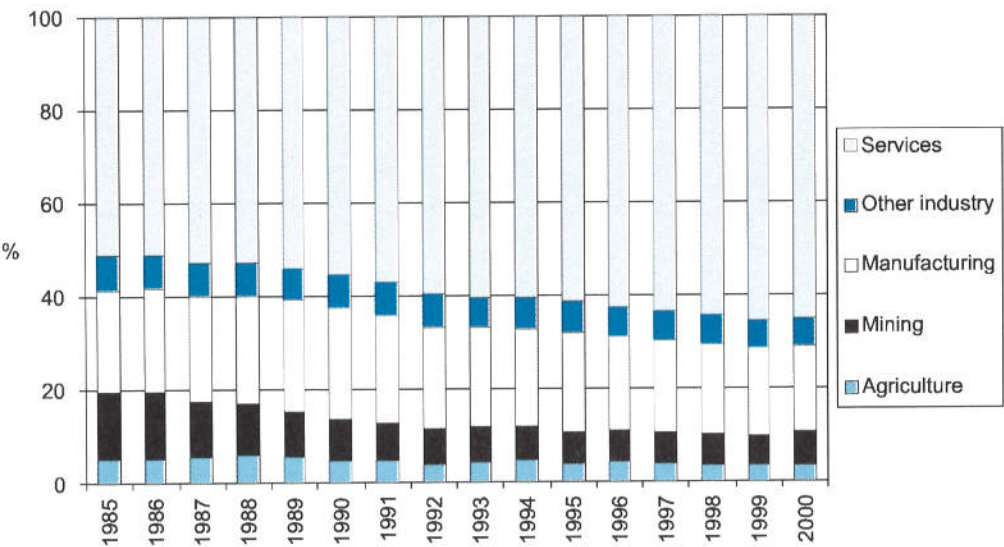
The South African economy has been in recession between 1989 and 1992, largely as a result of worldwide economic conditions and the long-term effects of apartheid. From 1984 to 1993 short-term capital outflows were substantial and the country was a net capital exporter, mainly as result of sanctions and disinvestment. The unilateral declaration by the South African Reserve Bank of a debt moratorium in 1985, in response to a looming external debt crisis, worsened the situation. After the 1994 democratic election a turnaround in capital flows occurred. This resulted in an upswing in economic activity and positive economic growth rates, albeit relatively low, were recorded in the subsequent years.

Figure 2.73: Growth in GDP, 1985 - 2000



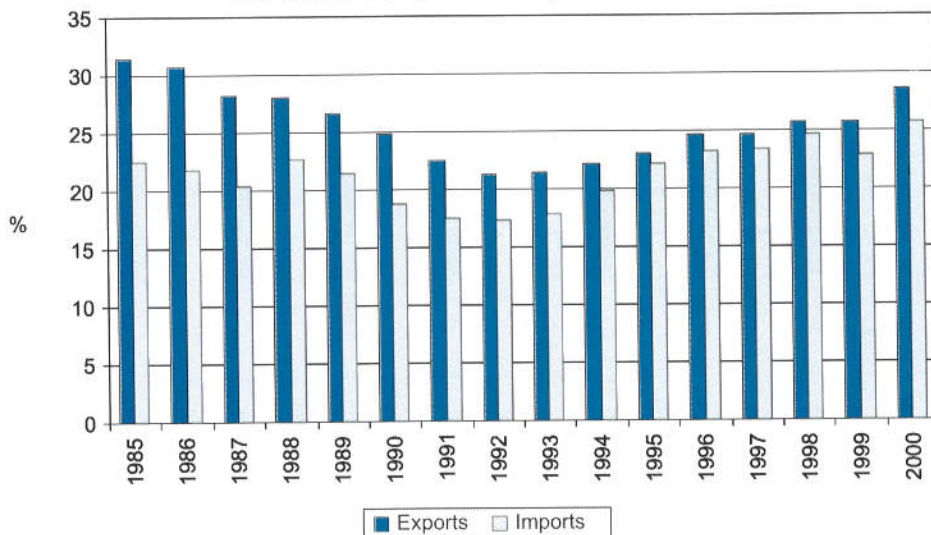
The South African economy, which was originally dominated by the primary sector, has experienced a dramatic change in its production structure. The contribution of the primary sector to GDP declined from 19% in 1985 to 11% in 2000. Currently the manufacturing and financial services sectors are the dominant sectors in the economy, contributing 19% and 20% to GDP, respectively. South Africa's financial services are the most advanced in sub-Saharan Africa and its financial market is larger than all other active exchanges in this region combined.

Figure 2.74: Composition of the GDP, 1985 - 2000



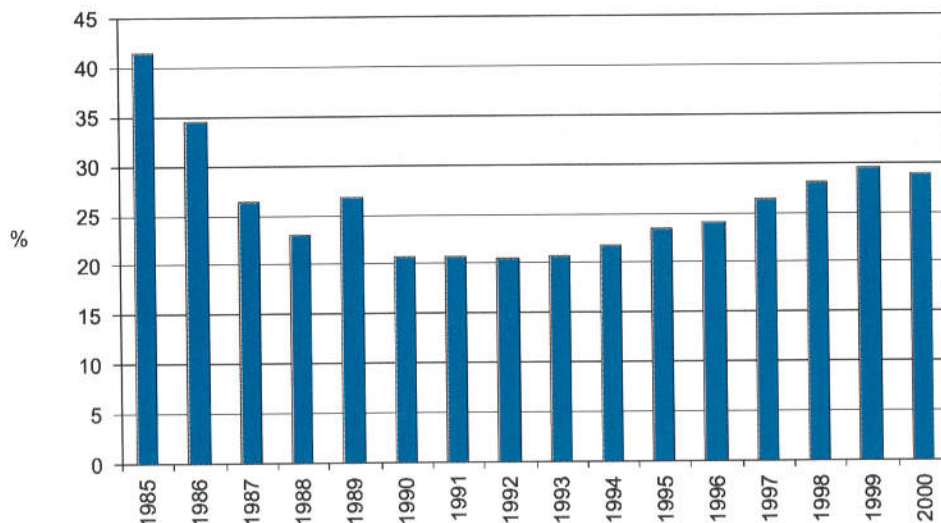
Since the debt standstill in 1985, South Africa was compelled to generate large trade surpluses as capital inflows were minimal and creditors demanded repayment. Trade surpluses were achieved through export growth and restrained import demand, combined with import substitution. The political change in South Africa in the early 1990s has resulted in the country rapidly becoming more integrated into global trade and financial markets. Since 1993 the volume of trade has increased almost continuously and the resource balance, exports less imports of non-factor goods and services, has remained positive. The balance on the current account, however, has been negative since 1995 due to large factor payments and interest on foreign debt.

Figure 2.75: Exports and imports of goods and non-factor services as % of GDP, 1985 - 2000



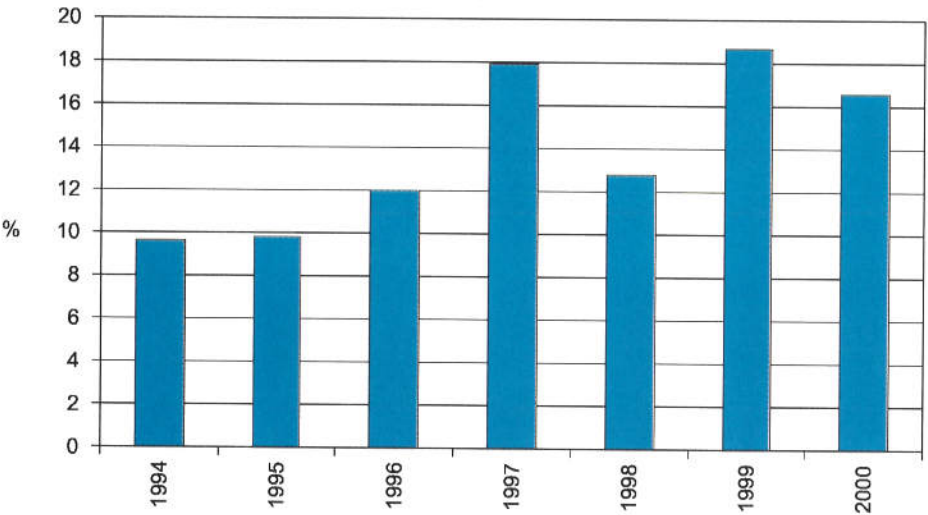
Virtually no external borrowing occurred during the sanctions era. Debt rescheduling agreements with creditors were reached in 1986, 1987 and 1990. Since 1993, external debt as percentage of GDP has increased due to an increase in capital inflows. This occurred as result of improved access to various market instruments and favourable credit ratings. South Africa is, however, still experiencing difficulty in attracting higher levels of much-needed foreign direct investment due to adverse domestic conditions, including a rigid labour market, high crime levels and insufficient progress with privatisation.

Figure 2.76: Total foreign debt as % of GDP, 1985 - 2000



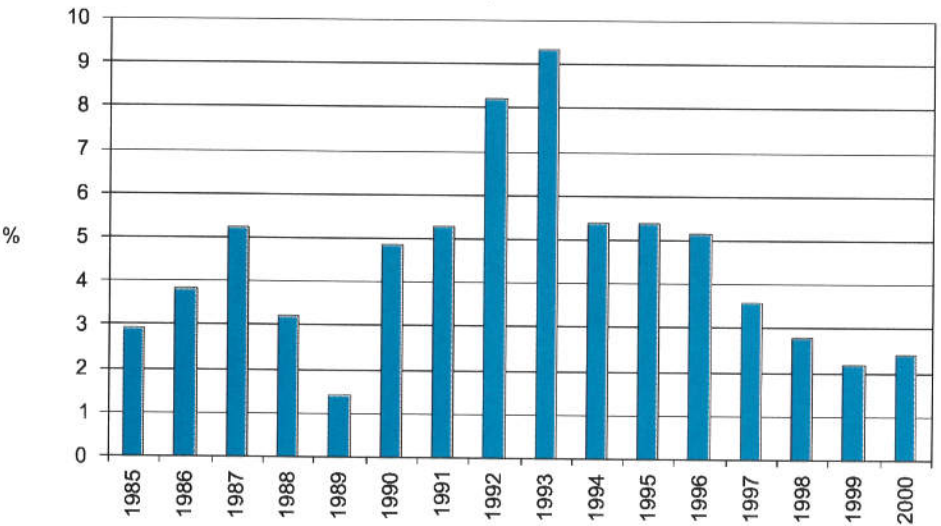
The increase in total foreign debt since 1994 has resulted in increases in debt service as percentage of exports of goods and services. The steady increase in debt service obligations was, however, moderate and the debt situation remains largely manageable. South Africa is still very much under-borrowed by world standards.

Figure 2.77: Foreign debt service as % of exports of goods and services, 1994 - 2000



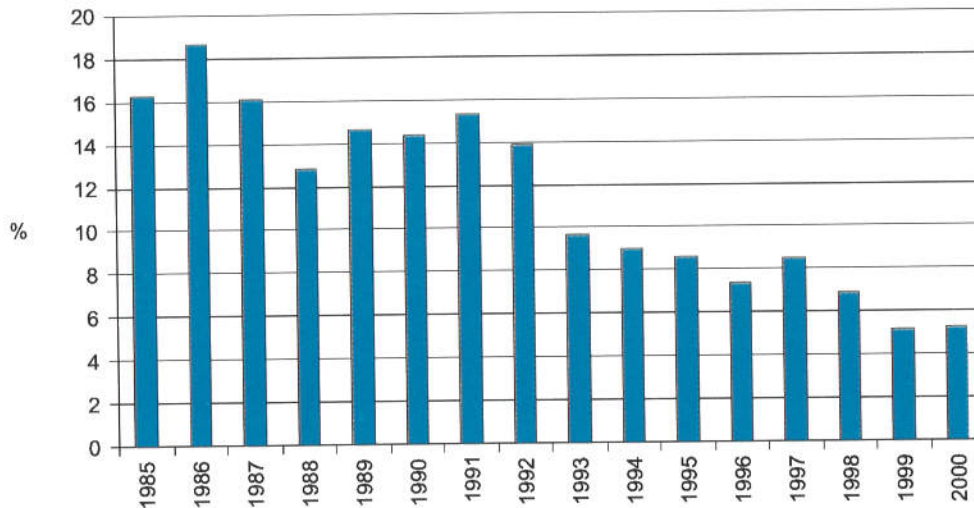
During the last decade of the apartheid era, public expenditure steadily rose to a maximum of 33,8% in 1993. High inflation and a lower gold price contributed to a diminished business tax base in the mid-1980s. The personal tax base had always been relatively narrow because of the unequal income distribution in the country. During the late 1980s, the government tried to avoid higher taxes on businesses and instead relied on deficit financing. The government deficit as percentage of GDP reached a high of 9,5% in 1993. Since 1994, tight control over public expenditure and continued improvement in revenue collection, reduced the fiscal deficit as percentage of GDP to 2,4% in 2000.

Figure 2.78: Overall government deficit excluding all grants as % of GDP, 1985 - 2000



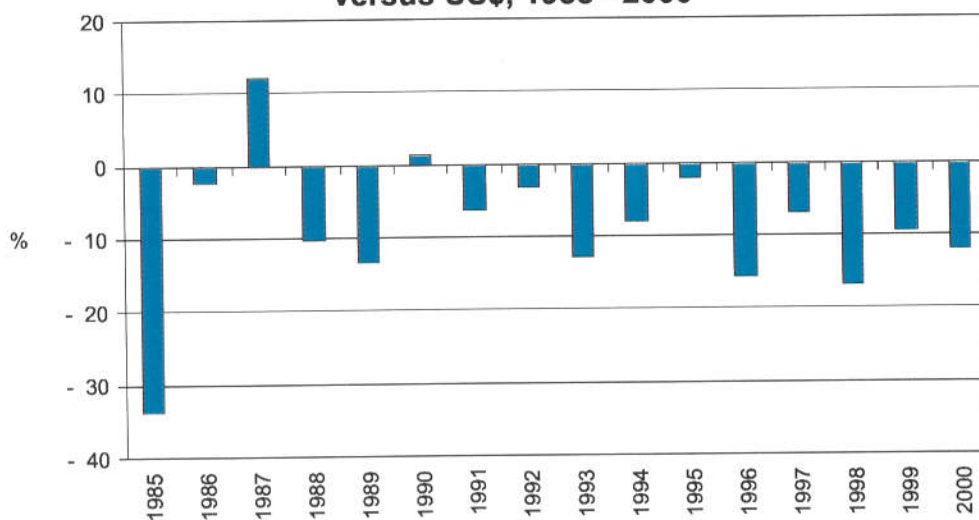
Inflation has remained relatively subdued as a result of restrictive macroeconomic policy, real wage restraint and capacity under utilisation since 1994. The average inflation rate reached its lowest level since 1969 in 1999, at 5,1%. Severe pressure on the rand resulting in rapid depreciation of the currency's value is having an adverse influence on the downward trend in inflation.

Figure 2.79: Consumer price inflation, 1985 - 2000



The rand has shown considerable vulnerability to shifting moods on the world currency markets in recent years. Since 1996 the rand suffered from unfounded political and economic rumours. Various factors contributed to the decline in the value of the rand. South Africa's well-developed financial markets along with its status as an emerging market renders the currency vulnerable to harmful speculation. Political turmoil in Zimbabwe has also taken its toll. Monetary authorities are cautious of the counter productive effects on the economy of continuously increasing the repo rate.

Figure 2.80: Rate of depreciation/appreciation of Rand versus US\$, 1985 - 2000



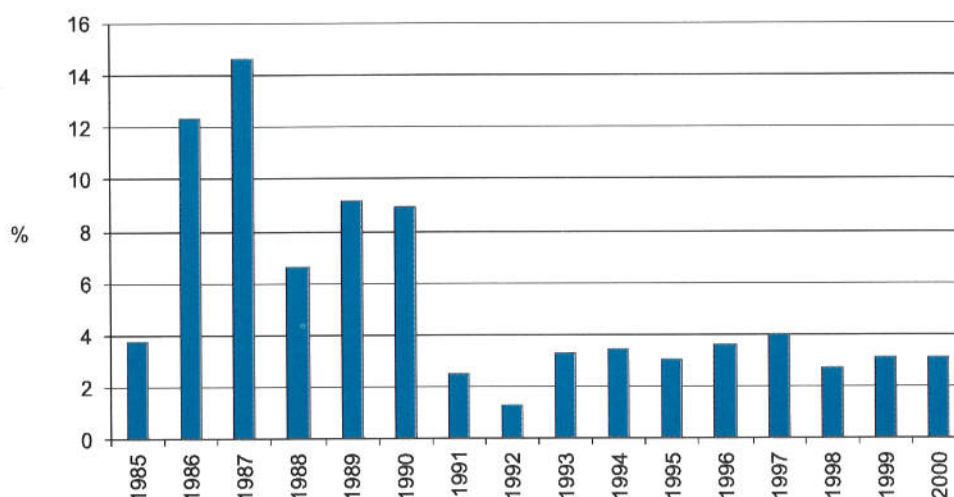
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South Africa is the powerhouse of economic activity in the SADC region, contributing 72% to the Gross Regional Product. The rate of economic growth in South Africa as well as fluctuations in economic activity have a substantial impact on the rest of the region due to both forward and backward trade linkages. Not only is South Africa a main supplier of manufactured goods and services to the rest of the region but also provides employment opportunities to a large proportion of SADC's labour force. The domestic economy is, in contrast to the rest of the member countries, well diversified with a developed manufacturing sector and for this reason much less vulnerable to exogenous factors.

Swaziland

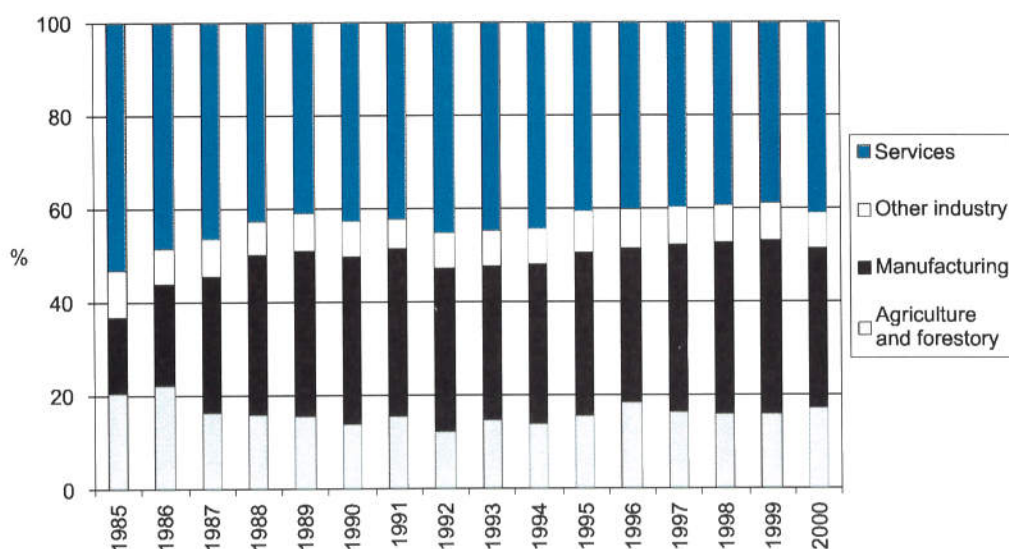
Swaziland recorded strong economic growth in the latter part of the 1980s. Manufacturing, which showed significant real growth between 1986 and 1990, was a major contributor to overall growth. Since 1991, growth has been lower, but less volatile, again mainly as a result of lacklustre performance of the manufacturing sector.

Figure 2.81: Growth in GDP, 1985 - 2000



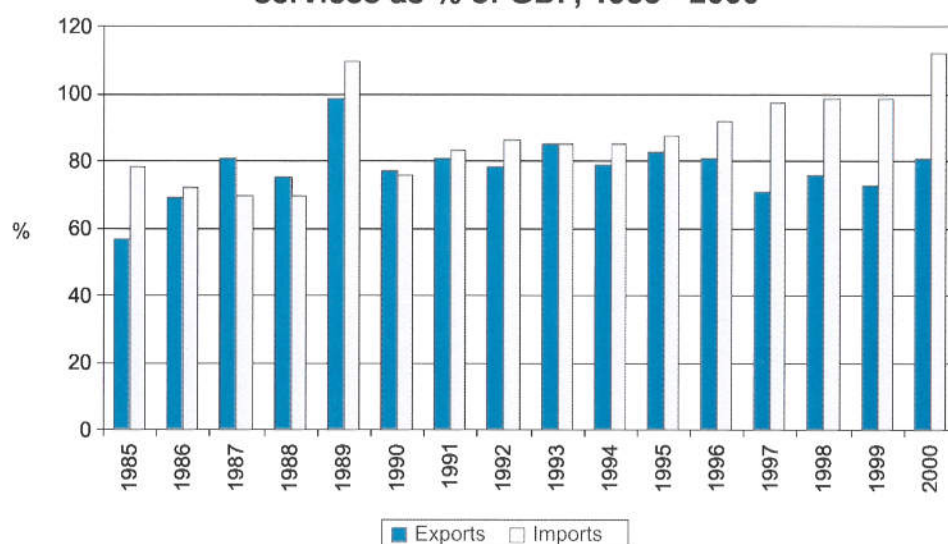
The agriculture and forestry sector is the backbone of the Swazi economy – the economy is based on agriculture and agro-industry (mainly sugar, citrus and wood pulp). Although its share in the GDP was estimated at around 17% in 2000 (down from more than 20% in 1985), it remains a major employer. Adverse climatic conditions and fluctuations in world market prices of its relevant export commodities render the economy vulnerable to exogenous factors. Growth sectors include soft drink concentrates, other food products, textiles and paper products. Because of the limited size of the domestic market, manufacturing industries are highly export oriented – mainly to South Africa.

Figure 2.82: Composition of the GDP, 1985 - 2000



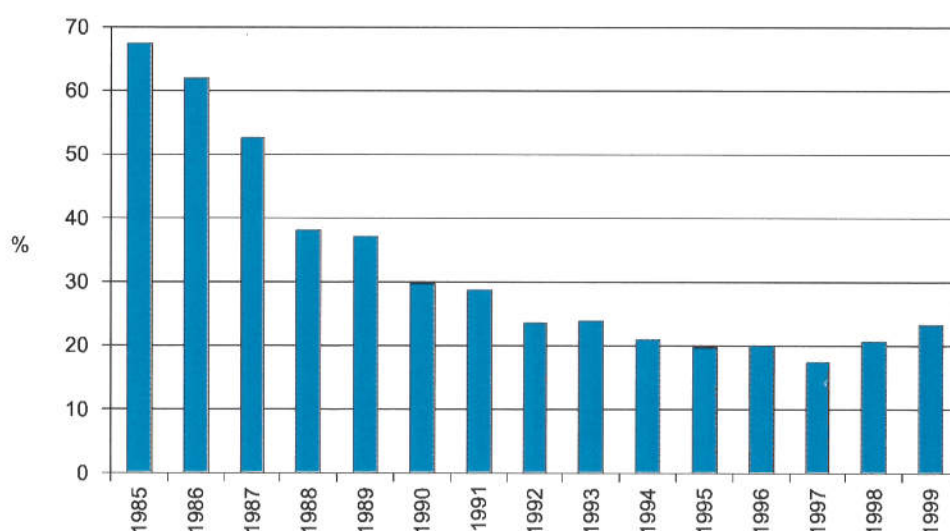
The economy of Swaziland is extremely open with total exports and imports combined as percentage of GDP estimated at 193% in 2000. Since the 1960s the leading export products had been sugar and wood pulp until soft drink concentrates surpassed it in 1993. Principle imports include basic manufactured goods, machinery and equipment, fuel and chemicals, food and live animals. Both the trade and the services account are usually in deficit, whilst the income account is usually in surplus. Income from abroad include, amongst others, interest earned on investments in South Africa and remittances from Swazi migrant workers employed in South Africa. The latter has recently decreased due to a decline in employment as marginal gold mines closed.

Figure 2.83: Exports and imports of goods and non-factor services as % of GDP, 1985 - 2000



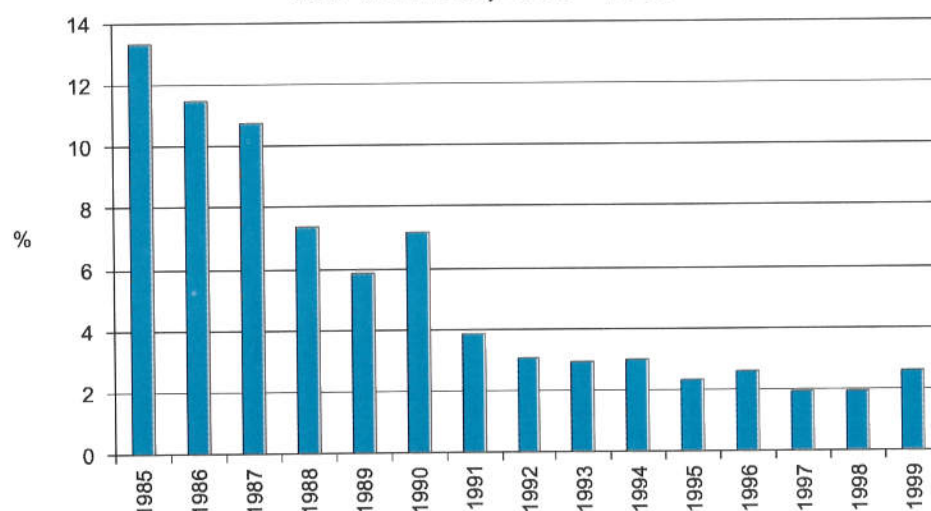
In comparison with some other SADC countries, the ratio of total debt to GDP of Swaziland has been relatively favourable. The ratio declined from a high of 67,3% in 1985 to 17,6% in 1997, but has since risen due to an increase in foreign loans to finance local infrastructural improvements. Swaziland's debt stock is expected to increase further as a result of the implementation of the Komati River Basin (Maguga Dam) and the Urban Development Project.

Figure 2.84: Total foreign debt as % of GDP, 1985 - 1999



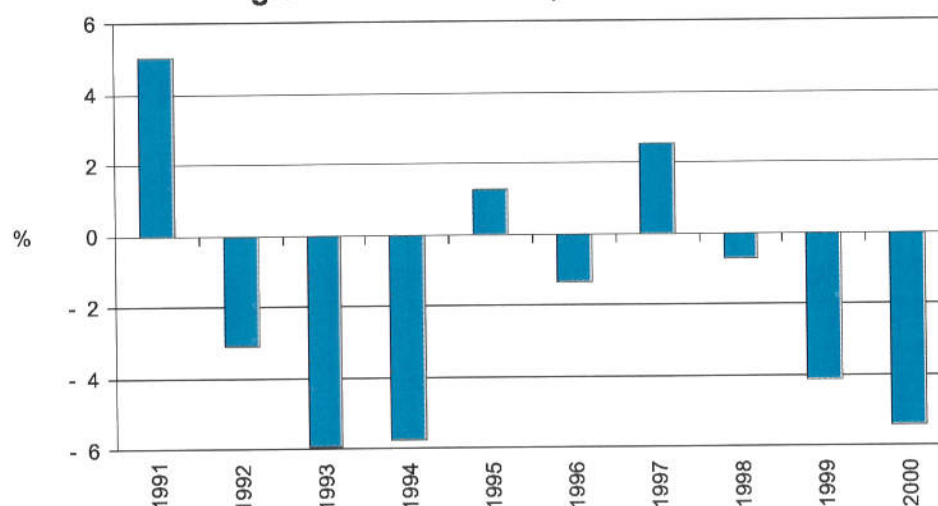
Along with the total external debt/GDP ratio, Swaziland's external debt service ratio has been decreasing almost continuously since 1985. The level of the ratio is favourable by developing-country standards, and the declining trend reflects cautious government policy.

Figure 2.85: Foreign debt service as % of exports of goods and services, 1985 - 1999



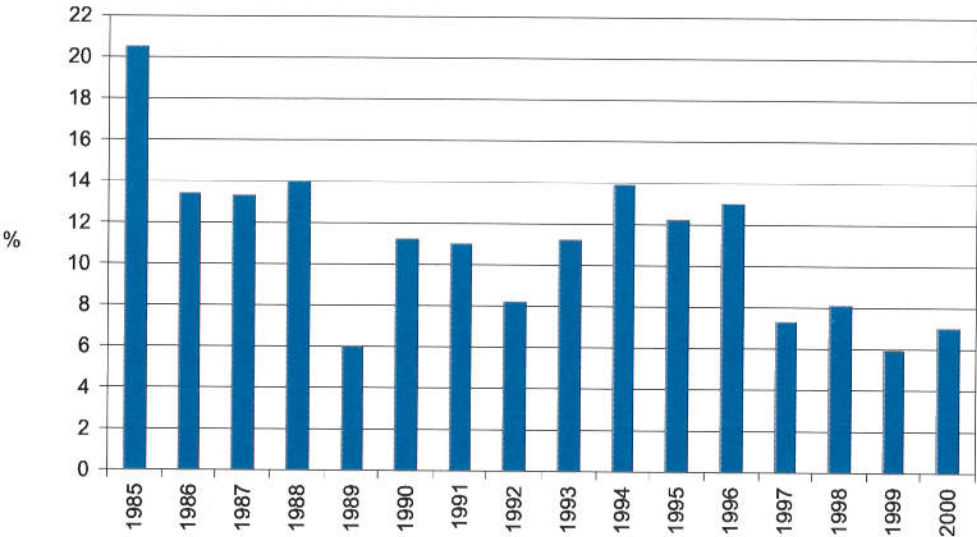
The 1992/93 fiscal year was a turning point in Swaziland's public finance, when the surplus before grants of the previous financial year turned into a deficit of 3.1% as percentage of GDP. Since then, surpluses were recorded in only the fiscal years 1995/96 and 1997/98. Although the deficit before borrowing is still relatively low, the country's fiscal policy is constantly under pressure from the social sectors and a fragile revenue base, in particular the transfers from the Southern African Customs Union (SACU).

Figure 2.86: Overall government surplus/deficit excluding all grants as % of GDP, 1991 - 2000



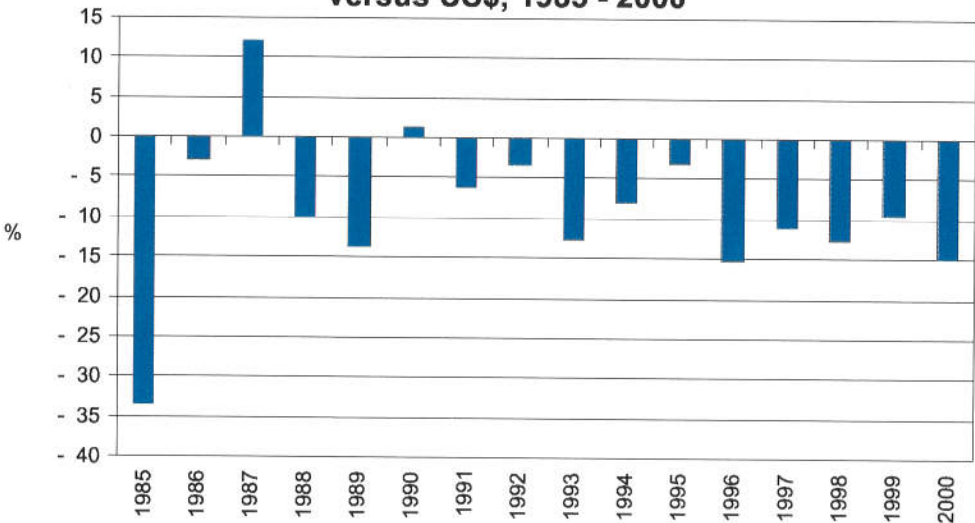
Inflation in Swaziland has been relatively low by SADC standards. Since a large share of Swaziland's imports originate in South Africa, the latter country's inflation pressure filters through to Swaziland. The impact of imported inflation is, however, cushioned by the price regulation of some products. Strong monetary and trade relations with South Africa and a general decline in inflation in the latter country over the past two decades have contributed to the lower inflation rate in Swaziland. Recently oil price hikes and depreciation of the exchange rate have exerted upward pressure on consumer prices.

Figure 2.87: Consumer price inflation, 1985 - 2000



The lilangeni is on a par with the South African rand and therefore it is exposed to the significant currency risks faced by emerging-market economies. Strong trade and financial sector links between the two countries and regular consultations between the monetary authorities have resulted in a correlation between the interest rate movements in the two countries. Despite the negative impact on inflationary trends, the recent rapid depreciation of the South African rand against the US dollar had a positive influence on the international competitiveness of the Swazi economy.

Figure 2.88: Rate of depreciation/appreciation of Lilangeni versus US\$, 1985 - 2000



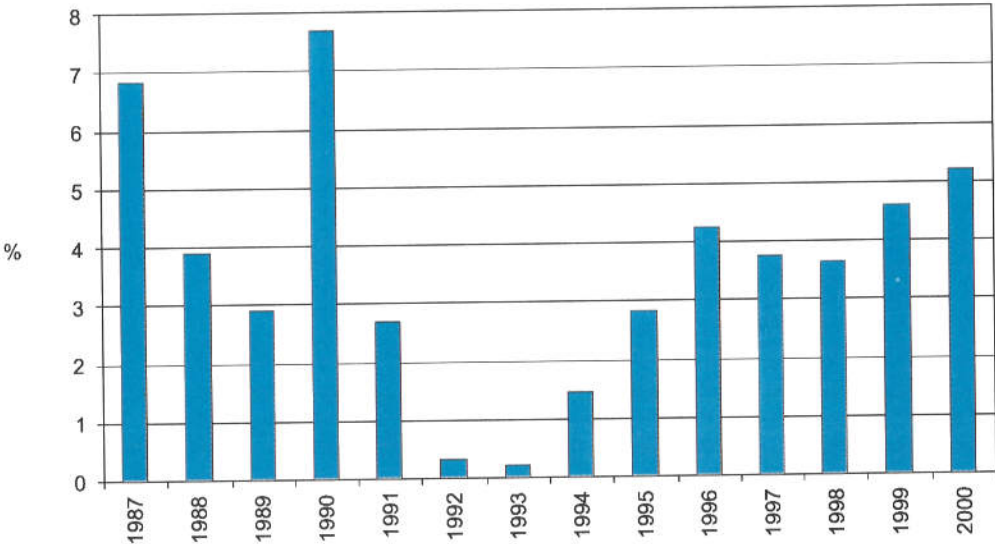
Inferences

The economy of Swaziland has been diversified considerably since it achieved its independence in 1968, but the importance of agro-processing activities in the manufacturing sector means that the overall dependence on the agricultural sector remains substantial. This dependence exposes the country to the variability in climatic conditions and world market prices for primary and processed products, primarily sugar and wood. Swaziland's physical infrastructure is comparatively well developed and maintained. Reduced opportunities for migrant work in the South African mining sector have compounded the problem of a rapidly growing unemployment rate. This phenomenon has the potential to worsen political instability in the country with detrimental consequences on socio-economic stability.

Tanzania

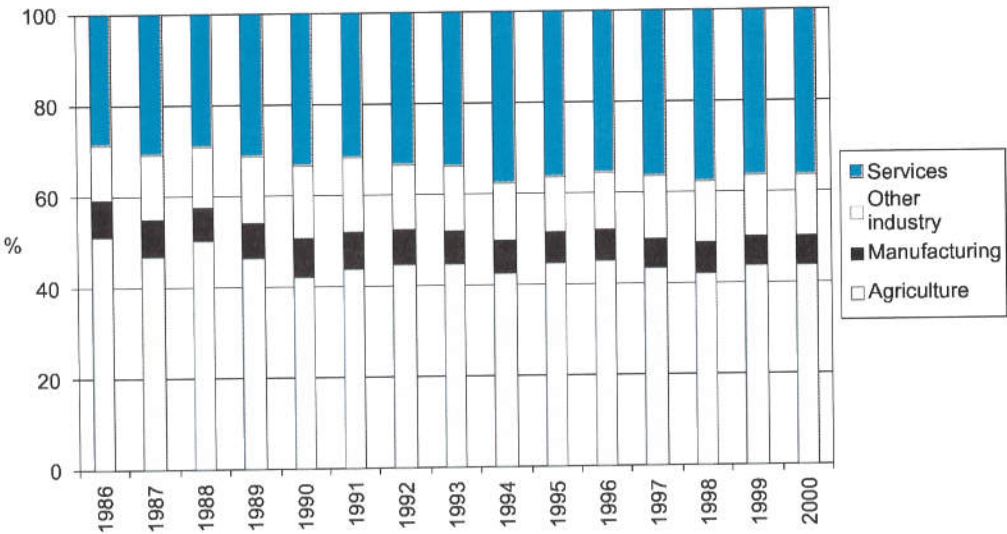
Real economic growth surged upwards in 1995 after recording a sluggish performance between 1992 and 1994. Heavy reliance on agriculture and mining renders Tanzania’s economy vulnerable to external shocks, such as international commodity price fluctuations and adverse weather conditions. Drought hampered agricultural production in 1997 and 1998, while the shortage of water further led to electricity load shedding and declines in industrial production. The El Nino floods seriously damaged the transport infrastructure as well as certain crops.

Figure 2.89: Growth in GDP, 1987 - 2000



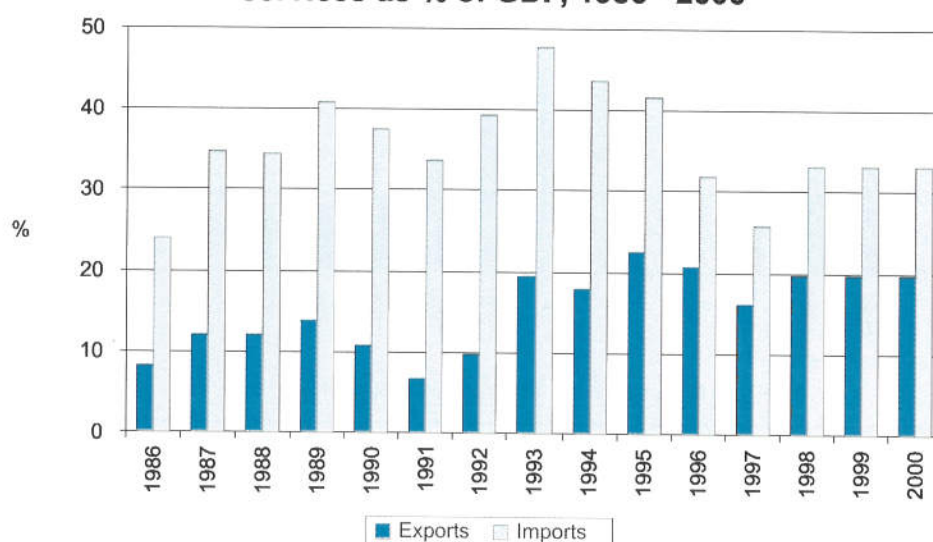
Agriculture is the economic lifeline of Tanzania, while mining and tourism are important growth sectors. Agriculture employs more than 80% of the labour force and accounts for more than 40% of GDP. Tanzania is rich in mineral resources, but considerable investment is required to upgrade technology and renew aging plant and machinery. Mining is currently the most rapidly growing sector of the economy, but its overall contribution to GDP remains small. Many manufacturing concerns closed down or suspended operations for long periods during the 1980s, suffering from rising costs of fuel and other imports, a severe lack of foreign exchange, and frequent interruptions to the water and electricity supply.

Figure 2.90: Composition of the GDP, 1986 - 2000



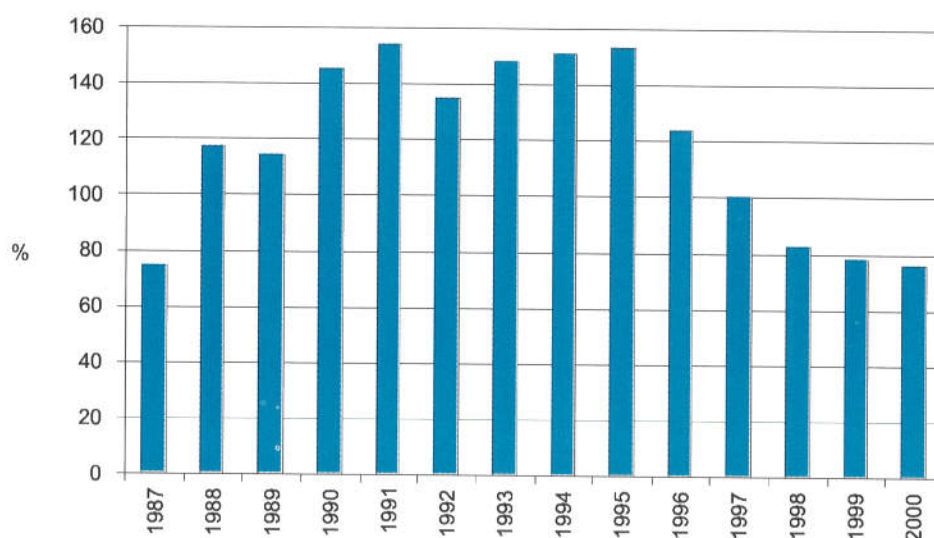
Tanzania has a substantially liberalised trade regime. Restrictions on imports have been removed, export and import procedures have been simplified and single channel export of traditional crops has been terminated. The main export goods are agricultural commodities such as coffee, tea, tobacco, cotton and cashew nuts. Receipts from tourism increased to almost 29% of total exports of goods and services in 1997. With the progressive programme of trade liberalisation, imports have grown rapidly in the 1990s. The main growth has been in consumer goods which accounted for less than 10% of total imports in 1990 but almost 50% in 1999. The balance of payments remains vulnerable to climatic disruptions and fluctuations in commodity prices.

Figure 2.91: Exports and imports of goods and non-factor services as % of GDP, 1986 - 2000



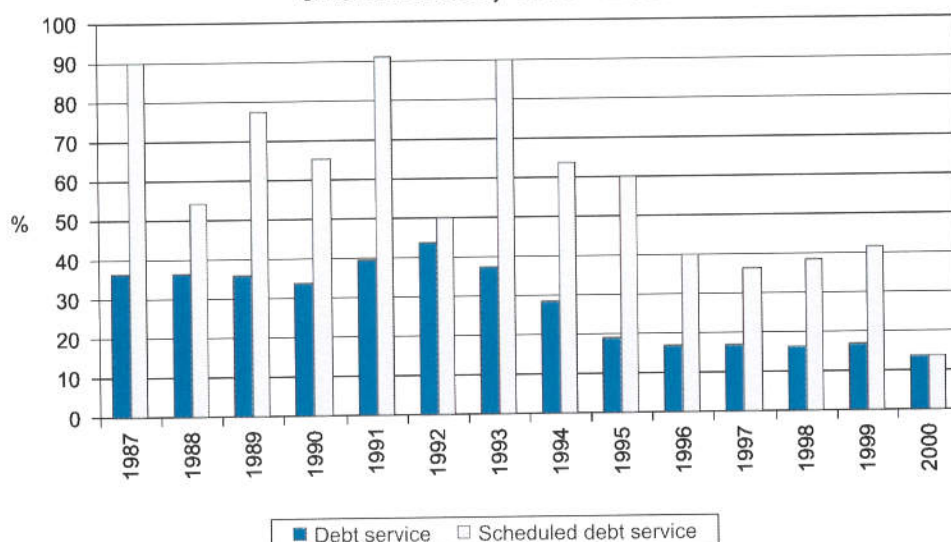
As a percentage of GDP, Tanzania's total external debt reached a peak of almost 160% at the end of June 1993 and then declined gradually to an estimated 76% in 2000. The country's total debt level makes it difficult for the government to allocate more funds to priority sectors such as health, education and physical infrastructure. The debt situation, however, improved when the Paris Club agreed in January 1997 to provide a flow rescheduling involving a 67% reduction in the net present value of debt of the Club. Also on 5 April 2000, the IMF and the World Bank announced that they would support a comprehensive debt reduction package for Tanzania under the Enhanced Heavily Indebted Poor Countries (HIPC) initiative.

Figure 2.92: Total foreign debt as % of GDP, 1987 - 2000



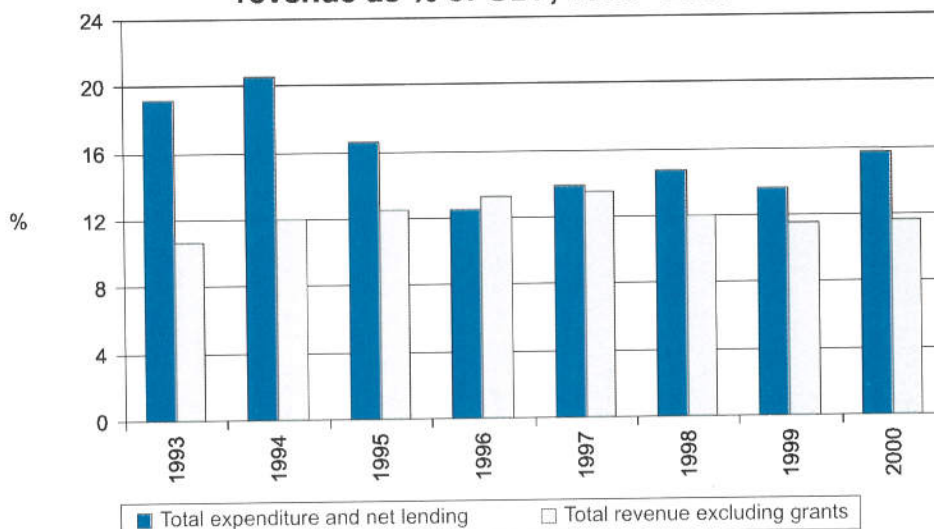
For the past two decades Tanzania's total scheduled external debt service payments as percentage of exports of goods and services has been double that of actual debt service payments, with the exception of three years, signalling a significant build-up of arrears. The decline in both these ratios in recent years has been the result of rescheduling and debt forgiveness.

Figure 2.93: Foreign debt service as % of exports of goods and services, 1987 - 2000



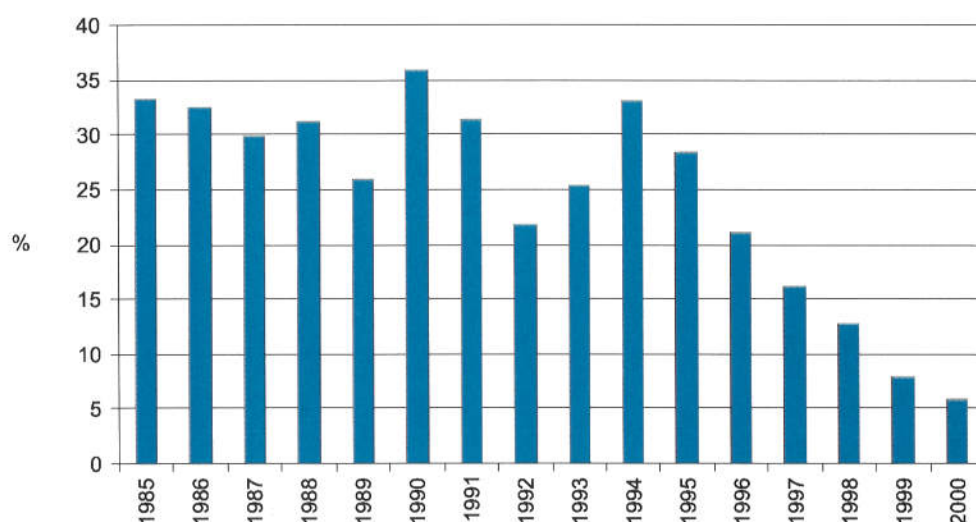
In the first half of 1996, the newly elected government introduced a stringent expenditure control, based on a rigorous cash management system. The two fiscal years to June 1997 witnessed major progress toward achieving Tanzania's stabilisation objectives. After several years of government dissaving, government current savings were positive in 1995/96 and remained at 1.6% of GDP in 1996/97. Government revenue was adversely affected by the Al Nino disruption in the subsequent two years. The cash management system nevertheless kept expenditure well within the constraints of revenue and external aid, permitting the government to repay substantial amounts of domestic debt. An important aspect of fiscal consolidation has been the reform of the civil service. Government employment was reduced from 355 000 in 1993 to 263 000 in 1999.

Figure 2.94: Total public expenditure and net lending and total revenue as % of GDP, 1993 - 2000



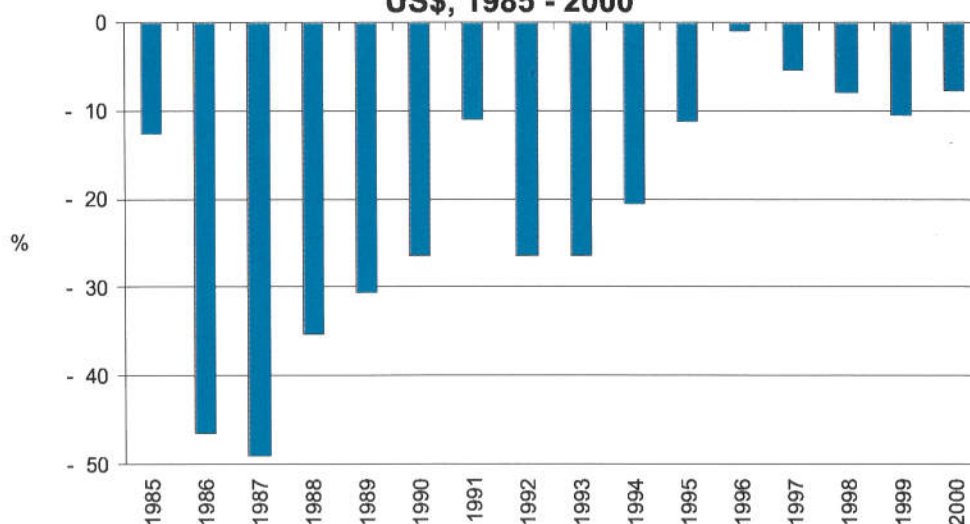
The inflation rate generally declined fairly sharply from 1995 onwards. A cautious budgetary stance and strict monetary policy assisted in bringing inflation down to 5,8% in 2000, the lowest rate in decades. The drought conditions during the fiscal year 2000/01 as well as the impact of the fuel price shock may exert an upward pressure on the rate of inflation in the near future. The anti-inflationary expectations arising out of recent macroeconomic policy successes may counter the effects of the drought and result in further declines in the average annual inflation rate.

Figure 2.95: Consumer price inflation, 1985 - 2000



The Tanzanian shilling has depreciated against the US dollar in every year since 1980, often by more than 20%. In 1987 the currency lost almost half its value. Since 1995 the exchange rate has been reasonably stable. It remained almost unchanged in 1996. Since then, higher rates of depreciation have been experienced, reaching an average of 10,6% in 1999, but the depreciation was subdued in 2000. The depreciation in the exchange rate has been triggered by a number of factors, the most common being temporary interruptions to foreign-exchange inflows.

Figure 2.96: Rate of depreciation of Tanzania Shilling versus US\$, 1985 - 2000



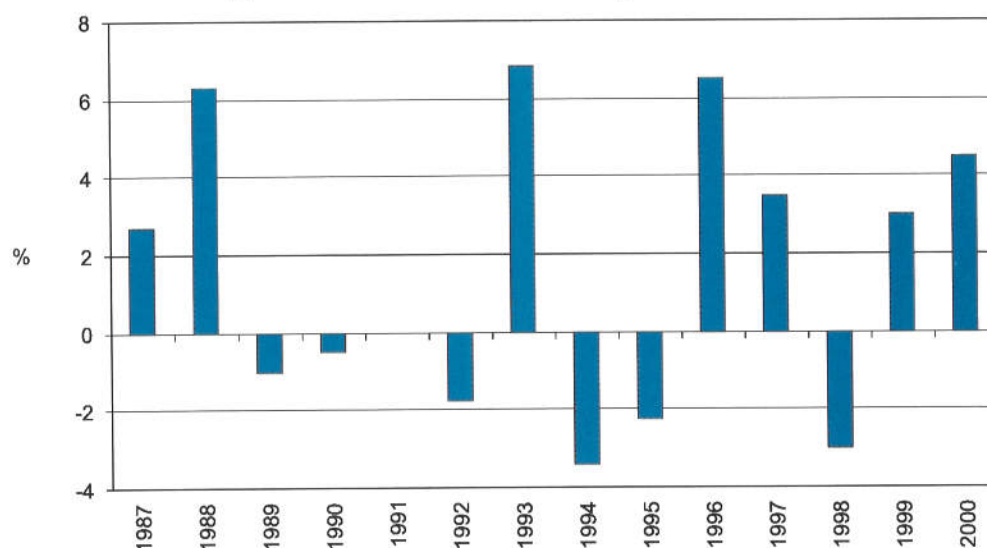
Inferences

Tanzania is characterised by a rich natural resource base, as well as its record of peace and political stability. However, the poor state of the physical infrastructure limits economic growth and development. The concentration of Tanzania's population on the periphery of the country leaves the central part relatively sparsely populated which poses considerable problems for transport and communications. The inadequacy of the transport system has acted as a severe constraint on expansion of production. The economy has suffered from power shortages and blackouts, having a high cost in terms of foregone output. Owing to the heavy reliance on the primary sector, Tanzania's economy remains vulnerable to external shocks such as international commodity price fluctuations and adverse weather conditions. The reform process by government is firmly on course and forecasts for Tanzania's economic future are positive.

Zambia

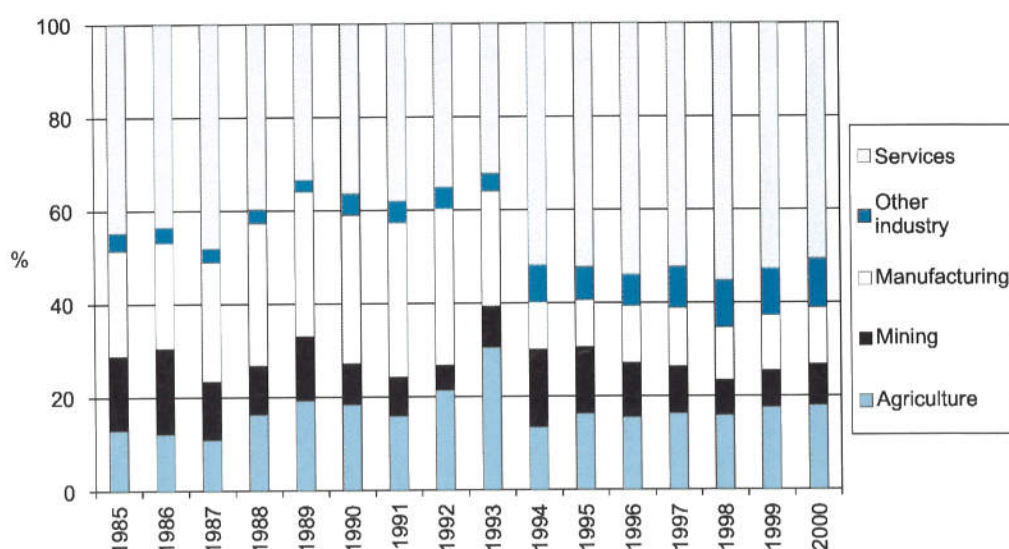
Zambia's economic performance since the mid-1980s has been poor, except for 1988, 1993 and 1996 when impressive real economic growth rates of in excess of 6% were recorded. Excessive debt-servicing commitments hampering government's ability to stimulate economic growth, a steady decline in mining output and weak average international copper prices are some of the factors contributing to this poor performance.

Figure 2.97: Growth in GDP, 1987 - 2000



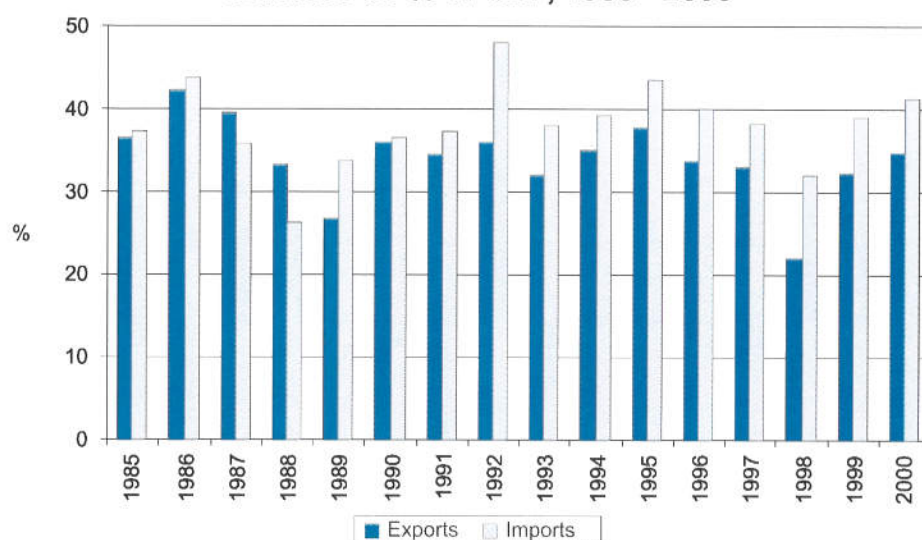
Agriculture accounted for 18% of GDP in 2000 but provided employment opportunities to an estimated 75% of the labour force. The strongest growth in recent years has been in the production of cotton, tobacco, vegetables and fresh flowers. Currently, however, there are signs of stagnation in these sub-sectors as grants and loans for projects are less forthcoming. Mining contributed just 8.7% of GDP in 2000, down considerably from a high of 16.7% in 1994. The fall is the result of lower mine output and declining world prices. Mining products still dominate Zambia's exports, accounting for at least 80% of export earnings.

Figure 2.98: Composition of the GDP, 1985 - 2000



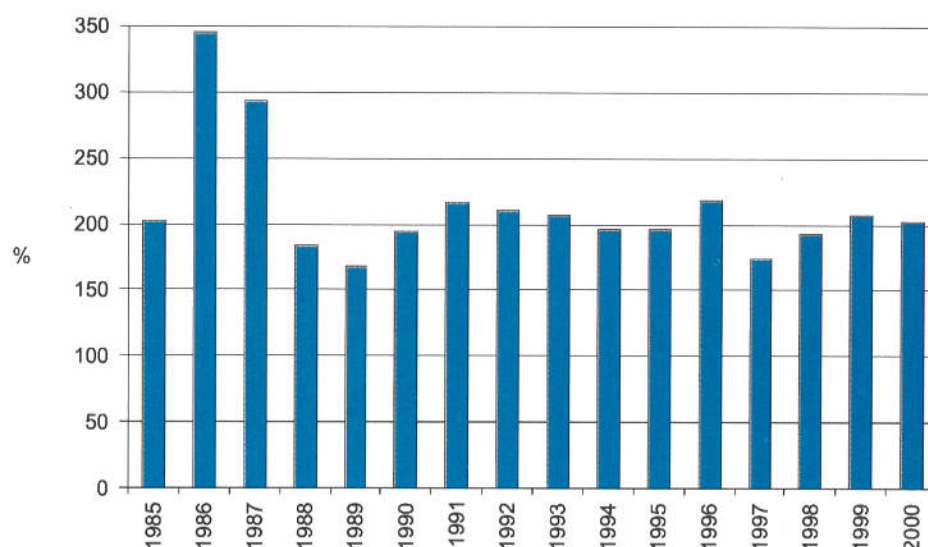
Zambia has a relatively open economy, with exports and imports of goods and non-factor services estimated at 35% and 41% of GDP respectively. The main export products are copper and cobalt which alone account for more than 70% of total export earnings. Whilst Zambia's merchandise trade balance usually hovers around zero, the country always had a deficit on its services account, which reflects the high cost in providing services such as freight and transport to the country. Its main source of services income is tourism. Large annual debt service obligations also contribute to the current account being in deficit since 1980, making the country highly dependent on donor assistance.

Figure 2.99: Exports and imports of goods and non-factor services as % of GDP, 1985 - 2000



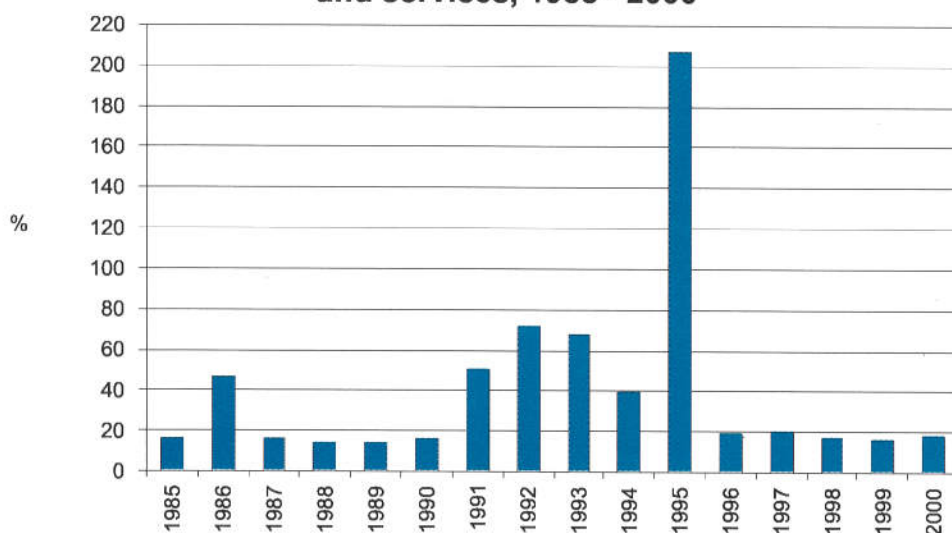
Zambia's external debt burden is exceptionally high and the total debt to GDP ratio has reached its lowest level (175%) since 1986 in 1997. Creditors cancelled US\$325 million in 1992 and US\$300 million in 1996 and the Paris Club rescheduled a further US\$650 million that same year. Britain and Germany also partially cancelled and rescheduled bilateral debt owed to them in 1999. The World Bank and IMF approved Zambia's access to the enhanced Heavily Indebted Poor Countries (HIPC) initiative, which entails further debt relief from the Paris Club and, for the first time, debt relief from the Bretton Woods institutions, in December 2000. Despite these initiatives Zambia's debt position remains extremely unfavourable.

Figure 2.100: Total foreign debt as % of GDP, 1985 - 2000



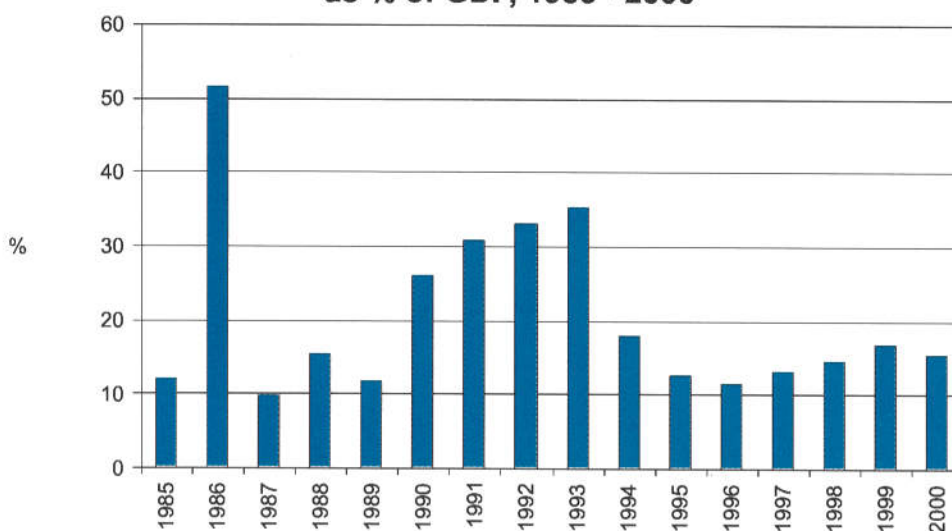
The debt service ratio of Zambia reached a high of 206,4% in 1995 when interest payments as percentage of exports increased to 43,6%. Both these ratios have subsequently decreased. Interest payments as percentage of GDP have declined from 15,8% in 1995 to an estimated 2,7% in 2000. The debt service ratio as percentage of exports of goods and services has reached its lowest level since 1990 in 1999, but has subsequently increased slightly.

Figure 2.101: Foreign debt service as % of exports of goods and services, 1985 - 2000



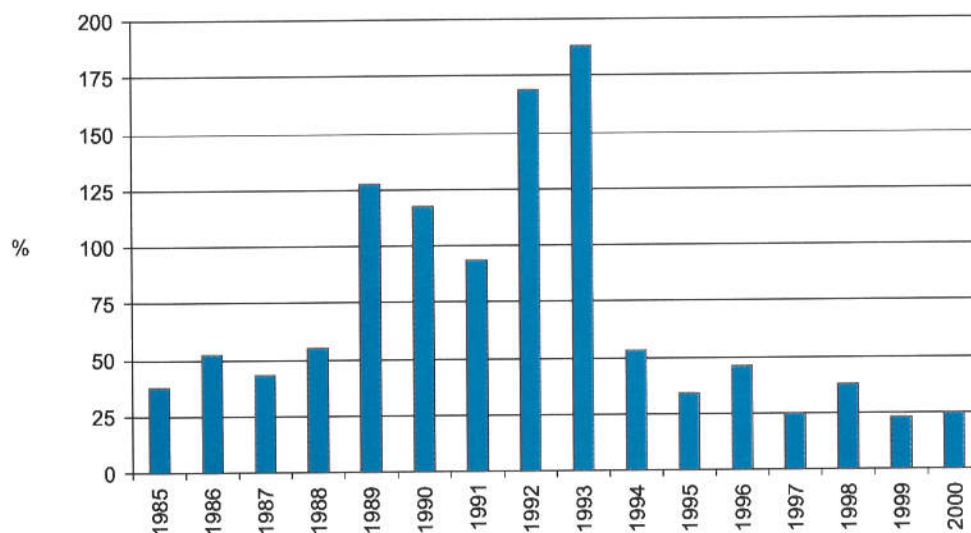
Zambia's fiscal situation has improved significantly during the past decade. The fiscal deficit before borrowing as percentage of GDP recorded its highest level in 1986 at 51,7%. After a sharp decline in 1987 it again increased to unacceptable levels in the beginning of the 1990s. The government responded with structural adjustment which included the retrenchment of public-sector workers, privatisation of state assets, reduction in public expenditure and increase in public revenue through, amongst others, user charges and semi-autonomous revenue service. After declining to 11,5% in 1996, the fiscal deficit as percentage of GDP has again increased slightly to over 15% in 2000. Despite these improvements, the government still relies on donors to finance its fiscal deficit.

Figure 2.102: Overall government deficit excluding all grants as % of GDP, 1985 - 2000



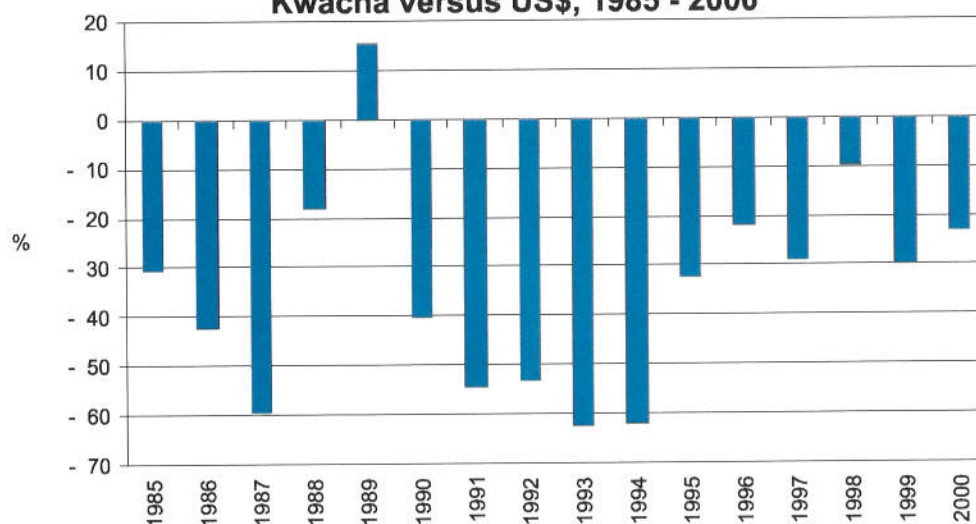
Zambia's inflation rate was extremely high during the early 1990s, mainly due to a lack of monetary and fiscal discipline and peaked at 188% in 1993. Largely as a result of tight monetary policy, the inflation rate decreased to 23% in 1999. Low increases in food prices due to an abundant food supply also contributed to the decrease in the inflation rate.

Figure 2.103: Consumer price inflation, 1985 - 2000



The Zambian kwacha was allowed to float freely in October 1992. Since then, the currency has depreciated almost continuously. Although the kwacha's devaluation assists Zambian manufacturing exports, the benefit is diminished by increasing costs of imports, including those of raw materials and semi-assembled goods on which Zambian manufacturing depends.

Figure 2.104: Rate of depreciation/appreciation of Zambia Kwacha versus US\$, 1985 - 2000



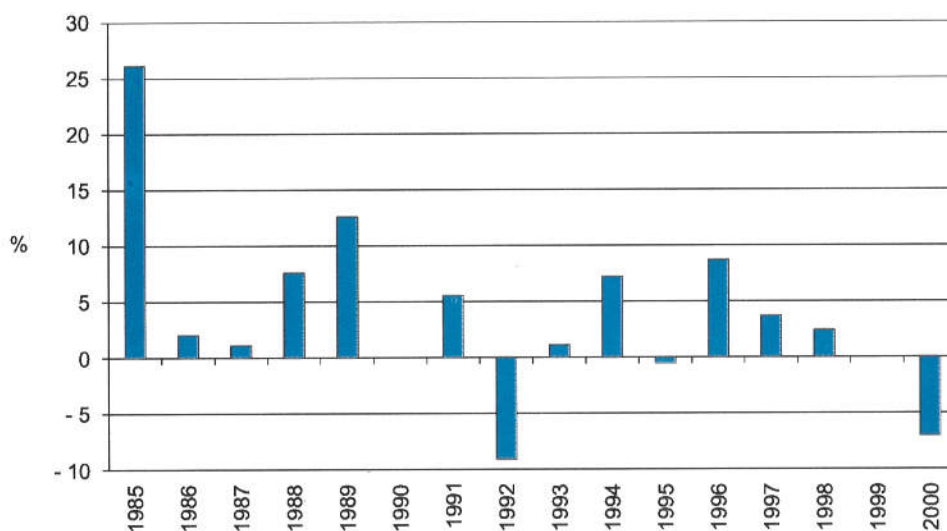
Inferences

Zambia's economy is reasonably diversified between mining, agriculture and manufacturing. Copper sales, however, usually generate about 50% of export earnings and cobalt another 20%, minimising earnings from other sources. The economy is thus heavily dependent on international mineral prices. The reliance on one or two commodities results in a high degree of vulnerability, clearly exemplified by the recent decision by Anglo American to cease its copper mining activities in the country with detrimental effects on the Zambian economy. The lack of a well developed infrastructure as well as the distance from harbour facilities have a negative effect on the Zambian manufacturing industry's competitiveness.

Zimbabwe

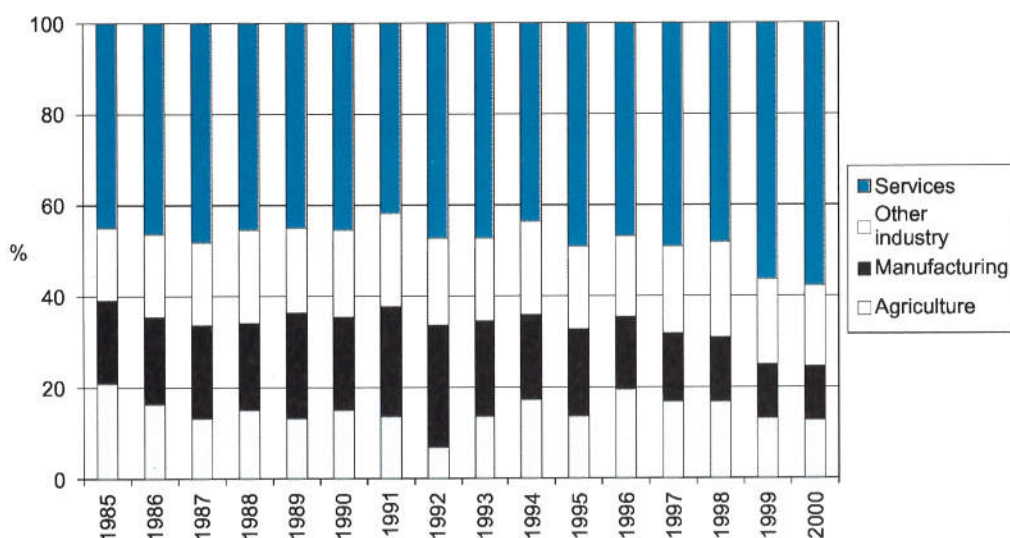
After independence in 1980, economic growth in Zimbabwe initially accelerated due to the return to peace, good rains and high domestic demand. The highest growth rate was recorded in 1985 when the economy grew at 26,1%. Since then the economy has been on a downward trend, and performed well for short periods of time, usually as a result of strong growth in the agricultural sector. Since 1990 the economy has grown at a rate in excess of 5% in the three years 1991, 1994 and 1996. Since 1996, the growth rate has decreased in every year because of economic and political crises in the country.

Figure 2.105: Growth in GDP, 1985 - 2000



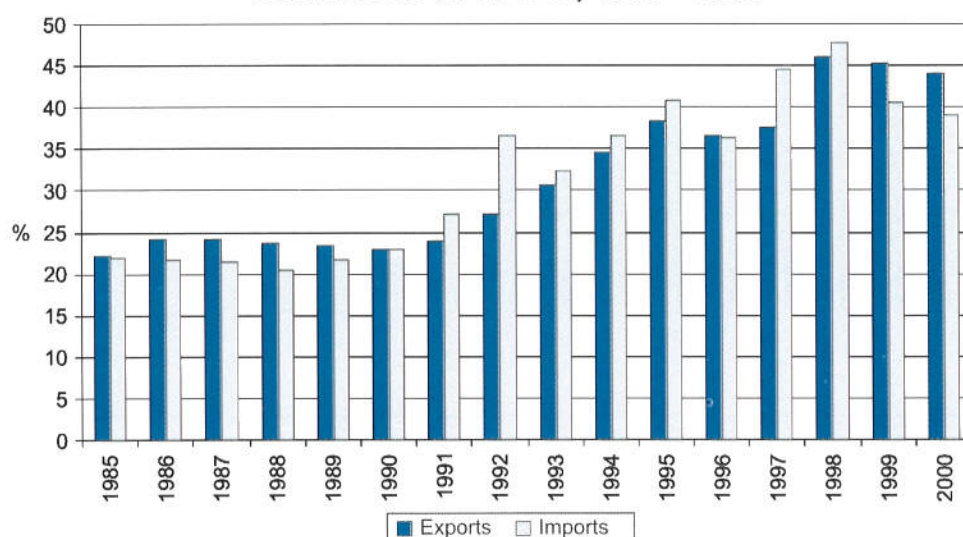
Zimbabwe has a relatively well-diversified economic structure, mainly as a result of international sanctions and rapid industrialisation since the 1950s. Zimbabwe has one of the largest, most diversified and integrated manufacturing sectors in the sub-continent. The performance of this sector is primarily steered by the agricultural sector. Agriculture is vulnerable to exogenous factors such as adverse weather conditions and erratic international commodity prices, especially tobacco prices. Since 1997, when the government designated 1 500 white-owned farms to be expropriated without compensation, the country has faced an economic crises. Farm invasions by war veterans in 2000 have had a serious detrimental effect on the economy.

Figure 2.106: Composition of the GDP, 1985 - 2000



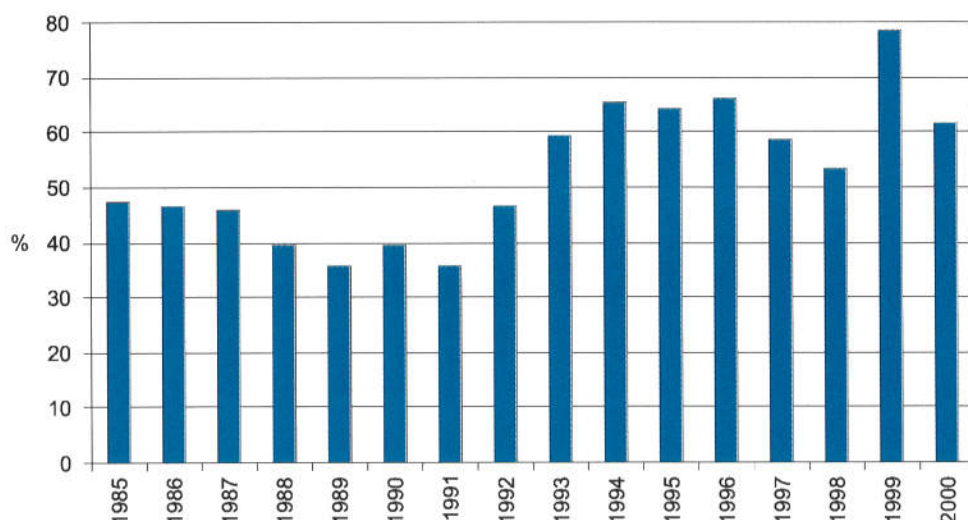
Since trade liberalisation started in 1991, foreign trade had grown rapidly. As percentage of GDP, total exports and imports combined, has increased from 45,7% in 1990 to 93,7% in 1998. Since then, it has decreased due to the economic and political crises. Merchandise exports consist mainly of mineral and agricultural commodities (especially tobacco), manufactured goods, and food, whilst imports are mainly machinery and equipment, manufactured goods and chemicals. The current account has remained in deficit since 1991 because of a negative merchandise trade balance as well as a negative services balance. The latter is the result of high freight and insurance costs for its trade due to the fact that Zimbabwe is a landlocked country.

Figure 2.107: Exports and imports of goods and non-factor services as % of GDP, 1985 - 2000



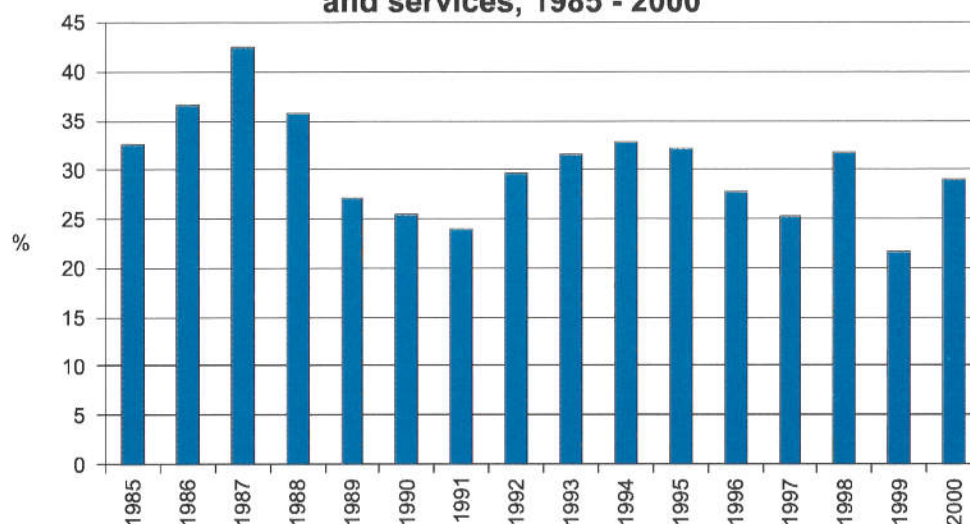
After economic reform began in 1989, foreign aid to Zimbabwe rose sharply but it has since fallen back as economic reform slowed down and the political situation deteriorated. The government has made widespread use of international official and commercial lending to help finance its growing budget deficit. The sharp increase in the debt to GDP ratio in 1999 is mainly due to the contraction of the economy in that year in nominal terms. The overall debt situation is highly unfavourable and by early 2001 the government had defaulted on debt payments to the IMF and World Bank as well as many official bilateral creditors.

Figure 2.108: Total foreign debt as % of GDP, 1985 - 2000



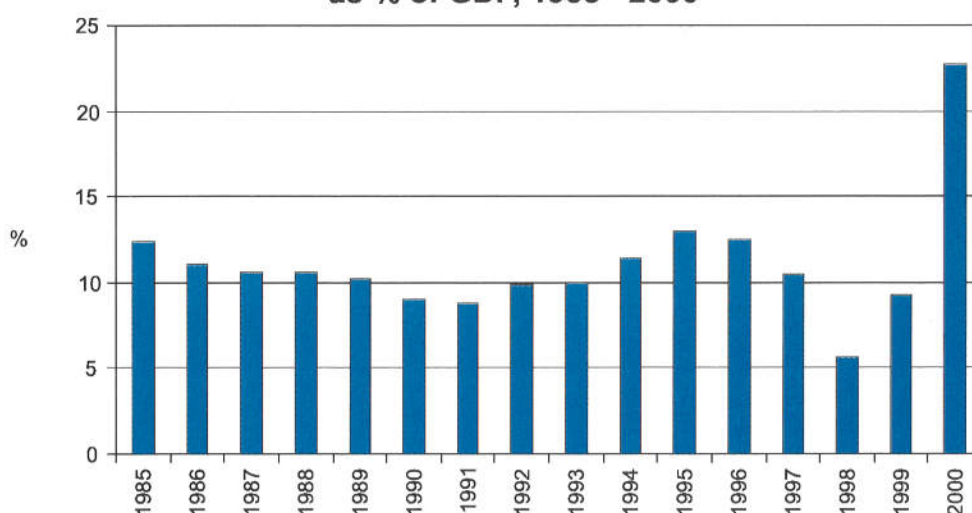
The debt service ratio has decreased from 42% in 1987 to an estimated 22% in 1999. It has again increased to an estimated 29% in 2000. The composition of debt service has also changed over the past two decades. Interest payments as percentage of exports have increased from 1,6% in 1980 to 10% in 1990, but decreased again to 8,3% in 1998.

Figure 2.109: Foreign debt service as % of exports of goods and services, 1985 - 2000



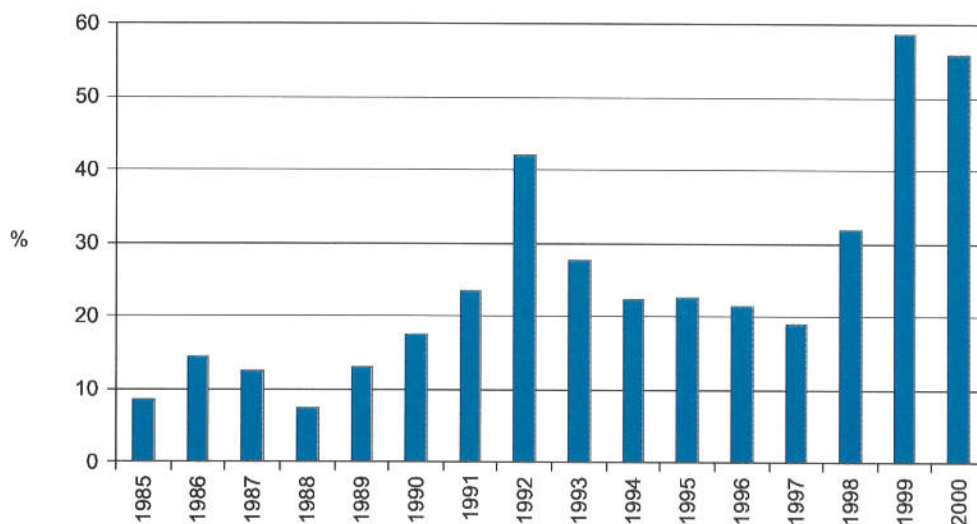
In 1990 the government introduced a five-year economic structural adjustment programme (ESAP) with the support of the IMF. Balance of payments problems in 1991 and droughts in 1992 and 1995 resulted in the IMF suspending their support in 1995 because of the rising budget deficit. Following renewed efforts to enforce fiscal discipline, the IMF released a first tranche of balance of payments support in 1998. However, the IMF suspended its agreement with Zimbabwe in 1999 because of concern over the government's lack of commitment to reform, uncertainties over the land reform programme and the government's unwillingness to reveal the true cost of its military involvement in the Democratic Republic of Congo. These factors and the political violence have resulted in further deterioration of the fiscal situation.

Figure 2.110: Overall government deficit excluding all grants as % of GDP, 1985 - 2000



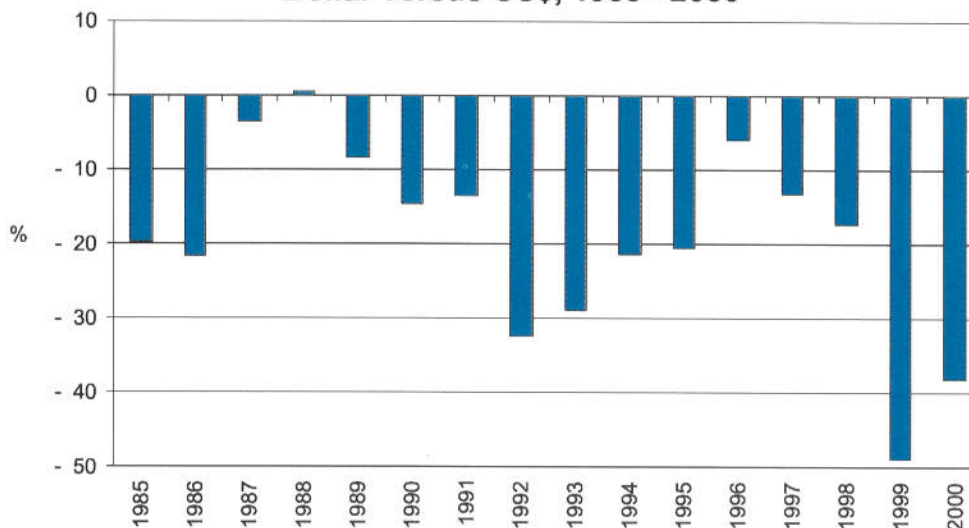
Zimbabwe's inflation rate increased dramatically in the early 1990s when extensive price controls, in place for many years, were abandoned and subsidies reduced. Although the inflation rate gradually declined until 1997, its level was still relatively high. Since then inflation has accelerated rapidly, mainly due to economic mismanagement. Excessive government expenditure due to amongst others, Zimbabwe's involvement in the war in the DRC which has necessitated increased borrowing, rapid depreciation of the currency increasing the cost of imports, food price increases, and continuous rises in fuel and electricity have fuelled inflation.

Figure 2.111: Consumer price inflation, 1985 - 2000



The Zimbabwean dollar was floated in 1994 and the currency has depreciated almost continuously against the US dollar. Economic and political instability prompted a run on the currency in November 1997, when it decreased in value by almost 50% against the US dollar before the central bank intervened to stabilise the currency. The central bank pegged the currency in the beginning of 1999, but reversed this decision in August 2000 because the currency became highly overvalued. In October 2000 the central bank again fixed the currency against the US dollar. The parallel market exchange rate has since depreciated significantly due to the economic crises in the country.

Figure 2.112: Rate of depreciation/appreciation of Zimbabwe Dollar versus US\$, 1985 - 2000



Inferences

Zimbabwe has a relatively well developed manufacturing sector, large-scale commercial farming, varied mineral resources and a relatively sophisticated infrastructure. The Zimbabwean economy is considerably more diversified than most other economies in southern Africa. However, the continuing political tensions and government's focus on political survival and the invasion of commercial farms by self-styled war veterans has a detrimental effect on the economy. Severe damage to the mining industry, manufacturing, tobacco farming as well as income from tourism has resulted. Against this background, foreign as well as domestic investment has plummeted and prospects for political and economic recovery remain bleak for the foreseeable future.

Glossary

Access to safe water is the share of the population with reasonable access to an adequate amount of safe water (including treated surface water and untreated but uncontaminated water, such as from springs, sanitary wells, and protected boreholes). In urban areas the source may be a public fountain or stand post located not more than 200 meters away. In rural areas the definition implies that members of the household do not have to spend a disproportionate part of the day fetching water. An adequate amount of water is that needed to satisfy metabolic, hygienic, and domestic requirements, usually about 20 litres of safe water a person per day. The definition of safe water has changed over time.

Access to sanitation refers to the share of the population with at least adequate excreta disposal facilities that can effectively prevent human, animal, and insect contact with excreta. Suitable facilities range from simple but protected pit latrines to flush toilets with sewerage. To be effective, all facilities must be correctly constructed and properly maintained.

The **adult literacy rate** is the percentage of people aged 15 and above who can, with understanding, read and write a short, simple statement on their everyday life.

Value added in **agriculture** measures the output of the agricultural sector (ISIC divisions 1-5) less the value of intermediate inputs. Agriculture comprises value added from forestry, hunting, and fishing as well as cultivation of crops and livestock production. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources.

AIDS cases refer to the number of cumulated reported cases among adults and children.

Consumer price inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a fixed basket of goods and services that may be fixed or changed at specified intervals, such as yearly. The Laspeyres formula is generally used.

Total **debt service** due is contractual debt service payments on total long-term debt (public and publicly guaranteed and private non-guaranteed) and the use of IMF credit beginning with 1989.

The **dependency ratio** is the total population divided by the number of employed.

Domestic absorption is the sum of private consumption, general government consumption and gross domestic investment.

The **employed** comprise all persons above a specified age who during a specified brief period, either one week or one day, were in paid employment or self-employment.

The **exchange rate** is a measure of the value of a currency against another currency.

Exports of goods and non-factor services represent the value of all goods and other market services provided to or received from the rest of the world. Included is the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. Labour and property income (formerly called factor services) is excluded. Transfer payments are excluded from the calculation of GDP.

Total **external debt** is debt owed to non-residents repayable in foreign currency, goods, or services. It is the sum of public, publicly guaranteed, and private non-guaranteed long-term debt, use of IMF credit, and short-term debt. Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt.

Total **fertility rate** represents the number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with prevailing age-specific fertility rates.

The **gross domestic product (GDP)** measures the total output of goods and services for final use occurring within the domestic territory of a given country, regardless of the allocation to domestic and foreign claims. Gross domestic product at purchaser prices is the sum of gross value added by all resident producers in the economy plus any taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. The residency of an institution is determined on the basis of economic interest in the territory for more than a year.

The **GDP per capita** is the GDP divided by total population.

General government consumption includes all current spending for purchases of goods and services (including wages and salaries). It also includes most expenditure on national defence and security, but excludes government military expenditures that are part of government capital formation.

The **Gini index** measures the extent to which the distribution of income (or, in some cases, consumption expenditures) among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. Thus a Gini index of zero represents perfect equality, while an index of 100 implies perfect inequality.

Government revenue includes all non-repayable and non-repaying government receipts other than grants.

Gross national product (GNP) is the sum of gross value added by all resident producers plus any taxes (less subsidies) that are not included in the valuation of output plus net receipts of primary income (employee compensation and property income) from non-resident sources. GNP, calculated in national currency, is usually converted to U.S. dollars at official exchange rates for comparisons across economies.

Gross capital formation consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including commercial and industrial buildings, offices, schools, hospitals, and private residential dwellings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales.

Human Development Index (HDI) is a summary measure of human development. It measures the average achievements in a country in three basic dimensions of human development: longevity, as measured by life expectancy at birth; educational attainment, as measured by the adult literacy rate (two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratios (two-thirds); and standard of living, as measured by GDP per capita (PPP US\$). The maximum value of the income component in the HDI has been modified to make it region specific and the SADC average real GDP per capita has been used as the income threshold level.

Imports of goods and services comprise all transactions between residents of a country and the rest of the world involving a change of ownership of general merchandise, goods sent for processing and repairs, non-monetary gold, and services.

Industry corresponds to ISIC divisions 10-45 and includes manufacturing (ISIC divisions 15-37). It comprises value added in mining, manufacturing, construction, electricity, water, and gas.

Infant mortality rate is the number of infants who die before reaching one year of age, per 1 000 live births in a given year.

Total **labour force** comprises people who meet the International Labour Organization definition of the economically active population: all people who supply labour for the production of goods and services during a specified period. It includes both the employed and the unemployed. While national practices vary in the treatment of such groups as the armed forces and seasonal or part-time workers, in general the labour force includes the armed forces, the unemployed, and first-time job seekers, but excludes homemakers and other unpaid caregivers and workers in the informal sector.

Land area (km²) is a country's total area, excluding area under inland water bodies, national claims to continental shelf, and exclusive economic zones. In most cases the definition of inland water bodies includes major rivers and lakes.

Life expectancy at birth indicates the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life.

Paved roads are roads that have been sealed with asphalt or similar road-building materials.

Total **population** is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship. Refugees not permanently settled in the country of asylum are generally considered to be part of the population of their country of origin.

Population density is midyear population divided by land area in square kilometres.

Primary school pupil-teacher ratio is the number of pupils enrolled in primary school divided by the number of primary school teachers (regardless of their teaching assignment).

The **primary sector** comprises the agricultural and mining sectors. Agriculture (ISIC divisions 1-5) comprises forestry, hunting, and fishing as well as the cultivation of crops and livestock production. Mining and quarrying is a subset of industry (ISIC 10-14).

Private consumption is the market value of all goods and services, including durable products (such as cars, washing machines, and home computers) purchased or received as income in kind by households. It excludes purchases of dwellings but includes imputed rent for owner-occupied dwellings. It also includes payments and fees to governments to obtain permits and licenses. In practice, private consumption may include any statistical discrepancy in the use of resources relative to the supply of resources.

Public health expenditure consists of recurrent and capital spending from government (central and local) budgets, external borrowings and grants (including donations from international agencies and nongovernmental organizations), and social (or compulsory) health insurance funds.

Annual percentage **real growth rate of GDP** at market prices is based on constant local currency.

The **secondary sector** includes manufacturing, construction, electricity, water, and gas.

Services correspond to ISIC divisions 50-99 and they include value added in wholesale and retail trade (including hotels and restaurants), transport, and government, financial, professional, and personal services such as education, health care, and real estate services. Also included are imputed bank service charges, import duties, and any statistical discrepancies noted by national compilers as well as discrepancies arising from rescaling. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources. The industrial origin of value added is determined by the International Standard Industrial Classification (ISIC), revision 3.

Telephone mainlines are telephone lines connecting a customer's equipment to the public switched telephone network. Data are presented per 1 000 people for the entire country.

The **tertiary sector** refers to wholesale and retail trade and restaurants and hotels; transport, storage, and communications; financing, insurance, real estate, and business services; and community, social and personal services (ISIC major divisions 6-9).

Total expenditure and net lending of government includes both current and capital (development) expenditures and includes lending minus repayments. Data are shown for central government only.

Urban population as percentage of total population is the proportion of total population that resides in areas defined as urban in each country and reported to the United Nations.