Report on the Economic and Social Conditions in Southern Africa 2012

Eighteenth Meeting of the Intergovernmental Committee of Experts for Southern Africa (ICE)

United Nations
Economic Commission for Africa

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Contents

Acronyms and abbreviations

AfDB	African Development Bank
AfGF	African Green Fund
AIDS	Acquired Immunodeficiency Syndrome
ART	Anti-retroviral treatment
BRICS	Brazil, Russia, India, China and South Africa
CAADP	Comprehensive Africa Agriculture Development Programme
CCBG	Committee of Central Bank Governors in SADC
COMESA	Common Market for Eastern and Southern Africa
DRC	Democratic Republic of the Congo
FDI	Foreign Direct Investment
FTA	Free Trade Area
GDP	Gross Domestic Product
HDI	Human Development Index
HIPC	Heavily-Indebted Poor Countries
HIV	Human Immunodeficiency Virus
ICE	Intergovernmental Committee of Experts
ICT	Information and Communication Technology
IGME	United Nations Inter-agency Group for Child Mortality Estimation
ITU	International Telecommunication Union
IMF	International Monetary Fund
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MEC	Macroeconomic Convergence (Criteria)
NEPAD	New Partnership for Africa's Development
OECD	Organization for Economic Cooperation and Development
PPP	Public Private Partnership
PMTCT	Preventing Mother-to-Child Transmission
REC	Regional Economic Community
Rio+20 2012	United Nations Conference on Sustainable Development
SADC	Southern African Development Community
SMEs	Small and Medium Enterprises
SRO-SA	United Nations Economic Commission for Africa, Subregional Office (SRO) for Southern Africa
TB	Tuberculosis
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
WSIS	World Summit on the Information Society

Foreword

The Report on the Economic and Social Conditions in Southern Africa 2012 is an annual parliamentary document prepared by the United Nations Economic Commission for Africa Subregional Office for Southern Africa (SRO-SA). This year's report was presented at the Eighteenth Intergovernmental Committee of Experts (ICE) for Southern Africa meeting held in Port Louis, Mauritius, 1-2 March 2012. The report aims to: (a) provide member States with an overview of the economic and social conditions in Southern Africa; and (b) provide policy advice on selected issues in Southern Africa.

Southern African countries have experienced strong growth rates averaging about 5 per cent in recent years, indicating that economic activity in the subregion continues to recover. However, this recovery, which is led largely by booms in commodity prices, remains precarious. Many of the subregion's traditional trading partners in the Eurozone are currently experiencing fiscal and debt challenges that are likely to weaken their demand for primary commodities. It becomes of paramount importance, therefore, that Southern African Development Community (SADC) countries develop strategies and mechanisms that will shield the subregion from the harsher effects of an economic downturn.

Given the uncertainty of future demand for primary commodities from Southern Africa's traditional trading partners, it is critical that SADC countries take this opportunity to diversify their economies. The subregion has yet to take full advantage of the opportunities accorded by such sectors as agriculture and tourism. Southern Africa should also seek to engage strategically with non-traditional trading partners such as Brazil, Russia, India and China (BRIC), in order to improve the quality of trade with these countries. Furthermore, the outcomes of the on-going Tripartite Free Trade Area (FTA) negotiations could potentially unleash economic benefits throughout the subregion by increasing intra-SADC trade and deepening regional integration.

It is also important that SADC countries prudently manage revenues from the extractive industry. Countries should seek to invest increased revenues from the commodity prices boom in infrastructural development as well as social programmes to ensure that the development is broad-based and has an enduring impact.

It is our sincere hope that the recommendations proffered in this paper are used to deepen discussions by policymakers and to guide policy interventions in the subregion, in order to foster sustainable socio-economic growth and development.

Sizo Mhlanga

Officer-in-Charge, SRO-SA

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Executive Summary

With sluggish recovery and growth in industrial countries, coupled with fiscal challenges in Europe, the demand for primary commodities in the short to medium term is likely to slump. Capital and aid flows to Africa are also expected to fall. While the Southern African Development Community (SADC) has generally been resilient to external shocks, the unfolding events in Europe cast uncertainty over the subregion's future economic outlook. Member States are therefore called upon to be proactive in exploring various interventions and policy options including adopting counter-cyclical fiscal and monetary stances to mitigate potential exogenous shocks.

In going forward, the subregion should take advantage of the opportunities presented by new and emerging markets, such as Brazil, Russia, India and China (BRIC), to build its buffer zones. Within the context of south-south cooperation, SADC is also urged to identify new poles of growth anchored on the subregion's vast resources and comparative advantages.

The subregion is urged to diversify its economic base taking into account the need for value addition and beneficiation in order to reap sufficient benefits from international trade. In line with diversification, agriculture holds the key to the economic survival of SADC countries as it directly employs in excess of 70 per cent of the subregion's inhabitants and has the potential to unleash huge social gains through job creation and poverty alleviation. In addition, SADC should promote and enhance intra-subregion trade based on each member's competitive advantages and the unfolding opportunities in the Tripartite Free Trade Area (FTA), which promise to increase trade between and among African countries.

In the face of a looming global recession, member States should resist running high current account and budget deficits. Based on unique country needs and specificities, public debts should be managed within agreed thresholds while inflation should be kept in check. Member States are also called upon to intensify their domestic resource mobilization strategies in the light of declining and unpredictable donor inflows.

A cursory glance at the subregion's social development indicators presents a mixed picture. While SADC countries have generally done well in attaining universal primary education, many challenges remain, such as tackling the quality of education and the gender disparities in completion rates. In addition, the subregion continues to register poor maternal, under-five and child mortality rates mainly driven by the inadequate health infrastructure, low budgetary funding and the HIV/AIDS pandemic.

Both communicable and non-communicable diseases, fuelled by a number of factors, are on the surge thereby putting a heavy strain on the limited existing health facilities in urban and rural areas. However, member States working with international cooperating partners are striving hard to address most of the health challenges including the HIV/AIDS pandemic.

Women and youth continue to be marginalized in various economic sectors, thus making it hard to attain their empowerment as enshrined in a number of regional and international instruments.

Despite this, some countries in the subregion have made modest progress in tackling gender inequality. Member States are therefore called upon to be proactive in mainstreaming gender and youth issues into their policy and legal frameworks in line with national, subregional and regional mandates. SADC countries must also scale up their efforts in order to reach the Millennium Development Goals (MDGs) and targets.

I. Developments in the World Economy and Implications for Southern Africa

1. Southern Africa is increasingly more integrated into the global economy and the current global economic climate that is afflicting traditional trading partners in Europe has direct socio-economic implications for the subregion. Global economic growth slowed down significantly in 2011, leading to the World Bank's downward revision of projected global growth in 2012 to 2.5 per cent, compared to the higher figure of 3.6 per cent forecast in June 2010. Uncertainties have deepened with worse than expected outturns recorded by major developed economies in 2011, with Italy and the Netherlands confirmed to be in recession early in 2012.

2. The Eurozone, and to a lesser extent the United States of America, continue to grapple with a widening fiscal crisis. Most of these developed countries are employing austerity measures to counter the effects of the crises. However, these measures are increasingly seen as inimical to economic recovery. The situation is particularly acute as many developed and developing country governments may have exhausted their policy space with the expansionary measures implemented to counter the 2008/2009 global economic and financial crises. The likelihood of the current crisis lingering on is thus a real danger.

3. Also at risk of contagion are the subregion's emerging southern trading partners, particularly the BRIC that collectively, led by trade with China, now command an increasingly larger share of SADC trade with the rest of the world (RoW). Weaker growth in major developed countries also spells a decline in their demand for the exports from these major developing countries that would otherwise have served as a buffer for SADC economies. This heightens the uncertainties and risks for the subregion.

4. SADC economic prospects could be affected through multiple channels, including trade, capital flows, remittances and tourism. SADC countries will increasingly face conditions of declining demand for their exports, which will exert downward pressure on global commodity prices (except perhaps for fuel prices, which are at risk of increasing) with potentially serious implications given SADC's continued high dependence on commodity exports. Cash-strapped developed country citizens will also be less inclined to travel resulting in a decline in tourism receipts. These various scenarios could all lead to deteriorating current account balances that impair mid- to long-term future growth prospects. Measures aimed at strengthening social protection and mitigating the jobless growth that has accompanied investments in extractive sectors could also be negatively affected.

5. A decrease in development assistance from European countries could also pose further challenges in managing public finance, especially in mobilizing resources for expanding infrastructure investments. These investments are critical for national and regional infrastructure development initiatives intended to enhance trade facilitation and boost intra-regional trade. The likelihood of the appearance or tightening of qualifying conditions to preferential trade schemes

is higher in the current economic climate, as developed countries, including the European Union, have already stated that trade policy will be used to advance their own values (e.g. respect for human rights) and to ensure that recipient countries take on certain responsibilities.

6. Despite the global uncertainties, economic growth for Africa as a whole is forecast to remain robust. The current spotlight on Africa as a vibrant growth pole and destination for investment could work in favour of SADC countries, but getting other elements right will matter. It is now more than ever critical to address the challenge of economic diversification. It is the ideal time for those SADC countries that are experiencing a current period of strong economic growth brought about by the commodity price boom to undertake difficult structural reforms with relatively less pain. Smart investments in education, research and innovation are required to facilitate economic diversification. The roll out of free primary education should be complemented by increased opportunities for apprenticeships and traineeships.

7. It is also difficult to envision sustainable growth and economic diversification in today's world without a digital revolution. This is another area deserving concerted action by SADC economies, including tackling the challenge of developing regional statistical databases related to the stock and use of information and communication technology (ICT). All these measures also have the added effect of making the subregion more attractive to foreign direct investment (FDI).

8. Further, the quality of emerging south-south trade should receive as much attention as the quantity of that trade. A more strategic engagement with southern partners is required, with a strong focus on small and medium enterprises (SMEs). Such an engagement would be the key in the drive to meeting employment targets and diversifying away from capital-intensive mineral sectors. Engagement with southern partners is also presenting opportunities in the area of development of agro-industries, which is good news for addressing the unskilled unemployment problem and for improving rural livelihoods.

9. A more strategic mind-set is important also when engaging with traditional trade partners in trade negotiations as they will be looking to use trade policy to increase their own growth and employment in order to climb out of economic recession. With trade in goods now virtually free, the pressure to liberalize services sectors has intensified. SADC should ideally aim to address services liberalization issues at the subregional level first, before engaging with external partners.

10. Intra-regional trade offers a safe berth for SADC countries to weather the global economic storm. The prospects for increased SADC trade through intra-regional integration have received a major boost from commencement of the Tripartite FTA negotiations in December 2011. The Tripartite FTA is expected to solve many of the constraints with compliance to and implementation of commitments rendered incompatible by overlapping memberships in the regional economic communities (RECs). It is also expected to address the infrastructure and trade-facilitation bottlenecks in the subregion.

11. Despite the many reasons for optimism, challenges remain. Analyses of the projected benefits of the Tripartite FTA point to the critical role of complementary trade-facilitation

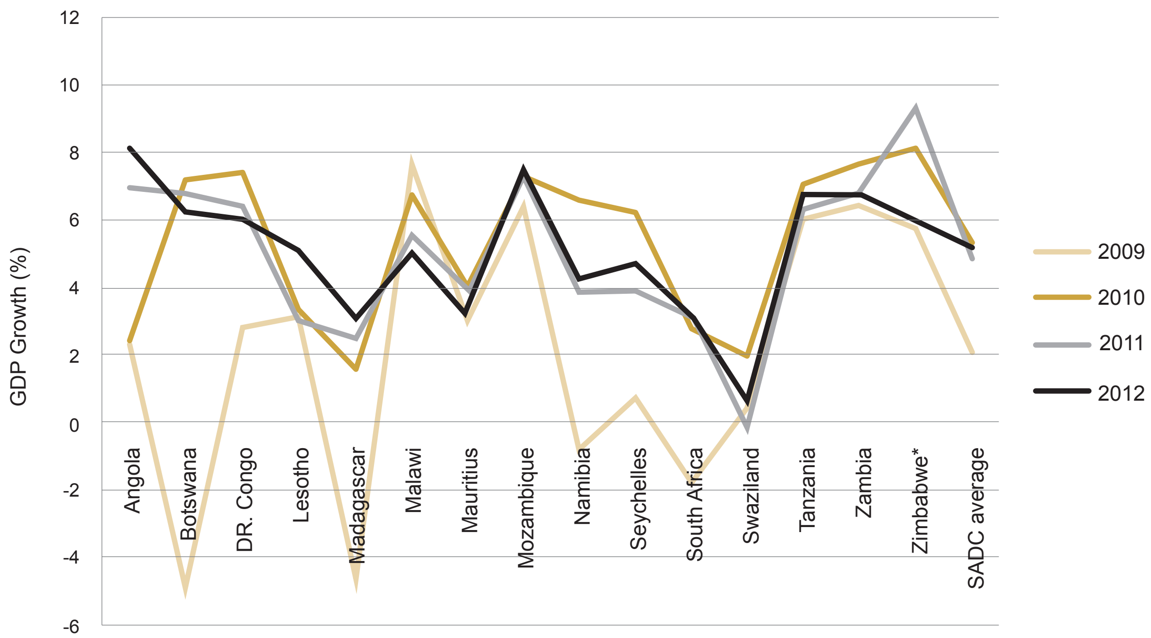
measures as a catalyst for unlocking the gains from wider regional integration. Given that SADC is already fairly integrated, as reported by the World Bank, many of the participating countries have already reaped the "easier" benefits and will now have to dig deeper and smarter to squeeze out additional benefits.

II. Recent Macroeconomic Performance in Southern Africa and Prospects for 2012

12. SADC countries that are highly dependent on primary commodities such as Angola, Botswana, South Africa and Zambia, have experienced an economic boom as global commodity prices remained high in 2010 and 2011. The subregion's GDP expanded by 5.0 per cent in 2011, which was below the African continental average of 5.3 per cent but well above the estimated subregional average of 2.1 per cent in 2009. The economic performance in 2011 was mainly underpinned by a combination of factors such as increased mining activity as a result of favourable commodity prices, the impact of stimulus packages used to counter the effects of the 2008/2009 economic and financial crises, increased capitals flows, improved manufacturing activity and increased public and private sector investments in infrastructure projects.

13. Almost all SADC countries registered positive growth rates in 2010 and 2011 confirming strong economic recovery (see figure 1). Botswana, Democratic Republic of the Congo (DRC),

Figure 1. Economic growth (%) in SADC countries (2009-2012)



Sources: Data Global Economic Prospects, 2012; (*) Data for Zimbabwe from Committee of Central Bank Governors in SADC (CCBG) 2011.

Malawi, the United Republic of Tanzania, Zambia and Zimbabwe recorded GDP growth rates of at least 7 per cent in 2010, thereby meeting the SADC convergence criteria and targets established by the New Partnership for Africa's Development (NEPAD) and by the Millennium Declaration.

Table 1.SADC growth dynamics and international targets and commitments by country1

Countries	2009	2010	2011	2012*
Angola	2.4	2.3	7.0	8.1
Botswana	-4.9	7.2	6.8	6.2
DRC	2.8	7.3	6.5	6.0
Lesotho	3.1	3.3	3.1	5.1
Madagascar	-4.6	1.6	2.6	3.0
Malawi	7.6	6.7	5.6	5.0
Mauritius	3.0	4.0	4.1	3.3
Mozambique	6.4	7.2	7.4	7.6
Namibia	-0.8	6.6	3.9	4.2
Seychelles	0.7	6.2	4.0	4.7
South Africa	-1.8	2.8	3.2	3.1
Swaziland	0.4	2.0	-2.1	0.6
Tanzania	6.0	7.0	6.4	6.7
Zambia	6.4	7.6	6.8	6.7
Zimbabwe*	5.7	8.1	9.3	6.0
SADC average	2.1	5.3	5.0	5.1

Sources: Global Economic Prospects 2012 (unless otherwise indicated).
(*) Data for Zimbabwe from CCBG, 2011

14. In 2011, just three countries (Angola, Mozambique and Zimbabwe) met the 7 per cent growth rate target. In that same year, Madagascar (2.6 per cent) and Swaziland (-2.1 per cent) recorded the lowest growth in the subregion (see table 1). Forecast economic growth through 2012 indicates that the countries of the subregion will present positive growth rates with at least nine SADC countries forecast to record higher than 5 per cent growth and with only Angola and Mozambique meeting the 7 per cent growth rate commitment (Global Economic Prospects, 2012).

15. The average GDP per capita[2] of SADC increased by 19.7 per cent from US$ 2821 in 2009 to $3377 in 2010, reflecting an improvement in economic activity in the subregion. In 2010, Seychelles ($10825), Mauritius ($7593), Botswana ($7403) and South Africa ($7275) registered the highest GDP per capita rates in the subregion. Namibia ($5330), Angola ($4423) and Swaziland ($3073) recorded relatively high rates of GDP per capita in excess of $3000. Corresponding rates of GDP per capita for the rest of SADC were less than $1500.

Table 2. Inflationary trends for SADC countries (consumer price index)

Country	2009	2010	2011 (Est.)	2012 (Proj.)
Angola	13.7	14.7	11.7	12.1
Botswana	8.2	7	6.1	5.3
DRC	46.2	23.2	10.2	9.8
Lesotho*	7.3	7.3	7.8	6.8
Malawi	8.4	7.7	7.6	6.2
Madagascar	8.5	9.6	10.1	9.8
Mauritius	2.5	2.9	3	3.9

[1] Green indicates meeting the convergence criteria and the NEPAD-MDGs commitment on growth (not less than 7 % economic growth).
[2] World Bank, World Development Indicators Database. Available from http://data.worldbank.org/indicator.

Country	2009	2010	2011 (Est.)	2012 (Proj.)
Mozambique	3.5	12.7	9.2	7.3
Namibia	8.7	4.5	6.1	5.5
Seychelles	31.7	-2.4	4.2	2.9
South Africa*	7.1	4.3	5.3	5.6
Swaziland	7.5	4.5	7.7	10
Tanzania	12.1	8.9	6.9	6.2
Zambia	9.9	7.9	7.1	6.2
Zimbabwe	6.5	4.9	5.9	4.7

Sources: African Development Bank (AfDB), African Economic Outlook 2011 (unless otherwise indicated); (*) Data from national statistics offices.

16. Over the last few years, countries across the subregion have managed to keep headline inflation at single digits through prudent monetary policy management in line with the SADC macroeconomic convergence target for the achievement of single-digit inflation of less than 5 per cent by 2012 and less than 3 per cent by 2018. During the period 2010-2011, almost 50 per cent of SADC member States (Angola, Botswana, DRC, Malawi, Mozambique, the United Republic of Tanzania, and Zambia) experienced appreciable declines in their annual inflation rates with the most significant reductions being recorded by DRC. The dip in inflation in DRC is attributed to, among other factors, better coordination of monetary and budgetary policies.

17. In Malawi, South Africa and Zambia, a recovery in agricultural production led to bumper harvests in cereals, which helped to ease pressures on domestic prices. Inflation in much of Southern Africa continues to be triggered mostly by high global food and energy prices and by volatile exchange rate movements. Energy and food generally have greater weight in the consumer price indices of the net importers in the subregion. Contributory factors at national level include wage increases and high public utility charges.

18. 2012 projections suggest that, apart from Angola and Swaziland, the majority of SADC countries will post single-digit inflation rates (see table 2). However, these projections also reveal that only Mauritius, Seychelles and Zimbabwe will attain the SADC target of less than 5 per cent inflation in 2012. Botswana is projected to miss the target only marginally. The target could prove overly ambitious for those member States that look to increase or maintain high public expenditures in order to achieve social development goals. Seychelles presents an interesting case where authorities eliminated the foreign currency black market and brought price inflation under control, thereby achieving negative 2.4 per cent (deflation) in 2010. Inflation in Seychelles is projected at 4.2 and 2.9 per cent respectively, in 2011 and 2012.

Fiscal performance in SADC

19. The impact of the 2008/2009 financial crisis explains to a large extent the poor performance against SADC fiscal balance targets in 2010. Angola, Botswana, DRC and South Africa exploited their fiscal capacities to run expansionary fiscal policy to stimulate domestic demand and mitigate the impact of global financial crisis. However, only six countries were able to meet the SADC target of reducing the fiscal deficits to 3 per cent of GDP in 2010 (see table 3).

Table 3. SADC debt and fiscal performance targets[3]

SADC target and MEC* criteria (2009-2012)	Deficit smaller than 3% of GDP by 2012			Debt to GDP ratio of less than 60%		
Country	**Fiscal balance as per cent of GDP**			**Public debt as per cent of GDP**		
	2009	**2010**	**2011***	**2008**	**2009**	**2010**
Angola	-9.1	1.5	12.5	17.6	22.6	19.1
Botswana	-5.6	-10.1	-5.8	4.5	6.8	25.5
DRC	0.6	1.23	-0.4	91.8	113.5	28.3
Lesotho	-3.8	-6.4	-13.3	55	40.1	36.8
Malawi	-5.7	1.9	-6.3	31.6	40.8	35
Mauritius	3.1	-4.5	-3.4	51.9	59.3	57.6
Mozambique	-5.4	-3.6	-5.7	40.5	43.7	54.7
Namibia	1.9	-7.1	-16.0	18.9	18	15.1
Seychelles	14.2	9.1	0.3	223	117	83
South Africa	-0.7	-5.5	-5.7	31.4	31.5	39.4
Swaziland	-7.1	-14.3	-10.0	16	12	14.4
Tanzania	-4.3	-8.8		31.5	40.9	43.2
Zambia	-2.6	-2.2	-4.5	26.7	26.4	27.6
Zimbabwe	0	3.3	-2.2	147.7	109.8	94.3
SADC Average	-2.12	-3.15	-4.7	56.29	48.74	41.00

Sources: CCBG, 2011; (*) IMF, various reports and Country Budget Statements.
** Macroeconomic Convergence*

20. Angola, DRC, Malawi and Seychelles managed to maintain budget surpluses in 2010. For Malawi, the budget surplus was attributed to a 49.7 per cent increase in domestic revenue and budgetary support grants. Madagascar fell just short of meeting the target but its performance was worse when compared to 2009. South Africa's budget deficit increased from 0.7 per cent of GDP in the 2009/2010 fiscal year to 5.5 per cent in the 2010/2011 fiscal year. The deterioration in fiscal balance was due to adjustments necessitated by the global financial crisis and expenditure on major infrastructure projects as the country prepared to host the 2010 FIFA World Cup. Zambia and the United Republic of Tanzania also experienced widening budget deficits in 2010 due to pro-cyclic declines in tax revenues as exports slowed down. Zimbabwe recorded a low budget deficit of 2.3 per cent in 2010, a result of austerity measures being implemented by the Government. International Monetary Fund (IMF) projections for 2011 and 2012 indicate that Botswana, Namibia, Seychelles, and Malawi are on track to meeting the SADC fiscal deficit target of less than 3 per cent of GDP.

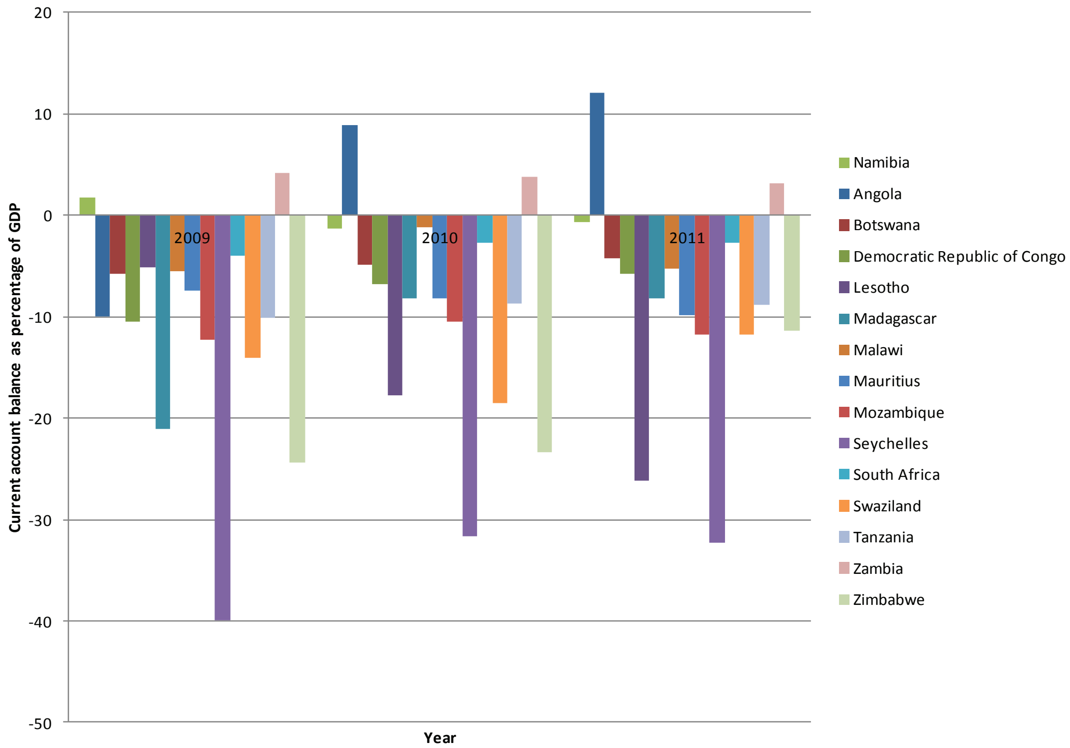
21. Most SADC countries maintained their public debt at sustainable levels due to expansion in economic activity and implementation of effective debt-management strategies. DRC joined the countries with a favourable public debt ratio in 2010. The remarkable improvement in the DRC debt situation follows a massive debt write-off by multilateral and bilateral lenders when the country attained the Heavily-Indebted Poor Countries (HIPC) completion point in 2010. Zambia, Malawi, Mozambique and the United Republic of Tanzania also benefited from debt-relief initiatives under HIPC and the Multilateral Debt Relief Initiatives (MDRIs).

[3] Green indicates meeting the SADC target.

22. Eight countries, namely Botswana, Lesotho, Malawi, Mauritius, Namibia, Swaziland, the United Republic of Tanzania and Zambia, met the SADC target of public debt at less than 60 per cent of GDP in 2010. Regarding prospects for meeting 2012 targets, IMF projections for 2011 and 2012 indicate that 13 countries - Angola, Botswana, Namibia, Mauritius, South Africa, Swaziland, Madagascar, Malawi, Mozambique, the United Republic of the United Republic of Tanzania, Zambia, DRC, Lesotho and Malawi are on track to meeting the target of a public debt of less than 60 per cent of GDP

23. Most countries in the subregion have strengthened their current account positions (see figure 2), although Eurozone economic problems may undermine external financing positions in 2012. The external position of the Seychelles has stabilized since the financial crisis. Sound macroeconomic policies and timely structural reforms, helped the country to rebound strongly. However, Seychelles, Lesotho, Mozambique, Swaziland and Zimbabwe are unlikely to achieve the SADC current account target of less than 10 per cent of GDP by 2012. The external position of Lesotho has deteriorated to unstable levels since 2009, with the current account balance worsening from -5 per cent of GDP to -18 per cent and -26 per cent in 2010 and 2011, respectively. Zambia consistently recorded current account surpluses since 2009 due largely to increased FDI inflows in the mining and services sector.

Figure 2. Performance against the SADC current account target (-9%) for 2012

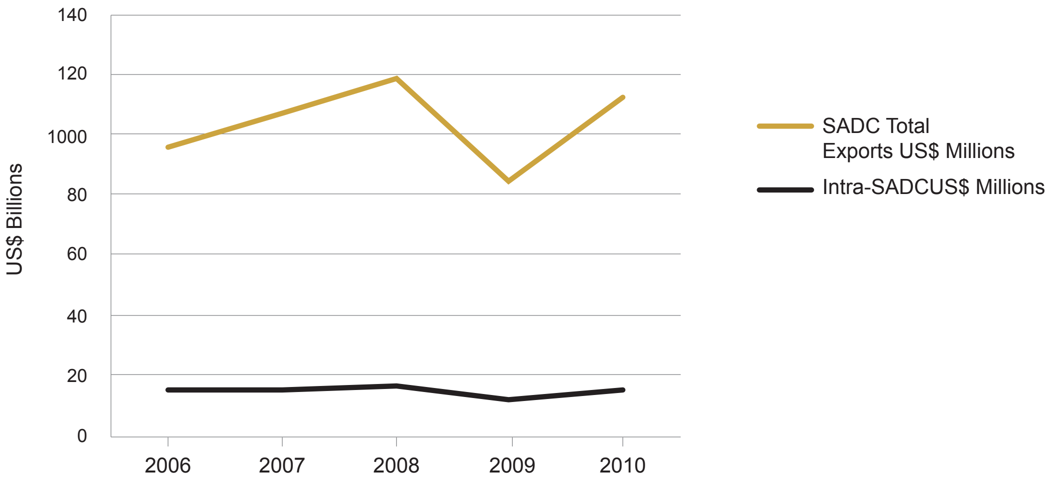


Source: International Monetary Fund, World Economic Outlook Database, September 2011.

SADC trade

24. The value of intra-SADC exports was estimated at $15 billion in 2010.[4] Although the increase of 3.2 per cent for the period 2006-2010 might appear small, growth in intra-SADC exports grew by 24.9 per cent during 2009-2010 to almost regain the pre-crises level attained in 2008. Furthermore, intra-SADC exports have more than doubled (154.6 per cent) over the last decade. These nevertheless remain a fraction of total SADC exports (see figure 3), averaging 16.5 per cent of the total for the period 2006-2010. Total SADC exports grew by 19.9 per cent during the same period. In 2010, total SADC exports were valued at $96.9 billion representing 0.3 per cent share of world trade, which was estimated at $30.2 trillion in 2010. The share of regional exports in world export trade averaged 0.7 per cent for the period 2006-2010.

Figure 3. SADC trade



Source: Compiled from data from UN Comtrade.

25. South Africa continues to dominate intra-SADC exports, accounting for 59.7 per cent of exports in 2010 and averaging over 50 per cent for the period 2006-2010. Similarly, South Africa accounted for 71.1 per cent of total SADC exports over the same period and 73.8 per cent in 2010. SADC exports continued to be dominated by primary exports and buoyed by high commodity prices.

Table 4. SADC exports by destination

Year	China	North America*	BRICS	EU**	RoW
2006	3.3%	9.3%	10.2%	34.4%	42.8%
2007	5.4%	10.4%	13.6%	32.8%	37.8%
2008	5.4%	9.7%	13.4%	32.3%	39.2%
2009	9.4%	7.9%	17.6%	27.5%	37.6%
2010	11.0%	8.4%	19.8%	26.3%	34.5%

Source: Compiled from data from UN Comtrade.
** Bermuda, Canada, Greenland, Saint Pierre and Miquelon, USA.*
*** European Union comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.*

[4] All figures quoted are based on data from UN Comtrade, which excludes (for reasons of unavailability) data from Angola, Democratic Republic of the Congo, Namibia (2009, 2010), Swaziland (2008, 2009, 2010), Lesotho (2006, 2007, 2009, 2010) and Seychelles (2007, 2009, 2010).

26. Since 2000, SADC countries have diversified their trade and investment towards economic linkages with Brazil, India and China. Non-traditional trading partners, such as the BRIC countries, absorbed 19.8 per cent of SADC exports in 2010 (see table 4). SADC exports to China alone rose three-fold (298.1 per cent) over the period 2006-2010. While the rise in south-south trade is seen as a positive development, questions remain with regards to the quality of trade. There is little evidence to suggest that trade with China has resulted in a structural change in production. Trade with China continues to be dominated by exports of primary products and the import of consumer goods, thus replicating the pattern of trade relations with traditional trade partners.

27. Traditional export markets remain important and command a significant influence on the prospects of the subregion in so far as they function as important anchors for SADC economies. Although the share of trade with the European Union has declined rapidly over recent years, it still remains substantially above that with China or other BRIC countries and a complete decoupling is not envisaged. In addition, the potential for the subregion to suffer from the so-called “resource curse” has been heightened as rising commodity prices have resulted in several SADC economies increasing their dependence on mineral exports over the last five years. The challenge of economic diversification is one with which the majority of SADC economies must grapple and remains a major limitation on their potential to reap significant and lasting benefits from wider and deeper regional integration.

III. Sectoral Developments

Agriculture and food security

28. The food security situation in SADC has been stable in recent years. This is mainly due to improved harvests caused by favourable rains and to boosts in agricultural production as a result of interventions by national governments. Even amidst the global food price surge in 2010, the good harvests moderated the food price increases for much of the year. However, in recent months, spikes in food prices have begun showing through higher headline inflation figures. Furthermore, in recent years the subregion has experienced a decline in net per capita agricultural production. This would suggest that agricultural production has not kept pace with population growth.

29. Despite some gains in agricultural productivity and food security, there is a high prevalence of undernourishment in the subregion. The proportion of undernourished people is higher than 20 per cent of the total population in more than 65 per cent of SADC countries. Only Mauritius presents an undernourishment rate lower than 10 per cent.

30. The SADC countries on track to meeting MDG 1 to halve the proportion of undernourished people in their total populations include Angola, Malawi, Mauritius, and Namibia. The countries not on track to reach the target include Botswana, Lesotho, Swaziland, Zambia, Zimbabwe, the United Republic of Tanzania and DRC. Angola, Malawi, Mozambique and Namibia have been identified as the four SADC countries that have substantially reduced the incidence of hunger between 1990 and 2010 (IFPRI, 2010). DRC has registered the highest increase in the incidence of hunger, followed by Zimbabwe and Swaziland.

31. The persistence of food price increases has adverse consequences such as deterioration of the current and fiscal account balances of net food-importing countries, as well as higher levels of poverty and malnutrition, with the possibility of unrest in some countries. If the current forecasts of drought in parts of the subregion materialize, this is likely to lead to cutbacks in agricultural output and increases in food prices.

32. In order to address the effect of rising food prices on the poorest and to reduce vulnerability to climate change, the subregion will need to strengthen its agricultural productivity through increased access to fertilizer, water for irrigation, and improved seed varieties. Furthermore, member States must expedite development of the rural infrastructure in order to meet the 6 per cent agricultural growth target set by the Comprehensive Africa Agriculture Development Programme (CAADP) for poverty alleviation and sustainable food security in the subregion. Advancing implementation of the Maputo Declaration, which calls for a 10 per cent public budget allocation to the agricultural sector, will be instrumental in addressing the undercapitalization of the sector. Despite the five-year deadline to implementing the Maputo Declaration, only Malawi managed to exceed the target and allocate 11 to 12 per cent of its national budget to agricultural and rural development in 2008/2009.

Mining

33. The mining industry continues to be the backbone of the economies of most of the subregion. In the recent past, member States have reviewed their mining laws in order to attract more investment into the mining industry. From 2008-2010, the industry did not attain high returns, mainly due to the global financial crisis. This was evident in the reversal in prices and the decrease in fiscal resources for treasuries in Southern Africa. In general, the mining sector plays an important role in the different economies of the subregion. The sector contributes 22 per cent ($92 billion) towards the total subregional output and 13 per cent (3.2 million jobs) towards subregional employment. The lower employment contribution signifies the relatively high capital intensity of the sector.

34. Despite the impacts of the global financial crisis, commodity demand prices are slowly rising and it is expected that the mining industry will continue to grow. The huge growth in China's industrial demands for materials, economic growth in Brazil and India and the relatively sustained consumption in the West is expected to continue and will thus provide markets for the minerals.

35. It is expected that industrialization and urbanization in Brazil, Russia, India, China and South Africa (BRICS) may take a further 10 to 20 years and this is likely to sustain demand for minerals and keep prices high. Trends in the mining industry indicate that the subregion will continue to be courted for its minerals given the revived interest by western countries as seen in the European Union Raw Materials Initiative, as well as in the increasing interest of China, Brazil and India.

36. The expected growth of the mining industry raises a number of considerations regarding maximization of the benefits of minerals extraction in a manner that is sustainable and human development centred. Some of the key policy considerations include utilizing the bargaining power of the countries to negotiate contracts that are beneficial to them and ensuring meaningful participation of citizens in the mining sector, beyond ownership. Such participation can be gained by stimulating local enterprises through strengthening linkages with large-scale mining operations, and with local procurement and other beneficiation activities. This entails ensuring the availability and accessibility of financial services, energy, logistics, communications, skills and technology development. These side-stream linkages help to support businesses elsewhere in the mineral chain.

37. Given that the subregion is already engaged in regional integration initiatives in industry and trade, it is advisable that efforts be made to forge better linkages with mining. The mining industry will benefit greatly if it is linked with industrial and trade policies. The subregion should also continue with structuring its fiscal regimes to encourage mining. Furthermore, member States should seek to: maximize revenue whilst ensuring transparency; increase citizen participation and accountability; value environmental resources; promote local development; strengthen institutions; build capacities; and develop networks.

38. In addition to the SADC organ responsible for mining, a number of facilities are available to assist in strengthening the mining industry for the benefit of development in its member States. These facilities include the Africa Mining Vision and the African Legal Facility under the

African Development Bank (AfDB) which builds capacity through training in effective contract negotiation.

Environment and climate change

39. Whilst the subregion's contribution to the accumulation of global gas emissions causing climate change is considered low, Southern Africa is amongst the areas most vulnerable to the impacts. The impacts are closely linked to issues such as agriculture and food security; increases in temperature; climate change-induced natural disasters; scarcity of safe drinking water due to droughts; spread of infectious and water-borne communicable diseases; forced migrations and displacement; energy access and availability; and disaster management and preparedness. Consequently, mitigation and adaptation measures have become significant priority development issues for Southern Africa. It is imperative that such measures be coordinated and implemented through robust national and regional frameworks.

40. The policy implication for Southern African countries in managing climate-change impacts through mitigation and adaptation measures is that these measures must be addressed as developmental issues. Furthermore, the subregion should acknowledge that mitigation and adaptation require not only access to existing funds but also exploration of innovative financing mechanisms as well as reallocation of capital away from activities that create pollution and environmental risk. There is no comprehensive assessment of the costs of a green economy transition for Africa. However, recent estimates of the cost of putting Africa on a low-carbon growth pathway are about $9-12 billion per year by 2015 while the incremental cost of adaptation in Africa is estimated at $13-19 billion, if proper actions are not taken now (African Development Bank, 2011).

41. In addition to global financing mechanisms, African countries could benefit from new funding instruments that are emerging at the regional level. For example, recent decisions adopted at the African Union Summit held in Malabo, Equatorial Guinea, in June 2011, requested AfDB to finalize an African Green Fund (AfGF). The AfGF is expected to complement existing instruments such as the Sustainable Energy Fund for Africa, the ClimDev-Africa special fund and other financing instruments. Limited financial resources can be a constraint to government action; hence, spending should be channelled into areas that can promote sustainable social, economic and environmental gains to society.

42. Government expenditure on the purchase of goods and services should be geared towards creating incentives to boost domestic demand and supply of environmentally preferable goods and services. Governments can also encourage green private investment through special incentives and through stable and predictable policy and market frameworks.

43. The subregion has expressed its sustainable development priorities in the context of the 2012 United Nations Conference on Sustainable Development (UNCSD), called Rio +20, through the SADC and the Common Market for East and Southern Africa (COMESA) frameworks. The priorities are poverty and inequality reduction; food security and agriculture; climate change and its impacts; water; energy; regional integration; human development; governance and democracy; economic growth and attracting investment for job creation. Also

of key importance are issues of market access and addressing supply-side constraints to trade; addressing the persistent debt burden in some countries and cushioning the development agenda from the declining levels of Official Development Assistance (ODA); and exploring domestic resource mobilization, industrial diversification and value addition to the subregion's resources.

44. Significant efforts are being made to create an enabling environment for development through improved governance and competitiveness. The over-reliance of the subregion and individual countries on donor funds makes predictable and long-term implementation difficult. It is therefore imperative that Southern African countries seek strategies for strengthening national and subregional resource mobilization. Institutional coherence amongst the development partners and United Nations institutions working in the subregion will contribute to strategic approaches to attaining sustainable development.

Information and communication technology

45. In the SADC Declaration on Information and Communication Technologies (ICTs) the Ministers of ICT declared that they recognized the need for ICT policies that promote sustainable economic development and that bridge the digital divide between the subregion and the RoW. Furthermore, they committed to ensuring the removal of barriers and to reducing the disparities between men and women, rich and poor, and rural and urban populations, thus enabling everyone to participate in the global information society as equal partners.

46. ICTs are a powerful catalyst for socio-economic growth, poverty reduction; attainment of the MDGs and achievement of the World Summit on the Information Society (WSIS) Geneva Plan of Action. Although growth in ICT in the Southern Africa subregion has been remarkable, much progress is still needed in order to close the digital divide between the subregion and developed countries. The development of national e-Strategies that are based on regional frameworks will enable SADC member States to respond effectively to the challenges faced. The e-SADC Strategy Framework prioritizes "creation of a predictable, transparent and non-discriminatory policy, legal and regulatory environment necessary for the development of the information society".

47. Harmonization of ICT laws and regulations is also imperative in keeping up with the changes in technology. Progress with development of ICT Master Plans for parliaments in Southern Africa is a first step towards mainstreaming ICT and towards early involvement of parliaments in ICT policymaking rather than only at the ratification stage. Countries that have made the most progress are those which have an up-to-date national ICT strategy and an implementation plan that includes funding mechanisms. Public-private partnerships (PPPs) are a growing funding mechanism trend leveraged by many countries to facilitate implementation of broadband technology.

48. The number of optic fibre cables around Southern Africa is increasing. This is to facilitate the expected growth in use of broadband, general use of the Internet and affordability of the service, removal of the current bandwidth bottlenecks and reduction of the cost of international bandwidth. The EASSy submarine cable and others are now in full operation and more ocean-side countries are connecting. However, the available capacity is currently not reaching landlocked

countries in Southern Africa. NEPAD and other partners are working on several initiatives that aim to ensure that all countries on the continent have access to broadband and that bottlenecks are addressed.

49. As markets are increasingly relying on information as an input, high-speed Internet via broadband infrastructure accelerates the distribution of ideas and information and fosters competition for and development of new products, processes, and business models, thereby further facilitating macroeconomic growth. In Southern Africa, 256Kb/s up to 2Mb/s is the average available bandwidth, whereas in developed countries 10Mb/s is the average. The challenge in Internet access in Southern Africa is therefore twofold. First, the digital divide threatens to widen information and economic disparities between more developed countries and developing countries. Second, the limited availability of broadband access could easily widen disparities between the economically-advantaged and disadvantaged populations within countries.

50. The ICT growth achieved in the last two years in the subregion has been seen in the subscription to and use of Internet, both fixed broadband and mobile broadband. Internet is the fastest-growing service. There continues to be an overall lag in the build-out of fixed and mobile broadband networks in landlocked countries in the subregion.

51. In 2010, International Telecommunication Union (ITU) estimated that more than 2 billion people were using the Internet worldwide. The fastest-growing trend on the Internet is social media (such as Facebook and Twitter). Facebook estimates that there are currently 800 million active users worldwide and 350 million people access Facebook via mobile devices. Some 38 million of these users are in Africa, with South Africa accounting for over 4 million. Social media is definitely one of the newest and fastest-growing communications mechanisms.

52. The fixed-line telephony penetration rate has not changed, with the average rate in sub-Saharan Africa remaining at 4 per cent since 2006, whilst the SADC subregion recorded a slightly higher average penetration rate of over 6 per cent in 2011. This service is no longer growing because it is infrastructure-intensive and wireless mobile offers a less expensive substitute. There has also been a decline in the growth rate of cellular mobile customers worldwide. Countries such as Botswana, Mauritius and South Africa are reporting mobile cellular penetration rates of 118 per cent, 93 per cent and 101 per cent respectively. This indicates movement towards saturation in those countries. Nevertheless, there is room for growth and investment in the cellular mobile networks in the other Southern African countries as the penetration rate was between 20 and 67 per cent in 2010. The mobile telephone is the most prevalent method of communication is the subregion with a penetration rate of over 60 per cent in 2011.

53. Globally, prices for services and equipment have been declining over the last few years in the subregion. However, ICT costs are still too high in relation to the income of citizens. Pricing remains a major factor in perpetuating the 'digital divide' as there is a close link between the affordability of ICT services and national income levels. The cost of infrastructure and customer equipment has an impact on the price of the services, which impacts usage. The current trend in ICT in Southern Africa is towards increasing the price for fixed, mobile and broadband services. In ranking, Mauritius, Botswana and South Africa have the lowest prices while Zambia, Mozambique, Madagascar and Zimbabwe have the highest.

54. Governments play a critical role in creating an enabling environment and removing barriers. In the current economic climate, most Governments see taxation of ICT as a revenue-generation tool. There is recognizable growth in ICT in the SADC subregion, and this is having some impact on governance, the economy and the society. Nonetheless, this growth is not sufficient for achievement of the WSIS Geneva Plan of Action or the MDG targets. A strategy for acceleration of infrastructure deployment, lowering prices and ensuring capacity-building is necessary for the subregion to realize the growth being experienced by Asian and Eastern European countries. The countries in these regions **witnessed drops in b**roadband prices by more than 50 per cent and a resulting increase in ICT usage. This scenario is only possible when Governments and lawmakers understand the benefits of ICT and integrate ICT strategies into their national development plans.

IV. Social and Human Development in Southern Africa

55. Although average per capita income in SADC is the highest in sub-Saharan Africa, poverty remains pervasive (AfDB, 2011) with approximately 45 per cent of the total population subsisting on less than $1 per day. Member States should seek to strengthen and effectively target their human development initiatives and social policies to tackle the issue of poverty in the subregion. Life expectancy in the subregion also remains low, below 50 years. This is due to the high levels of infant and child mortality and mortality resulting from HIV/AIDS and other communicable diseases. Public health remains a pressing developmental issue in the subregion.

56. Despite child and maternal mortality rates having declined in recent years, they still remain chronically high relative to other parts of the world. Maternal mortality ratios for the subregion are alarmingly high with many of the member States making 'insufficient' to 'no progress' in reducing the number of deaths. As most maternal deaths are preventable, the slow progress being made in this area is unacceptable. Whilst some member States are making progress in reducing the maternal mortality ratios, none of the countries in Southern Africa are 'on track' to achieving the goal of reducing the maternal mortality rate by 75 per cent between 1990 and 2015 (MDG-5)[5]. In order to address maternal mortality effectively, some of the key measures that need to be scaled up include ensuring skilled care at birth; emergency obstetric and new-born care; preventing mother-to-child transmission (PMTCT) and increasing HIV/AIDS services; capacity-building for healthcare workers; and integrated health service delivery and packages.

Table 5:Under-5 mortality levels and trends (deaths per 1000 live births)

	1990	2007	2008	2009	2010	Overall percentage change (1990-2010)	MDG Target
Angola	243	171	168	164	161	- 29.6	81
Botswana	59	52	52	49	48	- 18.6	20
DRC	181	177	174	172	170	- 11	60
Lesotho	89	112	99	92	85	- 4.5	30
Malawi	222	112	105	98	92	- 58.6	74
Mauritius	24	16	15	15	15	- 37.5	8
Mozambique	219	149	144	140	135	- 38.4	73
Namibia	73	50	47	44	40	- 45.2	24
Seychelles	17	14	14	14	14	- 17.6	6
South Africa	60	70	66	61	57	- 5	20
Swaziland	96	97	86	82	78	- 18.8	32
Zambia	183	128	122	116	111	- 39.3	61
Zimbabwe	78	92	88	83	80	2.56	26

Source: United Nations IGME 2011, Levels and Trends in Child Mortality

5 World Health Organization, World Health Statistics 2011

57. There is still much progress to be made in the area of child health and mortality. Most member States, with the exception of Zimbabwe, have seen reductions in the under-5 mortality levels compared to the 1990 baseline year (see table 5). Nevertheless, progress is urgently needed in order for child mortality levels to decrease and for the subregion to achieve MDG-4. The decline in child mortality rates is slowing down with several member States plateauing, or making modest reductions. In order for child mortality levels to continue to fall, gains in economic development must be made.

58. Furthermore, specific interventions are needed for reducing the levels of child mortality, such as pursuing gender equality and the empowerment of women; ensuring access to education and social services; improving water and sanitation and scaling up health care service delivery. Children who live in poorer households, rural areas and whose mothers have less education are at higher risk of under-five mortality. The major killers of children in the subregion are malaria, pneumonia, under-nutrition and diarrhoeal diseases. Governments are therefore urged to make targeted preventative and curative interventions in these areas.

59. Many countries in the subregion have made significant progress on selected social indicators such as gender parity in primary education. However, sustaining these gains and social progress in Southern Africa requires development coordination and better policy targeting. In total, the subregion faces uneven prospects for achieving the MDGs by 2015. Indications are that most of the countries will fail to meet a number of the internationally-benchmarked development goals and their related targets. It is necessary that member States refocus their development agendas to effectively tackle issues of human development. The tendency to centre the development discourse on increasing national income misses several dimensions of human development, such as ensuring good health and access to quality education and equitable justice.

HIV and AIDS

60. Although there have been steady declines in both the prevalence and incidence of HIV and AIDS across the globe in the last few years, Southern Africa continues to be severely affected by the epidemic. For instance, South Africa has more people living with HIV (5.6 million) than any other country in the world (UNAIDS, 2011). In addition, almost half of the deaths from AIDS-related illnesses in 2010 occurred in Southern Africa. In absolute terms, the number of AIDS-related deaths has been waning due to the availability of free anti-retroviral treatment (ART) being rolled out in the member States. Countries such as Zambia, Angola, Botswana and South Africa have scaled up the availability and use of the PMTCT services, which is having a positive impact on paediatric infections. Further, the subregion has recorded significant reductions in new infections since 2009.

61. In order to secure the gains made in this area, member States must seek to provide adequate public health infrastructure and services; improve the quality of education; and reduce unemployment and vulnerability among economically-disadvantaged groups, especially the youth. In addition, member States should be encouraged to invest sustainably in preventive measures through structuring health budgets and other essential expenditures in order to achieve zero new infections, zero discrimination and zero AIDS-related deaths by 2015, as urged by the United Nations General Assembly in 2011.

Health

62. The subregion continues to face a morbidity burden of communicable diseases. The disease burden has direct implications for productivity and economic prospects. In addition to experiencing high levels of communicable diseases such as malaria and TB, the subregion has also seen a steady rise in non-communicable diseases such as diabetes, high blood pressure, and obesity due to changing life styles. The situation has been compounded by inadequate health facilities relative to the demand, owing to low investments over the years.

63. Many member States are working with cooperating partners to undertake a number of policy reforms to address some of the challenges in the health sector such as inadequate infrastructure, and shortages of personnel and essential drugs. Nevertheless, in order to improve the health sector, member States must deliver on their commitments to ensure adequate financing and appropriate public healthcare policies. Almost all countries in the subregion have seen an increase in the total expenditure on health as a per cent of GDP. However, in 2008 only four SADC member States allocated more than 15 per cent of their national budgets to health[6]. All member States are urged to increase budgetary allocations to the health sector in line with the Abuja Declaration and other international commitments.

Education and training

64. The subregion has continued to record strides in the quantity and quality of education offered at different levels. With more member States abolishing user fees in primary education, access to primary education has increased. Nevertheless, given that the populations of school-going children and students are growing faster than many economies are able to absorb, Governments must make strategic decisions regarding the sectors of education that require the most investment and attention. Most countries in the subregion are investing at least 10 times the amount in each tertiary student compared to each pupil in primary school. In Madagascar, only 9 per cent of the school population goes on to university education. Yet this group consumes 27 per cent of all public funding for education.

65. Governments should therefore consider shifting more resources to lower levels of education, in order to attain the goal of universal primary education. Primary completion rates for the SADC subregion as a whole have continued to improve, especially in the urban areas. Gender parity at the primary level, defined as the ratio of female to male primary enrolment, has also scaled up for most countries since 2000. However, many countries have not yet attained gender parity in secondary and tertiary schools, although modest improvements are being made.

66. In going forward, there is need for SADC to strengthen the capacity of educational planners to monitor and evaluate the quality of their education systems. In particular, authorities need to tackle common challenges such as access to early childhood education, gender equality, HIV and AIDS, and other factors that have an impact on the overall quality of education. As education is the only viable means to escape poverty, member States are urged to increase the quantity and quality of public spending in the sector for effective and sustained outcomes.

[6] World Health Organization, World Health Statistics 2011

Labour and employment issues: youth employment

67. SADC has a predominantly youthful population, which is highly vulnerable to poverty and other forms of deprivation. Most of the youths are not formally employed as the economies in the subregion are not expanding at a pace fast enough to absorb the number of youths leaving tertiary and lower levels of education. Poverty in Africa, particularly in Southern Africa, is grounded in the unemployment problem and economic growth reduces poverty in so far as it addresses joblessness. Currently, unemployment levels in the subregion stand at over 20 per cent and this poses great challenges to efforts aimed at addressing poverty and income inequality.

68. A comprehensive approach is needed to address the problem of unemployment in general and youth unemployment in particular. Improvements are needed both on the supply and the demand side of labour, with policies and strategies depending on country specifics. In many countries, more needs to be done to improve the quality of the labour supply so that it better matches the skills required by firms. At the same time, labour demand needs to be boosted by further improving conditions for economic growth in general and for private sector activity in particular, including through the creation of new firms. SADC member States are urged to put employment creation at the centre of their macroeconomic frameworks and policies.

Gender and Development

69. Gender inequality remains pervasive in Southern Africa. Compared to their male counterparts, women continue to face greater challenges in health, education, economic and political empowerment. The SADC Protocol on Gender and Development outlines the most pertinent issues affecting women and girls in Southern Africa and also serves as the roadmap by which member States can shape their policies on issues of gender equality and women's empowerment. Progress with implementation of the SADC Protocol launched in 2009 has been mixed. Five of the SADC member States have both signed and ratified the Protocol, namely Lesotho, Mozambique, Namibia, South Africa, the United Republic of Tanzania and Zimbabwe. Malawi, Seychelles, Swaziland and Zambia have signed the Protocol but have not yet ratified it. Botswana and Mauritius have not signed the Protocol. Member States are encouraged to sign and ratify the Protocol in order to move the agenda of women's empowerment and gender equality forward in Southern Africa.

70. A key area in which member States should focus their efforts is the issue of female representation in positions of decision-making. Several member States have put in place strategies, legislation and campaigns to promote women's representation. Such strategies include affirmative action legislation; constitutional and public service quotas; campaigning and sensitization; training and capacity-building for women. However, despite these measures, member States have not yet reached the gender parity goal set by the African Union (AU) of 50 per cent representation by women in positions of decision-making.

71. Promoting gender parity in decision-making will allow policy choices and institutions to be more representative and responsive to the needs of all citizens. Enhancing the participation of women in Africa's development is essential to building a more peaceful, equitable and inclusive society. In line with gender empowerment, the SADC Summits have urged member States to develop innovative strategies towards the achievement of the gender parity goal.

72. Member States are also encouraged to strengthen their data collection and monitoring systems. Accurate and reliable gender-disaggregated data are essential for Governments to be able to design the most effective policies and strategies. SADC rolled out the first phase of the Gender Monitoring Tool in 2011 and twelve SADC member States have taken up the use of the tool and submitted their country reports to the SADC Secretariat. This is an important step towards capturing baseline gender-disaggregated data that member States can use to accurately assess the status and progress with women's empowerment. Furthermore, such data will also allow member States to design policies that effectively address the gender gaps. Member States that have not yet begun to use the Gender Monitoring Tool are urged to do so.

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